

# ascend

Taking your airline to new heights

## JET STREAM

A conversation with Wolfgang Prock-Schauer, the chief executive officer of Jet Airways.



### Special Section

#### FUELING UP

A look at the rising cost of fuel and its effect on the industry.



#### INSIDE

6	Turboprops make strong comeback
36	WestJet saves US\$5 million annually
78	GOL scores big in Latin America

■ By Rakesh Narayanan and Sam Shukla | *Ascend* Contributors

# Yemenia turn



After thoroughly evaluating its operations, Yemen's national carrier institutes a turnaround plan to boost profitability.



As fuel prices began their upward climb during the last few years, it led officials at Yemenia (Yemen Airways) to take a thorough look at its entire operations. The spiraling cost of fuel was putting pressure on the carrier's financial position, creating an urgency to restructure the airline and put it back on the path of profitability.

Given the airline's need to improve its financial performance, it sought to examine every aspect of its operations with the goal of turning around its business as soon as possible. The airline, which dates back to the early 1960s, serves more than 30 markets in Africa, Asia, Europe and the Middle East with its fleet of nine aircraft. But with the difficulties facing the industry in the past few years, the Yemen national carrier based in Sana'a had begun facing challenges of its own. In September 2005, Yemenia began working with consultants to conduct a detailed review of its business with the objective of returning to profitability within a year.

A special team comprising eight members from Yemenia was dedicated full time to work with a team of more than 10 consultants from the Sabre Airline Solutions® consulting practice for one year to identify opportunities for improvement in the airline's commercial, operational and financial areas.

During that year, Yemenia personnel were trained on various aspects of the turnaround project as well as analysis techniques so they could effectively solve the issues facing the airline. Yemenia now utilizes these resources in senior management roles to head critical functions.

"We are pleased with the results of our partnership with Sabre Airline Solutions," said Abdulkalek Al-Kadi, chairman of Yemen Airways. "Sabre Airline Solutions consultants worked side by side with our staff to implement the changes they recommended, and in the process, transferred knowledge to our staff. It has enabled us to improve our business significantly and position us for growth."

In addition, more than 300 people have been taught various disciplines in more than 30 training sessions. During the project, consultants worked onsite with Yemenia personnel in various departments on a daily basis rather than taking an "ivory tower," or purely theoretical, approach that only produces reports. Also, more than 4,000 pages of custom-written material was provided to help the airline train new personnel on business practices as well as act as a refresher course for existing personnel.

The turnaround program was a comprehensive and tactical, result-oriented approach. Sabre Airline Solutions consultants used a specific methodology associated with airline commercial assistance designed to meet the unique needs of Yemenia. This exhaustive methodology helped identify the specific needs of the airline and tailor the right solutions. The implementation approach constituted of six major steps:

1. Initial assessment,
2. Development of turnaround plan,
3. Quick hits,
4. Procedures and practices,
5. Training and consolidation,
6. Tracking and enhancing.

The project started with an initial assessment. During this phase, a commercial, financial and operational evaluation of the airline was performed to identify major issues and assess and evaluate the corresponding impact and potential for improvement. The initial assessment consisted of four steps:

- Characteristic analysis — Specific characteristics of Yemenia were gathered through interviews and data.
- Comparative analysis — Characteristics of Yemenia were compared with industry data, previous performance, budgets and standards to identify gaps, considering regional and corporate environment.
- Normative analysis — Results of characteristic and comparative analyses were analyzed against a context of expected financial and operational impact.
- Prescriptive analysis — All characteristics and comparisons identified as requiring change during the normative analysis were examined and specific "prescriptions" were suggested for the changes that must occur to improve Yemenia's performance.

A detailed turnaround project plan was built based on the conclusions of the initial assessment.

Certain easy-to-implement prescriptions that could yield significant benefits within the first 120 days were identified as "quick hits," and the team started working on them immediately after the assessment. This was followed by implementing remaining prescriptions with changes in the airline's procedures and practices. Once the implementations were underway, training and consolidation began. During training, key concepts, specific skills, procedures and practices were taught to Yemenia personnel through formal classroom training and active mentoring. During consolidation, key performance indicators were examined closely to ensure maximum benefits. Finally, tracking and enhancing measured the progress of the changes and fine tuned the business to further enhance benefits.

The turnaround program at Yemenia resulted in positive tangible results that began aggressively ramping up 90 days after the start of the project. The analysis revealed specific changes that could be implemented in the commercial, operational and financial areas.

### Commercial

The turnaround team worked on network, schedule, revenue management, pricing, sales and distribution in the commercial area at Yemenia. Each area was thoroughly evaluated and procedures put in place to improve the quantitative and qualitative performance of the carrier.

