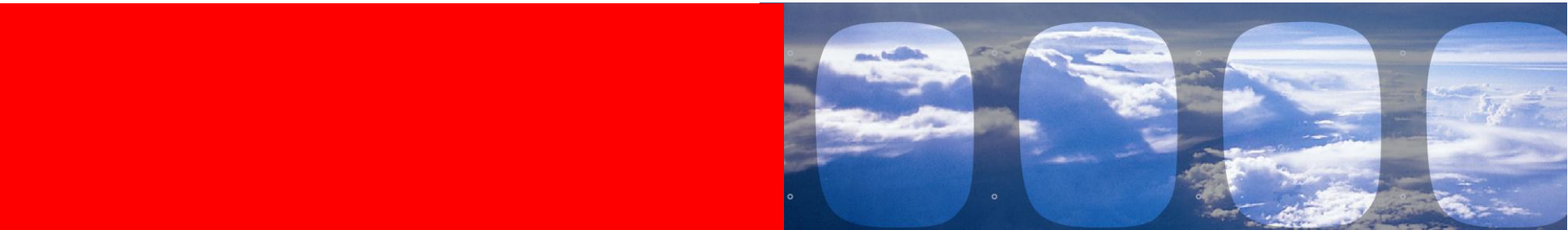


# Airlines, success and IT

Murray Smyth  
Vice President  
Sabre Airline Solutions – EMEA



# Airlines, success and IT

*Talking points.....*



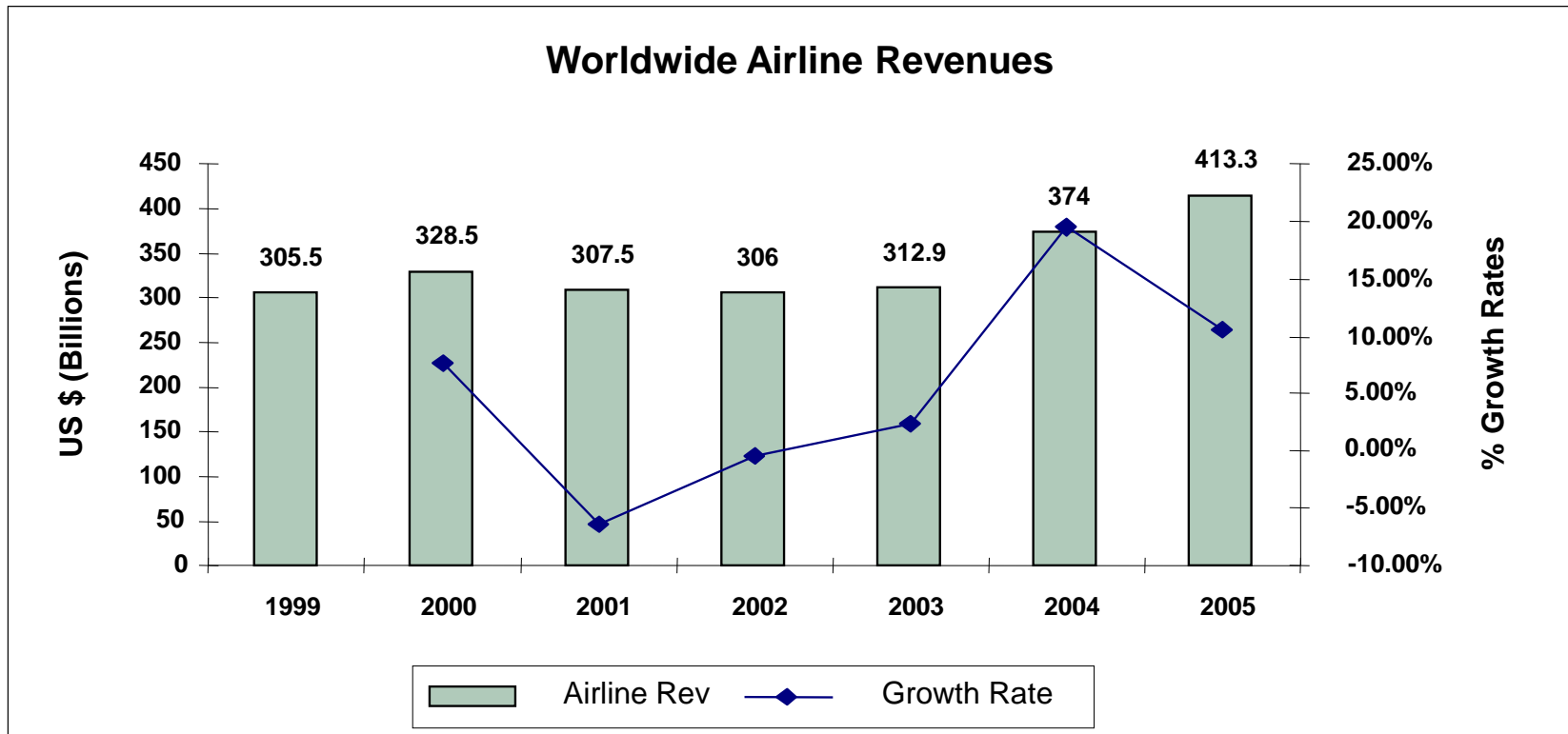
- **The airline industry context and Africa**
- **Primary business functions, IT and other dependencies**
- **Getting it right**

