
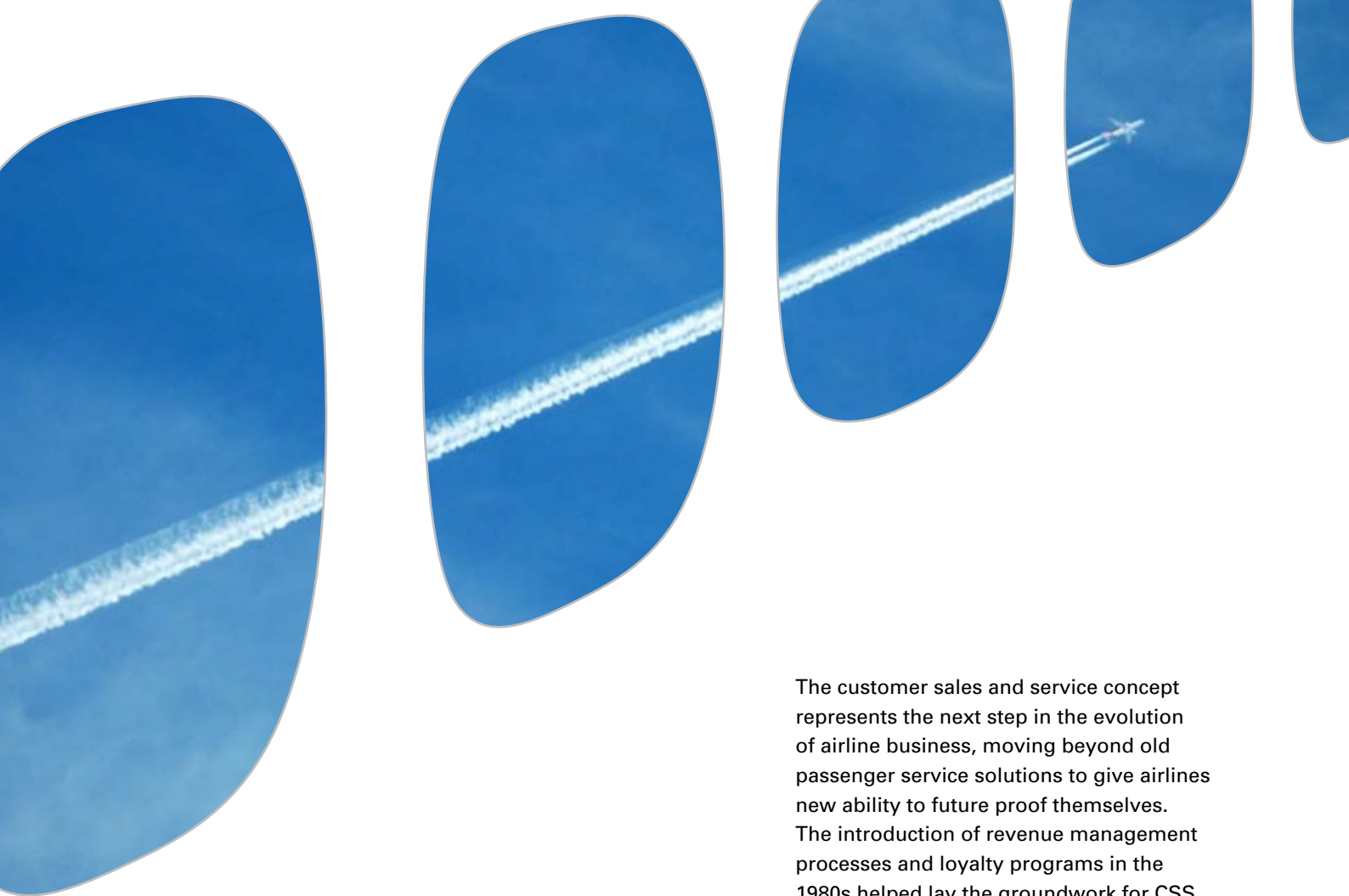


customer sales and service: the key to an airline's profitable future



For decades, airlines have pursued the ideal of offering the right seat to the right person at the right price at the right time. Although it sounds easy enough, it has proven to be an elusive goal. But now, with a new industry practice that focuses on leveraging customer insight to increase revenue, airlines of all

business models all over the globe are closer than they've ever been before to realizing untapped income. In the world of air transportation, where certain key cost items seem to remain perplexingly out of control, airlines today are obliged to focus ever more keenly on those areas of their operations that they can control, or at least incrementally enhance.



