The pure LCC business model is focused on direct distribution and unbundled products. In recent years LCCs have had to adapt to continue expanding their customer base. The strategies used, and the solutions available to implement them are discussed here.

Hybrid LCC distribution, revenue management & ancillary revenue generation strategies

Low-cost carriers (LCCs) have made significant changes to their passenger sales processes in recent years as they realign their business models to target a wider customer base, including business travellers.

Some of the main developments in LCC passenger sale processes are identified here, along with examples of the systems and services that have made these changes possible. A number of case studies reveal how different LCCs have modified their sales strategies to attract new demand.

Passenger sales process

The passenger sales process includes all of the functions required for an airline to distribute, market and sell seats and any ancillary products, and then claim the resulting revenue. The number of stages in the passenger sales process depends on the airline's business model and strategy. Main functions include: market forecasting; distribution; reservations; inventory control; pricing; revenue management; e-ticketing; customer relationship management or loyalty schemes; departure control; and revenue accounting. Some of the main developments in LCC passenger sales strategies are related to distribution, inventory, pricing and revenue management, and loyalty schemes.

Distribution

Airlines can market their seats and ancillary products via direct or indirect distribution channels.

Direct distribution channels include airline call centres, airline websites and more recently mobile apps. They may also include airports sales desks.

Indirect channels involve marketing seats and ancillary product offers via a third party such as a travel agent, online travel agent (OTA), travel management company (TMC), or another airline, by means of codeshare or interline agreements.

In most cases airlines distribute via content aggregators, such as global distribution systems (GDSs), in order to sell via third parties.

Airlines are likely to attract more customers, and business travellers in particular, if they join GDSs and distribute via third parties. "Some corporate travellers may have to use specific TMCs or corporate booking tools," explains Stephan Wuerll, senior product manager at Lufthansa Systems. "Airlines that do not distribute through indirect GDSs channels would miss out on these potential passengers."

"Although the cost of indirect distribution is high, a large portion of business travel is still booked through travel agencies, the vast majority of which use a GDS to search, book and ticket travel," explains Cynthia Crowley, director of passenger solutions at Unisys.

Indirect distribution channels will increase market penetration, brand exposure, new partnership opportunities and access to high-yield passengers. The use of GDSs can improve workflow efficiencies and drive traffic to direct channels through referrals. Using indirect channels does, however, involve additional costs, such as GDS segment fees, travel agency commissions, and the fees associated with billing settlement plans (BSPs).

BSPs allow airlines to exchange information and revenue with multiple travel agents or sales outlets through a single consolidated source, avoiding the need to establish individual connections with each third-party agent. In most cases, one BSP will account for all of the participating agents in a single country, and some BSPs cover several countries. The equivalent system for agents and sales outlets in the US is known as the Airlines Reporting Organisation (ARC).

Costs associated with BSP membership include an initial joining fee, a local management fee and unit transaction process (UTP) fees which are charged for every transaction.

It is not essential to join BSPs to distribute via GDSs, but airlines that do not join BSPs will see fewer GDS bookings than those that do. The traditional GDS architecture and travel agent processes are based around ticketed airlines and the use of BSPs. Airlines that do not use BSPs will need to take credit card payments at the time of reservation.

Other potential costs associated with indirect distribution via a GDS include those incurred for filing schedule and fare information. Fare filing involves sending fare and schedule data to agencies, such as ATPCO and SITA, which then pass the information to the GDS pricing systems. The advantage for airlines is that they only file fares once with their chosen agency, which then distributes these to the various channels in which the airline is selling.

Due to advances in application programming interface (API) solutions, airlines can now connect directly to GDSs without the need to file fares or join BSPs. These API solutions are often XML-based. The latest XML API technology also helps to overcome a limitation of the GDS distribution channel. Previously the only data shown in the GDS was the flight schedule, fare and availability. Legacy systems did not have the capability to show the same level of detail that is available on airline websites, including ancillary products and services, although they have taken steps to rectify this by allowing merchandising content to

Under the traditional LCC business model a standard fare would only cover the cost of a seat. Other services such as an in-flight meal, checked bag or reserved seat involve additional ancillary charges. LCCs would also typically avoid the costs associated with traditional loyalty schemes that include perks such as airport lounge access.

be filed. In some cases, API connections now make it possible for airlines to distribute all of their ancillary products via GDS channels using similar branding to that used on their websites.

The International Air Transport Association (IATA), supported by the industry, has launched the new distribution capability (NDC) standard. "The NDC standard is a voluntary XML-based data transmission standard, designed to enhance communications between airlines and travel agents," explains Yanik Hoyles, director of the NDC program at IATA.