# Airlines, success and IT

*Industry cycle has turned up....*



- Scheduled airlines operating revenues crossed US\$400 billion mark for the first time in 2005
- Revenue growth rate above 10% year over year since 2004
- 2006 and 2007 forecast to follow this trend

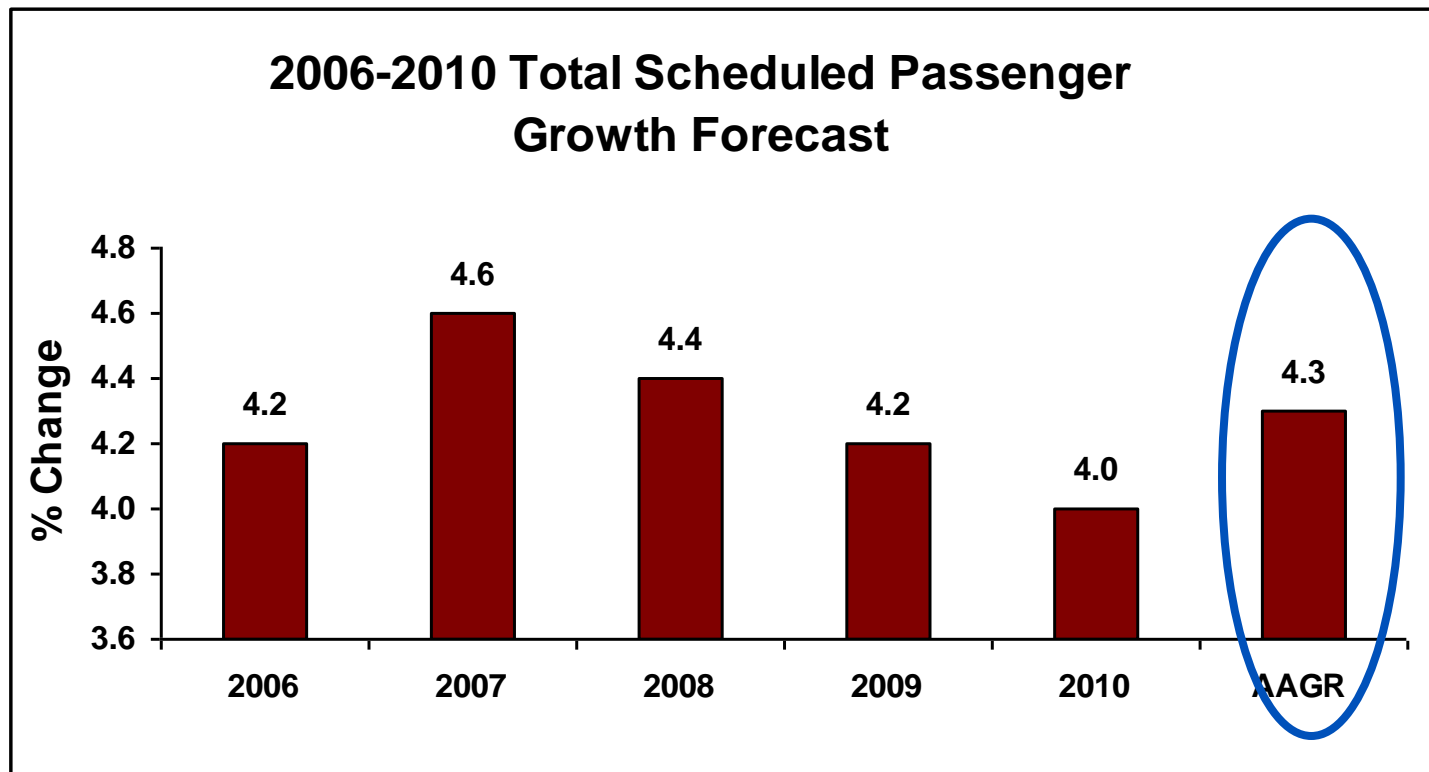


# Airlines, success and IT

*Growth continues.....*



- Total scheduled airline passenger traffic is expected to continue to grow at average annual growth rate (AAGR) of 4.3% between 2006 and 2010
- Where is the top of the cycle?

