



## At the Heart of Facilitating Decision Accuracy

### **New Age Asset: Airline Passenger Revenue Accounting**

Carriers to restructure and refocus operations for long term profitability

#### **Abstract**

Once a sought after and profitable business, the airline sector is now one of the most complicated, competitive, and vulnerable businesses in the world. Plagued by rising fuel prices, tougher security laws, and a dynamic global economy, several airlines have seen a drop in profits forcing them to work hard to operate within parameters of costs and budgets. Low cost airlines have also disrupted the market with their variable and flexible operating models. Given this scenario, legacy airlines must engage in innovative measures to stay profitable. One key tool for this overhaul is to outsource non-core processes. This will result in major cost-cutting and allow them to leverage their scale and systems.

## Uncertain Times for Airline Operations

With major reformatory changes across the airline industry, almost all functions in an airline have revamped lately. Some of the areas, predominantly regarded as back-office tasks have gained huge importance in the day-to-day functioning of an airline. Revenue accounting is one such function that has gained tremendous importance in the way commercial/sales department of an airline takes decisions. The decisions of the airlines are fueled primarily by the latest enhancements that have taken place in this area of business.

The revenue accounting systems today have become highly robust by accounting the worldwide sales of an airline and by delivering data-analytics with the help of new analytical tools, developed/adopted by the system providers.

There was a time when this information was not readily available to the decision makers, but now they risk being flooded with data that accumulates on their desks. This has been possible due to the advancement in the revenue accounting and related systems; where departments of an airline are benefitted with the information available on a real-time basis.

Today, revenue accounting systems have become so dynamic that they not only provide relevant, real-time information, but also provide minute details required to check the performance of a single route, on a single day. This information facilitates the decision

makers to make adjustments in decisions on fares, Reservation Booking Designators (RBD), schedule, and type of aircrafts used on a particular route, as compared to how it was handled in the past.

This paper lists the revenue accounting providers, the features of the solution they provide, and ways of selecting the right revenue accounting system.

## Revenue Accounting Function

The Revenue Accounting function has changed manifold as compared to what it was decades ago. With a lot of initiatives from IATA and group airlines, the focus has been to make the overall process electronic. While projects like eTicketing and Simplified Interline Settlement (SIS) have changed the job of a revenue accountant from real accounting to monitoring the activities/behavior of the system in use, the demand of the fast-evolving global travel market has made the business of airline revenue accounting even more complex. There is tremendous pressure to record, monitor, analyze, and collect all types of revenues as soon as possible. Thus, it becomes imperative for airlines to streamline revenue accounting functions and develop a highly effective solution.

As a reaction to these new initiatives and in order to keep pace with the changes in the industry, revenue accounting system providers have come far compared to the vision they were initially built on. However, the thought process of adopting these changes has been different for different providers. While some of them continue to modify their existing codes, others have taken a stand to build next-generation revenue accounting systems that not only perform accounting but also provide in-built analytical tools along with several other value-adds. Some of the vendors have already started understanding the value of an integrated solution and have embarked on projects that leverage new technologies to shift their old platforms and make them more robust. Possibilities of succeeding in the market for such vendors is much higher as compared to the new entrants, since revenue accounting is a heavily domain-led function of an airline.



## Revenue Accounting System Providers

Below is a snapshot of all the major revenue accounting system providers along with their market share and synopsis:

Vendor	Product	Country/Backing	Passenger Nos	Passenger %	Airline Served	Market %
In-house IT Department	NA	NA	1,09,15,40,211	33.37%	37	9.2%
Lufthansa Systems	SIRAX	Germany/Lufthansa	40,72,01,651	12.45%	21	5.22%
Accelya	REVERA	India/Spain/IATA	31,91,58,027	9.76%	28	6.97%
Mercator	RAPID/RADAR	Dubai/Emirates	29,56,72,686	9.04%	41	10.2%
TravelSky	IPRA	China/TravelSky	26,68,80,570	8.16%	19	4.73%
NIIT Technologies	MonaLisa	Germany/Independent	19,91,48,225	6.09%	37	9.2%
Navitaire	SkyLedger	Global/Independent	13,42,72,470	4.11%	10	2.49%
None	NA	NA	12,52,81,948	3.83%	53	13.18%
Amadeus	Amadeus Revenue Accounting	France/Amadeus	8,44,19,338	2.58%	8	1.99%
Indra	ARACS Fx	Spain/Independent	8,27,83,936	2.53%	14	3.48%
Sabre	SabreAirVision PRA	Global/Independent	5,29,38,007	1.62%	12	2.99%
Hitit	Crane RA	Turkey/Independent	4,09,10,200	1.25%	9	2.24%
Rene Perez Associates	eRev	US/Independent	3,81,25,240	1.17%	3	0.75%
Soft-escort	ASIA (se)	Russia/Independent	3,67,93,992	1.13%	11	2.74%
Unknown	NA	NA	2,73,28,458	0.84%	10	2.49%
Maureva	EDGAR	Mauritius/Independent	1,95,45,642	0.6%	26	6.47%
Institute of Air Transport Automated Technologies (IATVT)	SOFI	Russia/Independent	1,56,59,119	0.48%	19	4.73%
KIU Systems Solutions	KIU ADMIN	Argentina/Independent	1,35,14,092	0.41%	20	4.98%
TCS - Tata Consultancy Services	Revenue Accounting Application	India/Independent	1,08,38,000	0.33%	1	0.25%
ISO Software Systems	SKYfly Revenue	Germany/Independent	35,99,468	0.11%	3	0.75%
Bird Information Systems	Revenue Accounting Application	India/Independent	27,36,458	0.08%	1	0.25%
WorldTicket A/S	Revenue Accounting Service	Denmark/Independent	24,14,000	0.07%	16	3.98%

