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## THE POWER OF PARTNERING

A Conversation with  
Abdul Wahab Teffaha,  
Secretary General  
Arab Air Carriers  
Organization.



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# The Big Three:

## Saving Money, Making Money and Keeping Customers

*Strategic marketing, advanced technology, superior processes and world-class service enable airlines to concurrently cut costs, generate revenue and retain customers.*

■ By Sara Garrison and Gordon Locke | *Ascend* Contributors

Which is most important to an airline: reducing costs, increasing revenues or enhancing the customer experience? The answer, of course, is all three — and all at the same time. That's the conundrum most airlines consider today as they evaluate their brand, business model, competitive landscape and critical path forward. There's subtlety and complexity to the answer because underlying the reduced costs, increased revenues and enhanced customer experience are new marketing strategies, information technologies and business process engineering.

Earlier this year, *Sabre Airline Solutions*® surveyed airline executives from around the world. When asked to rate the top issues for their airline — those having the greatest impact from a cost, revenue or operational standpoint — they responded that fuel costs, government regulations and customer loyalty were their chief concerns. The same executives were asked to rate the top three significant impediments to new revenue growth, and most responded that costs associated with fuel, labor, airport and distribution were their main stumbling blocks.

Not surprisingly, these results confirm that controlling costs in general is the overriding concern for airlines. In recent years, many other industries — such as banking, consumer electronics, insurance, telecommunications and utilities — likewise have faced high cost pressures, and the most successful companies have pursued cost reduction, revenue generation and customer loyalty programs concurrently. Examples from other industries provide insight into opportunities for such simultaneous action.

One of the most costly operations for check and credit card processing in

banks and other financial services institutions is correcting a transaction — an “as-of adjustment” when checks are wrongly encoded or returned or a “charge back” when credit card purchases are reversed. Financial institutions in the United States have invested significantly in automated systems during the past decade to speed these operations. They have streamlined and re-engineered the business processes through regulatory and procedural changes, and they have touted enhanced capabilities, such as increased customer self service and faster transaction speed to resolution, to their corporate and retail customers. They've realized huge cost savings, and those savings, as well as the intangible benefits of increased customer satisfaction, have accrued year after year. In fact, automation of the as-of adjustments and charge-back processes has been the source of many millions — some claim more than a billion — dollars in industry savings.

Extending the analogy to airlines, re-accommodation for missing a flight, rebooking a cancelled flight or changing an itinerary is similar to “correcting a transaction.” How can the re-accommodation process be further automated? Possibly taking advantage of ubiquitous mobile telephone platforms to contact customers and driving down costs while driving up customer loyalty is the answer. In some areas, notably Scandinavian countries, mobile devices are used for effecting payments, suggesting that the “mobile play” could be more fully integrated into the complete ticketing process.

In addition to automating labor-intensive processes, rationalizing the automation environment may have both cost savings and customer satisfaction benefits. A recent example from a regional

natural gas utility company makes this point. Six customer service systems in six states in six regulatory environments were prohibitively expensive to maintain, and their complexity and age prevented enhancements from being applied quickly and uniformly across the customer base. The utility company spent two-and-a-half years and US\$30 million to fix this problem. And, as a result, it realized a two-year payback in lower customer service costs, which far exceeded business-case projections. Not only that, but switching to a customer self-service model, previously a high-risk project estimated at multiple millions of dollars, is now estimated at under a million dollars because of the fully rationalized new technology environment.

As more is known about customers and their individual patterns of activity, a customer-centric user experience can be crafted. For example, the number of flight options shown to a particular frequent traveler on a Web page can be reduced based on past travel preferences. In addition, special discounts can be offered as incentives, reducing the “noise” of information overload to the customer, increasing the likelihood of purchase and improving the look-to-book ratio for the airline's Web site. This also presents interesting up-selling and cross-selling opportunities beyond seat upgrades and other airline products, such as selling swimwear and beach towels to summer vacationers heading to Florida. This is the worldwide Amazon.com model many people know and enjoy, with careful recordkeeping of browsing and buying activities, and predictive statistics and rules engines to suggest additional related or similar products.

Returning to financial institutions, they've learned that mining customer data yields revenue generating “gold” as, for

example, analytics provide cash management for corporations, and monitoring intra-day activity is offered as a value-added service. In this way, recomposing data becomes value generating. As the data is already available as part of the business process, it is considered a low-cost/no-cost revenue opportunity. And given their enormous data repositories, airlines have similar opportunities.

Airlines can take several steps to cut costs, realize revenue and delight customers

through strategic marketing, advanced technology and applied business processes.

In looking to other industries that have faced the same challenges as airlines — controlling costs, raising revenues and building customer loyalty — there are several successful approaches, such as sophisticated customer analysis, technology rationalization and modernization, and back-office process automation. Some of these approaches can be pursued without significant investment, and others require signifi-

cant investment but return that investment quickly and completely. Airlines can emulate these other industries and can expect similar results. **F**

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## MARKETING

Employ enhanced insights into customer attributes and behaviors at all touch points.

Individualize offers to customers and customer segments.

Reduce costs and increase agility in responding to market opportunities.

Offer mobile solutions for sales and service.

Increase customer self service. (Customers like self-service capabilities, especially if they can get bonus features.)

Realize that customers are talking ... to each other, not to the airline.

Promote reliability and trust ... customer loyalty means revenues.

## TECHNOLOGY

Invest in CRM toolkits and enable streamlined access to detailed customer data.

Present a “basket of business services” with the opportunity to personalize and customize services dynamically.

Utility services within a service-oriented architecture provide “build-one-time, reuse-many-times” cost savings that are startling. Integrate disparate data sources through an enterprise services bus, and stop writing specialized interfaces.

Extend reach through mobile platforms that automatically adapt presentation to devices.

Integrate with portal platforms to provide robust capabilities. Design goal-oriented, task-driven user experiences.

Use community-of-interest technologies to create networks of experts.

Without the tried-and-true “ilities,” (availability, stability, reliability, extensibility, scalability and others), no one cares. Plan for “five nines” and mitigate system failures. Use specialized algorithms and accelerators to speed response.

## BUSINESS PROCESSES

Statistical analysis and flexible, externalized business rules ensure the right offers at the right time.

Rationalizing the automation environment to a common set of processes that implement business services and drives cost savings.

Shared technical service across airline processes enable staff to focus on key differentiators rather than generic functions.

It isn’t just about sending information via text messages, but using mobile devices to reach customers wherever they are and whenever you want. Consider generating advertising revenue from compatible partners.

Costs of the service desk are huge and are reduced by self service as customers maintain their own data and answer their own questions. “Tailored” self service is a loyalty touch point.

Understand how to listen and not intrude in the conversation. Become a part of the “Travel 2.0” process.

Business process is front and center, and much of the process is tedious, although eventually rewarding. Business resumption planning is essential.