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## OnLine Case 3.1

### British Airways

British Airways invested some 5 per cent of its gross revenue in IT during the 1990s. IT was first utilized over 30 years ago to streamline the reservations systems. Subsequently, it was used for aircraft scheduling, spares control and crew rostering. BA now obtains many of its supplies by Internet procurement. Improved efficiencies in these areas are critical as cargo and passenger volumes grow, and continue to grow.

Increasingly, IT has also been used to add value and to improve BA's overall service and effectiveness in a very competitive industry. A number of the applications are described below.

Computerized reservation systems now link travel agencies directly with the airlines and provide instantaneous information on availability, followed by reservations and tickets. There are a number of systems but the market became dominated by two, which carried up-to-date information on hundreds of airlines and their flight schedules. Sabre (begun by American Airlines) quickly became market leader for the US market but had a more limited presence in Europe; Galileo/Apollo (two merged systems, owned at one stage by United Airlines and BA together with nine other airlines) was market leader in Europe and second largest in America. Most airlines have sold their stakes in these systems: BA sold its holding in two separate tranches. These systems allow airlines to change prices and pricing policies frequently in their attempt to maximize their yield. In other words, fares for a particular flight can be adjusted in line with demand, and ticket prices can be discounted to try to fill the aeroplane if there are spare seats. The airlines want to sell seats at the highest prices they can obtain, but an empty seat means lost and irrecoverable revenue. This is complex as there were at one time 30 different fares available on a typical transatlantic flight on a Boeing 747.

Travel agents and specialist 'consolidators' (who buy blocks of discounted seats and sell them on either directly or via other travel agents), with access to substantial information, will often shop around for the lowest fares. In addition, computer reservation systems allow passengers to be allocated specific seats well in advance of their flight rather than when they check in at the airport. Clearly, both the airline and

the passenger can benefit. The airlines further argue that these systems give them better control over their deliberate overbooking policies. An airline is often willing to sell more seats than they have available on a flight, assuming that some passengers with tickets will not travel, and balancing the cost of compensation and lost goodwill against the lost revenue from empty seats.

BA, like most major international Airlines, has a frequent flyer programme with air miles and various other benefits. Air miles are also available from organizations with whom BA has an alliance, including other airlines, car rental companies and leading hotel chains. Without IT to record the relevant flight and fare details, such programmes would not be feasible.

Travel agencies have the facility print airline tickets directly in their branches, rather than simply order them from the airline who would issue them at a later date. However, electronic ticketing has made this less significant. [A lot of the time, all the customer needs to check-in at the airport is their photo ID. As well as on-line booking, we now have, for the individual customer, self-service check- in both at the airport and in their homes where personal check-in and seat selection can take place before going to the airport.](#)

Electronic ticketing takes several forms. Typically with some BA flights passengers are simply provided with a booking reference (after they have paid) which they feed into a machine at the airport, which then issues their boarding card. Some airlines provide passengers with plastic identity cards (the same size as credit cards) which can be swiped through a machine by the gate staff who can then issue the boarding card at the very last minute before boarding the aircraft.

Some new airport ticketing machines enable passengers on certain flights (in BA's case on shuttle services) to buy their ticket and obtain their printed boarding card in 40 seconds. The technology also exists for machines to scan a passenger's thumbprint (assuming that it has been previously verified), issue a ticket and debit that person's bank account. This is seen as more secure than the existing machines, which respond to credit and debit cards, and more likely to generate customer loyalty. Hand-held computers are available to speed up checking-in and reduce queuing.

ACARS (Aircraft Communications Addressing and Reporting System) allows fast transfer of information by radio waves between computers on the ground and computers on board aircraft. Data transmitted during a flight can help to plan routine and extra ground maintenance and boarding delays can be reduced. Some of the

ground time between flights is spent analysing and responding to information on load and balance.

Personal video players, which are now ubiquitous in first and business class, can often be adapted to enable passengers to book hotels and cars during their flights and possibly use their credit cards for mail-order shopping. Hertz developed touch-panel machines with visual prompt screens at airports to enable passengers to reserve cars at their destination just before they fly. A printed confirmation takes six seconds.

BA also harnessed IT to improve its response to complaints. Only three customers in 1000 complain about anything, but this still represents several hundred letters every day. Most people are only looking for an explanation and an apology, but they expect it quickly. If they receive a satisfactory response, they tend to stay loyal to BA, and customer retention is much less expensive than generating new business. Given that the customer's explanation must be checked carefully, it has proved beneficial to link the customer service system with BA's other information systems, such as bookings and flight information. New letters of complaint are scanned in and the relevant records checked quickly before a response is generated. Each letter is given a priority rating.

Prior to his resignation early in 2000, chief executive Robert Ayling committed BA to increasing the percentage of its tickets sold by the Internet from 1 per cent to 50 per cent in less than five years. His successor has reinforced the strategy but trimmed the target. easyJet promotes itself as the 'Web's favourite airline' (as a spoof on BA's claim to be the 'World's favourite airline') and, like Ryanair, sells its tickets only via the Internet or its own telephone call centre.

**Question** The examples in this case take developments up to a certain point in time - can you think of other opportunities where BA might have sought to exploit IT for competitive advantage?

British Airways <http://www.britishairways.com>