Deploy IT solution to cut costs

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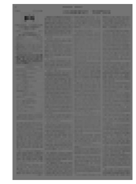

Deploy IT solutions to cut costs

SITA says selling online has helped region's airlines to save $2b

TBW Bureau

SITA, the specialist provider of IT business solutions and communication services to the air transport industry, urged the industry to reap the full benefits of the internet for cost reductions and ancillary revenues in order to compensate for the soaring cost of fuel.

"In these challenging times with oil at over $130 a barrel, there is now an even more urgent need to deploy technology to serve airline customers, save costs and to equip airline staff with effective technology to do their jobs better," Francesco Violante, chief executive officer, said.

"Airlines were the first industry to fully automate all parts of their business and the industry has now become the world's first truly web-enabled industry. IT enabled airlines to make both major savings and improve customer service after 9/11," he added.

Among the record 121 airlines responding to this year's survey, the online sales average is only 24 per cent with their own website. This varies from 43 per cent in North America to just under 10 per cent in Africa and the Middle East. "A very important source of revenue is clearly being lost to those airlines not using web selling at a time when everyone in the industry needs to maximise returns on their IT spend. Selling online has already massively helped to drive down distribution costs, saving airlines in the region of $2 billion," Violante said.

Hani El-Assaad, regional vice-president (Middle East & Turkey), SITA, said, "The price of fuel is providing the economic incentive for the airlines to tap further into ancillary revenues by acting not as traditional airlines but e-commerce companies offering every type of service to their global consumer market of 2.3 billion passengers using state of the art technologies such as Web 2.0 and Travel 2.0 applications. This can greatly help to withstand predicted airline losses of $2.3 billion this year."

He pointed to the example of Ryanair which now sells 98 per cent of its tickets online and gains over 17 per cent of its revenues online from ancillary sources while for many established airlines the figure is less than 5 per cent.

Since the first Airline IT Trends survey in 1999, airlines have invested around $100 billion in IT and communications. As a percentage of revenues the average airline IT spend is now 2.2 per cent. At the industry level, this equates to around $11 billion this year which represents an increase of five per cent over last year. This increase is seen as recognition that IT plays a strategic role, generating revenue as well as helping deliver cost reductions and customer service improvements through self-service and smoother passenger management.

Strategic issues

The main drivers for IT investment cited by survey respondents were reducing costs (62 per cent); improving customer service (54 per cent); enabling new market offerings and revenue opportunities (45 per cent); and improving workforce productivity (40 per cent). Top investment areas included passenger processing and services (63 per cent); aircraft management /operations (44 per cent); passenger security (34 per cent) and employee security (21 per cent).

Airlines are forecasting that while only only one percent of passengers use mobile phones for check-in today, this will rise to six per cent next year by which time more than half of airlines will offer the service. This forecast suggests an evolution of self-service to mobile devices.

The following airline self-service initiatives are already in place: web check-in (56 per cent); mobile phone check-in (21 per cent); self-boarding kiosks (21 per cent); online trip-change service (25 per cent); and lost baggage self-service (12 per cent).

Passenger security

Nearly 85 per cent of the airlines responding to this year's survey now provide passenger data to the world's governments, up four per cent from last year. Of those providing data, 73 per cent provide to less than five governments and the remaining 26 per cent to six governments or more.

The majority of airlines expect to have deployed at least one of these services onboard aircraft within a three to four year time frame: SMS via mobile phone; GPRS for Blackberry; Voice calls via mobile phone; Internet access via laptop; email access via laptop; and IM via laptop. More than half of respondents indicate they are planning to charge for these services or to finance them through advertising.

SITA is the specialist

As a provider of IT business solutions to the world's air transport industry. SITA manages complex communication solutions for its air transport, government and GDS customers over the world's most extensive communication network, complemented by consultancy in the design, deployment and integration of communication services. Its broad range of airline and airport IT applications and services includes airport operations and integrated baggage services, common use and desktop services, flight operations and air-to-ground communications and end-to-end airline distribution and fares services.

SITA has two main subsidiaries: OnAir, which is leading the race to bring in-flight mobile telephony to the market, and CHAMP Cargosystems, the world's only IT company solely dedicated to air cargo. SITA also operates two joint ventures providing services to the air transport community: Aviareto for aircraft asset management and CertiPath for secure electronic identity management. In addition SITA sponsors .aero, the Internet top level domain reserved exclusively for aviation.