

# Turning data into euros

**Conference report: Enterprise Data  
Management for the Airline Industry**

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### About this paper

When Jeremy O'Bannon, vice-president of DOB Systems, welcomed delegates to the May *eyefortravel* conference on enterprise data management he spoke of a 'golden age' in air travel. But, he warned, even golden ages have their losers; never before has it been more important for airline executives to have a clear vision of the global marketplace – and to achieve that they must build effective business intelligence systems to help them make the well-informed decisions that will increase profitability and deliver long-term, sustainable success.

During the day, speaker after speaker, seemed to agree on one prime fact; that the efficient *use* of airline data – from wherever that data comes, in-house or external – is the key to becoming more competitive in a constantly changing marketplace. But with so many different data sets available – each providing a window on one piece of the global marketplace, but none (not even MIDT) providing the *whole* picture – the real challenge is to assemble the data 'puzzle' in a way that will create what O'Bannon called "an intelligent perspective from which to make confident business decisions".

As the vice-president of DOB systems knows better than anyone, this is easier said than done. More than once a presenter was asked: if you could have your heart's desire in data management terms, what would it be? The answer was much the same each time: a tool that can integrate the many data sources into a single, coherent resource.

## Distribution, sales and marketing

The day was divided into three segments – distribution, sales and marketing; network planning; pricing and revenue management. Chris Amenichi, Continental Airlines’ director of international distribution planning and e-commerce, and a 13-year veteran at Continental, kicked off the first session with a message as simple as it was profound: enterprise data has been ‘under-leveraged’ by airlines and this needs to stop. Amenichi believes that in spite of the commoditisation of fares it is still possible for an airline to succeed with a value-added proposition as long as it has also created an integrated critical-mass of “profitable intelligence” to allow it to have an effective relationship with the customer at every touch point as well as to turn that relationship into profit through achieving “the customer’s *right fare*”.

In the end, said Amenichi, what will differentiate winners from losers is how each airline develops the customer’s trust that what it offers is not only safe, clean, reliable but value-for-money too. To do all this, and to do it well, will require very significant amounts of operational and marketing data as well as systems that can put it at the fingertips of all those who need it, he warned.

Peter Pohlschmidt, e-commerce manager at Qatar Airways, started his presentation by listing the main data sources used by his airline (MIDT topped his list of external sources) but he too was soon echoing Amenichi’s point that the sheer diversity of data makes it very hard to make sense of it in an integrated way. E-commerce provides a compact and complete data resource which makes it relatively easy to perform end-to-end analysis, he said. But this relative ease in e-commerce also highlights the problems faced by the other distribution channels, with their huge and disparate systems, and large separate data sources, making analysis very difficult primarily because of the continued absence of tools to draw everything together.

Pohlschmidt was the first speaker to address directly a factor that many airline representatives clearly felt to be very important. The majority of Qatar sales still come through the agency channel and Pohlschmidt wished out loud that he could know more about these customers so that his airline could serve them better.

“We are looking at how we can work with the travel trade to get a better view of the customer,” he told delegates. Later, in the Q&A session, Chris Amenichi returned to this point saying: “We need to make this process seamless; all of us have very transferable data, and we also have the ability to service the customer in a very friendly and appropriate way. That needs to happen and happen quickly.”



## Network planning

The first Q&A ended with a brief discussion of market segmentation and demographics which provided the perfect introduction to the next session in which two former heads of network planning, John Strickland (formerly of Buzz) and Ralph Anker (previously at GO), looked not only at the orthodox data needs of network planning but also at some of the less obvious ways to arrive at an informed decision.

Strickland, now director of JSL Consulting, made extensive use of GDS data, such as MIDT, in his time at BA and KLM and he praised it for providing true origin and destination passenger flows as well as for providing a window on traffic mix, particularly by fare type and by cabin: "It's one thing", he said, "to know that there is a volume of passengers flying on a particular route, but it's another to know what those passengers are actually paying". Even so, he encouraged airlines considering adopting MIDT to take care to assess precisely what level of coverage they are being offered.

He then went on to look closely at how an LCC's approach to network planning differs from that of a network or legacy carrier, going so far as to question whether "traditional market data" is much use at all to an LCC, especially when it is breaking fresh ground. In new markets, into new airports with no previous schedule services, what matters is not so much traditional quantitative data but a qualitative approach; he urged delegates instead to visit the towns, look at the community dynamics, ask why people might travel and what the social linkages to the airport really are, as well as to look at factors like ethnic population links, the pattern and volume of second home purchases, tourism statistics and business linkages.

Strickland's presentation showed that there are even more useful sources of data available to airline network planners than the very wide range of traditional options already suggests. So, he concluded, when choosing your data source or sources, be alert to the strengths and weaknesses of each, be selective, and always expect surprises in the real world outside your model!

Ralph Anker, formerly at GO, is now a lecturer, researcher and consultant based at Cranfield University as well as consultant editor for JetOne magazine. He chose to share some original GO network planning research into airport catchment areas, demographics and drive times. GO's innovation was to use its 'phone and on-line booking data (including postcodes) to map a three million strong passenger sample according to 12 socio-economic categories and 52 lifestyle groups, all delineated along '*isochrones*' (lines of equal travel time to the airport). The airline discovered that the population patterns were indeed similar across different airports, thus validating the approach as a means of evaluating future bases. The sheer size of a catchment area was not after all the key issue; more important were the socio-economic groups who lived in that area. GO had shown that it could locate and quantify those groups and it planned to use the approach in future to assess domestic and overseas bases, but then the Easyjet take-over changed all that.

