

About Icelandair

Flag carrier Icelandair operates international transatlantic flights to 22 destinations in the US and Europe and uses Reykjavík as its hub. Last year Icelandair carried around 1.5 million passengers - 700,000 of them on its transatlantic routes - and generated enough revenues to make it Iceland's single largest exporter.

e-Travel, the e-Commerce division of Amadeus, has been very responsive in providing us with a personalised website at no design costs which has enabled us to compete effectively with Low Cost Carriers while also increasing our online yield and sustaining our international strategy.

Arni Sigurdsson
Director Distribution, Icelandair



In brief

Airline challenges

- > Increase online yield.
- > LCCs competition.
- > Multi-market strategy.

Our solutions

- > Amadeus e-Merchandise.
- > Amadeus FareXpert and Amadeus e-Design.
- > Amadeus e-Retail language options.

Combined results

- > 10% increase in yield after 3 months launch and no design costs.
- > Increased customer satisfaction and loyalty, improved reactivity to market conditions.
- > Tremendous growth in launched markets.

A successful carrier

Icelandair carried 203,000 passengers in August 2005, a year-on-year increase of 19.1%. Sales (RPK) were up 25.9%, and with capacity (ASK) up 21.9% the passenger load factor of 83.9% was 2.7 percentage points higher than in August 2004.

In the first eight months of the year, Icelandair's passenger traffic figures increased by 14.5% over the equivalent part of 2004. Capacity was 15.6% higher and load factor was up 2.4pp.

Icelandair has adopted the Amadeus e-Retail Engine, the world-leading Internet Booking Engine since 1997. Over the last three years the airline's direct distribution channel has skyrocketed and is currently contributing around 60% of total direct sales. Overall, fares sold over the Internet account for 26% of all passengers.

For more information on Icelandair, please see www.icelandair.net.



Your new “e-Merchandise engine” is the absolute best I have ever seen!

I like the new pricing display and layout. Much more user friendly, thanks!

Customers on icelandair.com

1st challenge - Growing the online yield

From the beginning Icelandair had two clear priorities: the first was to reach significant Internet distribution growth levels; the second to reduce the overall cost per booking.

“Growing the Internet channel and optimising our costs are still ongoing objectives, but we want to make sure that Icelandair’s website doesn’t become just a special offers sales channel, which would defeat our profitability targets,” explains Arni Sigurdsson. “We also want our customers to assess our entire value proposition in a clear and effortless manner.”

1st solution - Simplifying the product offering

e-Travel, the e-Commerce division of Amadeus, has invested tens of millions of euros in research and development, much of it aimed at improving the usability of the e-Commerce storefront. The result is the second generation of the Amadeus e-Merchandise Solution - including Amadeus Flex Pricer - for which Icelandair became an early adopter in April 2005.

“We have simplified our fares so that end-users see exactly what they’re buying and what they can do with the ticket after they’ve purchased it,” says Arni Sigurdsson. “In this way our online travellers understand the value of opting for a higher priced fare and can make an informed decision based on their situation.”

1st result - Achieving continuous yield growth

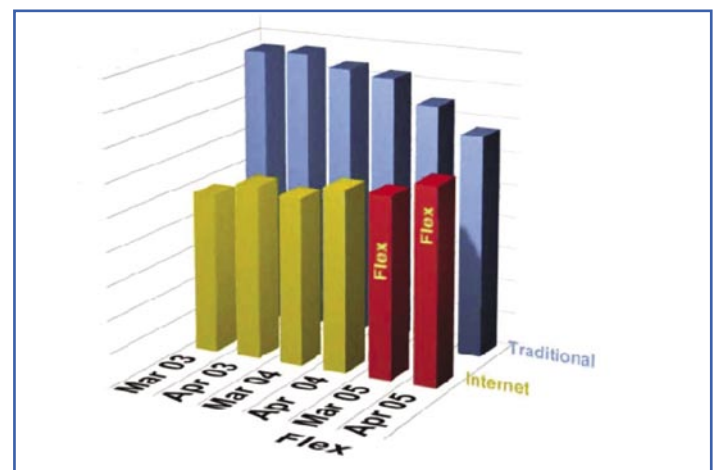
“Showing a range of dates allows us to reduce the number of seats we offer at the lowest price on each flight, increasing yield without affecting sales. Indeed, since the launch of Amadeus e-Merchandise

our online sales have increased drastically across the board, even at times of year when we would usually experience a seasonal decrease.”

