2020

REVENUE MANAGEMENT
FOUNDATIONS

TARMAC

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ACKNOWLEDGING FRACTURES

Think about everything you ever heard, read or experienced about Airline Revenue Management. Let's boil it down until we get its most pure essence. Poetic definitions and fancy words aside, RM is everything you can do to maximize revenue given a fixed capacity. Precise and concise as it sounds.

Despite the product, some industries' peculiarities or the complexity we might find; in its essence revenue management as a discipline has one simple objective. Again, maximize revenue with a finite quantity of goods.

It's because of market dynamics, inherent economic variability and vertiginous technology advancements within different contexts and business models, that RM quickly evolved to respond to different needs. Somewhere in between the airline deregulation act of 1978 and where we are now standing, the complexity around RM started increasing exponentially and at a phase that made it hard to keep up with.
There is nothing wrong in pursuing a new method or technology to overcome an unsolved issue. Innovation is not a problem if it can be absorbed and adapted properly. But just like any other learning process, there are no shortcuts or skipping phases. No one can run without first learning to walk.

It's tempting to start looking into micro segmentation for dynamic offer personalization, applicable A.I. processes, machine learning algorithms to increase forecast accuracy, total ecommerce integration or ancillary optimization just to name a few fun trending topics from an endless list that keeps on growing every year.
Some airlines are mature enough to tag along with the overwhelming creativity wave around Revenue Management and can take advantage from its constant innovation. But truth to be told, most are not quite there because of their current set of skills, lack of processes, poor data quality or inadequate technology. Often these foundations are taken from granted and reveal a clear expertise gap that restricts airlines to achieve their true potential.

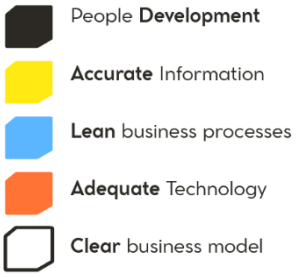
TARMAC eliminates this gap by focusing on RM foundations: people development, lean process definitions, accurate information distribution and precise technology configuration. We customize best RM practices to tailor fit the airline needs and deliver tangible performance results within the transformation period.

> *"Thrust and lift allow us to fly, but it's on the runway where these combine to takeoff. It's because of a strong tarmac foundation that we can get up there at all"*

RM FOUNDATIONS
HOW IMPORTANT IS THE TARMAC?

RM as a discipline should be perceived as continuous improvement cycle whose virtuosity springs from obtaining the best possible result despite any initial assumption or expectation; regardless of reaching a predefined objective, exceeding a budget, or not. At first sight this might sound exhausting and somehow greedy but it's crucial to understand that even with excelling results, most likely we can find room for improvement.

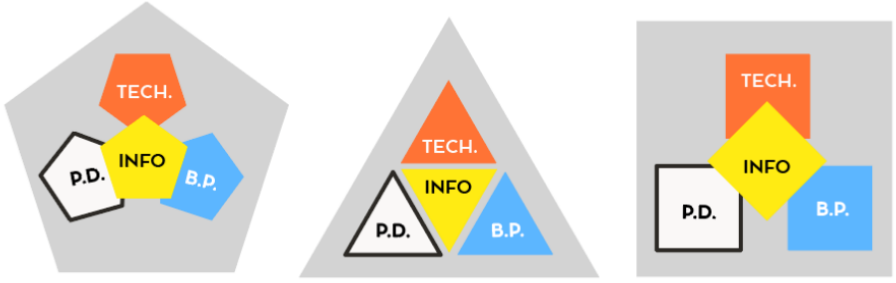
There are no magical recipes that ensure perfect results or a single wide spectrum approach that fits all possible needs out there, but there are common areas of improvement that constitute the foundations for RM. Despite peculiarities, these foundations should be assessed, shaped and orchestrated aligned to the context and business strategy in order to allow the team to perform optimally and boost their potential.



High performance RM teams are those who can adapt to internal and external changes on the go. They obtain the best possible result regardless of challenges that might appear during the strategy execution or unexpected scenarios they had to go through.

High potential RM teams are those who can keep on identify their weak spots repeatedly. Their theorical maximum potential is unreachable because, throughout a continuous improvement processes and gained experience, they keep on expanding their capabilities. Every time an issue has been solved, or an objective has been reached, the outcome becomes a new baseline to be improved. Gain experience is a steppingstone to overcome the next challenge.

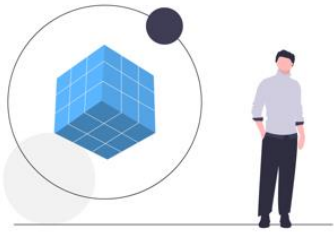
Optimal performance and expanding potentiality can only be achieved by molding these four cohesive RM foundations into a clear business strategy.



