t a k i n g y o u r a i r l i n e t o n e w h e i g h t s

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
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78 GOL scores big in Latin America
Helping you better **market**, **sell**, **serve** and **operate** — from planning through execution.

**market**

We help you plan how to best offer your schedules to customers and generate the most revenue.

- Cargo management
- Fares management
- Inventory management
- Loyalty management
- Revenue accounting
- Revenue integrity management
- Revenue management
- Schedule development

**sell**

We help you determine the best distribution channel to sell tickets to customers.

- Booking engines
- Business process management
- Channel distribution
- Customer relationship management
- Market data and analysis
- Reservations
- Shopping
- Ticketing

**serve**

We help you make the experience easier for your customers throughout the travel process.

- Customer notification and trip information
- Customer processing

**operate**

We help you manage daily operations to efficiently fly your schedules.

- Crew management
- Dining and cabin services
- Flight operations
- Ground support
- Maintenance, repair and overhaul
- Resource management
- Schedule distribution
It wouldn’t seem one cent would have much of an effect on a US$450 billion a year industry. But, in air transportation, where the difference between profit and loss can seem thinner than the air at 30,000 feet, one penny can have a dramatic impact. Take the cost of fuel. Each penny swing in the cost of a gallon of jet fuel results in an increase or decrease of about US$550 million for the industry.

As part of our first special section, we discuss fuel and how to maximize it. But, the issue of fuel consumption involves so much more than just costs. In today’s environment — pun intended — pressure is growing for airlines to operate more “green” by reducing their carbon emissions. Of course, there are incentives for airlines to become more environmentally conscious,
not the least of which is reduced costs. But the push for more
green operations will likely have other far-reaching implications.
The Kyoto Protocol requires developed countries to reduce
emissions by an average of 5 percent below 1990 levels by 2012.
And although the air transportation industry currently produces only
2 percent to 3 percent of the world’s carbon output, more atten-
tion is being focused on our industry and its impact on the environ-
ment. Even with improvements in fuel efficiency, emissions from
international aviation increased 70 percent between 1990 and 2002.

There have been some encouraging recent developments that
could help reduce aviation’s emissions. Last year, for example, the U.S.
Air Force began testing a synthetic jet fuel that burns with less pollution
than regular jet fuel. So far, the tests have indicated the synthetic fuel,
made from natural gas, offers identical performance to traditional JP-8 fuel.

Such developments will help meet the need to be
more green. More travelers are looking to counter their carbon out-
put, choosing airlines that have offset programs, which invest in envi-
ronmentally friendly activities such as planting trees or develop-
ing renewable sources of energy. And more governments are likely to
follow the lead of the European Union in regulating carbon emissions.

In December, the European Union added air transportation to
its emissions trading scheme, which will cause airlines flying to, from or
within the union to meet emissions targets. Although the move has proven
controversial, it likely is just the first step. In February, the International Civil
Aviation Organization’s Committee on Aviation Environmental Protection
released proposed guidance to the organization’s 189 member states to
incorporate aviation emissions into national emission trading schemes.

The green policies of the aviation industry are part of a larger
discussion about sustainability, the movement to meet the needs of people
without causing harm to the planet. More companies worldwide are adopt-
ing sustainability practices, cutting toxic emissions, engaging in charitable
activities, developing products that are environmentally safe. It’s something
that we at Sabre Holdings have adopted — our headquarters building in Texas, for example, has been recognized by the U.S. Green Building Council
for leadership in energy and environmental design. Our sister company,
Travelocity, was the first major online agency to give travelers the option
to purchase “carbon offsets” when booking their vacation travel. The
Sabre Travel Network® business has developed a product that enables
business travel agencies in Europe to produce reports for their corporate
customers about the environmental impact of the flights they are booking.

Sustainability programs are becoming seen not only as
good will but good business. Companies benefit from choosing
vendors with sustainability programs. An article in BusinessWeek
noted that companies that embrace sustainability “help avert
costly setbacks from environmental disasters, political protests and
human-rights or workplace abuses.” In other words, companies
that practice sustainability are more reliable and stable long term.

But, of course, environmental issues are not the only thing on
the radar screen of airlines. In our industry, the focus changes daily, and
issues that sat on the backburner for months can quickly become top pri-
ority. In this issue, we cover a range of issues currently facing our industry.

It’s certainly an interesting time to be in air trans-
portation. We hope you enjoy this issue, and we look for-
ward to visiting with you again in the coming months.
Wishing you smooth skies …
Changing economics have led to a rebirth of turboprop operations at several airlines around the world.

By Michael Clarke | Ascend Contributor
Once considered a dying breed in the airline industry, the modern turboprop aircraft has experienced a robust resurgence in popularity, driven, in part, by the changing dynamics of the global airline landscape. Recent deregulation and liberalizations in developing countries, especially India, have resulted in a need for efficient regional aircraft to serve smaller airports with limited resources and semi-prepared and/or shorter runway surfaces.

The gradual increase in scope clause (limits on the size of aircraft flown by partner regional carriers) at most major U.S. domestic carriers has resulted in an increase in the size of regional jet aircraft deployment in their corresponding airline network. Over the years, the average seat capacity of turboprops has increased substantially, with the largest aircraft now providing 70-seat capacity. As a result, the economics of operating 50-seat regional jets is now being challenged by newer turboprops such as the Bombardier Q400 and the ATR72-500, which both have the ability to seat more than 70 passengers. Both aircraft are equipped with cabin noise and vibration suppression systems that offer a comparable interior passenger experience relative to regional jets and have cruise speeds that meet the performance of regional jets.

Recent Trends in Turboprop Deliveries, Aircraft Orders and Backlogs

During the late ’90s, the low price of jet fuel in conjunction with the prevailing scope clauses (less than 50 seats) made the economics of 50-seat regional jets very attractive. Major U.S. domestic network carriers such as Continental Airlines and American Airlines promoted the full migration to jet aircraft based on the perceived passenger preference for these aircraft types. In the aftermath of Sept. 11, most network carriers significantly increased the use of regional jets primarily to protect their market share with adequate frequency of service in important markets. At many hub airports, the percentage of regional jet operations exploded, as network airlines relied more on their regional partners to serve their short-haul and low-density markets in an effort to regain profitability while preserving service to most points in their established network. In addition, there was a drastic increase in the number of point-to-point markets served by regional jets, as airlines tried to maximize the utilization of their aircraft assets in the weaker demand climate.

The shift of flights to regional aircraft, and the poor economic environment, enabled network carriers to seek significant changes to their contractual labor agreements, especially with pilot unions. As a result of the reduced hourly crew rates, the cost per available seat miles for mainline narrow bodies became comparable to some regional jet operations. At the same time, there was drastic increase in the price of jet fuel relative to the late ’90s (more than 200 percent), which made operating costs higher for regional jet aircraft. The lack of pricing power across the U.S. domestic network resulted in reduced yields, and airlines were forced to reevaluate the value of the modern turboprop aircraft.

American Airlines decided to maintain a sizable ATR fleet to support its southern Florida and San Juan, Puerto Rico, operations and a fleet of Saab 340B for its southern California operations. Continental Airlines, which had gone exclusively with jet aircraft, has recently selected the Q400 aircraft for regional service from its hub at Newark Liberty International Airport.

Many niche carriers have always argued the economic value of turboprop operations that depend on market sizing and average flight stage lengths. Seattle, Washington-based Horizon Airlines was the launch customer for the Bombardier Q400 aircraft and now operates a fleet of 20 of the aircraft with scheduled segments up to 800 kilometers. In addition, its fleet consists of 28 Bombardier Q200 turboprops (37 seats) and 20 Bombardier CRJ-700 (70-seat) jet aircraft. Within the U.S.
domestic system, low-cost carriers that traditionally operate only narrow-body aircraft such as the Boeing 737 and Airbus A320 families are now looking at regional aircraft. The underlying aircraft requirement of low-cost carriers is to have quick turn times and the ability to support high aircraft utilization. While some have opted for next-generation regional jet aircraft with seat capacity ranging from 70 to 100 seats, Denver, Colorado-based Frontier Airlines has placed an order for 10 Q400s and an option for 10 additional aircraft. In Europe, low-cost carrier flybe makes use of the Q400 turboprop as its core aircraft to offer low fares from its multiple bases in the United Kingdom to destinations across the continent. In India, Bangalore-based Air Deccan (the first low-cost carrier in the country) has an active fleet of 20 ATRs that are used to serve many secondary markets across the country.

The demand for turboprops across the globe has been driven by niche carriers deploying these aircraft in markets where economics are compelling and by network carriers that realize the importance of operating the right fleet types. Most of the new order activity in the turboprop market has been driven by sizable orders placed by India’s Air Deccan and Kingfisher Airlines. The rapid growth of the domestic Indian airline industry will only drive more aircraft orders in the coming years. Turboprop aircraft coming off leasing arrangements are quickly redeployed to serve other airlines eager to introduce, or increase, regional operations at hub airports and other key (focus) stations within their networks. The current worldwide active fleet of Western turboprops (ranging in capacity from 19 to 70 seats) now stands at more than 2,000 units, with a backlog of in excess of 200 aircraft, representing 35 percent of the regional aircraft order books. The majority of these new aircraft orders were placed in the last two years, with ATR enjoying a commanding share of orders. Based on the 8 percent growth of the turboprop market in 2005, it is forecasted that it will continue to increase at 6 percent per year until 2009.

In an operating environment where fuel costs represent a significant portion (approximately 45 percent) of the total aircraft direct operating costs, the continued presence of higher fuel costs will result in an increasing demand for next-generation modern turboprop aircraft.

Michael Clarke is principle research scientist for the Sabre Holdings business. He can be contacted at michael.clarke@sabre.com.
The effective management of group traffic is required to minimize revenue dilution and enhance an airline’s market share. Group management is challenging from several perspectives — process, decision support and reservations system workflow for the management of group blocks.

Group traffic, which typically includes nine or more travelers, is an essential component of the total traffic in an airline network and varies significantly by geographic region and even by country.

As a percentage of total onboard traffic in an airline’s network, group demand is significant; processes need to be established to unlock hidden revenues by evaluating a request for a group reservation based on value as well as track the group reservation over the life of the flight. Some countries such as China and Japan frequently experience group traffic on flights that exceeds 50 percent of the total onboard traffic.

Groups fall into four distinct categories — ad hoc group requests, series group requests, allotments and convention groups — in increasing order of complexity for a sales agent or airline group desk that has to respond to a request for a quote. Processing each of these requests poses unique challenges. Processing ad hoc group requests is the simplest since it involves a single decision on block space for the requested origin and destination. In the series group, a request is made for a block of seats for specific days of week over a date range. The requests may originate from tour operators, travel agencies and airline group sales managers. For example, a cruise line operator may request block space from a gateway city to a departure port based on the sailing schedule. A variation of a series group is the request for an allotment. Allotments, prevalent in Pacific Rim countries, are group blocks removed from general inventory and managed by the travel agency. Convention and special event groups represent the fourth category that negotiates group rates with a preferred carrier to fly customers into a city where the convention is held. In this case, customers may originate from several origin points to a single destination and depart from the convention city to their respective destinations.

No two airlines are alike in how groups are processed. Broadly speaking, there are two distinct models for group management — centralized and decentralized. In a centralized environment, all group requests submitted by sales agents or organizations are processed by a central group desk at corporate headquarters. The second model functions in a decentralized mode where authority for accepting and rejecting groups falls to the sales office. Based on the inherent advantages and disadvantages of these two models, most airlines tend to follow a hybrid model for processing ad hoc group requests where only groups above a certain size are handled by the central desk.

By implementing effective processes and taking advantage of robust technology, airlines can capitalize on additional revenue generated by group traffic.

### Group Traffic by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent of total onboard traffic</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>Less than 10%</td>
</tr>
<tr>
<td>South and Central America</td>
<td>10% to 30%</td>
</tr>
<tr>
<td>Europe</td>
<td>10% to 30%</td>
</tr>
<tr>
<td>Pacific Rim</td>
<td>20% to 40%</td>
</tr>
<tr>
<td>Asia</td>
<td>Greater than 30%</td>
</tr>
</tbody>
</table>

Group traffic represents a significant portion of onboard traffic for airlines around the world. By employing effective processes and using advanced technology, these airlines can realize additional revenue generated by group traffic.

### Hybrid Group Negotiation Process

The group negotiation process displays that the field has autonomy to respond directly to a group request based on the established rules for decentralized group processing. All other requests are routed to a centralized group desk for processing.
Effectively managing group traffic can help reduce revenue dilution as well as build market share. Capturing the hidden revenues from traveling groups can add 0.5 percent to 1 percent or more to an airline's bottom line.

Several factors contribute to the unique challenges associated with the effective management of group demand:

- **Group volatility** — This occurs during the demand process and after the group has requested and received space on a specific route. The size of the group and the number of groups on a route contribute to demand volatility due to the intermittent and lumpy nature of this demand. The group retention rate, expressed as a percentage of the group block that will show up at departure, contributes to volatility in available seat capacity after a specific group has made a booking. Low retention rates can cause incremental spoilage on closed-out flights.

- **Group yield** — While group bookings may fill up empty seats on flights, they also have the potential to displace higher-paying individual passengers, diluting total revenue. Group yields are traditionally lower than individual passengers on a flight since groups negotiate fares several weeks and even months in advance of the actual departure date. Therefore, controlling groups is of critical importance to ensure revenue dilution caused by displacement of higher-valued passengers closer to departure is minimized when a group fare is negotiated.

- **Limited transparency and active compliance monitoring** — Group attrition plays a significant role in group performance. Visibility into the names of passengers within a group is a fundamental requirement for transparency and to forecast the expected group count at departure. Monitoring compliance of the booking from the point inventory is allocated to flight departure is essential to monitor the expected performance of the group, available capacity for higher-yielding individual passengers and the productivity of the travel agency that requested the group.

- **Sales and revenue management** — Capturing group traffic is an important part of fulfilling established targets for sales agents by region or city. Sales incentives are usually volume based and not based on the incremental contribution. This, coupled with the absence of visibility into the contribution of group traffic to network revenues, frequently results in conflict between revenue management and sales.

- **Business process adaptation** — Group handling varies from one airline to the next. While there is not a universally accepted best practice on group management, the challenge is to adapt a process that works well for the markets served by the airline. Effective and timely handling of group requests requires limited autonomy for field sales. For example, only groups classified as critical — based on pre-defined rules such as booked load factor, days to departure and requested fare — must be submitted to corporate in a group queue for approval.

- **Workflow automation for reservations** — Two main areas for automation of group processing include:
  - A mechanism to process group requests from a queue on the reservations system, requiring the group request data to be automatically processed by the group revenue management system to determine the minimum acceptable rate. Absence of this interface will cause users to input data manually into the group revenue management system, which could adversely impact productivity. Manual input may still be required when the request for block space is received by phone or facsimile.
  - A mechanism for the airline to create the group block and push the block to the travel agency or, conversely, for the agency to create a group block, requesting space from the airline. A best practice is ensuring visibility into the names associated with a group block, which enables the airline to manage its available inventory of seats for individual passengers effectively.

### Indifference Curve and Measuring Group Value

Group evaluation is the method of determining whether to accept or reject the group booking, accomplished by quoting a minimum acceptable fare for the requested itinerary after taking into consideration the expected displacement cost of individual passengers, projected group attrition forecast, size of the group, ancillary profit (revenue minus actual cost) offered and the number of complementory seats requested by the group. The minimum acceptable fare is the break-even fare, where the airline is indifferent if the group or individual passengers are accepted since measurement is based on value.

The group indifference curve in the Sabre® AirMax® Group Manager forms the foundation for accepting or rejecting requests for various group categories. It is based on the marginal value of an incremental seat in an idealized nesting structure, which guarantees marginal tradeoffs across all units, unlike traditional expected marginal seat revenue, as a function of the forecast demand and current traffic volume.
Group Indifference Curve

The group indifference curve is used to determine group acceptance, which ensures that groups are accepted without the risk of revenue dilution.

Retention rates will typically improve closer to departure as the group firms up. In situations when a group PNR is split, the parent/child hierarchy needs to be preserved to determine group and agent productivity.

Reservations Workflow Automation

For group reservations agents and travel agencies, support is required for the automated creation of group blocks to enhance productivity and reduce manual processing of block space with phone and facsimile messages. The Sabre® global distribution system automates both the travel agency and airline group reservations agent-initiated requests for block space with the Sabre® Group Management Tool. This workflow integration already exists between the Group Management Tool and SabreSonic Res. For airlines not hosted in SabreSonic Res, the Group Management Tool can integrate with an airline’s host reservations system.

For the airline-initiated workflow, the airline can push the group PNR to a designated agency using specific indicators while creating the host block space group record.

Individual sales from the group are sold using associated PNRs that are linked to the group management record. Inventory sold is immediately decremented from the group management record and airline inventory. Passenger names and itinerary details including airline group locator are sent to the carrier during normal end transaction.

These workflows are powerful since they provide the capability for defined viewership based on role and security for the airline. An airline can authorize specific Sabre Connected® subscribers and agencies to designate specific agents to create and sell from the group block with employee profile record keywords. The block inventory is also integrated into the Sabre GDS city pair availability displays with an appended indicator that informs subscribers of the existence of

Estimating Retention Rates

Estimating the retention rate for every group block is an important input into the revenue management process to determine the optimal inventory controls for individual passengers. Assuming the group block negotiated with a group will have 100 percent fill rate is a bad assumption and will result in spoilage.

When group demand materializes and a group block is created in the host reservations system, the expected retention rate is applied against the group block for a more refined estimate of available capacity for individual passengers.

The estimation of individual group retention rates at specific pre-departure points in time requires access to group passenger name record data. Some of the key causal factors that may contribute to group retention rates include:

- The group/sub-group type,
- Season,
- Booking region,
- Origin city/region,
- Destination city/region,
- Day of week,
- Global distribution system source,
- Payment status,
- Travel agency productivity,
- Number of named individuals against a group block,
- Days to flight departure.

Group retention rates can be predicted with a high degree of accuracy with a logistic regression model, wherein the dependent variable (retention rate) is based on the known values of the independent (causal) variables.

Groups of nine or more people traveling together offer an opportunity for airlines to gain another source of revenue. However, deciding whether to accept a request for group travel must be carefully considered against the cost of displacing individual passengers.
Alliance Group Revenue Management

With the participation of airlines in the three main global alliances (oneworld, Star and SkyTeam), there is a growing interest in joint revenue management capabilities among airlines in an alliance operating in a decentralized (by airline) environment. Examples of airline alliances where revenue management decisions are coordinated include Northwest Airlines/KLM and United Airlines/Lufthansa. For interline codeshare itineraries between airlines participating in joint revenue management decisions, a global decision can be made for an interline group request by requesting the minimum acceptable fare from the interline partner to model upline and downline interactions in the partner network, the group acceptance decision can be network optimal across partner airlines. In addition, it also protects the airline partner that is managing the group itinerary is known before the fare quote is viewed by the airline.

Group Performance and Sales

Sales incentives are typically based on volume sales. However, the incremental contribution from the group multiplied by the total seats requested may be used as a more effective yardstick to reward incentives to sales managers than seats sold. An audit trail of group acceptance is required to determine the effectiveness of sales agents that negotiate group deals. For each deal that is negotiated, it is important to capture the minimum acceptable fare for the specific group request, the size of the group and the negotiated fare. With this information, the airline can compute the intrinsic value of the group reservation on the assumption that the minimum acceptable fare is the break-even or indifference fare.

\[
\text{Gross Value of Group} = (\text{Actual Negotiated Fare} + \text{Ancillary Profit} - \text{Minimum Acceptable Fare}) \times \text{Group Size}
\]

\[
\text{Net Value of Group} = (\text{Actual Fare Negotiated} + \text{Ancillary Profit} - \text{Minimum Acceptable Fare}) \times \text{Efficient Group Size}
\]

where

\[
\text{Ancillary Profit} = \text{Ancillary Revenue} - \frac{\text{Cost Effective Group Size}}{\text{Forecast Group Size}} \times \text{Retention Rate}
\]

Unbundling fares and providing passengers the option to purchase add-on in-flight (pre-reserved seats, meals onboard) services and travel extras (access to the frequent flyer lounge, ground transportation) at the time of booking is a rapidly evolving trend. The ancillary revenues represent the sum of in-flight and travel products and services that are selected at the time of booking. However, to eliminate bias in the decision-making process, ancillary profit should only be considered if the revenue management process for individual passengers forecasts demand for in-flight and travel extras when optimal inventory controls are determined.

This performance metric can be used to not only determine the effectiveness of an airline’s group management program, it can also be used to modify the incentive programs for sales. The sales organization is normally measured on seats sold and not on how profitable the group sale was to the airline. An alternative is to create a graded commission structure based on sales points per month. Sales points are simply the sum of the group value measures, the net profit negotiated by the sales agent per month.

\[
\text{Sales Points} = \sum \text{Net Value of Group}
\]

Such an approach, albeit radical from a salesperson’s point of view, will benefit the airline and sales agents who drive incremental revenues with each sale. It is also a mechanism to provide a budget for a salesperson to manage against.
The End-to-End Integrated Value Proposition

Measuring the value of group performance indicates that incremental revenues are significant and can range from ¾ percent or higher depending on group booking volumes and adds directly to the bottom line. Group Manager is an advanced Web-enabled open-systems decision-support environment that processes ad hoc and series group requests as well as quotes the minimum acceptable fare for a group after considering group retention rates and the expected value of individual demand that is yet to come. It is integrated with the Sabre® AirMax® Revenue Manager, enabling alliance group revenue management and also integrating to third-party revenue management systems. To enhance agent or user productivity, it also supports queue processing from SabreSonic Res and other airline host reservations systems for responding to group requests from the field. From a business process perspective, it supports centralized, decentralized and hybrid processing scenarios with a Web-enabled browser-based user interface that provides sales agents in the field easy access to evaluate group requests.

However, viewing group management in isolation from a revenue management perspective has its limitations since managing group demand from an end-to-end perspective plays a pivotal role in an airline’s business process and its efficiency in how groups are managed across the network. Group Manager addresses the management of groups from an end-to-end perspective by integrating the Group Management Tool that supports workflow automation for travel agencies and the airline group reservations desk. Besides serving as a productivity enhancement tool for managing groups, this integration eliminates the standard opaque group block managed by a travel agent and provides unparalleled transparency into group activity against a group block during the life of the flight for the airline. The negotiated group rate can also be sent to the Sabre® AirPrice™ Contract Composer, a workflow automation tool that manages off-tariff contracts, which in turn returns a contract identification that can be stored on the group PNR. Audit reporting on group performance against a contract provides a simple mechanism to monitor group compliance against the contract and also be used as input for future negotiations with the same group. For airlines hosted on SabreSonic Res, the enterprise data warehouse serves as the primary data source for access to group PNRs to estimate group retention rates.

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Not so long ago, buying a ticket on an airline was a pretty straightforward transaction. Travelers paid their fare, and any additional financial commitment from that point on was minimal. Their fare entitled them to an assigned seat, a soft drink, and a snack and/or meal. Their bags were loaded on the plane, and they earned frequent flyer miles. They paid for all of these services, even if they had no intention of eating a meal or had no baggage to check. Movies, alcoholic beverages and on-board duty-free purchases were about the only things requiring additional payment.

As airlines around the world feel increasing pressure on profit margins, airlines are developing new and innovative ways to generate supplemental revenue. These “X” factors roughly fall into three major categories: attribute pricing, unbundled pricing and ancillary services.

**Attribute Pricing**

The concept of attribute pricing is fairly simple: there are certain attributes of the air travel experience that customers would be willing to pay extra for. For example, if Airline A charges US$20 higher than Airline B for a flight with comparable departure and travel times, an elite frequent flyer might still select Airline A. Why? Because it would be worth it to pay slightly more to earn the frequent flyer miles and maintain...

**THE X FACTOR**

More carriers are taking an “X” factor approach to generate additional revenue, but could such initiatives negatively impact customer loyalty and satisfaction?

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By Tom Bertram | Ascend Contributor

One of the leaders in the move to “X” factors, Air Canada has divided its fares into distinct offerings, each giving the traveler a specific level of service. The fares, clearly distinguished on the airline’s Web site, enable customers to choose — and pay for — the desired level of service.
premium status. In effect, the traveler values the ability to earn frequent flyer miles at US$20.

Does a seat assignment have value? Many airlines are starting to charge extra for seat assignments. With Air Canada’s lowest Tango fares, an advanced seat assignment costs an additional C$15. When Southwest Airlines allowed customers to get a coveted “Group A” boarding pass through its Web site after midnight on the day of departure, multiple online services sprouted up to check in passengers while they slept, charging up to US$6 for the service. Clearly, many customers think getting a seat assignment is something worth paying extra.

To see how all this works in practice, look at Air Canada’s fare structure, which has five basic types of fares: Tango, Tango Plus and Latitude in the coach cabin; and Latitude Plus and Executive Class in the business cabin.

When searching for flights on Air Canada’s Web site, the customer is presented with a matrix displaying the price and availability for each of the five products. In a recent search in the Toronto, Canada, to Vancouver, Canada, market returned Tango fares between C$179 to C$219, and Tango Plus fares of C$259. What does the additional C$40 to C$80 for the Tango Plus fare buy?

- Ability to earn 100 percent Aeroplan miles versus 50 percent, non-status eligible,
- No charge for advance seat assignment — a C$15 value,
- C$50 fee for day of departure changes versus C$120.

Will travelers pay the extra money for these enhancements? Probably. Many customers will pay extra for a good seat assignment, and the lure of earning miles and premier status in frequent traveler programs also has some intrinsic value.

