



# Revenue Innovation

## The Role of Automation



**David Peller, RVP EMEA / India**  
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# LOW FARES. NO HIDDEN FEES.

At Southwest Airlines we don't charge you for things that should be free. So while the other guys are busy tacking on hidden fees for everything from curbside checkin to checking 1st and 2nd bags, we're busy making your flight more fun. **Have a little fun here right now.**



**AT SOUTHWEST, THERE IS...**

**NO FIRST CHECKED BAG FEE**

**NO SECOND CHECKED BAG FEE**

**NO CHANGE FEE**

**NO WINDOW OR AISLE SEAT FEE**

**NO CURBSIDE CHECKIN FEE**

**NO PHONE RESERVATION FEE**

**NO SNACK FEE**

**NO FUEL SURCHARGE**



**WATCH  
TV ADS**



**GET FREE  
RINGTONE**



**PLAY  
FEE GAME**



**SEE YOUR  
SAVINGS**

SEND TO A FRIEND

RELOAD SITE

You must rebook if your plans change, which could cost more. But we have no additional change fees. Baggage weight and size limits apply. © 2008 Southwest Airlines Co.

## From ARAC – 2007

**\$5,600,000,000**

***Total global airline profits, 2007***

***~2% return, on \$470bn revenue***

*(IATA estimate, October 24<sup>th</sup> 2007)*

To ARAC – 2008

**-\$5,200,000,000**

***Estimated global airline losses, 2008***

*(IATA estimate, September 2008)*

# Profits? How about survival ...

\$40,000,000,000

***Profit required – just to cover cost of capital***

*(IATA estimate, October 24<sup>th</sup> 2007)*

# Chasing revenues ...

2,260,000,000

***Number of air passengers***

*(Source: ICAO 2007 Annual Report of the Council)*

It's all about revenue



## Chasing revenues ...

~ \$20.00 / pax

***Additional revenue required  
just to cover losses & cost of capital***

# Everything is on the agenda



# Fees, options, fees, options ...

If you have tickets purchased...	for travel...	then the following fees will apply for checked bags:	
		First bag	Second bag
on or after September 16, 2008	on or before November 9, 2008	\$15 USD each way	\$25 USD each way
on or after September 16, 2008	on or after November 10, 2008	\$15 USD each way	\$50 USD each way



	Tango	Tango Plus	Latitude	Latitude Plus	Executive Class
ANYTIME <sup>1</sup> CHANGE FEE <sup>4</sup> <small>*Except Same Day</small>	\$30 PLUS ADDITIONAL FARE DIFFERENCE	\$30 PLUS ADDITIONAL FARE DIFFERENCE	\$0 PLUS ADDITIONAL FARE DIFFERENCE	\$0 PLUS ADDITIONAL FARE DIFFERENCE	\$0 PLUS ADDITIONAL FARE DIFFERENCE
FLAT FEE FOR SAME-DAY CHANGES AT THE AIRPORT <sup>2</sup>	\$150 NO CHARGE FOR FARE DIFFERENCE	\$50 NO CHARGE FOR FARE DIFFERENCE	\$0 NO CHARGE FOR FARE DIFFERENCE	\$0 NO CHARGE FOR FARE DIFFERENCE	\$0 NO CHARGE FOR FARE DIFFERENCE
AEROPLAN <sup>3</sup> STATUS MILES FOR FLYING WITH US	50% NON-STATUS MILES	100%	100%	100%	150%
AEROPLAN MILES FOR EVERY DOLLAR SPENT ONLINE	1 for \$3	1 for \$2	1 for \$1	1 for \$1	1 for \$1
ADVANCE SEAT SELECTION FEE	\$15	\$0	\$0	\$0	\$0
UPGRADE CERTIFICATE		✓ <sup>6</sup> APPLICABLE IN SOME CASES	✓	✓	NOT APPLICABLE
FULL REFUND			✓	✓	✓
PRIORITY SERVICES				✓ <sup>5</sup> PRIORITY CHECK-IN & BAGGAGE	✓ <sup>5</sup> PRIORITY CHECK-IN, BAGGAGE & BOARDING
MAPLE LEAF LOUNGE ACCESS				✓ <sup>5</sup>	✓
COMPLIMENTARY SNACK AND SANDWICH			✓	✓	✓

# Ancillary revenues

## ▶ Flight-related ancillaries:

- ▶ Baggage fees
  - ▶ In-flight entertainment
  - ▶ Lounge access
  - ▶ Meals / beverages
  - ▶ (Preferred) Seating
  - ▶ Travel services
    - ▶ Trip insurance
    - ▶ Visa services
  - ▶ Upgrades
- ... and more ...*

## ▶ Non-flight ancillaries:

- ▶ Ground transportation
  - ▶ Car rental
  - ▶ Attractions
  - ▶ Hotels / lodging
  - ▶ Cruises
  - ▶ Branded merchandise
- ... and much, much more ...*

# Ancillaries – end-to-end support

- ▶ Many system “work-arounds” created to support flight-related ancillary sales
- ▶ Partnerships with others for non-flight products
- ▶ Solutions work well for own, direct channels, but fail for third party distribution
  
- ▶ ATPCO has pioneered “Optional Services” product, enabling airlines to file and distribute ancillary products, in the same way as fares / rules
- ▶ Participating airlines will be able to have GDSs and pricing engines “shop” ancillaries as part of a sale

# ITA Software

# ITA Software

- ▶ **Founded in 1996, now >500 employees**
- ▶ **Headquartered in Boston, USA**
- ▶ **Privately held, profitable, growing fast**
- ▶ **Launched QPX airfare pricing & shopping system with Orbitz in 2001; now deployed with:**
  - ▶ *Airlines*, incl. AA, AS, AZ, CO, HA, LO, TP, UA, US ...
  - ▶ *OTAs*, incl. Orbitz, Hotwire, Cheaptickets, Cleartrip.com ...
  - ▶ *Metasearch*, incl. Farecast, Kayak, Sidestep ...
  - ▶ *Offline agencies*, incl. Liberty Travel, US Government Travel
  - ▶ *Corporate agencies*, incl. Amex/Rearden, CWT and more..
  - ▶ ... *billions of production transactions every year*
- ▶ **QPX: ATPCO Optional Services-ready**

# Some of our customers ...

## Airline Customers



## Travel Distributors



# Thank you!

- ▶ Drop your business card in the bowl at the **ITA Software** stand for a chance to win an all-new iPod Nano!

