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Taking your airline to new heights

IN THE BLACK

A conversation with ...

Joe Leonard, CEO and Chairman, AirTran Airways

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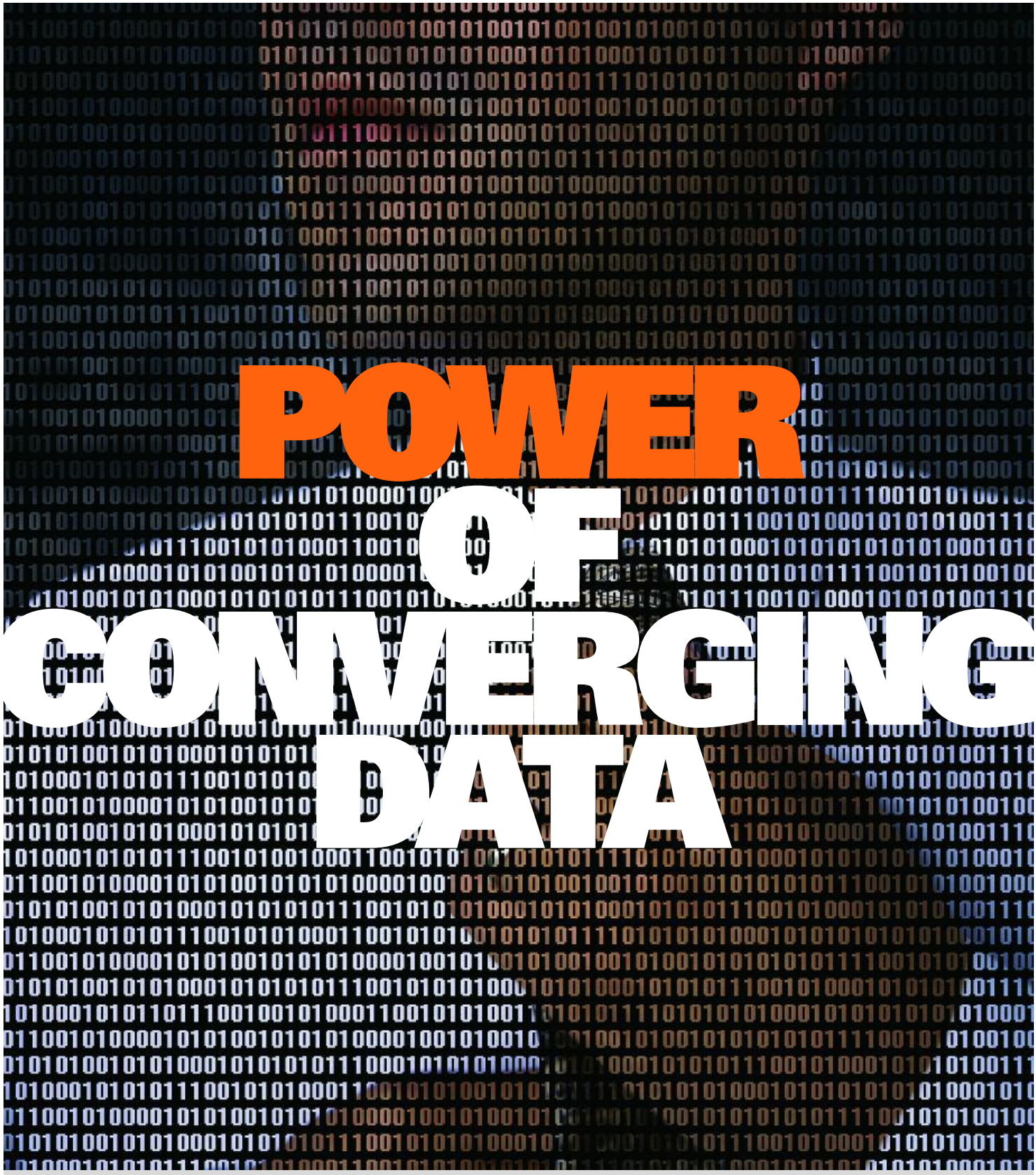
wearelistening@sabre.com



POWER OF CONVERGING DATA

Multiple data sources such as MIDT, QSI and TCN can give airlines the insight they need to make more profitable marketing decisions.