"Airlines continue to develop bundled or unbundled products, as well as ancillary products and services, and passengers want to compare the value of these propositions, just as they do when shopping for consumer goods," continues Hoyles. "Today you have access to these additional value-added items on airline websites, but distribution is more basic for consumers who visit a travel agent or travel website. All they usually see is the schedule and the fare.

"As a result of the NDC standard, air travellers will be able to benefit from greater transparency and access to all an airline's offerings when shopping via a travel agent or online travel site," adds Hoyles. "Airlines will be able to move beyond the mostly commoditised displays of fares and schedules in the travel agent channel, to present their products in a more attractive and competitive manner."

Developments in API connectivity also mean that it is possible for airlines to distribute directly to travel agents and TMCs without going via a GDS. This avoids the costs associated with GDS segment fees, but needs to be considered against the costs associated with establishing API connections. Airlines would also need to make separate connections with each individual travel agent or TMC.

One other indirect distribution strategy involves the use of general sales agents (GSAs). These are sales offices that represent multiple airlines in countries where demand may be low. An advantage of this method is that the cost of the sales office is met jointly by numerous carriers.

Inventory, pricing and RM

Inventory, pricing and revenue management (RM) processes are linked, but can involve separate software systems.

Inventory control is the process by which airlines decide how many seats to make available in a particular booking fare class at a particular time.

Pricing involves pre-defining the price at which seats will sell in a particular booking class. Depending on the airline's strategy it can also involve filing fares and fare rules.

"In larger full-service carriers, inventory and pricing are treated as separate disciplines," explains Crowley. In some smaller airlines and LCCs the inventory and pricing functions are combined.

RM is the process by which airlines try to maximise the revenue earned from a particular flight. It requires an overview of inventory and pricing information so that the airline can optimise the number of seats available at a particular price, at a particular time, based on estimated or demonstrated demand. Forecasting perceived demand could involve analysing historic flight data and contemporary information on markets and competitors. RM can also involve managing an overbooking strategy.

Ancillary revenues are also now an important part of the RM process. Some airlines offer completely unbundled products whereby services such as catering, hold baggage and assigned seating are chargeable optional extras.

Customer loyalty

Loyalty schemes or frequent-flyer programmes, and customer relationship management (CRM) can play an important role in incentivising regular travel on a particular carrier.

CRM involves monitoring customer-purchasing habits so that airlines can provide offers or rewards specifically tailored to an individual's preferences.

Frequent flyer programmes allow travellers to earn points that can be redeemed for perks including money off future flights, seat upgrades, and access to executive lounges at the airport.

Loyalty schemes are considered a key tool for attracting business travellers, since they reward frequent flyers the most.

"Frequent flyers have come to expect some type of reward-based programme for their patronage," says Crowley.

Traditional LCC strategy

Typical LCC passenger sales strategies include the use of direct distribution channels only, with a particular emphasis on the airline's website, a ticketless operation and doing away with standard loyalty schemes.

Airlines operating under traditional LCC principles would not distribute to travel agents or TMCs via GDSs, or enter interline or codeshare relationships with other airlines. If there are no interline or codeshare agreements there is no need to incur the costs of introducing and managing e-ticket capability. The cost of establishing and managing traditional loyalty schemes would also typically be avoided.

"It takes a specific professional experience for an LCC to deploy a standard airline loyalty scheme," explains Mahir Sahin, business development manager at Hitit Computer Services. "It is costly, and an LCC does not have much to offer in terms of rewards compared to a full-service carrier. That is why LCCs tend to think like retailers when it comes to setting up alternative revenue-based loyalty structures."

Full-service carriers will file fares for distribution on GDSs. These are based on origin and destination (O&D) pricing and can involve complex fare rules. The traditional LCC approach is based on a simple-point-to-point pricing model and avoids filing fares, saving time and costs. In the LCC model a flight begins selling in lower booking classes and moves up through more expensive fares brackets according to the number of seats sold and the remaining selling days before departure.

The standard fare on full-service carriers traditionally includes certain products and services, such as an assigned seat, a checked bag and in-flight catering. "LCCs had previously stripped their product to the minimum and removed virtually all non-essential extras," explains Ian Heywood, global head of product and marketing, air commerce at Travelport. "This was known as unbundling and made it possible to fly at a very reduced price."

An unbundled LCC fare essentially only covers the cost of a seat. All other services, including checked baggage, assigned seating and catering, involve additional ancillary charges.

LCC strategy

Following a period of rapid global growth some LCCs had maximised the potential of their traditional target markets, and began looking at new growth strategies to expand their customer base.