In addition, the latest design of the new calendar web pages are entirely crafted, customised and hosted by Amadeus. This new, personalised design has cost Icelandair nothing to build, maintain, or host.

“I do believe that travellers seem to enjoy having the option of buying a lower price on a different date as displayed by the extended calendar range, but we have noticed that they will stay faithful to their preferred itinerary and opt for higher fares as long as the price difference isn’t too big and the value justifies it. It is, therefore, clearly to our advantage to display higher fares as well, and not to restrict our online store to just the lowest.”

Yield comparison



Graph highlighting the yield increase after launch of Amadeus e-Merchandise.



SEARCH > CALENDAR > FLIGHT > REVIEW > PASSENGERS > PAYMENTS > CONFIRMATION > RESERVATION

select your dates

London to Reykjavik 9 October 2005 +/- 3 days Passengers: 1
 Reykjavik to London 12 October 2005 +/- 3 days Fare Type: Economy

Prices are per adult passenger. Total prices including taxes will be displayed at the next steps.

Return: Reykjavik - London

	Sun Oct 09	Mon Oct 10	Tue Oct 11	Wed Oct 12	Thu Oct 13	Fri Oct 14	Sat Oct 15			
Outbound: London - Reykjavik	Thu Oct 06	Fri Oct 07	Sat Oct 08	Sun Oct 09	Mon Oct 10	Tue Oct 11	Wed Oct 12	Thu Oct 13	Fri Oct 14	Sat Oct 15
	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 205 GBP	from 154 GBP	from 359 GBP
	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 205 GBP	from 154 GBP	from 359 GBP
	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 154 GBP	from 205 GBP	from 154 GBP	from 359 GBP
	from 613 GBP	from 453 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 432 GBP
	from 613 GBP	from 453 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 432 GBP
	from 656 GBP	from 656 GBP	from 656 GBP	from 656 GBP	from 656 GBP	from 656 GBP	from 656 GBP	from 656 GBP	from 656 GBP	from 656 GBP
	from 613 GBP	from 453 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 412 GBP	from 432 GBP

Legend = Requested date = Lowest price GBP = British Pound

back

www.icelandair.net - Offering a 7x7 personalised lowest fare matrix.

2nd challenge - Competing against Low Cost Carriers

Icelandair's main home-market competitor, a low-cost carrier, started with flights to Copenhagen and London, expanded into Frankfurt-Hahn this summer, and has now announced further expansions with flights to new destinations in Scandinavia and Germany starting next summer.

"LCC competition forced us to offer very cheap fares almost every day and on every single flight. At the same time we were getting complaints from customers who were searching our website but not finding the lowest advertised fare. It was becoming critical that we find a technology that could display large combinations of flights on a single screen, and be as transparent as possible, in order to increase our loyalty rates and yield figures," says Arni Sigurdsson.

"The simplicity of LCCs also challenged the industry. Although our website was clean and easy to navigate, we realised we had to drastically simplify our offering and the way we presented our fares, while at the same time differentiating our offer based on the comprehensiveness of our inventory," says Arni Sigurdsson.

2nd solution - Rationalising the fare offer & enhancing the user interface

Amadeus allows traditional airlines to compete with low-cost carriers by offering online solutions that support the display of one-way or itinerary fares in calendar-based presentations. The itinerary mode offers a simple and comprehensive display, while at the same time enabling the airline to truly differentiate itself from the LCCs by supporting return fares, complex itineraries and up to 6 different fare products – Fare Families.

"Amadeus e-Merchandise Solution allows us to display a complete 7x7 matrix, enabling our customers to spot the best fare at a

glance from among 49 potential offers. Amadeus technology also allows the airline to respond to competition using the FareXpert module which dynamically updates fares in real-time," explains Arni Sigurdsson.