By Thomas Samuel and Randal Beasley | *Ascend* Contributors

Various data elements can be used together to provide powerful indicators of an airline's market potential and create a marketing and agency incentive plan to realize the potential revenue.

Market information data tapes, quality of service index and ticket control number data provide a richer outlook into an airline's various markets, enabling it to better evaluate performance and make necessary adjustments to increase revenue.

MIDT, a valuable source of information on agency-level booking activity in a market, enables airlines to monitor booking activity in a market or at an agency, measure long-term booking trends, and analyze the impact of marketing or pricing activity on advance bookings.

QSI, one of several mathematical models used to compute fair share — what an airline's market share should be in a market without considering pricing and marketing factors — uses various passenger choice factors such as itinerary type (nonstop, direct, connect), itinerary elapsed time, itinerary departure/arrival times, airline strength at passenger point of origin, and strength and proximity of competing services to estimate fair share. Today, industry practitioners use the term QSI to refer to the actual fair share value rather than the mathematical model that provides the fair share.

QSI data can be combined with MIDT data to enable an airline to compare booking share (from MIDT) with fair share (from QSI data) in key markets. Merging the two data sources enables an airline to identify key markets that are under-performing (have negative share gap) and reasons for their shortfall such as relative pricing in the market, airline preference, marketing factors and lack of focus on key agencies. These markets can also be ranked based on booking potential and tagged for more detailed analysis.

Once relevant causes have been identified, an airline can seek to decrease the share gap by appropriate fare changes, increasing marketing expenditure or expanding its sales

Measuring the Market

		ZZ				Other Carriers	
Market	Total bookings	Bookings	Bookings share	QSI share	Share gap	Bookings	Bookings share
LHRPMO	14007	4076	29.1	36.2	(7.1)	9931	70.9
JFKPMO	9190	3630	39.5	38.1	1.5	5560	60.5
ORDPMO	6575	3544	53.9	58.3	(4.4)	3031	46.1
DFWPMO	5287	2892	54.7	59.2	(4.5)	2395	45.3
LAXPMO	6494	2877	44.3	33.8	10.5	3617	55.7
PMOSFO	5318	2776	52.2	56.4	(4.2)	2542	47.8
FRAPMO	4014	2376	59.2	52.3	6.9	1638	40.8
MADPMO	4893	2241	45.8	44.0	1.8	2652	54.2
AMSPMO	9124	2235	24.5	32.1	(7.6)	6889	75.5
FCOPMO	5217	2186	41.9	52.4	(10.5)	3031	58.1

	ZZ			QSI Analysis			
Market	Total bookings	Bookings	Bookings share	QSI share	Share gap	Lost bookings	Focus market rank
LHRPMO	14007	4076	29.1	36.2	(7.1)	994	1
AMSPMO	9124	2235	24.5	32.1	(7.6)	691	2
FCOPMO	5217	2186	41.9	52.4	(10.5)	548	3
ORDPMO	6575	3544	53.9	58.3	(4.4)	290	4
DFWPMO	5287	2892	54.7	59.2	(4.5)	240	5
PMOSFO	5318	2776	52.2	56.4	(4.2)	223	6
JFKPMO	9190	3630	39.5	38.1	1.5	0	
MADPMO	4893	2241	45.8	44.0	1.8	0	
FRAPMO	4104	2376	59.2	52.3	6.9	0	
LAXPMO	6494	2877	44.3	33.8	10.5	0	

		ZZ			Ticketing Analysis		
Market	Total bookings	Bookings	Bookings share	Lost bookings	ZZ TB ratio* (from TCN)	Lost Traffic	Initial market rank
LHRPMO	14007	4076	29.1	994	0.61	607	1
AMSPMO	9124	2235	24.5	691	0.72	497	2
FCOPMO	5217	2186	41.9	548	0.75	411	3
ORDPMO	6575	3544	53.9	290	0.52	151	4
PMOSFO	5318	2776	52.2	223	0.67	150	6
DFWPMO	5287	2892	54.7	240	0.55	132	5
JFKPMO	9190	3630	39.5	0			
MADPMO	4893	2241	45.8	0			
FRAPMO	4104	2376	59.2	0			
LAXPMO	6494	2877	44.3	0			

TOP: Analyzing MIDT data in conjunction with QSI data can help airlines identify under-performing markets. For example, MIDT and QSI data reveal that fictitious international airline Palermo International Airways (ZZ), based in Palermo (PMO), Italy, has a number of under-performing markets represented by a negative share gap.
MIDDLE: By analyzing a combination of MIDT and QSI data, airlines can rank and value under-performing markets based on booking potential and flag them for more detailed analysis.
BOTTOM: Analyzing MIDT data in conjunction with QSI data can help airlines identify under-performing markets. For example, MIDT and QSI data reveal that fictitious international airline Palermo International Airways (ZZ), based in Palermo (PMO), Italy, has a number of under-performing markets represented by a negative share gap.

