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THE TRANSFORMER

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Catering to the Bottom Line

Airlines exploit sophisticated technology to heighten in-flight service while driving down costs and increasing revenues.

■ By Debbi Lyons | *Ascend* Contributor

When costs rise faster than fares, airlines need methods to reign in spending. But how can a carrier reduce its in-flight spending without affecting passenger satisfaction? Some innovative airlines are streamlining their in-flight services while keeping passenger value high through creative cost control, joint marketing ventures and providing certain in-flight services for passenger pur-

The systems use integrated menu planning and future flight schedules rather than historical requirements to drive savings. In addition, inventory balancing automates the transfer of surplus goods among catering kitchens to avoid unnecessary purchases of products. The *AirServ* solutions can be easily integrated with an airline's purchasing system. The system identifies when additional inventory is

Some airlines are altering or eliminating traditional services in which the value to the customer is not as high as the cost. Airlines, such as American Airlines, Delta Air Lines and Northwest Airlines, are removing pillows and blankets from most domestic and some international flights. *The Wall Street Journal* reported in February that American Airlines will save more than US\$600,000 per year through this

HIGHLIGHT

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chase. The *Sabre® AirServ® In-flight Solutions* can help transform an airline's dining and cabin services to a more cost-effective operation that still provides a high level of customer care.

Creative Cost Control

Many airlines realize cost savings by running leaner catering and cabin operations. Automated inventory management can help a carrier optimize the amount of in-flight-related inventory carried in reusable items, such as trays, plates and glasses.

When deployed to automatically calculate airline equipment needs, *Sabre® AirServ® Equipment Forecaster* uses the future schedule to determine product needs by station, advising catering professionals of the right amounts of inventory to order and stock. When used together with *Sabre® AirServ® Equipment Balancer* and *Sabre® AirServ® Equipment Manager*, airlines can dramatically reduce the number of days they stock inventory, dropping it drastically — in some cases from as many as 30 days to only 10 days of back-up stock at a station.

required and, based on the airline's purchasing agreement, automatically places the order.

Another cost-cutting measure airlines can take advantage of is the reduction of meal overages. If managed correctly, this process is invisible to the customer but very visible on the bottom line. *Sabre® AirServ® Meal Ordering Optimizer* can be deployed as a stand-alone application or in conjunction with other systems within the *AirServ* solutions.

The system uses real-time passenger data and existing special meal requirements in combination with statistical smoothing models that encompass no-show and go-show rates, upgrade trends and policies, cabin curtain movement, and other factors to predict the necessary number of meals to be boarded for each class of service. This can reduce meal overage levels to between 1 percent to 4 percent and generate significant returns for airlines. In addition, the *Meal Ordering Optimizer* is a completely automated, self-learning tool that can greatly reduce the resources necessary to determine appropriate figures for both the airline and the catering vendor.

move. An American Airlines spokesperson told *The Journal* that many of the airline's seats have adjustable headrests for passengers and that the move will result in reduced stocking and aircraft cleaning costs.

Menu and ingredient changes can also quickly improve the bottom line. Using *Sabre® AirServ® In-flight Data Analyzer* enables airlines to evaluate the effect of menu and ingredient changes in advance through what-if scenario modeling. This analytical tool consists of a separate database and a reporting interface that enables airline personnel to run a number of pre-defined reports as well as unlimited ad hoc queries.

Still, other airlines are finding efficiencies in streamlining their financial processes. *Sabre® AirServ® Billing Manager*, an automated pricing and invoice audit solution, can administer 100 percent of an airline's catering invoices. Caterers adjust the services being provided through a Web-enabled application so airlines consistently pay only for services that have actually been provided at contractually agreed on prices.

Airlines around the world have decreased catering spend by up to 3 percent through automated pricing verification and by up to 3 percent through automated invoice auditing. Caterers also benefit from the technology because it results in fast, reliable invoice payments.

companies — it increases the airline's customer service level, and it gets the supplier's name and products in front of a desired target audience.

United has also begun offering goodie bags to passengers on its premium coast-to-coast nonstop service between New York, New York, and Los Angeles or San Francisco,

routes. The airline predicts a savings of between US\$20 million and US\$30 million per year with the move from complimentary economy service.

Air Canada has expanded its "Hospitality Service" buy-on-board offerings to all flights in North America that last between 1.5 and 4.5 hours. And several other airlines are considering the move to food for purchase.

