

A NEW WAY FORWARD

EMBRACING THE RISE OF THE
EMPOWERED PASSENGER IN ASIA PACIFIC



INTRODUCTION

PART ONE

NEW PATTERNS OF CONSUMPTION

THE DYNAMIC RISE OF THE ASIAN MIDDLE CLASS

PART TWO

CONSUMERS WANT CHOICE

EMBRACING THE EMPOWERED PASSENGER

PART THREE

THE CURRENT MARKET

THE DYNAMICS OF SUPPLY AND DEMAND

PART FOUR

GROW BY THINKING SMALLER

STRATEGIES FOR CAPTURING MARKET OPPORTUNITY

PART FIVE

SEIZING THE OPPORTUNITY

TOOLS FOR AIRLINE PROSPERITY

SHARE OUR VISION



Prospering in a new golden age

We are Embraer, the world's largest manufacturer of commercial jets with 70 to 130 seats, and leader of the segment that came from our vision. Now approaching almost 50 years of global commerce, we also have a vision for Asia Pacific as the world's most travelled region. That forecast is based on strong trends toward higher levels of middle class economic power and consumption — including widespread spending on air travel. Airlines can best prosper from this dynamic growth by understanding Asia's newly empowered consumers — where and how they want to fly — and by deploying the right aircraft to meet their needs and preferences.



PART ONE

NEW PATTERNS OF CONSUMPTION

THE DYNAMIC RISE OF THE ASIAN MIDDLE CLASS.

With prosperity comes opportunity

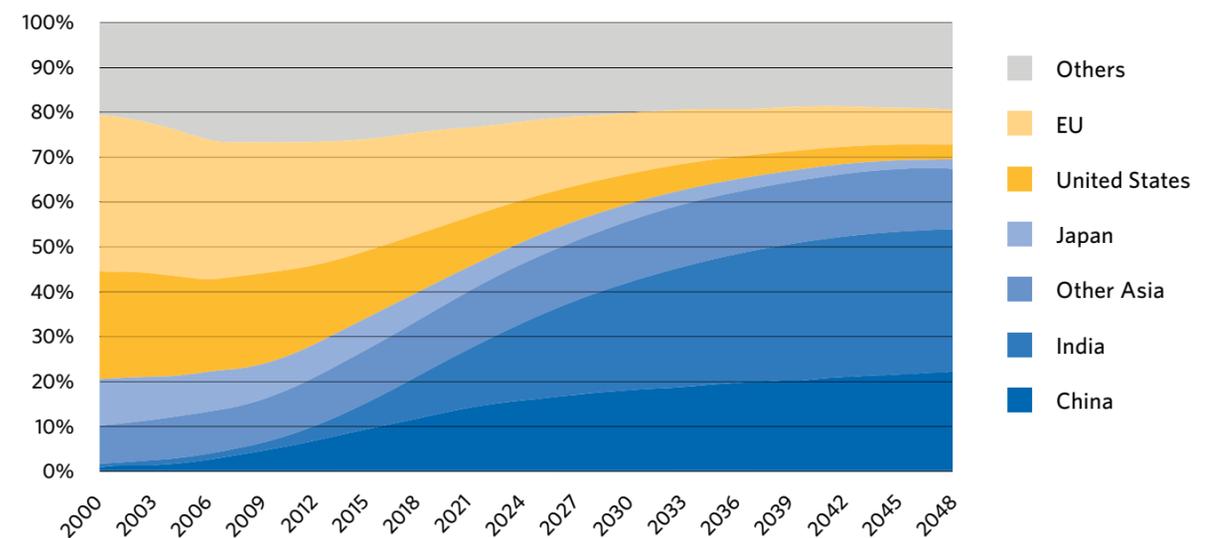
The signs are clear: Asia Pacific middle class consumer spending is increasing dramatically. And with the rise of the middle class, fundamental shifts in the marketplace for goods and services will follow. Of major significance to airlines is that, more than ever before, the world loves to fly. With more discretionary money to spend, people are eager to spend it on air travel, particularly in markets where there is new demand for connectivity. Increased prosperity and air transport demand go hand in hand. And therein lies great opportunity for airlines operating in the Asia Pacific region.



