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ascend

Taking your airline to new heights

A man in a dark pinstriped suit and tie is smiling and holding a small white model airplane. He is standing in front of window blinds. The background is a light blue sky.

World's Happiest Airline

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CALLING ALL CHANNELS

Airlines have recently developed distribution strategies that have led the way to a set of revenue-generation trends in the greater market — and *Sabre Travel Network*® can help airlines take advantage of those strategies.

■ By Nadja Killisly | *Ascend* Contributor



During the past several years, air carriers have established trends that have effectively enhanced value and, because of their demonstrable levels of success, have positively affected distribu-

tion markets in any number of industries around the world.

And those trends can be readily quantified and analyzed, not just as an academic exercise, but in an orderly process to gain valuable insight and further innovative ideas

on where distribution trends are headed in both the near and distant future.

Merchandising

Because of changing economic conditions and increased competition, carriers have basically been forced to reconsider their fundamental revenue-generation models.

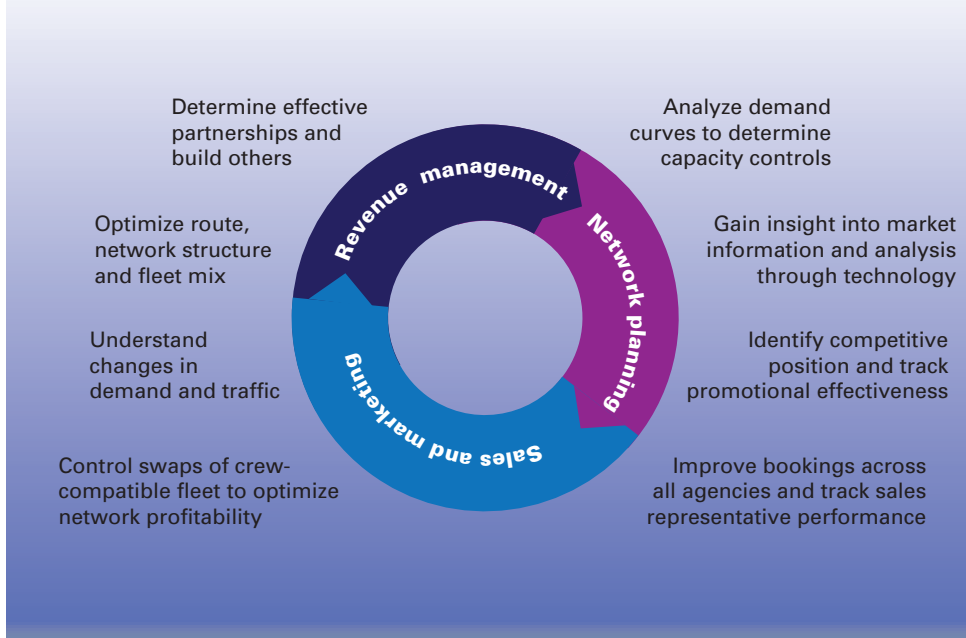
The new merchandising approach not only helps airlines increase their sales, but also enables them — from a customer-service perspective — to differentiate their offerings and increase the value to their customers by giving them the option to choose among attributes.

In fact, the whole idea of “fare families” creates a more logical relationship between services and price — and the choice as to exactly which services to buy and what price is reasonable in relation to those services is left up to the customer.

Global distribution systems and reservation-platform providers are now incorporating those advanced capabilities and those customer choices into their solutions. This further enables carriers to sell ancillary services (special excursions, discount tickets to entertainment and local attractions, etc.) through distribution channels.

And the relative complexity of merchandising has resulted in increased complexity of the required shopping platform as well as the underlying algorithm supporting the global distribution system.

Opportunities Through Business Intelligence



Several opportunities can be determined through business intelligence, giving an airline the ability to identify new revenues and maximize its operations.

Multi-Channel Strategy

These developments have also fostered the rise of the multi-channel strategy involving, for example, further development of an airline’s own website (in conjunction with global distribution system offerings) or, say, a low-cost carrier, as it evolves into more of a hybrid model, looking to enter indirect distribution channels.