"The major factors driving the LCC hybrid model are an expansion of the international markets they serve, and a desire to increase their base of business travellers," explains Crowley."

"LCCs are adopting hybrid strategies because they need to develop new business beyond their home markets, and to promote fares to higher-yielding passengers," says Heywood. "Some LCCs have recently started to pursue the corporate business traveller, since they see this as an opportunity to increase ancillary revenues and flight yields. Corporate travellers tend to book later and pay a higher fare."

To target more business traffic and increase their international presence LCCs have had to adjust their passenger sales processes. "The fight for passengers has intensified and LCCs have recognised the need to add cost in the sales process for the sake of growth," says Mubashir A. Tariq, senior consultant at the passenger airline competence centre (PACC) for airline passenger sales systems at Lufthansa Systems.

Many LCCs have begun using indirect sales channels to attract more business travellers and extend their international reach. The main focus has been on distributing to travel agents and TMCs via GDSs, and in some cases the introduction of interline or codeshare agreements with other carriers. Some LCCs pass GDS fees onto customers, by adding a small surcharge to the fare for inventory booked via this channel, to cover the additional costs. Some legacy full-service airlines have introduced similar surcharges.

Developments in API technology may have influenced some LCCs' strategic moves towards indirect distribution. API connections allow airlines to distribute their full content, including ancillary products, via GDSs without the need to file fares, or join BSPs. They can also remain as ticketless operators. API technology also allows airlines to connect directly to third parties such as travel agents, TMCs and OTAs.

"As more LCCs become interested in travel agency distribution, their technology providers and GDSs are increasingly developing the functionalities needed for LCCs to work with agencies," says Fredrik Odeen, senior manager, new carrier commercial strategy, airline distribution marketing at Amadeus IT. "This opens up new markets. For example, OTAs can effectively sell ancillary services on which the LCC business model depends."

Some LCCs now offer re-bundled fare products. A re-bundled package will include certain ancillary extras such as an assigned seat, an item of hold luggage, priority boarding and the flexibility to move or cancel a flight free of charge. Some LCCs now have a hierarchy of fare products, including one or two re-bundled package options that increase in price according to the services they include. Most LCCs still also offer a standard seat-only fare with the option to add ancillary extras as required.

Consumers are increasingly making purchasing decisions based on preferences. Airlines offering tiered and customisable bundles based on customer data and value drivers for each customer segment, stand to achieve the most growth.

"LCCs have created the perfect environment to provide unique value propositions and create bundles based on what consumers decide is of value to them, and what they are willing to buy," explains Cormac Whelan, chief executive officer at Mercator. "The sophistication of e-commerce platforms enables next-generation merchandising experiences that inspire and engage customers. By leveraging demand forecasts, price sensitivity and purchase behaviour, airlines can drive demand and improve a customer's propensity to buy."

"The move towards re-bundling offers many potential advantages for LCCs," claims Crowley. "It replaces the impression that the LCC product is all about endless extra expenses by focusing on the value proposition of a combined package. Re-bundling also offers a better

Some LCCs have adopted hybrid strategies which include rebundled fare products. A bundled fare package might include certain ancillary extras such as an item of checked baggage an in-flight meal or unlimited flight changes.

chance of upselling ancillary products at the outset. It avoids the risk associated with standard LCC fares that the passenger will never go back and buy the extra services once they have booked their seat.

"Re-bundling is also key for targeting the business travel market," continues Crowley. "It can be difficult for corporate travel managers to handle unbundled elements. In addition, some corporate travel policies may restrict expensing those services not included in the fare, so the employee has to personally pay for any additional services. There is therefore less chance of selling these ancillary services if they are not included as part of the overall fare price."

Some LCCs have introduced loyalty programmes to attract more corporate travellers.

PSS providers

A wide range of products and services are available to LCCs to facilitate the passenger sale process. These include GDS providers, and software providers for the other functions in the sales process. Some providers offer comprehensive end-to-end software solutions that cover a wide range of functions including inventory, reservations and departure control. These are referred to as passenger service systems (PSS). Some of the main GDS and PSS providers are identified here.

GDS providers

The three main GDS providers are Amadeus, Sabre and Travelport. Travelport is fully focused on GDS activities whereas Amadeus and Sabre also offer various PSS functionalities.

Travelport's distribution platform encompasses the three GDS systems previously known as Apollo, Galileo and Worldspan. Airlines can connect to Travelport's distribution platform via traditional means by filing fares through ATPCO or SITA, which are electronically transmitted to the GDS, or via XML API connections. Travelport offers a suite of airline merchandising products that has three components: aggregated shopping, ancillary services and Travelport Rich Content and Branding.