What precisely should airlines concentrate on as they gaze into a future that, while challenging, still offers select but potentially substantial opportunity to those willing to examine and incorporate future-facing innovation?

For today's airline, reservations and departure control provide numerous revenue-enhancement possibilities — from merchandising to up-sell — if the airline is able to both recognize and present them to the right customers.

Those possibilities are woven into a new industry concept known as customer sales and service, or CSS, which focuses on generating more revenue by better understanding customers and their preferences. CSS is also based on flexible technology that incorporates practices such as services-oriented architecture, giving airlines the ability to adapt to new technology or new business processes while conveniently incorporating existing solutions.

The customer sales and service concept represents the next step in the evolution of airline business, moving beyond old passenger service solutions to give airlines new ability to future proof themselves. The introduction of revenue management processes and loyalty programs in the 1980s helped lay the groundwork for CSS. While those elements worked separately, CSS builds on those synergies and others to deliver much more exciting results.

The Power Of CSS

In the few seconds between an availability request and the resulting display, imagine if an airline could consider and evaluate hundreds more variables than it does today. What if it could look at the booking activity for the flight while also checking the current fare classes available? Or consider attributes of the customer making the availability request — the tendency to book a particular branded fare, for example? What if it could also look at the fares competitors were currently offering? And then based on that knowledge, offer the most appropriate fare to that customer? Or select one potential customer over another because one offers more potential benefit? That's the power of the customer sales and service concept.

For years, the goal of airlines has been to structure the price of its product to what the individual is willing to pay. But that goal is impossible to reach given the restricted capabilities of the PSS system.

But take heart. Through the customer sales and service concept, that goal can be achieved, helping airlines collect money previously left on the table. With the limited knowledge at hand today, airlines often offer fares lower than the customer would have paid. Or they offer a fare that's so high, the customer declines to purchase. In both cases, potential revenue is lost.

CSS harnesses the power of customer data, revenue management, fares management and real-time capabilities to dynamically price an itinerary for each customer. Gone are the days of PNR-based pricing. CSS ushers in a revenue-centric and customer-focused service environment.

And while that's exciting, it's just the beginning. There are many paths to the desired result; flexibility to structure a CSS environment tailor-made for your unique business needs.

Generating Revenue

CSS creates the possibility of real-time revenue management to provide the right price to the right customer. But it also creates other revenue possibilities by using customer preferences to make offers the customer is likely to value. Offer an aisle seat to a business traveler pressed for time. Offer lounge access to a customer with a layover in a hub airport. Give the leisure traveler the ability to purchase a meal or a pillow.

With CSS, ancillary sales are key. While airlines are able to offer ancillary services today, CSS brings the ability to better target those sales to the customers most likely to pay for them. The customer appreciates receiving relevant offers — and isn't annoyed by the irrelevant ones. By giving customers the option to pay for what they want — and not pay for what they don't — an airline builds loyalty and customer satisfaction and revenue.

Building Loyalty

Customer data can be used to build a relationship with the most valuable people who fly your airline. And while most airlines have information on their passengers, CSS takes the concept one step further by enabling airlines to use that information as well as decide just what data matters the most. With a configurable customer value score calculator, airlines can determine



what their top customers look like. Maybe the top customer is the frequent business traveler. Or maybe it's the high-end, first-class leisure traveler. Or perhaps a new customer who shows great potential for the future. The point is that through CSS, the airline determines the criteria that helps establish customer rankings. Then with a rules engine, you have the ability to set in place various practices appropriate for various customers.

Perhaps your most valued customers enjoy more personal attention — an agent who helps with travel arrangements, the waiving of certain fees, a limo ride to the airport. That same personal attention would not be wasted on more infrequent travelers or those who don't value such high-touch services. Of course, not every airline needs to go to such lengths to retain its customers, but it's possible to set high-value customers apart for special treatment to ensure they continue to select your product.

Integrating New Technology

The ability to maximize potential revenue and increase customer satisfaction is closely tied to advancing technology. Airlines will need to apply a customer sales and service approach that not only encompasses all aspects of revenue ("revenue centricity") and a look at the total customer ("customer centricity") but also includes a forward-thinking approach to technology solutions ("solution centricity").

Technological solutions must be built around the capability of an airline to shape its business model, according to its own well-developed strategy, rather than forcing the airline to alter its strategy to fit within the confines of a particular technology solution.