Purchasing power surges

The projected growth rate in Asia Pacific middle class consumption is a stunning 570% by 2030. In fact, by then, India and China alone will account for over 40% of the total spending by the global middle class. Therein lies tremendous potential for airlines who can respond strategically to the accompanying increase in air transport demand. Consumers are highly brand driven, and brands that lead the Asian market sit at the top end of the consumer curve. This represents an opportunity for airlines to position the exact image that they wish to capture. We believe that choosing an airline will become a consumer choice based on the driving needs of empowered passengers, balancing all the key elements in their decision — flexibility, choice, connectivity and price.

Shares of Global Middle Class Consumption
2000-2050



Source: OECD

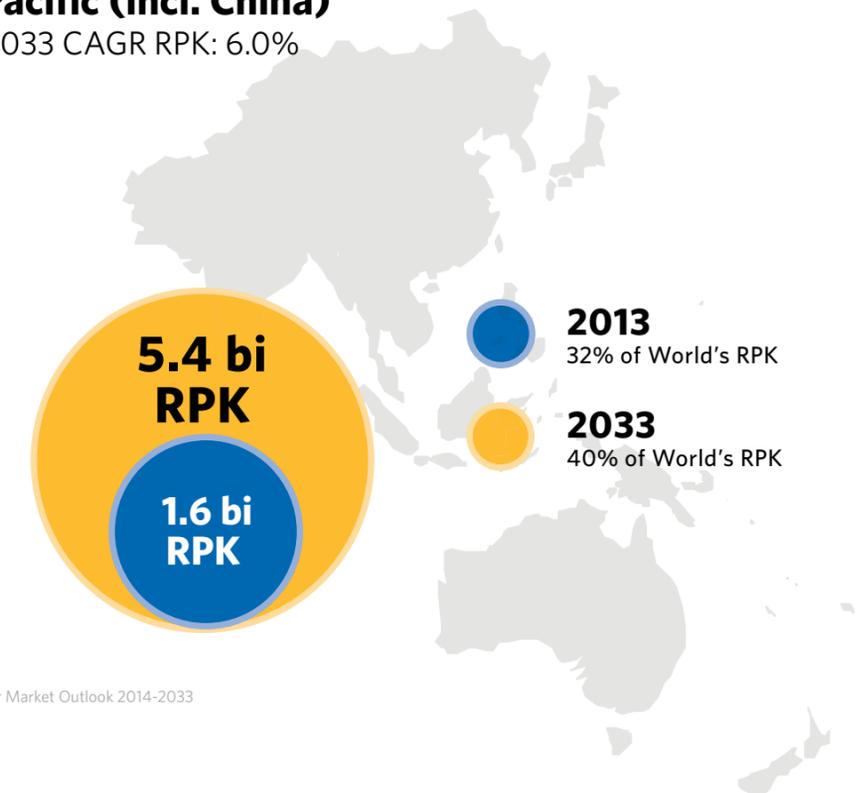


Demand is on the rise

The Compound Annual Growth Rate (CAGR) in Revenue Passenger Kilometers (RPK) for Asia Pacific is projected to average 6% between 2014 and 2033 — a higher annual rate than any other region of the globe. According to IATA, by 2034 nearly half of all air travel (some 2.9 billion journeys) will touch the Asia Pacific region (up from around 40% today). Over the next 20 years, Asia Pacific is expected to account for about two-thirds of global growth.

Asia Pacific (incl. China)

2014 - 2033 CAGR RPK: 6.0%



Source: Embraer Market Outlook 2014-2033



PART TWO

CONSUMERS WANT CHOICE

EMBRACING THE EMPOWERED PASSENGER

It pays to know your customers

The diversity of the Asia Pacific region is reflected in the diversity of its consumers, all of whom have different wants and needs. Airlines recognise that understanding these customers and their preferences is key to satisfying them. And satisfying them is all the more important in an age when customers are taking control. They are knowledgeable about choices. They know what they want. They are connected. And they are empowered to achieve their objectives. We see three main consumer types that characterise the preferences of the major passenger types within the Asia Pacific market. Deep down inside, all passengers share a desire to travel as effortlessly and comfortably as possible. But it pays for airlines to understand the characteristics of each category and to customise their products accordingly.



