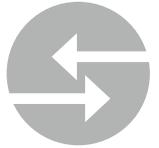


Systems Integration

Formulating The Right Decisions Through Integration

By Amod Mital



With the nature of the airline business challenged by a high-fixed-cost component structure, airlines need to continually invest in new or updated technologies as a means to grow revenue. One particular area of focus playing an increasingly important role in the success of an airline is the revenue-management system.

For any decision-support system to make the best possible decision, it must take into account the entire context around that decision, from generic market conditions to individual passenger preferences. The better the quality of this context, the better the quality of the decision. This context comes not only from the traditional points of integration, but should also include all possible sources of data.

Disjointed Systems

When revenue-management software applications were first implemented due to increasing competition post deregulation, the first-generation revenue-management systems were developed as standalone systems, designed to automate and control the available inventory and associated prices offered to passengers. Initially, the availability of seats for any given flight, or a plane's inventory, was managed by an airline's reservations system, which was linked to its global distribution system.

An analyst would manually control the inventory through simplistic checks and limitations placed on bookings by fare class. The ability to control the number of discounted seats across thousands of flights throughout an entire calendar year remained challenging, if not impossible, to manage.

This "siloed" approach to revenue and inventory management created a disjointed view of current seat availability and other controls. Analysts were required to navigate through multiple applications to find relevant data points to make inventory decisions, or they just ignored the insights altogether if they did not have the comprehensive knowledge necessary to make a decision.

In addition, the rise in popularity of airline alliances, partnerships and codeshare agreements has made the need for seamless inventory integration a requirement. Traditionally, revenue-management teams have been challenged when considering partner activity, which includes passengers originating with one airline's flight and concluding their trip on a partner's flight.

Competitive Advantage

Integration gives airlines a competitive advantage. A next-generation revenue-management solution with an integrated approach to managing inventory with revenue-management controls will ensure that analysts can accurately monitor and perform actions with confidence. From this vantage point, airlines can gain a competitive foothold in the markets they serve.

Additionally, enhanced integration that includes insights, such as the full or true origin and destination of each passenger booking, will also enable an analyst to understand the booking behavior of passengers across the network.

As revenue-management evolves, understanding the entire scope of commercial planning is also vital to making the right decisions. Imagine selling a route for US\$500 when a key competitor introduces a special



promotion for US\$350. The key challenge is uncovering all of the necessary data and presenting it in an easily consumable way that allows an analyst to make decisions based on actionable insights.

Airlines are in a perpetual arms race to better serve their customers, as well as to better capture the financial rewards from providing their service offerings. This competitive focus has become the single most important driving factor, and one of the most difficult to account for in today's revenue-management systems.

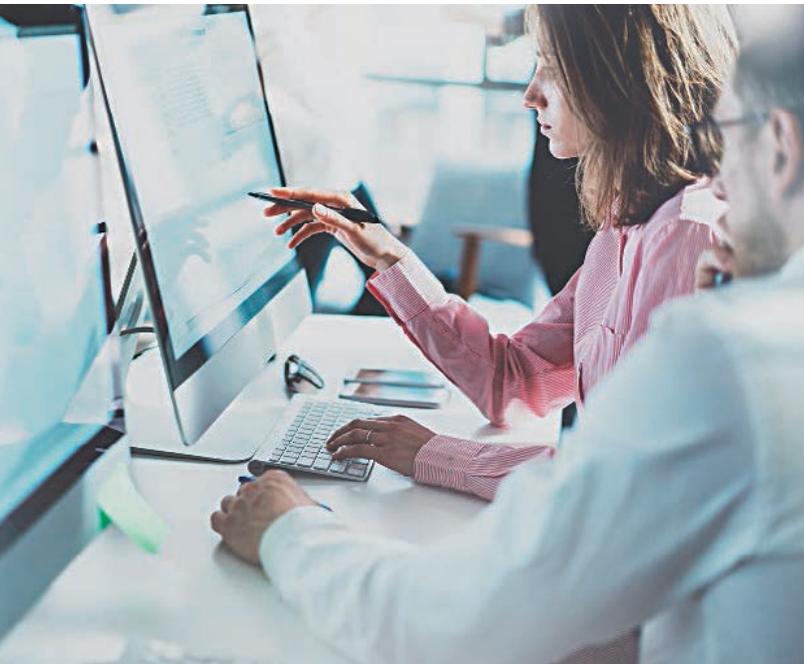
Analysts always need to know who their competitors are, what they are doing at any given moment and how their actions tie into their market position and revenue-management strategy.