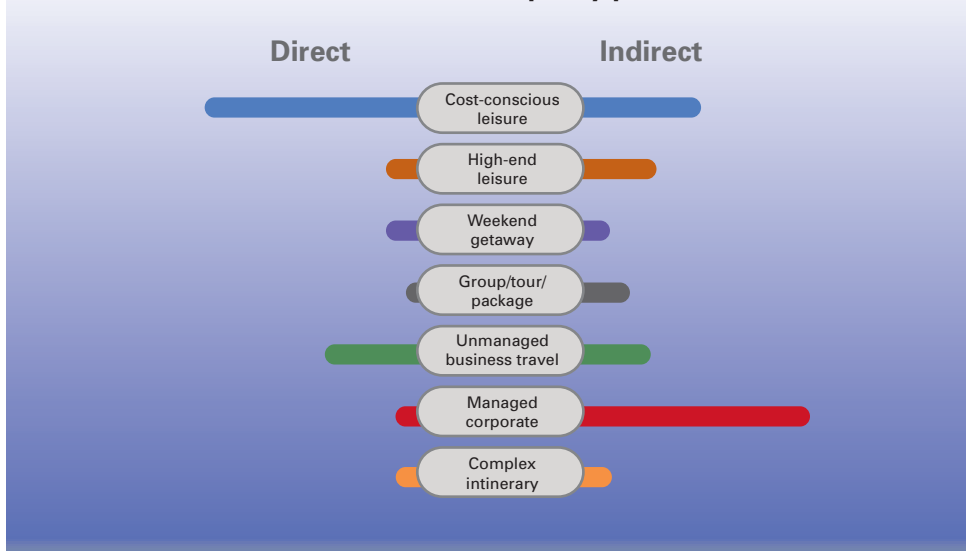
As time goes by and multifaceted marketing approaches are employed, it is more important than ever that carriers look closely at a distribution channel strategy. Thinking and acting clearly and objectively, an airline must determine the appropriate target and overall objectives for the different channels, thereby maximizing each.

New-Media Technology

Mobile technology is emerging as a major new battleground on which traditional suppliers and distributors are being challenged by innovation from new market entries.

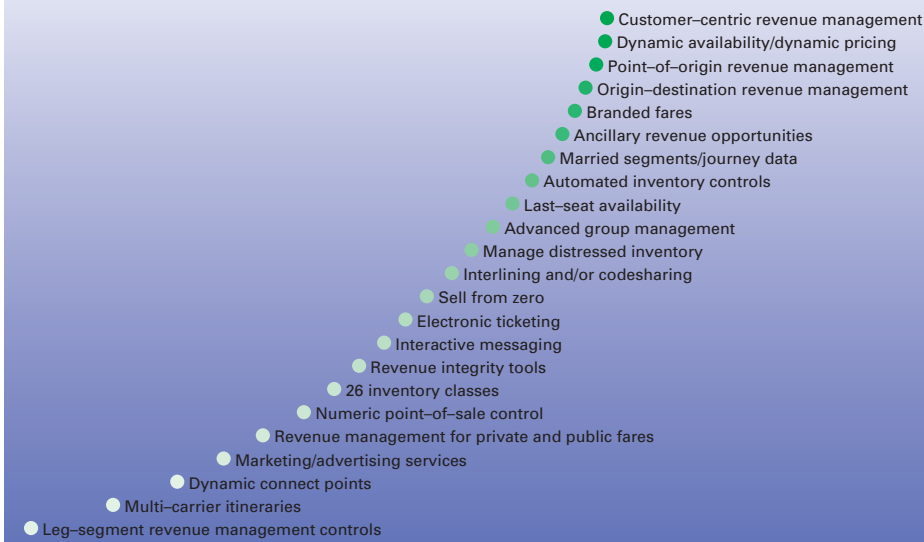
How to be part of the new social media phenomenon — and how to properly incorporate mobile services into the workflow — is a focus to which the distribution specialist must pay close attention. Developing mobile services requires the

