

A close-up, low-angle shot of a large commercial airplane engine mounted on a wing. The engine's fan blades are prominent, and the central hub features a spiral logo. The aircraft's wing and landing gear are visible in the background, set against a clear sky and a runway.

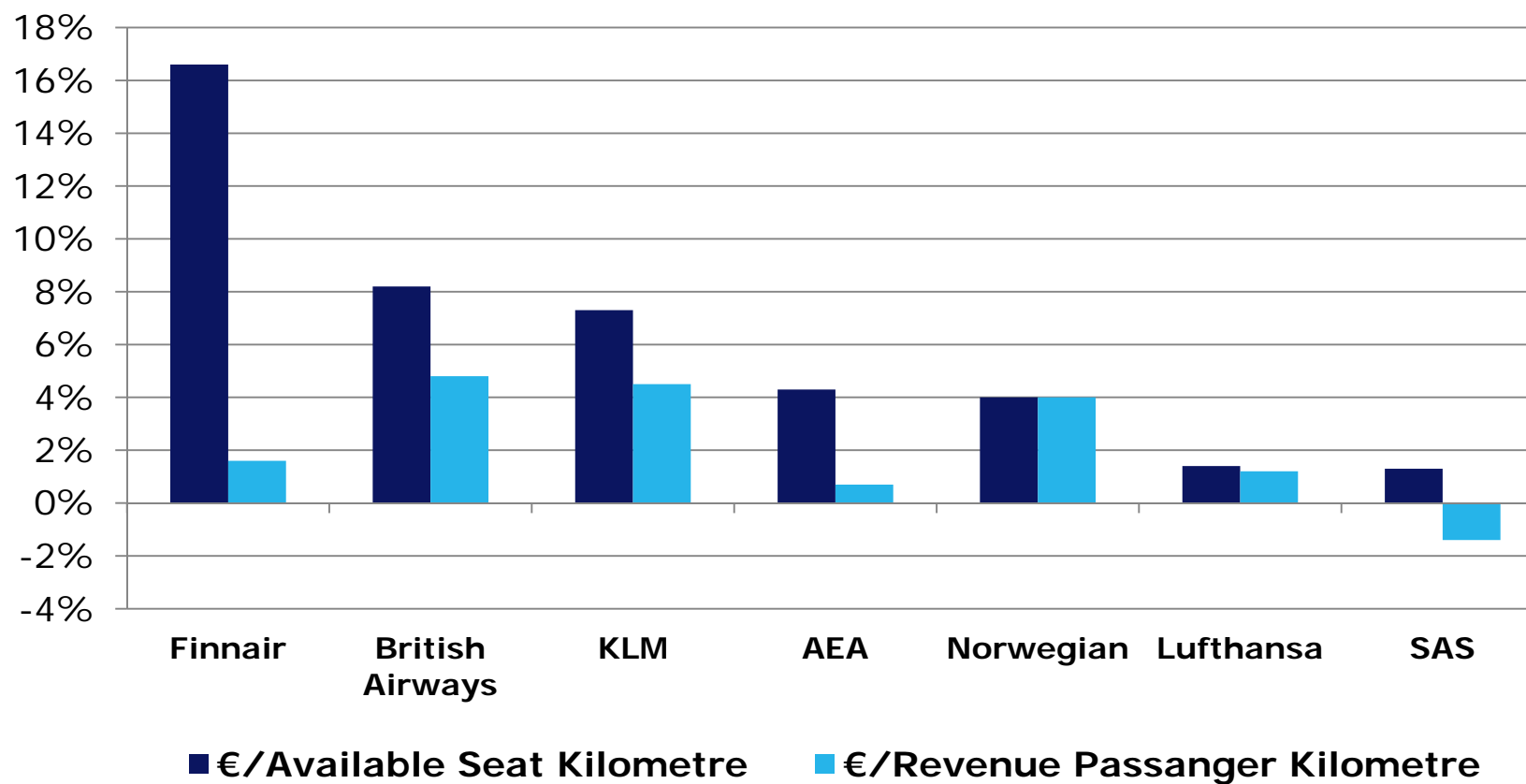
Maximizing network revenue

Peter Gabrielson
VP Customer Experience



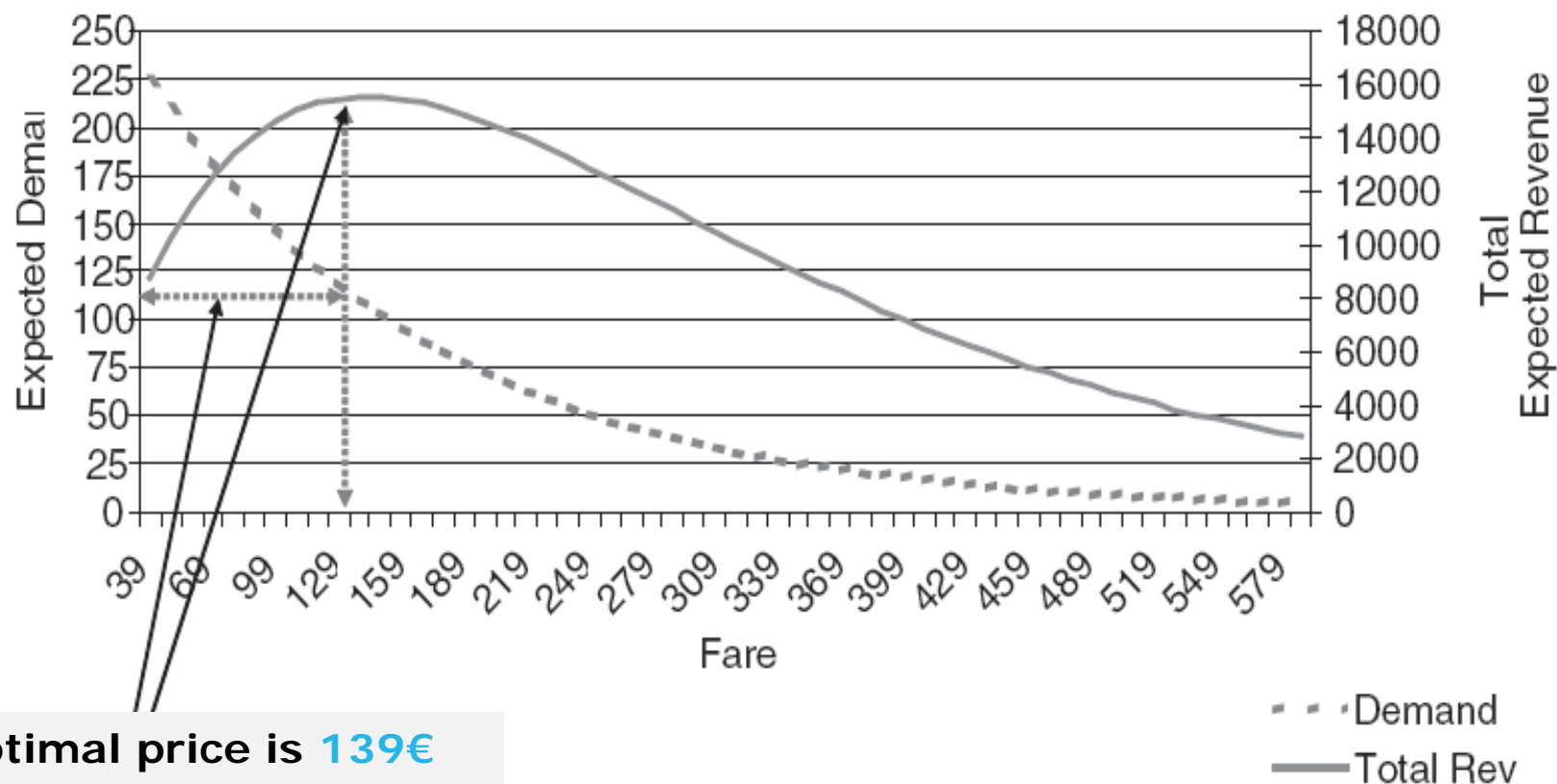
Finnair has succeeded in increasing its unit revenues more than its competitors