Having the right basic revenue-management inputs coupled with critical insights ensures that an analyst can make a holistic decision based on accurate and relevant data.

Accurate Inventory

Another area an analyst needs to understand due to the nature of consumable inventory is the probability of passengers showing up for their flights. Advancements in PNR database management and analysis highlight an additional opportunity to integrate with revenue management.

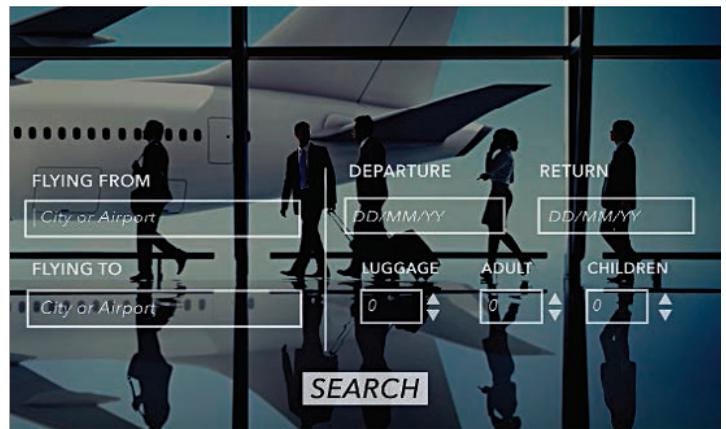
Now, the probability for both the individual and the group passengers showing up for a flight can be brought in and blended with the revenue-management show-up models. Additionally, group-management systems rely on accurate data from revenue management to ensure they allocate passenger groups onto flights that make the most sense. These are typically low-demand or low-performing flights that represent an opportunity to make a profit.



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Aircraft Management

Finally, fleet management helps allocate aircraft equipment to the most optimal flight legs based on passenger bookings and demand. Accurate demand forecasts are the basis for making these decisions. Integrating the revenue-management system with a commercial-planning suite of solutions ensures that every analyst sees the full picture of the markets and flights they are responsible for managing. Having the right basic revenue-management inputs coupled with critical insights ensures that an analyst can make a holistic decision based on accurate and relevant data.



AN INTEGRATED METHOD TO MANAGING INVENTORY WITH REVENUE-MANAGEMENT CONTROLS ENABLES ANALYSTS TO ACCURATELY MONITOR AND PERFORM ACTIONS WITH CONFIDENCE. MOREOVER, INTEGRATION THAT INCLUDES INSIGHTS, SUCH AS THE FULL OR TRUE ORIGIN AND DESTINATION OF EACH PASSENGER BOOKING, EMPOWERS ANALYSTS TO UNDERSTAND THE BOOKING BEHAVIOR OF PASSENGERS ACROSS THE ENTIRE NETWORK.

Integrated Revenue Management

Today, we operate in a world where real-time and seamless integration are normal expectations. As consumers, we assume that we can access the internet anywhere, anytime to sync our emails, music, calendars and other applications across all devices. We also expect to be able to uncover news and events that affect us at the touch of a button.

With a similar on-demand, innovative approach for revenue management, analysts can benefit from the introduction of new integration points. Imagine capabilities where an analyst may want to know shopping trends such as which types of passengers are purchasing different products. They may want to know how passengers are exposed to, access, react to and purchase products during promotions. This visibility and forecast of expected ancillary spend could drive significant revenue upside if understood and monetized appropriately.

As the industry continues to evolve, it is imperative that supporting technologies also adapt to changing market dynamics. Systems and technologies that exist and work in isolated environments will need to evolve to provide seamless integration with a variety of systems so decision quality is maximized. ASCEND

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