"Rich content and branding allows airlines to more effectively display their full range of products for sale in the intermediary channel in line with how they sell on their own websites," explains Heywood. "This includes detailed product descriptions and imagery, optional or ancillary products for sale, and the bundles offered in each fare family." The rich content and branding solution requires an API connection between the airline and Travelport. The aggregated shopping function displays data sent to the GDS via the traditional fare filing method alongside that sent via API connections.

About 160 airlines are using Travelport's Rich Content and Branding solution, including a number of LCCs. "Travelport has recently added the capability for airlines to make tailored or personalised offers to both individual travel agencies and/or the corporations that a TMC services," adds Heywood.

Amadeus claims that there are 85 LCCs and hybrid airlines using its GDS distribution system. "Our products range from XML API distribution with our unique light ticketing solution, to standard EDIFACT ticketing distribution," explains Odeen.

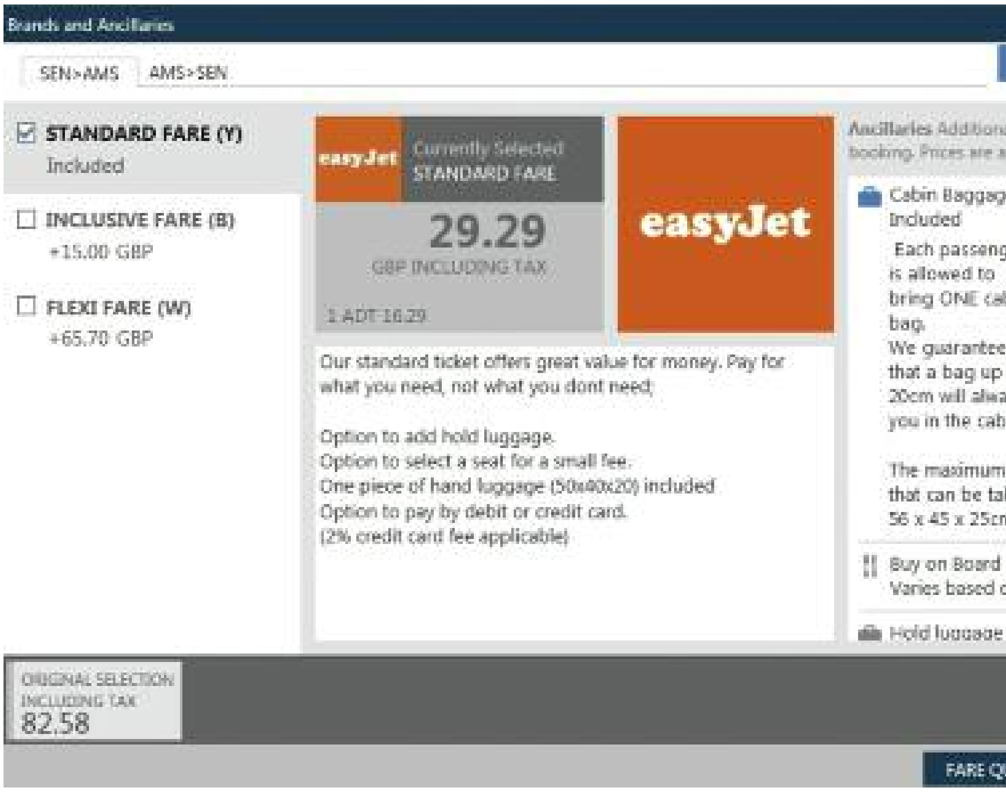
In January 2016 Amadeus completed the acquisition of Navitaire giving it access to the LCC PSS market. "Navitaire has 47 LCC and hybrid airline customers," explains Odeen. "All of these clients use Navitaire's New Skies® reservation system, which is a comprehensive, customer-centric airline passenger sales and management solution. It provides integrated internet sales, mobile booking and check-in, ancillary revenue generation, airport check-in, and streamlined boarding processes, as well as departure control and real-time reporting capabilities. New Skies clients can also connect to global travel agency systems, inter-airline and alliance codeshare services and customer self-service integration.

"More than 75% of New Skies clients also use one or more of Navitaire's other products," continues Odeen. These products include an integrated ancillary revenue platform called 'Travel Commerce', a system for managing loyalty schemes called 'Navitaire Loyalty', an RM system called SkyPrice®, and a revenue accounting system called SkyLedger®. Other solutions include the Navitaire data storage and reporting products for business intelligence, the GoNow day of departure suite and the Ancillary Pricing Optimization (APO) solution.

