

2011 Sabre Airline Solutions: Airline Industry Trends Survey

September 2011



Executive Summary

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Airline Industry Challenges

- ❑ In 2009, 57% airline executives identified *Fuel Price Insatiability* as a primary challenge facing their airline. Due to the continued increase in fuel prices since 2009, the percentage identifying this as a primary challenge has increased to 69%.
- ❑ *Revenue and Yield* was identified by 36% of those responding to this survey. That places this challenge second behind fuel price, but a significantly lower percentage identified it as a primary challenge compared to the 52% in 2009.
- ❑ *Competition, Alliances and Consolidation (35%), Government Regulations* (showing a significant increase since 2009 from 17% to 34%) *Labor Management (23%)* and *IT Investment (20%)* round out the top 6 challenges facing airlines today. *Customer Loyalty and Retention* showed a sharp decline since 2009 (27% to 15%)

Impact of Industry Challenges

- ❑ *Revenue and Yield (81%), Customer Loyalty and Retention (81%)* and *IT Investment (76%)* were most frequently identified as areas that have the greatest **positive** impact on airline revenues.
- ❑ *Fuel Prices(81%), Government Regulations (72%),* and *Airport/Passenger Security (59%)* were considered to have the greatest **negative** impact on airline revenues.

Executive Summary

Airline Industry Challenges: Deep Dive

- ❑ 69% of airline customers identify **Fuel Price Instability** as a primary challenge the airlines will face over the next 18 month.
 - *Fuel Purchase Management and Fuel Hedging Management* were most often identified as the primary issues related to the challenge of Fuel Price Instability.

- ❑ **Revenue and Yield** was often identified as a challenge, with 36% mentioning it.
 - Among those that mentioned *Revenue and Yield* as a primary challenge, *Revenue Management*, *Operational Cost Management*, *Competitive Fare Analysis*, *Fare Dilution Management*, and are the key issues related to this challenge.

- ❑ 35% identified **Competition, Consolidation and Alliances** as a key challenge.
 - *Over Capacity, Synchronization and Optimization of Code Share* were the key issues related to *Competition, Consolidation and Alliances*, however, many other issues were also considered.

- ❑ 34% identified **Government Authority and Regulations** as a major challenge.
 - Among those that mentioned *Government Authority and Regulations* as a primary challenge, regulations related to *Airport Operations*, and *Airport and Passenger Security* were the key issue related to this challenge.

