

A JOINT AIRLINE BUSINESS AND SITA SURVEY JUNE 2007

AIRLINE BUSINESS

STRATEGY FOR AIRLINE BOARDROOMS WORLDWIDE

IT Trends survey

Executive summary

2007

SITA

Foreword

Now in its ninth year, the *Airline IT Trends Survey*, co-sponsored by *Airline Business* and *SITA*, has established itself as the industry's premier technology survey. This year we added some new questions to reflect emerging trends.

It was another good year for responses, with over half of respondents in the *Airline Business* Top 100 revenue rankings. Respondents represented all areas of the industry, with nearly two-thirds coming from flag carriers or major airline groupings. This was in addition to our strongest response yet from low-cost carriers.

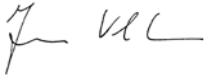
The results support the view that the industry is in its best shape for years. Projects with proven payback, that continue to dominate investment priorities, now seem to be delivering improved bottom line performance and new services.

The industry migration to IP is nearly complete. By the end of 2007, 80% of systems and 83% of sites will be IP enabled, with less than a fifth unlikely to migrate.

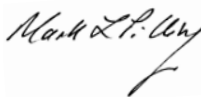
Self-service in general remains a strategic imperative, with the number of passengers using kiosks to check-in rising to nearly one-third. For the first time we also asked airlines the number of their passengers using the Internet to check-in, giving us a better picture of how fast this part of the passenger journey is changing.

Technology-driven enhancements, such as online ticket sales, which have reached 35% of all ticket sales, and an increasing adoption of e-ticketing, are making e-business the norm.

We thank all those who took the trouble to participate this year and hope you will continue that support next year when we mark a decade of airline IT trends surveys over which we have charted enormous changes in the way technology is influencing the industry.



Francesco Violante
Chief Executive
SITA



Mark Pilling
Editor
Airline Business

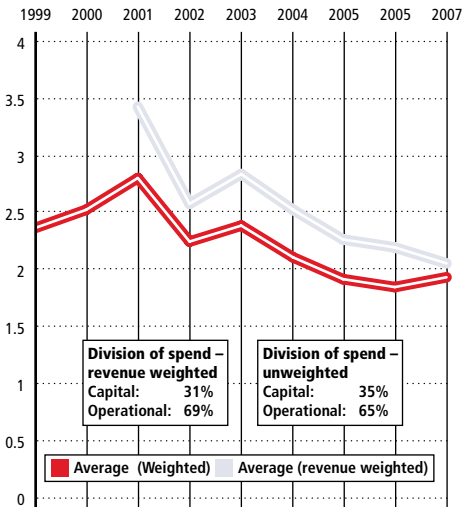
Introduction

This report provides an executive summary to the results from the *Airline IT Trends Survey 2007*. The research is divided into six broad sections. The first deals with **Management Issues**, addressing levels of investment and resourcing. The second focuses on **Strategic Outsourcing Issues**. The third covers the move to **New Technologies**, including IP migration, on-board connectivity and upgrading systems. The fourth section looks at **Passenger Services**, including kiosk deployment, RIFID bag tags, bar codes on boarding passes and online sales channels. The fifth section deals with **Security**. The final section reviews the **Verbatim Comments** about key successes, failures and challenges for airline IT departments.

The research was carried out in spring 2007, targeted at the world's top 200 airline groups, including low-cost carriers, together with a handful of operators representing important players in the cargo, regional and charter sectors.