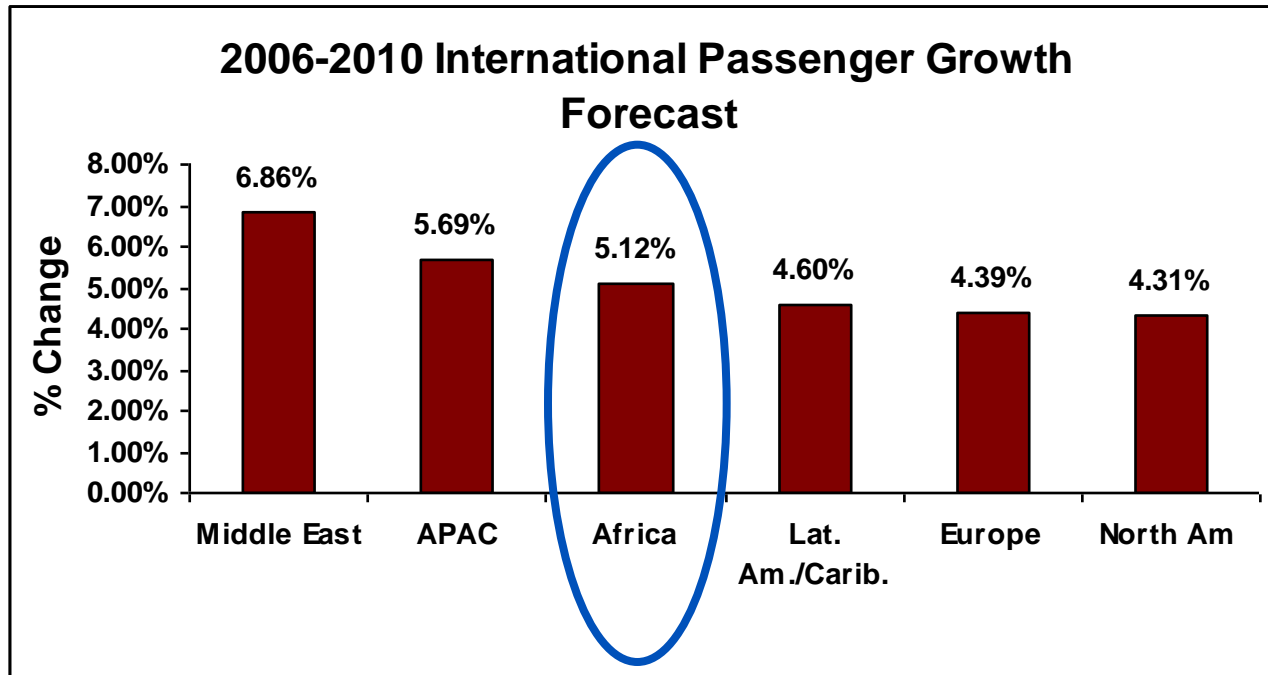


# Airlines, success and IT

*.....and Africa a leader*



- Passenger traffic in Africa to grow faster, capacity growth is lower than in many countries
- This should result in load factor and yield improvement opportunities

