A WNS PERSPECTIVE

A Stitch in Time Saves Nine – Getting Proactive about Revenue Protection

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IATA forecasts that airlines will report a profit of USD 29.3 Billion in 2015, compared with USD 16.4 Billion last year. Fuel costs are low, several economies are in recovery mode, and passenger growth is robust. Despite these positives, margins remain thin – just 4 percent for 2015.

It is estimated that airlines still lose up to 2 percent of their revenue every year due to leakage

Managing profitability amidst adverse business conditions is the hallmark of a good business model. In the case of the airline industry, which is marked by thin margins and high costs, profitability achieves paramount importance.

Passenger revenue leakage is an important aspect that dents airline profitability, and airline revenue managers find reining in revenue leakage a key challenge.

Why is Revenue Management Difficult in the Airline Business?

Revenue moves about in the airline industry in a very complex way. Sales are made through multiple distribution channels – GDSes, sales agents, the airline's physical booking counters or website, online travel websites, and so on. The revenue reaches the airline after deducting commissions or fees from these intermediaries. If the passenger decides to re-book or cancel the ticket, it has a cascading impact on the commissions and fees. Also, refund calculation becomes a nightmare. One can well imagine the complexity when millions of transactions are done on a daily basis.

It is also pertinent to note that the booking system itself is prone to misuse – intentional or accidental. Some of the major causes of revenue leakage are:

- Duplicate bookings
- Multiple bookings for the same passenger in the same or different class
- Incorrect booking classes
- Wilful abuse of fare rules
- Blocking seats till 24 hours to departure
- Multiple bookings on several flights of the same airline
- Passenger name changes

Given these complexities, revenue leakage becomes a certain possibility. Despite improvements in fare audit technologies through automation, it is estimated that airlines still

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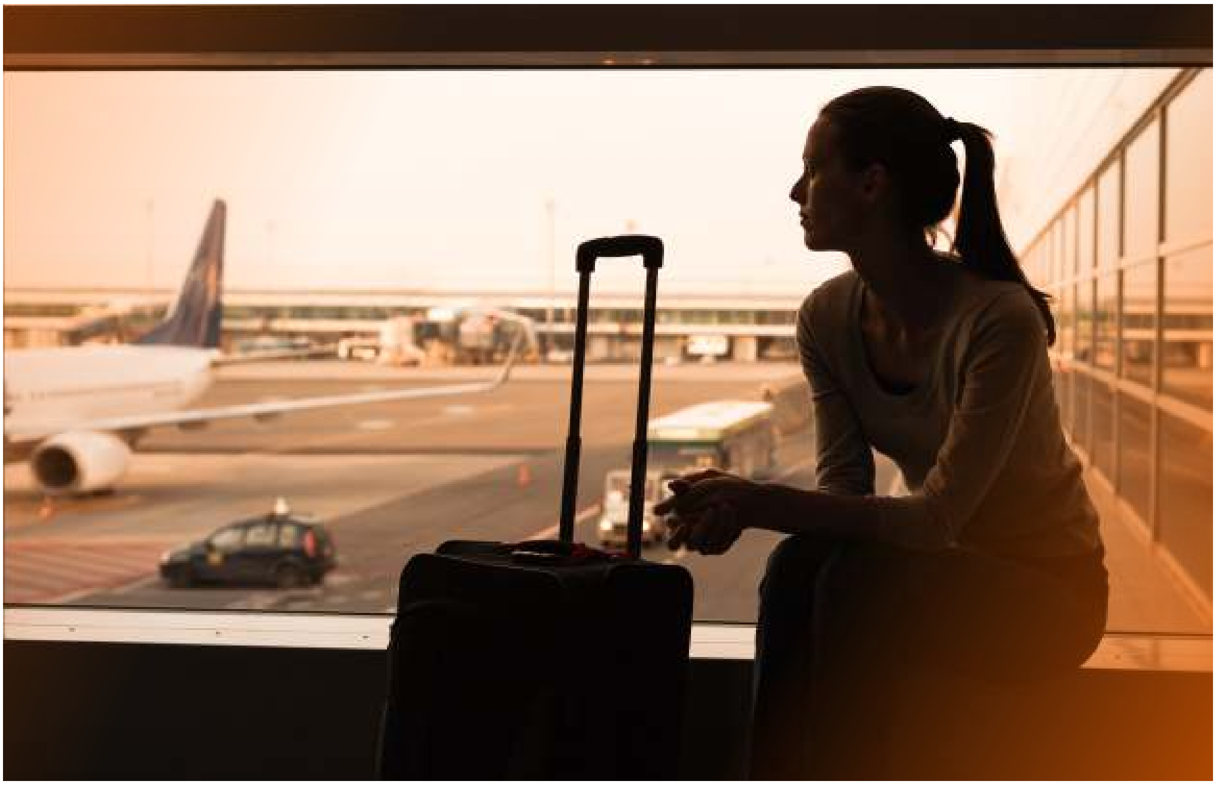
Why are Conventional Methods of Revenue Recovery Ineffective?

