Strength In Numbers
Airline Alliances And Partnerships ... Beyond Reservations

By Asha Patel | Ascend Contributor

While airline alliances promote a seamless customer experience and provide opportunities for route expansion and additional revenue generation, they can become quite complex. Carriers can manage the complexity with the right balance of technology and expertise that transcends airline reservations functionality.
Airline partnership models have come a long way since the formation of the first global alliance in the late 1990s. Today, roughly 80 percent of all carriers belong to an alliance or partnership. This includes:
- Alliance membership,
- Bi-lateral relationships,
- Codeshares,
- Interline agreements,
- Joint ventures.

National regulations are slowly being liberalized in favor of more open-skies policies toward regional markets. The mergers of LAN and TAM in South America and British Airways and Iberia in Europe are evidence of this trend. Globalization factors drive consolidation of the industry in some regions, while other regions enjoy rapid expansion. Increased travel demand driven by rapidly growing economies, changing demographics and wealth effect is primarily responsible for this expansion.

The changing landscape means new and ever-changing collaborative arrangements. The three major global alliances — oneworld, SkyTeam and Star Alliance — expect to increase airline membership significantly during the next five years.

Currently, more than half of the world’s passenger travel is via a global alliance. Airline partnership models have seen a 19 percent compound annual growth rate during the past three years alone. Carriers that fall outside major alliances have been busy, too, forming strategic partnerships at various levels to leverage new opportunities in existing and emerging markets.

Historically, national regulations had prevented cross-border mergers that would have typically occurred due to market forces. Collaborative models were a natural adaptation to these legal barriers. However, other factors come into play as to why airlines are increasingly partnering up. The different partnership models have proven successful for both customers and airlines.

For customers, the most obvious benefits include:
- Access to a worldwide network,
- Combined frequent flyer programs,
- Seamless services throughout the network,
- Priority check-in and baggage handling,
- Access to partner lounges.

For airlines, it has provided a counter balance against competitive pressures through:
- Network amplification,
- Increased market share,
- Reduced costs,
- Increase in overall operational efficiency.

Airline partner programs are the fastest-growing option in leveraging an airline’s reach. Partnership programs, and specifically alliance programs, are much more than codeshare and reservations systems functionalities. Alliances now look to increase the access of shared applications with the objective of:
- Creating seamless customer service for all customers, not just elite members,
- Further synchronizing their network (schedules and hubs),
- Generating additional revenue,
- Improving cost efficiencies,
- Improving asset management (shared slots, check-in facilities, lounges, etc.).

Ferocious competition places a high emphasis on quality of service. All major global alliances have plans to increase the sophistication of their offerings with more integrated products and services. Airlines join alliances or form partnerships to leverage new opportunities in the marketplace or to counter threats from competition. To determine whether a strategic partnership of some form

Alliance Success Is More Than Just Reservations

Alliances go beyond codeshare agreements and reservations functionality. Today, alliances aim to increase the access of shared applications that span an airline’s entire operation. The objective is to create seamless customer service, further synchronize the network, generate additional revenue, improve cost efficiencies and improve asset management.

Customer And Operations Data

It’s essential that alliances and their member airlines leverage data across the entire enterprise. Sabre Airline Solutions combines its reservations system with a broad portfolio of solutions to power alliance participation.
makes sense, airline executives should ask themselves several questions:
- Which partnership or alliance model best fits their business model?
- How profitable will the venture be?
- Can they quantify the benefits?
- Which alliance best complements their network?
- What is required to join, and how is the process managed?
- How is data exchanged among various carriers?
- How do they ensure consistency of the customer experience among all alliance partners?
- Is their fare structure aligned with that of potential partners?
- How will an alliance impact loyalty programs?
- What is the exit strategy should their needs change in the future?

Once key decisions regarding an alliance or partnership have been made, speed to market is an important consideration for the team in charge of implementing the agreement. While each airline has its own system for schedules, reservations, ticketing, check-in and so forth, these core functions are usually unique to the airline because of the legacy heritage.

In most cases, alliance partners that strive to achieve common functionality will not have the same architecture and data-sharing capabilities as their partners. As a result, new airline relationships can be costly to implement due to the complexity of integration required to ensure data accuracy. Of course, the scope of information sharing depends on the nature and size of the partnership. However, given the variety of models to be supported, any solution must be flexible enough to respond to changing strategies and operations.

For a new alliance entrant, the level of complexity can appear daunting given the ever-increasing integration requirements to support the enhanced customer experience. Airlines must connect and validate bi-directional data exchange not only with the alliance hub but also among all individual alliance members. This results in a lengthy and iterative process to resolve the many exceptions that arise during testing.

Once the partnership or alliance membership is operational, the relationship needs to be continually monitored to ensure it remains optimal. By determining the right schedule, pricing model and services, airlines can create the customer experience that best represents their brand. Some airlines have benefitted considerably by investing in complex projects, such as schedule synchronization. These have a higher complexity but also offer the highest delivered value.