Using the Sabre® AirFlite™ Planning and Scheduling Suite to optimize the winter sched-



Photo by Rafiq Dews/Airline.net

The high cost of oil fueled the need for Yemenia to conduct a thorough evaluation of its entire operations to determine how it could get turned around and once again become profitable.

ule, the airline closed three major money-losing stations, despite extensive internal and external pressure.

The turnaround team provided scientific training to all sales personnel and worked on target setting, incentive plans, sales visits and agency commission plans to maximize sales. Yemenia's sales force currently uses a number of data and tools to monitor as well as proactively and reactively address market needs.

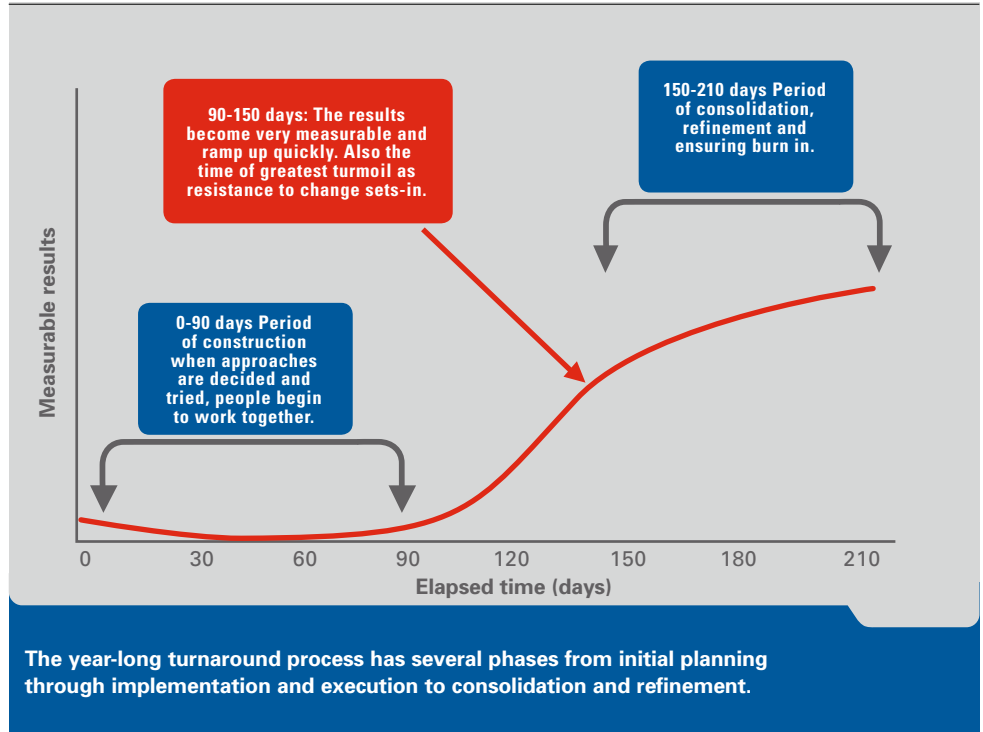
In the area of distribution, connectivity levels to global distribution systems were increased to assist in booking and ticketing. Subscriptions to bank settlement plans and providing authorization resulted in thousands of new travel agencies selling tickets for Yemenia. Today, the carrier sells its products through a variety of channels including the Internet. Fare-class realignment, revenue management practices and a new pricing structure enabled Yemenia to increase revenue per available seat kilometer. Readjusting fuel surcharges and excess baggage policies made significant contributions to revenue. Moving from manual fare filling to ATPCO reduced errors and ensured consistent fares in the market regardless of channel. New waitlist and passives policies reduced GDS costs. In addition, control of booking churn/abuse while improving the quality of booking is also lowering GDS expenses. Communications costs have been reduced by introducing better procedures and control measures. With the implementation of a number of recommendations and positive cultural changes, the airline is expected to post a revenue increase in excess of 20 percent.

**Operational**

The turnaround team worked in airport management; crew management; fuel cost control; maintenance, repair and overhaul; and operations control. Each area was thoroughly evaluated and procedures put in place to maximize benefits.

The team worked on restructuring the airline's operations control center. Optimized flight plan techniques were employed to reduce fuel consumption and flight time. OCC personnel were trained in industry best practices. The carrier's on-time performance improved due to better coordination between various entities at the airport. Another major breakthrough was fuel conservation. Utilizing optimized flight plans, significantly reducing excess fuel uplift, judiciously using of auxiliary power units and better flight practices helped the airline improve fuel efficiency. Existing tools at Yemenia were used to automate and improve efficiency of crew planning and rostering. The team also assisted the Sana'a Airport authority to make modifications to improve space usage.

