

A MAGAZINE FOR AIRLINE EXECUTIVES

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## A Conversation with ... British Airways



INSIDE

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## Making Change

### *Move to Origin and Destination Reaps Benefits for Alitalia*

■ By Vijay Bathija | *Ascend* Contributor

Revenues were down. Traffic was sluggish. Coordinated schedules with new alliance partners were non-existent.

Alitalia Airlines, the Italian flag carrier, realized it had plenty of room to improve its operations in order to weather the challenging economic conditions in the airline industry. But the airline also realized it needed external help to reach its goals.

About a year and a half ago, Alitalia brought in Sabre Consulting to help transform its business processes in an effort to improve revenue and to get the maximum benefits of the advanced technology that the airline had implemented.

The first step was for the carrier to identify revenue-increasing commercial planning strategies. As a result, the airline moved from a leg-based structure to a “state of the industry” origin and destination model.

Alitalia decided to move to an O&D management structure to maximize the revenue on its network.

This implies protecting the availability for O&D traffic with the highest revenue on each leg. With a dual hub (Rome Fiumicino and Milan Malpensa), Alitalia’s competitive strategy has been to develop simultaneously third-, fourth- and sixth-freedom traffic.

Based on this new methodology, Sabre Consulting helped Alitalia use its O&D-based planning tools to examine ways to restructure its network and to deploy its fleet more effectively.

The move to O&D also required the airline to alter its business processes across the organization to ensure that all operational areas were aligned, and the airline, in conjunction with Sabre Consulting,

developed new processes and procedures to fully implement an O&D perspective.

Alitalia has already begun executing its new strategy, making profit-focused changes to its

organization. Results show that Alitalia has experienced a significant increase in revenue per available seat kilometers through the implementation of network, schedule and fleet adjustments. Alitalia aligned its network to better coordinate with the schedules of its SkyTeam alliance partners and restructured its domestic, North American and European services as well as retired inefficient widebody fleets.

Alitalia officials said they have been very happy with the results, as the airline was able to turn its planning process from route oriented to network oriented.

The airline immediately began to realize benefits from its restructuring in the area of revenue management.

Using the O&D functionality of the *Sabre® AirMax™* automated revenue management system helped the airline increase the amount of revenue it generated across its network. To fully benefit from the advanced technol-

ogy of the system, however, required Alitalia to change business processes, organize work streams and identify ways to realize revenue opportunities. By implement-

“ The airline immediately began to realize benefits from its restructuring in the area of revenue management. ”

ing new goals and measurements, realigning departmental resources and revamping work processes, the airline recently realized its first profit since 1998.

Alitalia said it selected Sabre Consulting after conducting in-depth research, realizing that it was the only company that could provide a highly integrated solution leading to the ultimate goal of maximizing revenue by coordinating all the inter-mediate steps of the commercial and planning processes. ■

*Vijay Bathija is a senior consultant with Sabre Consulting.*