It was Jung Yu's job to stop delegates thinking about their forthcoming lunch. He is a specialist in forecasting and optimisation tools from Sabre. The key to success, he said, lies in managing and processing data in ways that yield the most accurate results. Airlines that can do this well are the ones that will have the competitive advantage.

## Pricing and revenue management

Melissa Skluzacek, director of pricing and revenue management at MidWest Airlines, launched the third and final session of the day by shedding light on ways to avoid data problems in pricing and revenue management. MidWest's strongly-held data philosophy is that the data and the reporting should be tailored to fit the business process, not the other way round. But perhaps Skluzacek's key point was to warn delegates not to forget that, for all the effort they might put into sourcing and gathering their pricing and revenue management data, it will only ever be as good as the analyses then performed on it.

Rick Zeni, the last podium speaker of the day, is Jet Blue's revenue management vice-president. There has been a fundamental change to the revenue management problem that carriers face, whether they are LCCs or network carriers competing with LCCs, he told delegates. Traditional RM models rely on the assumption that demand for any one fare type is independent of demand for any other, but this assumption is no longer valid, said Zeni. At the same time there's now data that was not available when traditional RM models were created, which raises the additional question: can this new data help to take the science of RM in a new direction?

In its efforts to forecast demand JetBlue is now working on a customer choice model: "Now we have more information about what else a shopper sees when they make their purchase we can calibrate a model based on what we offer and what our competitors are offering [to show] the probability that they will in fact book with us," said Zeni. The model – still in development – will aim to determine demand probabilities based on factors such as price, time-of-day/day-of-week, non-stop/one-stop/connecting, aircraft type, frequency, origin point presence (OPP), and brand premium.



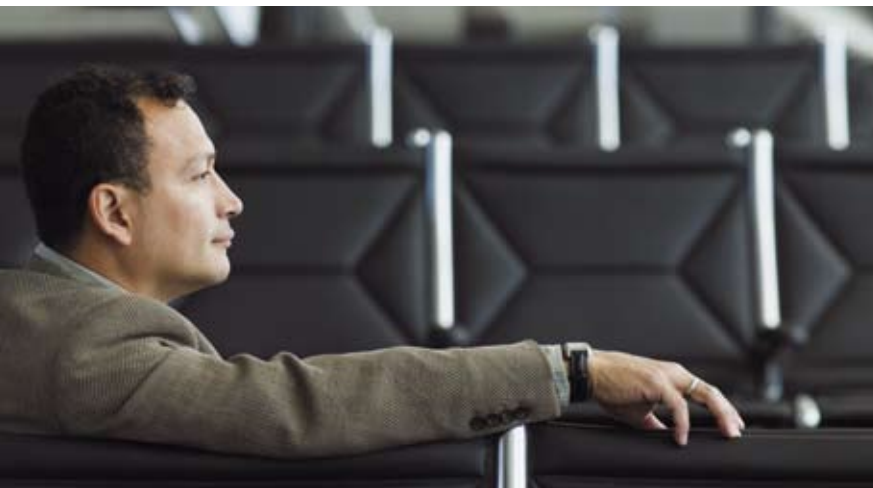
## In closing

For the final Q&A Jeremy O'Bannon got the ball rolling by asking the panelists if any of them had recently taken on a new data source and, if so, what had been the reasoning behind their decision. For this final session Skluzacek and Zeni were joined by Damien Paries, revenue and scheduling manager at Corsairfly. Paries had a fascinating story to tell which rather typified the conference's informal theme – that the right data source used in the appropriate circumstances can provide an invaluable and profitable insight into an otherwise closed world.

“The last big thing we bought was MIDT,” Paries told his fellow delegates. “The reason came at the end of 2006. We were used to a very flat market, growing by just 1% a year for the last five years. Then, last year, we were very happy to see bookings rise by more than 10%. But two months later, when the airport data was released, [we could see that] the market as a whole had grown by 15% so we had in fact lost half of the growth of the market!”

At this point Corsairfly decided that it definitely needed MIDT, Paries explained, which then provided a clear picture of what had happened in his market; in spite of a huge discount campaign certain travel agencies were still not selling the new Corsairfly fares. MIDT then also enabled him to fine-tune the relationships with his travel agencies; a positive trend in bookings was established very quickly. “With MIDT we are more confident with our decisions ... especially in terms of targeting our incentives and monitoring our relationships with the agencies,” Paries added later.

At the very start of the day Jeremy O'Bannon had reminded delegates that the data management challenge facing the air travel industry is, in many respects, rooted not in data shortages but in an embarrassment of riches. No other industry has anything like the type and quality of competitive intelligence available to airlines. MIDT, for example, is unique in the level of detail its competitive information provides, unique in the comprehensive view it gives of future bookings (providing a view of future demand) and unique in providing detailed information about all the non-approved IATA agencies operating around the world (50,000 of them as of April 2007). Of course such a 'wealth' of data counts for little if the resource is not properly deployed. But Corsairfly, one of MIDT's newest converts, had then shown delegates what is really possible when a rich data resource is first tailored and then targeted.



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