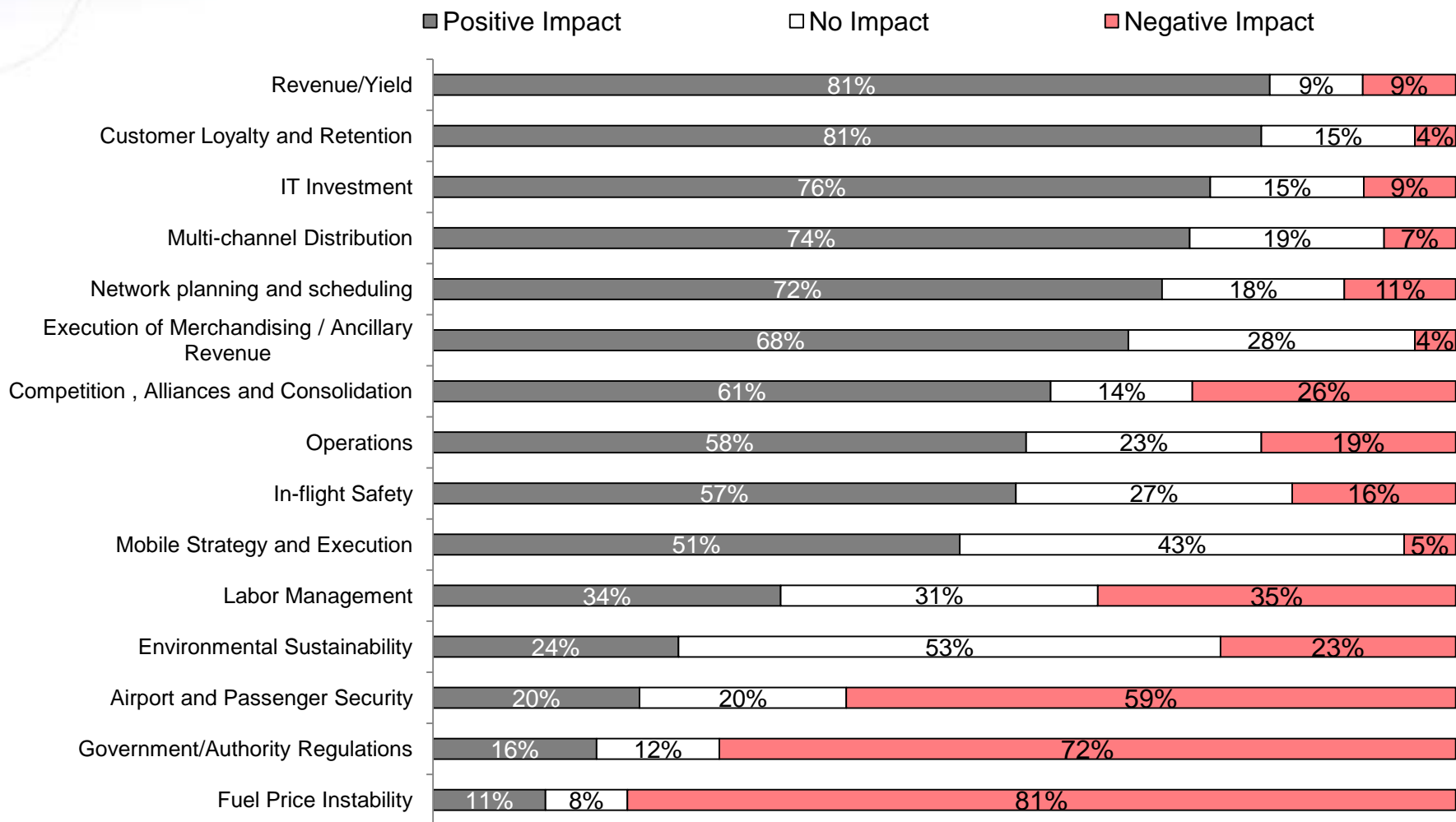
- ❑ 23% identified **Labor Management** as a key challenge, with Labor Contract Management a key area of focus.
 - 35% have established an *Employee Self Service* program, which includes *Crew Communications*, *Shift Check-in*, *Trip Trading* and *Non-Rev Booking/Check-in*.

- ❑ **IT Investment** was considered a primary challenge by 20% of respondents.
 - *Out-sourcing vs. In-sourcing* is the area of concern most often identified.

Impact of Challenges on Airline Business:

Positive or Negative Impact on Airline Revenues

What impact do the airline industry challenges have on an airline's business revenues



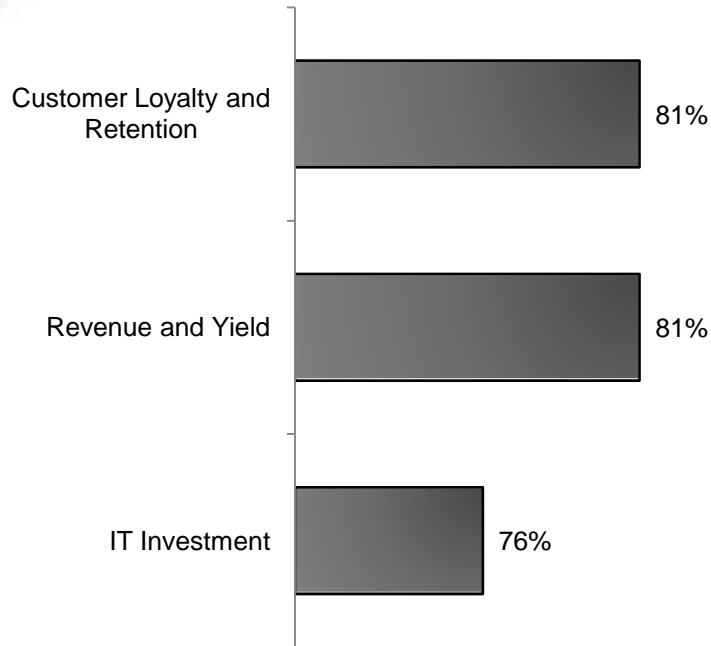
Please identify each of the following airline industry issues as either having a positive impact, negative impact or no impact at all on your airline from a revenue standpoint?