Many a times, airlines are busy resolving larger business problems such as volatile oil prices, crew agitations, changing regulations and so on. Revenue recovery doesn't get as much attention as it requires.

Also, the current approach towards tackling revenue leakage is to focus on post-facto revenue recovery. Airlines typically manage this in-house or work with an outsourced revenue audit firm to perform detailed audits of transactions and identify violations and raise debit memos to recover revenue. While audits are a critical part of the revenue recovery process, they are just one element in an integrated and comprehensive approach to managing revenue leaks.

Though audits uncover millions of dollars in lost revenue, they come at a cost – manpower, time, fees paid to third-party auditors and collection agencies. In addition, delayed revenue recognition impacts cash flows and cost of funds.

While the traditional reactive approach helps airlines recover a large portion of the revenue loss, a better approach is an integrated fare audit, which combines the power of proactive revenue



prevention through robotics, automation of audit process and the domain expertise of subject matter experts (SME) in the traditional audit process.

What is Proactive Audit?

In a proactive process, high-end automation and robotics are used to identify ticketing errors as and when they occur and pass those messages to ticketing offices (airline / travel agency) so that they can immediately rectify the errors. This combined with the traditional audit process, and supported by automation, helps identify a larger set of erroneous transactions as well. The integrated approach thus reduces the overall efforts and costs associated with revenue recovery.

Benefits of Proactive Revenue Protection

A positive financial impact

An integrated proactive approach helps reduce the number of ADMs and overall cost associated with revenue recovery due to

- Identification of leakages at the time of ticketing and proactive corrective action
- Robotics and automation bring down manpower cost and improve identification of violations, thus reducing leakage
- Less number of ADMs improves the cash flow and reduces fund costs associated with long recovery cycles

Airlines should consider taking a proactive approach to revenue recovery. It makes perfect business sense to protect revenue than chase it.

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Improved relations with third-party firms

Debit memos can be contentious issues between airlines and travel agents, and for both of them managing debit memos is a cost that they can do without. Besides, airlines and agents want to be more focused on revenue generating activities than be bogged down by paper work related to revenue losing transactions like ADMs. A proactive revenue protection approach creates a win-win situation for both the partners by reducing potential revenue leakage and, therefore, the quantum of debit memos.

A proactive approach provides travel agents the opportunity to rectify violations in real-time and helps agents avoid ADMs and revenue loss, which in turn improves the agency-airline relationship.

