Total revenue optimization (TRO) offers a comprehensive, 360-degree approach to managing all sources of airline revenue by incorporating new data into the traditional revenue-management process to maximize revenue generation from all possible sources.
Airlines’ revenue streams have evolved significantly during the last decade. Less than 10 years ago, maximizing revenue involved the optimization of ticket sales across an airline’s network — with some basic, and often manual, consideration for the impact of group bookings, corporate travel and perhaps, codeshare bookings.

Today, airlines generate revenue from numerous sources, including bag and preferred seating fees, as well as the merchandising of a wide variety of goods and services before, during and after a passenger’s flight. These additional revenue streams can contribute up to 30 percent of total revenue for an airline, depending on its business model.

In this environment of increasingly diverse revenue potential, the channels through which customers gain access to airline products continue to expand. Travel agents and airline call centers continue to play a key role in distribution, as do airline websites and online travel agencies — now supplemented with new merchandising and retailing capabilities at airport ticket counters, kiosks, gates and inflight.

Empowered by the amazing capabilities of today’s tablets and smartphones, flyers demand instantaneous access to travel information, including the ability to purchase airline services around the clock, while on the go.

In addition to providing the capability to deliver more information and products to customers than ever before, these new distribution points also generate tremendous volumes of data from and valuable insights about the travelers who use them. Travel providers, which began collecting data and understanding their customers when frequent flyer loyalty programs were introduced in the 1980s, now find they are challenged to collect, process and consume all of this new data and put it to meaningful use. Therefore, the key to creating a competitive advantage for airlines in the 21st century will be their ability to consolidate data and insights for strategic assessment and for business performance analysis. This is necessary but far from sufficient for true granular customer segmentation.

Beyond the core revenue stream associated with the sale of seats at various fare levels, newer revenue sources, such as bag, premium seating and other ancillary service fees, and codeshare and alliance partner contributions, have been largely managed manually or without significant automation, with limited science driving forecasting and optimization. Moving forward, the most successful airlines will be those that harness the power of real-time customer, partner and competitive data within their decision-support solutions, adapt business processes and align the entire organization in a way that ensures the rich information available from each customer is leveraged to offer the right goods and services at the right touchpoint, at the right time and the right price.

As the industry transforms and a larger portion of total revenues flow from sources other than the sale of airplane seats at base fares, airlines must become adept at managing these revenue streams beyond the natural silos that exist within their organizations and transform themselves into retailers.

Total revenue optimization, or TRO — the approach used by Sabre Airline Solutions® to help airlines generate maximum revenues from all possible sources — is not a single mega-revenue management solution. Rather TRO provides a framework for airlines to face challenges in today’s environment and embrace business processes and solutions to utilize new, more detailed real-time sources of information. It also helps ensure new business analytics capabilities enable pan-organizational decision making and strategy development. TRO ensures revenue-management solutions consider the total value of each potential customer (versus simply the value of the base fare) to provide accurate, state-of-the-art forecasting and optimization logic in the market that is aware of the potential revenue impacts from a vast array of codeshare and partnership options.

It also leverages science and revenue maximization techniques that have been

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**The Total Revenue Optimization Continuum**

- **Upsell Ancillaries**
- **Maximize All Revenue Streams**
- **Total Revenue Optimization (TRO)**
- **RM Transformation**
- **Revenue Management Paradigm**
- **Decision Science Innovation**
- **Evolving Revenue Management**
- **Maximize Seat Revenue**

**Paradigm Shift**: The TRO continuum depicts the evolution of airline revenue management. In this illustration, the horizontal axis (quadrants 1 and 2) represents the evolution of traditional revenue management of seats during the past 20 years, including the sophisticated decision science for forecasting and optimizing leg-segment and O&D models and variations thereof. The vertical axis illustrates the transformation of this paradigm aligned with airline retailing and the need to forecast and optimize all relevant revenue streams, including ancillaries, codeshares and partnerships. The ability to deliver on this from a process and systems automation perspective — with the sophisticated decision science needed, embedded revenue analytics, reporting and visualization, integration with the rest of commercial planning, as well as empowerment of executives, managers and analysts with real-time actionable insights — represents a paradigm shift referred to as total revenue optimization.
tion and technological landscape? How does Sabre Airline Solutions enable TRO moving forward, and ensure it is positioned to evolve as airlines continue to adapt to the ever-changing competitive and technological landscape?

First, and most importantly, the underlying technology for decision-support and analytical systems must be engineered to take advantage of new data feeds, such as real-time PNR data, and capable of processing and storing exponentially larger data volumes than today’s solutions. The backbone for decision-support and analytical tools must be capable of consuming and providing data quickly — approaching real-time.

This infrastructure must be designed for ultimate flexibility, so clever, new products and services introduced to the market can integrate with existing data, tools and analytics. Decision-support tools will inevitably evolve in their application for ancillary revenue streams, and new data will trigger ideas for operations research experts.

Second, data transformation techniques will empower accurate, real-time revenue awareness for both revenue management and down-line systems. Strategies will be more accurate and more successful as revenue-management teams consider a more complete picture of the revenue-generating capabilities of their airlines’ networks. Enhanced revenue analytics will power key performance metrics that are honed and updated more frequently to provide the ability to rapidly sense and respond to changing market dynamics and competitive actions.

A modernized core data infrastructure and advanced data-management capabilities provide the foundation that enables the modernization of the forecasting and optimization engine that Sabre Airline Solutions invented 25 years ago. More complete, holistic data enables a 360-degree view into an airline’s revenue-generating capabilities and empowers advanced modeling techniques, such as customer-choice modeling and enhanced no-show forecasting based on booking behavior.

Finally, an airline’s revenue analysts are ultimately the critical component in TRO. They are the frontline stakeholders, ensuring the enterprise generates as much revenue as possible. The proliferation of new revenue streams, an increasingly dispersed distribution environment, more personalized (and therefore more complex) customer interactions and a focus on customer centricity make the revenue management function more challenging than ever on those responsible for stewarding airline revenues.

Therefore, revenue analysts must focus their efforts on specific activities that drive value, rather than actions that may compromise the accuracy of revenue optimization. Revenue-management tools should be process driven and guide analysts to the most effective interaction with decision-support models. User interfaces should steer workflows that are relevant to the situations that trigger critical situation identifiers. They should deliver new data and modeling capabilities such as revenue-opportunity models, incorporated into “what-if” scenario evaluations that provide immediate feedback on the impact of their actions on revenue performance.

With these considerations, the user interface empowers solid decision making and allows new users to quickly become productive, which again moves the airline further down the TRO continuum.

The challenge facing airlines today is the optimization of every source of revenue. To do so, the industry must effectively analyze and practically utilize the large volume of data now available.

Total revenue optimization is the new paradigm that will enable visionary airlines to capture, aggregate, analyze, forecast and optimize all of their relevant revenue streams and maximize these, while ensuring analyst, manager and executive empowerment through actionable insights.

TRO provides a framework for airlines to face challenges in today’s environment and embrace business processes and solutions to utilize new, more detailed real-time sources of information.

Darren Rickey is vice president of marketing and solutions management for Sabre Airline Solutions. He can be contacted at darren.rickey@sabre.com. You can also follow him on Twitter @revdaz.