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ascend

Taking your airline to new heights

THE PILOT

A CONVERSATION WITH
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Raising Revenues

Tightly integrated, next-generation revenue management technology produces optimal results for less-restricted pricing structures found in non-traditional, hybrid airline models.

■ By Michelle Fischer and Steve Packwood | *Ascend* Contributors

The challenges airlines face from rising costs are well documented: high fuel prices, expensive labor contracts and rising maintenance fees. While airlines and the media debate and discuss these issues, airline revenue management departments around the world are grappling with their own challenge: how to increase airline revenues to cover rising costs in an increasingly competitive environment.

There are two commonly acknowledged revenue challenges facing airlines:

- Major corporations are shifting to a more cost-conscious culture. The distinction between business and leisure travelers is blurring with more of today's business travelers booking in advance, flying in economy and searching for low fares to help their company's bottom line.
- Today's consumer has more information and choices in air travel than ever before. With a few clicks on the Internet, travelers have access to countless permutations and combinations on how to get from point A to point B. Airlines are being forced to com-

management segments the marketplace by placing various restrictions on fares, such as Saturday night stay over and advanced purchase requirements, then derives individual segment-class (or origin-and-destination) forecasts and ultimately determines the optimal inventory controls. While this approach works well for traditional pricing structures, it does not generate optimal results for less-restricted pricing schemes that can result in an airline having one effective price in the market at any one time.

During the past five years, airlines and industry experts have come to agree that the theory, and practice, of revenue management needed to be adjusted to satisfy the requirements of carriers operating in a hybrid pricing environment with a mixture of traditional restricted and less or unrestricted fares.

Sabre Airline Solutions® and its airline partners spent several years researching revenue management solutions to address the market needs stemming from the new challenges resulting in the development of the latest-generation revenue management

- Choice-based forecasting and revamped optimization to handle the combination of both restricted and unrestricted fares on a network;
- Conditional business rules executed in real time to enforce availability strategies and respond to the competition;
- Flexibility to independently manage inventory by fare products via mixed nesting structures;
- Faster response to changing flight conditions, including significant bookings, cancellations or schedule changes.

By combining the latest version of *Sabre® AirMax® Revenue Manager* with *Sabre® AirMax® Low-Fares Manager* and *SabreSonic® Inventory*, today's airlines have a tangible solution to tackle their revenue challenges and contribute to their company's growth.

Planning For Revenue Maximization

Regarding revenue management planning, the next-generation *Revenue Manager* features an advanced customer-choice-based O&D forecasting framework designed to closely replicate customer booking behavior. It incorporates passenger name record data and deploys a top-down, two-step approach of estimating demand directly at the market level and then employing customer-choice models to distribute demand from the market level to the itinerary level. The passenger-choice modeling utilizes different choice attributes, including fare, elapsed time, time-of-day and origin-point presence, and it takes into account the interrelation between services as well as forecasts changes in demand due to changes in fare. *Revenue Manager* represents the first revenue management system to use forecasting methodology that incorporates customer behavior through PNR data. Such a framework provides for the convergence of forecasting in revenue management and network planning, leveraging the integration between *Sabre Airline Solutions'* scheduling and revenue management solution suites.

Revenue Manager also incorporates a hybrid solution framework to handle the

HIGHLIGHT

Airlines using both Revenue Manager and SabreSonic Inventory have the unique advantage of Sabre Airline Solutions' real-time revenue management solution, which offers the ability to provide updated optimal inventory controls in real time based on conditions in the marketplace.

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These challenges have called the fundamentals of revenue management into question. The traditional methodology for revenue

planning and execution solutions that cater to the specific challenges of hybrid airlines. These solutions incorporate state-of-the-art functionality, including:

varying behavior of product- and price-sensitive passengers. The optimization process appropriately handles the sell-down behavior associated with price-sensitive passengers. In addition, *Revenue Manager* incorporates a business rules interface for analysts to proactively influence the system based on airline business strategies and policies. Such influences are then used within the solution to constrain system-generated results, significantly improving the adaptability of the solution to the business needs.