Base: All respondents
2011 AS Trends Study

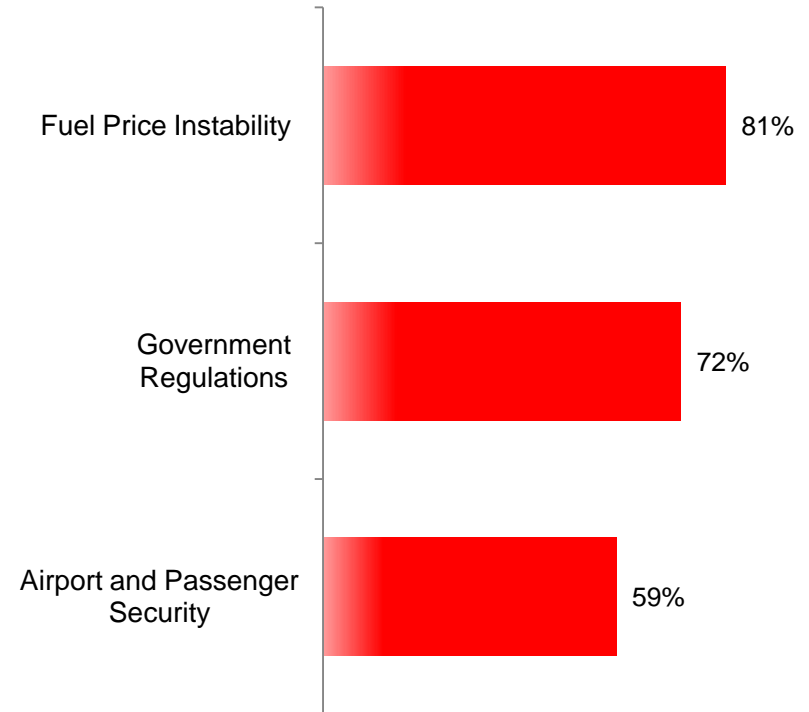
Impact of Challenges on Airline Business:

Positive or Negative Impact (continued)

