

A MAGAZINE FOR AIRLINE EXECUTIVES

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ascend

Taking your airline to new heights



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THE FREEDOM TO EXECUTE

The game has changed for airlines, and a new era of execution on profitability, nimbleness and competitive differentiation has emerged.

■ By Tom Klein, President, *Sabre Holdings*




 A stylized illustration of a yellow airplane on a runway. A person in a blue outfit is pulling the airplane forward by a rope attached to the nose. The background shows a blue sky and a dark blue horizon.

"A

safe, secure, sustainable and profitable airline industry that provides good value to customers is in the best interests of our governments, economic

recovery and global competitiveness."

That premise was shared during a speech to the U.K. Aviation Club earlier this year by Air Transport Association Chairman and UAL Corp. President, Chairman and Chief Executive Officer Glenn Tilton.

It's a powerful principle ... one we should all embrace for the betterment of the entire industry.

Luckily, to help support this call to action, a new era in airline technology is upon us. And whether or not your area of expertise is directly related to technology, you'll be interested in the shift we are making to ensure your airline is prepared for the long term.

At *Sabre Airline Solutions*[®], we have changed the conversation from an "open-systems" debate to a higher standard of freedom through empowering technology, applications and services that create speed-to-execution for airlines and enable, rather than inhibit, changes to your airline's strategy.

Our approach creates freedom for airlines by combining the leading airline Software as a Service (SaaS) portfolio, an innovative Platform as a Service (PaaS) approach for real-time data, Web services enablement and a progressive cloud-computing environment.

Our *Sabre*[®] *ASx*SM *Airline Services Exchange*, a future-facing PaaS solution, ensures a complete portfolio of service-based solutions built on integration, scalability, flexibility and performance. Through the ASx exchange, an airline can leverage a state-of-the-art customer domain, rules engine, toolkit and application standards to use real-time data across its enterprise to detect and proactively manage patterns in its business. Whether strengthening alliance needs through superior data models and information exchange or marrying an airline's applications with ours, we are changing the foundation of how an airline can execute.

Our mission is to help airlines gain freedom from their constraining IT infrastructures to conduct business today the way they want and to be prepared for the future. We are among a small group of software providers across multiple industry verticals to embrace this strategy, and we work diligently to make sure our technology direction meets and exceeds our customers' needs. To support a growing community of customers that need to boost revenues, increase productivity and enhance their customers' experience, we have invested in and created three distinct technology advantages:

1. A superior cloud-computing environment through our PaaS strategy,

2. Flexible applications engineered and tested for the demands of an airline, delivered in a SaaS model,
3. A services foundation that enables a multi-tenant architecture for integration and real-time analytics.

Why focus on these three areas? Because “open” is not enough. While it is necessary to provide open solutions, an open environment and even open collaboration, the rush to “open systems” in and of itself has not meant better execution by and for airlines. For a number of airlines, an open-systems product was delivered with a “walled garden” approach. This meant not being able to use data as intelligence and has driven compromises in terms of integration ease, cost reduction, flexibility and timeliness of delivery. Clearly, this is the opposite of freedom — it is simply new technology that brought new constraints.

This point was validated in a May meeting by our executive advisory board, a body of chief information officers and IT executives from across the industry using multiple technology providers. According to discussions during the meeting, we have the right technology strategy to address the enterprise-wide needs of an airline and have been executing. Still, we recognize the need to move even faster.