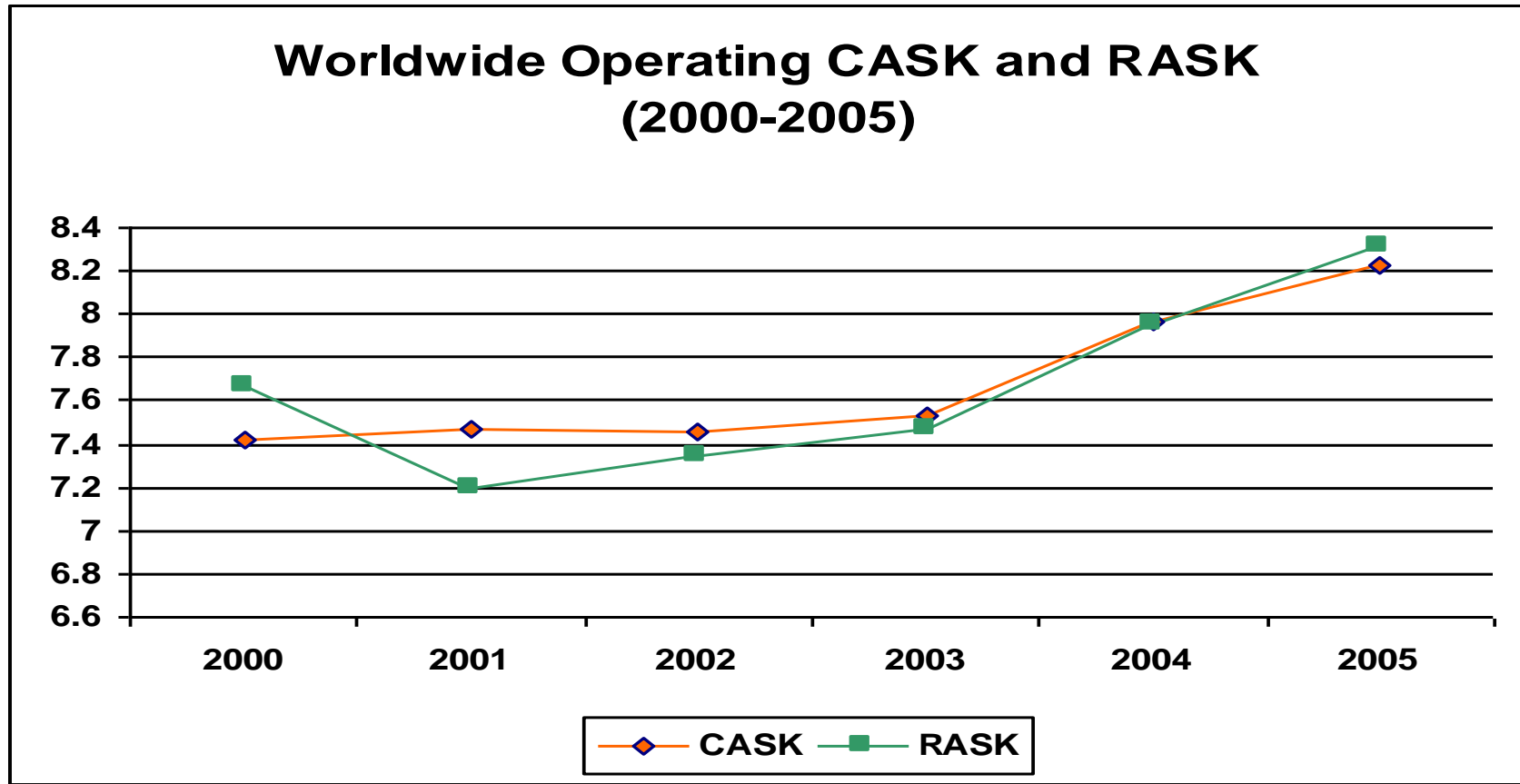


# Airlines, success and IT

.....but cost growth also



- Record passenger yield growth not converted to record earnings
  - Fuel price decrease of 20% in last 3 months is a positive



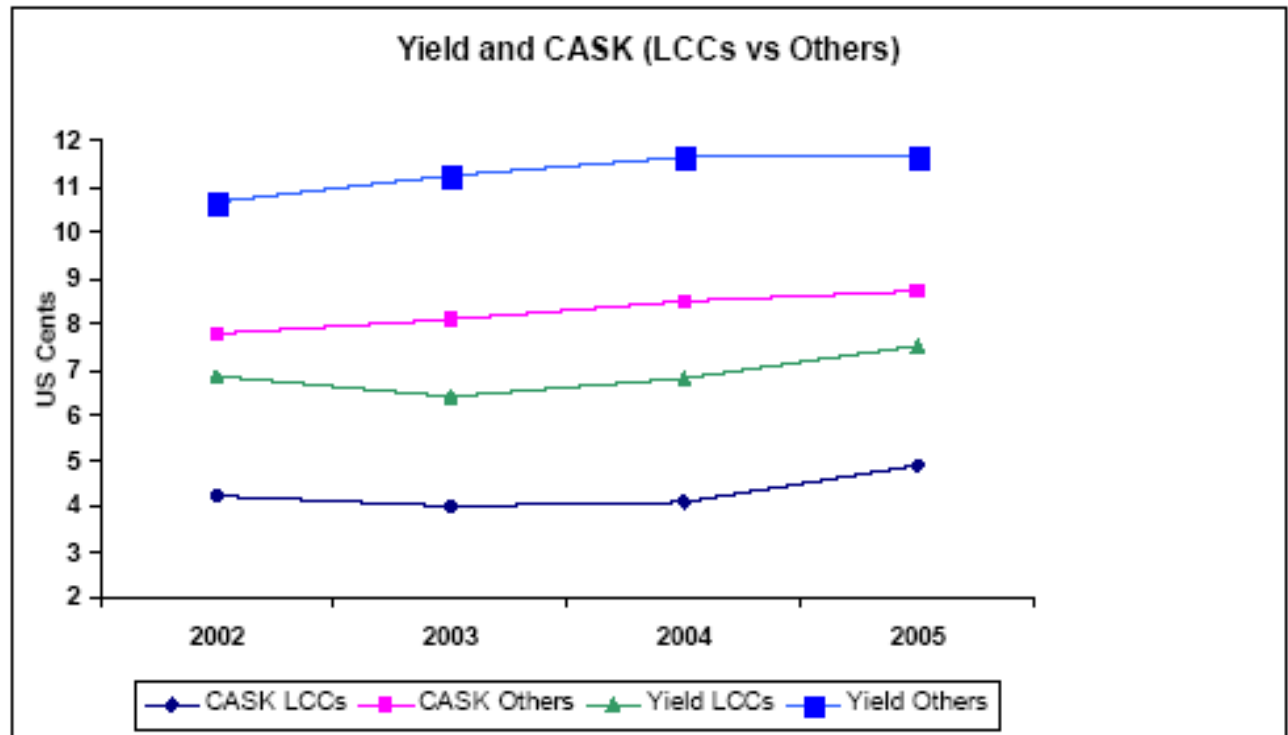
# Airlines, success and IT

.....and market changes



- New and/or expanding , well financed entrants to the African market...Emirates, Qatar, Etihad ....
- The Low Cost Carrier revolution...USA, Europe, Asia Pacific (Malaysia, Singapore, Thailand, Indonesia, India).....Africa?