Issues that have a potentially positive impact on an airline revenues



Issues that have a potentially negative impact on an airline revenues

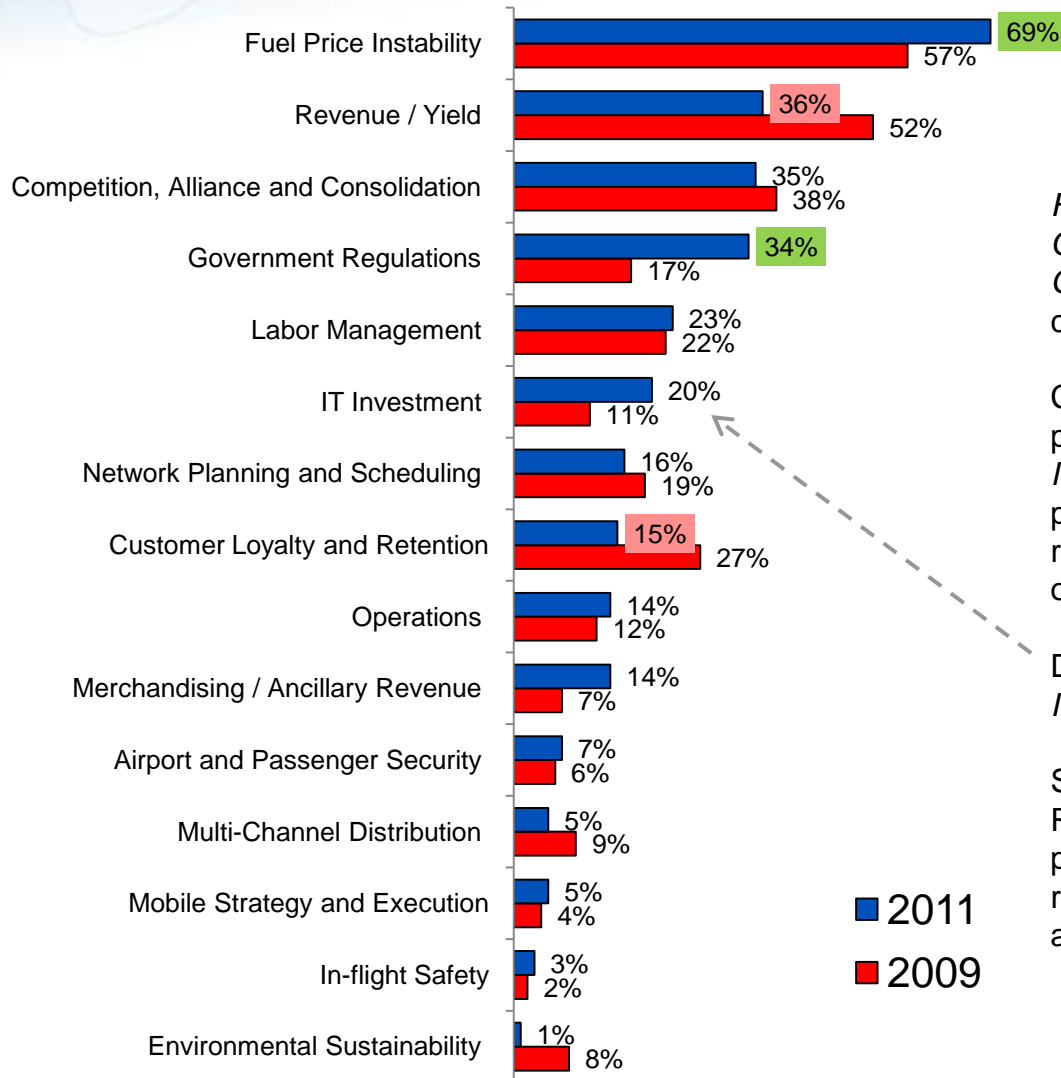


- ❑ In identifying the kind of impact (positive or negative) an issue has on the airlines from a cost, revenue and/or operations standpoint, *Customer Loyalty and Retention*, *Revenue and Yield*, and *IT Investment* are clearly identified as having positive impact.
- ❑ *Fuel Price Instability*, *Government Regulations*, and *Airport and Passenger Security* are most often considered as having a negative impact on revenues and tend to be out of the airline's control. These factors have the potential to erode revenue and drive up cost.

Please identify each of the following airline industry issues as either having a positive impact, negative impact or no impact at all on your airline from a cost, revenue or operational standpoint?

Airline Industry Challenges

% Who identify the issue as a key challenge their airline will face over the next 18 months



Fuel Price Instability, Revenue and Yield, Competition-Alliances-Consolidation and Government Regulations are the top challenges facing airline in 2011.

Compared to 2009, a significantly higher percentage of airlines indicate *Fuel Instability* and *Government Regulations* as a primary challenge. These two issues are regarded as having greatest negative impact on airline revenues.

Directionally, more airlines consider *IT Investment* a challenge in 2011.

Significantly fewer airlines view *Revenue/Yield* and *Customer Loyalty* as a primary challenge when comparing the results to 2009. These issues are identified as have a positive impact on revenues

Significant increase compared to 2009
Significant decrease compared to 2009

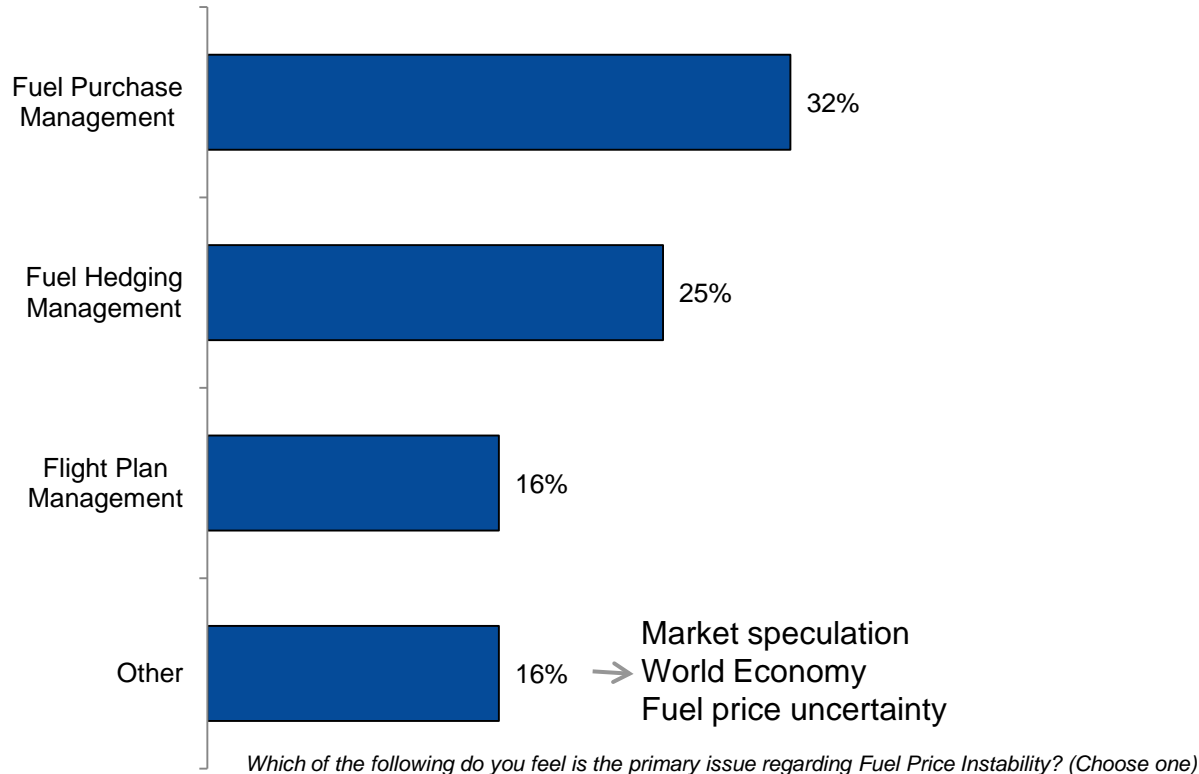
What do you see as the 3 biggest challenges your airline will face in the next 18 months? (Please only choose your top 3)