At its core, attribute-based pricing is an innovative method of customer segmentation. Historically, airlines have used pricing fences such as advance purchase and minimum stays to separate leisure-oriented customers from business-oriented customers. Low-fare carriers are eroding the use of traditional fare rules and restrictions, and most legacy airlines aren’t ready to go totally to restriction-free pricing. Attribute pricing offers these airlines another option to minimize dilution.

The success of attribute pricing faces some challenges, however, the largest being distribution. If customers visit an airline’s Web site, the airline can display all information regarding each fare type and allow them to make their decision based on how they value the various attributes. What it doesn’t allow a customer to do is compare how these fares compare with those of other airlines. Conversely, Internet booking Web sites (and to a great extent travel agencies) are largely designed to find the lowest fare across multiple carriers, enabling customers to compare on price alone. They don’t show customers that for an additional US$20 they can earn frequent traveler status miles. This creates a conundrum for executives of both airlines and distribution systems. Airlines may not adopt attribute pricing until distribution systems can handle it, while distribution systems won’t invest in overhauling their search logic until a critical mass of airlines use attribute pricing.

Is there a future for attribute pricing? For carriers that already take a high percentage of direct bookings, attribute pricing seems like a logical successor to fare rules for customer segmentation. Other carriers will adopt pieces of attribute pricing, most probably charges for seat assignments, which can fit into their existing business models.

Unbundled Pricing

While attribute pricing is about creating a series of integrated fare products with different customer values, unbundled pricing goes in the opposite direction in that the fare provides only transportation, and any other services a customer requires is subject to an additional charge.

Many low-cost carriers are changing the traditional pricing model by unbundling these travel components and charging customers for the services they require. The two most prominent areas for unbundling include on-board services and checked baggage.

It has become an accepted practice in many sectors of the airline industry that a complimentary meal in coach is no longer offered. Domestic U.S. carriers charge customers between US$3 and US$5 for on-board snacks, and many low-cost carriers in various regions of the world charge for beverages. This is an interesting shift in perspective; airlines have turned catering into a revenue-generating activity and have probably reduced spoilage expenses as well. The easyJet Web site sums the concept up: “‘Free’ onboard meals add to the overall cost of a seat — and we believe that our passengers would prefer to forgo a tray of plastic airline food in order to save money on their fare.”

As for baggage, this year some low-fare carriers have adopted charges for checked bag-gage in the hold and limited the number and size of carry-on baggage. For example, Ryanair allows passengers one free in-cabin bag under 10 kilograms (22 pounds). For each piece of checked luggage, an individual customer pays €4.50 (US$5.98) per bag one-way if paid in advance through Ryanair’s Web site, or €10 (US$13.28) if paid through reservations or the airport ticket counter. The weight limit was recently lowered from 20 kilograms to 15 kilograms (33 pounds) per customer.

Is this a real money maker? When Ryanair instituted its new baggage policy, it also announced a €4.50 (US$5.98) fare decrease across the board. At the time, the carrier estimated that the effect of these two actions would
be revenue neutral. The assumption was that 25 percent of its customers who have only carry-on luggage would actually pay less, 50 percent would in essence pay the same (the cost of one bag pre-paid on the Web site being off-set by the fare decrease) and only 25 percent that checked two or more bags would actually have to pay more.

But consider this — if 20 percent of customers checking one bag do not pre-pay online, the revenue gain would be approximately 1 percent. It may not sound like much, but, given Ryanair’s 2005 turnover of nearly €1.7 billion (US$2.3 billion), that totals €17 million (US$23 million).

Ancillary Services

The third “X” factor is ancillary services. In addition to selling meals and beverages, airlines are offering a much wider range of goods and services to their customers. Again, low-fare airlines are leading the charge in this area. Some low-fare carriers sell travel insurance on their Web sites; in fact, they are kind enough to already add it to their customers’ fare when it is time to make a booking. (Customers have the option to decline.) Another source of revenue is airport club lounges sold on a per-use basis rather than charging an annual fee. Aggressive marketing of duty-free and other onboard sales is also common. In addition, booking hotels and car reservations are becoming more prevalent on airline booking sites, generating additional revenue from referral fees.

“Ultimately entertainment will be where the money is,” said Michael O’Leary, chief executive officer of Ryanair. “It would transform ancillary revenues and profits.” He also mentioned that implementing in-flight gaming might actually mean the carrier would no longer need to charge passengers a fare for travel.

The Challenge for Airlines

These innovative pricing models create a real challenge for many airlines. Attribute and unbundled pricing work best for carriers taking a high percentage of their bookings through direct channels; they have the ability to tailor their unique service offerings in a way many mainstream distribution channels cannot. For airlines using traditional pricing rules, will attribute pricing provide the market segmentation necessary to minimize potential dilution? As for ancillary services, the key will be to determine what customers really want and at what point customers become oversaturated with marketing offers.

Another question is, how will airlines be able to provide a consistent product offering to their customers across all their distribution channels? To help address this issue, the Sabre Travel Network® business is working to enable airlines to offer ancillary services as well as support attribute and unbundled pricing through the Sabre® global distribution system.

The Challenge for Customers

While X factors can be an innovative method for generating additional revenue, they do create additional complications for airline customers. First, they add both complexity and uncertainty to the shopping process. The myriad potential charges can vary by airline, both in the amount being charged and what point the charges are revealed in the shopping process. Because of this, it makes it much more difficult for a consumer to comparison shop and determine what the final price will be for the ticket.

Corporations and travel agencies also face challenges in this unbundled pricing environment. For corporate travel managers, X factors make it more difficult to manage travel costs, because the final price can be quite variable depending on the features required. How will a corporation “value” an advance seat assignment or the ability to earn frequent flyer miles?

For travel agencies, X factors can make it more difficult to communicate travel options to their customers, especially in markets where there are mixture of airlines with traditional and non-traditional pricing. A “low” price on a carrier using unbundled pricing may actually be higher once components such as seat assignments and baggage charges are added.

The jury is still out on how effective these X factors will be. Many low-cost carriers are moving toward the unbundled pricing model, but some customers resent paying these extra charges. The attribute pricing model is interesting, but the number of carriers utilizing this model is not growing dramatically, indicating many carriers are still taking a wait-and-see attitude.

In the end, one thing is clear: pricing and ancillary revenue models will continue to evolve, and airlines will need to evolve their pricing tactics with them.

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### easyJet Fare Breakdown

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On a recent easyJet flight from London-Luton to Geneva International Airport, ancillary revenue constituted 31 percent of the total revenue for the trip.
The changing landscape of the airline industry has forced airlines to revisit the manner in which they schedule their limited resources — aircraft and crew members. Some airlines now proactively incorporate crew considerations into how they assign aircraft to schedule flights across their network. In addition, they place a greater emphasis on the impact of the proposed flight schedules and equipment assignments on airport operations.

The airline schedule-planning process has been traditionally subdivided into several discrete decision phases based on pre-existing functional divisions within the organization. These include schedule generation, capacity planning, aircraft maintenance routing, crew planning, airport resource management, revenue management, and operations control and schedule recovery.

This sequential approach to schedule planning has resulted in each airline group trying to achieve resource-specific objectives that often affect the outcome of downstream decisions. Additionally, there is very little feedback to upstream processes that could help improve the integrity of the final flight schedule. The ability to simultaneously consider multiple operational issues at each stage of the planning process had been considered unsolvable, limited by available computer resources and modeling techniques. However, recent advances in these fields have led researchers to pursue concepts of robust schedule planning and hybrid airline schedule planning, such as combining aircraft fleet assignment and crew scheduling.

There are two important criteria that affect how a flight schedule is designed and developed: profitability and feasibility. The profitability of a flight schedule depends on its ability to attract revenue from passengers and cargo as well as the inherent expense of operating it. Estimation of potential revenue requires understanding the competitiveness of an airline’s schedule in each origin and destination, or pair of cities in which passengers or cargo may travel. In general, an airline will attract significant revenue if it offers relatively attractive service in O&D markets where there are large flows of passengers or cargo. Major components of an airline’s costs include crew, fuel, aircraft ownership, facilities and other expenses. The feasibility of a schedule is based on the airline’s ability to cover all flights with its pool of resources — aircraft, crews and airport facilities.

Flight schedulers typically begin the process of developing a flight schedule more than one year in advance of publication by following a sequence of steps:

- Identifying a basic schedule structure or list of routes and frequencies,
- Developing an initial feasible schedule as consistent as possible with that structure,
- Reviewing the schedule with various internal and external agencies and modifying it as appropriate.

Throughout this process, schedulers analyze possible changes to this schedule such as new routes, new aircraft, different configurations of an airline’s schedule in each origin and destination, or pair of cities in which passengers or cargo may travel. In general, an airline will attract significant revenue if it offers relatively attractive service in O&D markets where there are large flows of passengers or cargo.

In recent years, major network carriers have started to emphasize some of the operational concepts pioneered and championed by low-cost, value-based and regional carriers such as hub/base airport isolation, station purity and closed-loop flying.

Recent advances in computer resources and modeling techniques offer the possibility for airlines to soon pursue concepts of robust and hybrid airline schedule planning.

By Michael Clarke | Ascend Contributor

New technological developments and techniques are emerging that will enable airline schedulers to practice hybrid and robust schedule planning to better place crewmembers and aircraft.
connecting opportunities, new frequencies and a different hub orientation. Flight schedulers typically complete this process and publish the flight schedule or submit it to their computer reservations system two to six months before the schedule is flown.

New Business Practices

In recent years, major network carriers have started to emphasize some of the operational concepts pioneered and championed by low-cost, value-based and regional carriers such as hub/base airport isolation, station purity and closed-loop flying. The majority of these carriers typically subdivide their operational fleets across base airports (those with a high frequency of service) and restrict the airport stations served by a given aircraft. For a given spoke station (low-frequency airport) served by multiple hub airports, a planned rotation will typically turn the aircraft to return to the inbound hub airport versus flowing through to another hub airport. In addition, airlines may restrict the type of equipment types assigned to a given spoke station through station purity to reduce overhead costs related to ground station equipment (ground power units, aircraft tugs). During off-schedule operations, the specific spoke station only has to deal with one type of equipment and one crew group. This significantly simplifies the airline’s operations during both normal and irregular operations.

Since 2001, many U.S. domestic network carriers have aggressively pursued the notion of hub isolation, restricting the routing of aircraft throughout the network system and limiting the equipment type that serves a given market. For example, American Airlines operates a fleet of more than 300 Boeing MD-80s and has restricted their assignment to its largest hub at Dallas/Fort Worth International Airport. Although MD-80s represent almost one-third of the carrier’s operating fleet, only flights from Chicago O’Hare International Airport to D/FW use them, and all other flights from O’Hare use an alternate equipment type. This is substantial, as O’Hare is the second-largest station across American Airlines’ network. Today, American Airlines maintains hub isolation scheduling restrictions at its three major hub airports — D/FW, O’Hare and Miami International Airport. Its affiliate regional carrier, American Eagle, practices a similar scheduling process wherein specific equipment types are restricted from operating to certain stations even though the majority of its fleet shares the same crew qualification.

Late last year, Lufthansa German Airlines went a step further and announced that it would refine its hub management strategy. Starting in January, the airline transferred network management tasks and processes to its hub airport. As part of the process, short-haul and medium-haul aircraft have been firmly assigned to the Frankfurt and Munich, Germany airport hubs or to focus (non-hub) stations based on their tail numbers. With its summer schedule, long-haul aircraft will be assigned on the same principle. Aircraft may be reassigned at the base for economic or operational reasons but would not be transferred to another hub airport. During the first phase of the hub isolation process, Lufthansa has assigned 40 medium-haul aircraft (Boeing 737s and Airbus A320s) and 60 regional aircraft to Munich, its second-largest hub airport.

According to the airline, earlier results are positive in terms of more efficient daily rotations, maintenance planning and on-time performance. Lufthansa anticipates the new approach to schedule planning and execution will result in increased planning stability, strengthened hub operations, and an increase in both operational and planning efficiency. In addition, the carrier expects this move to enable it to establish a foundation for transferring greater operational and entrepreneurial responsibility to individual hub airports.

The concept of closed-loop flying involves an airline trying to reduce, if not prohibit, crew assignments that require aircraft swaps during the duty period. In addition, these assignments often start and end with duties at the same airport station. When a crew member is required to change aircraft at a given station, the incoming crew member is required by regulations to inspect the operational aircraft before each scheduled departure. In each instance, this inspection process can add 10 minutes to the required aircraft turn time, thereby reducing the aircraft utilization during the course of the day as well as the effective flying time of a crew member for his or her duty period. During the course of a typical day, this could amount to more than one hour of flying time unavailable for scheduling consideration. A beneficial byproduct of this assignment restriction is a reduction in the overall solution time of the crew planning process because less flight connection possibilities have to be evaluated.

Early last year, a major U.S. domestic network carrier decided to proactively ana-
industry

Many carriers such as Lufthansa and American Airlines have applied the practice of hub isolation, limiting aircraft routing throughout the network system as well as the equipment type that serves a given market. The airlines anticipate increased planning stability, strengthened hub operations, and improved operational and planning efficiency as a result.

By moving away from the standard practice of having crewmembers change aircraft during airport layovers (figure 2a), airlines can shave an average of 10 minutes per flight off aircraft turn times by implementing closed-loop flying (figure 2b) where aircraft and crewmembers follow the same flight assignment.

The research group for the Sabre Holdings® company is working on two research projects — schedule analysis and evaluation methodologies — that will enable an airline to better design and develop flight schedules. By incorporating and accounting for more detailed operational and crew considerations during the schedule-development process, the group anticipates airlines will be better able to take full advantage of some of these concepts including hub isolation, station purity and closed-loop flying. Since the flight schedule is the foundation of the airline planning process, identifying and modifying inefficiencies early in the process will only result in better flight schedules.

The first research project involves a schedule analysis methodology that will identify potential constraining resource requirements for a given flight schedule. These include crew legality limitations and aircraft maintenance routing requirements that typically arise once the flight schedule has been finalized by capacity planning. The implementation of the schedule-analysis process will locate possible resource bottlenecks and suggest potential equipment changes and/or flight re-timings that reduce crew and maintenance costs associated with the proposed flight schedule. The second project encompasses a schedule evaluation methodology that leverages past research initiatives in schedule recovery, schedule dependability analysis and airline operations simulations. By evaluating proposed flight schedules against historical operational data, an airline can identify, reduce and/or remove aircraft and crew inefficiencies that would occur during schedule execution. The ultimate goal would be to design and develop flight and resource schedules less susceptible to unexpected irregularities.

While it may be too early to empirically report on the overall long-term benefits of these new approaches to schedule planning and execution (hub isolation, station purity, closed-loop flying), it is safe to say that it has served low-cost and value-based carriers well during their short existence, and network carriers hope to achieve the same level of operational efficiency and ultimately profitability. The goal is to provide airlines the necessary decision-support tools and methodologies to make better and more effective decisions about the design and development of their flight schedules and associated resource schedules.

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Winning Customer Relationships

Through an effective customer relationship management program, airlines can provide the highest levels of service and retain their most valued passengers.

By Ronald S. Swift | Ascend Contributor

Most all how-to books, executive seminars and universities continue to teach that success in business is a result of being able to quickly adapt to change. Success comes from one longstanding rule: whoever can make solid decisions and execute those decisions in the quickest and most efficient way wins. Doesn’t this apply to almost everything in life such as sports, exams, raising children, personal safety, financial portfolios and even filling planes?

Precise decision making has been a key to survival for centuries and, when examining today’s corporate cultures, should be a trait that is resident in every executive’s personality portfolio. While an executive’s personality, education and instinct continue to be the foundation for success, the introduction of technology into the inherited capability of quickly adapting to change and making precise decisions has created a new science during the past few years and a must have in the successful corporation playbook.

As a result, corporations quickly drafted teams of savvy executives who purchased the latest technology toys ready to solve any customer challenge that anyone could imagine. But in which game were they going to participate? Customer relationship management, customer data management, customer information management, customer experience management? It did not take long for the eyebrows of chief executive officers and chief financial officers to rise, resulting in somewhat painful and pointed discussions about when to expect the return on investment and how to justify the mammoth architectures that had already been purchased.

Some tough questions had to be asked, answered and acted upon quickly to take advantage of the CRM capabilities that were already sitting in house. Many of the original assumptions about the corporation’s culture and about its customers had been proven incorrect and, in some cases, completely off base. The new science of quickly adapting to change and making precise decisions had to evolve into an art, which is much easier said than done. Before a business can realize the value of CRM, companies must honestly assess their current culture and institute changes to provide an enterprise view of their customers. In a sense, the old school that used experience, gut feel and intuition to make decisions had to merge with the new school of powerful data warehouses and sophisticated business intelligence tools.

So, are investments in CRM paying off? Companies with deep commitments to their customers and their business continue to make significant investments in CRM. Regardless of a strong business case, business leaders must be able to see quantifiable value demonstrated under customer scrutiny and be easily recognizable. Assuming the best-case scenario when customers actually voice their dissatisfaction, triage plans need to kick into gear immediately to clearly communicate and demonstrate to customers the value they bring to the corporation. Also, it is important that customers see and feel corporate authenticity while their dis-

Saving the Relationship

An ongoing, “living” customer relationship management strategy can provide the basis to meet customers’ expectations or help rebuild the relationship after a less-than-satisfactory experience.

By Amy Moss | Ascend Contributor

Time has not altered the definition of a customer as being one who possesses a true or perceived need of a product prior to purchase. And still today, prior to purchasing a product or consuming a service, a customer has a near-perfect picture of what to expect. What has changed over time is the personality of the customer. Customers still have a need to be fulfilled by a product or a service, but they have created their own expectations and metrics for customer satisfaction. These mysterious expectations are why the benefits and success measurements that companies tout in their marketing collateral must hold up under customer scrutiny and be easily recognizable. Assuming the best-case scenario when customers actually voice their dissatisfaction, triage plans need to kick into gear immediately to clearly communicate and demonstrate to customers the value they bring to the corporation. Also, it is important that customers see and feel corporate authenticity while their dis-
along the way, with hard numbers at every stage. Learning from those not-so-pleasant memories of prior conversations with business leaders and less-than-stellar CRM implementations, customer relationship managers are now using proven processes that implement CRM initiatives through a phased approach. These processes help companies find the quick hits that show immediate benefits, keep the executive sponsorship solid and build to the longer-term CRM objectives and strategy. At the end of each short-term phase, the actual ROI is measured against the projected ROI. With this approach, the actual return frequently exceeds the projected or estimated goals.

Fundamental customer relationship capabilities at leadership firms now include:

- An understanding of the real profitability of each customer — Providing a basis for ongoing decisions affecting customer satisfaction and corporate profitability,

- The ability to quickly identify at-risk customers for retention and when to deliver win-back communications following a customer’s negative experience,

- True empowerment of customer-facing staff with efficient decision-making capabilities to relevantly interact with customers, based on the individual customer’s historic and most recent experiences — even today’s experience,

- The capability to continually identify high-value customers who deserve special attention and be able to act upon their changing needs,

- The ability to leverage customer profiles, shopping and sales data to provide personalized and timely communications throughout a customer’s life cycle with the company.

Best practices in CRM are evolving at a rapid pace now, business strategies have been revised, and the philosophical shift from product to customer focus is visible across the company. Various types of industries continue to discover measurable results from developing real-time customer dialogue using customer event-based marketing and authentic recognition of the customer’s value — “return on customer.”

For example, in the global banking industry, complex customer “event-detective” systems have become common. One bank is executing approximately 50 complex rules each day to detect events to respond with timely, relevant and personalized messages.

In another case, a leading online retailer implemented a data warehouse-driven CRM program that transitioned the business from a product-centric discount house to a customer-centric shopping service. The retailer used a number of analytical tools and unique CRM techniques, including a customer “propensity-to-buy” model, integrated with e-mail marketing messages. The retailer also established guidelines through analyzing data for delivering customer messages at the most optimal time of day to obtain the best response rate, managed offer frequency based on individual response behaviors and launched event-based campaigns that were easily monitored for effectiveness and positive impact to the marketing ROI.

The early stages of CRM within the airline industry were somewhat costly due to a few wrong turns and assumptions. But the journey has proven successful, showing that CRM strongly supported growth in customer loyalty. More importantly, airlines realized that technology alone could not solve the CRM challenge. Measurable improvements in customer interaction and gaining competitive advantage could be obtained by merging the old school of experience, gut feel and intuition with the new school of technology.

The state of the airline industry has forced each airline to create new business philosophies and to explore technologies that paint color snapshots of the customer that were not available in the past.

The state of the airline industry has forced each airline to create new business philosophies and to explore technologies that paint color snapshots of the customer that were not available in the past.

Airlines have chosen to integrate CRM into their business strategies have realized more efficient marketing, experienced revenue increases from effective cross-selling and have been recognized in the industry as customer service leaders. It is clear that integrated customer focus across the airline assists in providing the best travel experience for frequent and infrequent customers to retain their business.

Airlines passengers, even the most loyal, aren’t always loyal to the lowest-cost provider. The key to successful long-term relationships has proven to be good and fast decisions, made with the customer in mind, to create a best or better experience. The positive or negative experience is what people remember long after a flight.

With a centralized information repository that captures customer and operational data combined with historical information, accurate analytical intelligence for immediate decisions making can be delivered to the exact point in the travel chain precisely when it is needed to produce the best customer experience. If airlines are really commoditizes, a positive travel experience can be the key determining factor for retaining customers. Furthermore, many valuable, repeat and profitable customers are returning to the same airline and paying a premium solely on the experience the airline provides.

Airlines are enabling their customer-facing staffs with the enterprise intelligence to offer personalized and relevant services to the most profitable customers to drive loyalty and retention. This means customer service personnel can have actionable analyses at their fingertips to make quick and correct decisions about how to delight customers — and drive profitable growth. However, technology only provides the necessary data and tools. The delivery of the customer experience still falls on the shoulders of front-line customer-contact personnel.

Airlines, big and small, operating in all types of business models, that have chosen to incorporate customer recognition back into their customer touch points are seeing positive impacts directly to the bottom line. Strategic and tactical decision-making analytics enable airlines to continually refine customer engagement processes.

Some airlines have led the way. Continental Airlines continues to report rising revenue passenger miles, increasing profits and having planes take off without empty seats. Similarly, Southwest Airlines continues its legendary customer-oriented business approach, posting numerous gains, including profit, at a time when airline industry challenges are clearly more complex. British Airways also has seen major improvement as a result of its customer relationship management initiatives.

The documented results are positive, and the underlying story in each of these cases is the marriage of customer commitment and enterprise intelligence, which, time after time, results in better decisions as well as better business performance. In a world of high competition, excess capacities, growth in passenger volumes, pricing commoditization, and high fixed (and now) variable costs, airlines are realizing success by making solid decisions and executing change in the quickest and most efficient way.

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Airline Customer Value Segmentation (by revenue)

While many airlines aim to retain their top frequent flyer members, more and more, they will need to clearly understand customer value to focus on the most profitable travelers.

Return on Investment From Select CRM Initiatives

In addition to determining what customers want and need, an airline must determine which initiatives best drive shareholder value. Executives must prioritize or reject potential investments based on the expected return to the company and the degree of implementation cost and risk.
The good news is, yes. Boundaries can be put in place to control the CRM chaos, and customer relationships can be repaired. Whether an airline is considering a CRM solution, beginning the CRM journey or is a survivor of CRM burnout, it is never too late to bridge the gap between customers’ expectations and what the airline delivers. It is the honest assessment of these gaps that determines the need for customer relationship management.

Luckily, CRM does not come with strict do's and don'ts. Each and every company has its own definition of the business, its challenges, its strengths and acknowledges its weaknesses. Most of these same corporations recognize that customers have similar characteristics but struggle with the numerous opportunities to deepen those customer relationships.

Demonstrating the desire to provide customer value by addressing any broken promises made to the customer is the first step in retaining current customers and plays a significant role in acquiring new customers.

Value-based customer segmentation enables carriers to manage travelers as an asset. Using this method, they can group customers by monetary value and travel frequency. Current value is useful in gaining an understanding of potential value such as untapped wallet share and likely future spending.
Customer-Focused Airline Operations

The customer is central to improving an airline’s key operations — scheduling, operating, selling, partnering and staffing. In turn, all operational improvements must support strengthened customer relationships for airlines to achieve long-term viability.

within the organization, but it is time put the CRM strategy under the microscope.

Companies in the midst of the CRM journey or those caught in the CRM time warp can explore the possibility of CRM burnout by asking several questions honestly from the customer’s perspective:

- Are you valued or recognized as a customer?
- Do you feel like you make a difference?
- Do you feel you are being treated fairly?
- Do you have anyone you can talk to about your experience?
- Are you experiencing the benefits that you expected?

If the answer to any of these questions is no, the current CRM strategy needs to be discarded and a new living strategy created.

To fully reap the benefits of CRM, a living strategy must be created and have a dedicated owner who provides shelter, nourishment and security. CRM is not another three-to-five-year project that ends with a big party denoting the end of the story. It is a philosophy that spreads throughout the corporation and provides the foundation necessary for the business to change gracefully with the customer. The strategy should be kept as solid as possible, remodeled as necessary and possess the ability to be passed on from owner to owner.

To create a living strategy, there has to be a beginning state. Several attributes should be examined closely to determine the starting point for the CRM strategy:

- Identify customer-related business challenges across the company.
- Paint accurate pictures of customer types across the company, even if the customers are screamers — Be honest.
- Assess the corporation’s culture — Is it product-focused or customer-focused?
- Assess various business units within the corporation and determine if the business model operates as a product-focused portfolio or as a customer-focused portfolio.
- Walk a mile in customers’ shoes to get an honest appraisal of the gaps between their expectations and what is being delivered.
- Create the qualifications for executive sponsorship candidates.
- Obtain agreement on the CRM definition and objectives across the organization.