Like Amadeus, Sabre provides GDS and PSS solutions. "We were the first GDS to launch custom offers to help suppliers merchandise and provide customised and targeted offers to travellers including rates, premium services, WiFi and more," claims Dino Gelmetti, vice president EMEA, airline solutions, at Sabre. "We want to help all airlines merchandise products the way they want, while providing choice and transparency for travel agents."

Sabre has more than 70 LCC and hybrid airlines using its GDS solution. Airlines can send data to the Sabre GDS via the traditional fare filing method or by using API connections.

From the PSS perspective, Sabre offers its SabreSonic Web solution, which is an end-to-end e-commerce solution that supports the complete travel lifecycle. Key features of SabreSonic Web include a configurable internet booking engine, in-path ancillary shopping, including third-



Part of the hybrid LLC model involves a greater use of indirect distribution channels. This often means distributing to travel agents and TMCs via GDSs. Developments in API technology mean that it is now possible for airlines to display their full range of products, including ancillary services in GDS platforms like Travelport's.

party products, loyalty integration and redemption shopping, branded fare families, targeted offers, an online group booking tool, self-service solutions, travel bank and reporting and web analytics.

PSS providers

Unisys offers PSS and customer loyalty solutions. "Our PSS is AirCore which is a suite of 100% modern, modular applications that are customer-centric, streamlined processes. These enable a high degree of tailoring to individual airline business models," explains Crowley. There are AirCore modules available for the following functions: inventory: flight data; schedules; reservations; third-party solutions; ticketing and payment; check-in and boarding; seating; schedule changes; load control; and loyalty.

"CLS is our loyalty solution and encompasses the creation and maintenance of member enrolment, accrual and redemption, tier status, partner programmes and promotions," adds Crowley. "Unisys AirCore and CLS address the complete needs of the full service carrier while being adaptable to LCCs, and particularly hybrid carriers."

Hitit Computer Services offers the Crane suite of software solutions, which comprises: Crane PAX for reservation, ticketing, pricing and inventory; Crane DCS for departure control; Crane IBE for internet and mobile bookings; and Crane PAX Loyalty and Customer Care Layer for reservation embedded loyalty and customer affairs solutions. Hitit also offers Crane ALM for airlines looking to maximise their load factor by distributing to charter channels. Hitit also offers Schedule Planning, Crew Management, Revenue and Cost Accounting, and Operation Control solutions.

"We have 18 airlines using our solutions," says Aras Kubilay business development manager at Hitit. "Pegasus Airlines is a good case study. It started as an LCC with the Crane PSS in 2005 carrying fewer than 500,000 passengers a year. We have introduced GDS and interline connections to its business, in addition to bundled fare offerings while preserving the low-cost structure. Pegasus is an early adopter of revenue-based loyalty schemes using our PSS embedded loyalty solution. The airline now carries more than 22 million passengers per year after 10 years of growth."

Lufthansa Systems and its partner JR Technologies have developed an end-to-end NDC solution. This NDC platform takes data feeds from airline websites and PSS solutions and combines them to provide a single source for sales and distribution stakeholders to connect to. It is claimed that the NDC platform will simplify the passenger sales process, while providing airlines with full passenger-centric retail capability. The components of the NDC platform will include: fare management and pricing; RM; an offer management system (OfMS); an order management system (OrMS); passenger identification management; CRM; a user interface for call centres and travel agents; integration with revenue accounting; and aggregation tools. There will also be a rich content and merchandising function to allow airlines to display services with media links to their websites. Third parties can connect to the NDC platform via APIs according to the IATA NDC standard.

The core system of the NDC solution is already available. Enhancements related to dynamic pricing and solutions that make booking classes and fare filing obsolete are still in development. In the long term the NDC platform will replace legacy reservation and inventory systems and the need to distribute via a GDS.

Lufthansa Systems also offers consultancy services to help airlines with decisions related to PSS solutions, via its PACC.

Mercator offers a suite of PSS products across the essential elements of the passenger journey, including: Mercator's airline reservation management solution (MARS); Mercator's airport control system (MACS) which provides DCS functions; an IBE; and a customer relationship and loyalty management system known as CRIS. These solutions currently support the ticketed model for LCCs.

In April 2016 Mercator announced the acquisition of Revenue Management Systems Inc (RMS), a developer of RM software solutions including airRM and airRMexpress. These RM solutions help airlines manage their seat inventory by providing tools to analyse, forecast and optimise passenger demand and maximise revenues. More than 40 of Mercator's airline RM customers are categorised as ultra-low-cost, low-cost, or hybrid carriers.

airRM features state-of-the-art predictive and optimisation models to drive more profitable decisions. airRM express features the inventory control methods of airRM, but is more tailored to regional or start-up airlines. These airlines might upgrade to airRM after they gain experience and/or scale.