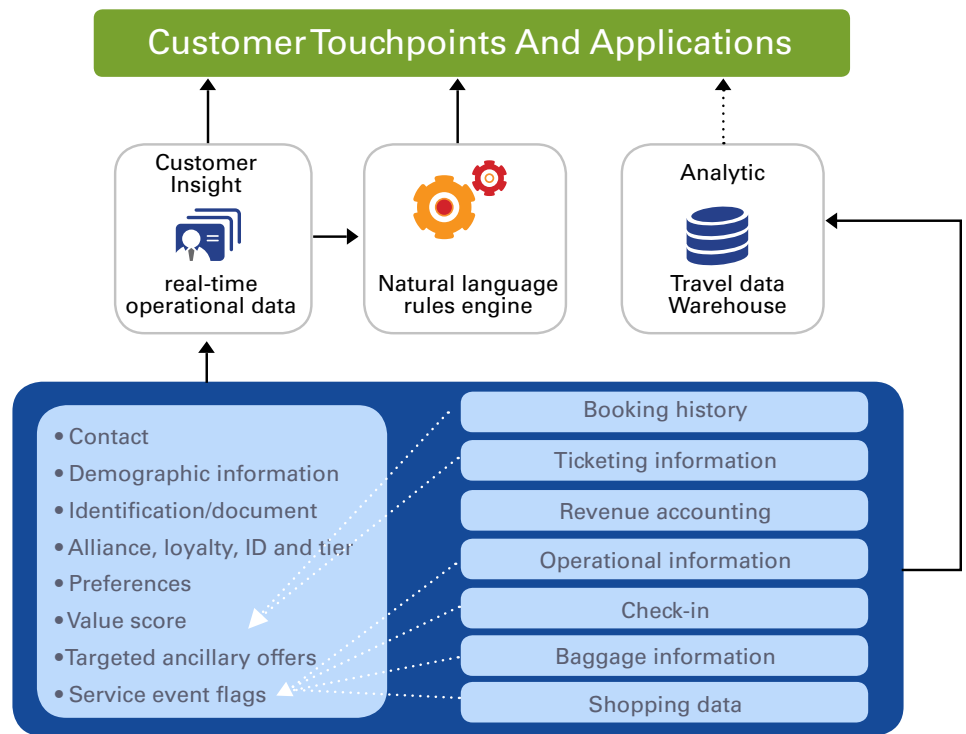
Five Radical Shifts

Further, in a 2010 study called “The Future of Corporate IT,” conducted by the Corporate Executive Board’s Information Technology Practice, five radical shifts — information over processes, IT embedded in business services, externalized service delivery, greater business partner responsibility and diminished standalone IT role — that correlate with our IT strategy and the way airlines are evolving as businesses are addressed. It points to shifts that we embrace, and every enterprise, airlines included, should consider:

Information Over Processes

“The rise of technology delivered as a service, or the cloud, will significantly reduce sources of competitive advantage from information technology. In theory, a start-up could use the cloud to obtain the same functionality, scale and quality as an industry leader. Differentiation will lie in how an organization manages change, integrates its service portfolio and, critically, exploits the information the services generate.

The nature of demand for information technology also is changing. Most employees are now knowledge workers. Social media is becoming vital for customer and internal communication, and data volumes continue to rise. As a result, in the business areas that drive growth — innovation, marketing, sales, customer service — up to 80 percent of IT enablement opportunities relate to business intelligence, collaboration or the customer interface. At the heart of each of these opportunities is the need to capture,



With our unparalleled technology platform, you can use real-time data throughout your operation to ensure all employees have the same information exactly when it’s needed for optimal decision making.

integrate and interpret information, both structured and unstructured.”

IT Embedded In Business Services

“The corporate center is in flux. All corporate functions have the same problems — their capabilities overlap, they do not control the outcomes they enable and, after many cuts, they struggle to find the next big efficiency. And for organizations growing in emerging markets, many corporate functions lack the scale or expertise to provide sufficient local support. The IT function shares these problems. It has skills in strategy, program management, business process design and sourcing. All are valuable, but none are needed solely for delivering technology, and so they can all exist elsewhere.

Second, no amount of alignment and partnership changes the fact that the IT function enables business outcomes that someone else controls. Much value has disappeared down the hole that this situation creates.

Finally, cost pressures mean many chief information officers face the unwelcome choice of cutting delivery resources needed to “build things right” or management resources that ensure IT “builds the right things.”

