

2013



Ready for Takeoff?

Why airlines are falling behind in the area of
touristic sales

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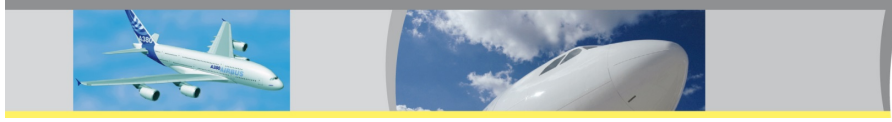
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Executive Summary

Ready for Takeoff?

Why airlines are falling behind in the area of touristic sales

The market for touristic airlines has changed quite considerably over the last few years. In today's deregulated environment, European leisure airlines are facing enormous competitive pressure and meeting many new competitors. Not only the charter airlines, but also traditional network airlines like Lufthansa and low-cost carriers like EasyJet are competing for holiday travelers' business. This creates higher competitive pressure whilst increasingly sophisticated production and distribution processes lower the margins.

The management consultancy PROLOGIS, a company that has been working exclusively for the aviation industry for over 15 years and now serves 50 international airlines from more than 30 countries, has taken a closer look at what these airlines are doing to cope with these changes in the touristic market. As part of this study, all of the leading tourism airlines in Germany like Condor, airberlin, TUIfly, SunExpress and Germanwings, and technology vendors like Peakwork, Partners Solutions and Quintessence, were interviewed.

Two main focal points that PROLOGIS feels are in need of attention at the moment were presented in greater detail as part of the study results:

1. The new business and sales models that are emerging on both the customer and partner (operator) side:

These are designed to be less exclusive and less binding than previous working agreements. Consequently this not only shifts the risk within the market, the new models also make the system landscapes that the airlines use more customized and complex. It is therefore much more difficult to simplify or standardize the internal processes.

2. Expanding the actual flight product to include additional services or unbundle individual services:

These are becoming increasingly important for tourism airlines also. But before the airlines



are able to realize these additional sales (ancillary revenues), they must learn how to master the technological aspects of these types of sales and sales promotion concepts.

The results of the study showed that, unlike sales partners and tourism companies who constantly upgrade their technology, German touristic airlines are more inclined to face change hesitantly and often feel helpless. The reasons for this lie in the complex system landscapes on the one hand and the related high investment costs of IT projects on the other, but also in the passive role that airlines have playing when it comes to discussing and implementing new trends and standards. This is particularly true for airlines that are not part of a larger tourism company.

Many airline managers are showing a great deal of restraint when it comes to making landmark decisions due to the high costs and risks involved in modifying existing processes and systems, despite the fact that they understand the need to make these necessary changes.

What we ultimately need are approaches and solutions on how to deal with these conflicts. Although most of the airlines are facing the very same problems, there is still no overriding airline initiative that addresses the current challenges that pertain to tourism operations. The clock is ticking. Nevertheless, it isn't too late yet for airlines to grasp this chance to actively help design the market!

To read the complete study in German please contact:

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