H1 2012 €/ASK and €/RPK development in Europe





Purpose of Revenue Management and Pricing is to maximize network revenue by balancing yield and demand



Optimal price is 139€
→ sell 112 seats

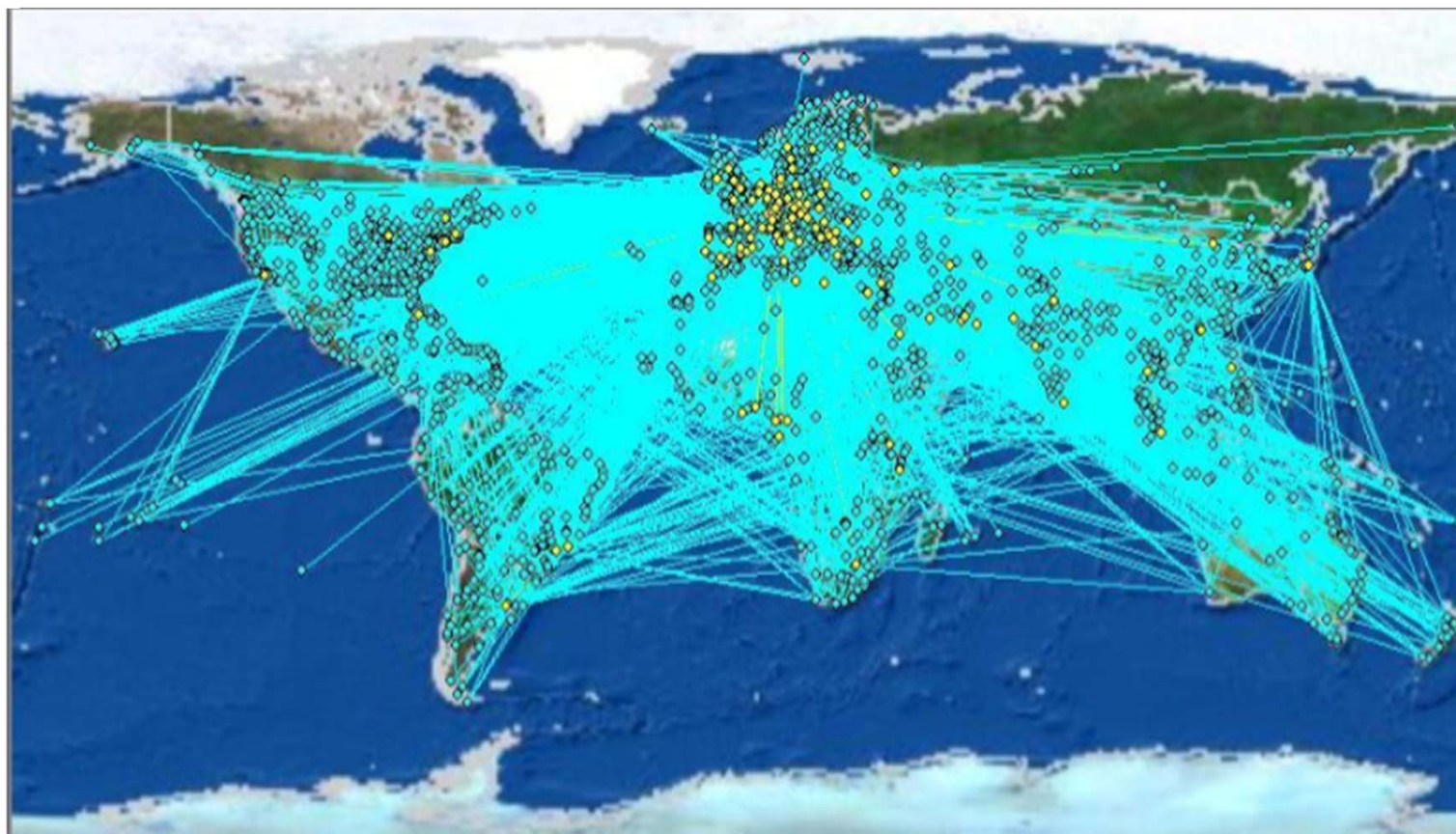


Network optimisation is complex business

- Finnair has about **250 flights** in a day
- Flights are **for sale 361 days before** departure
- **Tens of thousands of different fare products** in 26 different booking classes
- **Over 2 million forecasts and optimizations** are made each day to maximize network revenue
- Globally, there are over **2 billion different Origin-Destination fare availability combinations** related to Finnair network in distribution systems

