

360° Insights

Capture Untapped Revenue Opportunities Using Advanced Analytics

By Jade Owens

The pairing of a next-generation revenue-management system with a skilled revenue-management analyst has the potential to significantly increase revenue performance. Decisions will no longer be based on sentiment or chance, but rather, they will be based on valuable 360-degree insights.



Since the first flight in 1903, the number of passengers on each flight, and their correlating preferences, has rapidly increased. Concurrently, the airline industry was among the first to store data digitally and use IT systems for reservations and ticketing. Over time, both these factors have led to a complex network of systems containing large volumes of disparate data from reservations, ticketing, pricing, scheduling and fleet, in addition to keeping up with passenger preferences, pricing, partnership agreements and government regulations.

The ineffective legacy solutions have fostered operational inefficiencies that make it extremely difficult for airlines to meet revenue and customer-service targets. To remain competitive, airlines not only need to understand traveler trends, they also need to predict what the future holds in terms of traveler trends.

To accomplish this goal, revenue-management analysts must rely on decision-support systems to quickly understand developing trends, what happened on departed flights, which competitive offers were made, as well as efficiently create and manage new offers accordingly. Looking at a single given point in time isn't accurate or scalable. Unfortunately, without a tool that focuses on macro-level analytics, that's exactly what analysts are relegated to doing. Windows of opportunity are missed when an analyst's time is spent tediously extracting, transforming and loading data across multiple systems.

To overcome these challenges, airlines need a next-generation revenue-management solution with easy-to-use advanced-analytic capabilities and fully integrated workflows. Having the ability to view the entire network is crucial to make informed decisions, but analysts today are blind to this unique perspective. However, combining tremendous amounts of airline data into a friendly, easy-to-use user interface is not a trivial task — every second of the day millions of passengers are shopping for and booking flight itineraries.

To put this into perspective, on average, an airline with 500 daily flights can have up to 1.5 million discreet data points that potentially need to be monitored. Today's revenue-management systems rely on limited technology platforms that essentially discard 80 percent of the complex data that's being generated by the various digital touchpoints in this ecosystem.

In addition, advances in data management; processing power; and forecast and optimization algorithms have become increasingly better, faster and smarter. This creates an even greater need for change. Next-generation revenue-management solutions are needed not only to process large volumes of data but also to focus on the user experiences, making the consumption of large data manageable and easy to consume. They need to empower analysts to identify trends and opportunities to capitalize on the changes in real-time to increase revenue opportunities.

An ideal system enables analysts to see and understand the macro-network picture, which will significantly simplify the day-to-day tasks. The

system should detect and present both regional and local phenomena such as long-term geopolitical impacts or short-term effects like the FIFA World Cup finals being completed. Success in today's revenue-management space requires a system equipped with advanced analytics that detects and uses demand patterns that are not readily visible or consumable.

An extremely important component of any revenue-management system is the ability to monitor revenue-management performance. Revenue-opportunity analysis typically analyzes post-departure data from departed flights, and other associated information to evaluate how well the revenue-management department performed.

These models consider historical data, network complexity and market context, and they typically give some indication on the performance of each flight. This allows analysts to easily and quickly conduct a postmortem analysis on how maximum revenue could have been generated and compares the results to what actually happened. It also helps analysts identify patterns for input into flights that have not yet departed. This unique functionality, combined with a seamless, intuitive user experience gives analysts strategic insight about an optimal mix of passengers.

Effective revenue-management systems in use today are enabled by the skillful analysts behind them. The pairing of a next-generation revenue-management system with a skilled analyst has the potential to significantly increase revenue performance. Decisions will no longer be based on sentiment or chance, but rather, will be based on valuable 360-degree insights. The inclusion of revenue-opportunity analysis has the potential to sharpen the intuition of revenue-management analysts, further refining their skill set.

Bringing together a revenue-management system that has a comprehensive handle on supply, demand and opportunity along with a skilled analyst will enable airlines to serve their most valuable customers. ASCEND

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