- Identify desired short- and long-term benefits.
- Determine how a solid CRM strategy positively impacts the corporation and individual product portfolios.
- Identify the good, the bad and the ugly business processes.
- Evaluate data sources across the enterprise, identify any integration gaps and data repository duplications.
- Determine the CRM priorities for operational, analytical, data collaboration and distribution.

In some areas, aggressive action plans will have to be created for the necessary changes that must occur before the living strategy can commence.

Creating the beginning state is not for the weak hearted, but it is critical for success. With the facts in hand, executive sponsorship will be much more easily obtained. As the living strategy evolves over time, executive sponsorship must stay aligned and on board. The owner of the living strategy must keep a close eye on the executive sponsorship and rekindle the relationship as often as necessary.

The technology assessment and strategy must be closely aligned and intertwined with the business strategy. Past failures in CRM have occurred by not integrating the two driving CRM initiatives solely from the technology perspective. It is imperative that strong executive sponsorship has been secured so strategic decisions can be made quickly on purchasing or building the CRM technologies that support the business today and in the future.

The single most significant factor that will communicate CRM success is how the living strategy will be measured. Clear and concise metrics that support each CRM objective will be the corporate report card for communicating the overall effectiveness of the CRM initiatives. These metrics will identify areas for improvement and uncover new CRM opportunities. Most importantly, each CRM objective should correlate to increased revenues and decreased costs noticeable in the corporation’s bottom line.

Customer relationship management does not alter history or change the traditional definition of a customer. What it can do is help a corporation uncover the mysterious expectations of this generation’s customer and enjoy a longer and happier life together.
Several new technologies are emerging that have the potential to dramatically affect the travel experience.

By Tony Brice | Ascend Contributor

The future is already here,” science fiction writer William Gibson said. “It’s just not very evenly distributed.” Gibson could have easily been referring to travel in the year 2007. As new technologies emerge, a few “early adopter” travelers are already taking a glance into the future.

From the moment the idea of taking a trip is first conceived through the return home, there are opportunities to experience all things travel related in ways never before imagined. Whether travelers are anticipating a week or two away from work or dreading an 18-hour flight in seat 35E on an airplane chock full of passengers, there are many new technologies that are here to help. Because it takes time for any new, different technology to become widely adopted, usage of all of them isn’t necessarily widespread … yet. But there are several more promising ones.

Where to go? What to do? What to expect?

For much of the last century, our expectations regarding a trip were created largely by the friend or family member who shared stories, photos or video of their own trip; or the “been everywhere, done everything” professional travel agent who sold it to you; or something on television or in print — from documentaries such as those produced by National Geographic to slick ads from a leading travel supplier.

The growing ability for anyone in the world to publish photos, travel journals and opinions regarding travel experiences is effecting profound change. In this century, it is increasingly likely that the very idea of taking a trip is the result of a discovery on the Internet — something that creates an emotional connection. It might have been a photo of the sun setting behind an over-the-water villa at a resort on Tahiti by a young couple on their honeymoon. Maybe it was a 20-second video of the Amalfi Coast in Italy as seen from the deck of a passing cruise ship. Or quite possibly inspiration developed from a description in someone’s blog of having awoken on a barge in the middle of the springtime tulip fields in Holland.

Regardless of what motivated the traveler to begin dreaming of a particular trip, the chance is increasing that, somewhere along the way, the traveler has placed some of his or her trust in the kindness, cameras or keyboards of total strangers.

New Approaches to Shopping

Once travelers have ideas about where they’d like to go, the way they shop for travel is changing as well. Perhaps the biggest change of all is how travelers interact with suppliers and online travel agencies.

For the most part, early Web sites simply took offline processes and capabilities and delivered them online. As a result, other than graphical interfaces to make travel shopping easier for the average person, shopping for travel on the Web consists primarily of looking at the same price-ordered options viewed by traditional travel agents via their respective global distribution systems. This was the old way — the next wave, “continuous shopping,” is here.

A couple of years ago, there was an entertaining commercial from a popular online travel agency. In it, an exhausted father surfed Web sites for a better price, presumably for hours or days on end, while his family sat watching television in the next room. When he found a price worth getting excited about,
he blasted an air horn and the family dropped what they were doing and rushed to look at the computer.

Now, travelers can download Southwest Airlines’ DING!™ and several other notification facilities to tell them what they want to know, when they need to know it. Given the fact that the number of seats available at the lowest price is limited, time is of the essence. While notification may not be used as much by business travelers, it provides a great opportunity for leisure travelers to know when great deals are offered and give them the best chance at reserving a seat at the best price. Early implementations of notification technology are limited to airfares, but it’s only a matter of time before travel packages, cruises, and other travel all in one place. This custom “search space” could then become their primary source for information on a trip they want to take.

Technically speaking, there are few barriers to integrating the aggregation of RSS feeds and notification capabilities. Initial RSS feeds have been designed to provide a very simple means of delivering marketing messages — often containing little more than a title, links and descriptions. The goal has been to entice the traveler back to the supplier’s site. In the future, the content in RSS feeds will start to become more standard and, as a result, RSS readers will be able to understand and act on the content. Possible actions may include the detection of price reductions, additional services or new traveler reviews that could also trigger notifications to the traveler.

On the other end of the shopping content spectrum, it will be all about marketing for some travel suppliers as rich user interfaces become the norm rather than the exception. Web sites associated with destinations where unique experiences can be expected are already making significant investments in content that is entertaining and absorbing. Las Vegas, Nevada, is one such destination, and the MGM Grand Hotel and Casino Web site (mgmgrand.com) provides a great glimpse into the future of these types of sites.

Making Connections

Looking back a few years from now, it’s possible that wireless connectivity will be viewed as having had the most profound effect on traveler behavior. As evidenced by the proliferation of wireless Internet connectivity in airports, hotel rooms and on airplanes, user demand is obviously already there. There is also a new generation of software that is starting to appear, that takes advantage of people’s desire to be connected at all times for a variety of purposes. In many cases, Wi-Fi and/or smartphones are the common thread.

One of the best examples of mobile software to help travelers is Loki, a product from Boston-based Skyhook Wireless. Loki (loki.com) describes it as location-based search and “virtual GPS.” What it actually does is identify where a traveler is at any given time by leveraging its awareness of Wi-Fi access points. Once it has determined a traveler’s location, the traveler can open Loki channels organized around categories such as dining, entertainment and weather to enhance the Internet experience. More specifically, a traveler who has just arrived at his or her destination can immediately look at options for having dinner, seeing a movie at a conveniently located theater or reading tomorrow’s weather forecast.

Through the use of personal digital assistants, laptop computers and cell phones, airlines can easily communicate with their customers in many ways including advising about flight changes and upcoming travel promotions.

On the other end of the shopping content spectrum, it will be all about marketing for some travel suppliers as rich user interfaces become the norm rather than the exception. Web sites associated with destinations where unique experiences can be expected are already making significant investments in content that is entertaining and absorbing. Las Vegas, Nevada, is one such destination, and the MGM Grand Hotel and Casino Web site (mgmgrand.com) provides a great glimpse into the future of these types of sites.

Making Connections

Looking back a few years from now, it’s possible that wireless connectivity will be viewed as having had the most profound effect on traveler behavior. As evidenced by the proliferation of wireless Internet connectivity in airports, hotel rooms and on airplanes, user demand is obviously already there. There is also a new generation of software that is starting to appear, that takes advantage of people’s desire to be connected at all times for a variety of purposes. In many cases, Wi-Fi and/or smartphones are the common thread.

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products are offered in the same manner.

One reason many travelers have not yet taken advantage of notification capabilities is that they spend so much time away from their computers. It’s highly likely, though, that they have a mobile phone. The tremendous growth in the penetration of smartphones in markets around the world will go a long way toward addressing this problem. With smartphones such as Microsoft Windows Mobile® devices, travelers will expect to take advantage of any capabilities on their desktop or laptop while on the move. It will be critical, however, that suppliers (or aggregators) not abuse the notification privilege afforded to them by their customers — if they do, customers will begin ignoring the alerts or disable them altogether.

In instances where immediate notification isn’t necessary, travelers will find new uses for really simple syndication. By subscribing to and organizing RSS feeds that are highly relevant to the trip the traveler wants to take, they’ll be able to gather their current travel options

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any interest is shared by two or more users of Jambo Networks.

**Staying Entertained**

Despite the joy of experiencing new places and cultures, travel also comes with occasional angst. The causes can range from the boredom of a long flight or hours waiting to make a connection to simply wanting to be in touch with people and events back home during long periods away.

Once again, technology is coming to the rescue, primarily in the form of Internet-based capabilities. The most obvious is the combination of mobile devices and massive amounts of affordable storage. It seems like only a couple of years ago that the maximum storage on an Apple iPod was five gigabytes and could only hold about 1,000 songs. The fifth-generation iPod, however, came with a maximum of 80GB of storage. Furthermore, Apple’s iTunes store now has movies, television shows, podcasts and games in addition to music. Portable media players are nothing new, but there appears to be no end in sight to how much content travelers will eventually be able to take with them.

Relatively new and still lightly used is the ability to retransmit live television. As mobile devices and Wi-Fi access points continue to proliferate, San Mateo, California-based Sling Media has a family of products, Slingbox, that are extremely well positioned to soar in popularity. The devices are getting rave reviews from early adopters who use the Slingbox to capture television programming in their local market and redirect it as streaming video anywhere in the world. In general, all that’s required is a digital source at home (cable, satellite dish, DVR) and a broadband Internet connection from a personal computer, Apple Mac or Windows Mobile device. People living away from home for extended periods of time will benefit from the technology as much as, if not more than, travelers.

Anyone who has ever tried to predict the future knows what a tricky proposition it can be. All of the capabilities described above, though, are available today. So, the real question is whether they will achieve wide adoption or go the way of New Coke. Of course, only time will tell. But, in the meantime, many travelers will have fun waiting for the answer.

Tony Brice is director of emerging technologies in the labs group for the Sabre Holdings® business. He can be contacted at tony.brice@sabre.com.

**+count it up**

**340+**
The number of satellites put into orbit by Boeing launch vehicles that will pass overhead in the next 24 hours.

**25**
The percentage the International Air Transport Association board expects the airline accident rate to decrease by the end of 2008.

**53 million**
The amount in U.S. dollars of goods and services that Boeing will export in the next 24 hours to customers worldwide.
The overall operations and productivity of the airline industry can be substantially impacted by external geopolitical and macro-economic factors that drive the global economy. Last August, for example, drastic changes to operating procedures related to security requirements at airports had a significant and crippling impact on the operations of airlines around the world. The immediate ban on hand luggage at London Heathrow Airport (a key international gateway), and the restrictions of liquid contents in hand luggage in Europe and the U.S. domestic network, which represents half of the world airline traffic, resulted in a significant increase in the level of checked baggage in the airline system. In many cases, airlines experienced more than a 30 percent increase in the number of checked bags with nominal increase in the number of boarded passengers.

This sudden increase in checked luggage led to increased check-in and baggage claim times, as airlines during the last decade have streamlined their ground handling operations as more and more passengers carried on bags. As a result, there were insufficient ground resources available, especially at hub airports, to handle the influx of additional baggage. This operational problem was even more acute during schedule disruptions and irregular operations. Although most major network airlines were better able to handle the increase in bags by relying on overtime workers, low-cost and regional carriers were impacted substantially. As reflected by the number of mishandled bags reported last August, some regional carriers experienced a 100 percent increase in consumer complaints, as reported by the U.S. Department of Transportation. On average, 14,100 checked bags were mishandled throughout the U.S. domestic system on a daily basis. A mishandled bag is defined by the DOT as lost, damaged, delayed or pilfered.

An unanticipated byproduct of these new security rules and procedures was a noticeable decrease in passenger boarding and deplaning times throughout the U.S. domestic network. Although the new rules have not cut the amount of carry-on luggage travelers can have, many passengers have found it easier to check all their bags during their trip. For some major network airlines, they recorded a 10-minute (25 percent) decrease in the time required to board passengers, as there was less time spent by passengers storing oversized hand luggage onboard aircraft. As a result, airlines that were able to handle the additional checked luggage with the appropriate ground resources actually ended up with reduced aircraft turn times, especially at spoke stations. On the other hand, many airlines ended up with flight delays at departure due to bag loading and waiting for revised weight and balance calculations.

The new security procedure also had a substantial impact on government and airport authorities responsible for passenger and bag-

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Excess Baggage

External factors can have a dramatic impact on airline operations such as the tightened security measures resulting from the foiled terrorist plot to blow up trans-Atlantic airlines in August 2006.

By Michael Clarke | Ascend Contributor

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Trends in Mishandled Baggage

The number of reports of mishandled baggage has trended upward since November 2003, and in August 2006, after changes in security procedures, equaled the highest level of the past three years.
beverages purchased airside (beyond airport security) to be taken onboard the aircraft.

One aspect of international travel substantially impacted by the new rules was duty-free shopping. Since a large percentage of goods sold in duty free are liquid (perfumes, colognes, liquor, cosmetics), many stores saw their sales plummet more than 75 percent. Within days, the rules were adjusted to allow the delivery of purchased duty-free goods directly to the aircraft. The issue still remains, however, as passengers with connecting itineraries are unable to transfer with their duty-free goods without having to place them in their checked luggage.

Airlines are still assessing the impact of the increased checked baggage on cargo operations, as many network carriers rely on belly cargo capacity for their cargo operations. The displacement of cargo and mail revenue could have an impact on the overall profitability of a given route in the network. This operational issue is more apparent in the U.S. domestic network that relies on narrow-body aircraft with limited cargo capacity. Some carriers have noticed that passengers are checking larger bags than before, although the average size is influenced by recently implemented reduced free allowance. Most airlines now charge for bags in excess of 50 pounds, and passengers typically try to stay within those limits. Any additional revenue from excess baggage will help alleviate lost revenue from cargo operations.

The present environment of new security rules and procedures and the resulting increase in excess checked baggage in the airline network highlights the need for carriers to review their current standard operating procedures. In most cases, each airport gate is served by a dedicated team of ground personnel and resources on shift. If airlines were to better pool their personnel and resources, they would be better able to handle sudden variations in baggage levels in the network.

At many international airports around the world, a team of ground personnel are assigned to multiple gates, and they are better able to process inbound flights in a timely fashion. The system-wide acceptance and deployment of new technologies such as radio frequency identification tags could help address the recent increase in the number of checked bags. As airlines become better equipped to handle surges in luggage, it will help them better manage their operations and reduce the number of mishandled bags. With reduced mishandled luggage, passengers would be more inclined to check their bags, which will help maintain faster aircraft turn times. Ultimately, airlines would be able to provide a consistent traveling experience, regardless of the impact of external factors on their operations.

Michael Clarke is principle research scientist for the Sabre Holdings’ business. He can be contacted at michael.clarke@sabre.com.
The 1993 birth of Jet Airways left an undying imprint on India’s air transport industry … one that would forever change travel and tourism in a country that previously relied primarily on the nation’s two state-owned carriers and rail service. When the Indian government first permitted private airlines to operate, the ultimate impact carriers such as Jet Airways would have on the domestic air transport industry may not have been obvious. But in a little more than a decade, the Mumbai, India-based airline, has become one of the nation’s leading carriers, operating in excess of 330 flights a day to 44 destinations, with an estimated 30 percent share of India’s domestic air travel market.

In addition to flying the youngest aircraft fleet in Asia — a mix of Boeing 737 next-generation aircraft, Airbus 340-300E and A330-200 and modern turboprop ATR72-500s — Jet Airways possesses numerous appealing attributes that has earned it “superbrand” status (meaning it has established the finest reputation in its field).

The first airline in India to receive the World Travel Market Global Award and four-time recipient of the H&FS Domestic Airline of the Year Award, Jet Airways offers exemplary in-flight services to its club premiere and economy classes including fresh juices, refresher towels, choice reading materials, hot meals, snacks, unaccompanied minor assistance and special gifts for children.

When the government further relaxed restrictions and permitted private carriers to compete on long-haul routes, Jet Airways seized the opportunity and now flies to Colombo, Sri Lanka; Kathmandu, Nepal; Singapore; Kuala Lumpur, Malaysia; and London, England.

Wolfgang Prock-Schauer, a native of Austria who has a master’s degree in economics and business administration from the University of Vienna, became chief executive officer of Jet Airways in June 2003. A veteran of more than 20 years in the airline industry, Prock-Schauer was executive vice president of network management, alliance and long-term planning with Austrian Airlines prior to joining Jet Airways, and he has also served as chairman of the Star Alliance management board.

During his tenure at Jet Airways, the airline not only expanded internationally but also had a successful initial public offering in February 2005. Jet Airways operates 58 aircraft, has ambitious international growth plans and is the clear market leader in domestic India.

Question: Since its founding only 13 years ago, Jet Airways has quickly overtaken the established government-owned carriers to become the market leader in India. How did the airline become so successful so quickly?

Answer: Jet Airways entered the market in May 1993 with a clear mission: “Jet Airways will be an airline that is going to upgrade the concept of domestic airline travel — be a world-class domestic airline.”

Our business model recognizes that building a world-class airline involves an ability to continuously introduce innovations and upgrades in products and services, keeping in mind explicit as well as implicit customer requirements.

Key focus areas for the airline include:
- Meeting specific requirements of the business traveler segment: Besides providing
a comprehensive network including convenient schedules and effective connectivity, the “Club Premiere” class onboard domestic flights enjoys strong brand equity for superior services and air travel experience. A dynamic frequent flyer program, Jet Privilege, seamless connectivity with through check in, and interlining agreements with major international carriers and lounge facilities are useful value adds for the business traveler. The “Premiere” class on our long-haul London sector enjoys strong brand equity for superior services and air travel experience. A dynamic frequent flyer program, Jet Privilege, seamless connectivity with through check in, and interlining agreements with major international carriers and lounge facilities are useful value adds for the business traveler.

— Wolfgang Prock-Schauer

Jet Airways operates the youngest aircraft fleet in Asia, including the Boeing 737-800, and flies to 44 domestic and six international destinations. The 737-800, which can seat 162 to 189 passengers, can fly 260 nautical miles farther, consume less fuel and carry 12 more passengers than its competition.

“Jet Airways aims to see the Indian subcontinent at the forefront of progress in civil aviation not only in the Asian region, but also at a global level.”

— Wolfgang Prock-Schauer

well as on the ground) and high reliability. The utmost importance given to cabin crew training and grooming helped the airline create a unique reputation for world-class service. It also created a distinct niche in the minds of passengers about an airline with very high service delivery standards. In-flight services including specially designed menus, an in-flight magazine of international standards, JETWINGS, and carefully designed promotions in coordination with other premium consumer brands have differentiated the airline from its competition comprehensively.

Adding value: The airline introduced various value-added services, which have contributed to enhanced brand equity. Some of these services include Jet Mobile (automated flight schedules and delay alerts over cellular phones), Jet Kids (a program designed to make flying enjoyable and memorable for children) and Jet Escapes (composite travel packages to various tourist destinations in the network). Jet Boutique offers our passengers the opportunity to shop for premium and exclusive products while they relax onboard our international flights. Sky Screen, our customized in-flight entertainment channel on long-haul international routes, combines the best of entertainment options, covering every preference catering to different passenger profiles. These and various other initiatives continue to contribute to the overall dynamic equity of the brand.

Besides consistently maintaining exemplary safety standards and a high degree of technical dispatch reliability (more than 99 percent), Jet Airways has endeavored to continuously harness the power of information technology to introduce innovative products and services, increase service delivery efficiency and reduce costs.

Our focus on maintaining our leadership in the domestic market leads to constant tracking of the airline’s performance, consumer feedback and quick reaction to the evolving needs of air travelers. Close to 94 percent of Jet Airways’ passengers have rated the various services as “excellent” or “good” during 2005 and 2006, thus providing testimony to the airline’s relentless efforts to achieve higher standards of service.

One of the reasons Jet Airways has succeeded in its mission of building a world-class airline has been its practice of benchmarking its products and services against the best practices of leading international airlines. Jet Airways is constantly studying the performance targets achieved by various airlines in different areas of the aviation business and borrowing best practices to achieve the same levels of efficiency and performance.
Q: In a world where the low-cost carrier model is becoming more prominent, why have you elected to operate a more premium-service carrier?

A: In the Indian context, since about 80 percent of operational costs are fixed, irrespective of the business model and as there is no specific infrastructure support, such as secondary airports, we believe that operating a low-cost model remains difficult. Fuel costs in the case of domestic operations are about 70 percent higher than international benchmarks due to excise duties, tax composition and higher margins charged by oil companies. Landing and navigation costs are also about 60 percent higher as compared to benchmark countries. Start-up costs, including higher compensation for skilled personnel such as pilots and engineers add to the operating costs of new carriers that do not enjoy the benefits of economies of scale initially. However, the cost per seat advantage for no-frills carriers is 20 percent to 25 percent, which is primarily on account of a higher number of seats packed onboard; there are also some cost savings in distribution and catering because of the no-frills concept.

The cost difference of no-frills carriers versus full-service carriers in India is less significant than in Europe and North America. We believe that around 60 percent of the Indian domestic market is constituted by business travelers with specific requirements in terms of air travel products and services. Jet Airways remains the preferred carrier for business travelers, offering multiple frequencies on major metro and secondary routes along with convenient schedules. Apart from a superior business-class product onboard, Club Premiere, our comprehensive frequent flyer program (which is more than 700,000 members strong) also has tie ups with major international carriers for redemption of mileage points, through check ins and interlining, offering end-to-end air travel solutions to our passengers.

Our comprehensive yield management system enables us to optimally allocate our inventory among the six levels of discounted fares that we offer in our economy class, so as to maximize revenue per departure. Thus, we are able to cater to different passenger profiles and segments.

Our strategy is aimed at maintaining our market leadership as well as consistently providing a superior product to our passengers domestically and internationally.

Q: How are you able to offer premium services profitably?

A: While we are focused on maximizing our revenue per departure as well as increasing our unit revenue, we are consistently focused on reducing our per-unit cost of operations. Jet Airways has achieved a 25 percent increase in overall productivity as measured by available seat kilometers per employee during the last three years and a reduction of 15 percent in overall unit cost, excluding fuel, during the same period. Innovative strategies toward creating value for customers and building a strong brand are hallmarks of Jet Airways’ operations throughout. We are also constantly monitoring our competitive landscape and responding to challenges posed not only by various business models operating in the industry, but also changing customer perceptions and expectations.
Q: How has the ongoing liberalization of India’s air transport industry benefited Jet Airways? What further liberalization do you expect in the industry?

A: We support the improvement of India’s aviation environment, which is necessary for the sustained growth of air transportation and is essential for our country’s journey toward becoming an economic superpower. The government has already taken some bold steps to address a range of issues that affect all airlines and ultimately the traveling public. Key policy reforms have been initiated, which have resulted in significant positive impact on the domestic aviation market:

- Permission for private carriers to fly to international destinations,
- Increase of foreign direct investment limit to 49 percent (investment by foreign airlines is not permitted),
- Initiation of measures to improve the aviation infrastructure,
- Privatization of Mumbai and Delhi airport management,
- Permission to hedge fuel prices for uplift at international destinations.

Notwithstanding some of these measures, infrastructure constraints as well as shortage of skilled manpower continue to be important concerns that could impact industry growth, especially in view of the continuous increase in capacity. Infrastructure constraints at key airports such as Mumbai and Delhi have resulted in about 5 percent to 10 percent increase in the average flying time for airlines, adversely impacting operating costs, especially additional fuel and maintenance costs. It has also resulted in reduced on-time performance and consequent inconvenience to passengers due to delayed flights. The annual impact of this additional burden on costs adds up to approximately US$80 million for the industry. Availability of skilled personnel such as pilots and engineers also remains a cause of concern. For example, around 2,000 additional pilots will be required considering the proposed fleet expansion/induction by airlines in India, as per published reports. Flying schools in India today are not equipped to meet this large-scale demand.

Even as noticeable progress has been made during the past year, including initiatives toward airport development and modernization, important concerns such as overcapacit on major routes, infrastructure and resource constraints, and a high level of input costs need to be specifically addressed. These measures have to be implemented swiftly to support further growth of Indian aviation.

Inevitably, we expect that there will be consolidation in the market, which will help restore stability in the domestic aviation industry. A rational approach toward pricing across the industry along with more stringent financial health checks at inception stages for start-up carriers would help in creating a stronger domestic aviation sector.

Q: As more new airlines come on the scene, how will you maintain your market share?

A: Jet Airways has redefined the tenets of domestic air travel in India during the past 13 years. We are now looking forward to extending our ability to combine best industry practices with innovative service delivery channels to the international spectrum as well.

The airline will remain focused on providing maximum value to its passengers. While continuing to provide the most convenient schedules and services to business travelers, we will also consolidate and strengthen our position as India’s preferred carrier. We believe that our product effectively caters to the requirements of both business and leisure travelers.

Five new airlines have commenced operations in the last 16 months in the domestic market. We believe that airlines in India today, irrespective of their business models (whether no frills or full service) are operating under similar market conditions characterized by capacity growth in excess of demand as well as a high-input cost structure. Our strategy going forward is aimed at maintaining our market leadership as well as consistently providing a superior product to our passengers domestically and internationally. Our strong domestic network enables us to provide seamless connectivity to our passengers and effectively supports the expansion of our international network. We are also consistently focused on reducing per-unit cost of operations. We believe that for all airlines, there is significant pressure of costs, and this is something that we have been constantly working on to keep our unit costs low or further reduced to be able to effectively compete in the market and maintain margins.