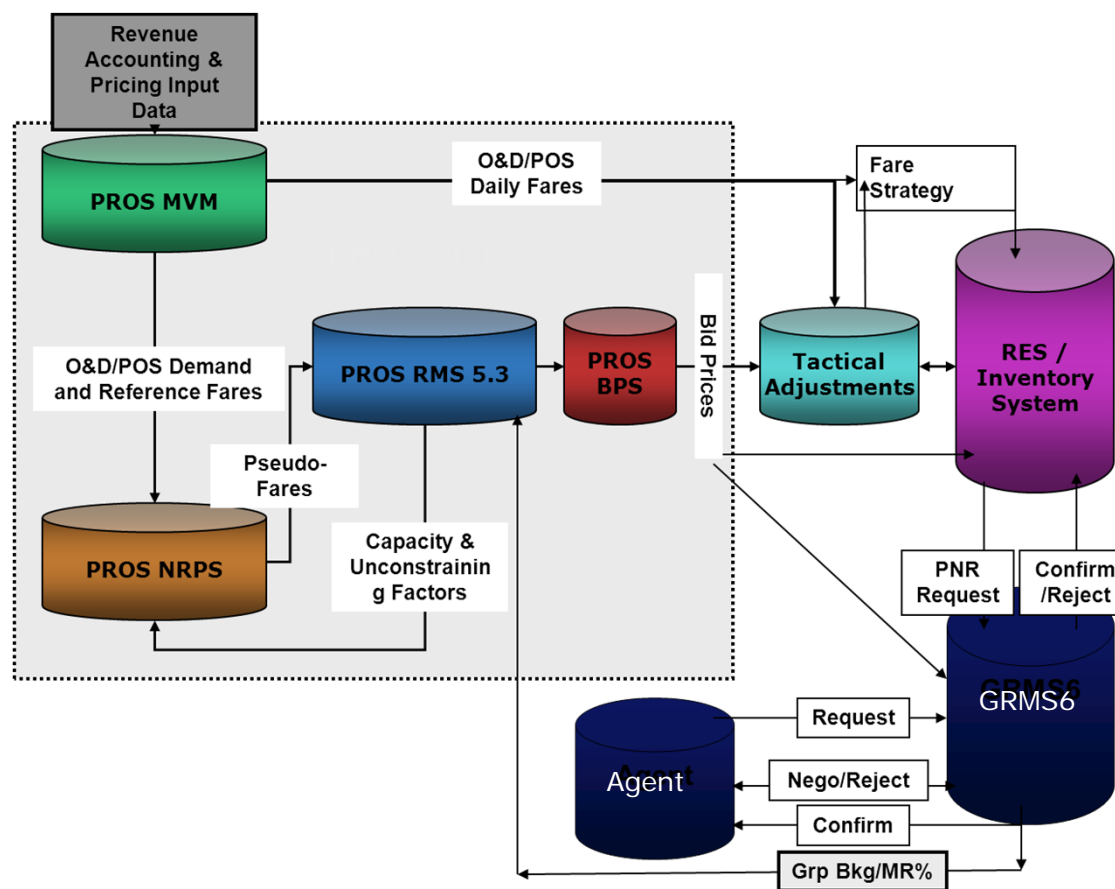


Complexity of the network optimization