Airlines should look for opportunities for even deeper engagement, such as:
- Schedule synchronization and optimization,
- End-to-end revenue management,
- Seamless customer service,
- Automated processing of mileage redemption,
- Fare proration,
- Loading of bid prices,
- Slot management,
- Hub management,
- Codeshare optimization,
- Real-time earn and burn.

To manage these multifaceted requirements and provide world-class services, airlines need tools to understand the information and carry out decisions that benefit all partners and their customers. This is especially true for operational decisions at hubs and key airports. Alliance members need capabilities to manage hub operations that allow a view of aircraft turnaround processes for an airline and its partners as well as manage passenger/baggage connectivity and transfer requirements. This delivers a seamless customer experience.

Another critical area within an alliance is the ability to manage disruptions so partner airlines and their customers experience minimum, if any, impact from the disruption. Sabre Airline Solutions® offers sophisticated rules-based technology that quickly identifies problem areas and tracks numerous tasks, activities and processes with aircraft, passengers, baggage, cargo, etc. For example, Sabre® AirCentre™ Hub Manager enables carriers to minimize loss of revenue and customer dissatisfaction when the inevitable disruptions occur.

### Highlight

**Sabre Airline Solutions** is intimately familiar with alliance partnership issues. Its leading solutions and expertise represent its depth of experience as well as pace-setting software engineering, industry best practices and decision-support intelligence. The unique advantage manifests itself through adaptable and scalable solutions, a global support model, consulting services and a large airline community.

Airlines are now looking beyond basic PNR and frequent flyer synchronization to achieve greater financial benefits. **Sabre Airline Solutions** extends airline capabilities by overcoming the complex integration challenges to deliver higher value. This will

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**Shared Application Access Among Alliance Members**

(percent of alliance members)

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**Shared Application Access** A good portion of alliance members share frequent flyer, PNR and check-in data through shared applications. However, only a small portion have access to more complex areas such as revenue management, maintenance, and scheduling and planning data. **Sabre Airline Solutions** offers a broad range of capabilities for more extensive data sharing.
make new carrier implementations easier to integrate. Airline partners will have access to newly emerging models where crew, equipment and other assets (such as slots, hubs, lounges and check-in counters) are shared across the alliance network.

Airlines will require new technology to better address their mutual needs as their partnerships evolve from the traditional codeshare (or revenue-sharing partnership) to a shared services approach. Understanding these evolving requirements and implementing the right technology is critical. Sabre® AirVision™ Marketing & Planning and Sabre® AirCentre™ Enterprise Operations offer capabilities specific to unified alliance partnerships.

Sabre AirVision offers capabilities that help manage:
- Alliance evaluation,
- Codeshare evaluation and synchronization,
- Fleet planning and optimization,
- Close-in to departure re-fleeting,
- Carbon use modeling.

Network planning and scheduling is directly impacted by partner relationships. Sabre® AirVision™ Network helps airlines plan their network, schedule aircraft and maximize operational efficiency while satisfying many operational constraints.

In addition, as airline partnerships and alliances continue to expand, the size of shared schedules will grow exponentially. In this instance, airlines need a network scheduling tool that is flexible and scalable enough to support ever-increasing schedules. Sabre® AirVision™ Schedule Manager, through its 64-bit architecture, is the only solution currently on the market that makes it possible to accommodate schedules of thousands of flights based on different flight times per day, different bookings per day, etc.

There are also issues more specific to the type of relationship. For example, optimizing and synchronizing codeshares can be challenging without the right tools. Sabre® AirVision™ Codeshare Manager reduces the amount of time required to set up codeshare flights and publish them through automation. It also eliminates misconnections by aligning marketing flights with operating flights.

On the financial side, Sabre® AirVision™ Profit Manager helps airlines evaluate the overall financial impact of an alliance or partnership. The leading route profitability solution leverages market data and conducts what-if analysis to identify new opportunities that will improve overall network profitability.

Airlines should not have to make strategic decisions about partnerships alone. Sabre Airline Solutions’ team of experts can help navigate critical issues and determine the viability of joining an alliance or identifying potential partnerships.

Selecting the right solutions partner is essential to achieving short- and long-term alliance benefits. Sabre Airline Solutions is the only provider that combines a major passenger service system with the broad portfolio of applications needed to completely support airlines and alliances.

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**+count it up**

414,498
The number of Star Alliance employees when combining workforces of all member carriers. The alliance currently has 26 member airlines that operate 4,386 aircraft.

653.62 million
The number of passengers carried by Star Alliance members each year. The alliance operates in 1,290 airports and has more than 990 lounges.

149
The number of countries served by oneworld member airlines, which offer a combined 8,627 daily departures.

324 million
The number of passengers carried by oneworld airlines each year. Of those, American Airlines carries nearly a third, serving 105.2 passengers annually.

15
The number of SkyTeam members that operate more than 14,500 daily flights to 916 destinations in 173 countries.

265 liters
The amount of paint needed to cover SkyTeam member Delta Air Lines’ Boeing 767-400 aircraft. Of that, 37.85 liters of dark blue paint is used for the ribbon and SkyTeam logo.