



# Building customer value and trust

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# JDA



# Cargo Revenue Management

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*8:30 am, Unisys Cargo User Group*



# Trends in Cargo Revenue Management

- **Cargo RM has achieved critical mass**
- **RM pioneers now have their eyes on integrated commercial decision-making**
  - Pricing + revenue accounting + customer relationship management + revenue management
- **Most carriers are still focused on low-hanging fruit**
  - Consensus on Capacity Management as the first step
  - Preference for hosted solutions with low up-front costs
  - Interest in closer integration with core systems

# The First Step to Revenue Management

- **How much capacity is it safe to sell?**
  - Forecast flight capacity
    - especially seasonal effects
  - Forecast customer show-up rates
    - cancellation, no-show, tendering
  - Overbooking/underbooking
    - manage probability of carrying as booked
- **Introduction has low organizational risk**
  - Extends existing business processes
  - Easy to understand outputs

# Principles of Capacity Management

- **Know where your capacity went**
  - Retain flight planning data after departure
  - Remember your history to tell your future!
- **Know what you carried**
  - Harmonize booking, AWB, manifest data
  - Measure the dims!
- **Sell based on passenger forecasts**
  - Do not wait for PAX to release unused capacity
- **Manage your service risks**
  - Do not count on the normal case
  - Underbook as well as overbook

*The principles of capacity management are straightforward. The devil is in the data!*