Travelling on Business

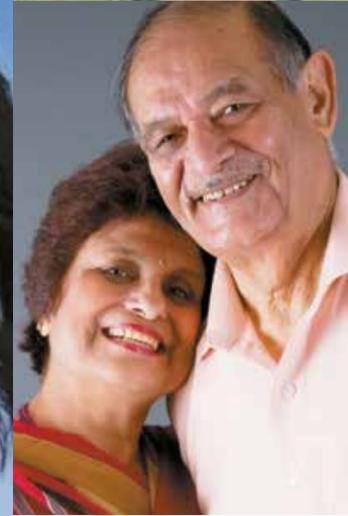
THE ROAD WARRIOR: Regional Marketing Director in a fast-growing Singapore-based company with offices throughout the ASEAN region.

He flies frequently on business, often at short notice; prefers non-stop flights, placing a high value on network and frequency; knows exactly which seat to select depending on the type of aircraft used; only occasionally travels with check-in baggage and does not expect to pay for it separately; appreciates lounge access where he can catch up on work through free wifi and enjoy refreshments

He looks for the minimum hassle when travelling and consequently avoids carriers where flight schedules are out of sync with his business agenda; expects priority boarding and to be recognised as a valued customer; prefers to fly non-stop where he wants to go, when he wants, and is willing to pay a premium for this advantage.

He is ambitious, brand-conscious, and brand-loyal; is enrolled in several frequent flyer and hotel programmes; will select jet routes over turboprops, citing their speed advantage, comfort and over-the-weather capability; selects a reliable legacy carrier for long hauls.

He seeks flexibility and choice as his time is valuable, and — as an empowered consumer — will pay more for what he wants.



Travelling on Leisure

THE WEEKENDERS: a successful family Doctor and his wife, who works for an international conglomerate as their Human Resources Manager.

They met at college and have two children, ages five and three; live comfortably and work hard; frequently take short breaks; regard their leisure time as valuable; look not only for monetary value but also for true connectivity; like to fly within a sensible schedule and will avoid the early morning and late night flights, even if they are cheaper.

They understand the association between price and quality of service; will compare prices and choose on true value rather than just the cheapest price; and know there is no such thing as a free lunch.

The whole family are high tech and internet savvy; book all the elements of their trip separately; know that the best way to relax is to make the travel experience as smooth as possible, which starts at the airport.

They want to be respected, treated as valued customers, and avoid hassle when travelling. They are empowered consumers who will use their experience when selecting air travel.



Travelling on a Budget

THE ASPIRING TRAVELLER: he graduated school at 18 and went to work in a furniture store, attends evening classes as he studies a business degree part-time.

He is an avid hiker and would love to visit undiscovered parts of the region and beyond, but is on a tight budget as he plans for his future and funds his own further education.

He gets to visit his parents in his home country at best twice a year, but would not miss these important family reunions; knows that you pay for what you get; accepts that his budget dictates sacrifices on convenience; always travels with his tablet and just forgets the flight as he plays games..

He first flew at age 22, on a trip with his uncle; loves to fly and is fascinated by aircraft; prefers jets since they get him there faster, but will fly on whatever is cheapest.

He has big plans for the future and one day hopes he can treat himself to a little more comfort. He will be an empowered consumer when he reaches his life goal, but until then accepts the compromise of flying with the cheapest deal.



PART THREE

THE CURRENT MARKET

THE DYNAMICS OF SUPPLY AND DEMAND

A Red Ocean

Key observations about the recent history of Asian air travel can help point the way to a more prosperous future for airlines. As demand for air travel surged in the region over the last decade, the rise of Low Cost Carriers was a direct and natural response. Some primary markets, however, are becoming over-competitive, which means that large-capacity aircraft are harder to fill, resulting in downward pressure on fares and ROI whilst other markets are demanding direct connectivity and frequency.