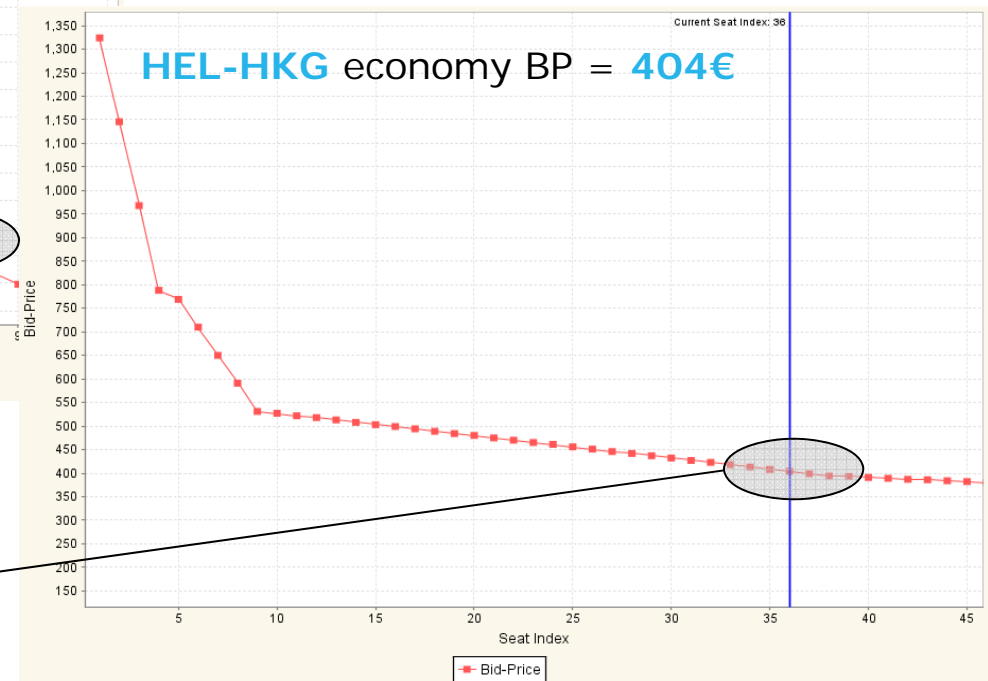
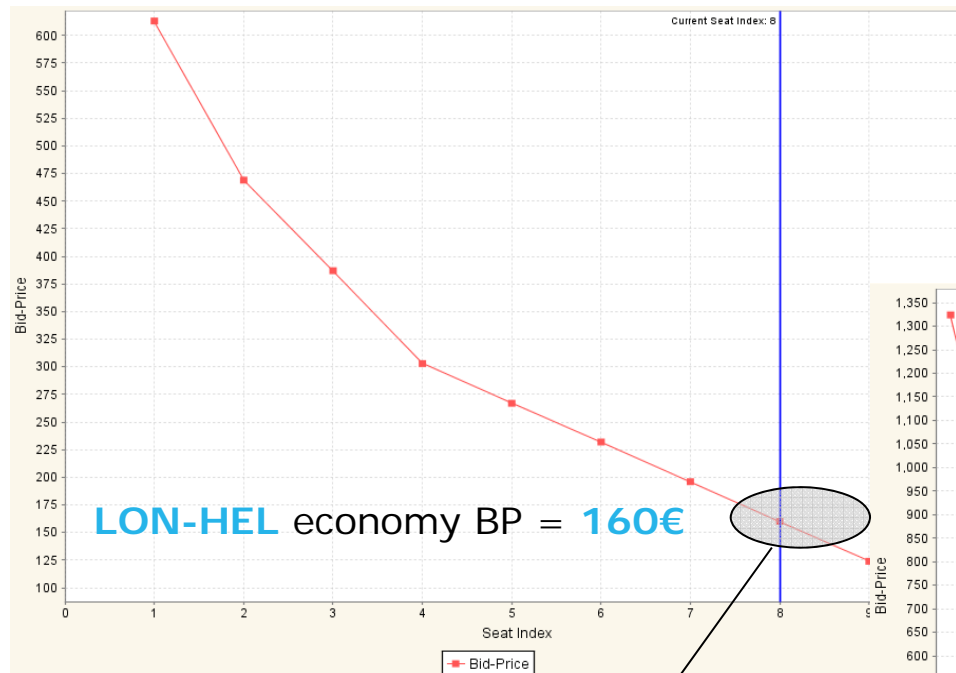