The cost advantage of Low Cost Carriers



# Airlines, success and IT

## *Talking points.....*



- The airline industry context and Africa
- **Primary business functions, IT and other dependencies**
- Getting it right



# Airlines, success and IT

.....business and systems



| <b>Primary functions</b>      | <b>Performance Measures</b>  | <b>IT systems</b>                                      |
|-------------------------------|--|--|
| <b>Airline Planning</b>       | <b>RASK, CASK, aircraft utilization, market share.....</b>             | <b>network, fleet, schedules, market data</b>          |
| <b>Sales and Distribution</b> | <b>Market share, sold/flown revenue, distribution costs.....</b>       | <b>reservations, inventory, GDS, Web</b>               |
| <b>Revenue Management</b>     | <b>Net flight/bkg class revenue, load factors, competitor pricing,</b> | <b>yield, pricing, revenue integrity</b>               |
| <b>Cargo</b>                  | <b>Rates, yields, net contribution, capacity utilization.....</b>      | <b>pricing, rating, booking, tracking</b>              |
| <b>Operations and Crew</b>    | <b>Utilization, compliance to schedule, productivity.....</b>          | <b>ops control, rostering, tracking, recovery</b>      |
| <b>Airport Services</b>       | <b>OTP, customer service levels, unplanned ops, productivity....</b>   | <b>DCS, resource mgmt, catering..</b>                  |
| <b>Maintenance</b>            | <b>Flt block hours, cycles, MTTR inventory costs, productivity</b>     | <b>configuration mgmt, production planning, supply</b> |
| <b>Finance/HR</b>             | <b>Revenues, profits, CFROI, ROA, staff turnover, training....</b>     | <b>accounting, asset mgmt, people</b>                  |

# Airlines, success and IT

.....business and systems



| Primary functions      | Performance Measures   | IT systems  |
|------------------------|--|---|
| Airline Planning       | Revenue, CASK, aircraft utilization, market share.....             | network, fleet, schedules<br>market data analysis |
| Sales and Distribution | Market share, seats sold/flown<br>revenue, distribution costs..... | reservations, inventory, GDS,<br>Web              |
| Revenue Management     | Net flight/bkg revenue,<br>load factors, capacity pricing,         | yield, pricing, revenue<br>integrity              |
| Cargo                  | Rates, yields, net revenue,<br>capacity utilization..              | pricing, rating, booking,<br>tracking             |
| Operations and Crew    | Utilization, completion,<br>schedule, productivity                 | operating, crew<br>management                     |
| Airport Services       | OTP, customer service,<br>unplanned                                | operating, crew<br>management                     |
| Maintenance            | Flt block hours, maintenance<br>inventory costs                    | operating, crew<br>management                     |
| Finance/HR             | Revenues, profits, CFR, staff<br>turnover, training....            | accounting,<br>asset mgmt, people                 |

- **Business Performance Improvement**
  - *business process improvements*
  - *enabling systems*
  - *change management and people*

# Airlines, success and IT

## ...Airline Planning example



- No direct flight from/to NBO/DKR

| <i>AL</i> | <i>FLT</i> | <i>ORG</i> | <i>DST</i> | <i>STOPS</i> | <i>VIA</i> |
|-----------|------------|------------|------------|--------------|------------|
| KQ        | 512        | NBO        | DKR        | 1            | BKO        |
| AF/AF     | 8003/718   | NBO        | DKR        | 1            | CDG        |
| AF/AF     | 8003/718   | NBO        | DKR        | 1            | CDG        |
| BA/BA     | 64/6655    | NBO        | DKR        | 1            | LHR        |
| SN/SN     | 463/203    | NBO        | DKR        | 1            | BRU        |

- KQ has flight x 3 per week
- AF daily through CDG
- BA daily through LHR
- SN daily through BRU

