

Harness New Talent and Improve Existing Analytics Skillset

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RM Systems have become more sophisticated

- Over the last 4 decades, the travel marketplace and RM systems have become increasingly complex and sophisticated:
 - 1980s: Leg-based
 - 1990s: Network-based
 - 2000s: Sell-up Forecasting and Marginal Revenue
 - 2010s:
 - Competitive Fare Information
 - Dynamic Pricing
 - Ancillary Revenue
 - Offer Management

Yet, RM departments have remained pretty much the same

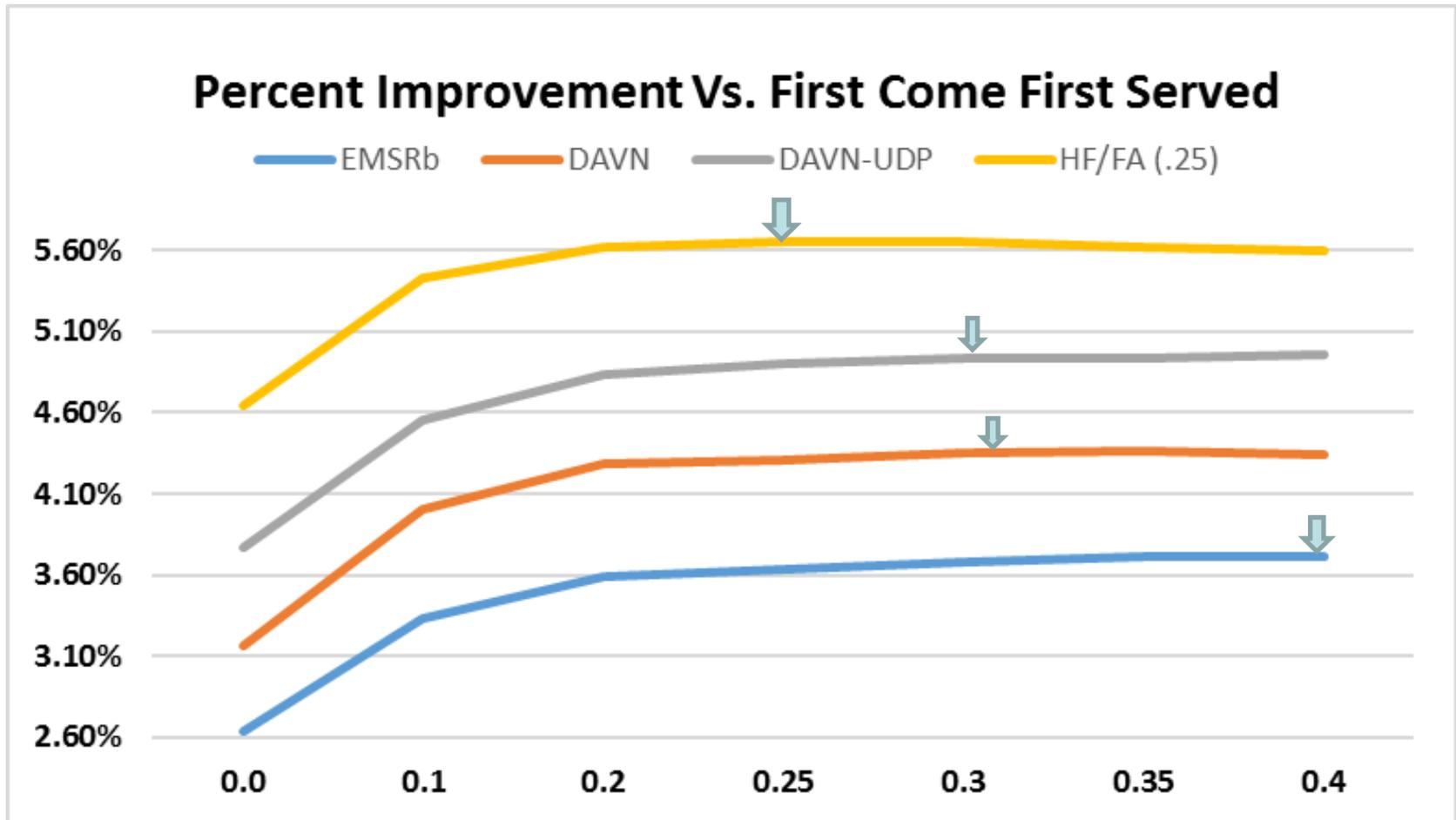
- RM departments remain organized like 20-30 years ago
 - Large pool of analysts
 - Many manual adjustments to system recommendations
 - Often led by intuition
 - Many adjustments to output (price/availability) rather than input (demand forecasts)
- As systems get increasingly complex, the gap grows between system sophistication and human analyst understanding of system's recommendations



Brunger's study: Reasons analysts give to justify adjustments to system recommendations

- “I know how the customers behave...”
- “The system is always too aggressive...”
- “I can forecast better than the system...”
- “It’s booking ahead of last year...”
- “They are our best customers...”
- “...to make the forecast the same as last year’s...”
- “The forecaster always gets this market wrong...”
- “I can squeeze a little more out of those passengers”
- “I need to match my competitor’s current fare level...”
- “The system never saves enough seats for business...”
- “...there is a new flight to XXX so I will have more cnx...”
- “It is booking ahead of expectations...”
- “Some of the past passengers would have paid more...”
- “...the market is on fire...”
- “...Easter (or Ramadan) has moved by 2 weeks...”

Brunger - Value of user intervention decreases with RM systems sophistication in PODS



Re-evaluate the Role of RM Systems

Today

- **RM Systems are in a support role**
- **Head of RM Systems typically reports to VP of RM**
- **Business units have final say on deployment of new system developments**

Tomorrow

- **Equal partnership between Systems and Market Management/Business Units**
- **Head of RM Systems at same level than Head of Market Management**
- **Collegial fact-based decisions on RM systems improvement and deployment**

A New Generation of RM Analysts

Today

- An entry-level role filled mostly with recent college grads
- Many analysts lack technical skills and have little understanding of the inner workings of RM systems
- Analysts often rotate into different roles after a few years including RM Systems

Tomorrow

- Preference for advanced degrees
- Provide 2-3 years experience on the Systems side prior to a market management role
- Flexible career path with back and forth between RM Systems and market management

The evolving role of RM Analysts

Today

- **Manual review of large number of flights**
- **Based on intuition rather than science/data/models**
- **Actions focus on output (price/availability) rather than input (forecast/model parameters)**
- **Focus on LF and YOY Comps**
- **Individual**

Tomorrow

- **Focus on true exceptions**
 - **Holiday shifts, demand shocks (Zika), special events (KY Derby,...)**
 - **Macro variables (Oil Prices,..)**
 - **High-level competition dynamics**
- **Analyze past RM system performance and provide feedback to RM Systems**
- **Make RM more social: Encourage peer review of adjustments across analysts. Develop tools to support teamwork**

Conclusion

- Growing disconnect between ever-increasing RM systems complexity and RM department organization and human analyst capabilities
 - “Simplify” the system
 - Evolve the profile and role of the RM analyst
- Travel companies aspire today at becoming better “retailers” and catch up on companies such as Amazon or Uber
 - Not just about recommendation engines, personalization or investing in digital channels
 - Also about becoming more fact-based, data-driven decision-makers
 - Believe in automation and machine learning
 - Evolve the role of human analysts from tactical to strategic

Thanks for Listening

Questions? Comments.

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