Various forecast models and applications are used in Revenue Management





Segment based Bid Price value defines the availability ONLINE

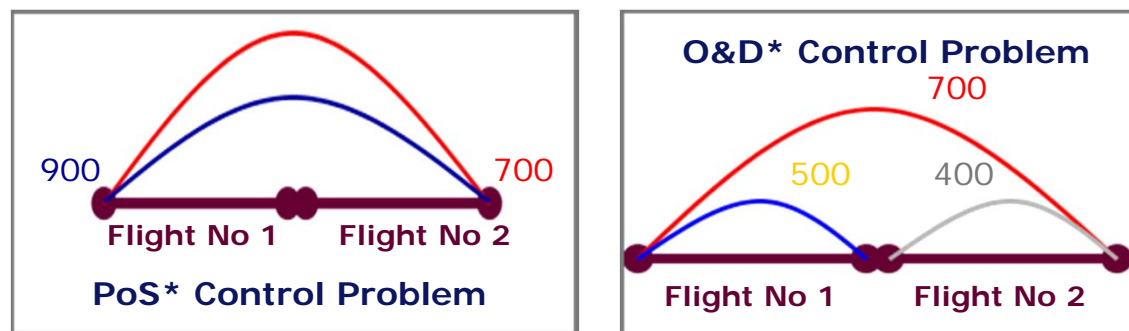


To travel from London to Hong Kong via Helsinki passenger has to pay **minimum 564€** (excl. taxes) one-way.



Optimization is done using Origin-Destination based Revenue Management system to maximize network revenue

- Allows better opportunities to manage availability based on where the ticket is purchased, and whether the demand is point-to-point travel or transfer travel
- In some cases this means lowering the yield or PLF% in order to increase the total network revenue



* PoS= Point of Sale O&D= Origin & Destination.



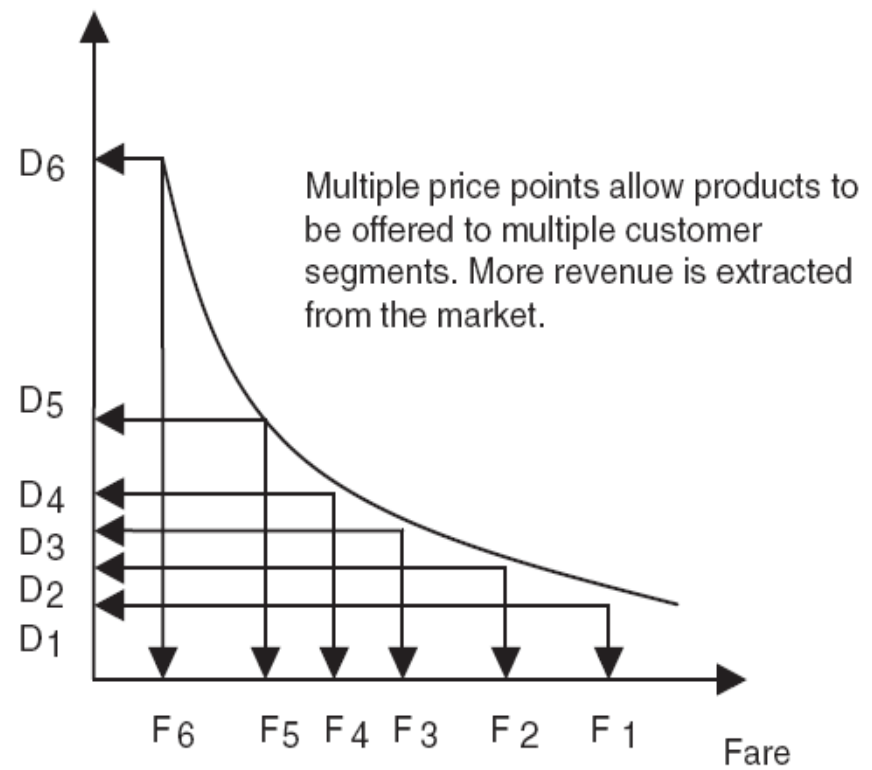
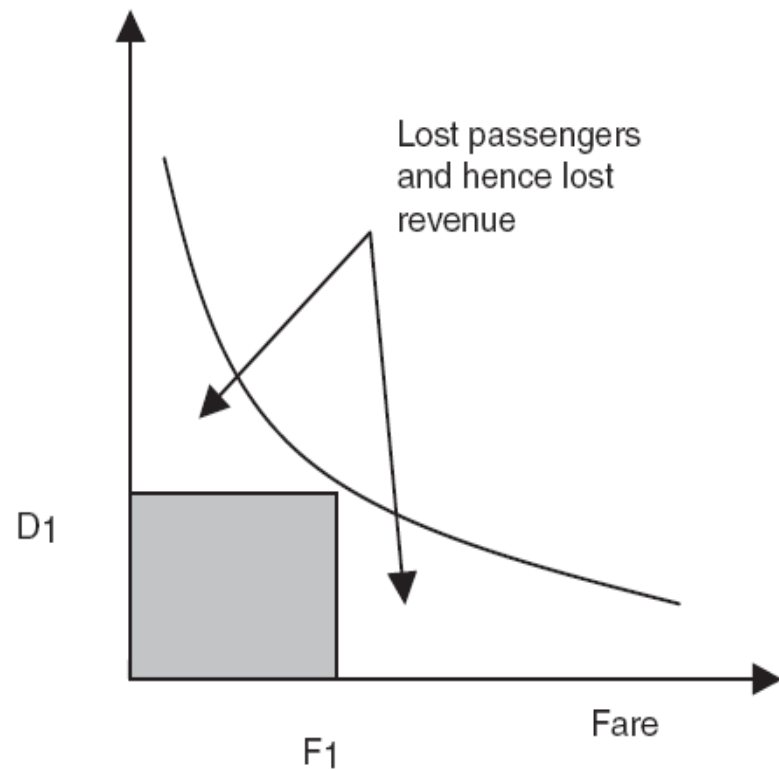
Various things are behind the fare levels – many ways to maximise revenue

