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ON THE ROUTE TO RECOVERY

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Everything to Gain

Estonian Air remained profitable during some of the industry's lowest points, but the carrier still realizes the need to make major adjustments in order to adapt to a changed marketplace.

■ By Tim Ricketts | *Ascend* Contributor

Amid a rapidly transforming industry, the past year also marked a period of great change for Estonian Air.

In recent months, the national carrier of the Republic of Estonia added four destinations, leased an additional aircraft, introduced a revamped low-fare structure and launched an ambitious information technology investment program, which have helped the 13-year-old carrier maintain profitability despite the struggles of the industry.

"Changes in products offered were aimed at responding to changed customer needs and values," said Leela Lilleorg, vice president commercial for Estonian Air. "Finding cost-efficient ways of conducting our daily business does give the solid platform to enable that."

In 2003, the airline began service to Paris, Oslo, Berlin and Amsterdam, growing its network to 12 destinations in Europe.

This year, the carrier plans to add a fifth aircraft to its single fleet of Boeing 737-500s. The airline, owned in part by Scandinavian Airlines (49 percent), the Estonian government (34 percent) and Cresco Ltd., an

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Estonian investment bank (17 percent), derives 85 percent of its income from scheduled passenger operations, 6 percent from charter operations, 3 percent from cargo and 6 percent from other services.

Even while undergoing dramatic changes, Estonian Air grew its passengers carried and load factors and managed to carve out

a profit for the third consecutive year. Estonian Air, which earned a net profit of €5.2 million (US\$6.6 million) in 2003, more than doubling its €2.5 million (US\$3.2 million) net result of the previous year, carried 410,652 passengers for the year, a 30 percent increase over the previous year, and maintained an average load factor of 59 percent, five points higher than in 2002.

Erki Urva, president of Estonian Air, attributed much of the growth to the airline's new low-fare structure, which was introduced on all its routes in 2003 and features one-way fares as low as €45 (US\$56) to Hamburg, Stockholm, Moscow, Oslo and other similar destinations and approximately €65 (US\$81) to Frankfurt, Paris and Amsterdam.

"Our new and considerably lower prices have changed flying to an affordable, down-to-earth mode of traveling for our customers in Estonia and abroad alike," Urva said. "Estonian Air has proven that an airline can offer prices comparable with bus, train and ferry fares and still maintain profitable operation

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To help administer its new fare structure, the airline installed the Sabre® AirMax™ Revenue Manager, which features a restriction-free pricing model that enables airlines to forecast demand in a restriction-free pricing environment and determine the best fare levels to use for each flight.

The installation of the Revenue Manager is part of the airline’s strategic IT investment program, launched in the first quarter of 2003 in order to help it adapt to the new marketplace, which has seen the expansion of low-cost carriers and the retrenchment of traditional airlines. Estonian Air realized that enhancing its IT could give it a competitive advantage by increasing efficiency, thereby reducing costs and further improving profitability.

The airline, looking to improve its reservations and related IT systems as well as reduce costs, has also implemented the SabreSonic™ passenger solution for reservations and departure control functionality, the Sabre® Aerodynamic Traveler™ Self-Service Kiosk and the Sabre® Aerodynamic Traveler™ Gate Reader to efficiently process passengers at the airport.



Headquartered in Tallinn, the capital of Estonia, Estonian Air serves 12 destinations in Europe with its fleet of four Boeing 737-500s (right) and will add a fifth 737-500 this year.



Photo by Jennifer Knoeber

Estonian Air, founded in 1991 when the country regained its independence after the fall of the Soviet Union, has positioned itself to take advantage of its home country's entry into the European Union this month. EU membership, which promises to increase passenger traffic to and from the country, will make it easier for people throughout Europe to travel to the historic cities of Estonia and experience their old-world charm.

“By revamping its fare structure and investing in IT, Estonian Air, headquartered in the nation's historic capital city of Tallinn, has also prepared itself to take advantage of dynamic changes in its home country.”

Photo and illustration courtesy of Air Estonia

By revamping its fare structure and investing in IT, Estonian Air, headquartered in the nation's historic capital city of Tallinn, has also prepared itself to take advantage of dynamic changes in its home country. This month, Estonia, located on the Baltic Sea and the Gulf of Finland, bordering Russia and Latvia, fully enters the European Union, a move expected to further boost a robust economy built since the country gained independence following the collapse of the Soviet Union. The country has also begun preparations to adopt the Euro as its national currency in 2007.

As EU membership will make it easier for more people to discover the scenic beauty of Estonia, a country featuring islands, forests and lakes, the airline expects its fortunes to continue to improve. The airline already anticipates continued passenger growth this year, adding new routes and increasing frequencies to existing destinations. **E**

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