Important technology elements should include open architecture as well as robust technological and adaptive capabilities. Basically, any solution should offer a "future-proof" design that will accept relatively easy customization and upgrading with the newest, latest developments.

This also means services-oriented architecture — isolating the individual capabilities of an application so they can be used in multiple ways and combined with

other services to create new functionality — deployed across a service bus that facilitates easier integration and communication.

Reservations and departure control, constituting what is often referred to as an airline's "central nervous system," consists of several key elements — in each of which reside numerous opportunities to enhance airline revenues.

Vital areas — including core reservations; check-in; booking engine; shopping; ticketing; and inventory — can provide opportunities to find untapped sources of revenue.

Reservations

Core reservations includes several of the somewhat misleadingly labeled "commodity" aspects of an airline's reservations and departure control operation such as codeshare, booking and passenger name records.

It's misleading to pigeonhole reservations as consisting strictly of commodity features. In reality, it actually can proactively separate an airline from its competition through its superior approach in providing true value to the airline's customers.

Precisely defining customer centricity can be difficult. But in general, it revolves around knowing how that customer relates to the airline and then effectively applying

that customer information throughout all touch points. Customer centricity is about seeing the "whole" customer plus determining which parts of the "what you know" equation are most important to your airline. Does the customer have special service requests? Does she prefer the aisle seat? A vegetarian meal? Did she have a mishap on her last trip? All that information can be collected — and used — with CSS.

This holistic approach to customers is key to CSS. But it also goes beyond just knowing the customer. CSS also enables an airline to deal with its various customer types differently based on the information it has accumulated about each individual customer.

If an airline considers a particular customer to be significantly valuable — and it knows the customer prefers seat 11C on a typical Boeing 737 or Airbus A320 aircraft — the airline can build a relationship by assigning that customer seat 11C when it's available. (and to as close an equivalent of Seat 11C as possible when it's not).

This can only happen if the airline's underlying information technology capabilities are fully integrated. If they are, customer information is consistent at every touch point (globally, if applicable).

And this consistent information means consistent customer treatment — regardless of how the customer enters the airline's system (phoned the airline's reservations center, or through the airline's Web site, or booked with an empowered travel agency), or how the customer and airline interface (airport check-in at a kiosk or dealing with



an agent at the airline's ticket counter). Each interaction lets you build a more complete picture, and it's the whole picture that lets you make better business decisions.

It is then very important to retain and logically archive the information on each individual customer so the information can be reassessed and used in future transactions. A good argument can be made, for instance, that the information regarding the customer's seat preference is nowhere near as essential as, say, the fact that the airline lost the customer's luggage the last time the customer took one of the airline's flights.

Such information could trigger an automatic refund of any baggage fees for the affected trip, but it could perhaps also prompt the airline to waive any baggage fees for the customer's next trip. Or, if the customer's booking and routing create a layover, the airline might offer the customer a free lounge pass to the airline club at a connecting airport.

The airline can also store in the records whether the customer accepted the club pass (or if he even showed up) to decide if it should later extend the customer an invitation to become an airline club member at a discounted membership fee.

The point is that it's virtually impossible to make any revenue approach work without an accompanying robust and active customer focus. And neither is completely effective without the required underlying technology.

A shotgun approach to revenue will only create bigger headaches. But teamed with customer focus — when an airline truly knows its customers — it can become a much more effective "targeted" approach, offering the right customers the right fares, upgrades, seat assignments and other value-added items.

Check-In

Opportunities for value enhancement at check-in revolve largely around much greater efficiencies in carrying out required tasks.

Check-in involves the factors present on the day of travel. This system generates boarding passes and luggage identification tags, and keeps precise track of the numbers of passengers on particular aircraft. So, check-in integrates closely with flight-planning and flight-operating system components.

At the airport, the No. 1 check-in priority is to expedite and facilitate the departure process. And that involves two primary imperatives: making sure passengers check in as quickly and efficiently as possible (while keeping up with all mandatory government regulations and airport security requirements) and making sure the aircraft departs safely — with proper weight-and-balance and center-of-gravity calculations.

Airlines can help make the check-in process more efficient by leveraging technology to encourage as much passenger check-in away from crowded airports as possible — enabling remote check-in, either online or on a passenger's mobile phone or other personal communications device.

Through carefully applied check-in technology, airlines can save considerable time and money. For example, an airline can reduce the number of staff stationed specifically to check passengers in at the airport.