Q: Do you see the market becoming over saturated with other carriers?

A: While we expect capacity increase in the Indian domestic market to continue to induce demand in the near term, the market is expected to grow at around 25 percent during the medium term (during the next three years). Considering the current environment and future growth potential for domestic aviation in the country, we believe that the Indian market provides enough room for two to three full-service carriers, one to two no-frills operators and one to two regional players.
We maintain good relationships with major international airlines across all the alliances. We have built a flexible approach toward developing bilateral partnerships with major international operators in respect of schedule coordination, maintenance of aircraft, interlining and other operational tie ups to derive maximum benefits in terms of passenger convenience as well as operational efficiencies. We are in the process of evaluating and establishing route-specific coordination with various international airlines in regard to our operations. We believe that this approach will provide the airline with access to a wider market base.

**Q:** How much room is there for continued growth in the domestic India market?

**A:** The medium-term gross domestic product growth expectation is at 8 percent a year for India. The Indian domestic air travel market is expected to grow at around 25 percent during the next three years.

Supported by a growing section of affluent middle-class population, which is currently at around 300 million and expected to reach 400 million by 2010, the Indian economy is also increasingly opening up to global economies (ASEAN, Europe, United States, China). Increased domestic and foreign investments and high level of business confidence in the economy are combined with growth in urbanization and increasing levels of disposable income and savings. The tourism potential in the country is still underutilized and offers great potential for development.

Positive demographics reflect growth of the educated, market savvy, youthful middle class with increased disposable income and favorable credit availability, thus resulting in an increase in consumption — retail as well as private utilities such as telecom, software, transportation, energy and banking. This also results in an increase in capital expenditure and investments including housing, capital goods, financial products and insurance.

The Indian domestic market is, therefore, positively placed for growth over the medium term.

**Q:** Do you anticipate global alliances pushing to gain a foothold in the India marketplace?

**A:** With the Indian market showing significant growth potential in terms of domestic and international traffic, airlines operating in this market certainly are attractive for global alliances.

**Q:** Do you anticipate Jet Airways becoming a member of a global alliance?

**A:** Jet Airways has not entered into any established alliances, such as Star, oneworld or SkyTeam. We maintain good relations with major international airlines across all the alliances.

**Q:** What impact do you think factors such as global outsourcing, increasing tourism and expatriate travel will have on the future of India’s air transport industry?

**A:** We expect the above factors to positively impact India’s air transport industry. Increased exchange of people and resources augur well for growth in air travel.

**Q:** What role do you see Jet Airways having in the future of the more liberalized airline industry? How do you see the Indian aviation industry shaping up in the next 10 years? What position will Jet Airways have in the country’s market place?

**A:** We recognize that growth in air transport is key to the development of any region and have charted our network expansion keeping in mind the growth patterns and development needs of different regions in India. The airline continuously monitors traffic growth patterns of various regions in the country to capitalize on development opportunities, stimulate as well as take advantage of market growth. We support the efforts of the government as well as other private entities in respect of some of the above concern areas, including airport infrastructure and facilities development.

Our goal is to remain the market leader and be India’s preferred carrier. While we expect to maintain and strengthen our well-established domestic network, we will also be looking to build up our international operations with a network connecting India with key destinations such as the United States, Canada, the United Kingdom, South Africa, Kenya, Mauritius, points in China and Southeast Asia, and some points in Europe. We will combine our strong domestic network with our international network, giving us a unique competitive advantage. Our strategic partnerships with other carriers also ensure enhanced connectivity for our passengers travelling within and out of the country.

We also expect concerns in respect of infrastructure to be addressed in the next few years. While privatization of Mumbai and Delhi airports has set the pace for concerted efforts at improving airport infrastructure, completion of greenfield airport projects at Hyderabad and Bangalore as well as modernization of other key metro and non-metro airports will provide impetus to develop civil aviation in the country.

We will endeavor to redefine the standards of civil aviation, both domestically and internationally. Jet Airways aims to see the Indian subcontinent at the forefront of progress in civil aviation not only in the Asian region, but also at a global level. Geographically, India’s airports are well positioned to play a role as international transit hubs.
A STREAMLINED APPROACH TO MANAGING STAFF

THROUGH THE USE OF ADVANCED RESOURCE MANAGEMENT TECHNOLOGY, WESTJET, CANADA’S SECOND-LARGEST CARRIER, HAS ACHIEVED COST SAVINGS OF MORE THAN US$5 MILLION A YEAR.

By Nancy Ornelas, Brian Lema and Todd Iversen | Ascend Contributors
With its time-consuming, manual resource management processes, WestJet, Canada’s leading low-fare airline, sought an automated solution that could significantly reduce the time and effort required to schedule, plan and budget staff as well as determine employee surpluses or shortages, and provide a centralized platform to store comprehensive employee information.

The airline, which serves 34 destinations in Canada, the United States and the Bahamas, has experienced vast growth during the past 10 years, which made staff scheduling at airports a challenge because employee schedules and department itineraries were still transcribed manually. To cost-effectively accommodate its growth, WestJet needed to centralize and automate its workforce management business processes to significantly increase labor efficiency, improve customer service and reduce airport workforce administration.

During its earlier days, all employee scheduling at WestJet was completed by hand using pen, paper and spreadsheets. The airline managed to get by when its largest stations had no more than 40 employees. But as the carrier’s airport department — including baggage handlers, caterers, gate agents and check-in personnel — grew to 1,300 employees at 24 domestic airports, the process proved inefficient and time consuming. To complicate matters, self-serve check-in adoption via kiosks and the Web, trans-border and international operations, and multiple aircraft on the ground were also increasing. The growing scale and complexity in operations meant more time was required to manage the growing employee base and ensure adequate staff coverage for all operating scenarios. WestJet soon realized employee scheduling could no longer be effectively supported by manual processes.

“Manually planning and scheduling did not provide us with any flexibility, and we lacked the ability to optimize the workforce according to the ever-changing flight schedules,” said Mike Hafichuk, director of airports planning and support for WestJet. “It became increasingly difficult to plan our advanced schedule and day-of-operation processes effectively and efficiently.”

WestJet’s system also struggled to accommodate aircraft acquisitions and expansion across North America. The airline was averaging 13 major schedule changes a year with more than 20 intermittent minor schedule changes. As a result, a phenomenal amount of time was spent processing each schedule change and adjusting the varied complexities of the operation.

The carrier also found it challenging to accurately plan and evaluate employee productivity levels, utilization factors, and cost of operations as it didn’t have a centralized view of all data.

“Without automated processes and centralized data, it was impossible to accurately evaluate the business, which meant we had no assurance that we were making the best business decisions,” Hafichuk said.

It was clear that to support its continued growth and success, WestJet, which now has more than 6,000 employees and flies more than 57 Boeing next-generation aircraft, needed an automated solution that could solve its many resource management challenges. In particular, the airline sought an integrated end-to-end resource management solution capable of calculating optimal staff, gate and ground support equipment levels; generating solutions...
for complex rostering scenarios; automating employee administration; and offering decision support on the day of operation.

After an extensive search for an automated solution that would address every aspect of its resource management issues, WestJet selected the Sabre® Streamline® Resource Management Suite, including the Sabre® Streamline® StaffPlan™, Sabre® Streamline® RosterMaker, Sabre® Streamline® StaffAdmin™ and Sabre® Streamline® StaffManager™ systems.

The StaffPlan system enables WestJet to import flight schedules directly from its marketing scheduling team, analyze schedules and generate optimal resource levels. The RosterMaker system takes the projected manpower output from the StaffPlan system and converts it into a choice of patterned and patternless rosters. It also enables the airline to incorporate specific work rules around weekend shifts, morning and night shifts, and the use of part-time employees. This ensures WestJet creates more efficient staff schedules that suit the needs of its employees. The StaffAdmin system automates administrative processes, such as schedule bidding, as well as scheduling exceptions such as vacation requests, training, overtime and sick leave. The StaffManager system provides day-of-operation decision support by visualizing real-time flight activity, automating task assignment and managing exceptions.

Built using the Microsoft Visual Studio® 2003 development system, the Streamline suite is based on the Microsoft .NET framework. Together, Visual Studio and the .NET framework are designed to help developers quickly and easily build secure, high-performance solutions on an enterprise-ready platform. In addition, the Sabre Airline Solutions® business recently added even more value for its customers by implementing Microsoft Visual Studio 2005 and Microsoft .NET 2.0 framework into the Streamline suite.

Using the .NET framework enabled WestJet to better integrate its systems because it supports applications within a legacy server environment. The framework enables old and new applications to coexist and collaborate, which enables developers to reuse existing applications wherever possible. The framework also helps smooth the flow of critical data across the organization.

Since implementing the Streamline suite, WestJet has optimized and automated the staff scheduling process, which has led to increased efficiency and employee satisfaction, significant time reductions and cost savings in excess of US$5 million annually.

“Built using Microsoft technologies, the Streamline suite has improved efficiency dramatically,” Hafichuk said. “We can now generate analytics that help us make better business decisions, contributing materially to the bottom line.”

The tool enables WestJet’s staff to create different scheduling scenarios and study the costs and benefits of each. The airline is now able to configure the application to evaluate all flight schedules and develop a work plan that makes the most business sense.

“We can now create ‘if-and-then’ situations, allowing us to build scenarios using data such as customer contact time, customer arrival curves and self-service adoption rates — it’s that comprehensive,” said Hafichuk.
The new system also enables the airline to generate a variety of shift solutions based on the desired levels of efficiency and employee satisfaction. Using the Streamline suite, analysts can produce a staff schedule that assigns the most efficient shifts according to the work demand while minimizing headcount and maximizing productivity on a particular task.

“The system can prioritize resources based on cost, and it will find the most inexpensive way to properly cover the shift,” Hafichuk said. “You can also ask the system to come up with an alternative based solely on efficiency. It’s amazing to have this level of flexibility and choice so we can make the best staffing decisions.”

WestJet uses the solution not only to create a schedule with associated costs but also to automate the scheduling process so paper-based administrative processes and schedule exceptions, such as vacation, training, overtime and sickness, are easily accommodated and tracked.

“The automation was the biggest motivation for us, and the software helped us virtually eliminate our manual processes,” Hafichuk said. “We’ve been able to consolidate roles, streamline and reallocate positions, and eliminate things we no longer need to do. It’s making us much more efficient overall.”

To promote fairness and equitability between starting times as well as accommodate days off, WestJet creates rosters in which all employees rotate through different shifts. The new solution reads the output from the StaffPlan system and creates individual shifts based on work rules and employee exceptions, producing a rotating roster that is assigned to employees each week.

“Canada has sophisticated work rules, and fairness, equitability of shifts and days off are of great importance to our people,” Hafichuk said. “The new solution helps us ensure that all employees are treated fairly and all employees rotate through the specific number of shifts without compromising safe and efficient operations.”

Another benefit for WestJet employees is the ease of shift trading. Using the Streamline suite, the airline offers a secure, employee-only Web site to help them easily trade shifts, request days off or post available shifts online.

“To do something simple like trade a shift meant an employee had to come in to the airport, complete a paper form and sign off,” Hafichuk said. “Then, that employee would have to wait for another employee to come in and complete the other part of the paperwork before it would be submitted to an administrator for manual approval. Now, more than 1,000 employees are empowered to find the information they need by simply logging on to the site from anywhere — giving them more control over their days off.”

WestJet has utilized the Streamline suite to develop schedules that are cost effective and efficient yet still satisfactory to its employees. The carrier has also reduced administrative time to create staff schedules. Previously, it took more than a week to process a month of full-time work. Now, it can be completed in a matter of hours. In addition, WestJet estimates the RosterMaker and StaffAdmin systems have helped save approximately 25 percent in administrative costs by automating the creation of complex rosters and streamlining employee administration.

“With the new software in place, we have saved the equivalent of 30 full-time employees to build and manage staff schedules across our system,” Hafichuk said. “We now have a group of five individuals centrally located to handle these tasks. That represents more than US$1 million in back-end labor savings for us, just within one department.”

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After declaring bankruptcy in late 2005, Delta Air Lines has undergone a complete facelift that has it succeeding in new markets and on the road to profitability.

By Lynne Clark | Ascend Staff
Delta Air Lines knows what it wants to be when it grows up—an independent airline that blends the best of its 76-year service heritage with 21st century efficiency and customer value.

The goal isn’t mere rhetoric. It’s an aggressive reorganization plan crafted in the harsh finishing school of bankruptcy and recently in corporate boardrooms where war-weary strategists recently waged and won a battle against a hostile takeover bid by US Airways.

Since entering bankruptcy protection in September 2005, Delta has proven to investors it can put its money where its mouth is. In just 15 months, the United States’ third-largest carrier has streamlined operations by jettisoning unprofitable aircraft and routes, achieving more than US$2 billion in annual savings. It is using planes more efficiently and plans to further expand its lucrative international routes.

Delta now has strategic clarity from a network point of view, according to Glen Hauenstein, the airline’s executive vice president and chief of network and revenue management.

“There were a lot of questions in the past about what Delta was going to be when it grew up, whether it was going to be a multiple brand with Delta and Song, whether it would create a major hub in New York. All of those questions have been answered now. Everything we’re doing now is focused on our product and our customers.”

**Fleet Simplification**

Like many network carriers, Delta did not face the reality of needing to change its business model until it stood on the precipice of disaster. Bankruptcy forced it to take a hard look at the economic implications of flying airplanes to destinations for which they were not built.

“Delta’s fleet wasn’t purchased for the market it was flying,” Hauenstein said. “Certainly, we know the 777 is a good airplane, but we also know that a 777 flying from Atlanta, Georgia, to Orlando, Florida, is not a good use of that airplane. So, we had to take a look at the entire fleet and say, ‘OK, where should we be flying this plane?’ We realized we have an incredible amount of long-haul capable airplanes that were flying in the domestic arena. Today, we are into a three-year program to remove long-haul aircraft from domestic destinations and fly them internationally.”

The fleet simplification program has resulted in the introduction of more than 50 new international flights in 2006, making Delta America’s fastest-growing international airline and the leading carrier between the United States and trans-Atlantic destinations with flights to 31 trans-Atlantic markets.

In 2007, Delta will expand to more European destinations, adding seven more domestically configured 767-400s that are being converted to international service, freeing up longer-haul Boeing 777s to fly new routes such as Atlanta to Seoul, Korea, and Dubai, United Arab Emirates.

In 2008, Delta will add 13 Boeing 757-200 aircraft formerly operated by American Airlines that are capable of crossing the Atlantic and serving smaller cities such as Düsseldorf, Germany, or Edinburgh, Scotland, as well as the first Boeing 777LR aircraft to enter China and other points in Asia.

“These are markets we haven’t entered in the past,” Hauenstein said. “This is a real opportunity for us as we are going to be able to take a relatively low-unit-cost [757] airplane and fly it up to 4,200 nautical miles. We have plenty of airplanes to fund our international growth for as far as the eye can see.”

**Technological Advances**

Bankruptcy also forced Delta executives to look at its technological infrastructure, particularly network, revenue management and pricing technology.

“In the history of Delta, network, revenue management and pricing were never the glamour spots of the airline, and they didn’t do a good job of leveraging the technological infrastructure,” Hauenstein said. “During the past year, we’ve been working very hard to put in a technology platform that will sustain as we move forward. We’re not there yet, but we’ve made a lot of progress.”

Another technological milestone was reached when the carrier invested in an updated booking valuation system that makes use of almost real-time data to help decision makers more accurately value seat inventory. Before, the booking valuations were updated only quarterly and sometimes yearly despite a faster-changing fare and competitive environment.

Delta, through its fleet simplification program, added more than 50 new international flights last year, making the carrier America’s fastest-growing international airline with flights to 31 trans-Atlantic destinations.

Until a year ago, Delta flew the exact same schedule seven days a week, varying only monthly. Updated technology has made it possible today to better match capacity with demand.

“This was a huge step for us,” said Hauenstein. “It helped us close the revenue gap versus our competitors.”

“If you only update that system once a year, you make inventory available at suboptimal price points thus making a lot of wrong decisions,” Hauenstein said. “That technological upgrade has brought Delta to the forefront of the industry in year-over-year unit revenue increases.”
Amit Agarwal, Delta’s managing director for network and revenue management systems, is charged with making technology upgrades. Thanks to a new reporting structure that closely ties technology with business, the knowledge inputs are faster, communication more efficient, and business and technology share common goals.

For example, Delta recently implemented journey-control processes six months ahead of competitors despite the fact that it was the last carrier to get on board. Agarwal attributed this to a new culture that encourages speedy, agile decisions made possible by direct leadership and business focus.

“Data integrity and timeliness are crucial; Delta had all the data, but often it wasn’t accessible or usable,” Agarwal said. “First, we cleaned up the data, and then we invested in technologies that provide better decision making. Currently, we have a number of revenue initiatives underway that will enable even more informed decisions.”

**Customer Investments**

Even in Chapter 11, Delta is reinvesting in products and services to earn customer preference. It began overhauling interiors last year, including leather seats, new carpets and laminates, and better lighting. The carrier has refreshed its BusinessElite product, with enhanced in-flight entertainment, new seat covers, enhanced food and changes to improve seat comfort. It is also introducing new uniforms designed to bring a more professional style and boost the morale of employees. It also plans to introduce live television, upgraded food offerings and other amenities on all flights more than 1,750 miles.

“Every day you come to Delta, it’s a better Delta,” Hauenstein said. “Our restructuring hasn’t just been about cutting costs. It’s been about changing the network and reinventing the product. That is unique among bankrupt carriers.”

And it seems to be paying off.

In 2006, Delta was awarded “Best Frequent Flyer Program,” “Best Airline Web Site” and “Best Airport Lounge” by Business Traveler readers in the 2006 Best in Business Travel Awards and was just shy of the top ranking for overall satisfaction among network carriers in J.D. Power and Associates’ 2006 Airline Satisfaction Index Study.

In addition, Delta achieved its highest annual load factors on record for consolidated system (78.5 percent, beating the previous high of 76.5 percent in 2005), mainline system (79 percent, above the previous high of 77.6 percent in 2005), and Delta Connection (76.5 percent, versus the previous high of 71.0 percent in 2005).

In December, Delta reported that 12.5 percent of its capacity was flying in new markets, more than the rest of the industry combined.

“What’s exciting is that we’re doing so well already in new markets, and we haven’t even reached what we call the 13-month affect, meaning that, unless something catastrophic happens, month 13 is always better than month one,” Hauenstein said. “We have that entire spool coming home to roost this year, which is something we’re very excited about for our profitability moving forward.”

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KALININGRAD, RUSSIA-BASED KDAVIA HAS LAUNCHED AMBITIOUS GROWTH PLANS, SUPPORTED BY A NEW INFORMATION TECHNOLOGY STRATEGY, INCLUDING BUILDING WHAT COULD BE THE FIRST TRUE HUB IN ITS HOME COUNTRY.
Fortunately for KDavia, the current residents of Kaliningrad, Russia, are unlike the area’s most famous citizen.

While the philosopher Immanuel Kant never ventured far from his hometown (known as Königsberg during his lifetime), many of the area’s current habitants are eager to travel as well as host the visitors who come to see the gravesite at the town cathedral of the famous 18th-century thinker.

And to meet the growing demand for travel in the region, Kaliningrad-based KDavia is revamping its operations and looking to build Russia’s first true airline hub, at its hometown airport, Khrabrovo.

“None of the big three Moscow airports — Sheremetyevo, Domodedovo and Vnukovo — can be regarded as a real hub,” said Vitaly Golovin, commercial director for KDavia. “Even the construction of Sheremetyevo-3 for Aeroflot and its SkyTeam alliance partners [will not be a hub]. This new terminal will be used only for SkyTeam alliance needs and will not be able to operate like a true hub. Kaliningrad is a perfect location for collecting passengers from all the main destinations in Russia and providing smooth transit to the main European destinations.”

Kaliningrad, the region of Russia located between Poland and Lithuania, is ideally located between the rest of Russia and Europe. As part of its ambitious plans to take a much larger role in the Russian air transportation industry, KDavia is investing US$30 million to construct a new terminal at Khrabrovo Airport. The airline has also invested another US$30 million upgrading its fleet of aircraft. KDavia has increased its fleet from eight Boeing 737-300s last year to 19 737-300s. The additional aircraft will enable the airline to grow beyond Moscow and Saint Petersburg to other large Russian cities such as Omsk, Yekaterinburg, Nizhny Novgorod and Chelyabinsk. The airline also plans to expand in Europe, adding London, Paris and Barcelona to its current destination of Berlin-Tegel.

The airline has already seen positive results from its more aggressive plans. The airline increased its number of passengers boarded from 300,000 in 2005 to more than 700,000 in 2006, more than 200 percent growth that far outstripped the 14 percent in the Russian market overall. The airline anticipates its new hub structure will further increase passenger volume to 1.5 million this year and 2.5 million in 2008.

The airline’s aggressive plans promise to mark a new chapter in the airline’s history. KDavia’s roots go back to 1945. The airline, originally known as Kaliningradavia, launched international services in 2004, the next year, it changed its name to KDavia to distinguish itself from the operator of Khrabrovo Airport, also known as Kaliningradavia. The same year, a new management team created a new development plan, emphasizing a hub-and-spoke operation at its home base to make it a key gateway between Europe and Russia.

Kaliningrad has long been a key transit point. The first flights from the area began in 1922 when the German-Russian joint company Deruluft, the parent airline of Lufthansa German Airlines, opened the first regular international route between Königsberg and Moscow. This route, along with Kaliningrad-Berlin, remains one of KDavia’s most lucrative. The area history also reflects its ties to both Europe and Russia. The region was once known as East Prussia, and was disputed between Germany and Russia until it was added to the then-Soviet Union after World War II.

“We selected Sabre Airlines Solutions as our strategic IT provider because we expect that, as the leading global software company, [it] will be able to offer appropriate IT solutions for all our needs.”

— Leonid Itskov
The area has such importance that Vladimir Putin, the president of the Russian Federation, has taken personal interest in the developing hub at Khrabrovo Airport.

As part of its new development plan, the airline is also investing heavily in new information technology infrastructure to improve the airline’s commercial activity. The airline is moving to manage its network on an origin-and-destination basis so that it can more accurately calculate potential revenue and conduct more thorough business analysis and planning.

The new IT investment also includes implementing advancements at its new terminal at Khrabrovo Airport to improve passenger processing, including better handling through passengers at the new hub. KDAvia will also upgrade to a new reservations system and improve its Web presence. Currently, only 1 percent of the airline’s sales are through its online presence, but it believes this figure will grow rapidly as the Russian government removes its restrictions on electronic ticketing.

To help facilitate its new technology, KDAvia selected the Sabre Airline Solutions® business as its strategic partner.

As part of the new relationship, the airline will implement several solutions to assist its development including:

- The Sabre® AirMax® Revenue Manager — The airline will use the system’s O&D capabilities to better analyze and plan its flight structure and determine the revenue potential of its network.
- SabreSonic™ Check-in — KDAvia will utilize the passenger processing tools to smooth passenger transfers through its new hub.
- SabreSonic™ Res — The reservations system, which will be integrated with Revenue Manager, will provide enhanced customer-centric capabilities such as real-time access to customer profile data.
- SabreSonic™ Web — With an improved Web presence, the airline can provide better online services not only to its Russian customers but to those throughout Europe.
- Sabre® Rocade® Airline Operations Suite — The airline will install three components of the suite to make the airline’s operations more efficient, including the deployment of its fleet and crew personnel.

“We selected Sabre Airline Solutions as our strategic IT provider because we expect that, as the leading global software company, [it] will be able to offer appropriate IT solutions for all our needs,” said Leonid Itskov, KDAvia’s first deputy chief executive officer. “For example, we are considering adding [a maintenance, repair and overhaul] system from Sabre Airline Solutions because there is a lack of such systems at the market, and airlines desperately need them now. Also, we plan to add the company’s credit suite product to complement SabreSonic Web. We are conscious that we are paving the road for other regional airlines and airports to start using such advanced IT systems more heavily, and we are proud of doing that and setting the right example. Certainly, we believe that Sabre Airline Solutions will contribute intensively toward achieving our business objectives.”

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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-
The turnaround team worked on restructur-
ing 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

Operational

The turnaround team worked in air-
port management; crew management; fuel control; maintenance, repair and over-
haul; 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 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.

Financial

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

Turnaround Process

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

The year-long turnaround process has several phases from initial planning through implementation and execution to consolidation and refinement.
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.”

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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.

profile
Five years ago, Aeroflot Russian Airlines went through a period of introspection. As the airline took stock of its operations, it realized that it needed to take steps to keep pace with a rapidly changing industry.

Aeroflot faced a growing number of competitors, both domestically as well as foreign airlines coming into its home markets. It saw airlines joining global alliances, increasing their reach and adding valuable new traffic. The airline also noticed that many of these competitors were using advanced information technology to increase efficiency and optimize operations.

And, as a result, Aeroflot realized it needed to change.

To remain a leading carrier in the industry, Aeroflot identified several key objective’s that would help it maintain its position. The airline wanted to:

- Retain and increase market share,
- Bring itself up to date with the industry’s best practices,
- Add new, smart technology to help improve its overall operations as well as deliver better bottom-line results,
- Improve customer service and boost customer loyalty,
- Join one of the three global alliances,
- Enhance its shopping and pricing capabilities.