Traditionally, the market for revenue accounting system providers has been segregated based on their geographical locations. While some airlines in Asia-Pacific stick to their in-house solutions, others have migrated to Revera by Kale Consultants. Most of

the airlines in the Middle East use RAPID from Mercator and MonaLisa from NIIT Technologies in Europe, while Sabre/SITA enjoys a bigger customer base in the North and South American markets.



However, this trend has started changing lately, primarily after the 100% e-Ticketing initiative launched by IATA, which has changed the overall picture of how revenue accounting processes are managed in an airline.

Post e-Ticketing, IATA has launched several new initiatives that have given these providers possibilities to prove their strengths. In the bargain, some of the niche providers like Kale, Mercator have gained significant market share, whereas big Airline system players like SITA and Sabre have not been very aggressive in this area of business.

The latest addition of Integrated Reporting and Data Analytics within the revenue accounting system has gained lot of importance. A lot of emphasis has also been given on making the revenue accounting systems real-time and reducing the time gap between sales and recording of any transaction that helps airlines in making real-time, informed decisions. Revenue accounting data are keys for making decisions but are normally transmitted in a raw format to some other systems. However, with the evolution of next-generation revenue accounting systems, this data can now be easily presented, transmitted, and reproduced at any stage with very less effort. The new Business Intelligence tools help airlines in creating their own reports without any help/assistance, help users to dig deep into data without getting lost, measure the necessary KPIs for decision making, and assist in forecasting.

## Amadeus Passenger Revenue Accounting System

The latest addition to the list of vendors for revenue accounting systems is Amadeus, leader in the airline systems market with more than 200 airlines using Altea Reservation system. Amadeus has signed two of the biggest airlines—British Airways and Saudi Arabian Airlines as their launch customers.

Amadeus Passenger Revenue Accounting is a robust, new-generation Passenger Revenue Accounting (PRA) system based on advanced and intuitive technology. It is specifically designed to meet the needs of an airline for a high-productivity, real-time application that also provides full integration with respective passenger service system.

It enables an airline to stay in control of the automatic recording, management, and reporting of real-time information related to all planned, unearned, and earned revenues. It allows efficient handling of any accountable document received through any distribution channel. Amadeus Passenger Revenue Accounting represents an innovative progression in the business activity that transforms the airline accounting task into a strategic function.

Other than the standard industry modules such as Sales registration, Usage registration, Interline billing, Proration, Financial Accounting, and Sales/Revenue Reporting, it also offers modules like Card capture and settlement, Sales auditing, and Agency incentive manager. For airlines, full Altéa suite Amadeus Passenger Revenue Accounting System is fully integrated with other leading Amadeus solutions such as Electronic Ticketing Server, Electronic Miscellaneous Document Server, Altéa Inventory, and Altéa Departure Control. All sales are recorded, reported, and analyzed automatically, in real time. Airlines also benefit from instant identification of earned revenue through the online capture of flown information.





## Data Reporting and Analytics

Revenue accounting incorporates unrivaled, advanced online reporting facilities, first-class drill-down, slice-and-dice and comparative capabilities with the objective of maximizing revenue. Airlines typically manage data reporting and analytics with revenue management solutions. Many of these solutions integrate with the core revenue accounting systems while some, mostly the newer ones, are in-built solutions easier to use as well as maintain.

