



Quality control for air cargo revenue generation

Pricing agility can make or break an airline's business. They need to be responsive to market trends, quick to react to new opportunities and capable of creating an environment where customers and their own employees have real-time visibility of cargo rates throughout the carrier's network and can make fast and accurate decisions.

Calculating the most competitive rates on individual route sectors is a big enough challenge in itself but carriers also face the added dilemma of how to get their rates to market in the most timely manner. It is a challenge that over time has seen solutions such as posting rate sheets through the mail, hand deliveries of tariffs, faxing and, latterly, email. Not only have these largely manual approaches proven extremely time consuming and costly but very often the rates will be out of date with market conditions by the time they reach their intended freight forwarder customer.

The bottom line is, simply, the impact on the bottom line. The inability to react quickly to a dynamic global air cargo market, and shifts in available capacity, means airlines regularly struggle to maximise yield from their cargo capacity.

Martinair Cargo's experience was no different, but the Dutch cargo carrier – the world's 15th largest cargo airline –

took decisive action and is now reaping the commercial benefits. With a route network of over 250 destinations in the Americas, Middle East, Far East and Africa, served by a modern fleet of Boeing 747-400 and MD-11 freighters as well as by trucking and interline services, Martinair knew it needed a new and even more effective way to manage revenue generation and yield across its growing international business.



Rob Veltman, VP Cargo Sales & Marketing Europe, said: "The main issue we needed to address was to put in place a centralized rates system that could be accessed by authorized

personnel within the organization, whatever their location. The business drivers behind this objective were the need for consistency of rates, alignment of cross-border issues, the need for a better tool to manage and distribute rates and a key requirement to analyze

strategic rating/pricing.

"We believe that what you measure is what you get when it comes to optimising the business so we put in place a clear commercial policy that embraced centralized pricing. On top of that load factor utilization is vital to making money out of freighter operations because you don't get the income subsidy of passenger revenue."

Having explored a number of potential options, Martinair Cargo's preferred solution was a bespoke development based on the original framework of OAG Cargo's Air Freight Rates Application. It was the one solution the airline recognized as being able to address its main issues:

- Maximising rate potential in a supply and demand market challenged by over capacity on key trade lanes
- Better analysis of contract rates and how it is used internally
- Having reporting mechanisms in place to support the measurement process
- to analyze the market offer in terms of contract rates and spot rates
- Business intelligence
- Authorization structure within the business

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"We looked a several suppliers but AFRA was the only solution around that met all of our requirements and provided the functionality the business needed. We also liked the fact it was web-based , the developers knowledge of the cargo business and,their mindset of how to approach product development," said Eelco Nillenssen, Strategic Project Support Executive for the airline.

The solution also needed to be able to manage external requirements such

information as well as the potential improvements in staff productivity. Replacing legacy systems that haven't changed in years is a big risk and it can be costly. Having knowledgeable staff was a big advantage for Martinair and the AFRA project team of OAG Cargo also gave us great support throughout. It was more like a partnership than a supplier/client relationship and that was very important to us. Working with a combination of detailed requirements, agile programming, and a reliable and stable project team generated considerable trust for everyone involved."

The project team was able to quickly satisfy the need to create an interface between the airline's rating system and its CHAMP CargoWise booking system using web services, ensuring a

For example, rates on the bookings are accurate so we spend less time checking and processing rates through the organization. Reducing the failure rate has actually resulted in 30% less work. Jobs that once took 2-3 weeks are now done in 2-3 days and that has enabled us to grow our business without increasing our costs through enhanced employee productivity. We now have a fully integrated IT system that provides a full audit trail enabling checks to be made on quotes.

"Staff enjoy using the MCR system because it is easy to operate, quick and complies fully with everything we need. It wins at all the points where you want to make a rate comparison. Previously we had a rating database, now we have a full rate management system. We have

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as the publication of security and fuel surcharges required by the EU as well as internal considerations, including accounting and auditing, and procedures for managing seasonal rate changes.

Adoption of the Martinair Cargo Rates (MCR) system into Martinair's business was completed in three phases; a preliminary evaluation to determine the functional requirements, a development phase split into a series of releases and, finally, implementation.

It was in 2008 the development project started, taking 18-months through to final implementation. The airline's Project Competence Centre was dedicated to the development cycle, supported by representatives from key departments across the business including Customer Service, Inside/Outside Sales, and Revenue Management.



Eelco Nillenssen adds: "We changed our minds a few times and made adjustments, including some quite big ones. One of the first drawbacks we successfully overcame was

how historical data could be referenced from legacy systems. The air cargo industry is traditionally a late adopter of new technologies and that is mainly due to cost.

"Martinair needed to clearly understand the efficiency gains from managing information as opposed to just providing

secure solution that could be accessed worldwide by authorized customers and Martinair's local teams. With an OAG programmer onsite throughout the implementation process, issues were addressed expediently.

The Martinair Cargo Rates (MCR) system now fully embraces the AFRA solution. It enables the airline to:

- Upload rates directly to the database
- Extended rate approval authorisation process
- Achieve real-time, online rate distribution and management
- Apply sales margins
- Create and distribute company branded sales rate sheets to customers
- Reach all customers and markets
- Enable customers to access rates via a secure network
- Compare sales rates against individual bookings
- Export data for analysis from MCR to Excel

While MCR's functionality has 'ticked all the boxes' for Martinair Cargo, has it also produced the commercial benefits the airline was looking for?

Rob Veltman is able to point to measurable results: "Having a single source for storage and distribution of contract rates has most certainly produced FTE cost savings for Martinair.



the ability to set pricing centrally and one common and consistent approach for the global market."

He added: "Revenue management is high on the agenda of our VPs around the world and we have now provided them with a system with a flexible structure that enables the different sales regions to make their own informed decisions. Today we can roll out changes in five minutes. That's why we chose to leave the technology to the experts. OAG is the right partner for Martinair Cargo because it has a knowledgeable data centre, it knows what is required and can monitor performance. Most importantly, using its AFRA solution all you need is an internet connection and a password and you can work.

"Better visibility enables us to work smarter. We now have an environment which helps us to enforce our policy of 'contribution thinking'. In other words, it is not so much about how much revenue we generate but always about the quality of the revenue, something which every airline needs."