- Single price is not based on costs but whole network needs to be profitable
- Current **fare ratio is around 1:50** between highest and lowest fare for same routing
 - Fare Rules
 - Availability (Current booking situation vs. Forecast) **On-line!**
 - Surcharges
 - Market Situation
 - Product and Brand
 - Distribution Channel
 - Published Fare vs. Corporate Fares

Gross Price = Ticket Net Fare + Surcharges + Tax + Service Fee



Fare rules are used to segment the market to extract more revenue



New Ticket Types





SERVICE ELEMENT	CUSTOMER BENEFIT	BASIC	VALUE	PRO	BUSINESS SAVER	BUSINESS
CABIN		ECONOMY			BUSINESS	
TICKET	Change ticket date / type	No	For a fee	X	For a fee	X
	Refund of unused tickets	No	Charge 25%	X	Partial refund	X
	Waitlist	-	-	X	-	X
	Name change	-	€100	€100	€100	€100
SEATING	Advance seating	Fee	Fee	X	X	X
BAGGAGE	Carry-on baggage	1 pc	1 pc	1 pc	2 pc	2 pc
	Checked in baggage	1 pc	1 pc	2 pc	2 pc	2 pc
	Priority baggage	-	-	X	X	X
AIRPORT	Priority check-in	-	-	X	X	X
	Priority security	-	-	X	X	X
	Priority boarding	-	-	X	X	X
	Lounge access	-	-	-	X	X
UPGRADE	Complimentary upgrade on European connecting flights	-	-	X	-	-
MEALS	Complimentary meals	X	X	X	Business meal	Business meal
FINNAIR PLUS	Finnair Plus points accrual	50 %	100%	150%	200%	200%



Summary

- Renewed revenue management and pricing is yielding results:
Finnair over performed its peers in unit revenue growth in H1
- To maximize network revenue, we have renewed our team, adopted new optimization tools and developed our processes and capabilities
- **New ticket types launched to better serve different customer needs:**
 - The goal is to improve clarity in ticket pricing and offer fares to all customer segments
 - Revenue upside with the possibility to up sell