Under-Performing Markets

	ZZ				Revenue Analysis		
Market	Total bookings	Bookings	Bookings share	Lost traffic	Average ZZ O&D fare (from TCN)	Lost revenue	Initial market rank
LHRPMO	14007	4076	29.1	607	€261.00	€158,427.00	1
AMSPMO	9124	2235	24.5	497	€229.00	€113,813.00	2
PMOSFO	5318	2776	52.2	150	€472.00	€70,800.00	6
FCOPMO	5217	2186	41.9	411	€158.00	€64,938.00	3
ORDPMO	6575	3544	53.9	151	€390.00	€58,890.00	4
DFWPMO	5287	2892	54.7	132	€350.00	€46,200.00	5
JFKPMO	9190	3630	39.5	0			
MADPMO	4893	2241	45.8	0			
FRAPMO	4104	2376	59.2	0			
LAXPMO	6494	2877	44.3	0			

Using average O&D fare information from TCN data helps better assess market potential based on actual ticketed fares and can aid in the creation of a targeted marketing plan.

force. Market share shifts should be reviewed continuously to ensure the success of such corrective measures.

Currently, many airlines do not use QSI data in conjunction with MIDT to investigate and measure market performance. The most common approach is to rely on historical performance trends to create sales targets. However, historical market share can be unreliable, for example, in cases where an airline has always underperformed in a market.

The use of QSI has quite a few advantages including objectivity and the ability to measure target market performance in markets that are in flux. Historical market share becomes useless when a new airline enters a market or even if some significant schedule changes take place in a market. Sales forces cannot afford to allow sufficient buildup of historical data before creating and executing a marketing plan.

Ticket control number data provides daily ticketing information that enables an airline to see actual agency-level ticketing and revenue data specific to the subscribing airline. TCN data can be converted to passenger itineraries (similar to processed MIDT) and used to further refine the market analysis. There are two main benefits of integrating TCN data in a target market analysis:

- TCN data shows how many passengers were actually ticketed (versus how many were booked in MIDT),
- TCN data shows the fare component of such ticketed passengers.

Adding average origin and destination fare values from TCN data delivers an even better assessment of market potential based on actual ticketed fares in individual markets.

By adding the fare information into the analysis, airlines can clearly identify the potential incremental revenue that is available in each of the target markets. Airlines can then create a marketing plan that focuses key resources (personnel and marketing expenses) on markets with the highest potential for return.

Since TCN data contains agency-level information, regional sales managers can extend this market level combined data analysis to the agency level to understand agency-level revenue potential and create effective sales targets and incentive plans by agency.

In a recent benchmark on a large European airline, extremely conservative scale-down factors were used to account for items such as QSI error, ticketing ratios and average fares. The systematic approach identified markets with more than US$600,000 of potential incremental monthly revenue for the airline.

Combining various data sources, such as MIDT, QSI and TCN, enables airlines to target incremental revenue in a structured manner. It also facilitates the creation of a systematic and objective monitoring process to validate the success of any marketing plan.

Thomas Samuel is product manager of market data and analysis and Randal Beasley is product marketing manager for Sabre Airline Solutions. They can be contacted at thomas.samuel@sabre.com and randal.beasley@sabre.com.

+count it up

1973 — Year the first female pilot was hired by a U.S. scheduled airline. Emily Warner also became the world's first female propjet captain in 1976, operating a DHC-6 for Frontier Airlines.

7 — Percent of European residents who live near airports. When considering the total European population affected by transport noise, the number is minimal compared to the 14 percent who reside near rail tracks and 79 percent along roads.

1970 — Year the TU-144, built by the Russian company Tupolev, became the first commercial transport to exceed Mach 2.