The need for efficiency and joint accountability for execution and outcome will change the IT function’s delivery model and organizational location. Technology will be consumed as part

of business services as the IT function merges into a business-shared services group alongside other corporate functions.”

Externalized Service Delivery

“Externalization of applications development, infrastructure operations and back-office processes continues, gradually eroding the “factory” side of the IT function. The pace will accelerate as the cloud enables the externalization of up to 80 percent of application lifetime spend. As this occurs, internal roles will shift from being technology providers to technology brokers.”

(Although this came directly from The Future of Corporate IT study, and it may sound like one of the many pie-in-the-sky promises of technology, I believe this one will largely be true, and progressive companies are seeing the benefits already.)

Greater Business Partner Responsibility

“Technologies for collaboration, business intelligence and the customer interface all require experimentation and iteration; use non-linear, user-driven workflows; and offer value from diversity across the organization. None of this is easy for a central function to fulfill.

A generation of business leaders and end users is emerging with greater technology



Ancillary sales don't have to stop at your website. You can sell merchandised offerings through multiple channels, capturing more revenue for every type of trip your customers take.

knowledge and confidence. They see advanced, user-friendly technology as an everyday occurrence and can recite stories of companies gaining industry leadership through technology. At the same time that business leaders' expectations, and their ability to articulate those expectations, are quickly rising, the cloud gives them access to unprecedented technology scale and expertise.

The fact that cloud services cannot be extensively customized, but offer greater configurability in most cases, levels the playing field; business units cannot customize cloud applications but neither can the IT function. Together, these trends point to a greater role for business partners in areas where the value of differentiation outweighs the need for integration. This is not a return to local control of IT resources, rather, it is a shift in responsibility for technology decision making."

Diminished Standalone IT Role

"As IT roles migrate to business services, evolve into business roles or are externalized, the scope of the IT function will diminish, and its headcount will fall by 75 percent or more. Strategy, architecture, risk, program management, user support and relationship management will exist at the business-services level, not within the IT function. The CIO position will expand to lead this broader group or shrink to manage technology procurement and integration. Roles remaining

in the IT function will organize around build and run, and adopt an agile operating model to allow rapid value delivery and resource mobility.

Organizations that do not make these shifts will be left behind as they struggle to effectively exploit technology and manage an inefficient IT function and an underperforming corporate center. For IT leaders, too, the shifts present risk and opportunity. Those who do not adapt, face a much diminished role in a group with little strategic impact. But the opportunity is also significant. Leading a business-shared services organization offers new levels of resource and accountability for business outcomes.

Another option is a leadership role in a newly empowered business unit that thrives on exploiting technology for competitive advantage."

Our Approach

Our current technology approach and the path forward sync ideally with these objectives, which were taken verbatim from The Future of Corporate IT study. Our ASx exchange as a platform and services environment creates an advantage for an airline. It provides preeminent application performance, seamless consumption of new capabilities and a leading method of delivering data between applications and points of sale and service. The result is better combinations of applications and data for the businesses within airlines to effectively execute. In addition, airlines see increased

user adoption through application accessibility and configurability via an advanced community portal and an enterprise consumption of usable operational data.

Airlines can say goodbye to the old world of siloed data and welcome true real-time business intelligence that takes enterprise operations to a new level. An airline can deliver its promise to its customers more efficiently with real-time data and a rules engine that ensures it has an accurate array of knowledge about its customers.