SITA provides air transport communications and IT solutions including its SITA Horizon solution. This is a comprehensive PSS designed to support the full range of airline business models. SITA Horizon has a modular structure that allows new capabilities to be added as they are required, providing airlines with growth potential. Core components of SITA Horizon include: inventory control; reservation management; departure control; e-ticketing; fares management; consumer IBE; payment gateway for credit card and

AirAsia has been using a mix of direct and indirect distribution channels since it began operating, although it is focussed on its direct channels. In recent years it has added bundled fare products and a loyalty scheme.

alternative payments; a calendar shopping engine; and the ability to impose fees for airline services. Other optional components include a loyalty system, RM system and self-service check-in, web and mobile systems.

SITA Horizon also offers distribution capabilities that support codeshare or interline arrangements, distribution through the major GDSs, and direct booking portals for corporate customers and travel agents.

SITA claims its Horizon product is particularly suited to airlines transitioning to a hybrid model. It is currently used by about 15 low-cost hybrid airlines.

Other providers

Hahn Air Systems offers its H1-Air product, which was formerly known as e-alliance. "H1-Air enables airlines to outsource GDS distribution entirely to Hahn Air Systems," explains Alexander Proschka, head of Hahn Air Systems GmbH. "Hahn Air Systems is a sister company of Hahn Air, the global ticketing expert, so H1-Air customers benefit from Hahn Air's global presence and reputation amongst the travel trade. This provides H1-Air customers with access to more than 190 markets and 95,000 travel agents via all GDSs.

"H1-Air is used by all types of airlines from start-ups to full-service operators, but some of the primary users are regional airlines and LCCs," continues Proschka. "The key benefits of H1-Air for LCCs are that it allows them to introduce GDS channels to their distribution mix without adding the complexity of traditional GDS distribution methods to their business model. Via H1-Air, airlines can access all-important GDSs with only one partner, instead of joining each GDS separately. H1-Air customers do not need to invest in the IT infrastructure or payment and settlement vehicles traditionally needed to sell via GDS channels, limiting the impact on their cost structure. The innovative settlement process of the H1-Air product helps keep running costs to a minimum."

Hahn Air Systems applies a fixed fee on top of the fare levels provided by the airline. This is automatically added during the booking process and deducted during the settlement process. This simplifies the settlement and reconciliation process and provides transparency to H1-Air customers.

APG's core business is its GSA network. This provides airlines with GSA representation in up to 107 countries without the need to make individual connections with hundreds of separate GSA offices. "More and more airlines are seeking a single network solution for offline representation and welcome the benefits of working with a single organisation," claims Richard Burgess, president at APG.

APG also offers an interline e-ticketing hub. "APG airlines will be launching the code which will be used as the ticketing code for the interline hub in the future at the beginning of June 2016," explains Burgess.

"APG BSP Coordination Services (ABCS) offers airlines full BSP joining and on-going daily support and is mainly used by airlines in BSPs where the airline has no office or representation," says Burgess. "The services offered include travel agent help desk support regarding BSP matters, full local reporting, basic BSP auditing, handling of local refunds, plus travel agent default coverage under a global insurance agreement, as well as free fare filing services for up to five routes."

"APG partners with several hybrid airlines, which operate with many LCC characteristics, but ultimately distribute through BSPs and GDSs," adds Burgess. "APG is also in discussion with a number of LCCs about its distribution solutions, using new forms of connection to link with BSP and GDS distribution. Later this year APG will be launching its NDC portfolio of products that have recently been certified by IATA as 'NDC capable'.

Airline case studies

Three case studies show how some of the largest LCCs in Asia Pacific, Europe and North America have developed their distribution and ancillary revenue strategies.

AirAsia

AirAsia has always used a mix of direct and indirect distribution channels with an emphasis on direct solutions. Its current direct sales channels include its website, mobile app, sales office (ATSC) and call centre. Indirect channels include GDSs, travel agents, TMCs, online travel agents and wholesalers. "We are still very much focused on our direct sales," explains an AirAsia spokesperson. "Indirect channels are used to expand our reach in markets where many consumers still book with traditional travel agents."

