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A Conversation With
Leo van Wijk, Chairman,
SkyTeam

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additional storefront



Airline Merchandising Evolution

Airlines can help ensure business travelers embrace ancillary products

As the industry embraces the era of ancillaries, technology keeps pace, delivering the best of both worlds to help airlines and corporate travel programs achieve their respective goals.

■ By Shelly Terry | *Ascend* Contributor

As airlines continue to develop and explore new ways to cater to business travelers and build customer loyalty through stellar service and product offerings, they could be overlooking one of the most important things corporations and business travelers crave: simplicity and transparency in airline shopping.

Airlines are being innovative in attempts to grow and create new revenue streams with unbundled pricing models and a renewed emphasis on merchandising. But there are critical behind-the-scenes elements to effectively serving business travelers that some airlines may not have considered.

Agencies need to help corporations effectively manage travel budgets. Doing so is best achieved through efficient processes around shopping, booking, fulfillment, itinerary management and reporting.

Corporations need to apply travel policies to help maintain budgets and ensure the safety of employees. They must have access to complete, transparent flight information to help keep business travel expenses manageable and viewed by executives as worth the costs.

Technology companies are eager to make it all happen and keep everyone happy. The reality ... it can be done. As complex as merchandising can be to effectively execute in your daily operations, corporations have similar concerns.

Merchandising Q&A

Here are some questions to consider when thinking about merchandising and its implications for corporate travel programs.

Is Airline Merchandising New For Corporations?

Merchandising is top of mind today, but it's not really new. Of course, corporations want to know how to integrate new options into their travel programs while still tracking and controlling purchase behavior. And they want data in hand to provide a complete view of travel spend for program governance and preferred airline performance tracking.

Airline merchandising has existed for many years in the form of corporate negotiated fares, bundled fares, differential pricing for non-stop versus connecting service, bulk fares, different cabin classes and more. The ancillary approach represents a new layer of fare add-ons in a model that is already built to sustain a complex marketing mix. With the right technology, airlines can market and sell their products to millions of travelers while corporations can offer ancillaries within the existing framework of their travel program, helping them stay on budget.

Can Technology Support It?

Technology to support merchandising within the corporate marketplace has been around for many years. It has kept pace and evolved with the



Corporate Travelers Nearly 60 percent of all travel transactions are made by business travelers.

needs of airlines, agencies and corporate travel programs.

Travel distribution technology has historically led the way in enabling airlines to connect to a wide reach of consumers. Global distribution systems connect directly to airlines, facilitating millions of interactive selling capabilities on a daily basis such as real-time availability access and interactive seat maps. For example, XML connectivity alone drives 160 million transactions a day in the *Sabre*[®] global distribution system.

This volume and reach includes those who book nearly 60 percent of all travel transactions — corporate travelers. Significant investments are being made to ensure airlines are able to broadly, rapidly and efficiently distribute ancillaries to this high-yield customer base, utilizing new industry technical standards through ATPCO, ARC and IATA.

Do Industry Technology Standards Preclude Airline Differentiation?

For airlines, technology standards allow them to quickly implement new products and services in all sales channels to help differentiate their offerings and generate additional revenue. For business travelers, technology standards allow disparate systems to communicate and present information side-by-side in an efficient, transparent manner to help them make informed decisions.

When the dialogue takes place about industry standards, it's not about standardizing product. It's about standardizing the technology that provides airline product information to travel agencies, corporations and consumers.

Is Merchandising Just About Post-Booking?

Corporate buyers need transparent product information and pricing before booking. Travelers

want to make informed decisions, agencies want to provide optimum service and value, and corporations want to apply policy.

And corporations like it to take place during the shopping process. Post-booking add-ons lead to surprises en route and purchases corporations can't track, report on or build into company travel policy.

Do GDSs, Agencies And Corporations Support It?

Change can appear painful and costly at first, but when taking a closer look, it's understandable that airlines want to compete on product. GDSs and agencies are in the business of supporting airlines. A healthy airline industry benefits all the travel industry constituents, including agencies and corporations.

It's the GDSs' role and the basis for the functionality they provide to support airlines in efficiently distributing their full product line to the broadest range of buyers possible. The GDSs for years have been leveraging technology to facilitate efficient distribution of the complete range of airline products in the corporate market. The model is already proven, and if the technology is in place and costs don't rise, agencies will embrace it.

The Corporate Travel Buyer

Airlines understandably seek to control costs and grow revenues. Exploring the ancillary model with unbundled pricing, product differentiation and add-on features is one way. Another way is to consider the economics surrounding how product is distributed and channeled to corporations.

