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Taking your airline to new heights

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From Distribution to Merchandising With ...

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Evolving into NEXT GENERATION TRAVEL RETAILING



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With deregulation of the global distribution systems, a travel retailing revolution has begun that will reshape the airline industry.

Few would argue that in today's hyper-competitive markets the need to effectively distinguish a product from competitors' is essential for success. No place is this more true than in the airline industry where pricing is transparent, comparative shopping is abundant, product is perishable and outside agents manage sales to the most profitable customers. Yet, the art of retailing remains at its infancy across the travel industry and specifically the airline industry — though not for long.

The emergence of the Internet and recent push toward deregulation of global distribution systems around the world have stimulated a travel retailing revolution that is quickly gathering momentum and will reshape traditional airline disciplines such as revenue management and distribution. In this new regular column of *Ascend*, we will explore the discipline of retailing and how it is transforming airline sales and marketing.

Retailing Defined

Effective retailing comprises three main characteristics, including:

- Access and influence — The ability to reach target customer segments anytime, anyplace and the capability to influence the buying decision at the point-of-sale,
- Differentiated products — The insight to

understand customer needs and the capability to deliver a product that matches customer desires better than that of competitors,

- Merchandising strategies — A series of targeted capabilities that enable the tactical and dynamic adjustment of a product's

- Optimizing their channel mix and securing preferred distribution partners,
- Understanding category management and thinking in terms of stock keeping units, or SKUs,
- Viewing retailing as their primary competitive advantage.

“In an industry where one incremental passenger can swing the balance between a profitable flight and one that loses money, it is critical that airlines are not left behind.”

marketing mix (product, price, promotion, placement).

These key characteristics have proven essential across virtually every industry, from consumer package goods to groceries to financial services.

In most industries, it's easy to identify effective retailers based on specific attributes such as:

- Knowing their customers better than their competitors,
- Identifying emerging industry trends and moving to capture value before the market can react,
- Effectively cross selling, up selling and stimulating demand,

Evolving into Next-Generation Travel Retailing

In the wake of GDS deregulation and increased online competition, a new breed of travel merchandising tools and capabilities are poised to enter the market. These tactics range in maturity from conceptual to proven and operational.

Data Insights (Access and Influence)

For decades, marketing information data tapes and customer relationship management databases have been the foundation of knowing the customer and tracking industry metrics. The introduction of customer shopping data is



about to change all that. Shopping data enables an entire suite of next-generation retailing products and marketplace insights.

Unlike traditional retailers that simply have point-of-sale transaction data, airlines will soon have access to data captured throughout the buying process. Imagine Proctor and Gamble being able to follow every potential consumer of its products through any retailer's aisles and record what was looked at, what product labels were read, what was added to the shopping cart, how the retailer's inventory compared to its competitors and, ultimately, what the consumer chose to purchase.

This capability will soon be available through the Sabre® global distribution system and will seed the next generation of customer understanding to provide airlines with an improved influence at the point of sale.

Exclusive Fares (Differentiated Product)

Just as designers develop specific lines of clothing for preferred retailers, so, too, are airlines considering exclusive (or private) fares to preferred distribution partners. While this is nothing new to the airline industry, the reach and sophistication of targeting fares to specific consumer segments has reached a new plateau.

Late last year, a U.S. domestic airline began providing select Sabre ConnectedSM agencies with exclusive fares significantly below the lowest published rate available in the open market, including those available on its Web site. After detailed agency and consumer analysis, these discount fares were made available on a few targeted routes and distributed to select population of agencies. By focusing on the highest potential routes and agencies, the airline increased its yield by stimulating incremental sales without the risk of triggering a competitive fare sale. Within 60 days of launch, the carrier had increased its

share of sales in the target markets by more than 10 percent.

Introducing exclusive fares to distributors is not new; airlines have done it for years. What is new is the capability to provide exclusive distribution with insight into customer, agency and route selection; customized fare discounting and near real-time measurement; assessment and decision support. This promises to expand how airlines think of private channel distribution.

Elements of Effective Retailing



Today's top retailers successfully bring consumer access and influence together with differentiated products and merchandising strategies to outperform competitors.

Next Generation Promotions (Merchandising Strategies)

Airlines began a strong push into online promotions five to seven years ago with e-mail marketing and data mining CRM databases. Now a new set of promotional tools offers airlines the ability to expand marketing

capabilities across multiple channels, more dynamically, and targeted at the individual traveler.

Travelocity's Under the Radar program is a perfect example of a new, highly effective and targeted merchandising tool. Through this program, Travelocity works with a preferred airline partner to create a set of fares that are only available via a private booking engine accessible through a link within the e-mail. The fare is never made public, masking it from competitors and avoiding yield dilution by offering it only to the targeted consumer. Travelocity's UTR program enjoys a click-through rate 25 percent to 33 percent higher than that of traditional e-mail campaigns and average sales conversion rates of more than 1 percent.

As retailing evolves in the travel industry, a vast array of merchandising tools are poised to emerge; not just through online retailers, but through GDSs and airline Web sites. To effectively compete for every potential customer, airlines need to identify the best tool set for their specific business needs.

The next generation of travel retailing is here, and here to stay. Travel technology providers and airlines themselves are quickly developing the next generation of marketing and sales tools that will transform the industry's view of sales and marketing. In an industry where one incremental passenger can swing the balance between a profitable flight and one that loses money, it is critical that airlines are not left behind. Future issues of "From Distribution to Merchandising" will continue to explore how the next generation of retailing is reshaping the airline industry. **E**

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+count it up

400,000+ — Number of global markets analyzed each year through the Sabre® AirFlite™ Planning and Scheduling Suite.

28 million — Number of direct, indirect and induced jobs worldwide provided by the air transport industry, a figure that is expected to rise to 31 million by 2010.

40,000+ — Number of cabin crewmembers who are managed on the day of operations through the Sabre® AirCrews® Operations Manager.