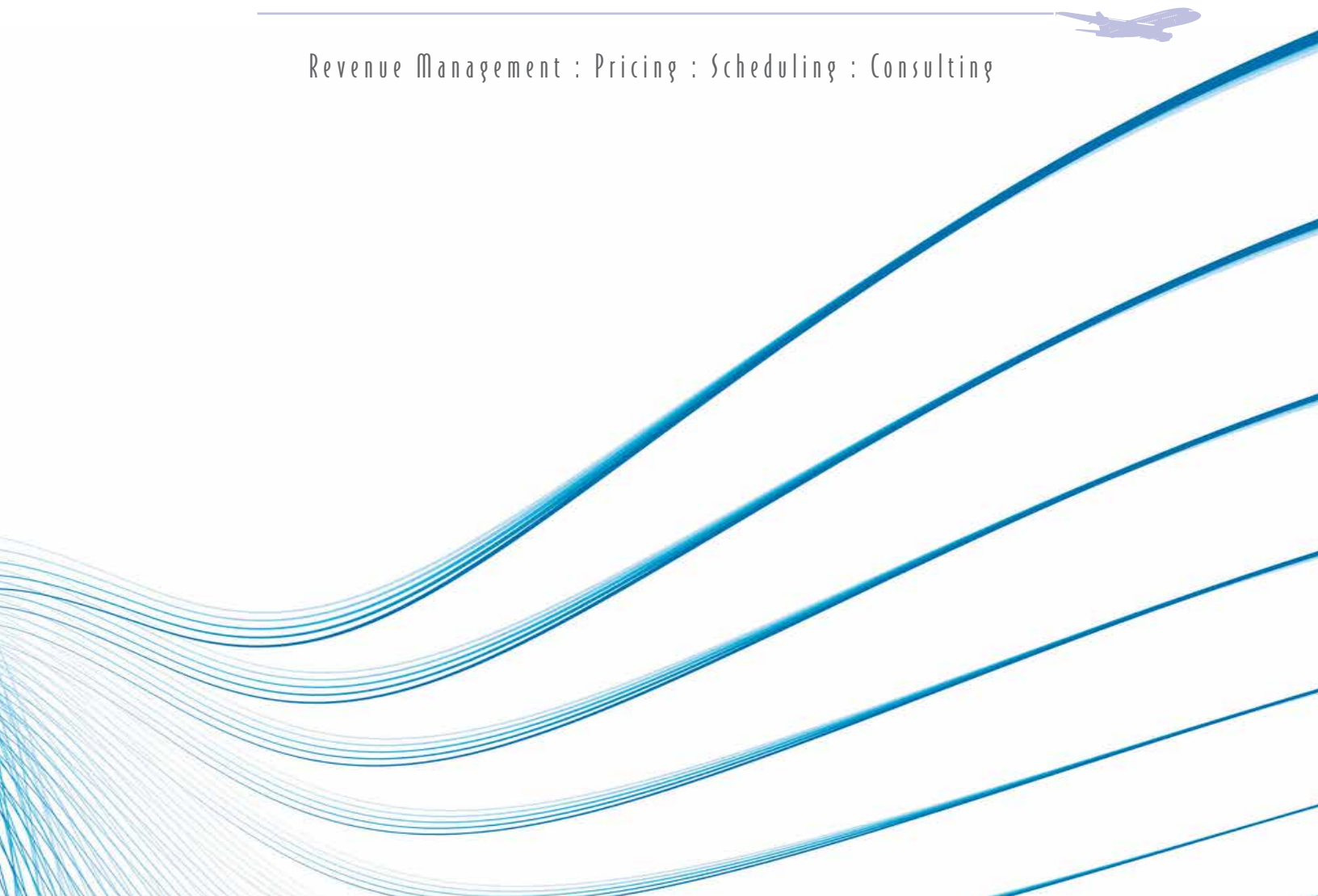




# AIR CARGO

Revenue Management : Pricing : Scheduling : Consulting



# Air Cargo

60

Is a USD  
60 billion  
business

35%

Transports 35% of  
the value of goods  
traded internationally

32

Supports  
32 million  
jobs

3.5

USD 3.5 trillion  
of economic  
activity

Air Cargo is a USD 60 billion business that transports 35% of the value of goods traded internationally and a critical part of the airline business which, as a whole, is the heart of a value chain that supports 32 million jobs and USD 3.5 trillion of economic activity. It is an important industry that is critical to global business. Air Cargo is increasingly becoming an important source of revenue for airlines across the globe. On an average, the revenue from cargo is 14% of the total air traffic revenue, and up to 40% for some airlines.

14%

On an average the  
revenue from cargo  
is 14% of the total  
air traffic revenue

&

40%

Up to 40%  
for some  
airlines

It is becoming increasingly important for airlines to capture as much of a market share as possible and carry the right type of cargo within the constraints of the network in order to increase revenue and maximize profitability.