A well-managed check-in process also paves the way to additional loyalty building with strong customer information, enabling an airline to determine which customer might be interested in receiving a mobile phone call with selected offers, such as a discount code good at a particular airport store or a free cup of coffee at a beverage-specialty airport location.

These current technologies are helping airlines better communicate with their passengers on day of departure. Airlines that embrace these and other new technology advances will more fully enhance their revenue.

Booking Engine

An airline's Web site is a revenue engine, and innovation and creativity are keys to maximizing the value. Airlines can choose to outsource the creation and operation of that Web site; however, they must choose an online merchandiser with excellent judgment and sales savvy to truly enhance revenue. Or the airline can create and operate its own Web site.

With the myriad of new Web capabilities available today, airlines can more rapidly adapt to and take full advantage of online direct distribution to better price their offerings, improve shopping and create dynamic choices for customers — making the airline Web site a full-service travel site. For example, airlines can offer not only site access to airline tickets but hotel and rental car reservations as well. There are also numerous travel extras that can be merchandised on the airline site — plus, up-selling and cross-selling regarding airline tickets.

At one time, it was common for airlines to primarily offer deeply discounted fares on the Web in hopes of attracting online shoppers. But it's much more likely today, when visiting an airline's Web site, to be able to peruse a variety of branded fares, as well as purchase travel extras such as insurance, assigned seats and meals.

An airline's Web site has the ability to not only reduce costs but also offer revenue opportunities. An airline can readily analyze the value of ticket sales on its own Web site but it can also apply assorted enticements to persuade customers to purchase in the first place — to effect what's referred to as "channel change," coaxing customers to switch their buying habits and shop for tickets through the airline's online channel.



Some incentives to bring customers to the airline's site might include a service charge for buying through a phone call to the airline's reservations center or simply offering better fares with more flexibility and better travel packages overall on the airline's Web site.

Increasing numbers of customers are adopting self-service options from booking through boarding and beyond, while more airlines are looking at the combination of no-touch to high-touch options. CSS services enable a business model that can handle both effectively. Once at the site, customers can not only buy tickets, but check in, handle refund and exchange transactions and purchase additional services. For instance, if a customer is required to pay a fee to check luggage, that can be quickly accomplished online, so it's taken care of before the customer gets to the airport.

Or a customer can purchase a meal for the trip and handle loyalty club information online at the airline's Web site. For lower-value customers, an airline can save the costs of having employees process customer transactions. In fact, the resultant cost savings to the airline could be quite substantial.

Key to many of these Web-based revenue opportunities is an inviting shopping environment for customers. Another aspect to the online experience is presenting the customer with up-sell and cross-sell opportunities.

And an even broader view of the customer shopping experience at the airline's Web site encompasses branded fares — fare classes that are branded with their own names to indicate different levels of service — and ancillary service capabilities, with the unbundling of services such as onboard meals and beverages.

If these are offered on the airline's Web site, a customer can incrementally upgrade the level of seat characteristics and ancillary services online. Once again, this saves the airline significant costs because the customer has shopped for and purchased these items through the least expensive channel, the Web.

Shopping

It is imperative for an airline to apply technology in providing ready, real-time shopping and merchandising data to its various points of sale — including its Web site, reservations center and other distribution channels.

With CSS, this “sell” informational capability is completely point-of-sale agnostic — meaning the information itself must be consistently distributed throughout the airline’s channels on a real-time basis, as fostered by continually advancing technology.

An airline may still offer a customer the lowest fare possible to get him to its Web site, but at that point, it wants and intends to be in control of the shopping experience. The Web site is, after all, the storefront — offering the airline’s merchandise. And like all good sellers, the airline should determine precisely what to offer a particular customer and how to offer it.

The supporting technology must be fully capable of providing the ability to display fares and other ancillary sales opportunities. An airline should steer the shopping process to preference its marketing alliances and associations ahead of other potential sales opportunities. The goal, as always, is to enhance the airline’s revenue.

A good example of preferencing is the ability for an airline to merchandise branded fares. Technology is currently available to help airlines create those types of campaigns. This will help airlines not only better market the appropriate fares and other products to targeted customers but will also provide customers better value in being able to purchase exactly what they want.