AirAsia still offers a basic seat-only fare and the option to pick and choose extra ancillary products. It has also developed bundled fare packages called 'Value Pack', 'Premium Flex', and 'Corporate Premium Flex'. The 'Premium Flex' and 'Corporate Premium Flex' fare families were initially introduced in 2013 under the Hi-Flyer brand. The 'Value Pack' fare package was introduced in March 2016. "With the 'Value Pack' we wanted to offer a value-for-money option for guests who wish to add all of our standard ancillary products such as baggage allowance, seat selection and meals," explains the AirAsia spokesperson. "For the business traveller we have 'Premium Flex' which offers premium seat selection, limited flight

Southwest is the original LCC and has developed its sales and distribution strategies. It has been using hybrid strategies for many years, including the use of GDS distribution. Southwest is focussed on direct distribution channels, including its own website, SWABIZ.com corporate portal, and its direct connect API channels.

changes and express baggage and boarding on top of the standard ancillary product pack. We also have our exclusive 'Corporate Premium Flex' bundle, which is only available through our corporate travel programme, and offers unlimited booking changes with no fee, in addition to the benefits of 'Premium Flex' fares."

In another move to appeal to business travellers, AirAsia introduced a loyalty scheme known as AirAsia BIG in 2011. "AirAsia BIG rewards our loyal guests with 'BIG Points', which they can redeem for flights and hotel stays," explains the AirAsia spokesperson. "Redeeming flights is made easier with our 'BIG Fixed Points' system, which fixes the points needed for flight redemption to flight hours. This makes it easier for guests to know the value of their points. Apart from earning with us, guests can also earn 'BIG Points' at more than 100 participating partners across Asia."

AirAsia developed API connections to send fare and availability data to GDSs. It does not file fares or have any interline or codeshare agreements, and remains a ticketless operator. It has, however, joined BSPs. AirAsia has maintained its one-way pricing model, but does practice O&D pricing strategies on selected routes.

There are some differences between the products available on AirAsia's website and those bookable through indirect channels. "The lowest available fares are only ever found on the website," says the AirAsia spokesperson.

AirAsia's API connections make some but not all of its ancillary products available via GDSs. These include checked baggage, in-flight meals, seat selection, comfort kits, in-flight entertainment and travel insurance. On the GDS, the airline only offers checked baggage, in-flight meals and seat selection." Bookings via indirect sales channels are subject to extra fees.

AirAsia also offers registered travel agents and TMCs the option of access to a direct portal.

Many of AirAsia's passenger sales IT functions are supported by Navitaire systems, including: distribution, reservations, inventory, pricing, DCS and revenue accounting. AirAsia uses the AirRM revenue management system, IATA's Passenger Intelligence Services (PaxIS) market forecasting tool, and has added a loyalty programme from Cardtrend.

easyJet

easyJet began operations in 1995 when its only distribution channel was its own call centre. In 1997 the airline launched its website and online bookings became available via this channel in 1998. The airline continued to focus on its direct distribution channels until 2007, when it developed API connections to facilitate the distribution of easyJet content via indirect sales channels.

easyJet uses a combination of direct and indirect distribution channels. Its direct channels include its website, call centre and mobile app. Indirect channels include the Sabre, Travelport and Amadeus GDSs, aggregators, online booking tools, travel agents and TMCs.

easyJet introduced indirect sales channels in 2007 to target more corporate customers. In another move designed to appeal to business passengers, easyJet has also introduced two pre-bundled fare packages, known as 'Flexi' fares and 'Inclusive' fares. The airline still offers a 'Standard' fare that includes all fees and taxes and a complimentary cabin bag. All other services are ancillary add-ons that come with an extra fee. The 'Flexi' fare price includes fees and taxes, a cabin bag, hold luggage, seat selection, 'Speedy Boarding', easyJet Plus bag drop, fast-track security where available, unlimited data changes, free route changes and no payment fees. "Our Flexi fare was introduced in 2011 and is available through all sales channels," explains Anthony Drury, director, head of business at easyJet. "Our Inclusive fare is only available via indirect channels including GDSs and other third-party API partners. It includes all fees, a hold bag, and an allocated seat; and was introduced in 2012. The 'Flexi' and 'Inclusive' fares both allow a business booker to expense the ancillaries they need for their trip."

easyJet's move to indirect distribution channels and its introduction of pre-bundled fare packages have boosted the number of corporate travellers using the airline. "About 20% of our passengers are flying on business," explains Drury. "Of these, about 5.5 million are booking via indirect channels via our API".

easyJet has increased its number of business travellers by 23% over the past five years.

In 2016 easyJet launched another scheme to attract corporate travellers when it introduced its Flight Club loyalty programme. "This benefits travellers that book more than 20 sectors a year," claims Drury. "Benefits include free changes, a price guarantee and a dedicated contact centre."

