

AIRLINE CASE STUDY / OCTOBER 2017

American Airlines takes baggage retailing to a new level

atpco

Airlines are now retailers. That means baggage policies have become an essential part of airline end-to-end retailing strategies. Likely being the highest source of airline ancillary revenue, baggage retailing now goes beyond simple static rules for seasonal changes, holiday periods, temporarily popular destinations, and new routes. Airlines are looking for the technologies that will allow them to react smarter and faster to consumer trends and cunning competitor initiatives.

THE CHALLENGE FACING AMERICAN AIRLINES

American Airlines, one of the largest airlines in the world and the founding member of the oneworld® alliance, offers an average of nearly 6,700 flights daily to 350 destinations in 50 countries. It's also one of the top three airlines in terms of ancillary revenue generation.¹

Because they are committed to anticipating and exceeding passenger expectations while building profitable revenue, American Airlines is focused on accuracy in baggage data. The challenge for an airline with so many online and offline passenger touch-points is the tremendous amount of baggage data to manage. This volume affects how long it takes to implement pricing strategies and their ability to monitor and analyze the revenue impact of each initiative. According to the airline, evolving its baggage retailing strategy encompassed complex pricing initiatives and created a new challenge for timely and efficient management of a growing amount of baggage data.

"Being able to make the changes in Excel has provided a faster and more efficient way to deal with necessary data updates."

Ray Martinez, Pricing Systems Development, American Airlines

¹ 2016 Top 10 Ancillary Revenue Rankings Report by IdeaWorks and CarTrawler.

TRANSFORMATION STORY

ATPCO has been working with travel industry professionals to find the best ways for airlines to grow ancillary pricing more efficiently and with faster speed to market. While exploring dynamic data creation opportunities, the Optional Services and Branded Fares Working Group agreed that export and import capabilities for the Optional Services solution would allow larger volumes of Optional Services and Baggage data to be efficiently uploaded to the ATPCO database and then distributed to the marketplace.

Driven by their vision for more automated internal processes and leveraging their data analysis results, American Airlines became a pilot partner of ATPCO. This partnership helped ATPCO to better understand individual airline workflows and adjust the solution to make sure it meets the ultimate airline business need of being able to provide travelers with baggage products where and when they are open to purchasing the service.

Face-to-face meetings, conference calls, several phases of prototype testing, and adjustments based on the candid feedback provided by the American Airlines baggage pricing team resulted in an easy-to-use tool that includes an MS Excel template for uploading airline ancillary offerings into ATPCO's Optional Services product. The upload template introduced a workflow that no longer requires coding one sequence at a time in the actual Optional Services application.

American Airlines praised their ATPCO counterparts for their excellent understanding of the airline's business goals, adding that the collaboration looked promising from the start and that information exchanged at each step of the process kept them eager to see what the next development phase would bring. ATPCO was prompt to address questions and to act on the suggestions the team expressed.

“A job that used to take us several days to do now takes about an hour or two.”

Ray Martinez, American Airlines



KEY RESULTS

MORE ANCILLARY PRODUCT REVENUE MANAGEMENT OPPORTUNITIES FOR REVENUE GROWTH

American Airlines baggage pricing initiatives can easily involve dozens of variables such as markets, travel dates, passenger types, and equipment type, which means creating lots of data sequences and coordinating multiple batch releases.

Optional Services Upload removed the constraints of a manual data entry environment. Within just several weeks of starting to use the Upload feature, American Airlines successfully implemented a baggage pricing initiative that involved more 43,000 data sequence changes in a single day—a tremendous increase from the airline's pre-upload maximum average of 2,000.

Ray Martinez commented, "Adding new coding is much easier now. We no longer have to move sequences around to be able to make room for new coding. We are now able to just add the new sequences and indicate where to insert the new sequences. This is extremely helpful. Canceling sequences is also easy. You are able to filter and find the sequences you need, or cancel a specific range."

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43,000

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IMPROVED SPEED-TO-MARKET

Being able to import data from an Excel spreadsheet directly to the ATPCO Optional Services database meant American Airlines could significantly increase capacity for getting their desired pricing strategies to market in a timely manner. The new upload functionality enables our team to concentrate on activities that drive revenue growth, rather than data entry. With this upload functionality, American Airlines anticipates efficiency gains of 50% to 90%.

Ray Martinez and his team shared that "Upload has been very quick and efficient when dealing with large volume changes. For example, if we make changes to OGO (our standard bag), we can easily update all our specialty items (in lieu of). We can just cancel out the old sequences and copy in the new. A job that used to take us several days to do now takes about an hour or two."

LESS MANUAL INTERVENTION FOR BETTER PRICING ACCURACY

By using an automated process to input data into ATPCO Optional Services, American Airlines reduced the risk of costly manual data entry errors, potentially saving the airline thousands and thousands of dollars.

Thanks to the ATPCO Optional Services Upload feature, American Airlines is now able to efficiently create and maintain the exponentially larger volume of data generated with the growth of baggage offerings. The new capability is a crucial step in the drive toward dynamic pricing and personalization.