

Raising the revenue bar

When it comes to raising and managing revenue, airlines have an increasingly innovative range of tools at their fingertips, as Henry Canaday reports.

For passengers, getting the most out of flying means a great experience. For an airline, it means maximising revenue or minimising the cost of collecting it. Fortunately, new tools such as chatbots, meta-search engines, innovative revenue-management approaches and alternative payment options are making both goals possible.

Volaris has just started using Caravelo's Vale chatbot to sell tickets via Facebook Messenger. Caravelo's commercial director, Jonathan Newman, says Vale is the first chatbot to complete transactions within its platform, rather than helping prospects scan fares before booking on airline websites.

Vale brings several gains. Airlines can personalise relationships for huge volumes of passengers. Vale learns customer preferences like seats, ancillaries and hotels. And it establishes a continuing relationship,

so selling effort is not confined to a few emails. It is also available on messenger services, where customers live.

Caravelo customises chatbots to reflect the voice and brand of each carrier. It is now working with one Asian airline and three northern European carriers. Vale works in English and Spanish, and Caravelo is working on German, French and Finnish. It currently requires typing and clicking actions, but voice communication is apparently coming in the future.

Payment is possible because customers enter credit card numbers one time on a secure microsite, then afterwards use their messenger names. The technology can work with messenger platforms that support chatbots, like WeChat, Kik and Telegram.

The tool completes transactions because it integrates with an airline's passenger services system, for example Navitaire at

Volaris, or New Distribution Capability (NDC). Caravelo is certified at Level 3 for NDC. Newman stresses that Caravelo specialises in airline IT, unlike some rival providers of chatbots.

DIRECT BOOKINGS

Skyscanner, the biggest travel meta-search engine, is moving towards direct bookings and offers useful data on the latest trends in customer searches. Skyscanner is evolving away from the binary choice of third-party versus airline website sales, towards a spectrum of sales channels.

Airlines director Hugh Aitken calls Skyscanner a global marketplace that helps 50 million monthly users find attractive offers from 1,100 airlines and online travel agencies. This digital marketplace is customised in currency and language for 40 countries and has bots integrated with messenger services like Facebook. It rates partner websites with quality stars to build trust with users. Skyscanner could be especially useful to low-fare and regional carriers in reaching global markets.

Now Skyscanner offers airlines the ability to book flights on a branded webpage that Skyscanner engineers build in collaboration with the airlines. The webpage allows the full range of tailored offers, branded fares and ancillaries. British Airways, Scoot, Finnair as well as several agencies are on board, and others are considering this option. Aitken



says direct booking boosts overall conversions by 20% and conversions on mobile devices by a dramatic 50%.

The meta-searcher also offers Travel Insights, entailing up-to-the-minute data detailing which customers searched for what kinds of trips on its site, and from where. Aitken believes this data complements six-week-delayed Marketing Information Data Transfer (MIDT) data on actual purchased flights. “We can tell by IP address where they are from, and it helps airlines tweak decisions,” it says. Carriers such as Wizz and WOW air are using the meta-search data.

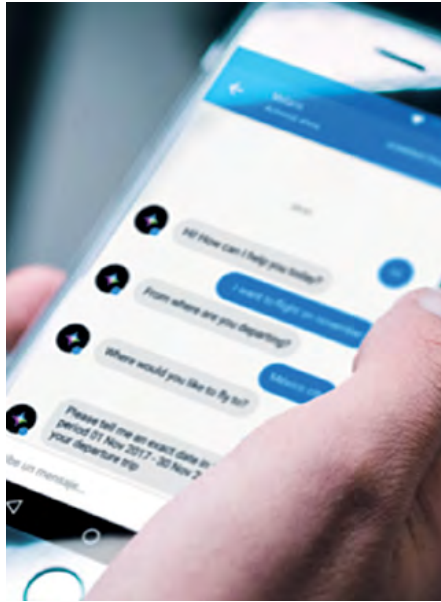
NEW TRICKS

Revenue management needs to learn new tricks to deal with modern markets, according to Umit Cholak, vice-president of revenue optimisation at Amadeus.

Even the best revenue management systems forecast demand based on historical averages, so predictions for individual flights are often a little high or low. When forecast demand is low, passengers may be bumped, which costs money and inconveniences them. When forecast demand is high, airlines offer cheap fares late, when they should be raising fares.

“We have to find better ways to recover from these inevitable forecasting errors,” Cholak stresses. One way would be to sell ‘callable’ seats, very cheap seats that the airline could call back if it unexpectedly needs the seats for better-paying customers. Another approach to stressed inventory would be ‘opaque’ fares, which would be good for a destination like Paris, but at a date to be determined by the airline. Most passengers want to know their travel dates, but some do not.

Key to effective revenue management is estimating price sensitivity when passengers request fares. Amadeus optimises offers by using information on route, duration and number of travellers to segment passengers and improve odds of purchase at the best fare.



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The real aim should be to maximise total sales, fare plus ancillaries, by combining all sales in an optimised merchandising action. Cholak says limited inventory systems and increasing look-to-book ratios make that tough to do now, but smart estimates of ancillary sales can be used to get closer to this ideal. The aim is not theoretical perfection, but the smartest revenue optimisation that is practical for airlines to implement.

TIME IS MONEY

Even the milliseconds it takes to send data across the world count in presenting smart offers to potential buyers. Amadeus is putting availability logic and data in the cloud, and offering airlines data in many global locations to speed up responses to customer queries. It also offers airlines the ability to catch savvy travel agents trying to break fare rules by elaborate booking and cancellation of segments. “We can catch them in real time, not afterwards like revenue integrity.”