Traveler Trip Types



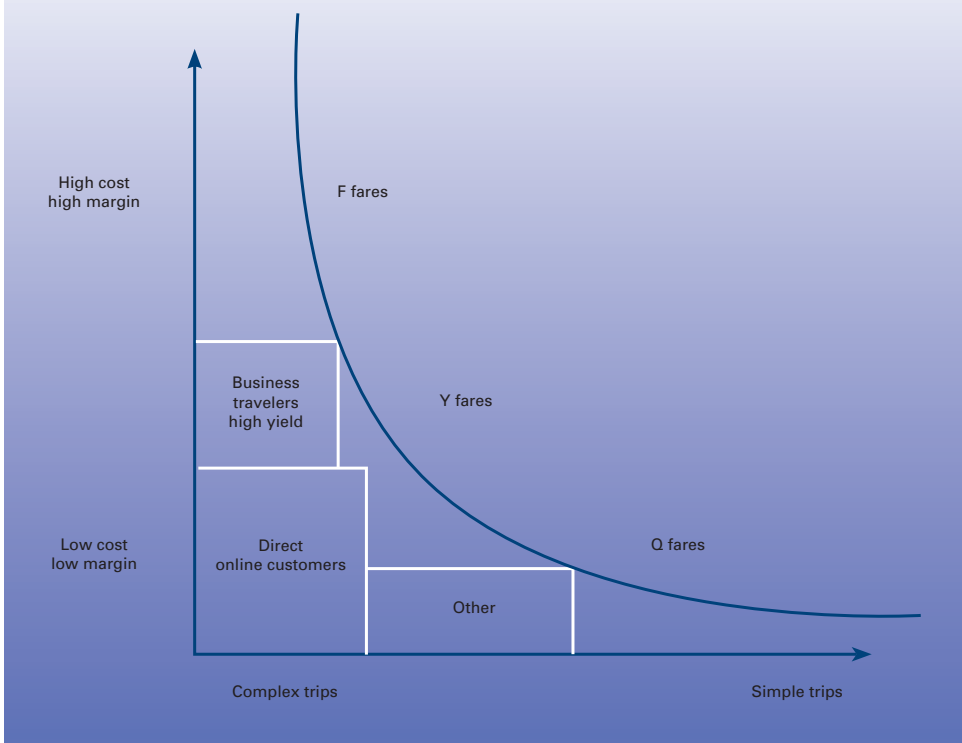
The concept of trip type helps an airline segment booking types both by their number of occurrences and their value to an airline’s bottom line. Consumers travel at different times for different reasons — for the week, a business trip; for the weekend, a quick getaway. Travelers typically match their trip type to the distribution channel that best matches their specific travel needs.

Revenue Optimization Scale



To increase revenue and improve yield, more sophisticated revenue management strategies and capabilities must be implemented. With increased GDS participation comes increased revenue management capabilities and support.

Consumer Choice Yield Curve



Depending on the complexity of the trips and whether these are leisure or corporate customers, travelers will choose the channel appropriately, which will have significant impact on an airline's yield.

airline to deliver the same exceptional experience on a hand-held device as the one on its website to gain consistent, positive brand recognition.

Business Intelligence

Today, more than ever, airlines need business intelligence to make time-sensitive decisions based on market changes. The use of business intelligence is gaining importance in the marketing and revenue management areas. And because it is key to understanding the consumer's behavior, there will be an increasing demand for additional data related to the travel or shopping phase — specific shopping data or, in the future, merchandising data that can be skillfully applied in conjunction with more traditional market data such as revenue data or the critically valuable competitive insights from MIDT.

Global Distribution System Value

Something that hasn't changed during the past several years is the sharpness of debate regarding the relative value of the global distribution system. And in this regard, it's important to keep several salient points in mind.

First, a global distribution system involves extremely robust technology — technology that, under any circumstances, would not be easy to replace.

In fact, during fiscal year 2008 in the United States, global distribution systems processed more than 375 million air transactions, representing nearly two-thirds of all U.S. airline-passenger revenues (in Europe, the number of GDS air transactions processed during the same period was more than 275 million).