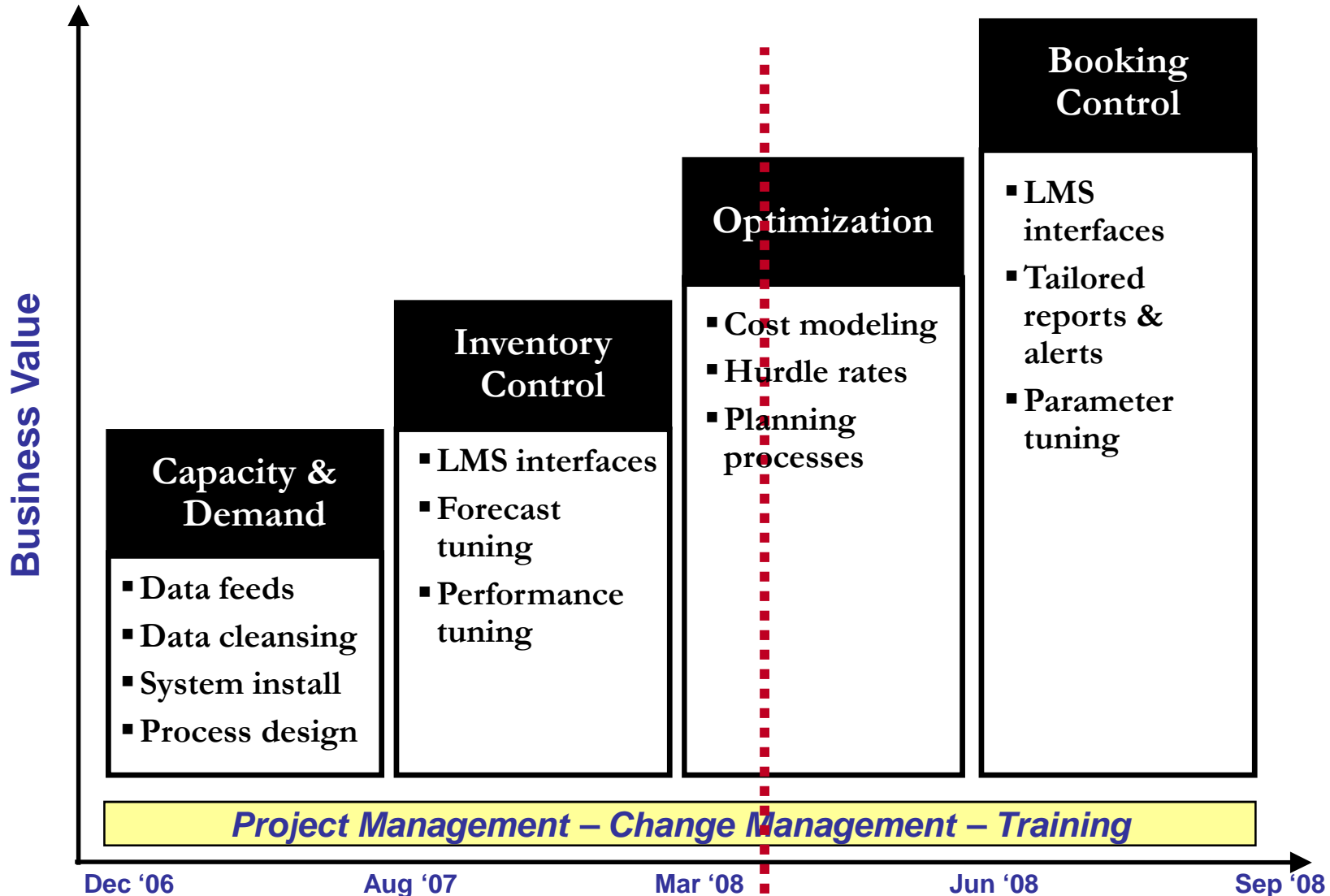
# Getting Beyond Capacity Management

- **Booking control intimidates**
  - Major process change
  - Moves locus of authority
  - Challenges status quo
- **Proceed in small stages**
  - Introduce optimization first to business planning
  - Time to analyze recommendations
  - Budgets, sales targets, contract evaluation

## Cargo RM Principles

- Accept only the best
- Balance traffic flows
- Anticipate bottlenecks
- Tell PAX the value of your capacity