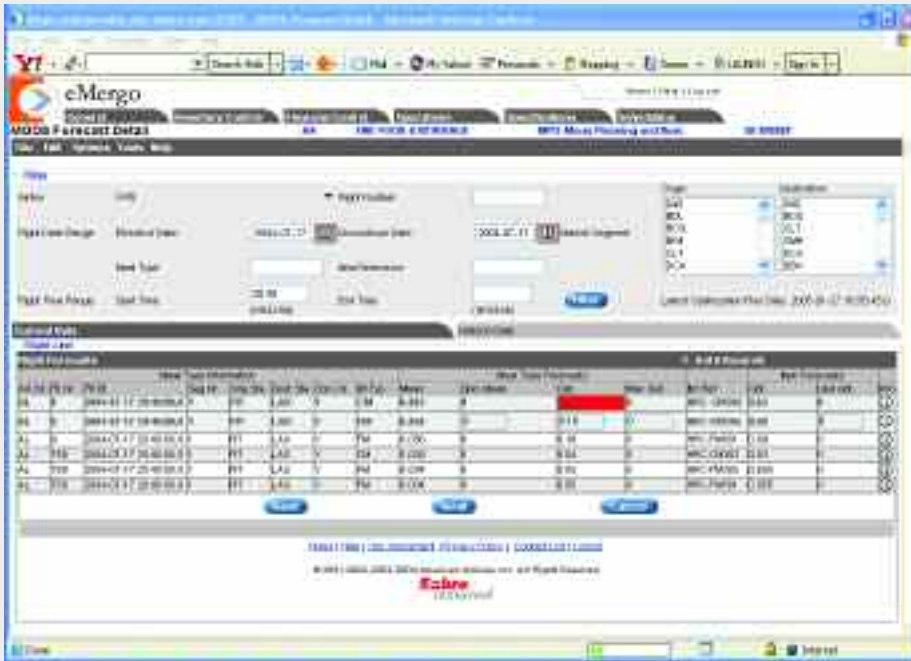
Meals for purchase are subject not only to the traditional danger of spoilage but also raise the question of whether or not airlines are satisfying the most passengers possible at the highest revenue.

The *AirServ* solutions buy-on-board module can help determine the number of meals to carry through a variant of meal forecasting algorithms, which use prior purchasing behavior and passenger bookings to predict sales. In addition, the *AirServ* solutions may also be applied to opportunities for passengers to purchase meals during booking or check in. The buy-on-board module may be operated alone or in conjunction with other *AirServ* solutions functionality, for airlines that offer a hybrid of free and for-purchase food services.

As onboard sales and food-for-purchase programs ramp up, handheld devices by companies such as Bristol Office Machines' Clue Trader are becoming more sophisticated to remain aligned with airlines' needs. Another major provider of mobile data technology, Abanco, has recently announced a partner for onboard credit card sales through its handheld devices. The handheld devices enable airlines to download updates to stock levels and allow passengers to pay with credit cards for onboard items. Orlando, Florida-based AirTran Airways is ceasing to accept cash for alcoholic beverages, placing a new focus on credit card sales so flight attendants no longer have to solicit change from other passengers.

All of these innovative techniques are directed toward one simple goal — providing high-level service to passengers while lowering expenses for airlines. From driving down operational costs and reducing inventory and meal overages to what-if scenario analysis for future service changes, the *AirServ* solutions provide the necessary insight and automation. No matter what an airline's strategy, these state-of-the-art systems give the carrier control over its entire onboard products and services experience. **E**

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Catering Report features an online interface where caterers can update service requirements for a given flight. The adjusted items and quantities become a pro forma invoice for flight catering.

Joint Marketing Ventures

In-flight departments have access to a very valuable asset: the airline's customers. Some airlines are bringing services to their customers at little or no cost through joint marketing ventures with companies that want access to this asset, especially business- and first-class customers. As a cost-saving measure, many airlines have reduced the distribution of amenity kits — complimentary bags of items, such as body lotion, eye masks, earplugs and socks for long-haul passengers. However, two U.S.-based carriers (Continental Airlines and United Airlines) have introduced "goodie bags" that may soon take their place. These complimentary gift bags feature items such as fragrance, skin care, books and gourmet desserts at low or no cost to the airline.

In February, Continental Airlines began offering goodie bags by Premier Bags to first-class customers on transcontinental flights from Newark, New Jersey, to four West Coast cities. The marketing partner will provide a new selection of items every quarter. The agreement benefits both the airline and the consumer product

California. In addition to other amenities, premium-service passengers receive gift bags from New York-based Madison and Mulholland containing items such as skin care, travel accessories and discounts on luxury items. Some recent promotions include special gift bags honoring the Academy Awards® and Valentine's Day.

Buy on Board

Airlines in North America and the United Kingdom are continuing to add or expand food-for-purchase programs. Some airlines are bringing their programs in house, replacing their external caterer management.

American Airlines launched its self-managed buy-on-board program in February and recently expanded the hours during which it is available — 5 a.m. to 9 p.m. daily — on more than 650 domestic routes. The airline now offers six different sandwiches for US\$5 and a US\$3 snack box, and it plans to offer morning varieties.

Northwest Airlines serves snacks and sandwiches at similar prices on all flights within the United States and some of its foreign