The airline believed an improved IT strategy was a key aspect of achieving each of these goals. Its previous IT environment presented a number of challenges such as high training costs for new reservations and airport agents due to the absence of a user-friendly graphical user interface. The airline’s reservations platform also hosted information for 2,250 travel agencies — with more than 6,000 access points — in the same partition, creating security and fraud concerns. It lacked the ability to offer electronic tickets, which the airline wanted to have in place so it could offer them as soon as the Russian government lifted its e-ticketing ban. It was unable to sell from availability city pairs or have block space integrated in the availability display. Furthermore, it couldn’t manage block space, making the processing of group bookings a time-consuming process. And it needed customer-focused technologies, such as self-service check-in kiosks and online booking as well as customer relationship management tools.

The airline faced other issues as well. Although the industry standard was to file fares directly through ATPCO, Aeroflot still filed the majority of its fares through SITA, causing agents to have to file fares with two sources. The airline had additional challenges with the integrity of its fare data across global
distribution systems — what was filed did not necessarily appear exactly as the airline intended, resulting in incorrect fares in the market.

And the airline’s frequent flyer program also was not integrated with the inventory system, causing several processes to be handled manually.

As it identified its path, Aeroflot spent two years analyzing the technology it would need to achieve its goals. The airline realized it would need world-class reservations and inventory systems, online booking and electronic ticketing capabilities, and CRM tools.

After studying its options, Aeroflot selected the Sabre Airline Solutions® business to assist with its IT needs. As part of the relationship, Aeroflot switched its internal reservations system to SabreSonic® Res for its state-of-the-art airline reservations and passenger services. At the same time, more than 6,000 Aeroflot-affiliated travel agents in more than 3,000 locations converted to the Sabre® global distribution system to enable them to sell, book and ticket airline, car rental, cruise, tour and rail travel. Previously, the agents only had access to Aeroflot’s inventory; after the conversion, they had access to all the content in the Sabre GDS.

“The combination of SabreSonic Res and the Sabre GDS will significantly enhance Aeroflot’s sales, marketing and passenger-service capabilities,” said Sergey Kiryushin, chief information officer for Aeroflot. “And it will bring a wealth of new travel content and technologies to the Russian travel agency community.”

The move to new IT systems delivered bankable results for Aeroflot:
- The airline saved US$200,000 a year by filing fares directly with ATPCO.
- It increased revenue by 4 percent to 7 percent through a fully integrated revenue management/reservations solution.
- After migrating to a new reservations and distribution platform, the airline decreased passenger processing time at city ticket offices by an average of 2 minutes 20 seconds year over year.

“The breadth of the offering from Sabre Airline Solutions provides an integrated solution across all of our operations,” Kiryushin said. “In fact, we believe the technology solution it has packaged for Aeroflot offers benefits that are unmatched in the industry. This smart technology means improvements to our operations, and that means better results to our bottom line and improved service to our customers.”

By implementing the Sabre® AirPrice™ fares management system, Aeroflot is now able to file fares directly with ATPCO. Using the AirPrice system also provides:
- Enhanced international pricing logic, providing more fare accuracy,
- Fully automated fare loading, ensuring fares are immediately accessible,
- Customizable fare and rule displays enabling Aeroflot’s agents to see the precise fare data they use most often,
- Improved international shopping with lower fares, more itinerary options and more advanced shopping capabilities.
— critical features for the airline’s Web site,

■ Improved schedule generation that utilizes more connect points to increase the likelihood of finding lower-fare itineraries.

To support its move to advanced methods of inventory management, Aeroflot installed the Sabre® AirMax® Revenue Manager, which was fully integrated with SabreSonic Res.

By using Revenue Manager, Aeroflot was able to implement threshold nesting, a more aggressive inventory management method that enabled the carrier to protect high classes where justified by demand. Because they are integrated, SabreSonic Res automatically and seamlessly sends inventory booking data to the AirMax system daily for each flight. SabreSonic Res also automatically sends post-departure data to the AirMax system daily.

The airline also uses the Sabre® AirMax® Group Manager to manage block space inventory. The system enables Aeroflot to push blocked space inventory to Sabre Connected™ agencies and enables the agencies to request blocked space from the airline.

Two other key benefits of the new technology were the ability to submit fuel and insurance fees via ATPCO and implementing a new system to automate the collection and processing of taxes.

Aeroflot also implemented self-service check-in kiosks at its facilities in terminals 1 and 2 at Sheremetyevo International Airport, which has enabled it to reduce waiting lines and process more passengers in the same space as well as lower airports costs.

With the growth of online booking, Aeroflot enhanced its Web site with SabreSonic™ Web, a booking engine used to give passengers the ability to book and purchase travel online. The booking engine, presented in Russian using Cyrillic characters, enables passengers in Russia to book any Aeroflot flight. The airline has also introduced online storefronts for U.S. and European locations.

One of the most important steps Aeroflot took in its transition was applying to join a global alliance. Offering the prospect of significantly expanding the number of destinations it could offer without the additional cost of aircraft and personnel, an alliance can help generate substantial additional revenue for an airline. However, membership requires meeting exacting standards established by the alliance. In 2004, Aeroflot announced it would pursue membership in the SkyTeam Alliance, headed by Air France and Delta Air Lines.

To prepare for its membership, Aeroflot teamed with Sabre Airline Solutions to upgrade its technology to meet membership requirements. As part of the process, Aeroflot was able to utilize open-systems technology from Sabre Airline Solutions that could interact with the systems from other SkyTeam airlines. The airline was also able to comply with other technical requirements, such as adding e-ticketing capabilities, integrating its frequent flyer program with other member airlines, enabling travel agents to view all bookings with partner airlines and exchanging reservations data. The airline successfully entered the alliance in March 2006.

“Aeroflot’s objective for the future is to continue making use of the most advanced and efficient technologies that exist in the industry,” said Eugene Bachurin, Aeroflot commercial director. “For this reason, we chose technology from Sabre Airline Solutions. Sabre Airline Solutions provides more flexibility in the areas of air travel reservations and sales and ticketing than any other offering currently available while at the same time ensuring maximum efficiency from both travel agents and airline sales offices. In addition, the new technology offers a variety of new functions that will benefit Aeroflot and travel agencies and will help improve customer service.”

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By virtually every conceivable measure, the launch of Kingfisher Airlines was an unqualified success. Within its first 18 months of operations, the carrier was named “Best New Airline of the Year” by the Centre for Asia Pacific Aviation, the recipient of the “Service Excellence for a New Airline” award from United Kingdom-based Skytrax and the winner of the “Best New Domestic Airline for Excellent Services and Cuisine” from the Pacific Area Travel Writers Association. And the airline that started its operations in May 2005 with four daily flights across two cities now offers 146 flights daily to an expanded network of 24 key business and leisure destinations across the country.

With product demand increasing more and more, Kingfisher Airlines realized that to manage the phenomenal growth and high

KINGFISHER AIRLINES, INDIA’S FASTEST-GROWING CARRIER, RELIES ON A STRONG TECHNOLOGY PLATFORM TO HELP IT OFFER UNPARALLELED GUEST SERVICES.

By Sri Soundararajan | Ascend Contributor
levels of customer service, it required new, state-of-the-art solutions.

One of the airline’s primary needs was for a reservations system that could not only accommodate its current demand but could also provide the flexibility to keep pace with its furious growth plans and changing market dynamics. Given its strong guest focus (“The credo of the airline is, ‘There are no passengers on Kingfisher Airlines, only ‘guests.’”), Kingfisher Airlines also sought advanced customer management tools to help it more efficiently market its schedule and drive sales. The full-service, value-focused airline also needed an advanced departure control system.

In addition to reservations capabilities, Kingfisher Airlines also desired enhanced inventory management, a frequent flyer program, an advanced online booking engine for its Web site and automated check-in services.

The airline sought stable, proven systems that could build the foundation for it to provide customers the levels of service befitting an airline run by Dr. Vijay Mallya, the “King of Good Times.”

The carrier has been redefining and expanding the travel experience of Indians in a unique way. Its new and innovative approach toward guest services has become a key differentiator for the airline and gained it a reputation for taking superior care of its guests.

Built on the core values of “trendy, youth and lifestyle,” the carrier seeks to leverage the image of Kingfisher, its mother brand. The airline believes it is not in the transportation industry, but the “aviation hospitality” business and strives to offer its guests an unparalleled “good times” experience.

Part of that experience included India’s first-ever in-flight entertainment, or IFE, system with personalized video screens on every seat with 10 channels of “Kingfisher Radio” and five channels of “FUN TV.” The coach cabin, known as Kingfisher Class, offers extra-wide seats, extra leg room and large overhead storage bins. The airline offers a menu of gourmet meals featuring six different vegetarian and non-vegetarian menu options for breakfast, lunch and dinner that is rotated every day.

The airline is also redefining business-class travel in India. In its premium cabin, called Kingfisher First, the airline offers seats with 48-inches of pitch that recline 125 degrees. The seats also have adjustable headrests and extendable footrests. Kingfisher First also offers an audio and video on-demand service that enables guests to enjoy the latest movies, music videos and concerts, and video games. Extra-wide screens and special noise-cancelling headphones enhance the experience.

Kingfisher Airlines was incidentally the first airline in India to offer IFE service onboard its domestic flights. Soon, even competitors followed suit.

But being the pioneers in offering IFE service onboard its domestic flights was not where Kingfisher Airlines stopped. In December, the airline partnered with dishTV, India’s leading satellite TV provider, to offer live television onboard its flights. Kingfisher Airlines is the first Indian carrier and among the very few in the world that have introduced this service. Now guests flying with Kingfisher Airlines will not miss watching their favorite TV programs even while in-flight. It is this consistent drive to offer the best to its guests that keeps Kingfisher Airlines ahead of its competitors.

It’s renowned levels of service and marketing prowess have garnered sev-
eral additional awards, including “Most Successful Brand Launch of 2005” from the Brand Derby Survey conducted by India’s leading business daily, Business Standard. Kingfisher Airlines has also been ranked among the top 10 “busiest brands” of 2005, and it recently won the “Brand Leadership Award” in the service and hospitality segment, beating several notable hotels, banks and other airlines. More recently, Kingfisher Airlines was recognized by Galileo Express Travel Awards of the Indian Express Group, a leading national daily, and the Frost & Sullivan Group for its innovative brand strategy, product and service.

Behind the scenes, the airline works on a sophisticated technology platform to enable such high levels of guest services across its operation as well as ensuring operational safety and efficiency while maintaining profitability.

Within six months of launching operations, the airline decided it needed the right technology partner that could support it with end-to-end software solutions and enhance its global distribution. In selecting the Sabre Airline Solutions® business, the airline found a partner that could provide:

- Global market coverage,
- Stable and proven systems,
- Vast airline experience,
- A dedicated technical workforce,
- A significant presence in India, one of the fastest-growing aviation markets.

“It was a well-thought-out decision,” said an airline representative. “It became very clear during the evaluation process that Sabre Airline Solutions® indeed had an integrated end-to-end solution that would meet our fast growth. We were looking for an efficient, integrated one-stop shop partner, and Sabre Airline Solutions met all of our criteria. The dynamics of the marketplace demand adaptable but stable systems, and Sabre Airline Solutions provided a platform that allowed fast integration of new technologies to ensure optimum operational efficiencies.”

As soon as the airline selected Sabre Airline Solutions, teams from both companies gathered to brainstorm and identify ways to kick off product implementation. The first product the airline implemented, the Sabre® Traveler Loyalty System, enabled the airline to launch its frequent flyer program, King Club. Since the launch of the program, which offers the fastest way to earn free tickets in India, it has experienced record-breaking enrollments on a monthly basis.

Kingfisher Airlines planned to migrate to SabreSonic® Res on Aug. 5. But, keeping in line with its rapid growth, the airline asked if implementation could be accelerated. A team from the airline and one from the technology company that totaled more than 250 people across 44 teams from 10 countries worked around the clock and managed a complete reservations cutover 10 days ahead of schedule.

“The challenge was huge, and it was even more difficult due to the advancement of the migration date,” said Chandrashekhar Nene, vice president of information technology for Kingfisher Airlines. “Cutting off 10 days from a project already being run on a tight timeline is a very difficult task. The support provided by Sabre Airline Solutions staff in Bangalore, India, and Dallas, Texas, was superb. We had the right people at the right time.”

Soon after the initial migration, the airline was India’s first carrier to launch the Roving Agent module of SabreSonic™ Check-in, which enables check-in agents to move from behind the check-in counter to better serve guests.

Added the representative, “The Roving Agent module is like a check-in counter on the move. Guests no longer need to go to the check-in counter; we have ensured that the check-in counter comes to them. At Kingfisher Airlines, we constantly innovate when it comes to providing added convenience to our guests. And when we say we want them to enjoy the ‘good times’ with us, we do everything possible to ensure that. There are several more such path-breaking initiatives in the pipeline.”

Both teams continue to work on several post-cutover initiatives, and although there is still a lot of work ahead, the successful and early implementation signifies the start of a strong technology foundation for Kingfisher Airlines.

“At Kingfisher Airlines, we have always emphasized upon the importance of service and hospitality,” Mallya said. “In the past [several] months, we have introduced many world-class initiatives to add to the convenience of our guests. In the times to come, many more such innovative initiatives will be undertaken by Kingfisher Airlines.”

Kingfisher Airlines, which operates a fleet of 29 aircraft with 20 additional jets on order, is the first Indian carrier and among the very few in the world to partner with a satellite television provider. In December, the carrier partnered with dishTV to offer live television on its flights.

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When jetBlue began looking for a revenue premium, it found it in a different place — the global distribution systems.

After rejoining the GDSs last year, the airline quickly discovered that making its inventory available through the systems immediately generated “a greater amount of business … than the company thought” and at an average fare that was “US$35 higher per segment, net of cost,” according to jetBlue Chief Executive Office David Neeleman.

And the additional passengers, he said, were “customers we’ve never seen before” — 66 percent of bookings through the GDS channel represented new business.

The move to participate in GDSs signified a shift in strategy for jetBlue, which previously preferred to go it alone. The carrier had been among the vanguard of airlines spurning GDS participation. By the end of 2004, the airline had decided to pull out of all GDSs and distribute its product directly to customers. As a low-cost carrier with a well-regarded product, the strategy seemed to make sense — significantly reduced distribution costs while still filling planes with loyal customers.

JetBlue chose to take a number of steps to emphasize a completely direct distribution strategy. The airline developed a corporate booking portal branded “companyBlue” to serve the needs of corporate travelers. When companyBlue did not provide enough penetration, jetBlue developed relationships with content aggregator

Despite these efforts, by the fourth quarter of 2005, jetBlue was rethinking its position. The airline posted its first quarterly loss in three years, and Neeleman acknowledged in jetBlue’s fourth-quarter earnings call that it was “on the lower end of the industry” ranking seventh out of seven low-cost carriers and 14th out of 14 network and LCCs as reported by the U.S. Department of Transportation’s Bureau of Transportation Statistics. Neeleman admitted the airline needed to “get another US$10 or so per ticket” from its then average fare of US$109 to achieve profitability.

Contributing to the airline’s challenges were rising crude oil prices, which had reached a then staggering US$51 a barrel.

“The whole fare thing has to be rethought,” Neeleman said at the JP Morgan Transportation Conference in February 2006. “Our customers will pay us a little bit more money. They love jetBlue. We just have to ask for it.”

And jetBlue felt it could ask for the revenue premium by reaching corporate travelers through GDSs.

In addition to improving jetBlue’s revenue management capabilities, Neeleman said the carrier was seriously looking at GDS participation and even mentioned fellow LCC AirTran Airways’ recent full-content agreement with the Sabre® global distribution system as a potential model. While not explicitly stating that GDS participation was a necessary step to raise average fares, Neeleman did say in early 2006 that jetBlue would do “a lot more” to be in corporate booking tools.

By June, the path to GDS participation was clear as Neeleman acknowledged at the Merrill Lynch Global Transportation Conference that average fares were higher through the Sabre® global distribution system than those booked directly with jetblue.com. Last August, jetBlue reached agreements with Sabre Travel Network® and Galileo International to distribute all its published fares and inventory to subscribers of the Sabre GDS and Galileo’s GDS.

The airline sought to take advantage of the GDS fare premium, which derives from the customer segments it serves.

By offering its content through GDSs, jetBlue gained access to travel agencies of all varieties including online travel agencies...
as well as wholesalers, consolidators and leisure travel agencies. Another benefit of GDS participation is reaching the corporate travel market. For most GDSs, the corporate travel market represents about 60 percent of its bookings. Of the corporate travel booked by GDSs, Sabre Connected agencies generate about 58 percent of the bookings. Business travelers purchase higher fares to get less-restrictive fare rules, international flights or premium seating. Business travelers may purchase through any distribution channel; however, most corporations manage their own travel or use travel agencies that utilize GDSs. Given its customer mix, fare premiums will exist for a GDS compared to an airline’s own direct distribution channels. A low-cost carrier such as jetBlue would see a median fare premium of approximately 15 percent. Regardless of the exact amount, jetBlue found fare premiums through GDS distribution more than make up for the added booking fee expense, which averages only 2 percent of fare revenue, adding to an already attractive customer segment.

Not only was corporate travel an attractive market, but accessing it seemed like a natural fit for jetBlue, which had been very successful in building a brand that represented a premium product for a reasonable price — all-leather seats, 36 channels of DIRECTV® and 100 channels of XM Satellite® in every seat, and spa kits for transcontinental overnight flights offered a relaxing travel experience. Customers responded to jetBlue’s product by giving it the highest rankings in all factors of customer satisfaction (cost and fees; flight crew; in-flight services; check in; boarding, deplaning and baggage; aircraft; and flight reservations) for all airlines according to the J.D. Power and Associates 2006 North America airline satisfaction study. Customer satisfaction led to a devoted customer following.

“jetBlue does not have passengers; they have groupies that follow the airline around,” aviation consultant Michael Boyd told the Bradenton Herald. “They have brand loyalty that other airlines would kill for.”

While the jetBlue product and fares are attractive to corporate travelers, the purchase experience represented a roadblock to deep penetration. Gaining business travelers’ share of wallet requires more than just low fares and a sophisticated Web site. Purchasing a ticket is straightforward enough but business travel requires more complex activities such as incorporating travel policies, maintaining traveler profiles and accounting for preferred vendor relationships. In addition, the corporate travel market requires additional services beyond travel purchase such as integration with expense reporting systems, payment and reimbursement, and reporting and analysis.

For jetBlue to serve the corporate travel market, it needed to address two additional factors:

- The need of corporations to allow its travelers to be as flexible as possible in arranging their travel schedules (including ticket changes or last-minute purchases).
- Any concerns about GDSs stealing customers away from the airline’s Web site, jetblue.com, were eased after the booking volume at the site remained steady at 80 percent of jetBlue’s distribution — the same level as before it re-entered the GDSs. In addition, the increase in corporate travelers generated by GDS participation evened the airline’s traffic throughout the week, increasing demand for Tuesday, Wednesday and Thursday flights. The airline expects to continue to penetrate the corporate travel market and realize as much as US$100 million in incremental revenue in 2007 through the GDS channel.

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In addition to shopping and booking capabilities, corporations and agencies depend on GDSs as the source for data for back-office systems since it is the primary source for reservations information. For cost efficiency and data acquisition, those needs can be fulfilled through the GDS.

jetBlue was aware of the benefits of reaching corporate travelers through GDSs. It had participated in all four major GDSs before its exit from the Sabre GDS in December 2004, which marked its departure from all the global systems. However, there was still a sizeable segment of the corporate travel market that remained out of reach. The more time and effort jetBlue spent courting the corporate travel market, the clearer it became that GDS participation would be a requirement, leading to agreements with Sabre Travel Network and Galileo, followed later by Worldspan and Amadeus.

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Now, said Noreen Courtney-Wilds, director of sales and distribution for jetBlue, the airline recognizes “the value of the GDS channel.”

“We are happy to be able to offer our full content to agency and corporate customers who are subscribers [of the Sabre GDS],” she said.
Burning Fuel

Facing the industry’s highest fuel prices, airlines around the world have made it a priority to identify tactics and strategies to offset the additional costs.

Saving Fuel

Given the high cost of oil, there are many things airlines can do to minimize their fuel usage.

The Cost of Fuel

Airlines are taking a number of steps to cope with the high price of jet fuel.

Stretching the Tank

With the cost of fuel at record highs, airlines can take several steps — such as more effective flight planning, reducing aircraft weight and modifying ground procedures — to help mitigate the impact.
A look at the rising cost of fuel and its effect on the industry.
In this era of volatile crude oil prices, the squeeze is on in many if not most industries to define better ways of doing business that will produce critical fuel-cost savings.

And nowhere is the need more acute to save expenditures related to fuel than in the airline industry, where estimates of fuel-cost impact range from a low of just over 10 percent to a high of close to 30 percent of average everyday operating expenses, representing the airlines’ second-highest expense category after labor.

It’s interesting, in light of the potentially substantial positive effects of implementing innovative approaches, that airlines didn’t routinely adopt many of the most logical fuel-saving strategies even before energy prices reached “crisis” levels.

But other factors, particularly in the area of marketing, often took precedence in airlines’ decision-making processes.

For example, aircraft powered by turbofan engines generally yield better fuel efficiency on short-haul routes than do regional jets. Yet the fact that the flying public overwhelmingly favors jets continues to tip the scale toward regional jets on many shorter airline routes.

Nonetheless, airlines have invested thousands of hours of analysis to identify tactics and strategies that can help offset higher fuel prices. And, indeed, the approaches airlines are using to combat the cost of fuel can generally be separated and evaluated as either tactical or strategic.

The tactical category includes operating practices such as using a single engine to taxi to airport gates and shutting down engines during ground delays; removing equipment considered “unnecessary” (such as certain galley items) from aircraft to reduce weight; and carrying lower amounts of fuel (again, to reduce weight) or carrying extra fuel to avoid having to refuel at more-expensive locations.

Also, airlines may instruct their pilots to fly steeper approach paths to shorten the fuel burn during landing, traveling at lower speeds and avoiding early arrivals that can use additional fuel while waiting for a gate to become available.

In the more strategic area, airlines are carefully analyzing the mix of aircraft in their fleets — designating some less-efficient aircraft for an earlier retirement schedule and placing orders for new aircraft such as the Boeing 787 and Airbus A350 that empha-
As a result of skyrocketing fuel prices that have held strong during the last few years, fuel has become the second-highest expense for airlines around the world. The impact ranges from more than 10 percent on the low end to just under 30 percent on the high end of an airline’s daily operating expenses.

size greater fuel efficiency with composite airframe materials to save weight and with engines that are also rated at greater fuel efficiencies.

But fuel conservation efforts represent only half of the potential equation. Airlines are also looking at ways to boost revenue to offset higher fuel costs. One direct way to offset higher fuel costs is to pass at least part of the increase on to consumers through fuel surcharges or fare increases. But there’s only so much that can be recovered through these “pass-through” techniques before leisure flyers start to seriously curtail their flying frequency and businesses review their travel policies and cut back on flying to face-to-face meetings.

The major North American airlines are documented to have raised fares — at least incrementally — a dozen times during the past several months. Yet the average airfare today has been estimated to be 10 percent below the average fare six years ago. Obviously, that type of shortfall serves to exert considerable pressure on airlines’ operating margins.

One of the practices many airlines have applied to varying degrees of success is hedging fuel buys — guaranteeing themselves certain amounts of fuel at a fixed price over time.

Hedging is actually riskier than it might appear at first glance — purely because the “hedge” price, regardless of the daily ups and downs in the open fuel market, is locked in, so it’s at least as easy to lose as it is to win. And despite the fact that Southwest Airlines, for example, was able to gamble correctly on a series of very large fuel hedges several years ago — just prior to the big jump in oil prices — such good fortune in hedging opportunities is both very rare and difficult to achieve.

All of these uncertainties have combined to prompt airlines to more intensely analyze major factors such as their fleet structures and utilization, and the Sabre Airline Solutions business offers one of the foremost aircraft-allocation tools in the industry: the Sabre® AirFlite® Fleet Manager, which is designed to help airlines better optimize schedules, thereby lowering operational costs including fuel burn.

With the help of Fleet Manager, the airline planner is able to use a highly sophisticated analytical approach to answer key questions: To which destinations and between which connecting points should the airline fly? How often should the airline fly these routes — and using which aircraft from among the airline’s current fleet?

In other words, how should the airline move its current aircraft assets around the region, around the country or around the world to achieve maximum efficiencies? Would it save more fuel, for example, by serving a particular destination with one flight using a larger aircraft — or with two different scheduled flights using smaller aircraft?

Again, these are tactical questions — the answers to which can be of immense help in guiding airline planners through decisions on optimal redeployment of existing aircraft assets to lower operating costs. Fleet Manager can also be used to devise various future strategic scenarios with regard to which aircraft to retire and how many of what aircraft models to buy.

Other Sabre Airline Solutions products can be employed to optimize other operational areas for efficiency — such as the Sabre® Load Manager, to help distribute loads properly in any specific aircraft’s cargo hold for optimum weight distribution and fuel efficiency.

Also, the Sabre® Dispatch Manager can help determine optimum flight-routing options to save mileage and thereby minimize fuel burn on any particular flight.

Another consideration is to try to avoid airport congestion by using the technique of block-time scheduling — especially at hub airports — so that upon arrival, aircraft are immediately accommodated at open gates, and also don’t have to waste fuel dwelling in a holding pattern prior to landing.

There’s really no arguing that fuel prices represent one of those knotty issues in today’s air-transportation infrastructure that warrants significant analysis.

And among the key findings is that it’s truly an exercise in futility to try to identify any one tactic or strategy that might in and of itself effectively stymie the negative effects of higher fuel costs.

But by addressing the strategic issues (aircraft-fleet makeup) along with the larger tactical issues (insightful scheduling and optimum deployment of existing aircraft assets through logical and analytical fleet assignment) — as well as being willing to mix in more-minute tactical approaches (aircraft loading techniques and various economizing measures to save fuel on individual flights) — airlines can actually give themselves a fighting chance to maximize efficiencies and gain worthwhile advantages in the ongoing fuel-cost battle.