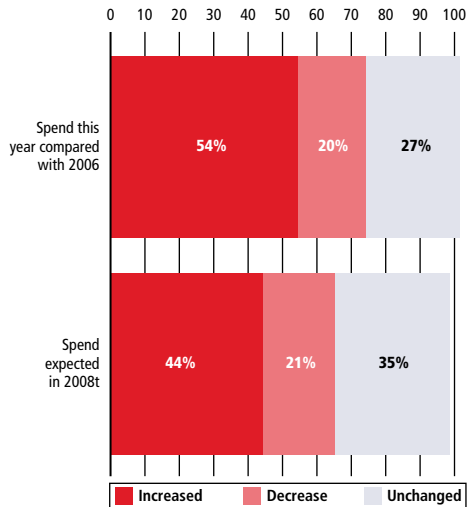
Part one: Management Issues

IT investment as a percentage of revenues



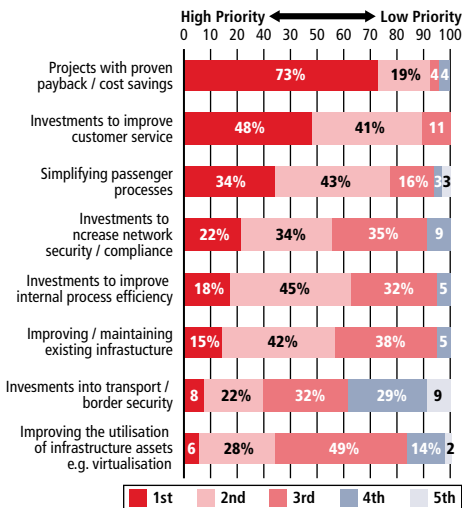
Base: All respondents

Trends in total IT spend



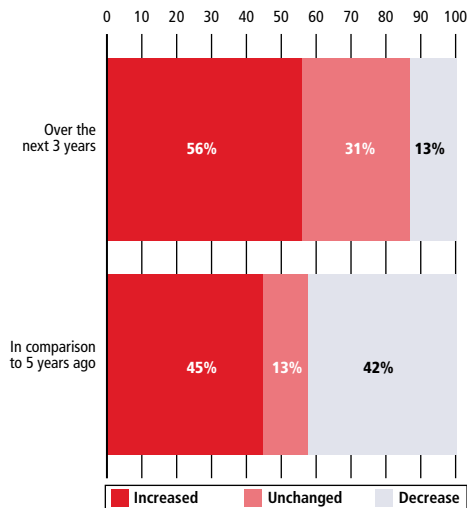
Base: All respondents

Priorities in the IT investment decision



Base: All respondents

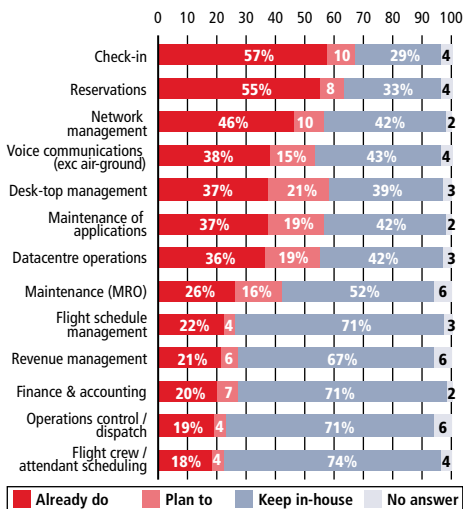
Change in the total number of employees in IT department