# Airlines, success and IT

## ...Airline Planning example



- No direct flight from/to NBO/DKR

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### ***Process/systems/people.....***

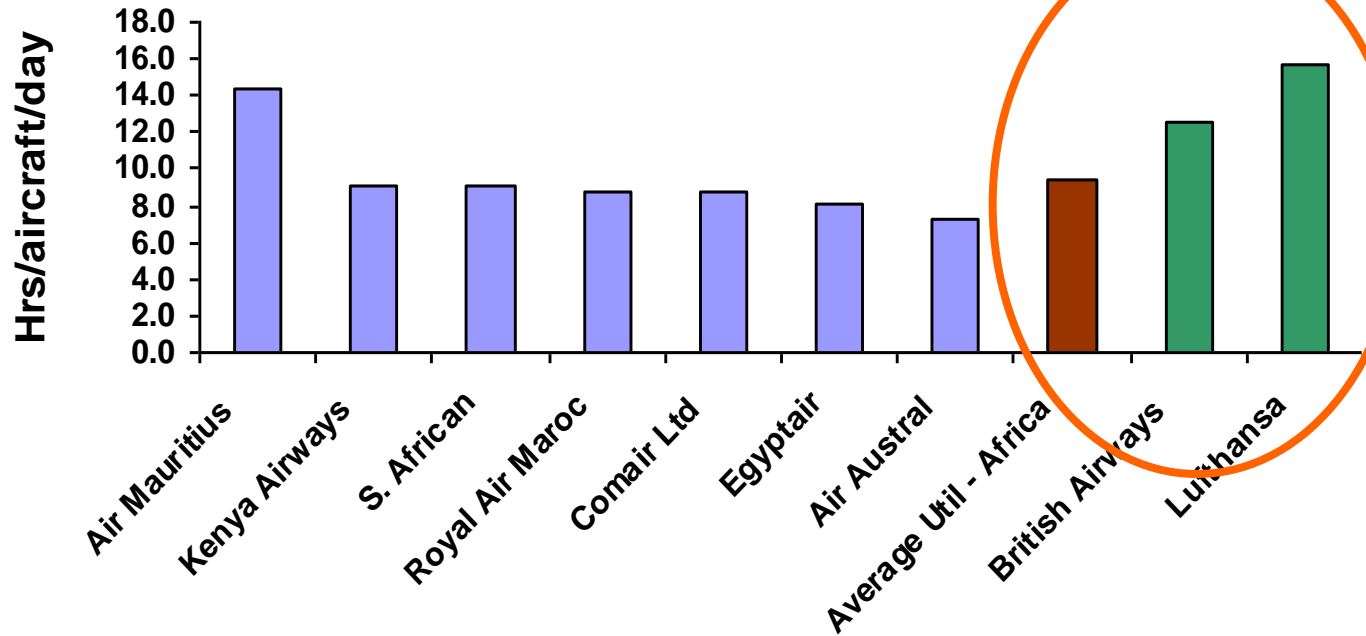
- ***Market analysis***
- ***Segment CASK/RASK plan***
- ***Yield forecast***
- ***Flow/connect traffic?***
- ***.....act?***

