

Restarting Revenue Management assisted by Lufthansa Systems' expertise

Current situation of airlines

Currently, the general lockdown of societies and economies all over the world allows only very few passenger flights, and the little demand for them is very much distorted by ubiquitous travel restrictions. The Corona crisis affects civil air travel more than any event since World War II or even longer. It is unique in respect of its global impact, duration and economic impact; the shutdown of European airspace due to the eruptions of Eyjafjallajökull in 2010, the MERS (2012) and SARS (2003) epidemics, the aftermath of 9/11 were very much more limited in regional scope and/or duration.

Due to the severe, but yet incalculable global economic downturn air travel will regain its previous heights only slowly, if ever. It will be the future challenge for airlines to capitalize on every small market, which will evolve slowly but steadily - hopefully. Appropriate Revenue Management, amongst other airline business processes, will once more be the key to the sustainable development of air travel.

Challenges for Revenue Management in accommodating to the new situation

Demand expectations are the basis of optimizing usage of offered seat capacity. Traditionally, these expectations rest primarily on historical observations, which need to be refined due to identified effects affecting demand. Extent of these adjustments in the post-pandemic era will be colossal. For every single route to be (re-)opened, the RM analysts will have to assess which historical information is available, and - if so - which relevance it will have for the new era. Any quantitative information is certainly better than pure gut feeling, but the respective future economic potential (near and middle term), as well as dynamically evolving legal constraints on travel, need to be incorporated into resulting demand expectations. Not only total volume but also the structure of demand will have to be carefully modularized.

How can Lufthansa Systems assist?

With 25 years of expertise in Revenue Management, Lufthansa Systems is able and willing to assist airlines in readjusting to the New Normal. The profound knowledge about methods, experience in airline data, and practical IT technical record could be exploited in the following steps:

1. Accompanying revenue management analysts in conceiving most likely scenarios of demand recovery in each specific market. A comprehensive tool set (e.g. simulation tools) may lead to profound decisions.
2. Reassessing the available data basis on demand behavior in the airline's revenue management system including any spoiling during the pandemic lockdown.
3. Conceive a strategy to incorporate the chosen demand scenario into the airline's Revenue Management system and its underlying database.
4. In particular, in case of revenue management systems provided by Lufthansa Systems, the scripts for adjusting demand expectations are already prepared and may be executed in an effective way on short notice.
5. Continuous monitoring of observed demand for new flight operation by experienced data analysts to verify previous assumptions and adjust demand prognosis where needed.
6. In case of shrinking operations, re-scaling the IT infrastructure imprint of the airline's revenue management might save costs. Consultants can investigate the monetary potential and negotiate with third-party suppliers.

Lufthansa Systems is prepared to support an airline with tailored concepts for a fresh start with maximum revenue. Also in the area of airline net-planning & operations Lufthansa Systems has concepts to help your airline for the ramp-up, more details can be found on our website: ["www.lhsystems.com/effective-crisis-management-strategic-realignment"](http://www.lhsystems.com/effective-crisis-management-strategic-realignment).

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