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Saving Fuel

Given the high cost of oil, there are many things airlines can do to minimize their fuel usage.

■ By Jennifer C. Cheung and Peter Berdy | Ascend Contributors

A n airplane and a spaceship share many characteristics: both carry payload over a certain distance through the air. Both can only go so far, so fast, so high, and can carry limited fuel and cargo. There will be tradeoffs between the cargo versus fuel carried: more fuel carried could mean they can go farther, but that less cargo will be carried. But, for a spaceship, a mission control will ensure these variables are carefully considered, and, of course, that the total mission stays within budget.

In the case of a commercial airplane, “mission control” does not always do a comprehensive job of managing all the variables to stay within budget since its roles and responsibilities may be splintered across different parts of the operation. There may not be a mission control “command center” that can grasp all the variables to make decisions to keep the mission within budget, since the variables are not in its control.

After performing many fuel conservation projects for different airlines, the Sabre Airline Solutions® consulting practice identified interesting facts about fuel and fuel conservation as well as human factors that can make a big difference to an airline’s bottom line:

■ Airlines pay nearly US$100 per barrel of fuel. Assuming the base price of crude is around US$70 to US$75 per barrel, it costs around US$20 more per barrel to refine crude oil to Jet A fuel for use in commercial airplanes.

■ A really big fuel bill is managed by a really small number of people. Fuel is about a third of an airline’s costs. However, most airlines have very few people whose job it is to measure and manage the total fuel expenditure compared to other cost areas. An effective fuel management organization can pay for itself many times over.

■ For each extra pound of weight carried on an airplane, about four percent of that weight in fuel needs to be uplifted to carry the extra weight per flight hour.

■ Just like skin, pimples are bad — small bumps on the surface of the airplane’s skin can affect performance, translating to more fuel consumed. Even a small dent will translate into 45 to 370 additional annual liters of fuel. A square meter of rough skin on an airplane can translate to 3,000 to 12,000 additional liters of fuel consumed in a year. Many airlines are moving to a comprehensive program to look at all the small details to reduce drag, which can produce fuel savings.

■ Button the hatches properly. A five millimeter surface mismatch in a door seal can result in consuming 9,000 liters of additional fuel in a year.

■ Airplanes are like people — they gain weight over time. This can come from items added over time such as through repairs, add ons, paint build up. It goes without saying that the heavier the airplane, the more fuel that will be necessary to carry the extra weight.

■ Weight management is important. Carrying the right amount of potable water, maga-
While the first priority in flight planning is to meet all safety and regulatory requirements, the flight-planning process can have a dramatic economic impact through optimization of route, altitude, speed, payload and fuel. A flight-planning system plays an important role in determining dispatchers’ and flight planners’ productivity and efficiency in completing their duties.

The Sabre® Dispatch Manager is designed to automate the process of flight planning. It assists flight planners and dispatchers in developing and optimizing flight plans that contain required fuels, weight limitations, clearance information, assigned cockpit crew names, NOTAMs, navigation data, weather and aircraft performance data. The system also supports pre-flight planning for aircraft and route evaluation. Dispatch Manager optimizes flight plans by choosing the best route, speeds and altitude profile, according to parameters set by analysts, who can request flight plan optimization by minimum cost, fuel or time. For minimum cost optimization, the Dispatch Manager cost index method determines the route with the lowest overall cost, taking into account fuel costs, operating costs by time, crew costs and overflight charges.

Although automated load planning tools have been available to carriers for many years, some airlines still perform manual weight and balance. A major reason for the manual system is to avoid the cost of buying an automated system. What these airlines are failing to realize is the associated cost savings in reduced fuel burn and proper center of gravity loading of the aircraft. In addition, the manual process is time consuming and at greater risk for human error, especially when last-minute changes must be made and ground personnel are trying to avoid a flight delay.

Improving an airline’s load planning functions while increasing profitability is an ongoing process. Plus, airlines need to strengthen the entire operations, increase integration, ensure air safety and reduce fuel, all while maximizing payload.

Sabre® Load Manager, unlike weight and balance systems, is a sophisticated load planning solution designed to automate the process of load control and provide a consistent, accurate and straightforward means of performing required weight and balance tasks. The system provides a full range of features including load planning management tools, calculation of maximum and actual structural weight limits (zero fuel consumption).

- Shifting the center of gravity slightly aft has a significant effect on fuel consumption. Airplanes perform better when they are slightly tail heavy.
- Sometimes it is better to be fuel heavy and carry more fuel. Why? Because there can be considerable variability in the cost of fuel at different stations. Some stations may be significantly more expensive than others due to cost of shipping and transporting fuel. Airlines often use a fuel ferry model to determine the trade off between carrying extra fuel versus paying more at the next station.
- Small details can matter. Some carriers such as Southwest Airlines prefer gates closer to the runway. A few meters less may mean shorter taxi time and a bit less fuel consumed.
- People sometimes forget and need to be reminded every day about fuel conservation.

The dead load window in Load Manager enables the load planner to display dead load information by compartment or position. From one central window, the load planner can efficiently manage the selection of dead load templates; group or ungroup load items; input special load information; and access statistical information for baggage, cargo and mail.
There are several well-known fuel conservation practices that need re-enforcement, a few of which include items such as:

- Almost every airline knows it should use ground power units when possible over auxiliary power units. An APU is essentially another jet engine in the airplane that burns fuel when it is used to cool an airplane on the ground. It may be easier to turn on the APU, resulting in a rising fuel bill.
- Fuelers sometimes load a bit more fuel than is actually needed. Again, more weight will translate to more fuel consumed.
- Pilots have some discretion over the routing used, fuel carried under their watch, climb and descent procedures and cruise speed.
- Maneuvers on the ground including starting engines, taxi procedures and choice of runway may result in extra fuel consumed.
- Cost index optimization is often ignored. Many airlines don’t remember when the last time their cost index was examined or whether they have the capability of modifying it for better performance, especially in older airplanes. The cost index is a parameter that takes into account the relationship between time-related costs, such as crew and maintenance and the cost of fuel.
- Engine performance will affect fuel. Although this would seem obvious, some airlines forget to do the obvious, such as engine washing.
- Saving fuel costs is less painful than cutting payroll. Assuming a small airline spends US$100 million in fuel, half a percent improvement in fuel costs is worth US$500,000. Using a US$50,000 salary, this is equivalent to 10 full-time jobs. When considering that most fuel conservation programs can be improved and tuned to produce well over 2 percent improvement in fuel, this is worth US$2 million — or 40 full-time jobs.

How much revenue does an airline need to make up the difference of a half percent improvement in fuel costs? In the example above of a US$100 million fuel tab, assuming in a good year that an airline has a 5 percent margin, it would need to generate another US$10 million in revenue. Further, assuming the average roundtrip fare paid is US$250, the airline would have to carry another 40,000 passengers. To make up the difference of a 2 percent improvement in fuel cost, an airline would need to pump revenues higher by US$40 million. At the same fare, it would need 160,000 more passengers.

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The Cost of Fuel

Airlines are taking a number of steps to cope with the high price of jet fuel.

By Vijay Bathija | Ascend Contributor

Fuel price has been on the minds of virtually every airline executive for the past several months. Despite a slight dip at the end of 2006, fuel prices have remained at relatively high levels, remaining above previous highs. Only a year ago, crude oil touched a new record of US$75.35 per barrel and jet fuel reached nearly US$100 a barrel.

Oil prices have been a major drain on budgets of all airlines. After years of decline, evidence indicates that revenue yields are finally improving. U.S. domestic carriers have seen almost a 12 percent increase in yield year over year. However, fuel has continued to keep the margins tight and negative in many cases.

Since 2001, airlines have made significant efforts to reduce costs through various means such as:
- Reduction of the number of fleet types,
- More efficient use of the existing fleet,
- Labor concessions,
- More efficient use of personnel through automation.

All these efforts have resulted in reducing controllable costs for U.S. carriers. However, fuel prices are becoming an ever-increasing component of total costs. For U.S. domestic carriers, fuel prices have gone from being only 13 percent of the cost in 2000 to almost 24 percent of total cost currently. For many carriers in the Middle East, the fuel cost is between 25 percent and 30 percent of total costs. Very few carriers can afford to hedge all their fuel requirements. And now, fuel has been high for so long that even those that did hedge are running out of affordable options. As a result, even though there has been a significant effort to reduce costs other than fuel, higher fuel costs have resulted in higher total costs.

Fuel prices are mostly an uncontrollable cost for airline management. Jet fuel prices depend on the price of crude oil and on “crack spread” — the difference in the cost to refine gasoline versus jet fuel. As crude oil prices increased, the crack spread also widened. The final price also includes a service charge from fuel providers. Collective negotiations by alliances with common fuel providers can offer some leverage to airlines to obtain a good deal and reduce fuel overhead.

Airlines are working with this new reality in their planning and operations. While fuel price itself is uncontrollable by any single airline, airlines can take measures to alleviate the impact of fuel price, including:
- Saving on the consumption of fuel
  — Consumption of fuel can be controlled to some extent. Through optimized flight planning, tankering and other methods, fuel consumption can be decreased. The savings depend on the maturity of airlines and their current fuel consumption practices. Airlines have been able to achieve 2 percent to 3 percent savings on fuel consumption through the above techniques. Consultants from the Sabre® Airline Solutions consulting practice have also worked with airlines during the past year to achieve savings. The good news is that all savings on fuel consumption go directly to an airline’s bottom line.
- Accounting for higher fuel price in capacity decisions — Higher fuel price means a higher breakeven point for airlines to make money on marginal flights. While most of the planning is done on historical data, significantly higher fuel prices, which have tended to stay high, should be taken into account while planning for additional flights. There is evidence that such actions have had impact on capacity decisions. As the breakeven point has increased, airlines did not add significant capacity in 2006. The U.S. domestic market has seen a 2 percent decline in capacity year over year in the second quarter of 2006 versus the same period the previous year.
- Optimizing fleet deployment and fleet planning — Many network carriers have all mix of aircraft. When fuel becomes a higher component of total cost, more fuel-efficient aircraft should be flown more often. If two aircraft are available and suitable for a mission, everything else being equal, more fuel-efficient aircraft should be deployed. Planning tools such as the Sabre® AirFlite™ Fleet Manager can help optimize the deployment of aircraft in a given fleet to minimize costs. In the longer term, such tools also help in optimum fleet planning. Fuel price is accounted for as variable cost in Fleet Manager and sensitivity regarding fuel price can be taken into account to evaluate the impact of fuel cost on various fleet options. As fleet is an expensive and long-term decision, such decision-making tools help airlines make the right decisions.
- Implementing fuel surcharges to recover higher fuel price — On the revenue side, fuel surcharges have been imposed by many airlines to recover the higher cost of fuel. Fuel surcharges provide cushion against fuel prices increase in the form of revenue. Airlines have successfully imposed fuel surcharges even in a competitive market environment simply because it has almost become a necessity to survive. In mid 2006, average fares showed increases of 10 percent to 12 percent. Fares for flights from the United States to Europe increased 12 percent for the summer months. And fares for flights from the United States to Asia were also higher by 8 percent to 10 percent.

Everyone in the industry is concerned about higher fuel price. However, while acknowledging that fuel prices increase and decrease in long cycles, airlines can make operational and commercial decisions to minimize the impact of high fuel costs.

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In the days of full-service gas stations, the driver would pull in and tell the attendant, "Fill'er up!" There was not much to consider — just go with a full tank of gas. Rising fuel prices have not only changed this for automobiles but for airlines as well. The amount of fuel in the tanks of an aircraft is determined by several other factors such as weight, flight distance and legal requirements. Today, fuel conservation is a major consideration for airlines as they attempt to cope with the high price of fuel and the amount necessary to legally operate each flight.

Aviation fuel prices are higher than ever with no expectation that they will be reduced significantly in the future. These fuel costs are the second-highest expense for airlines after labor. For every penny increase in the cost per gallon of jet fuel, airlines can pay millions of extra dollars annually in operating costs.

In the past, fuel increases were paid for by passengers in the form of increased fares. Strong competition among airlines has prevented this process as airlines strive to maintain customer satisfaction and loyalty.

But airlines are finding ways to reduce fuel usage and fuel costs. There are old and new methods, but they address the same goal — do whatever it takes to offset the rising price of fuel. Reducing one minute of flight time on each flight worldwide can equate to a savings of more than US$2 billion annually.

Ongoing, Long-Range Solutions
The aerospace industry continues to design and enhance airframes and engines that improve performance while improving fuel efficiency. These improvements are achieved by reducing aircraft weight, coping better with the laws of physics for flight (aerodynamics) and restructuring aircraft control systems.

New metal alloys and composite materials reduce aircraft weight while improving structural integrity and enhancing operational performance. New designs include the introduction of winglets to reduce drag and increase lift. Hydraulic control systems are being replaced with electrical systems to provide better aircraft control while reducing the overall aircraft weight.

Short-range solutions include the installation of winglets, but the initial capital expense is high, and the return on investment through fuel savings is not quick.

Identifying poor-performing aircraft and making mechanical adjustments to reduce drag is another method being addressed by airlines today. The performance of each aircraft is monitored to determine which aircraft are poor performers and are burning more fuel because of increased drag. Steps are taken to correct these problems and improve the aircraft operation.

Reducing flight time is another short-range alternative to help save fuel. Airlines and air traffic control groups continue to search for new methodology to decrease flight times through more direct routes and improved procedures resulting from new technology.

Reducing Fuel Consumption
Three major factors that have an effect on aircraft fuel consumption include the weight of the aircraft, speed of the aircraft and wind resistance.
Reducing one minute of flight time on each flight worldwide can equate to a savings of more than US$2 billion annually.

Reducing the weight of an aircraft will reduce fuel consumption because the engines must work harder to maintain flight for heavier aircraft. There are several methods used today to reduce the weight of the aircraft: the minimum.
- Remove unused or non-essential items such as pillows, blankets, magazines, magazine racks and certain galley equipment that were onboard to enhance passenger services, but now can be more cost effective by being off loaded.
- Remove primary and outer paint to reduce the weight of the aircraft. This method was used by airlines during the 1970s fuel crisis when fuel prices soared.
- Introduce the electronic flight bag. One of the many positive aspects of EFB is the reduction of paper in the cockpit. This would include the many manuals (and weight) needed for airport and aircraft performance data.

But the greatest amount of weight that can be reduced on the aircraft is based on the actual fuel load planned for and consumed during the flight. The fuel for an individual flight is based on the minimum fuel, which is based on several calculations — the amount of fuel needed to fly from origin to destination, which is based on fuel burn rate for the type of aircraft, the weight of the aircraft and the winds; second, after calculating this fuel amount, an airline’s dispatcher calculates an additional amount of reserve fuel for holding at the flight’s intended destination and diversion to a planned alternate. Added together, the result is the minimum fuel load required to operate the flight.

When additional fuel is carried above the minimum or legal amount required for a flight, more fuel is burned due to the extra weight. As a rule of thumb, every extra pound of weight (fuel in this case) burns approximately 3 percent extra fuel per hour.

Therefore, it is essential that the flight planning system calculates the optimum level of minimum fuel to reduce the amount of fuel onboard and reduce in-flight fuel burn and that there is justification when carrying additional fuel above the minimum.

In some cases, the opposite process is most cost effective — add more fuel than is needed to fly to the next destination, known as fuel ferrying or tankering. Tankering is the term for loading fuel used for subsequent flight segments. Airlines analyze fuel costs at each airport to which they fly, and then they calculate the costs of flying (tankering) additional fuel from one airport to another versus the costs of buying fuel at the destination airport. The additional costs of carrying additional fuel can be lower than the price of purchasing additional fuel at the destination airport.

In addition to reducing aircraft weight, there are several procedures that can be modified that will reduce fuel usage.

Ground procedures include:
- Using only one engine when taxiing,
- Shutting down engines during ground delays as appropriate,
- Using ground tugs for aircraft movement on ground,
- Using electric ground power units instead of the onboard auxiliary power units powered by jet engines and jet fuel to provide electricity and ground-conditioned air when on the ground.

Improved Flight Planning Procedures

Automating dispatch and flight planning has changed flight operations around the world. Today’s automated flight planning systems help reduce fuel costs through new flight planning techniques working in concert with new navigational technology including:

- Using cost index-based flight planning used in conjunction with the onboard flight management computer to optimally calculate flying speed based on winds and aircraft weight,
- Utilizing reduced vertical separation minima to allow greater access to fuel-efficient routes that are now available due to the increased altitude separation requirements,
- Lowering cruise speed when possible to reduce in-flight fuel consumption and avoid early arrivals and extended ground holds waiting on a gate,
- Utilizing more precise navigation tools such as global positioning satellite and better wind forecasting methods to reduce excess fuel on international flights.

Proper Aircraft Loading Improves Fuel Burn

The four forces of aerodynamics are lift (upward force), thrust (forward push provided by a propeller or engine) to elevate the aircraft, gravity (weight) and drag (air resistance, which is friction caused by air rubbing against the plane). An aircraft must be built so that lift and thrust are stronger than the pull of gravity and drag by just the right amount. Lift from the wings is used to overcome the force of gravity.

Aircraft design and shape are important in overcoming drag. The nose of the aircraft and the leading edge of the wings are rounded so they can push through the air more easily. Aircraft lift is caused by the shape of the rounded wing that creates a vacuum above the wing as air passes over and under the wing. This vacuum forces the air beneath the wing to push or lift the aircraft upward.

The airplane’s center of gravity is the precise point on the aircraft where all weight is theoretically concentrated or balanced. The aircraft is designed with the center of gravity located so that the aircraft will have a slight nose-up attitude that enhances the lift capability and reduces drag. For an aircraft and flight there is an ideal trim (moveable trailing edge of the wing) position or ideal center of gravity. The closer the load planner can get to this ideal trim position, the more efficient the flight will be because of reduced fuel consumption.

The challenge to reduce fuel costs will continue even if fuel prices stabilize or become lower. Airlines are finding that they can significantly alter their bottom lines through awareness and knowledge of proper fueling procedures.

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Taking it Online

By partnering with Travelocity®, airlines can take advantage of a number of online opportunities that can tactically and strategically position them to increase online sales via better travel-related merchandising — either with enhanced distribution on their own Web sites or broadened distribution through the Travelocity leisure site (www.travelocity.com).

In an age when superb online sales and marketing capabilities are almost as vital to a business as the very product or service it offers, it’s no surprise that airlines have been among the most active and successful online sales enterprises.

It was the airlines, after all, that more than three decades ago blazed the trail in creating massive information technology operations around automated reservations systems.

And much more recently, airlines were among the first businesses to recognize and embrace the potential of the Internet to offer convenience to consumers — thereby opening up a greatly enhanced source of revenue.

Travelocity® — the wholly owned online travel agency of the Sabre Holdings® company — not only offers many travel-related options in its proprietary online business, but it helps airlines develop many value-added travel offerings for their own Web sites.

Among other advantages, Travelocity helps its airline partners expand their reach to be able to touch the greatest number of potential travelers. The broad scope and immense scale of merchandising capabilities offered by Travelocity represents a genuine value proposition that enables an airline of any size to reach around the world with its travel offerings.

And the online travel agency’s innovative approach and expertise are effectively expanding the merchandising possibilities almost daily. This can be especially helpful to a smaller carrier, but Travelocity offers merchandising and marketing expertise that has been proven to be of vast benefit to the growth plans of any airline.

To establish a direct business relationship with Travelocity, there are two primary options.

Through Travelocity Partner Network, the redistribution business organization of Travelocity, airlines can market online travel products from Travelocity on a “private-label” basis — branding third-party content with the airline’s identity. Or airlines can choose from among a number of innovative Travelocity merchandising and marketing approaches to enhance their brand exposure, awareness and travel bookings.

Travelocity Partner Network

Today, airline Web sites are among the busiest in any industry in selling their core product, airline tickets. But as with everything else on the Internet, shopping habits seem to evolve very quickly. And online sales approaches have evolved rapidly as well — to the point that many airlines are starting to realize that there are further potential sources of revenue that are not currently being utilized.

Travelocity Partner Network provides its airline partners increased value through American Airlines as well as other companies such as AOL, Yahoo! and American Express.

“We have worked with Travelocity for several years and have always been satisfied and confident in the products that the Travelocity Partner Network provides our customers,” said John Slater, managing director distribution and e-commerce at Continental Airlines. “The Travelocity network has the ability to secure differentiated hotel rates that we feel will provide our customers on continental.com some of the best deals in the travel industry.”

It is essential to go far beyond the concept of an airline’s Web site as simply a distribution channel solely for air tickets. As a distribution partner with an airline, Travelocity Partner Network helps support airlines by transforming their sites into a full-service marketing and merchandising travel site by cross selling and promoting many other online ancillary travel products and services.

Certain online ancillary travel products that are offered on airline sites are obvious, starting with hotels and rental cars. But many also offer such extra enhancements as cruises, vacation packages, last-minute vacation packages and activities encompassing entertainment venues.
and other travel extras. The Travelocity Partner Network offers the full spectrum of products for airlines to merchandise.

It’s one thing for an airline to simply offer such activities on its site, but it’s quite another to understand how to effectively promote and position an activity product such as a helicopter ride over the active volcanoes on the Big Island of Hawaii. For example, a customer could be presented the opportunity to buy the helicopter ride immediately after selecting the air ticket before the purchase is finalized.

And the sales of online ancillary travel products such as an activity can be very lucrative and meet the needs of customers. So savvy online merchandising gets into very different areas than just the basic act of listing an option on a Web site.

Merchandising specialists at Travelocity Partner Network make a science of studying consumers’ online habits and tendencies. These detailed studies have proven to pay off handsomely as Travelocity Partner Network’s dedicated merchandising team works diligently to optimize revenue opportunities for each individual airline client.

In addition, Travelocity Partner Network is leveraging its point redemption solution that enables customers to convert airline miles or points to buy either online ancillary travel products or airline tickets with miles or points. Airlines can benefit from this solution by being able to expand their options to manage their loyalty businesses and fully serve their best customers. In addition, the airline fully controls the basis upon which its miles are converted to points.

Travelocity

On its own Web site, Travelocity provides its airline partners a broad suite of merchandising tools, including promotion through the air- and vacation-packaging path, targeted e-mails, well-developed advertising and potential placement in the weekly Travelocity Real Deals newsletter, which offers yet another opportunity for favorable exposure for the online travel agency’s airline partners.

In fact, the e-mail opportunities include under-the-radar e-mail promotions offering carefully targeted customers extra-special fares that can be obtained no other way than through that specific e-mail link.

With all of these innovative promotions, Travelocity helps its airline partners gain market share and a greater percentage of full-capacity aircraft. The basic idea is to differentiate an airline’s service advantageously in the way of incremental value versus its competition but also to carefully analyze and differentiate consumers based on their shopping, purchasing and traveling habits as well as their geographic location.

Additionally, the online developers at Travelocity will continue to concentrate on finding and creating the ultimate suite of innovative online merchandising opportunities.

In short, Travelocity intends to remain the airline industry’s partner of choice in providing genuine value through innovative expertise in marketing and merchandising.

Employees from both Travelocity Partner Network and Travelocity.com work tirelessly to enhance brand awareness as well as market exposure for Travelocity’s airline partners while always seeking a greater and more effective variety of ways to maximize partners’ market share and increase their revenue.

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The airline industry is evolving into a competitive landscape of carriers that need to differentiate themselves through superior service, value-added offerings and fare specials, so it is essential for them to find new ways to position and promote themselves.

To proactively respond, many airlines are looking to the retail industry for insight into how to enhance their marketing and advertising strategies with fresh ideas. Retailers have long embraced the enhanced targeting capabilities that online advertising offers. According to eMarketer, a provider of e-business research, the use of online advertising grew by 30 percent last year and is projected to grow another 24 percent this year. Much of this growth is due to the strides that online marketing has made to enable advertisers to utilize behavioral targeting to display highly relevant ads to the consumer during the shopping process.

Benefits of Behavioral Targeting

Behavioral targeting enables advertisers to display ads to users whose online searching behavior implies interest in a particular product or service. In a recent MarketingSherpa survey, 36 percent of marketers claimed that they got “great results” using behavioral targeting over traditional online advertising.

In a separate Forrester study, among marketers interested in using behavioral targeting, 52 percent said they’re already using it, 17 percent are pilot testing it and 31 percent plan to test it by year end. The study highlighted the top three benefits of using behavioral targeting:
- Generate more click throughs (35 percent response),
- Increase conversions (26 percent response),
- Improve return on investment (21 percent response).

The Sabre Travel Network™ business solutions with behavioral targeting functionality, Sabre Travel Network offers airlines the ability to reach more than 250,000 travel agents throughout the course of travel shopping and booking.

Targeting key Destinations

Sabre® PromoSpotsSM promotional offers help reach a target audience by displaying an ad to agents while they are shopping for air segments for their travelers. Using behavioral targeting, a special offer will be targeted to the destination cities that agents are shopping while they are looking to book and sell a flight. The message can also be targeted to a community of specified agencies based on their location, agency type or relationship with the airline.

PromoSpots are available in text or graphical formats. Text PromoSpots messages can be delivered to the entire Sabre Connected agency network — more than 53,000 agencies in 113 countries, a total of about 250,000 agents. The ad appears as a line of teaser text directly below the air-availability and air-sell responses. When the agents action the ad, they view an additional 10 lines of text about the offer with a call to action to book the offer. Graphical PromoSpots appear as a square banner ad in the bottom right corner of the MySabre™ agent booking portal. Use of MySabre accounts for about 67 percent of the total Sabre Travel Network audience, but is rapidly expanding as it gains popularity in the agency market. Graphical PromoSpots offer an agent the ability to click the banner ad and move to a microsite jump page that details more information and a call to action to book the offer.