Deep Dive: Top Airline Industry Challenge

Challenge #1: Fuel Price Instability

➤ 69% identify Fuel Price Instability as a primary challenge.

Primary issues regarding Fuel Price Instability



Since Fuel Price Instability can be such a complex challenge, further questioning determined that *Fuel Purchase Management* and *Fuel Hedging Management* were most often identified as the primary issues related to this challenge.

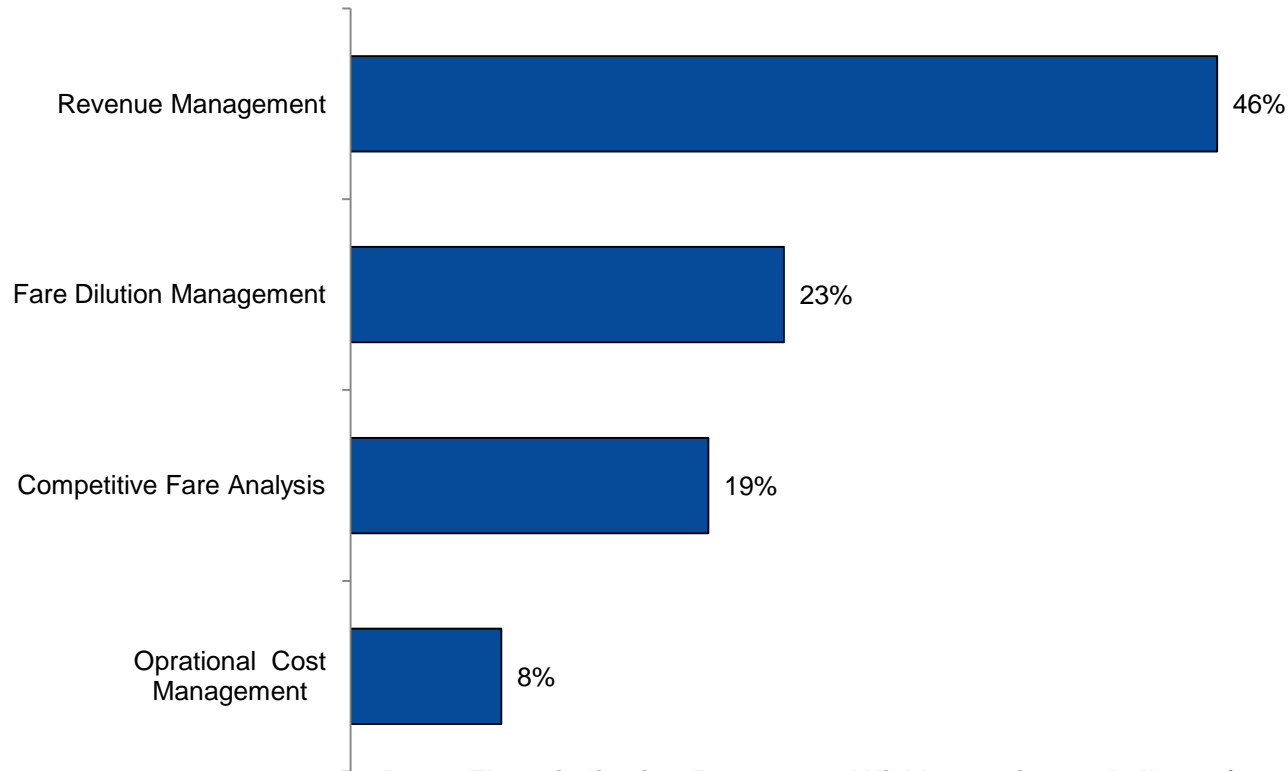
Base: Those indicating *Fuel Price Instability* as a challenge (n=63)