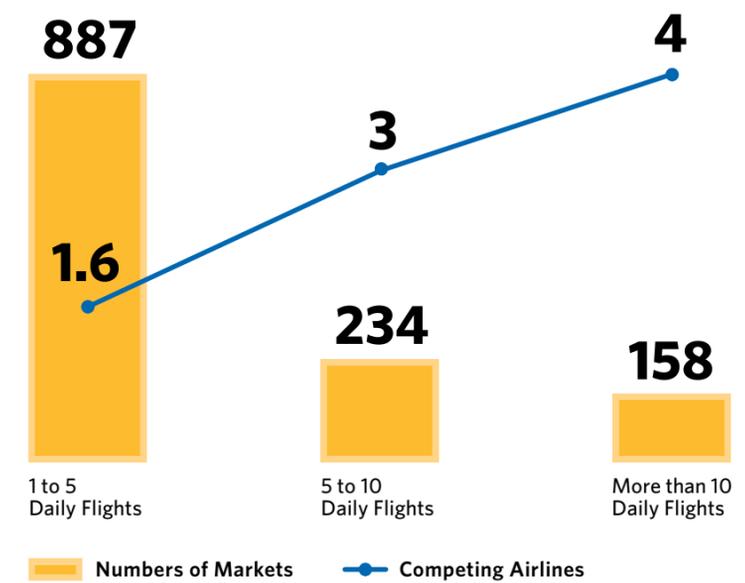


Matching supply and demand

As any leading economist will tell you, elasticity of demand is key to profitability. As the Asia Pacific market has grown, we have seen an increasing tendency to place ever-increasing capacity in primary markets, whereas other markets remain underserved and deprived. Everyone is chasing the same business. And this is problematic because secondary markets offer higher yield potential and are key to the growth of local economies. Secondary markets with less competition and lower density of traffic will offer new opportunities in the region, where demand for connectivity is high.

Airline Markets in Asia Pacific

Competitive Profile



Source: Embraer, based on 2014 schedules from IATA - PaxIS
Not including domestic China

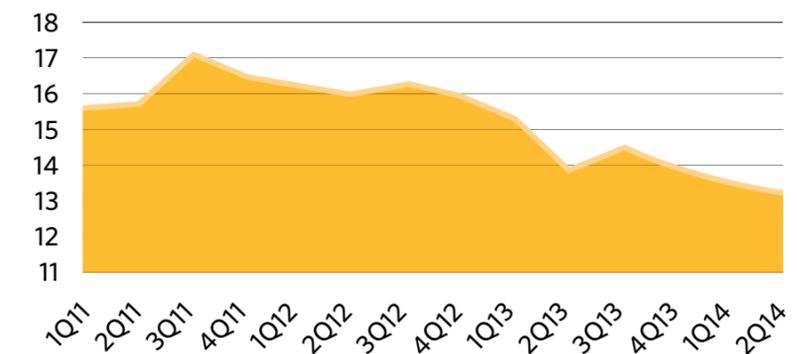


Yields under pressure

The large volume of capacity inflow has had an effect on ticket prices. Yields, as measured by fare per kilometer, have been declining. Due to their less competitive nature, secondary markets present a premium yield potential. Secondary markets are ripe with opportunities to enhance yield with the right capacity. Simple truth: deploying aircraft with fewer seats to fill can help boost profitability.