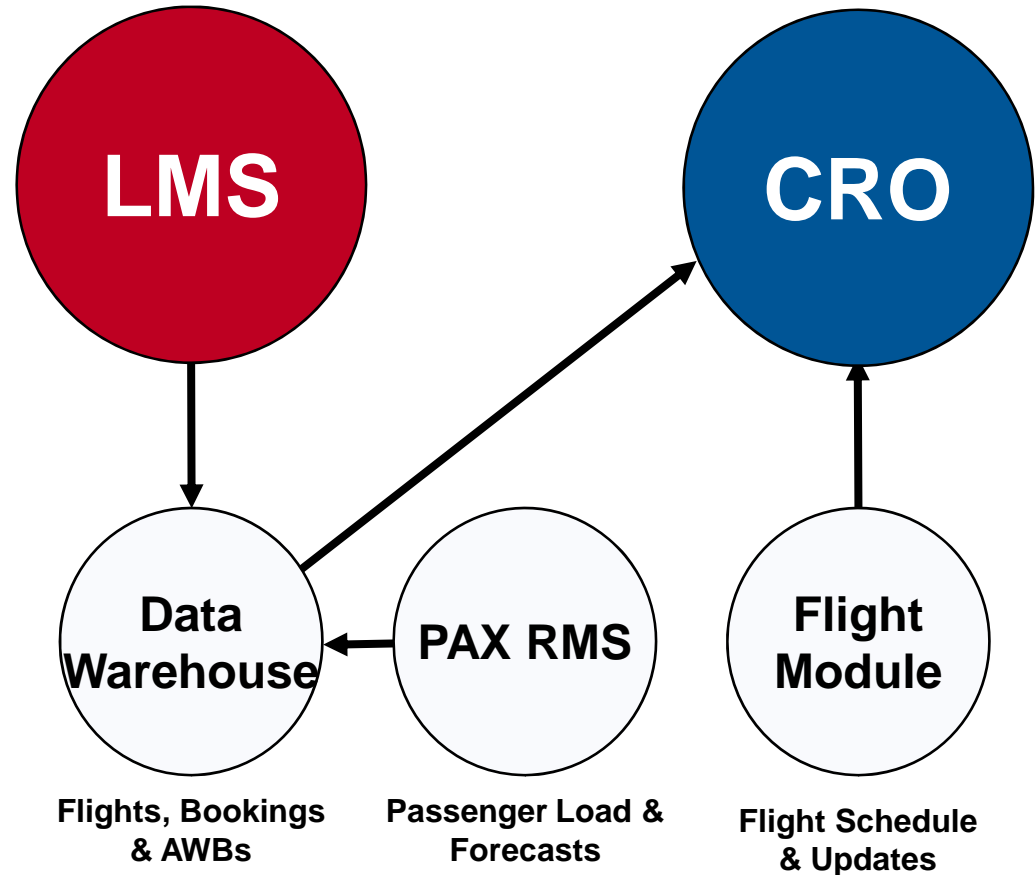
# Delta Project Phasing



# Step 1: Standalone Forecasting

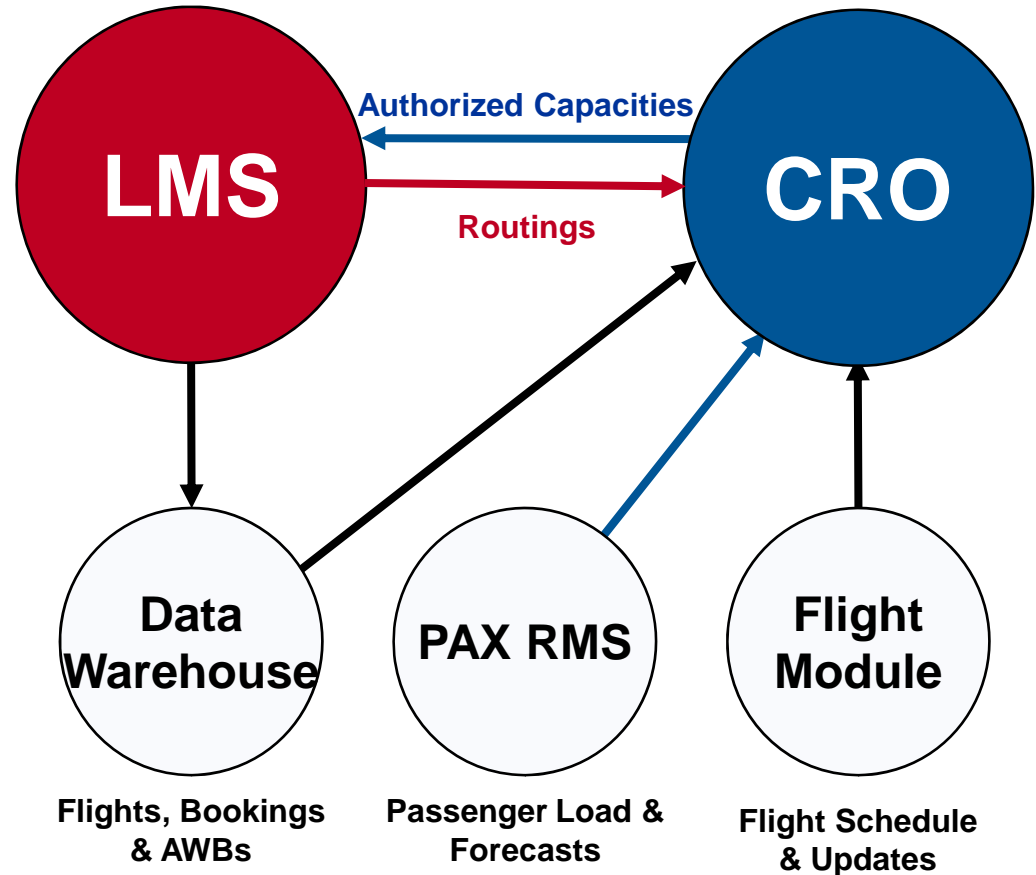
• Shared and trusted forecasts let workers act with confidence, business, and

- **Demand & Capacity**
  - O&D demand
  - Wide & narrow body capacity
  - Overbooking
- **Plug-in business process**
  - Authorized capacity emailed to analysts in pre-existing spreadsheet format
- **Rapid results**
  - UAT-ready in 3.5 mos.
  - 9mos. start to production
  - Just 13 legs still being tuned