Deep Dive: Top Airline Industry Challenge

Challenge #2: Revenue and Yield

➤ 36% view Revenue and Yield as a primary challenge

Primary issues regarding Revenue and Yield



Base: Those indicating *Revenue and Yield* as a primary challenge (n=33)

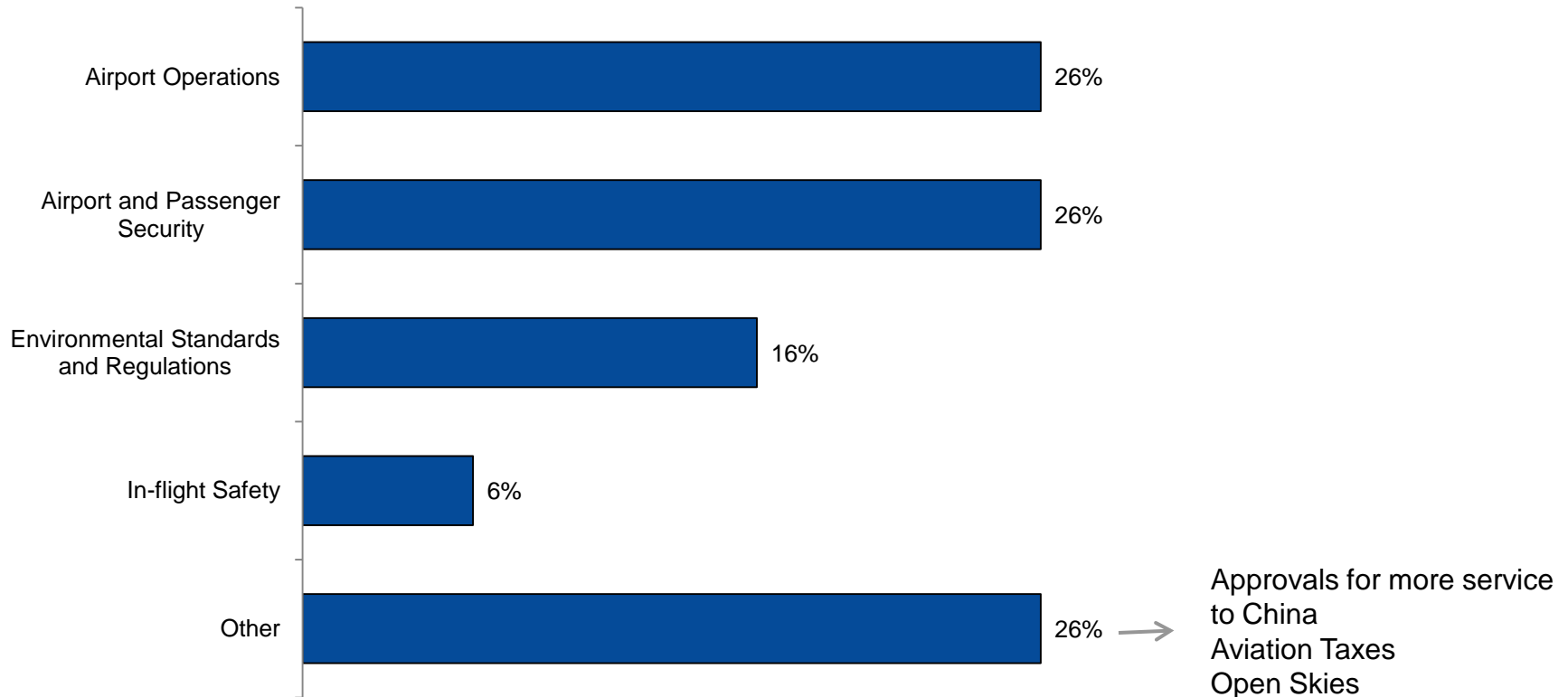
Most identified *Revenue Management* as the primary issue related to Revenue and Yield.

Deep Dive: Top Airline Industry Challenge

Challenge #4: Government Authority / Regulations

➤ 34% view Government Authority and Regulations as a primary challenge

Primary issues regarding Government Authority and Regulations



Base: Those indicating Gov't Authority / Regulations as a challenge (n=31)

Which of the following do you feel is the primary issue regarding Government Authority / Regulations? (Choose one)

*List of others include responses of less than 5%