The RM team full potential can only be reached by maturing people attitude and aptitude, allowing them to efficiently execute RM business processes while consuming accurate information and relying on the adequate and properly configured technology that supports all business processes and data needs.

PEOPLE DEVELOPMENT

Counting with a team with the right set of skills and attitude is fundamental and the first RM foundation to improve in order to ensure optimal results. Finding, training, retaining, retraining, motivating and building strong bonds inside and outside the RM team is crucial.



Industry Common Issues

WRONG PROFILE

There is a lot to comprehend and certain degree of complexity within RM, sometimes is can be overwhelming, but is not "rocket science". It shouldn't be. The right RM profile is not necessarily the one with the best scientific skills. There is a tangible need to have a balance between strong analytical and fluent communicational skills.
Completely lacking on one of these two requirements will prevent the team to deliver what it is expected.
This issue mostly results in little or no integration with other commercial areas. RM becomes an isolated data provider that takes decisions unilaterally instead of the orchestrator the business needs to execute multifunctional processes.

NO RM EXPERTISE

Probably the most popular issue we can find out there. Despite previous commercial expertise or any graduation award a new hire might have, most likely they are not familiarized with RM common KPIs, industry best practices or typical reactions that might sound intuitive to those who have been around long enough.
An airline induction process is not enough to empower and provide the minimum skill set and tools a RM analyst needs in order to deliver results. The revenue risk behind letting your team learn on the fly is easily mitigated with initial training, coaching and shadowing.

LACK OF PROACTIVITY & ACCOUNTABILITY

It's hard to think about other first job experience that might have such a fast and deep impact to the bottom line like a RM analyst. There is a direct correlation between results and time/effort dedication: The more granular and detailed an analysis gets, the more hours you invest in finding tendencies to capture incremental revenue, will result in better economic result the airline could get from its inventory.

Proactivity and accountability are two skills you want to see your analyst share in abundancy. In spite some might be naturally more proactive and accountable, these skills should be trained and natured.

INCONTROLLABLE ROTATION

Often good RM departments that function properly get to stand out from other commercial areas, consequently they become the seedbed for most open commercial

position over the structure. This isn't a problem itself if, first, there is a buffer to fill the vacancies internal rotation creates and secondly, RM learning curve is exponential enough to let the new hires feel comfortable over the transition period.

TARMAC - People Development Solutions

TARMAC provides a wide range of solutions within People Development. From taking over or assisting in the selection process, training the current RM team on basic and advanced techniques, to BPO (Business Process Outsourcing) the entire team and their tactical and strategic RM processes.

Over years we have hired, trained or capacitate over a dozen entire RM team in Latin America.

Getting the right people, keeping them motivated and building bonds since the first day at work is fundamental to improve results constantly. We encourage to build an retain your own team and put in place processes to mitigate any over rotation impact.

Under certain circumstances, we can temporally take control over every RM responsibility. Managing inventory and providing back to all other commercial areas what they need from Revenue Management in order to continue operating.

LEAN BUSINESS PROCESSES

Building any hand-crafted product takes different steps over an assembly process to achieve a masterpiece. Obtaining the best possible deliverables from RM, despite what this could be: Information, Economical results or attitude, it takes to formalize key processes to support business needs and orchestrate flows that guarantee that everything that must happen is really happening.

Is through business processes that all RM foundations come together as a whole to add value. People, Information and Systems are knitted together though different tactical and strategical processes that allow the team to control the Business. Metaphorically speaking, the analogy "Where the rubber hits the road" couldn't be any more accurate. You could have the greatest team, instant access to the right information and the adequate technology in place, but it won't be alchemy until they all are brought together.

Industry common issues

UNDEFINED BUSINESS PROCESSES

Usually seen on airlines with flat organizations or high rotation at managing/leader positions. Analyst don't know what they should do or what is expected from them. This results on a daily repetition of tasks that don't pursuit a concrete objective. Eventually every day becomes the same for the RM analyst.
Another indicator of lack of processes is little to no communication between commercial areas. RM operates as a black box within the organization.

NO STANDARDIZATION

Everyone is self-empowered and responsible to define what to do and when to do it. Each analyst has their own way to determine how to tackle common issues among the team and react differently before a similar situation.
Externally this is perceived as an ambiguous, irrational and unclear competitive behavior.

TARMAC - Business Process Solutions

TARMAC defines and implements key business processes. Both tactical and strategical, internal and transversal of the RM department. Bringing together all puzzle pieces that are needed to properly manage and control the airline.

At least four process cycles with onsite shadowing is mandatory on these projects. Implementing business processes require a cultural, mindset and habit change that takes time to assimilate.

ACCURATE INFORMATION

Airlines are immersed in an ocean of raw data constantly springing out from multiple sources. Its right there at the tip of our fingers but often we can't get information out from it, at least in a timely manner.