While the new, leading-edge *Revenue Manager* provides unique benefits for low-cost carriers, it provides airlines of any size similar advantages in revenue management. *Revenue Manager* provides seamless integration between *Low-Fares Manager* modules and *Revenue Manager*, creating the industry's best framework for revenue management decision support in today's hybrid fare environment. This solution can be delivered through *Sabre® eMergo® Web Access*, which provides software as a service.

Executing On Optimal Inventory Controls

To fully recognize the value of the advanced decision-support functionality available in *Low-Fares Manager*, airlines can leverage *SabreSonic Inventory* to flawlessly execute their optimal inventory controls. *SabreSonic Inventory* is an open-systems inventory platform that provides airlines several key differentiators beyond legacy reservations systems.

First, *SabreSonic Inventory* enables airlines to create multiple, mixed nesting structures on their network to improve fare product segmentation. For example, a leg-segment airline with a mix of unrestricted and restricted fare products can choose to create two sets of parallel nested fare classes: one for unrestricted, highly competitive fare classes and one for restricted, traditional fare classes. By separating the classes, revenue management analysts can force up-sell on their restricted fare class hierarchy while maintaining availability and competitive presence in the unrestricted fare classes. The nesting functionality within *SabreSonic Inventory* was primarily designed to be flexible — airlines can create and implement up to 99 different structures on their network. This inherent flexibility enables carriers to be agile and easily move from one control strategy to the next.

SabreSonic Inventory also enables airlines to create conditional business rules to execute revenue management policies in real time. Through the graphical user interface, analysts provide two inputs to their business rules:

- **Action:** Analysts select from a comprehensive list of actions including inhibit availability, sales and passenger waitlists.
- **Condition:** Analysts select from an extensive set of conditions including flight, departure date, market, day of week, class availabil-

ity, country point of sale and International Air Transport Association travel agencies.

The innumerable combinations of actions and conditions enable analysts to implement precise inventory strategies beyond the traditional adjustments of class authorizations. For example, airlines can target local points of sale to limit availability, allowing higher-valued international traffic to fill the plane and improve yields. Combined with the intuitive graphical user interface, airlines can quickly adjust their business rules to adapt to changing market conditions.

Faster Response Through Real-Time Revenue Management

Airlines using both *Revenue Manager* and *SabreSonic Inventory* have the unique advantage of *Sabre Airline Solutions'* real-time revenue management solution, which offers the ability to provide updated optimal inventory controls in real time based on conditions in the marketplace.

When integrating this technology, analysts define a threshold for booking and cancellation activity within *SabreSonic Inventory*. When there is a schedule change or a threshold is reached, *SabreSonic Inventory* sends an alert notification to *Revenue Manager*, which reacts to these alert messages and automatically re-optimizes, both for individual flight departures and based on the amount of alerts, the complete network for a particular departure date. The result is optimal inventory controls immediately updated in the marketplace without the wait for the nightly download and optimization. By tightly integrating *Revenue Manager* and *SabreSonic Inventory*,

airlines are reacting faster than ever before to changes on their flights.

The *Sabre Airline Solutions* revenue management planning and execution solution also includes the competitive revenue management feature within the *Sabre® AirMax® Revenue Management Suite*, an add-on component that provides current competitive revenue management intelligence, including shopping data analysis. Insight into competitive information enables carriers to answer some of revenue management's most difficult questions including:

- How is a carrier's availability relative to competitors?
- Which flights are under or over priced relative to the competition?
- Can inventory controls be adjusted to account for other airline availability around high-volume travel dates?

Combined with the real-time integration between *Revenue Manager* and *SabreSonic Inventory*, the competitive revenue management component gives airlines an advantage over their competition and agility in the marketplace. **F**

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As business travelers book more of their travel in advance, fly economy class and search for the lowest possible fares to save money for their companies, the distinction between business and leisure travelers becomes more blurred, creating a revenue challenge for many airlines.