The main system developments easyJet has introduced as a result of changes to its distribution and sales strategies include the development of an API, and the introduction of software to manage its loyalty programme. The airline has maintained its simple one-way pricing policy. It remains a ticketless operator, has not formed any interline or codeshare agreements, and has not joined any BSPs. "Everything is processed through card-based payments," explains Drury.

easyJet's API, combined with adapters developed by GDS partners, allows the airline to display its product offering dynamically via a GDS. This means third parties, such as travel agents and TMCs,

For the first 12 years of operation, easyJet focussed on direct distribution channels and predominantly its own website. It has been using indirect channels since 2007 to help grow its base of business travellers. Due to a combination of strategies, easyJet has grown its number of business travellers by 23% over the past five years.

can see the same level of ancillary product detail as would be available through the airline's website. There are, however, differences in the fares made available through direct and indirect channels, including a surcharge on the standard fare when it is booked via a third party through the API. "There is a fare differential on our standard web fare when processed through the API to all third-party channels," explains Drury. "Our inclusive fare is designed to support our TMC relationships and is only available through the API and priced in line with any web-based self-bundling. The Flexi fare is offered at parity across direct and indirect channels, unless the corporate customer has a tailored programme."

Some third parties can access easyJet content without going through a GDS. "We have a range of API partners, such as aggregators and online booking tools that also provide content through our API to third-party channels which are outside the traditional GDS process," says Drury.

Most of easyJet's passenger sales IT functions are supported by in-house systems.

Southwest Airlines

Southwest Airlines was the first true LCC, and has been practising hybrid distribution and sales strategies for many years. In 1994 it became the first major airline to offer ticketless travel. In 1996 it became the first airline to launch a website. It has been filing fares in GDSs for several decades, and first introduced its Rapid Rewards loyalty programme in 1987.

"Southwest Airlines has a multi-channel distribution strategy, with an emphasis on our direct channels," explains Bill Tierney, senior director of marketing communications and planning at Southwest Airlines. "Examples of our direct distribution channels include the main website southwest.com, our corporate portal SWABIZ.com, southwestvacations.com, call centres and airport sales desks. In addition, our proprietary API channel connects Southwest directly to some corporate online booking tools including Concur, GetThere, Deem, Egencia, OFB, nuTravel, and Amadeus e-Travel Management."

Southwest considers these API connections as direct sales channels. Southwest first introduced direct API connections in 2009. "Indirect booking channels include the Sabre and Apollo GDSs, BookingBuilder and AgentWare," adds Tierney.

"Rather than add new indirect channels, we have focused on growing our direct channel business through expanding direct connect partnerships with corporate online booking tools," continues Tierney. "This, combined with our corporate portal SWABIZ, has helped increase our business traffic over the last six to seven years."

The airline's emphasis on direct distribution is highlighted by the fact that more than 75% of passenger revenues were booked via the main website and its SWABIZ corporate portal in 2015.

Southwest's standard fares include two free checked bags, no change fees and complimentary drinks and snacks. It also offers two pre-bundled fare packages known as 'Anytime' and 'Business Select' which feature extra amenities. Additional benefits of 'Anytime' fares are that they are refundable and permit free same day changes. 'Business Select' fares feature all of the standard and 'Anytime' benefits, plus priority security lanes and priority boarding. The business select fare bundle was introduced in 2007 as a way to target business travellers.

The main sales system development Southwest has made in recent years is the introduction of its direct connect API channels. "Our direct connect API allows us to work directly with corporate partners," says Tierney. "Some of these corporations choose to have a travel agent or TMC manage their travel programme. Our direct connect API is focused on delivering content direct to corporate partners rather than via third parties." The API can also connect to travel agents or TMCs. The content available via Southwest's API connections and its SWABIZ portal are the same as that on its website.

Southwest has always maintained simple one-way pricing. It does not have any interline or codeshare agreements, is not a member of any BSPs and is a ticketless operator. "We do not currently have agency issued ARC/BSP electronic ticketing in the GDS," says Tierney. "All GDS sales are credit card transactions processed directly by Southwest."

Southwest's distribution via GDSs is managed by filing fares rather than through an API connection. "Southwest does not have full content GDS agreements," explains Tierney. "This means ancillary products are not available through the GDS and some fares are only available through direct sales channels. Southwest's ancillary product offers include EarlyBird check-in, upgraded boarding, Wi-Fi, hotel reservations and car rental opportunities. None of these products is available via GDS channels."

Southwest's passenger sales IT functions are supported by a combination of in-house and third-party software solutions. Third-party providers include Amadeus for reservations, the PROS revenue management system and Sabre's AirPrice fare management solution. AC