Amadeus's Navitaire unit still seeks to be the “un-Cola” of airline revenue enhancers,

helping its carriers become Amazon-like travel retailers, said Raelynn Sink, principal director of global product. Recent innovations include a Bundle Manager, which allows airlines to sell and upsell different bundles of flight and non-flight features during booking or after booking right up to day of departure.

Also new is Ancillary Pricing Optimisation, a tool developed with MIT and now run by Navitaire data scientists, which lets carriers experiment to learn who buys ancillaries in which markets, on what days and at what price points. Sink says the machine-learning approach has yielded double-digit uplift in ancillary sales. The new, more scientific approach to pricing will soon be integrated with Bundle Manager.

Navitaire is also working to optimise access and fidelity of carrier content on meta-search sites and online travel agencies. Navitaire airlines have sold primarily on their own websites, but are increasingly interested in selective visibility on broader channels. This shopping integration service has been launched with a large carrier.

The IT provider is also looking at its order management system in light of IATA's ONE Order effort to modernise airline order management. And it has a launch customer for its dynamic packaging approach to tailoring offers to specific customer segments.

HOLISTIC APPROACH

Sabre AirVision's vice-president, Pramod Jain, says maximising revenue requires a holistic look at all revenue streams – seats, group business, corporates, ancillaries and partnerships – and levers to manage these streams, such as price, schedule, products, channels, and promotions. Sabre has built a new revenue optimisation platform with real-time data that is ready for the cloud. It includes fare-management, revenue-management and inventory systems.

Sabre has launched this next-generation revenue tool, Revenue Optimiser, which responds to rapidly changing market **»»»**

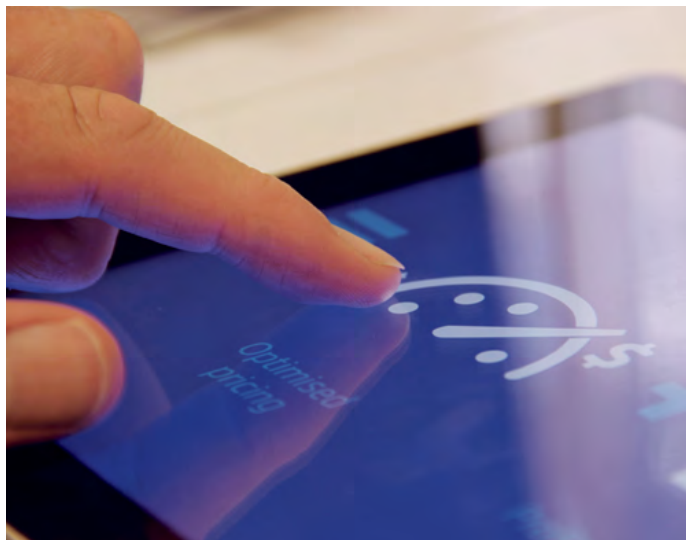


conditions. The IT provider has also launched new solutions to manage partner availability and seamless codeshares, third-party distribution and better control of ancillary inventory. According to Sabre, its new revenue optimisation bundles enable airlines to focus on group, pricing or retail optimisation.

Jain stresses that Sabre tools can support all airline decisions, from which aircraft to buy and which routes to fly, to optimising passenger offers. At that final stage its new revenue optimisation platform tightly integrates pricing, revenue management and inventory management, breaking down silos airlines can no longer afford.

Sabre is now focused on improving pricing and will launch three new pricing tools later this year. Next it will emphasise retailing to maximise total fare-and-ancillary revenue. Then it wants to enhance its group sales optimisation.

According to Esad Taha Cakici, sales director at Hitit, its passenger services system, Crane PAX, gives airlines three advantages. First, it enables flexible product design and merchandising abilities quickly.



Amadeus's Navitaire unit has new innovations including ancillary pricing optimisation, a tool at carriers' fingertips that lets them experiment to learn who buys ancillaries in which markets, on what days and at what price points.



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Airlines using Hitit's PSS grow **25%** per year.



Passenger Service System

<ul style="list-style-type: none"> crane.PAX Reservation & Passenger Service crane.IBE Internet Booking Engine crane.ALM Allotment Manager 	<ul style="list-style-type: none"> crane.DCS Departure Control System crane.LL Loyalty Layer crane.CCL Customer Care Layer
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Operations Planning

- crane.SP** | Schedule Planning
- crane.OCC** | Operations Control
- crane.CREW** | Crew Management

Accounting

- crane.RA** | Revenue Accounting
- crane.CA** | Cost Accounting
- crane.BPI** | Business Performance Index

Second, it recognises and analyses revenue fast and accurately, whether sales are direct or through third parties. Third, Hitit is now offering a business performance index to measure real-time performance of an airline's overall business.

"Crane PAX offers a leading inventory management tool to differentiate offerings, while its campaign management tools help segment customers, design campaigns, communicate and track performance," said Cakici.

Hitit provides integrated solutions that can also work in isolation. But Cakici says each solution works best when thoroughly integrated with others, for example revenue management integrated with revenue accounting or inventory management with merchandising.

PAYMENT OPTIONS

Universal Air Travel Plan (UATP) continues to enable easy acceptance of new and alternative ways of paying for fares and ancillaries, according to marketer Wendy Ward. "Airlines need no longer accept just major card networks." And using UATP to add payment options eliminates complex and time-consuming efforts for technical integration, receipt of funds and reconciliations. UATP does all this free for its merchant members.

"Carriers can think strategically about which payment options they will allow, to increase sales or reduce costs, and do it on a geographical basis," Ward explains. "For example, a US carrier might choose to accept iDeal in The Netherlands, Alipay in China and Boletto in Brazil."

Airlines, like passengers, now have plenty of options when it comes to the revenue tools at their fingertips. ■