Some of the key features offered by these solutions are:

- ◆ Automated procedure of extracting data from revenue accounting systems and other sources
- ◆ Fully supported decision making by commercial, marketing, and finance departments within airlines through powerful and accurate data analysis
- ◆ Expanded scope of system's analysis with assured loading of non-revenue accounting data such as budgetary figures and commercial targets
- ◆ Key statistics are automatically generated. Examples include:
  - ◆ Flown revenue
  - ◆ Sales
- ◆ Key performance indicators such as load factor, Revenue tonne kilometres (RTK), and Revenue Passenger Kilometers (RPK):
  - ◆ By period e.g. day/month/quarter/YTD/user-defined period
  - ◆ By flight number
  - ◆ By sector, route, origin, and destination
  - ◆ By market: By point of sale/agent-wise
  - ◆ By product
- ◆ Extremely easy analysis for business users to perform the analysis needed to help them in their jobs, with the system using software features
- ◆ Online canned reports
- ◆ Ability to create user-specific flexible/graphical reports
- ◆ Dashboard facility for a quick and easy-to-use summary view

- ◆ Extensive drill-down/drill-up query facilities
- ◆ Comprehensive security features that control the dissemination of information on a need-to-know basis
- ◆ Audit features to track information usage
- ◆ Proactive performance monitoring against targets
- ◆ Knowledge sharing through single data delivery facility
- ◆ Data warehousing technologies

## Selecting the Right Revenue Accounting System

Airlines around the world have to operate on tight schedules with an eye on accuracy for detail, where every activity is crucial and critical to run the business successfully. As they are heavily technology driven, they need to ensure they are using the right vendor and the right system to achieve predefined targets. It is imperative for airlines to choose the right partner—airline business is dependent on partnerships in different operational functions.

Lately, most of the airlines have been maintaining a vendor pool to find the right partner and like any other industry get inquiries, calls, and proposals from several vendors in various areas of operations on a daily basis. With so many options available, it may become

challenging for the airline to make the most accurate decision. Industry governed systems such as revenue accounting also gets highly customized to the airline's need over a period of time. It becomes difficult, as well as risky for the airline to make an easy change of system. PRA operations remain a non-core process for an airline but the information coming out is critical for the functioning of the system.

While making a choice out of so many options available in the market, an airline must focus on the following items:

- ◆ Vendor background/experience
- ◆ Reference customers
- ◆ Product features
- ◆ Integration with other third-party systems
- ◆ Adaptation of the latest industry enhancements
- ◆ Technology in use
- ◆ Analytical capability of the solution



## The NIIT Technologies Thought Board:

### New Age Asset: Airline Passenger Revenue Accounting

#### What Makes Revenue Accounting Systems Critical to Decision Making?



Dynamic and competitive business environment



Technological advancements in the revenue accounting space



Employing analytical tools by system providers



High data volume available in real time



Source of critical, detailed data on operational efficiency

#### How has the Revenue Accounting Function Evolved Over the Years?



Key initiatives from IATA and group airlines



Focus on making the overall process electronic



Key to monitoring the activities/behavior of the system in use



Provides in-built analytical tools along with several other value-adds

#### Who are the Top Five Vendors in the Revenue Accounting Solutions Space?

Mercator with 10% market share

NIIT Technologies with 9% market share

Captive IT Departments with 9% market share

Accelya with 7% market share

Maureva with 6% market share

#### What are the Key Features Offered by Premium Revenue Accounting Solutions?

Automated data extraction

Informed decision making with accurate data analysis

Expansive scope of system's analysis

Automatic generation of key statistics

Simplified performance

Online canned reports

Data warehousing technologies

#### What Points should Organizations Keep in Mind While Selecting a Revenue Accounting Vendor?

Vendor background/ experience

Reference customers

Product features

Integration with other third-party systems

Adaptation of the latest industry enhancements

Technology in use

Analytical capability of the solution



## Streamlining Operations for Easier Decision Making

In recent times, most of the airlines are plagued with huge fixed costs and bankruptcies. Hence, it is imperative for the airlines to take decisions with regards to CAPEX/OPEX and high level of agility to overcome these obstacles.

To summarize, revenue accounting systems add significant value to airline's day-to-day decision making. With highly advanced tools available in the market, airlines should go for a long-term solution that not only meets their current requirements but also the challenges that the industry might face in the

future. The chosen system must be capable of reducing possible revenue leakage possibilities, presenting timely and accurate reports to the higher management and bringing process improvements in the overall revenue accounting function of an airline.

The success of such an engagement depends on the experience and commitment of the technology partner that can lead to a long-term partnership between the two organizations. Hence, it is critical for an airline to perform a thorough due diligence before finalizing the partner with relevant experience, resources, scalability, well established processes, and data security.

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