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Aeroflot Reshapes Itself to Compete in the Modern Marketplace

■ By Barbara Childs | Ascend Contributor

The airline industry has undergone numerous changes during the past few years, but perhaps no single carrier has undergone a more radical transformation in the last decade than Aeroflot – Russian International Airlines.

“These solutions will not only enhance our customers’ experience, but also improve our competitive position . . .”

For most of its history, Aeroflot, which traces its roots back to 1923, enjoyed the benefits of its monopoly status as the sole airline providing service to the people of the vast Soviet Union — a status that earned it the distinction at one point as the world’s largest airline.

With the 1991 collapse of the Soviet Union and its command economy, Aeroflot was thrust into the rough and tumble open marketplace, forced to compete domestically and internationally like never before. But rather than long for the past, the Moscow-based airline eagerly began transforming itself.

“We realized after the fall of the Soviet Union, followed by the meltdown of the Russian financial market in 1998, that we needed a significant repositioning and overhaul of nearly every facet of our operations,” said Nikolay V. Egorov, chief information officer at Aeroflot. “At the same time, cost reduction was high on our priority list.”

Like Russia itself, Aeroflot has been reinvigorated by the change to a market-based economy, and the airline’s energetic and boldly ambitious executives have revamped the organization to compete forcefully in the airline industry.

The airline has phased out remaining vestiges of the communist past. Aeroflot will soon re-brand the airline with a new unified color scheme for aircraft seating and adopt designer-style uniforms for its cabin crew. Moreover, this year, the airline plans to replace its old hammer and sickle logo.

largest fleet upgrade undertaken by a Russian carrier. The new aircraft will replace the older generation airplanes in Aeroflot’s fleet of 111 aircraft — including 27 foreign-built planes. The airline remains Russia’s largest air carrier, accounting for 68 percent of international passenger flights to 103 destinations in 54 countries.

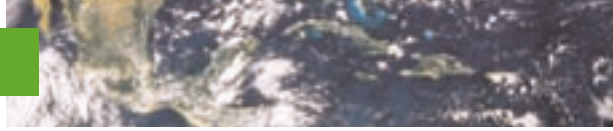
Since 1999, Aeroflot’s executive team has made great strides to revolutionize the airline, with particular emphasis in the area of information technology. In January 2001, Aeroflot



Since its transformation, Aeroflot is truly taking off — in 2002, it quadrupled its net profit to US\$75 million.

The changes behind the scenes are even more significant. Aeroflot’s board of directors recently approved the leasing of 18 mid-range Airbus A-320s, the

launched an ambitious IT agenda as a critical element of its transformation strategy in an effort to address tactical and operational issues.



This transformation has already reaped substantial monetary benefits for Aeroflot. In 2002, it quadrupled its net profit to US\$75 million, a significant improvement from the US\$60 million loss in 1999.



Nikolay V. Egorov,
Aeroflot CIO

As part of its comprehensive revamping of its IT, Aeroflot, which has been using the *Sabre® AirFlite™* Schedule Manager and the *Sabre® AirFlite™* SlotManager™ system since



Evgueni Bachurin,
Aeroflot commercial director

1997, selected several additional tools from Sabre Airline Solutions through an innovative five-year “library card” agreement, which enables the airline to implement eight products from Sabre Airline Solutions’ portfolio.

Egorov said selecting multiple solutions from a single IT partner provides contractual, commercial and integration benefits.

“It was key to us to select a provider whose offerings span all of the functional areas of our airline so that we would have the benefits of an integrated operation,” said Egorov. “The products installed to date have given us better management information for decision making, assistance in optimizing the route schedules, and frequency and

publication efficiencies. This has provided us the ability to focus on profitable destinations, improving overall network profitability.”

During the last two years, Aeroflot has implemented the *Sabre® AirFlite™* Profit Manager, the *Sabre® AirFlite™* Fleet Manager and the *Sabre® AirPrice™* fares management system.

“Since implementing the *AirPrice* system, we have been able to strategically manage fares and more efficiently distribute fare information in our highly competitive marketplace,” said Evgueni Bachurin, Aeroflot commercial director.

Aeroflot is also in the process of implementing the *Sabre® AirMax™* automated revenue management system and the *Sabre® AirMax™* Group Management System. In addition, the carrier has chosen to implement the *Sabre® AirPrice™* Contract Composer as well as the *Sabre® AirServ™* aircraft provisioning system.