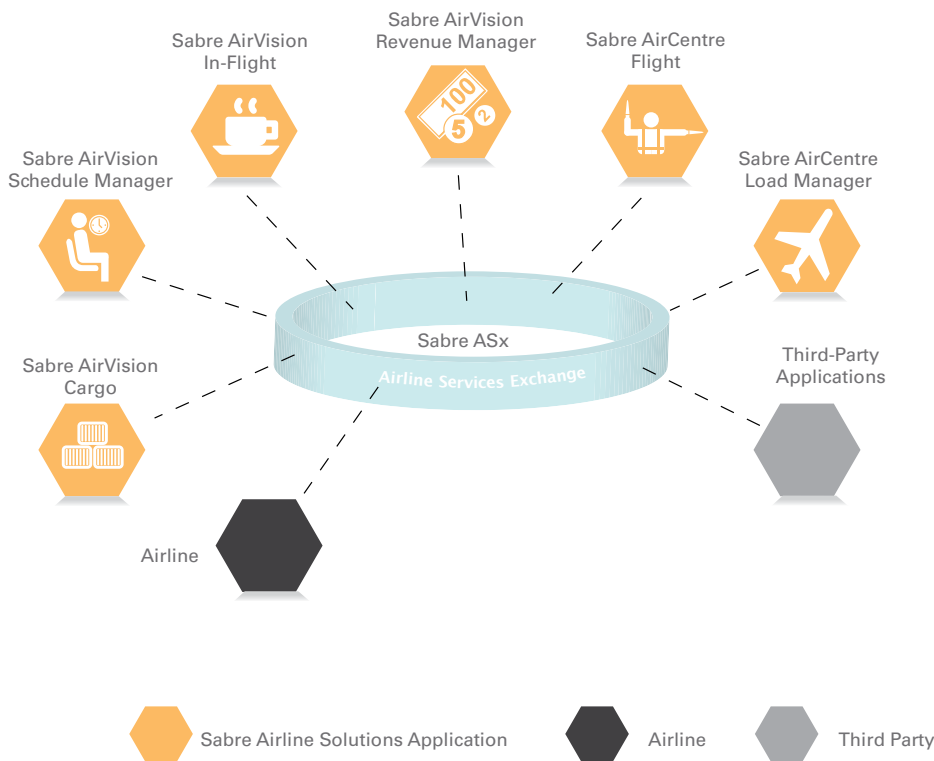
It is important if airlines feel constrained by their technology that they look at ways to get ready now for the future, to think about the rapid shifts IT is experiencing and the evolution of smarter customers. While some airlines are working with us on large-scale transformation today, small shifts can be made with big gains. A primary example is how many airlines can look into our portfolio of service-enabled solutions to enhance the technology environments they already have, such as Web services, executive data dashboard, revenue integrity and other light applications that are easy to implement.

We are working with a number of airlines, offering unique operational data services, added applications, helping with methods to create new capabilities from composite services, employing a rules engine and overlaying systems with new configurable user interfaces at points of sale or service, to get out of their systems what they really want.

A white paper titled "Forecast: Partly Cloudy And A Chance Of Applications" published by The Keynote Benchmark, a website for mobile and Internet performance review, hints at how customers are navigating new terminology while weighing the advantages of cloud computing at the same time. Terminology aside, with SaaS, the "cloudiness" disappears when the technology is real and applications perform. The paper goes on to say, "speed of implementation is a real advantage for SaaS."

We continually recognize the real need airlines have for fast execution, and we relentlessly evaluate our software and infrastructure strategy and have been aggressive in delivering advanced technology and services to support the growth of airlines. We are also dedicated to ensuring world-class delivery of technology and applications — speed being a critical focus. We've completed more than 500 successful small and large technology deliveries in 2009 and will do the same this year. Thus, as the largest SaaS provider to airlines, we have removed the cloudiness from technology conversations, ironically, with cloud computing.

The objective is to free airlines to focus on flying and running their businesses as well as enable changes in strategy, offer the ability to experiment with different models and react quickly to market changes ... all enabled by technology, as opposed to being hindered by it. We have proven this ability at airlines of all



A future-ready services-oriented architecture, Sabre ASx technology empowers you to quickly make the changes you need for your business. This game-changing technology gives you the freedom to quickly assemble data and capabilities to act on business opportunities as well as enables you to leverage existing systems while easily integrating new ones.

sizes. The importance of SaaS is reinforced in the Keynote Benchmark whitepaper. It discusses other advantages from cloud computing and SaaS inherent in the *Sabre Airline Solutions* mindset, that are a direct correlation to what airlines want.