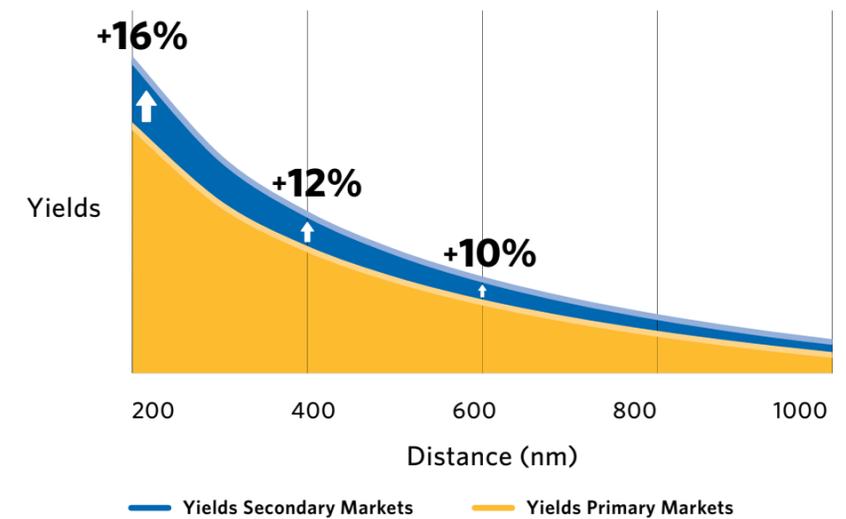
Yields in US cents

All Airlines flights within Asia Pacific



Source: IATA - PaxIS

Yield opportunity in secondary markets



Source: Embraer, based on IATA - PaxIS, 2014 yields.
 Secondary Markets: Less than 300 PDEW
 Primary Markets: More than 300 PDEW



PART FOUR

GROW BY THINKING SMALLER

STRATEGIES FOR CAPTURING MARKET OPPORTUNITY

Blue Oceans and Goldfish

Success comes in different colours. Marketing professionals in all industries benefit from an understanding of the Red Ocean strategy in which businesses tend to simply defend their current position as markets become saturated. They fight over scraps to gain marginal profits. For the Asia Pacific airline industry, we see the merits of a Blue Ocean approach in which competition is made less relevant by expanding market boundaries. Specifically, we favour the use of smaller-capacity narrow-bodies to serve secondary cities where operation of larger-capacity aircraft is not viable. There is an alternative to following established business models, and the potential rewards for innovation are high.

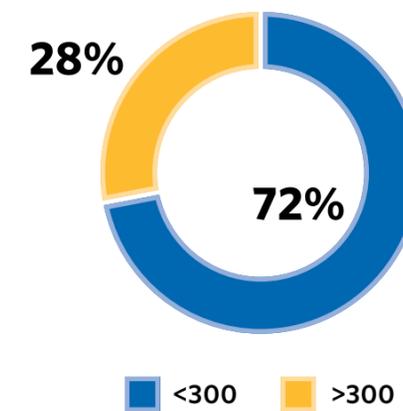


Departing from the norm

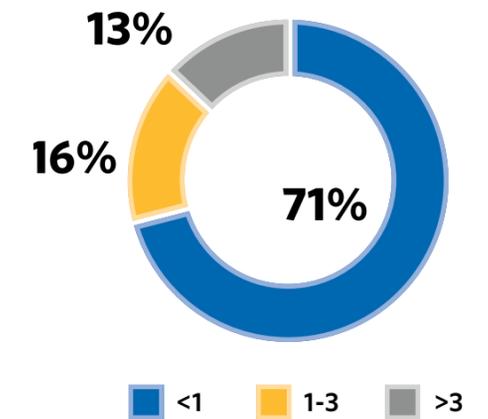
There are vast sums of revenue to harvest by serving secondary cities in the Asia Pacific region. But to succeed in these markets airlines will need smaller-capacity jet aircraft that require less financial risk while providing the advantage of going where the competition cannot go and serving the increasing demands of the empowered consumer. And as markets grow, added frequency will justifiably follow — creating yet another level of Blue Ocean differentiation.