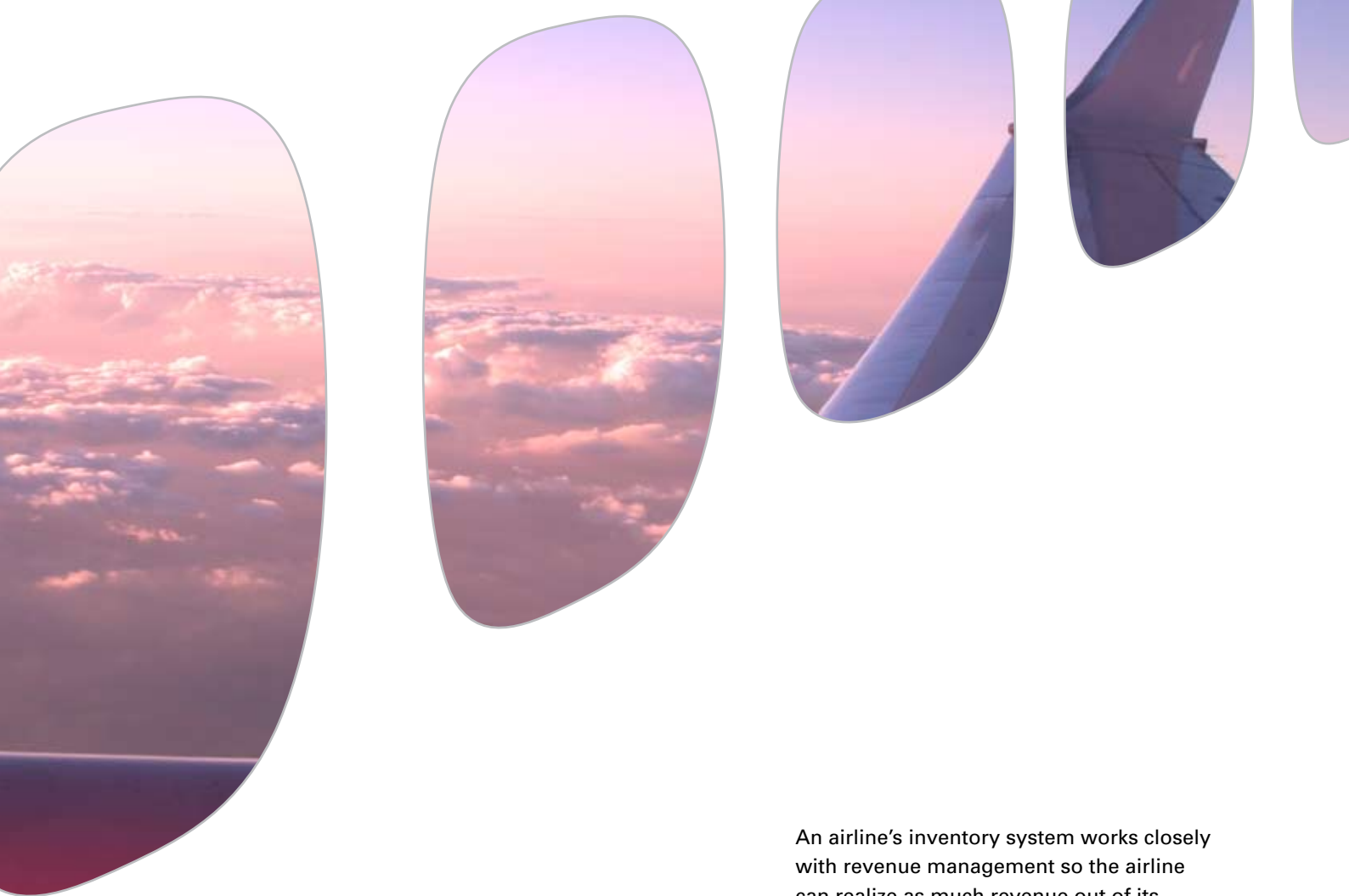
Ticketing

Advanced ticketing processes now go considerably beyond electronic ticketing to electronic refund-and-exchange and other transactions.

And by enabling as many electronic transactions as possible, airlines can save considerable cost, thereby enhancing bottom-line revenue.

Electronic ticketing has not only reduced costs and improved convenience but it has also brought Web sales directly into the mainstream of customer routine. It has also made airport kiosks highly common and accepted onsite devices.

In addition to e-ticketing, the air transportation industry is now moving forward with electronic miscellaneous documents — replacing paper miscellaneous documents. In the past, these documents were issued for other items: excess baggage, for instance, or “deny-boarding” compensation. In addition to making fulfillment easier and more convenient, making these documents electronic actually carries the extra benefit of greatly reducing the risk of fraud.