It states, “another checkmark in the plus column is that instead of highly disruptive and expensive process of upgrading on-premise, SaaS upgrades can often happen without disruption to normal business processes.”

This means that, over time, technology can more easily evolve with a business, preventing wholesale changes that are painful or localized.

There are a number of areas across our broad portfolio and client base that point to the success of our future-facing architectural foundation, real-time operational data and services-based applications.

First, we have delivered the newest solution for reservations, departure control and inventory to market that enables our airline partners to evolve or move from rigid customer management platforms and inflexible passenger service systems (PSS). Up and running at JetBlue, Vietnam Airlines, Volaris, WestJet and, soon, LAN and others — the combination of platform and SaaS, and nimble, configurable applications means airlines can see complete enterprise implementations

faster and adopt them quicker into steady state. The added bonus being, they have a solution that is generationally equipped for the long term — it is ready for many technology iterations to come.

Additionally, airlines can tap into a robust offering of business and data analytics applications, the most advanced revenue integrity capabilities, intelligent merchandising and e-commerce, operational data services and airline toolkits that enable some of the world’s most prominent airlines to improve upon what they have today.

Second, airlines need more than just great technology to improve customer sales and service. They require operations solutions that integrate well with all other systems for a persistent view of the customer, the disposition of aircraft and ground operations. We have put the ASx exchange to work in creating innovative irregular operations recovery, dynamic customer reaccommodation, state-of-the-art inventory controls and an electronic flight bag solution, to name a few.

More importantly, the data becomes usable in how it is extracted from operations to feed other applications that span an airline. Our data dashboard aggregates day-of-operations and moment-of-operations information for faster decision making. Another example is the combining of customer and operational data in a rules engine

that drives innovative customer value scoring that is configurable to fit an airline’s unique customer experience strategy, and it is a landmark development.

Third, the use of the ASx exchange creates a seamless relationship between an airline’s functional areas such as marketing and planning, enterprise operations, and customer sales and service, enabling airlines to connect in a one-to-many fashion our portfolio with airlines’ existing systems and other third-party applications. Thus, data and composite services combine to generate new capabilities and possibilities. For instance, the concept of integrated commercial planning is no longer just a concept. Creating real-time, actionable intelligence across revenue management, pricing, revenue integrity and revenue accounting is priceless. This is difficult for various product providers and airlines to stitch together. The answer lies within the combination of capabilities via Web services across the revenue-generating and tracking spectrum.

Shared actionable data, leading algorithms and a high-performance Platform as a Service make it happen, making it possible for airlines to manage ancillary revenues proactively, compete more vigorously, price smarter, consider operational impacts and account for revenue by channel, flight, market and promotion in time to shift sales and marketing tactics.

More than 300 airlines depend on our delivery, innovation, broad SaaS portfolio and collaboration within the largest global airline community. A technology environment built to evolve through multiple generations, configurable solutions and real-time intelligence is creating freedom to evolve. Game changers, service leaders and leading brands alike are taking note. Customers such as Aeroflot, American Airlines, British Airways, Cathay Pacific Airways, Ethiopian Airlines, Jet Airways, JetBlue, Kingfisher, Lufthansa, Volaris, WestJet and, soon, Aeromexico and LAN, are using our services, applications and technology to bring about this freedom. The industry’s 2.4 billion passengers expect it.

I like to think about it this way. According to an article “All Too Much” in the February issue of *The Economist*, between 2010 and 2015, the compounded annual growth rate for global data volumes across all industries will be an astounding 60 percent. So, even if you want to believe in only incremental passenger growth and little change in consumer behavior, the onslaught of data is coming. For the airlines that prepare now, it means great results. Is your airline ready, and do you have the freedom to do business the way you want? We’re more than ready. ■

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