

Reverse The Revenue Drain!



Malpractices and willful abuse of airline inventory cause losses in millions of dollars to airlines. Here's how they can put a stop to it!

Distribution accounts for a large chunk of airline costs. And nearly 2% of distribution cost is a result of agency malpractice and violations of booking policies & rules. Additionally, airlines lose a significant amount of potential revenue due to inventory abuse.

At a time when airline managements across the world are trying to control operational costs and drive profitability, they cannot afford to lose sight of these revenue leakages that can easily be plugged.

Causes

So, what are the most common ways in which agents and airline staff can violate booking rules and cause revenue losses to airlines?

Churning

- Agents frequently rebook tickets to, for example, circumvent ticketing time limits. This is done by repeatedly rebooking segments cancelled by the airline, within the same PNR or across PNRs and within the same GDS or across GDS (Global Distribution System).

Duplicate bookings

- Agents book a passenger twice on the same or different flight, class, route or date where it is not possible for the passenger to travel simultaneously. Or, they create duplicate bookings across PNRs for the same passenger.

Inactive Segments

- Once the reservations have been cancelled by the airline robots, blocked inventory is released. Depending upon the GDS system used by the airline and travel agents, there may be bookings that remain with inactive segments and require that the travel agent cancels these, so that the airline only pays for the cancellation cost and not the full cost of a booking.

Fictitious Bookings

- Fictitious, testing or training bookings, which block inventory and cause unproductive costs.

Passive Bookings

- Agents are allowed to book passive segments only to ticket a reservation that already exists in the airline's internal reservation system. But many book these segments to satisfy CRS/GDS productivity requirements, circumvent fare rules or to fulfil administrative functions.

Invalid city-pairs, flights, class

- Booking city-pairs, flight sectors or number, or class that are either not covered by the airline or its partners, or do not exist.

The Impact

Churning and duplicate bookings significantly reduce the ability of the airline's Revenue Management team to maximise the revenue of a flight. Reduction of available inventory results in the airline not selling all available seats or selling below the best price, which is exactly what the revenue integrity robots try to prevent. Inactive segments, fictitious bookings and invalid bookings increase the airlines GDS bill with costs that will not contribute to the generation of new revenue.

Nowadays many airlines are already using sophisticated revenue integrity robots to cancel some abusive bookings and to cancel bookings that exceed ticketing time limits. However, such tools cannot prevent travel agents from circumventing the actions of such robots through churning. Plus, robots cannot cancel bookings in all GDS, requiring the agents to cancel the bookings so that airlines do not pay the full cost of the booking (for example, in the case of inactive segments).

Therefore, although revenue integrity processes are vital tools for an airline revenue management, they are not sufficient to protect the airline from unproductive costs and leakages.

Taking a definitive step towards controlling those leakages

Airlines can effectively combat abuse and malpractice using a three-step approach:

Publish clear-cut booking policies

- Airlines must review their policies, publish them (this is a mandatory IATA requirement) and educate agents about booking rules and procedures that affect the airline distribution cost and revenue. This will minimize losses from genuine errors or misinterpretation of rules.

Define the penalties for violations

- Violations of policies cause losses to airlines. It is important for airlines to protect themselves by defining appropriate penalties for these violations.

Enforce the policies and penalties

- This is where most airlines fail to accomplish the objectives set out by the booking policies. The deterrence of potential penalties is temporary if travel agents notice that the penalties are not enforced.

Audit is the way!

One of the most effective ways of tackling distribution losses, in complement with revenue integrity actions, is regular BIDT (Booking Information Data Tapes) Audits through which airlines need to achieve 4 objectives:

1. **Cost Transparency**, by better understanding of GDS invoices and costs.
2. **Cost Accountability**, by better tracking of the efficiency of distribution costs usage.
3. **Cost Empowerment**, by identifying who is abusing the policies, educating them on corrective measures and the consequences of not complying with these measures.
4. **Leakage Recovery**, by raising ADMs (Agency debit memos) for the booking abuses when the airline policy is not complied with.

If airlines perform regular audits and take actions, they generally notice a whopping 90% drop in identified leakages arising from malpractice - within 3 to 4 months of starting the audit. The deterrence effect at work! A remarkable contribution to the airline bottom line.



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