Indirect distribution fees should therefore be looked upon by carriers as not just a cost, but also as a highly valuable means of increasing revenue. The question, in other words, should not be whether to use GDS merchandising, but rather, how much channel share the carrier is planning for and how GDS involvement can help increase revenue.

Any evaluation of distribution channels that considers GDS only as a cost is fundamentally flawed. Relative channel profitability is a much more appropriate approach in more accurately evaluating GDS activity.

And there are further examples to illustrate how a global distribution system increases a carrier's revenue. For instance, travelers typically match their trip type to the distribution channel that best matches their specific travel needs. For a carrier to capture the maximum number of travelers and increase its market share among the total potential customer base, it must

be able to offer its products via multiple distribution methods — sometimes to the same traveler, who would choose from among multiple channels based on the purpose of the trip.

An independent study showed that in only 33 percent of the travel instances analyzed, the traveler would have a strong preference to book a trip on the specific channel chosen.

When it comes to an analysis of corporate market segments, global distribution

HIGHLIGHT

As time goes by and multifaceted marketing approaches are employed, it is more important than ever that carriers look closely at a distribution channel strategy.

systems traditionally have the greatest penetration with travel management companies or travel agency organizations because a GDS offers a set of products and services that support business-process requirements.

And one of the marketing advantages of a GDS in comparison to an airline's own website is the greatly increased reach and promotion of the airline's brand through the GDS in markets where brand penetration and recognition are not high.

If specifically comparing GDS fees to the costs of other media offerings, the individual transactional cost of the GDS may for some airlines prove higher than that of other Internet methodology (taking all costs into consideration). But the GDS reach goes far beyond what other Internet marketing efforts can yield, due to such obvious factors as language and awareness limitations.

The Solutions

In conjunction with their revenue management practices and strategies, carriers can positively influence their revenues based

on the relative level of sophistication in their control of the distribution offering they apply.

Many carriers are looking at sophisticated controls in their inventory and revenue management systems alone to manage availability. These carriers, however, often ignore the fact that not aligning connectivity level (in indirect channels) to their direct business needs effectively serves to limit sales potential.

The *Sabre Travel Network* distribution portfolio contains a set of products and services, enabling carriers to increase reach, improve revenue and gain additional insight. *Sabre Travel Network* is best positioned not only to help increase carrier reach via its network of online and offline agencies, but it also provides access to leading corporations worldwide, of which *Sabre Travel Network* possesses a 51 percent share of global travel management companies.

To improve revenue for airlines, the *Sabre*® global distribution system offers, through the *Sabre*® *AirCommerce*™ *Distribution & Merchandising* solution, a set of diverse capabilities ranging from interline and electronic ticketing and sophisticated revenue management practices to merchandizing and marketing. These all help improve the airline's yield.

A carrier might consider leveraging *Sabre Travel Network* marketing and promotional ads — *Sabre*® *Sign-In Advertising* and *Sabre*® *PromoSpots* — which are graphical or textual promotions that are displayed on agents' desktops and designed to influence their shopping and booking behavior. The results can be substantial and may be used in a number of situations. For example, an airline can announce its availability as a booking carrier in the *Sabre* GDS, it can increase bookings in underperforming O&D markets or it can launch new direct service to a number of destination markets.

Some of the functionalities of a GDS are based on interactive connectivity, which

are part of higher participation levels. In general, the set of functionalities an airline seeks and the type of connectivity (teletype versus interactive) it selects will impact revenue-generating opportunities. As part of the business model, strategy and objectives, the carrier should dictate which functionality — and participation level — is the best fit.

The *Sabre Travel Network* solutions portfolio consists of data sets (BIDT, MIDT, TCN, Fare Tier Report, transactional data), data processing (simple PMRT processing, enhanced MIDT processing), and myriad decision-support tools and consulting services. The need for data and business intelligence is critical for decision-making processes in the areas of sales, network planning, pricing and revenue management.

With its extensive portfolio, *Sabre Travel Network* becomes a true partner for an airline's distribution strategy in helping identify additional revenue and marketing opportunities. ■

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