# Airlines, success and IT

.....Airline Planning example



## Daily Aircraft Utilization (Africa vs Benchmark)



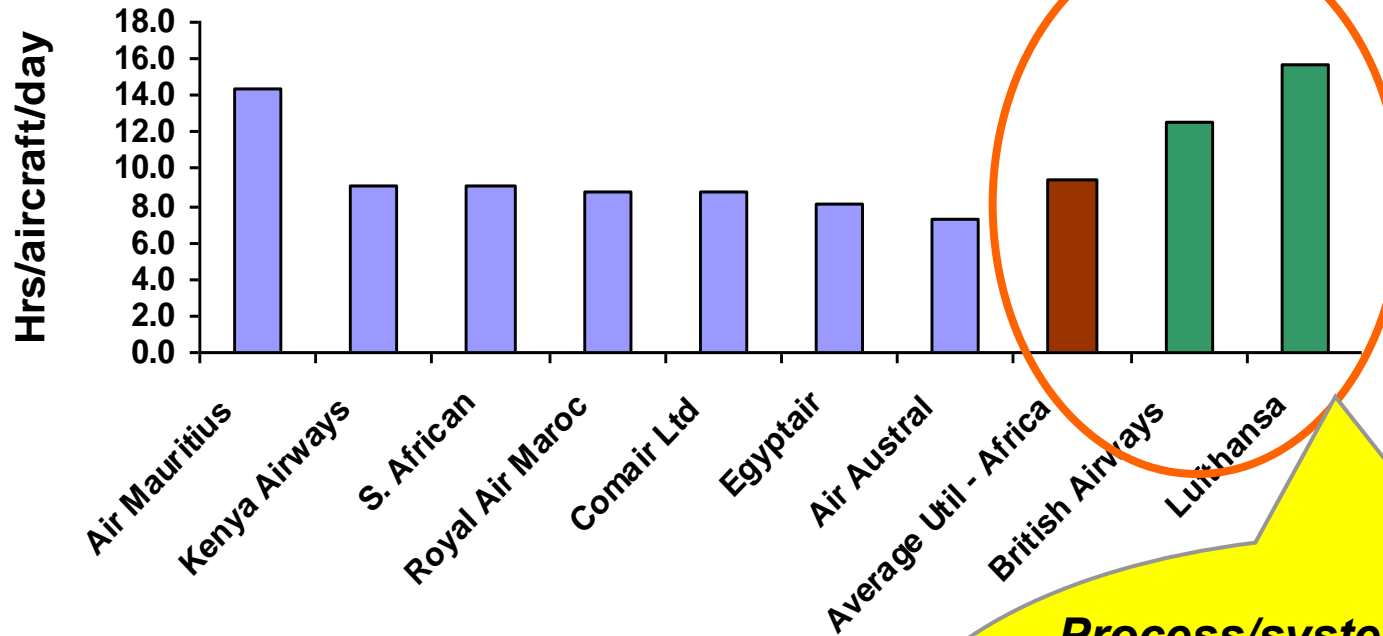
**Productivity, fleet utilization is a more important competitive issue as market opens up**

# Airlines, success and IT

.....Airline Planning example



## Daily Aircraft Utilization (Africa vs Benchmark)



Productivity, fleet utilization is a more important competitive

**Process/systems/people.....**  
**Extend hours per day**  
**Network, market analysis**  
**Maintenance analysis**  
**Crew planning and resource mgmt**

**...act?**

# Airlines, success and IT

## ....e-ticketing example



- **E-ticketing offers big savings.....\$9+ per booking?;**
- **E-Ticketing requires systems....for your airline (host) e-tix, agency (GDS) e-tix, airline partner e-tix (interline, codeshare etc) and ground handlers/GSA's (all of the above)**
- **But many issues to address beyond signing contract with an e-ticketing “hub” service provider;**
  - Passenger check-in processes
  - Deal with booking/ticket changes
  - Post Departure processing, e-ticket lift and revenue recognition
  - Revenue accounting and ticket reconciliation
  - .....
- **To make 2007 deadline without revenue loss requires process redesign, change management AND new systems**

# Airlines, success and IT

## *Talking points.....*



- The airline industry context and Africa
- Primary business functions, IT and other dependencies
- **Getting it right**





## A Case Study

**“Business consultants from Sabre have helped Gulf Air realise financial benefits of more than US\$30 million a year...**

**“We were sceptical at first that consultants would be able to deliver the results we were looking for,” said James Hogan, President and CEO of Gulf Air. “Sabre gave us tactical consulting - they were prepared to put their money where their mouths are, dive into the heart of our business and get their hands dirty. The results speak for themselves.”**

**....The 18-month consulting engagement involved changes in seven areas of the airline’s operation .... fuel consumption, pricing and revenue management, sales, distribution, e-ticketing, on-time performance, and airport operations.”**

**Business Wire, Jun-05-2006**