Asia Pacific Market Profile

Market Density
Passengers Daily Each Way (PDEW)



Daily Flights in Secondary Markets
Share of Markets (<300 PDEW)

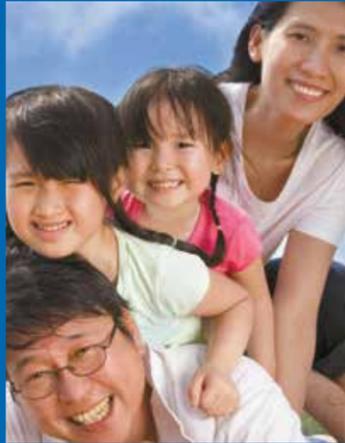


Source: Embraer Market Outlook 2014-2033, based on 2013 Sabre data and markets up to 2,000nm
Not including domestic China



THE ROAD WARRIOR

“Bottom line, I want more direct flights and convenient schedules to help me go where and when I want. The payoff is a better use of my time.”



THE WEEKENDERS

“Getting easily to our destination allows us to see more places and spend a larger percentage of our travel time enjoying the destination itself.”



THE ASPIRING TRAVELLER

“It’s all about choice. With so many more options I’m sure to find a way to get where I want to go at a price I can afford.”



PART FIVE

SEIZING THE OPPORTUNITY

TOOLS FOR AIRLINE PROSPERITY

Welcome to the E-Jets E2 family

Meet E-Jets E2, the second generation of the world's most preferred 70 to 130 seat aircraft. E-Jets have won worldwide acclaim by offering the versatility to match capacity with market demand. E2 characteristics are ideal for a strategic pursuit of the Asia Pacific secondary-city markets that represent enormous potential for airlines whilst offering right-sized frequency in more established markets. The family offers the right capacity, the right range, comfort, reliability, and economics to succeed. They also span all business models and satisfy the expectations of the three primary types of Asia Pacific travellers: Business, Leisure, and Budget. E-Jets E2 are smaller-capacity narrow-bodies with a big role to play.



The power of 2

With over 1,000 deliveries, the first generation of E-Jets has served with distinction in countries all across the globe. And the second generation brings even higher benefits than the first in three all-new models reconceived from nose to tail — the E175-E2, E190-E2, and E195-E2.

E175-E2

80 to 90 seats



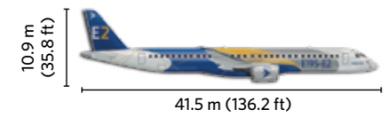
E190-E2

97 to 114 seats



E195-E2

120 to 144 seats



REDEFINING THE BENCHMARK

- The development of E-Jets E2 is a true generational leap marked by a new higher aspect ratio wing
- New PW 1700G and 1900G high by-pass ratio engines
- 4th generation full fly-by-wire
- Improved avionics — Honeywell Primus Epic 2
- Improved systems reliability and DMC
- Stunning new interior
- e-Enabled
- Offering unrivalled cost advantage and outstanding economics



Interior design for a new generation

Whether travelling on business, leisure or budget, passengers within this totally new E2 environment enjoy their own personal space in a preferred 2x2 configuration that gives a perception of wider aisles, simplifies movement in the cabin, and ensures faster turnarounds through quicker boarding and disembarkation. The 40% larger overhead bin space better accommodates the Road Warrior's wheeie bag, the Weekenders' souvenirs, the Aspiring Traveller's backpack. Premium seating, individual PSUs, seat back screens, and additional leg room in economy all enhance the on-board experience of a jet that is ideal for superior service in both secondary and off-peak trunk markets.



Share our vision

At Embraer, we don't claim to know all the future will bring. But we have learned a lot after being in business for over 45 years. And we passionately believe that the consumer and passenger will play a big role in defining the future.

One thing we see clearly is the vast potential for enhancing Asia Pacific airline profitability in the coming years. And the best way to tap that potential is to consider your options.

Consider a business strategy that makes the best use of your precious assets. Consider a strategy that responds to the rise of the middle class and the growth of smaller cities and low-mid density markets. Consider a strategy that brings capacity and demand into profitable balance. And, of course, consider Embraer E-Jets.

Some of the most famous airlines in the world have shared in our vision.

[Come let us share it with you.](#)



EMBRAER - ASIA PACIFIC
391B Orchard Road # 24-02
Ngee Ann City - Tower B
238874 - Singapore
TEL +65 6734.4321
FAX +65 6734.8255

www.embraer.com