Better Communicate Differentiators to Agents

The Sabre® Sales Manager Marketing Messages feature provides airlines another way to differentiate themselves by highlighting notices such as new routes, improved service or a remodeled fleet for a specific flight or itinerary. The behavioral targeting capabilities available through the Sabre® global distribution system enable the airline to control the display of the mes-
Behavioral targeting provides carriers with another avenue to offer first-rate, value-added amenities while a travel agent is selling a segment on an airline but prior to the sale being finalized.

Increase the Value of Each Booking

Sabre Travel Network offers a new advertising position, Sabre TopSpots, on MySabre providing the ideal location for airlines to up sell class of service, offer value-added amenities such as meal service or priority lounge access, or promote a last-minute deal. Behavioral targeting enables airlines to offer these premium value-added services while an agent is selling a segment on an airline and before the agent finalizes the transaction. Each message can be displayed based on the class of service, the length of time until travel, or the origination and destination cities in the itinerary.

TopSpots messages display as two lines of text above the air-sell response in MySabre. When the agent clicks on the message, a graphical microsite appears that includes additional information about the relevant offer for that agent’s particular search criteria. The graphical microsite could also include a call to action instructing agents how to book the featured offer. The click-through metrics for the microsite are a great way to measure how many agents took interest in the campaign.

Promote Incentive Program

Sabre Sign-In messaging is a sure way to communicate key messages to the Sabre Connected agent network. This advertising tool enables airlines to capture agents’ attention for the next agent incentive promotion or corporate announcement. Sign-In messaging can broadcast globally or be customized to the region where the agent is located.

Sign-In messages are displayed instantly after signing in to the Sabre GDS and are available in text or graphical formats. Text Sign-In messages can be delivered to the entire Sabre Connected agency network. Graphical Sign-In appears as a square banner ad in the bottom right corner of the MySabre sign-in screen. Graphical Sign-In messages offer the ability for an agent to click the banner ad and move to a microsite that details more information about the promotion.

Target Agents in Their Workflow

The Sabre Connected agent network is the largest agent community in the world. It directly influences the purchase of more than US$70 billion in annual gross travel revenues for more than 900 travel suppliers. By utilizing behavioral targeting, the latest in online advertising technology available through the Sabre Travel Network and its complete line of advertising products, airlines can ensure their messages are targeted to the right agent at the ideal time in their shopping and purchasing process. Incorporating advertising on the Sabre GDS into all marketing campaigns enables airlines to influence better results across their entire travel booking channel.

A Regional Airline Succeeds With new TopSpots Advertising Placement

A regional airline recently ran a promotion to increase revenue by notifying agents of the possibility to up sell the class of service for any customer.

- The up-sell campaign has been highly successful to date with an overall up-sell conversion rate of 5 percent or about 500 segments per week.
- Economy to “economy with meal service” is the most frequent up sell with an average up-sell conversion rate of 14 percent as a result of the campaign.
- Business class to first class is the second-most frequent up sell with an average up-sell conversion rate of 5 percent.
- The airline dramatically increased revenues due to the up-sell results obtained through its ad placement on the Sabre® global distribution system.

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The exponential growth in online bookings during the past decade has provided customers with instant access and visibility into competing schedules and fares through Web supermarkets such as the Travelocity® business and Expedia. This unparalleled transparency of schedules and fares on the Internet has propagated a bargain-hunting mentality among online leisure travelers, resulting in a disproportionate growth in availability processing resulting from increased shopping activity. As a result, the need for enhanced revenue and inventory control has never been greater. Due to the growth in online shopping coupled with the use of robotics for comparison shopping across Web sites, estimates show the look-to-book ratio from online channels can vary from 100-to-1 to well over 1,000-to-1 in certain markets. If these individual shopping requests were submitted to an airline’s host computerized reservations system, legacy mainframe systems cannot cost-effectively scale to meet current or future shopping demands.

In addition, online Web supermarkets resort to cached availability for two reasons: reduced transaction costs associated with querying an airline’s host CRS for true last-seat availability and faster response times from availability data that is readily available in cache. The cache is periodically refreshed based on the age and use of the availability data. When an item is not found in cache, the response to an end consumer can be based on pre-stored availability status messages or a direct query to the host CRS to refresh the cache.

Unfortunately, cached inventory is often inaccurate because most online channels store this information by segment class, and, therefore, operational business rules are not reflected. For airlines that manage their inventory by origin and destination, the segment-class cache does not reflect O&D class availability. To address this problem, the Sabre Holdings® business was the first to deploy cached availability by O&D, class and country point of sale. This was an industry first and constituted a step improvement in accuracy of availability displays over cached availability by segment class. However, while O&D cache was a vast improvement over segment cache, it was still at a higher level of aggregation than the level of detail at which inventory needs to be controlled on the host CRS, resulting in availability errors.

There are two types of availability errors that occur when the cache does not reflect the true availability:

- A type 1 error occurs when the cached availability for a booking class is open while the class is truly closed in the host CRS. A type 1 error can also result in the customer experiencing a price jump, which leads the customer to think the available fare displayed is higher than the lowest available fare.
A type 2 error occurs when the cached availability for a booking class is closed while the class is truly open in the host CRS. A type 2 error can result in lost sales for the airline, because the customer never sees the airline’s inventory that should be available for sale at the given fare level.

These errors result in higher UCs, or “unable to confirm” at sell, which, in turn, results in lost demand and loss of customer goodwill. To help minimize such errors and improve the data displayed to customers, Sabre Holdings developed the Availability Proxy, which improves on previous cached availability because it determines true last-seat availability by replicating an airline’s availability and business logic resident in the host CRS without directly submitting availability requests. The solution also serves as an availability offload, or bypass, for the host CRS without losing accuracy in availability responses.

For launch customer Continental Airlines, which has managed seat inventory by origin and destination with bid price controls for more than a decade, the value proposition of deploying the Availability Proxy for Sabre Connected points of sale was self evident. With this approach, all availability and shopping transactions from Sabre Connected points of sale are processed directly by the Availability Proxy for true last-seat availability.

“We are in the process of deploying the Availability Proxy for Continental flights across all Sabre Connected points of sale,” said Greg Lough, managing director of revenue management for Continental Airlines. “The test results indicate that UCs will be reduced by an order of magnitude, increasing the probability of customers being able to book a Continental flight on their first choice.”

Continental Airline’s host reservations system, Shares, continues to send standard and ad hoc schedule change messages (SSM/ASM) and availability status (AVS/AVN) to the Sabre® global distribution system, which also relays this information to the Availability Proxy. The airline uses its open-systems platform, eSeamless, to mirror Shares availability and process all consumer direct availability requests. The eSeamless platform acts as an intermediary, or communication vehicle, between the Availability Proxy and Shares, and sends bid prices and displacement costs to the Availability Proxy every time there is a change in bookings by flight leg and date in Shares. All market values (required for the O&D availability evaluation) are updated by Continental once a week and net changes are processed daily by market on an exception basis.

The dramatic reduction in UCs with the deployment of Availability Proxy will greatly benefit Continental. An added advantage for Continental Airlines is the offload of availability transactions from Shares since cache need no longer be refreshed by querying Shares. Sabre Holdings plans to deploy the Availability Proxy for all Sabre Connected points of sale.

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Among the most critical of functional areas in transportation — indeed, in business itself — is information technology.

Although airlines have traditionally resisted substantive change in fundamental processes such as IT infrastructure, trends in the general areas of system agility, flexibility and scalability are now leading the industry on a path away from legacy mainframe systems toward open-architecture, PC-based systems.

And the financial benefits to the airline industry as a whole could be huge.

For most major integrated carriers, information technology has been developed during the past several decades on legacy mainframes. Massive airline/IT efforts were largely driven 30 to 40 years ago by trailblazing efforts to create reservations systems that would prove to be the foundations upon which several airlines built international renown.

Other functions followed — with operations including crew and maintenance as well as flight planning and scheduling being programmed through the expertise of airlines’ IT staffs onto the same legacy mainframe systems on which the massive global reservations capabilities had been established.

Meanwhile, smaller airlines — some of which operate just a handful of aircraft — often address operations and crew issues manually. This can sometimes mean computer-spreadsheet records that are relatively simple to maintain, but it also includes trying to keep up with everyday operations and critical functions such as fuel and maintenance using pencil and paper.

All of these airlines — small, medium and large, regardless of complexity — can benefit from the open-architecture systems now being developed and offered by several vendors, including the Sabre Airline Solutions business.

But at least partly due to substantial investments that have been made in legacy systems by larger airlines over the years — and the fact that those legacy systems are still providing adequate service — many carriers have resisted migration to open architecture.

This is particularly true in the areas of day-to-day airline operations and crew schedules, which involve constant, real-time tracking 24 hours a day, seven days a week. The general consensus of airline opinion has held that switching from legacy mainframes in these critical operational areas — expensive though the mainframe systems are to maintain — would entail too great a risk.

When considering the enormous cost that would result from any major carrier’s potential operational shutdown — even for an hour or two — it’s understandable that there would be considerable reluctance to switch from a legacy IT infrastructure that is, after all, reliably and adequately serving its original intended purpose day in and day out.

But the potential of the newest technology is impossible to ignore, centering on efficiencies that would result from migrating to open-architecture systems, which in turn could generate substantial cost savings.

Already, for example, a number of larger airlines — even some of those still dedicated to legacy mainframes in certain critical day-to-day functions — are augmenting their efficiency and capacity by implementing open-architecture systems in areas such as flight and crew planning.

Open-architecture systems today offer decision-analysis capabilities in flight and crew areas that remain virtually unheard of in the world of legacy mainframes.

In crew management, for example, the number of possibilities among trips and pairings requiring analysis can run into the billions, depending on a particular airline’s size, number of aircraft and total number of crew members.

Obviously, this is a function that, to be analyzed thoroughly, requires computational automation that can only be designed into the most sophisticated programming. And it’s a feature that open-architecture software developers have made a special priority.

Greatly enhanced flexibility, then, is a key benefit of open architecture compared to legacy mainframes. A glance at a typical mainframe’s green screen contrasts sharply to the colorful and easy-to-read graphical user interface of an open-architecture system.

As a result, with open architecture, training is much easier and less costly, and the time required to accomplish just about any task is almost always shorter — sometimes much shorter.

Savings in both personnel and other overall costs when using open architecture are significant to the point that small to midsize airlines that adopt open-architecture systems gain the option to add aircraft and flights to operational schedules without having to hire proportionally higher numbers of employees.

For some small airlines, simply operating within the legal parameters with regard to crew hours is an extremely important consideration — and open-architecture systems can cost effectively help them achieve that vital necessity.

Those same airlines, by moving from manual to automated systems, experience significantly upgraded precision with regard to load and safety factors, again, generating potentially considerable cost savings.

All of these advantages underline the powerful nature of open systems as compared to any other infrastructure. Open-system architecture is acutely focused on return-on-investment, growth and profitability factors, enabling airlines to proactively look to the future and
optimize almost everything regarding airline operation, service and maintenance.

And at the bottom line, it’s these optimization-based features that really represent the potential for genuinely eye-opening monetary results to airlines struggling for profitability in today’s highly cost-conscious economic environment.

Additionally, because of the scalability of open systems — defined as “open” because they can be easily expanded with modified and value-added processes over time — this architecture offers true end-to-end integrated operational capability and seamless implementation of system changes.

Time to market for requested as well as scheduled upgrades tends to be relatively short with open systems as compared to legacy mainframes — again, largely due to the “open” nature of the infrastructure. This is where agility and flexibility come into play, and both are extremely important in a highly competitive marketplace.

In fact, competitive factors are the ultimate driving forces that are now pointing even the most solidly entrenched mainframe advocates toward open-architecture systems.

Decision-support tools that are commonly included among open-architecture software suites are absolutely invaluable in today’s airline environment. And airlines of every size and shape are realizing they can’t afford not to have that powerful decision support all the way from the earliest planning stage — months or years in advance — literally to the day and hour of operations, through flight arrival at the designated destination.

It’s also been a trend in many recent airline-personnel labor agreements to call for highly flexible, changeable crew-assignment capabilities that can now be cost-effectively provided through the agile functionality of open-architecture systems.

The optimization tools commonly available in open-architecture IT operations provide cost-efficient solutions — with scalability to support airlines of every size and every description: retail passenger, charter and cargo alike.

There are even optimization tools in development to help airlines recover much more quickly from weather-related or other unanticipated events — designed to address every conceivable contingent in trying to get flights back on schedule as soon as possible and swiftly revising inconvenienced passengers’ itineraries, from flights and hotels to meals and rental cars.

All of these functions that are being programmed into open-architecture IT systems represent the future of the airline industry — a future both the traveling public and airlines themselves are likely to appreciate.

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Scoring a GOL

*In little more than five years, Brazil-based GOL progressed from a startup carrier with a basic philosophy and few assets to one of the leading carriers in South America.*

By Phil Johnson | Ascend Staff

When they initiated operations in January 2001, the people who founded São Paulo, Brazil-based GOL Airlines went into business with a simple philosophy and just a few assets.

Those assets consisted primarily of six aircraft, which were scheduled at the onset to fly to only seven destinations — all in Brazil.

And, as hinted at in its Portuguese-language name — “goal” in English — the company espoused a very basic business philosophy centered on the goal of making air travel both affordable and accessible to a greater number of Brazilians while still generating income.

So to whom might an airline turn for inspiration as well as a good example of how to establish and maintain highly profitable, low-cost (and low-fare) operations?

Company founder Constantino de Oliveira Jr. freely admits his airline role models begin with Southwest Airlines, but also include jetBlue, Ryanair and easyJet. Once every Real is accounted for, however, it may be GOL Airlines that is actually teaching others around the world how to operate a low-fare airline profitably.

Today, GOL Airlines uses more than 50 aircraft to fly to more than 50 destinations in seven South American countries, and it has placed orders for 101 additional Boeing 737-800 aircraft, to be delivered between now and 2012.

The new 737s will feature the latest in fuel-efficient and other cutting-edge technology, which figures to help the company maintain or even enhance its daily average in-flight time of more than 14 hours per aircraft.

GOL’s dealings with Boeing, in fact, represent a unique business relationship. Boeing had never before entered into a “special-order” aircraft agreement with a Latin American carrier. As part of the contract, Boeing makes design modifications — such as accommodating features to enable GOL aircraft to better handle the shorter takeoffs and landings required at Rio de Janeiro’s close-in Santos Dumont Airport, where most of Rio’s domestic air traffic is routed.

Taking advantage of Boeing’s “phased” maintenance program — featuring frequent inspection and evaluation of aircraft, rather than maintenance at fixed intervals — GOL has held down maintenance costs and further enhanced overall efficiency.

By reliable but conservative estimates, from an initial investment valued at approximately US$20 million six years ago, GOL Airlines has grown in valuation to more than US$6 billion and recently announced plans to purchase Varig, the Brazilian flag carrier, for US$275 million and assuming another US$45 million in debt.

What’s the secret? How can an airline serving only South America — and operating primarily within the confines of the still-emerging economy of Brazil — grow by such proportions in such a relatively brief timeframe?

According to Oliveira, it’s not by using smoke and mirrors. “Our mission is to popularize aviation all over South America,” he said. “To do that, prices must continue falling.”

Oliveira also pointed out the significant number of first-time flyers who travel on GOL — up to 10 percent or more by his estimate — and he appears to have made it his special mission to illustrate to a greater number of South Americans just how wise and affordable flying can be.

As it continues to grow into one of Latin America’s largest and most successful carriers, GOL Airlines is doubling its fleet. By 2012, the airline, which currently operates more than 50 aircraft, will add 101 Boeing 737-800s to its fleet.
Coming from one of the quintessential high-profile Brazilian sports backgrounds as a racecar driver, Oliveira cut his management teeth in Brazil’s busing industry. With his transportation roots, he knows from his own personal experience what Brazilians are typically willing to pay to travel.

Recently, in answer to a question about GOL’s capability to continue generating profits while charging lower prices, Oliveira told Brazil-based Dinheiro magazine, “Our logic is [based on] always generating more demand. So, the Brazilian aviation market can be more than doubled.”

Oliveira has also prominently noted GOL’s penchant for innovation. “GOL has broken paradigms,” he said. “We’ve launched Internet bookings, Internet check in, night flights with bus prices, and we’ve financed fares with 36 installments.”

— Constantino de Oliveira Jr.

while charging lower prices. Oliveira told Brazil-based Dinheiro magazine, “Our logic is [based on] always generating more demand. [Looking at] all of our routes, the market has grown 20 percent.

“GOL’s new mission is to popularize air transport,” he said. “If we want to have more people flying, prices cannot get higher. There are 8 million people [in Brazil] who fly. We’ve evaluated that at least 20 million Brazilian citizens can use air transport.

“We [founders of GOL Airlines] were born in the bus-interstate travel industry, which carries 180 million [Brazilian] passengers a year. Let’s consider 60 million [Brazilians] effectively traveling. Out of that number, 20 million live in areas where there is an airport in the neighborhood. So, the Brazilian aviation market can be more than doubled.”

Oliveira has also prominently noted GOL’s penchant for innovation. “GOL has broken paradigms,” he said. “We’ve launched Internet bookings, Internet check in, night flights with bus prices, and we’ve financed fares with 36 installments. Because of that, GOL is now a reference in the market.

“We know that tomorrow there will be someone better than GOL. And we work hard to be ourselves,” he said. “In order for a new competitor to grow, he will have to break paradigms. But we are watching out. I’m still focused on my job and trying to be even better.”

“GOL’s value creation is much more focused on the dream of popularizing air transport than getting wealthier. Our life has always been about passenger transportation — and it will go on like that. At GOL, our challenge was to rewrite aviation history from a blank paper.”

To create something from nothing in the transportation industry, it’s been one of GOL’s objectives to set a certain South American standard of customer service through a dogged dedication to teamwork.

For example, all GOL Airlines crew members — along with its pilots — spend required training time in flight simulators to better understand the in-flight issues pilots face. The result is an enhanced capability for the entire crew to interact during flights in communicating with passengers, and also a very real sense of camaraderie.

Another GOL policy is to intermingle people who have greater experience with people who have less experience in its flight crews, the better to share knowledge and avoid the formation of cliques of tenured employees — a situation that might effectively sabotage the company’s culture of creativity.

As Oliveira explains, “We’ve mixed young people with expert ones, but all with an innovator spirit. And it worked.”

A generous incentive bonus program also helps, and Oliveira makes it a point to communicate with and relate directly to employees in sit-down luncheons involving small groups on a regular basis.

There’s an active corporate-wide initiative at GOL to both maintain and further enhance employee morale that would undoubtedly make even the legendary Herb Kelleher of Southwest Airlines swell with pride. Imitation, after all, is the sincerest form of flattery. And GOL’s culture as well as its efficient business model remind a lot of analysts of Southwest — down to the airline’s forward-looking plan to continue buying Boeing 737 aircraft painted in its distinctive orange for the foreseeable future.

And the proof of GOL’s intense competitiveness in its market areas can be seen at least partly in the positive contrasts of its operations compared to the difficulties of its Brazilian airline rivals — with both VASP and Transbrasil having gone out of business since GOL started flying.

It would definitely appear that GOL Airlines — while not necessarily inventing the concepts that enable low-fare airlines to succeed — has adapted those concepts well to help make South America a much more affordable continent for air travel. P

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Choosing a single information technology provider presents higher levels of software integration, streamlined user training and increased productivity.

By Lynne Clark  |  Ascend Staff

In November 2004, the International Air Transport Association introduced an industry modernization program known as Simplifying the Business.

Since then, considerable momentum has built behind the task of simplifying the very complex processes that govern how the air transport community fulfills the passenger-journey and freight-delivery processes. Airlines, particularly, are being challenged to partner with information technology providers to identify ways that technology can enhance operational effectiveness and save money.

Technology providers have respond-ed enthusiastically by developing innovative software suites with tools that greatly enhance and streamline interfaces between airline operations and airports, passengers, and freight customers. From electronic ticketing and Web booking to fuel conservation, airlines can choose from among a number of radically new applications that herald potential savings of billions of U.S. dollars a year.

An Integration Shopping List

A growing number of software solutions promise to help airlines better market their schedules, sell seats, serve customers and operate efficiently. Shopping for the solution that best fits the needs of a particular airline can be almost as complex as simplifying the business. What should airline decision makers look for when shopping for a technology partner? Experts advise buyers to take a big-picture approach and evaluate vendor products on four key factors:

- Technology base
- Product design
- Sales and procurement process
- Service and support

Technology Base

Decision makers should look first at the underlying technology base on which the product is designed.

“From an architecture perspective, you want to look at software that can be built and deployed in components versus an all-or-nothing approach,” said Vinay Dube, vice president of marketing solutions for the Sabre Airline Solutions® business. “And you want to look at development processes that are compatible with an airline’s decision-making process. Meaning, that if an airline knows exactly what it wants, it can look at a software vendor that has a waterfall technique. Basically, the airline works with the vendor to identify the need, and the vendor designs the system and delivers it. End of story.”

Some airlines can make those types of decisions. Most, however, have a good idea about what they want, but also want the flexibility to adapt processes along the way. These airlines benefit by choosing a provider that takes an “agile development” approach to product design. Agile development builds on a common technology platform and develops congruent components as project needs evolve.

The advantages of agile development technology are threefold:

- Lower total cost of ownership
- Significantly higher reliability and quality of the system
- Faster time to market

Product Design

A well-designed suite of integrated tools should have seamless data interfaces between products, well-defined business workflow processes, and intuitive software.

The goal is to choose a system that enables airlines to spend less time sorting through data and more time making decisions that impact the bottom line.

Data Interfaces

The most integrated tools speak the same language that passes data between systems and facilitates decision-making processes.

“For example, I need to make an inventory decision,” Dube said. “To make the best decision, I need to know what my prices are and the strength of my schedule. That means I need pricing, scheduling and revenue management systems to interface. Once I have that information, I can make a decision.”

Business Workflow

It’s not enough, however, that data is passed between systems. It must be done efficiently.

“You shouldn’t have to click 12 buttons to get access to the data you’re looking for,” Dube said. “You shouldn’t have to close one system to bring up another system. A well-designed product has data interfaces that understand an airline’s workflow across multiple decision-making processes.”

Intuitive Software

A product should be usable so training time is minimized. It should have a consistent look and feel with an intuitive graphical user interface.

“When you upgrade Microsoft Windows, you don’t send your entire workforce to training,” Dube said. “You just upgrade, and if something has changed, you can figure it out because the new functionality in the new version is very intuitive to figure out and use.”
There is a distinct benefit to buying multiple systems from a single vendor rather than purchasing multiple systems from multiple vendors. The reason? Consistency and faster time to market. The procurement process is slowed down considerably when you have four and five different vendors with different sales representatives, different work orders, and different terms and conditions. Airlines save time and money by going to a single vendor that can explain the sales and contracting process.

“One-stop shopping expedites procurement and, ultimately, product implementation,” Dube said.

Airlines save time and money by going to a single vendor that can explain the sales and contracting process. Employees are best served when training classes are consistent, especially if they move between departments. It can be confusing when one vendor uses Web-based training, another uses visual aids and another uses cases studies.

One-stop shopping also means employees know who to call for support. It facilitates a seamless and consistent customer service experience.

“The bottom line is that airlines should look for software vendors whose products, people and processes provide them with a consistent and compelling integrated value proposition and user experience,” Dube said.

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Sales and Procurement

_service and Support

Another benefit of one-stop shopping is better service. Airlines installing multiple systems from multiple vendors can run into a coordination nightmare, especially when installation of one system depends on installation of another.

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Companies strive to provide the highest levels of quality service for their customers, but identifying exactly what quality means to each individual consumer can be a bit tricky — and determining what constitutes the highest levels of quality and ensuring the same level is achieved time after time can be even more difficult.

But maybe the challenge isn’t defining what quality means to each individual consumer but rather understanding exactly what consumers as a whole expect, what is acceptable to them and what keeps them coming back.

For instance, a consumer can purchase a Mercedes anywhere in the world, and it’s always going to be the same. There are no surprises and no disappointments ... the consumer walks away satisfied because he or she received exactly what was paid for and expected. That is “legendary quality.” It’s that level of quality that keeps consumers coming back for more.

It’s no different in the technology arena. Every software solution has many different customers such as end users, purchasing agents, decision makers, information technology managers and training personnel whose different needs and expectations must be considered and met. And if every software solution in a portfolio consistently identifies and meets these expectations, legendary quality has been achieved.

A true quality-focused technology provider recognizes that customers expect quality products that work well, are usable and have a seamless level of integration.

One of the more common expectations from technology consumers is zero bugs, or defects. And while that’s an important objective, there are many important dimensions that contribute to the total experience of a quality solution that transcend the absence of defects, including:

- Suitability and simplicity of use,
- Ease of installation and upgrade,
- Level of customer support,
- Resource consumption,
- System response times,
- Degree of product integration,
- Integration with new and existing business processes,
- Clarity and completeness of documentation.

Perhaps most important, however, is how well the system solves the business problem for which it’s designed.

But it goes much further. Satisfying the end customer requires expanding the definition of “customer” and treating every member in the value chain as a customer. Thus, technical writers and testers function as customers for the development team; meeting their expectations should be a goal. The developer receiving a request for an enhancement estimate is a customer to the product marketing person who issues the request. Delivering on each of their expectations translates into better meeting expectations of actual customers.