Recognizing the revenue generating potential of an efficient cargo department, experienced airlines have transformed this sideline operation into a vital component of their business strategy.

The success of an air cargo operation can be impacted by a number of factors – better definition of products and pricing, adequate, accurate, and timely data, and better understanding of capacities, demand, and customer behavior.

Airlines require automated decision support tools to help manage cargo operations at an optimal level, thereby increasing revenue while maximizing profit and improving customer relationships.

## Challenges facing the air cargo industry today are:

- Understanding the true cargo capacity as well as capacity for sale considering passenger and cargo customer behavior.
- Dynamically determine hurdle prices considering demand for various types of cargo.
- Determining the capacity split between allotments/long-term contracts and freesale.
- Understanding and defining the value of cargo customers.
- Determining routes considering connect times, shipment characteristics, embargos, station constraints, etc.
- Considering price elasticity, customer value, capacity and market share, and costs to set prices/rates.
- Maintain and update rates frequently.



# How Can RTS Help?

At RTS, we understand airline cargo operations and the value of best practices and IT decision support systems to improve productivity, service levels and revenue.

With expertise, experience, and knowledge in end to end cargo business processes, we have developed a cargo product portfolio that addresses the specific needs of airlines covering the end to end cargo processes.

## RTS solutions cover a wide range of business functions such as:

- Capacity Planning
- Revenue Management
- Management Reporting
- Routing
- Customer Value Pricing
- Price Elasticity Analysis
- Target Pricing

## Cargo consulting services:

- **Commercial strategy** – Products, schedule, revenue management, and pricing.
- **IT strategy** – automation, business intelligence, and migration plan.
- **Training and education** – revenue management, pricing, and marketing.
- **Business process assessment** – business process mapping, gap analysis, change management, and best practices.
- **Operations research** – statistical and operations research modeling and support.
- **IT Services** – integration services and customized solution development.

## RTS - Cargo solutions and services:

- **RTS® CargoProfitOpt:** Revenue management and capacity planning software.
- **RTS® CargoPriceOpt:** Pricing analysis and decision support software.
- **Schedule evaluation tool:** To analyze the value of a given schedule in terms of overall network revenue/profitability. Considers origin-destination-product demand routes, costs, and flight schedule to identify bottleneck and underutilized flights. This assists airlines in making decisions such as swapping aircraft, changing frequency, and deciding where to fly.



# RTS®CargoProfitOpt

RTS®CargoProfitOpt is a full-fledged cargo revenue management and capacity optimization solution that enables airlines to maximize network level profitability.

Why RTS®CargoProfitOpt?



RTS®CargoProfitOpt will enable airlines to realize incremental revenue benefits of up to 10%.

In addition to the financial benefits, airlines will realize additional benefits such as:

- Increase in productivity
- Up-to-date availability of data
- Consistency in decision making
- Improved response time

RTS®CargoProfitOpt can assist airlines to accurately plan the flight capacities to be offered for sale and control access to flight capacities.

RTS®CargoProfitOpt software will assist airlines with the following:

- Forecast capacities available for cargo considering payload and boarding priority of other components such as passengers, bags, and mail.
- Determine overbooking level or capacities available for sale considering cancellation, no show, and over/under-tendering of cargo by customers.
- Forecast demand and optimally allocate capacity between allotments and freesale as well as determine the allocations to various allotments – customer, station, product, and interline.
- Support dynamic pricing considering demand, flight capacities, routes, and costs to maximize network profitability.
- Generate routes considering feasibility restrictions based on connect times, products, embargoes, etc.

## Features:

1. Automatically process key revenue management modules at night for up-to-date flight capacities, overbooking levels, demand forecasts, allocations and bid prices.
2. Interactively run revenue management modules and options to review and modify model outputs as well as change model inputs.
3. Ability to create weekly, monthly and yearly management reports on service failures, load factors, and revenues.
4. Pro-actively manage flights by alerting users when certain conditions are met or not met in terms of potential service failures or revenue opportunities.
5. Manage flights in a simple and more efficient way with user-friendly interactive screens.



# Core Functionality



## Allotment Management

Determine the mix between permanent bookings and free sale as well as the allocations among various stations and customers. This takes into account freesale demand, allotment requests, routes and costs and some business rules for allocation.

## Bid Pricing

Determine minimum acceptable price ("bid price") for a shipment considering network demand, routes and costs, and capacity.

## Booking Evaluation

Ability to evaluate a booking request considering rates, routes, and bid prices.

## Capacity Forecasting

Determine available cargo space for future flight departures in terms of weight, volume and containers considering payload and boarding priority in terms of passengers, bags, mail, etc.