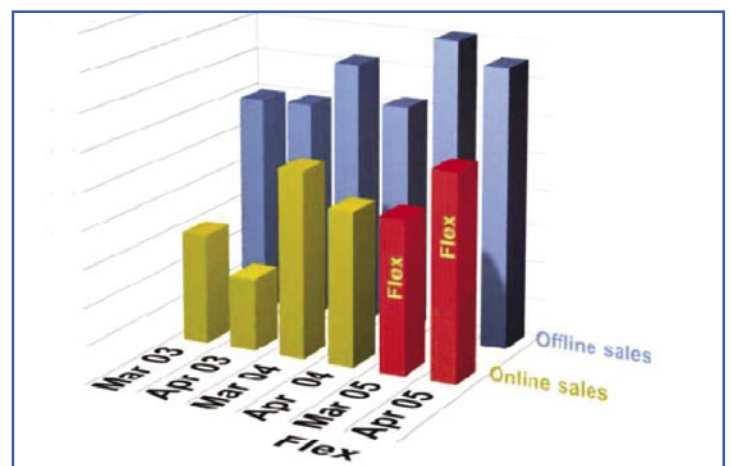
Moreover, Amadeus e-Design, which uses the latest XHTML/CSS technology, hands airlines more and easier control over the appearance of their website in a fully customized way.

2nd result - Increasing customer experience & sales

"The day after we launched in the US, where Internet travel sites are regarded as best in class, we received spontaneous compliments about our booking engine and felt a little pride," recalls Arni Sigurdsson.

"After the launch of Amadeus e-Merchandise Solution and our fare management system - Amadeus FareXpert - for the first time our sales did not drop in April as they always had in the past - in fact they climbed by 28%!"

Tickets by channel



Graph highlighting the sales increase after launch of Amadeus e-Merchandise.

3rd challenge - Differentiated multi-market strategy

The challenge for Icelandair was to deploy a multi-market strategy while also keeping strong downward pressure on costs. Because Icelandair's business model is entirely based on international routes, it required a booking engine translated into nine languages (including the numerous Scandinavian languages) to accommodate the different markets. In addition Icelandair needed a robust engine which could easily price routes according to the market in which the ticket was issued.

3rd solution - Deploying Amadeus e-Retail solution internationally

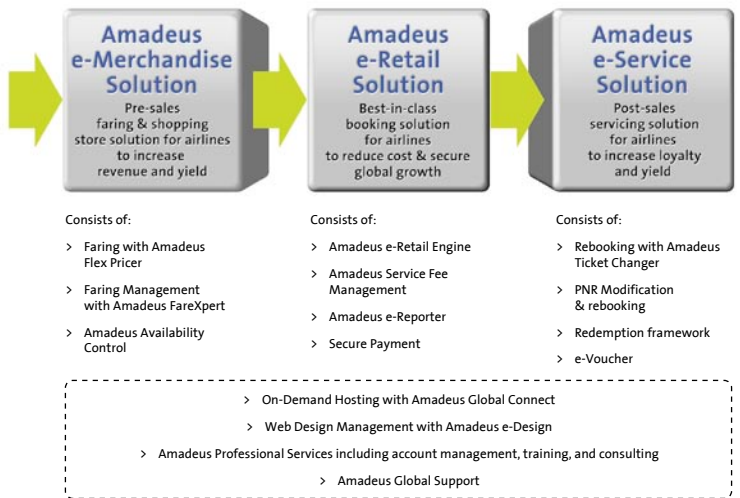
Since the Amadeus e-Travel Airline Suite can be deployed in 23 different languages and supports more than 180 currencies it could easily accommodate Icelandair's requirements. "Thanks to the multiple languages supported by the Amadeus e-Travel Airline Suite we are able to e-Retail in multiple countries more easily without losing potential customers because of language or currency restrictions. Furthermore, the advanced string functionality allows more flexibility in tailoring messages for each country," says Arni Sigurdsson.

"Over-riding the faring command and the internet office ID parameters in the booking engine also allowed us to deploy our multi-market faring strategy efficiently in record-breaking time," adds Arni Sigurdsson.

3rd result - Additional sales on-demand

"The implementation took three months from start to finish and the most challenging part was to launch the new version in nine languages in such a tight timeframe. Thanks to the excellent working dynamics and relationship with e-Travel, the e-Commerce division of Amadeus we achieved our objectives. We were also very pleased to save on design costs for these new sites," says Arni Sigurdsson.

Amadeus e-Travel Airline Suite



e-Travel EMEA & LATAM, e-Commerce division of Amadeus
 Nice, France
 Tel: +33 (0)4 92 94 31 28
 email: etsalesglobal@amadeus.com

e-Travel North America, e-Commerce division of Amadeus
 Boston, Massachusetts
 Tel: +1 800 343 5228
 email: etsalesus@amadeus.com

e-Travel Asia, e-Commerce division of Amadeus
 Bangkok, Thailand
 Tel: +66 2 305 8157
 email: etsalesglobal@amadeus.com

www.amadeus.com



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