

A MAGAZINE FOR AIRLINE EXECUTIVES

2011 Issue No. 1

# ascend

Taking your airline to new heights



## SkyTeam:



Caring More About You

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# Air Extras

Empowering airlines with ancillary options

Merchandising through GDSs with new technology gives airlines an additional storefront from which to market and sell products and services. In doing so, customers get what they want, when they want it.

■ By Lauren Lovelady | *Ascend* Staff

After suffering through years of financial losses and almost every conceivable cost-cutting program, carriers are evolving their business models. In doing so, they augment fare- and schedule-led selling with merchandising techniques to generate incremental revenue. These techniques usually do not involve large-scale investments but instead focus on airlines' current and potential product and service offerings in relationship to consumer demand.

### How Was Your Travel Experience?

An airline doesn't just sell a seat on a flight; it sells a travel experience. In fact, the question, "How was your flight?" can more accurately be phrased, "How was your total travel experience?" because passengers' answers usually take into consideration every aspect of the trip. Of course, many passengers still focus on getting from point A to point B at the lowest possible cost. However, others are willing to pay additional fees for the little extras that help make air travel more pleasurable.

These extras, or ancillary services, include, but are not limited to:

- Additional legroom,
- Premium seats,
- Meals,
- Headphones,
- On-demand movies,
- WiFi access,
- Supervising unaccompanied minors,
- Pets in the cabin,
- Upgrades,
- Lounge passes,
- Checked baggage.

Leveraging this ever-expanding array of products and services, airlines are finding they can differentiate themselves by bundling or unbundling their offerings. They can do so even further by charging additional fees or not collecting fees at all.

### The GDS: A Powerful Merchandising Tool

Recent innovations in the technology that supports merchandising through global distribution systems provides carriers with an additional storefront from which to market and sell products and services. This further defines consumers' choices. GDSs are an integral part of airlines' overall marketing efforts, which also include travel management companies, travel agents and online travel agencies.

According to travel industry research authority PhoCusWright, GDSs:

- Powered more than US\$268 billion in travel revenue worldwide in 2008 through 1.1 billion transactions, the equivalent of 2,100 transactions per minute;

- Processed nearly three-quarters of all online and traditional travel agency sales in the United States in 2008;
- Accounted for 21 percent of all European travel revenue and 47 percent of airline bookings that same year.

In short, a GDS is a robust platform for the wide distribution of airlines' merchandising programs. *Sabre Travel Network*® supports two merchandising techniques through the *Sabre*® global distribution system. The introduction of *Sabre*® *Branded Fares*, or bundled fares, in 2007 enabled airlines to promote and "sell up" to a higher fare family with pre-defined services included in the cost of the airfare.

The following year, *Sabre*® *Air Extras*, or unbundled fares, enabled carriers to offer optional services to travelers for additional fees plus the cost of airfare. In essence, passengers can choose the services they value most.

### Empowering Airlines

Recent enhancements to *Sabre Air Extras* support diverse airline operations as well as the global airline industry by utilizing ATPCO's optional services (OC) product as well as an electronic miscellaneous document (EMD) to facilitate fulfillment of the optional service.

The flexible, yet standardized, format enables airlines to remain competitive while tailoring their product and service offerings

to different market segments and/or regions of the world. It also provides an additional venue for marketing those offerings and generating revenues.

Once an airline has in place the internal processes and support systems necessary to introduce a new ancillary service through the *Sabre* GDS, it can simply file the offering and associated fee through the ATPCO OC category using the standardized format.

*Sabre Air Extras* reads the filing and displays the offering in the GDS. This consistent, user-friendly filing method greatly reduces the time once necessary to prepare carriers' products and services for display and subsequent fulfillment through GDSs.

The enhancements also enable carriers to quickly modify their offerings in response to competitors' actions. For example, an airline may offer a premium seat in a specified market for a US\$40 fee. However, the competition is offering premium seats in the same market for US\$30. With a few simple clicks, the airline can almost instantaneously adjust its price in the *Sabre* GDS to enhance its competitive position in that market.

Fulfillment of *Sabre Air Extras* is done via electronic miscellaneous documents, technology complementary to ATPCO's filing services. Similar to electronic tickets, EMDs are stored electronically in the issuing airline's database and detail each ancillary service purchased and the associated fee.



**Enabling Travel Agents** *Sabre Air Extras* helps agents efficiently offer complete service to their customers and fulfill special requests without the need to contact the airline during the process.

Because carriers can now immediately process electronic bookings and payments, trends are more easily identified and revenues realized earlier in the process. An airline can determine why premium seats are selling well in some markets, but not in others.

Are the fees for this service too high in those markets? Or perhaps, passenger demand for this offering is not as great as the demand for another service, such as extra legroom. With the enhanced filing capabilities, airlines can easily adjust the levels and fees of service offerings in individual markets.

The electronic process also helps airlines generate more accurate forecasts and identify potentially lost revenue sources. For instance, an airline may have a rule stating only two pets are allowed in the cabin per flight segment.

Previously, when a passenger booked a flight and requested to bring a pet onboard, a message was placed in his or her itinerary noting the request. This was the case even though the service fee was not collected until the traveler arrived at the airport.

Once the two pet-in-cabin limit per flight was reached, subsequent passengers requesting

the service were informed it was no longer available. If one or two passengers decided at the last minute not to bring a pet onboard but did not notify the airline in advance, both planned and potential revenues were lost.

### Empowering Agents

*Sabre Travel Network* implemented enhancements that provide a seamless, consistent solution for displaying, booking and now selling *Sabre Air Extras* to travel agents through the GDS. Introduced in a phased approach to the travel agent and OTA communities, *Sabre Air Extras* can be accessed via several touch points, including:

- City pair availability,
- Shopping,
- Pricing,
- Booking,
- PNR,
- Fulfillment.

Prior to the enhancements, travel agents and OTAs could view services and fees filed by airlines but were unable to fulfill passengers' requests or collect fees in advance. Today, *Sabre Air Extras* provides agents with the content and automated tools necessary to efficiently provide end-to-end service to

their customers and fulfill specific requests without the need to contact the airline during the process. As a result, agent productivity is significantly increased.

### Empowering Travelers

Most airlines readily acknowledge that the majority of travelers seek the fastest and cheapest way to reach their destinations. Conversely, most travelers do not rate an airline on price alone.

With this in mind, *Sabre Air Extras* was designed as a one-stop shopping resource for travelers, giving them the ability to prioritize, choose and enjoy the services they value most. The information is now readily available to agents in a format that is quick and easy to display, book and fulfill, allowing travelers to purchase these ancillaries from travel agencies worldwide.

### Simple Steps

It's simple: travel agents and OTAs can't sell what they can't see, and travelers can't choose if they don't know they have a choice. Whether an airline offers a wide array of ancillary products and services with varying fees for different market segments, simply charges a flat US\$25 for every checked bag or even chooses to provide these services at no extra cost to customers, *Sabre Air Extras* provides a valuable channel for carriers to differentiate themselves from the rest of the playing field and realize additional revenues earlier in the game.

Even if a carrier's merchandising roadmap is not fully implemented, *Sabre Travel Network* will partner with an airline to begin selling ancillary services one step at a time. With the standardized, flexible filing capabilities of *Sabre Air Extras*, a carrier can continue to develop and diversify its plans and easily add services as they become available to remain competitive. Even the smallest steps can lead to great results. **F**



**Giving Customers Choice** While many airline customers simply focus on getting to their destinations, a good portion are willing to pay for extra amenities such as lounge access.

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