Extracting, preparing and communicate efficiently is critical to improve results and support any decision-making process. Accessible and accurate INFO should be found within the core of every organization, specially within the airline industry. You cannot manage what you don't measure, and you can't improve what you don't manage.

Industry common issues

TOO MUCH DATA, NO INFORMATION

Despite how easily data could be found over on Excel, Access, plain files, API connections, FTP accounts, email and DBs, sometimes it seems that creating an accurate report is an impossible task. Different DB say different thinks about the same matter, is the painful luxury of having two watches and not being able to know what time it is.

LATE DELIVERY, NO UPDATES IN TIME

The airline industry data fluctuates constantly. Within a day the entire situation of a market or a set of flights could have drastically changed. Still, many airlines must take decisions on information based old data extractions.
The lead time between processing data to get Information and communicating it usually takes much longer than expected. By the time we get to analyze a report the situation has already changed.

WRONG KPI DEFINITIONS

Knowing where to look, how to look and what to expect is not easy. Understanding best practices, benchmarking to industry standards and defining key performances is critical to take corrective actions in a timely manner

TARMAC - Information Solutions

TARMACs Control Tower is a cloud base BI tool connected to all airline data sources. Enables the team to see where they need to focus in an extremely graphical way while providing updated information on future and historical flight performance.

T.C.T. enable team leaders and managers to see how each analyst is performing and navigate through data effectively, finding opportunities and areas of improvement.

ADEQUATE TECHNOLOGY

Technology is the RM foundation that needs to be improved at last. Not because is less important than any other, but because It's the only foundation capable of multiplying the value of the other three. We need to be certain that each foundation is performing at its best.

Systems could be a double edge knife. They will boost efficiency immediately, but it won't change what you are already doing. If you don't count with the proper skill set, right information and defined business processes, any of these foundations will have a negative impact in the overall result. Technology could either multiply or divide value.

Industry common issues

NO SYSTEMS AT ALL

Mostly seen on Startups or small airlines that grew their business over a short period of time and realized that the complexity to control the all aspects of the business without any systems is next to impossible. Not having a RM suite, the right commercial platforms, BI tools, ecommerce or other systems they are losing revenue.

POOR USAGE / NO TRAINING

Probably the one most popular issue out there. The airline has a RM suite, but they don't know how to use it properly. all the features to implement strategies or execute plans

WRONG CONFIGURATION / WRONG SYSTEMS

There are systems in place, but they were set up years ago aligned with the airline needs back then. Today the airline is submerged in a completely different context and struggling to overcome new challenges with the wrong tools. Workarounds and inefficiency are easily seen around the airline systems.

TARMAC - Technology Solutions

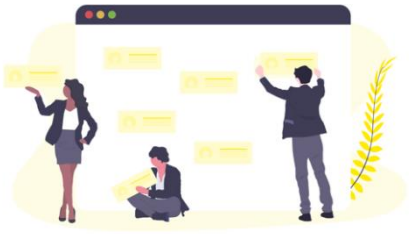
Mainly focusing on RM Suites, PSS configuration, IBE integration and BI tools TARMAC validates current implemented systems and integrations in order to configure them, align them to the airline needs and perform efficiently.

We help the airline with the selection process when new systems are needed. Regardless of what system provider comes to an agreement, we assist the airline during the implementation by applying industry best practices. Consequently, increasing the return on the investment and positive internal impact on people and processes.

WE ARE TARMAC

We are a team of airline Revenue Management advisors with deep understanding and knowledge within the commercial airline industry.

For over a decade TARMAC associates gained their experience on leading roles in Revenue Management and other commercial positions.



Juan Afeltra | TARMAC Founder

+10 Years of Experience in RM, working for 16 airlines within the Americas (FSC, LCC & Hybrid).

Held leading commercial positions: RM Manager, RM Consultant and account manager.

Responsible for sales, implementation, support and consulting as Sr. Director of Sales & Support for Latin America (2015-2020).

Raimundo Sanchez | TARMAC Associate

Complex systems engineer (PhD).

+6 years of experience in RM. Extensive knowledge of the airline industry, network optimization and systems development.

Director of Revenue Analytics at LATAM (2015-2019).

Thibault Terrien | TARMAC Associate

+8 years of experience with LATAM airlines.

Extensive knowledge of the airline industry, having held key roles in both the Revenue Management and International Airline Partnerships teams.

Sr. Manager of Alliance at LATAM (2017-2020).

Nicolas Andriano | TARMAC Associate

+6 years of experience in RM (FSC & LCC).

Key positions: RM manager for FlyBondi (LCC Startup) and Network planning Manager.

Ignacio Salgueiro | TARMAC Associate

+6 years of experience in RM for Aerolineas Argentinas (FSC).

Key positions: RM manager for Domestic markets, BI Manager and Senior Manager for O&D RM control and Pricing.