“Implementing the Contract Composer further assists us with facilitating the sales and approval procedure,” Bachurin said.

The *AirServ* system will be delivered through the *Sabre® eMergo™* Web-enabled and dedicated network solutions, an application service provider delivery method. Aeroflot officials said they chose this platform because it provides remote access to the system, which eliminates the need for

additional hardware and software infrastructure as well as internal IT resources. It also decreases implementation time, giving the airline the immediate benefits of product implementation on an accelerated time schedule.

The airline will soon select the final products through the library card agreement.


“These solutions will not only enhance our customers’ experience, but also improve our competitive position through a long-term reduction in technology expenditures, an increase in revenues and improved quality of service to our passengers,” said Bachurin. “For example, by moving to this next-generation revenue management system, we anticipate a 10 percent to 15 percent increase in forecast accuracy, which



As part of its new image, Aeroflot has upgraded its in-flight food service to be more appealing to customers. The airline utilizes the *AirServ* system to coordinate its dining and cabin services.

translates into a 2 percent to 3 percent increase in system-wide revenues when we transition from leg-based to origin and destination control.”

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Aeroflot, with its newfound energy and drive to technologically advance its operations, the ambition to reduce costs and the spirit to makeover its corporate image, has shown that it plans to emerge from its transformation as a strong, powerful and energetic competitor in the global airline marketplace. 

Barbara Childs is the Sabre Airline Solutions account director for Aeroflot.



Aeroflot aircraft will soon sport a new, modern look to reflect the airline's new image as a key competitor in the airline industry.

News Briefs from Around the Globe

THE HIGH • LEVEL view

News From Sabre Holdings

Sabre Holdings recently reached a milestone in the creation of its new travel technology platform with the initial migration of its massive air pricing application to the HP NonStop™ platform.

The technology achievement is part of the new Air Travel Shopping Engine for the *Sabre® Passenger Reservation System* and the *Sabre® Global Distribution System*, a four-year program designed to migrate airfare pricing, schedules and availability from a proprietary mainframe system to the continuously available NonStop server and database environment. The effort will benefit customers of Sabre Airline Solutions and Sabre Travel Network. The powerful airfare pricing application continuously updates about 20 million fare and rule records and 1.5 million schedules providing users with the most current data in the industry. The program can rapidly evaluate billions of potential fare combinations for each requested origin and destination, as well as nearby airports that may yield lower fares.

"In our first 60 days using our new NonStop servers, we had no downtime," said Craig Murphy, chief technology officer for Sabre Holdings. "This technology milestone reconfirms that we can achieve our goal to migrate a huge application with the scope and volume of air pricing from a mainframe environment to an open-systems midrange platform. It's the next step in our ongoing plan to migrate applications to open system platforms helping create the next generation of travel technology platforms for our customers."

Pauline Nist, vice president and general manager, HP NonStop Enterprise Division, said, "The NonStop platform provides Sabre Holdings with unmatched levels of availability and scalability in a high-performance,

open system environment. We look forward to continuing our work with Sabre Holdings in implementing a variety of innovative solutions that will result in significant customer benefits and competitive advantage for Sabre Holdings and its partners."

Using HP's open system, Sabre Holdings is able to leverage mainstream tools and development techniques to rapidly develop new and unique shopping services. The system enables the company to significantly speed overall development time. For example, the development for the air pricing application on the open system was done entirely in C++ and Java and was developed in an aggressive timeframe.

"We believe our open systems shopping platform will provide the only nonstop capability in the industry — in other words, virtually no downtime for our customers, scheduled or unscheduled," Murphy said. "It's the equivalent of changing a flat tire without stopping the car, as both airfares and schedule data are constantly updated while the system remains continuously available."

Sabre Holdings has a long history as the leader in operations research for airlines and the travel industry in general. Borrowing from techniques used in large-scale optimization, the low-fare search algorithm can analyze several billion fare combinations, across dozens of connection points, in a few seconds. The search space includes flight schedules from nonstop up to four-segment connections, with a variety of parameters that allow the user to control what is displayed. Unlike other systems on the market, the system's low-fare search checks airline availability in real time, during the search, and displays a list of itinerary options that are known to be available for sale. 