"On average, for a major network carrier, two-thirds of the airline's revenue is realized through indirect channels including traditional travel agencies and online distributors," said David Gross,

senior vice president of airline distribution for *Sabre Travel Network*®.

Indirect channels help provide airline products to the broadest consumer base possible worldwide. And when talking about the broad consumer base, 60 percent of it is business travelers who provide significantly higher yields, resulting in even higher ROI on distribution costs.

Corporations need aggregated content (the majority of airlines in one channel) available through an efficient shopping process that enables complete visibility into their travel spend.

The features included in corporate booking tools such as *GetThere*® are especially relevant to corporate buyers. These systems are built specifically to support business travel policy, with features not found on disparate, direct airline sites. Consider just a few examples:

- Aggregated unused ticket information,
- Corporate policy and preference icons,
- Travel arranger user portals for executive assistants and administrators responsible for multiple business travelers,
- Customer profiles and complex itineraries,
- Account code validation fields.

Solution Close-Up

How is it done today? While industry standards were in development, airlines already had the ability to distribute branded fares through the GDS via unique functionality designed by *Sabre Travel Network*. With GDS technology, agents can see features attributable to bundled fares such as:

- Premium cabin and service;
- Refund rules;
- Change fees or restrictions;
- Other purchase features and requirements such as bundled seats, baggage and frequent flyer miles.

These fares and attributes are available in the corporate environment via an online booking tool so companies can integrate the fare features into

travel policy and travel management workflow. When it comes to an unbundled merchandising approach, the GDS has already implemented pay-for-seats products. Airlines can promote premium seat products and charges, and shoppers can purchase.

For example, United Airlines' Economy Plus seats are accessible to travel agents and corporations using the *Sabre* GDS and *GetThere* online booking tool.

"United has been very thoughtful about its Economy Plus strategy, and it understands the value the *Sabre* GDS provides," said Suzanne Neufang, general manager of *GetThere*. "By offering its Economy Plus seats directly to corporations, we believe that United will continue to better serve its customers and see an increase in Economy Plus sales."

United Airlines intends to leverage the technology to boost sales through Economy Plus.

"Three out of four customers who purchase Economy Plus say they will do so again, and we are pleased to build upon our current capabilities in the *Sabre* GDS and make these popular seats available to even more customers through *GetThere*," said Robert McDowell, managing director of sales and distribution for United. "Extending this service agreement to our corporate customers will provide more options for business travelers to customize their trips."

Merchandising Today And Tomorrow

With the strides GDSs and technology companies have already made in a non-standard, customized-by-customer merchandising world, imagine what could be accomplished when the industry comes together to adopt existing technology standards.

"Again, we're talking about technology standards, not airline product standards," said Gross. "Technology standards enable broad and rapid deployment of new merchandising

offers, growing revenue for airlines and maintaining efficiencies for agencies and corporations. Appropriately developed and deployed, these standards lay the foundation for virtually limitless product differentiation — exactly what airlines are seeking."

The current fare filing system facilitated via the Airline Tariff Publishing Company (ATPCO) enables airlines to push both public and private fares to GDS shopping engines used by agencies and corporate booking tools around the world. Hundreds of millions of fares are searched and sorted through in a matter of seconds to deliver product responses to corporate travel shoppers that align with corporate policy.

Additionally, ATPCO recently implemented an optional services category, the OC field, enabling airlines to promote à la carte offerings in all sales channels to gain new sources of revenue. The ability to use this new ancillary fare filing capability ensures travel booking data is integrated into agency and corporate workflows. It provides vast differentiation opportunities for airlines to offer customized products.

Consider that ATPCO supports nine frequent flyer tiers and 130 currently defined ancillary categories. The custom merchandising scenarios are virtually boundless. Airlines can use any number and combination of the 130 ancillary categories across multiple frequent flyer tiers. This equates to billions upon billions of differentiated end products — more than the number of people on the planet. This means current technology standards can support the ultimate custom merchandising scenario — granular, one-to-one marketing to the individual traveler.

Collectively, it appears the corporate travel industry can and will support new airline merchandising initiatives that add value and are effectively integrated into the corporate procurement process. Industry players including agencies and corporations seek options as well as transparency and efficiency in the shopping and buying process. The marketplace will decide which airline merchandising initiatives and product offerings are the most successful.

There are solutions at hand that some technology companies aim to provide without additional fees. *Sabre Travel Network* has made it clear it will distribute ancillaries across its user base, using the industry standards, at no additional cost. Airlines can differentiate and grow revenue, and agencies, corporations and consumers can provide and receive great service and value when travel shopping via the distribution channel they choose. **F**

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Transparency During the shopping phase, prior to booking, corporate buyers want transparent product information and pricing.