As long as there are humans in the equation, mistakes are going to happen — things are going to be missed. Most failures to deliver on customer expectations can be traced to early origins. A bug in one part of the system might result from the failure to ask one simple question. The key is to detect problems as early in the process as possible and incrementally introduce improvements that enhance the development environment to prevent its reoccurrence. Improving quality this way can dramatically reduce costs and waste. Problems detected early in development cost a fraction of the expense necessary to make repairs after implementation, so it’s critical to add that level of quality assurance and development improvement on the front end of the process.

To a great extent, the Sabre Airline Solutions® business began to adopt this strategy of improvement as early as 2000 with the introduction of “agile software development” as its standard development methodology. Agile, an iterative-based approach to development, introduced many techniques to increase value, boost performance and improve quality. The new approach involved several aspects including:

- A focus on people — improving communications and teamwork,
Close customer collaboration throughout the development life cycle,
Frequent feedback-driven planning,
A focus on early and constant testing — automated where possible,
Rigorous software engineering discipline — improving design quality,
Strict configuration management.

As part of the quest for legendary quality, this approach has risen to an even greater level:

- Developers and testers now partner every two weeks to write and automate acceptance tests even before the code is written. As a result, developers have a greatly improved understanding of what constitutes a completed project.

- The degree of functional test automation has been greatly expanded. In some cases, a full regression test suite can be run daily against an entire product.

- Where automation is not yet possible, testers collaborate with developers and the customer to clearly identify conditions of satisfaction and write test scripts to capture the knowledge.

- As much as possible, the evolving system is maintained in a production-ready state. Product demonstrations of the system under development are performed for internal and external customers every few weeks, providing constant feedback that enables developers to better steer the project and detect problems even earlier.

- Most product areas now collect feedback on a daily and even hourly basis as to the status of the evolving quality of each system. Validating tests are automatically run. Any failures are broadcast via e-mail to team leaders for rapid correction.

- When errors are found (either internally or following delivery) new tests are added to prevent inadvertent re-emergence of the same problem in the future.

- Empirical data in the form of reports and graphs are available to teams with important feedback about the degree of test completeness. In addition, trends in internal system complexity can be tracked and quickly acted upon, resulting in a reduction in development costs and error rates.

- On larger projects, a number of system users work with the development team, participating in iteration testing and product demos. This enables them to provide invaluable feedback and improve their own understanding of their business needs.

- Trends in defect rates for each product area are published monthly. Product leaders now closely track their area’s performance in terms of the severity of errors found by internal testers versus those reported externally by end users. This has greatly improved awareness of the efficacy of each team’s strategy to achieve their legendary quality goals.

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- Achieving legendary quality isn’t just about identifying ways to boost product and delivery quality. It’s also important to recognize poor quality so it can be avoided. A product that doesn’t have bugs but that also doesn’t provide the exact features a user needs is considered poor quality. A product with no functional defects that has all the features a user could want yet isn’t user friendly signifies poor quality.

- With this philosophy in mind, the Sabre Airline Solutions user experience group, formed in 2000, continues to be an active force in helping meet customer expectations time and time again by ensuring all elements of a quality product are in place prior to product delivery. This group, expert in optimizing human-to-machine interactions, actively collaborates with actual end users and developers to simplify and enhance usability of new and existing products.

In addition, an organization’s culture also plays a role in legendary quality. Creating a quality-driven culture requires a change in how every person in the organization thinks about and performs their work. Often, the biggest improvements in quality come from small, persistent changes in how work gets completed. These do not arise from management edicts or top-down strategies. They are identified and developed by team members working most closely with the challenges they face every day and those who work most closely with end users.

In recognition of this, Sabre Airline Solutions has taken a page from the Japanese tradition of quality improvement — the Kaizen (continuous) event — whereby a series of workshops are conducted with each product area across Sabre Airline Solutions. These teams, including members from all functional areas, are encouraged to share their issues and challenges and openly discuss any and all impediments to delivering on customer expectations. Ideas are then developed to improve in these areas. After evaluating the relative merit, performance and effort to implement these changes, each area selects two to three quality improvement projects at a time. Improvement project leaders from each product area facilitate the execution of the identified action plans, resulting in several new, improved practices. Team members gain a sense of ownership and responsibility for the changes they create. Using these valuable methods, new innovations to improve development and delivery processes are being developed almost weekly. And pulling these teams together helps ensure customers receive the same service levels and quality products regardless of the solutions they use.

These improvements are just the beginning of long-term, ongoing efforts to achieve and sustain legendary quality. Rather than focusing only on adding new marketable features or improving algorithms, Sabre Airline Solutions invests heavily in quality enhancements, including improved product infrastructure, lowered cost of change and increased test automation.

A true culture of quality isn’t a program or an initiative or even a five-year goal, it’s the ongoing creation and nurturing of a culture in which meeting customer expectations is a daily focus for every person in the organization, regardless of their function. Sabre Airline Solutions expects legendary quality to be part of its product delivery not only today but in 2070.

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ASIA/PACIFIC

Pakistan International Airlines

Pakistan International Airlines is using technology from the Sabre Airline Solutions® business to let customers book e-tickets over the Internet and pay by credit card. The airline has introduced e-ticketing for all bookings made directly with the airline and through travel agencies, eliminating paper ticketing long before the International Air Transport Association-mandated deadline of Dec. 31.

The airline has rolled out its Internet-based SabreSonic™ Web application in major regional markets, enabling it to issue e-tickets for online bookings. SabreSonic Web is planned for introduction in all international markets in 2007. Additionally, PIA is implementing kiosk and Web check-in applications. These initiatives are a part of the airline’s Customer First service upgrade program.

“With our Customer First program, we plan to offer efficient e-ticketing services to our customers in all markets that PIA serves,” said Tariq Kirmani, chairman of PIA. “We turned to Sabre Airline Solutions for assistance with this based on its industry expertise and experience and our longstanding partnership.”

PIA is expected to join the SabreSonic™ Ticket Interline Electronic Ticketing Hub during the first quarter, joining other airlines such as American Airlines, British Airways, Cathay Pacific Airways, Continental Airlines, Delta Air Lines, Emirates, Gulf Air, JAL, Qantas Airways and Singapore Airlines.

Aircraft utilization and fuel efficiency. The system will also automate the management of more than 6,000 cabin and cockpit crew in a way that is both efficient for the airline and desirable to the crew.

Air China will use the Sabre® AirOps® Suite including Sabre® Movement Manager, Sabre® Dispatch Manager, Sabre® Load Manager and the Sabre® AirCrews® Crew Management Suite. The Sabre® Airline Solutions consulting practice will play a major role in using deep industry expertise to implement the technology solution.

“This is a business project that is focused on Air China reaching new levels of operational excellence,” said Zhu Song Yan, general manager of information technology for Air China. “Air China already serves 106 destinations in 22 countries. As we expand our fleet and crew over the next two years, it will be critical for us to manage our operations using integrated scalable technology in combination with solid business processes. This is what Sabre Airline Solutions will do with us. Our operations center will be of the world’s best, as we prepare for the Beijing Olympics and beyond.”

EUROPE/MIDDLE EAST/AFRICA

Cypriot Turkish Airlines

Cypriot Turkish Airlines selected the Sabre Airline Solutions® business to support its significant expansion plans.

As part of the seven-year agreement, Cyprus-based airline Kibris Turk Hava Yollari will use passenger services and operational management solutions from Sabre Airline Solutions. The project is designed to enhance KTHY’s operational efficiency, introduce electronic ticketing, expand its European network and increase traffic.

The expansion plans of the airline will support the development of Northern Cyprus as a tourist destination and meet growing passenger demand by providing easier connections and more efficient schedules.

The new generation SabreSonic™ Passenger Solutions of open-systems passenger management products, including the SabreSonic™ Web online booking engine, will help KTHY market and sell its products more effectively through the improved management of inventory, pricing, reservations and the provision of electronic ticketing. Customer service will be improved throughout the journey with improved passenger recognition, personalization and airport services.

KTHY is also adopting the Sabre® Rocade Airline Operations Suite to improve the management of aircraft and crew operations and support the plan to grow the airline by 40 percent from the 1.1 million passengers carried in 2005.

“Key to our growth plans is our ability to provide travelers with efficient, convenient and personalized services,” said Ahmet Derya, KTHY’s general manager. “We believe that Sabre Airline Solutions systems and services will best enable us to achieve this, especially as they include integrated operations control and revenue accounting capabilities.”
KTHY is also planning to improve customer access to its products through the completion of a participating carrier agreement with the Sabre Travel Network business, which will provide for the distribution of all its products through more than 50,000 Sabre Connected travel agents worldwide.

RAK Airways

Ras Al Khaimah-based RAK Airways, the United Arab Emirates’ newest carrier, launched its service in the first quarter using the Sabre® Dispatch Manager dispatch and flight planning system from the Sabre Airline Solutions business.

The software helps produce and maintain optimized flight plans for flights to and from destinations in the Middle East and elsewhere.

“RAK Airways selected Dispatch Manager because of the flexibility of the system and the potential for fuel savings and increased payloads,” said Jack Romero, chief executive officer of RAK Airways.

Ethiopian Airlines

Ethiopian Airlines recently moved successfully to the SabreSonic™ Passenger Solutions. The airline will use reservations, online booking, e-ticketing, codesharing and departure control systems to achieve efficiencies and greater coordination in these areas.

The US$10.5 million contract with the Sabre Airline Solutions business also involves the airline using the Sabre® Traveler Loyalty System frequent flyer management system and the Sabre® AirPrice fares management system.

The recent migration of Ethiopian to SabreSonic passenger solutions forms part of the airline’s ambitious expansion program. Last year, it acquired six Boeing 767-300ERs and five 737-700s. Ethiopian Airlines will be the first African carrier and the second carrier worldwide to introduce the new Boeing 787 Dreamliner. The first of the 10 787s to be delivered to Ethiopian Airlines will be introduced on the carrier’s network in 2008.

Air Italy

Air Italy has signed a US$3.1 million, five-year deal with the Sabre Airline Solutions business for reservations, check-in, ticketing and online booking components of SabreSonic™ Passenger Solutions. The agreement also includes customer relationship, codeshare and fares management products as well as an automated tool that will help streamline the collection of ticketing fees arising from itinerary changes and upgrades.

“It goes almost without saying that we liked the Sabre Airline Solutions technology,” Air Italy Chief Executive Officer Capt. Giuseppe Gentile said. “But what is less obvious, unless one has previously undertaken a major IT implementation project, is the importance of a diligent migration process on the part of your supplier as well as dedicated assistance from that organization before, during and afterwards. The Sabre Airline Solutions European track record in both these areas is stellar and helped differentiate them significantly.”

Lufthansa Airlines

Lufthansa German Airlines, one of the world’s largest carriers, has renewed its full content distribution agreement with the Sabre Travel Network business, which will provide for the distribution of all its products through more than 50,000 Sabre Connected travel agents worldwide.

This fleet upgrade supports Ethiopian’s plans for expansion on domestic, regional and international passenger routes as well as cargo transportation.

“Sabre Airline Solutions has a large portfolio of proven software and decision-support tools that will help us master the current and future growth of our airline,” said Ato Girma Wake, Ethiopian Airlines’ chief executive officer. “As the IT needs of Ethiopian grow and evolve, we believe Sabre Airline Solutions will be able to accommodate us, both with its products and through its renowned consulting business. We see this new co-operation as a partnership that will allow both our companies to expand their presence in Africa and beyond.”
Network™ business. The Sabre® global distribution system will become a Lufthansa preferred GDS, and all the airline’s standard fares and inventory will be available — without any surcharge — to any travel agency around the world, including online travel agencies.

Lufthansa’s Web fares and Privilege Fares will also be available in the Sabre GDS to any travel agency that has met the airline’s criteria to sell these fares.

“The Sabre GDS is a highly valued channel for the worldwide distribution of our products and is an efficient marketplace for the distribution of all our fares, including Web fares and those for our premium cabin services,” said Josef Bogdanski, senior vice president sales Germany and global key accounting for Lufthansa Passenger Airline. “With this agreement, we can lower our distribution costs to be able to continue our cost-efficient partnership with Sabre Travel Network.”

flybe

flybe has signed a full content agreement with the Sabre Travel Network® business, extending the companies’ partnership for another three years. As part of the deal, flybe has also named the Sabre® global distribution system as one of its two preferred GDSs.

The agreement means Sabre Connected™ travel agencies around the world will benefit from full access to flybe’s fares, including all published fares and inventory and the full range of Web fares and content. As part of the deal, flybe has also signed a marketing agreement with lastminute.com.

“It is important to us and something we are constantly looking to develop. Because of its presence in every channel of travel sales and distribution the Sabre GDS is more than simply a GDS for us, it is also a key business partner that can add enormous value to our product distribution.”

British Airways

British Airways and the Sabre Travel Network® business have reached a new three-year, full content agreement that awards the global distribution system with preferred provider status and will see the airline’s fares and inventory made available to all Sabre Connected™ travel agents worldwide.

British Airways has guaranteed its full range of fares to Sabre Connected customers, including published fares that the airline sells through its own Web site, any third-party Web site and its own reservations offices. Sabre Connected agents in the United Kingdom and Ireland will be required to join a new opt-in program to access these fares.

“The Sabre® GDS is an important part of our overall marketing strategy,” said Tiffany Hall, British Airways’ head of marketing and distribution. “We are delighted to have reached an agreement with Sabre Travel Network that meets the needs of all parties involved, and we look forward to working with them over the next three years.”

North America

Porter Airlines

Toronto, Ontario, Canada-based Porter Airlines Inc., Canada’s newest carrier, launched service in October using the Sabre® Flight Control Suite. The package helps maintain operational control, manage crew tracking and compliance, and produce optimized flight plans for flights to and from destinations in Canada and the United States. The airline will use the Sabre® FliteTrac® and Sabre® CrewTrac® systems and Sabre® Dispatch Manager to provide business-critical functionality.

“Porter Airlines selected the CrewTrac and FliteTrac systems and Dispatch Manager because of the ability to seamlessly integrate with third parties and provide us with a complete dispatch solution for our aircraft,” said Robert Deluce, president and chief executive officer of Porter Airlines.

JetBlue Airways

JetBlue Airways has signed a new five-year, full-content agreement with the Sabre Travel Network® business. Through the agreement, all JetBlue published fares and inventory will be available for subscribers of the Sabre® global distribution system, including published fares that the airline sells through any third party.
and through its own Web site and reservations offices.

All jetBlue fares will also be available to Travelocity Business clients and to customers booking travel packages through the Travelocity business.

“At jetBlue, we recognize the value of the GDS channel, and we are happy to be able to offer our full content to agency and corporate customers who are Sabre GDS subscribers,” said Noreen Courtney-Wilds, director of sales and distribution for jetBlue Airways.

**Eos Airlines**

**Eos Airlines** has chosen SabreSonic® Res, the Revenue Integrity option of the Res component, Sabre® Traveler Loyalty System and the Sabre® WiseVision™ Data Analysis Suite from the Sabre Airline Solutions® business.

By implementing these products, Sabre Airline Solutions will provide Eos seamless connectivity and e-tickets capabilities to the travel agency community via the Sabre® global distribution system. The move to the Sabre GDS will also provide Eos the ability to further tap into the corporate travel marketplace.

“Eos is pleased to select Sabre Airline Solutions in expanding the distribution of our premium class service to New York and London, which has won universal praise and recognition from both media and our guests as the best way to fly across the Atlantic,” said Toby Joseph, executive vice president of global sales for Eos Airlines. “With a higher level of GDS connectivity, Sabre Airline Solutions is clearly helping Eos in achieving its sales and marketing targets.”

**Softair AG**

Softair AG, dedicated to the development of standard software products for all participants in the air cargo industry, announced a cooperative agreement with the Sabre Airline Solutions® business to offer an end-to-end cargo solution.

The partners’ existing products — the Sabre® CargoMax™ Revenue and Pricing Suite and Softair’s CargoSpot suite of reservations and operations solutions — will serve as the core of the end-to-end offering. As part of the cooperation, Sabre Airline Solutions and Softair have agreed to collaborate to perform all necessary integration. In addition, the partners have agreed to market each other’s products, and will offer hosting services for CargoSpot via Sabre® eMergo® Web access, an application service provider platform.

“We are excited to work with a company with the global presence and financial strength of Sabre Airline Solutions,” said Gabriel Weisskopf, chief executive officer of Softair AG. “The CargoMax suite is an excellent revenue management solution and is a key part of an industry-leading, end-to-end solution. Sabre Airline Solutions has proven to be a supportive partner, and we are looking forward to working with them to deploy such a solution.”

**ASM**

The two leading consulting firms in the fields of airport consulting and route development for airports, **Airport Strategy and Marketing** Ltd and the **Sabre Airline Solutions**® consulting practice, are announcing the launch of a growth partnership.

ASM and the consulting business of Sabre Airline Solutions have agreed to an extensive marketing relationship, working together to jointly increase their respective consulting businesses in the fields of route development for airports as well as more general commercial and operations-related airport consulting. The partnership intends to capitalize on the respective strengths of each brand, creating an unrivaled market-leading offer of services to the world’s airports.

“ASM and Sabre Airline Solutions have been associated for many years, and the growth partnership is a very natural and logical step forward for the relationship,” said David Stroud, ASM’s managing director. “By working closer together, we greatly enhance our offer to the market. I firmly believe that ASM and Sabre Airline Solutions will provide airports with an unrivaled suite of route development services and solutions on a global scale.”

**Sabre Airline Solutions**

Nejib Ben-Khedher, president of the Sabre Airline Solutions® consulting practice, said a new model of airline is emerging as no-frills airlines and traditional carriers offer complete services and could never be described accurately as ‘no-frills.’ But neither would they fit the profile of your typical traditional carrier such as British Airways, Qatar Airways or Singapore Airlines.

Ben-Khedher said VFCs are identified by their focused route networks, simple fare structures, relatively cheap sales and distribution arrangements, limited array of partnerships, and streamlined ground operations.

Sabre Airline Solutions defines a VFC as an airline that applies its resources in very specific markets, competing on a combination of price and a product that differentiates it from traditional carriers, while managing costs tightly.

The new business model is gaining ground as no-frills carriers and traditional airlines around the world converge to become VFCs, Ben-Khedher said. He pointed to dozens of examples of airlines in the Middle East, Europe, Americas and Asia/Pacific regions as examples of this transformation.

“It’s important to note that ‘value-focused’ does not mean ‘no-frills,’” Ben-Khedher said. “VFCs such as flybe in the United Kingdom, jetBlue in the United States and Kingfisher Airlines in India offer complete services and could never be described accurately as ‘no-frills.’ But neither would they fit the profile of your typical traditional carrier such as British Airways, Qantas Airways or Singapore Airlines.”

Ben-Khedher said VFCs ultimately will gain a significant share of the market for leisure and cost-conscious business travel. It estimates that these carriers currently handle 12 percent of this traffic around the world, compared to 6 percent in 2001.
Product

The CargoSpot system

Description:

CargoSpot, a vital component within the Sabre® CargoMax™ Revenue and Pricing Suite, improves cargo revenue, provides a booking and shipment tracking method, and produces accurate billing through an integrated international rating system. This Web-based tool gives airlines around the world real-time system access while relieving them of data center and network management to focus on their core competencies. Each airline has its own separate database, ensuring the confidentiality of its operations.

Benefits:

The air cargo industry demands a high-quality cargo reservations and tracking system. CargoSpot provides key benefits, including:

- **Reduced costs** — Integrated components automate many cargo tasks, making the cargo reservations and shipment process highly efficient.
- **Improved customer service** — Cargo clerks can obtain immediate and accurate customer shipment status.
- **Enhanced service quality** — Automated functions ensure accurate air waybill data collection and information.

Features:

Designed with integrated components, CargoSpot is a premier automated cargo tool, offering several features:

- **Availability and booking functions** — Centrally integrated availability and booking functions on a single screen enable easy access to flight schedule, optimal flight routing and capacity information. This screen is the starting point for the booking process, offering high-level space availability information at the flight level as well as access to existing bookings. The booking procedure is considerably simplified and accelerated by the direct access not only to booked shipments but also to specific information on allotments, flight booking and list information.
- **New bookings** — New bookings can either be made directly from the availability screen after a flight has been selected or from opening the “New Booking” screen. All relevant booking information can be entered including the possibility to access ad hoc rate information for a specific air waybill or the creation of new ad hoc deals on the spot. Origin-, transit- and destination-related information is displayed when completing the routing information. Additionally, the system can be parameterized to automatically send FFR or AWB space allocation request messages.
- **Multi-flight bookings** — All segment-specific data related to multi-flight bookings is held and updated in a flight booking history, providing easy access to an overview of the complete shipment cycle.
- **Airwaybill stock control** — Comprehensive air waybill stock control is available at the headquarters, station and agent level. This feature provides full control of all air waybill numbers in use or still available for use on the network.
- **Space allotment handling** — This feature provides sophisticated handling of booking allotments as an integral part of the booking process. The actual usage of allotments can be controlled through reports or by making the data available online to revenue management applications.
New and Improved Products and Services from Sabre Airline Solutions

Booking and departure information — With automated booking and departure information updates sent to clients by fax or e-mail, air freight companies can enhance the quality of service their clients receive.

Flight schedule and availability control — This functionality enables air cargo operators to monitor the capacity usage of the flight and trucks scheduled.

C-IMP-based messages — CargoSpot supports sending and receiving C-IMP-based messages such as FFR, FFA, FWB, FSU, FBL and free text. All incoming and outgoing messages to a particular air waybill are stored in the “message history.” Accessible for each air waybill, this file provides information about various statuses relating to the shipment. The result of this approach is a far simplified tracing process as well as the ability to easily and instantly provide your client with detailed shipment information.

Post-flight-related actions — Automated post-flight-related actions such as updating clients with flight information helps provide a better level of client service.

Automated status update — CargoSpot automatically updates each record when a new status becomes effective. The related three-letter code (such as DEP for departed) of the last status available can be seen in the air waybill record. Additional information about this status or previous statuses can be instantly made available by displaying message history details.

GF-X integration — GF-X integration enables agents to book through the GF-X platform. All relevant data is updated automatically and periodically between the two platforms.

Load advices — Preparation of load advices for ground-handling agents, including freight booking list message, simplifies and accelerates the coordination of the cargo-loading process in those instances where a handling agent is involved.

AMS customs link — The AMS customs link adheres to the latest customs security regulations in the United States. The system supports the data entry of house air waybill data and the transmission of the related C-IMP messages (FZB, FHL) to supply the AMS systems with the relevant house air waybill information. For import handling purposes, the data is automatically fed into the AMS system by messages, and the delivery and transfer of cargo adheres to the given customs procedures.

Tracking and tracing functions — Tracking and tracing functions enhance customer service by monitoring irregularities associated with shipment movement and storing them. Irregularities can also be printed for easy monitoring. In addition, digital pictures of shipments, such as damaged cargo, can be stored in the irregularity/tracing file of a consignment.

Telex templates — With the system-supplied telex templates, airlines can efficiently satisfy the individual telex requests for various business processes.

Management reporting — CargoSpot offers a broad range of management reporting tools such as query functions as well as flexible, comprehensive reports including agent revenue, flight, destination and air waybill stock control. Additionally, data views can be used to forward data by e-mail or extracted data for use by other programs.

Internet access — With Internet access for clients, forwarders and shippers can view their own data. Sharing information — 24 hours a day, seven days a week — among members in the transportation chain reduces the cost of handling telephone queries.
Product

Sabre® Customer Experience Manager

Description:

Customer Experience Manager, a key component of the Sabre Airline Solutions® customer management solution, helps airlines create strong, loyal customer relationships by enabling them to continuously monitor customer interactions, resulting in improved customer satisfaction, increased customer retention and ultimately, enhanced revenue.

Benefits:

Customer Experience Manager enables airlines to involve and integrate the voice of the traveler into their operations by letting them:

- Monitor customers’ experiences in real time 24 hours a day, seven days a week and engage all customers right from the start;
- Listen to what customers want and encourage them to share their perceptions and experiences;
- Integrate insight from customers into their organization so they can respond to and act on feedback;
- Determine, in real time, which part of the airline is delighting or disappointing customers and immediately identify the people, process or products failing customers;
- Establish metrics to help lower customer churn before customers turn to the competition;
- Shorten product and service improvement cycles and reduce revenue impact by instantly routing critical information to appropriate organizations to make improvements.

Features:

The Customer Experience Manager communications framework and reporting system enables airlines to aggregate feedback from their customers in real time. The feedback is then delivered directly to those who are accountable, enabling them to rapidly resolve issues, make improvements, and assure overall quality of products and services. At the same time, company executives have real-time transparency and understanding of customers’ experiences.

The system keeps customers in the loop and in control throughout the process, building valuable customer loyalty and retention. This improved customer experience management is attained through:

- Real-time reporting, dashboards and trend analysis of where customers are being delighted and disappointed;
- Customer churn-alerting communications to identify customers at risk of selecting a competitor airline;
- Closed-loop communication to communicate directly with customers to resolve their issues.

The collector feature of Customer Experience Manager enables customers to share their travel experiences from multiple touch points whether on the ground or in the air. They can provide as much information as they want, when they want, which airlines can then use to make customer service enhancements.
New and Improved Products and Services from Sabre Airline Solutions

Using the comment manager interface, airline agents can communicate directly with customers in real time to resolve any issues or questions they may have as well as gather valuable feedback used to improve customer relationships. This feature of the Customer Experience Manager ensures each customer is given the highest level of service on an individual basis.

The executive dashboard provides a single view of the customer experience across the airline, from ticketing to baggage claim. It highlights top- and bottom-performing areas, and one click provides additional detail about specific customer issues.
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