## Dashboard & Reporting

Reports on flights, customers, stations, etc in terms of usage, load factor, revenue, etc.

## Demand Forecasting

Project demand at a DFU (demand forecasting unit) level. DFU can be defined at various levels such as leg/segment/market, customer, product, and rate density class.

## Flight Management

Set rules and alerts to identify critical flights, classify criticality based on conditions, obtain information on critical flights, conduct what-if analysis and make adjustments, and send adjustments in real time to reservation system.

## Overbooking

Determine the amount of additional capacity to be made available for booking to offset the impact of no-shows, cancellations, and over/under-tendering. Overbooking levels can be optimally calculated to reduce total costs of offloads and spoilage or to meet a specified service level or a combination of the above.

## Router

Generate operationally feasible routes to satisfy demand considering shipment, aircraft, and network characteristics.

## Show-up Rate Forecasting

Predict flight leg-level booking behavior in terms of no-shows, cancellations, and over/under tendering.



# RTS®CargoPriceOpt

RTS®CargoPriceOpt is a comprehensive decision support system that considers competition, customer value, price elasticity, and costs to recommend prices as well as has the capability to update them as needed.

## Why RTS® CargoPrice Opt?

RTS®CargoPriceOpt will enable airlines to address the key challenges associated with rate sheet creation. The first challenge is understanding the competition, customer, product, and price elasticity and determining the rates/prices by weight break as well as container/pallet types. The second is the ability to update rate sheets frequently. Pricing process at most airlines around the world is manually intensive and may not use all the available information to set prices.

RTS®CargoPrice Opt software will assist airlines with the following:

- Create pricing guidelines based on competition, customer value, price elasticity, and target margins.
- Determine the average rates/prices to be offered for various origin, destination, customer, product, commodity.
- Generate rate sheets showing rates by weight break and container/pallet types.
- Provide the capability to update rate sheets frequently (weekly or monthly basis).

## Benefits:

The pricing decision support software will enable airlines to optimally set prices resulting in the following benefits:

- Prices that represent the product, market, customer value, and customer behavior.
- Enhanced productivity and faster turn around time to create/update rate sheets.
- Consistency and accuracy in setting prices across the network and across analysts.

## Core Functionality

- **Price Elasticity** – quantify the relationship between price and quantity in terms of price elasticity as well as understand the impact of capacity share, load factor, and market share on price elasticity.
- **Target price** – understand the costs of carrying shipments from origin to destination along a route based on aircraft, stops, distance, fuel, and handling and calculating target price based on target profit margins.
- **Pricing optimization** – recommend optimal pricing options by evaluating the impact of available pricing options in terms of revenue considering probability of accepting the price, price elasticity, customer value, market price, and target price.
- **Rate sheet publication** – generate as well as publish prices/rates for various weight breaks for bulk freight as well as ULD rates for unitized freight. Supports rate maintenance and updates.
- **Dashboard** – dashboards on customer and airline performance in terms of revenue, tonnage, and yield relative to other customers and other airlines. Reports on customer value, price elasticity, capacity share, and market share.
- **Customer Value** - determine the value of customers based on key aspects such as freight density, capacity share, market share, flight share, customer space usage, and network revenue as well as identify the relationship between customer value and prices

## Key Features:

- Automatically process key data such as air waybill, CASS, capacity share, cost, and load factor to determine customer value and price points.
- Interactively run key models such as customer value and pricing recommendations based on latest data.
- Account for price elasticity and probability of customer accepting a price while evaluating recommended pricing options.
- Generate key reports on pricing and performance in terms of customer value, capacity share, yield, tonnage, market share, load factor, etc..
- Create rate sheets as well as maintain and update rates.



# The RTS® Advantage

**Unique solution** – RTS is the only solution provider that offers software solutions to support and optimize the two most important planning functions in the air cargo business process : **Pricing and Revenue Management**

**Better value proposition** – RTS solutions provide exceptional financial results in terms of revenue and profit and help airlines realize immediate ROI through the deployment of the most cost effective solution in the industry.

**Flexibility** – RTS works with our customers as partners to create and implement solutions that will meet their specific business, process, and organizational requirements.


**Lower IT costs** – RTS solutions are architected to minimize IT infrastructure and hardware/software costs. RTS can also host the solutions to eliminate the need for investment in IT infrastructure and support costs.


**Unequaled Insight** – RTS has a team of professionals who have the experience, expertise, and knowledge of the air cargo industry and have implemented software and consulting solutions at several carriers around the world.




Revenue Technology Services is a worldwide provider of profit enhancing- revenue management and pricing software solutions and consulting services for travel and transportation industry for both passenger and cargo sectors. RTS® is headquartered in Dallas, Texas with offices in UK and South Africa and a development center in Mohali, India.

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