Also affected are exchanges and refunds. When electronically enabled, the customer — through an airline’s Web site — can make any number of changes to tickets without involving an airline agent or travel agent.

In the payments area, e-ticketing and all that goes with it enable a number of transactions — also reducing fraud risk and greatly reducing the cost to the airline of each individual customer payment.

Inventory

At its most basic, inventory is what airlines use to determine what price they are going to make available for their seats on each of their flights.

And the inventory process effectively opens and closes various inventory buckets on “availability” displays, depending on how the airline wants to control distribution in a particular market or origin/destination pairing.

An airline’s inventory system works closely with revenue management so the airline can realize as much revenue out of its seats as possible. And all this is generally achieved prior to day of departure — it’s actually a selling tool for the airline to manage its seats on its flights.

In selling seats, integration with the inventory system is critical in order to ensure that on an airline’s Web site, for example, customers are getting true “last-seat-availability” information. That way, when the airline provides responses to availability requests, it is providing information on seats that are actually available.

The inventory process is responsible for “accepting” and “rejecting” passengers. The inventory system must know at all times how many seats — at each of the different class levels — are available on a particular flight leg.

Obviously, revenue is enhanced when an airline accepts its “most valuable” passengers. To determine which of its

passengers are most valuable, the airline must maintain an accurate and up-to-date profile of each of its customers — again, requiring integration of information systems across the entire range of airline operations.

As to customer value scores, airlines are demanding to be able to access and use value score information for critical decision support in real time. In other words, real-time access to customer scoring enables airlines to make better on-the-spot availability decisions. And no airline wants to risk losing its best customers to a competing airline.

Another aspect of CSS includes airlines having real-time access to competitive information: competitive fares, competitive availability and competitive schedule updates. Airlines can use that competitive information in real time to help determine availability.

Additionally, airlines want to control availability by point of sale, whether by geographic locale or channel. At a country level, for example, an airline might file different fares based on monetary exchange rates — again, with a view to maximize revenue from each seat sold.

At an agency level, perhaps there are travel agencies to which the airline wants to limit availability and others that it might want to provide preferential availability. The higher volumes that are pushed through certain agencies — according to the

airline's experience — the greater revenue generated for the airline.

O&D revenue management takes into consideration the overall market demand — as well as market fare values — and comes up with an optimal solution based on demand across an airline's entire network. This is as opposed to a leg/segment system, which is only concerned with the traffic on a specific leg, without regard to its impact on the rest of the network.

So, for example, an airline might heavily book a flight with passengers who are strictly traveling from Seattle to Chicago. Taking a look at the airline's broader network picture, however, might show considerable demand for tickets from Seattle to Chicago, then on to Boston. And the larger network picture may represent considerably more revenue to the airline.

Incorporating such a scenario into the airline's real-time decision-making process, the airline may then assign higher priority to passengers traveling from Seattle through Chicago, then on to Boston — as opposed to passengers who are only traveling from Seattle to Chicago.

This decision-making process, then, requires the airline to look closer at each passenger's point of origin and final destination O&D to produce greater overall revenue, rather than a point-to-point decision-making matrix that may result in lower revenue.

It's a network-oriented decision-making process that illustrates some of the true complexity involved in correctly managing inventory for the best bottom-line results.

Conclusion

The ability to increase and enhance revenues is the key to the long-term health of today's airlines. An airline will also need to move beyond the old model of passenger services solutions to one that offers a more comprehensive "whole customer" view. Finally, an airline will need a flexible, modular technology solution in an open environment — a system that enables it to implement the critical revenue and customer options that best fit its business model.

The customer sales and service concept represents the best opportunity for airlines to develop customer-focused solutions and revenue generation in every distribution channel to help airlines realize their revenue goals.

For improved revenue opportunities, airlines should look for innovative, open-minded approaches and expand their systems beyond "business as usual."

These approaches will require airlines to communicate value to customers. The ability to effectively merchandise their offerings — from the airline ticket to branded fares to ancillary products and services — gives airlines the ability to present the right offer to the right person at the right time.

Value scoring is also a critical component of CSS as it lets the airline determine which customers are the most valuable and how that value should translate into products and services. Finally, because CSS requires integrated information technology capabilities, carriers are able to ensure that the customer value is communicated through all customer touch points.

CSS represents the next step in the evolution of airline business. With CSS, today's carriers can build on already-established revenue and customer synergies to deliver much more exciting results for the future.

And the carriers that embrace the concepts of CSS are those that will continue to operate and set air transportation industry standards for decades to come.

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