

EXPERT PARTNER

» Airline outsourcing is centred on IT. Expert knowledge and the latest systems combine with cost efficiency to provide a strong package.

For example, a multitude of airlines are contracted to the Sabre e-ticketing hub. Gulf Air worked with Sabre to enable ET through the airline's own direct booking channels as well as through each of the five major global distribution systems (GDSs) and with third-party ground handlers. Egypt Air took Amadeus as a partner. Now the airline has access to the latest technology to support its operations.

EASY TO COMPUTE

Meanwhile, all-business start-up Silverjet outsourced hosting for its website, reservation data system, internet booking engine, automatic call distribution and departure control system for less than \$195,000 – and they were able to provide business services within four months. Only the contact centre has been kept in-house to ensure quality customer service.

“As an airline, our primary focus is on filling seats, not developing computer systems and software that can be cost-effectively sourced from outside,” reasons George Henderson, IT director at Silverjet.

“We have been able to defer up front costs and pay only for the work we need doing,” he continues. “Keeping the IT function small has ensured agility and a quick response to business needs. We've achieved this by buying in the necessary expertise to deliver differentiation through innovation quickly when required.”

Norbert Steiger, Senior Vice President for New Ventures and Large Deals at SITA, agrees that cost and flexibility are important drivers, but feels this doesn't tell the whole story. “If you dig a little deeper, you find cost savings are mainly applicable to larger carriers. Smaller carriers – which are increasingly outsourcing – also want a strong technology partner.”

Larger carriers usually have a sophisticated IT department, which can handle multi-sourcing and a large number of partners, making cost a primary issue. Start-up airlines also multi-source, though here it's speed-to-market that plays a key role. But managing a multitude of ‘plug and



play' systems can be difficult, and smaller carriers usually don't have the resources to mix and match. Outsourcing to one partner means simplicity and easy management.

TWIN DRIVERS

Steiger suggests that there are two components to technology outsourcing. The first is infrastructure. “This is purely about cost and is not a differentiator at all,” he says. “In fact, there is an opportunity to standardise across the industry.”

The second element is applications. Steiger emphasises that there is still a high amount of commonality here but a competitive advantage can be gained from the passenger-facing components of the system, which are customised for differen-

tiation. “It might be a really good website, for example, that allows easier navigation and more transparent pricing,” he says.

As for the future of IT outsourcing, one opportunity yet to be exploited to any degree is cooperation between airlines and airports. “Both spend big money on infrastructure, especially now self-service is taking hold, and often they duplicate their efforts,” Steiger says. “They can easily lower their costs by cooperating more.”

At Düsseldorf Airport in Germany, SITA was asked to put in a new data centre. However, local airline LTU already had a fully functional facility nearby. Steiger reveals SITA was able to negotiate a deal to manage both airline and airport from one data centre – saving money for both.

A second opportunity may be a return to Application Service Provider (ASP) contracts. Because new generation systems require simpler infrastructure the current trend is to buy licences, initially keeping outlay low but gambling on easy ongoing maintenance. This may change. An in-house skill-set is needed to maintain the product and licence validity. Carriers may find it's cheaper in the long run to go with ASP services.

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