**General Turnaround Sequence**

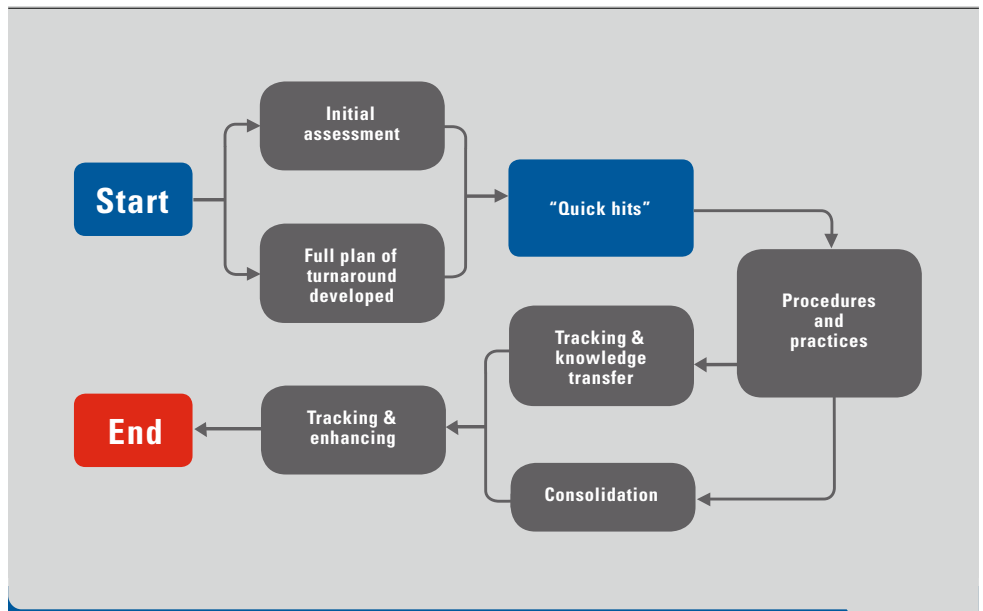


Last year, Yemenia received International Air Transport Association operational safety audit certification.

The turnaround team worked on profitability analysis, revenue accounting, revenue realization, budget management, cash management and key performance indicators. Industry best practices and management

**Financial**

**Turnaround Process**



The turnaround project at Yemenia involved several key stages that helped the airline improve its bottom line significantly.



Photo by Vatche Mithian/Airline.net

Operating a fleet of nine aircraft — two Airbus 330-200s, four Airbus 310-300s and three Boeing 737-800s — Yemenia Airways plans to expand its fleet dramatically during the next few years to satisfy customer demand.

reports enable the carrier to monitor and control its performance like never before.

For the first time, Yemenia now has monthly profit and loss reports to track its business, including management reports and tracking KPIs. This was a monumental task considering that new cost centers had to be created to increase control and accountability. Consolidation of bank accounts assisted in better cash management and use of credit facilities. Renegotiation of credit terms resulted in lower working capital requirement and industry best practices were implemented for better account receivable management. For the first time, the airline will have a monthly budget; a major step toward achieving a target-oriented culture. In 2006, Yemenia was able to recover excess taxes paid to government authorities around the world. This was possible because of diligent and extensive research into past accounts. On the recommendation of the turnaround team, Yemenia also has outsourced revenue recovery, which is expected to yield substantial benefits.

Apart from the turnaround project, Arabesk is contributing to Yemenia's bottom line. Arabesk is the alliance of seven Middle Eastern airlines that coordinate

schedules to maximize benefits for its members. Yemenia is an active participant in Arabesk and has a number of codeshare agreements with member airlines.

Today, Yemenia has a new organization structure in line with industry best practices and carriers' individual needs. The new organization structure brings in better business practices and clear key performance indicators that assist in tapping the best individuals in the company.

Toward the end of the turnaround project, Yemenia started the implementation of Sabre® AirMax® Revenue Manager to automate a number of processes, enhance revenue and consolidate all the learning in the areas of revenue management.

The turnaround program has resulted in significant improvement in the airline's bottom line while aligning business practices to position for growth. Further improvement in financial strength, product quality and image is expected as the carrier moves ahead with the strategic plan.

"One of the most important projects that Yemenia undertook was the turnaround project, which was signed with the Sabre Airline Solutions consulting practice in August 2005," said Abdulla AlKibsy, chairman advisor and turnaround project

manager. "In cooperation with the Sabre Airline Solutions team, we have achieved big improvement in our work process. The team's broad knowledge of the airline business and extensive experience in such projects have opened for us new horizons of understanding and practicing this business. Yemenia's turnaround team and Yemenia staff in various departments have gained a lot of knowledge and experience working with the Sabre Airline Solutions consulting team. We believe that on conclusion of this project, Yemenia will be more successful and more competitive in our market." 

*Rakesh Narayanan is a partner and Sam Shukla is senior engagement manager for the Sabre Airline Solutions consulting practice. They can be contacted at [rakesh.narayanan@sabre.com](mailto:rakesh.narayanan@sabre.com) and [Sam.shukla@sabre.com](mailto:Sam.shukla@sabre.com).*