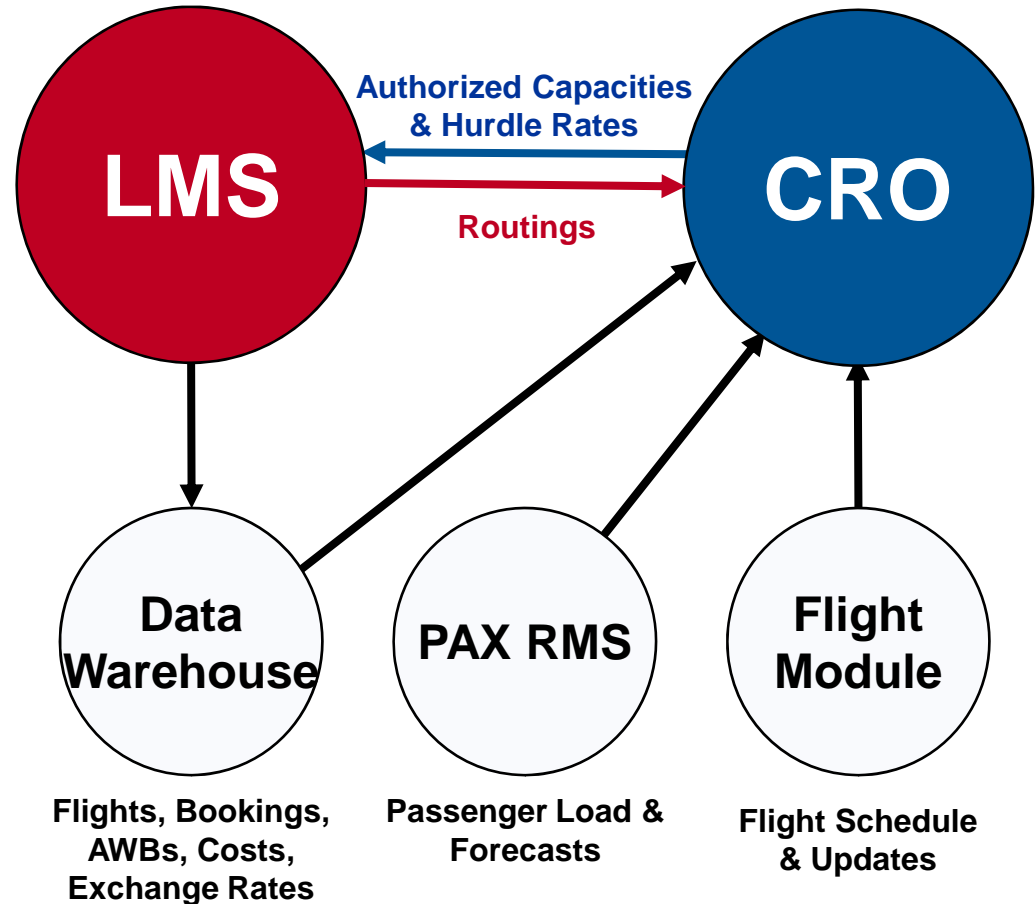
# Step 2: Inventory Control

- **Inventory Control**
  - Added CRO outputs to LMS displays
  - 2-way interfaces
  - Direct PAX interface
- **Plug-in business process**
  - More accuracy
  - More detail
  - Same place (LMS)
- **Rapid results**
  - Mar '08 in production
  - 10 regular users



# Next Steps: Hurdle Rates

- **Planning & Optimization**
  - Financial data feeds
  - Cost visibility
- **New business processes**
  - 3 months of hurdle rates e-mailed to sales
  - Contract evaluation
  - Hurdle rates applied in LMS
- **Rapid results**
  - Standalone/email use starting Jun '08
  - Hurdle rate interface & display in LMS by Sep '08



# Business Process Objectives

- Majority of bookings made before tender
- Details collected at booking and at tender
- Customers releasing allotments on time
- Accurate picture of available capacity
- Cargo rides as booked
- Customers rewarded for good behavior
- Up-sell and recapture encouraged
- Revenue accounting integrated with revenue management
- Collaboration between Cargo RM & PAX RM teams

*Customer Management: Selling the right product, managing expectations, maintaining accurate data, consistently delivering*

# Conclusions

- Start with Capacity Management
- Proceed by small stages
- Involve other departments
- Plan for process change as well as systems change