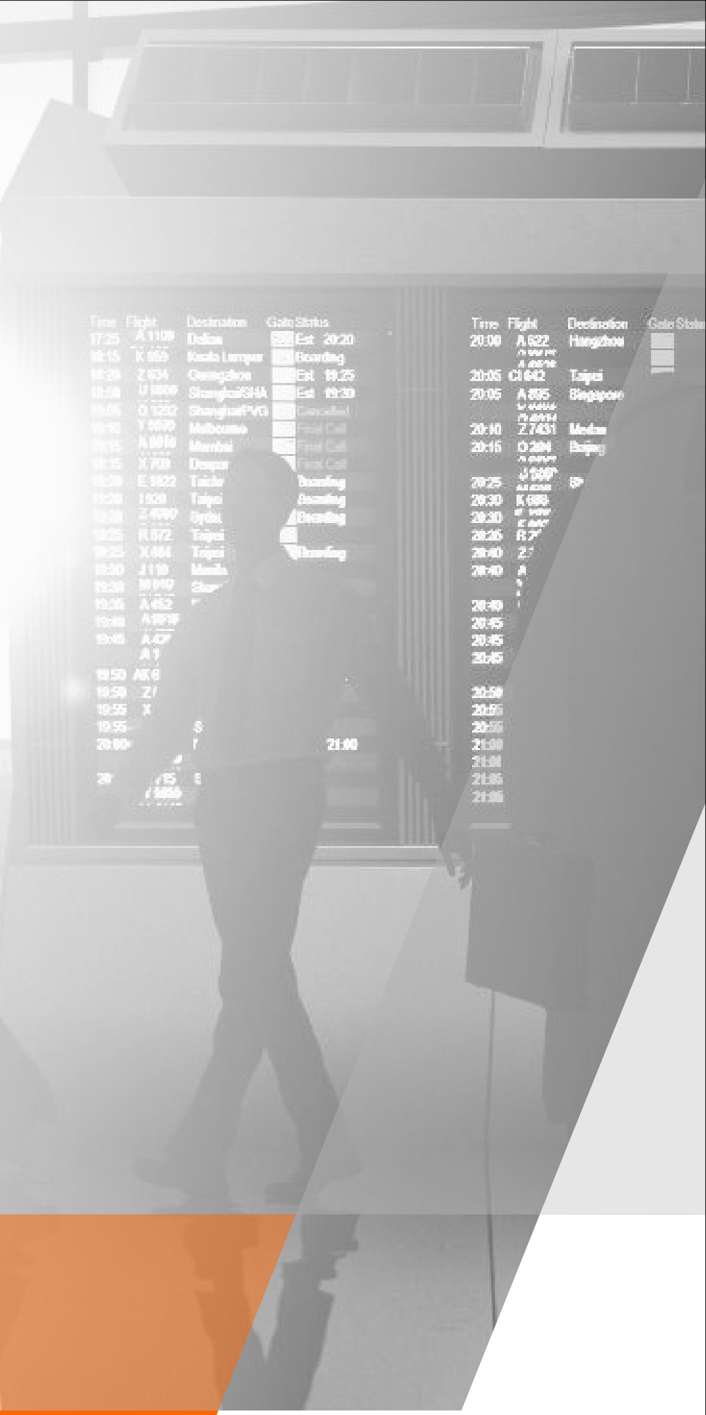
Enhanced customer service

A proactive approach also improves the quality of reservation and ticketing transactions and thus reduces any issues that a customer might face during the trip like re-issues or refund due to erroneous ticketing. This, in turn, tends to have a positive impact on an airline's reputation, especially at a time when passengers are not shy of using social media to talk about their travel experiences.

WNS' Perspective

Proactive revenue recovery can significantly improve the bottom-lines of airline companies. Although a loss of 2 percent may not seem prohibitory, the efforts to recover this amount further add up to this loss. Also, the delayed recovery impacts the cash flow of the company.

As per WNS, airlines should consider taking a proactive approach to revenue recovery as a viable business strategy. It makes perfect business sense to protect the revenue than chase it. WNS is one of the world's leading Business Process Management (BPM) companies, and has a rich experience of improving financial outcomes by re-engineering business processes. We are a former captive center of British Airways, and the airline business runs in our DNA. Our domain knowledge puts us in a vantage position to resolve problems in upstream processes by streamlining downstream processes.



About WNS

WNS (Holdings) Limited (NYSE: WNS) is a leading global Business Process Management (BPM) company. WNS offers business value to 200+ global clients by combining operational excellence with deep domain expertise in key industry verticals, including banking and financial services, consulting and professional services, healthcare, insurance, manufacturing, media and entertainment, retail & consumer packaged goods, telecom and diversified businesses, shipping and logistics, travel and leisure, and utilities. WNS delivers an entire spectrum of business process management services such as customer care, finance and accounting, human resource solutions, research and analytics, technology solutions, and industry-specific back-office and front-office processes. WNS has delivery centers world-wide, including China, Costa Rica, India, the Philippines, Poland, Romania, South Africa, Sri Lanka, UK and US.

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