Base: All respondents

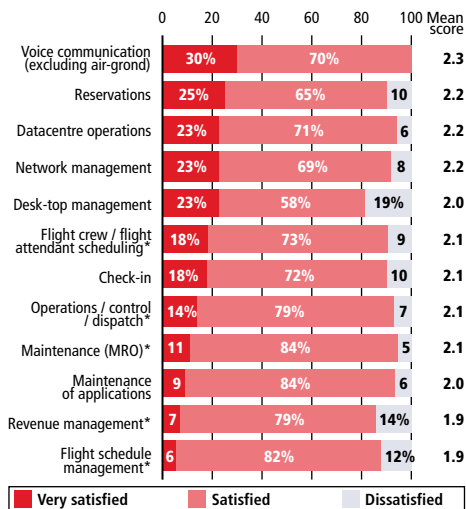
Part two: Strategic Issues

IT functions already outsourced / plan to outsource



Base: All respondents

Satisfaction with outsourced IT functions

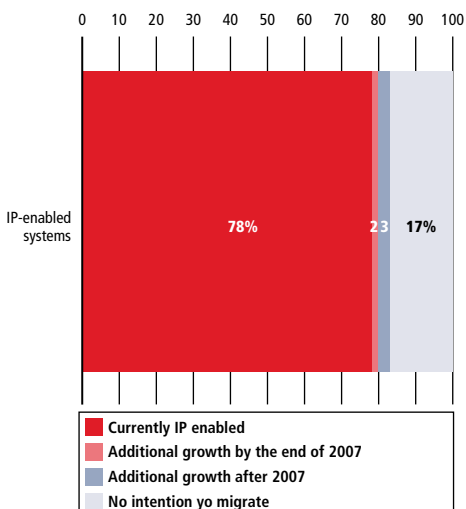


Base: All respondents

*Note: Small base sizes

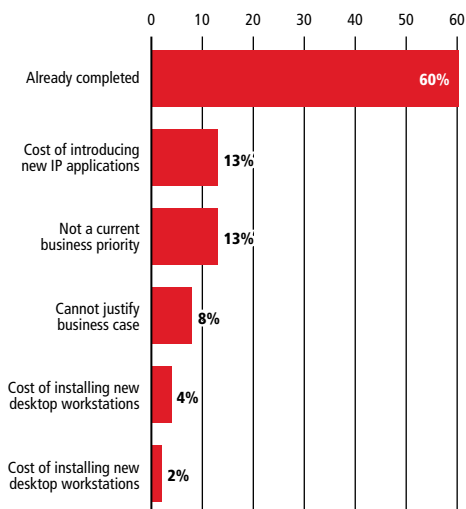
Part three: New Technologies

Percentage of systems that are IP-enabled



Base: All respondents

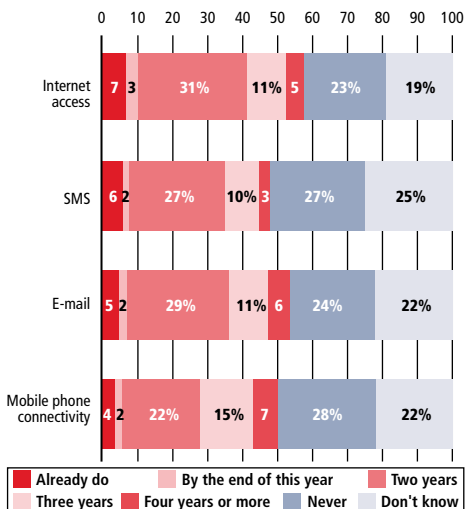
Main obstacles to completing IP migration



Base: All respondents

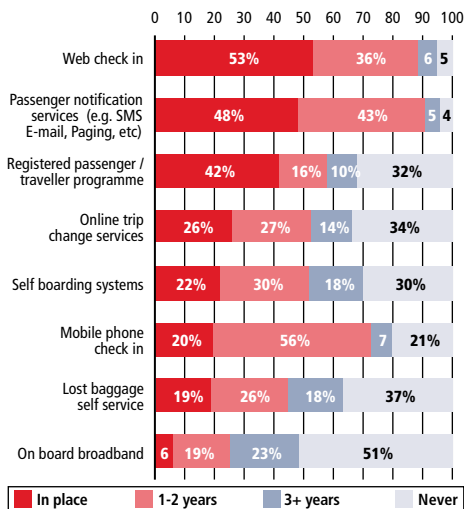
Part four: Passenger Services

Expectation of services offered to passengers on board



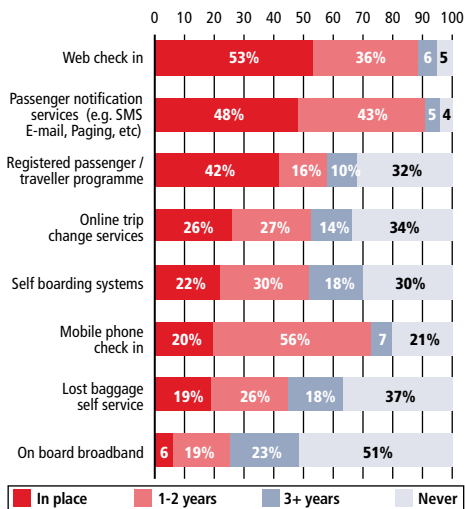
Base: All respondents who carry passengers answering

Initiatives implementation and planning at organisation



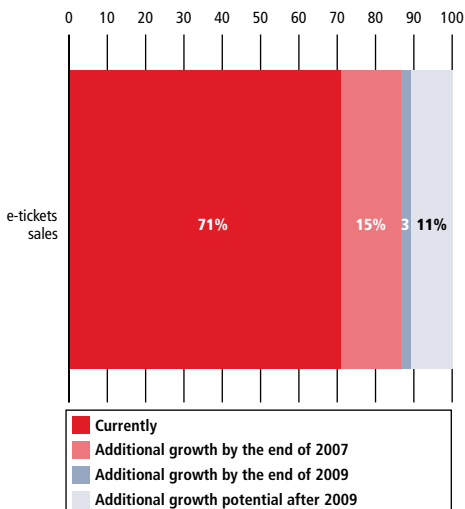
Base: All respondents answering who carry passengers

Initiatives implementation and planning at organisation



Base: All respondents answering who carry passengers

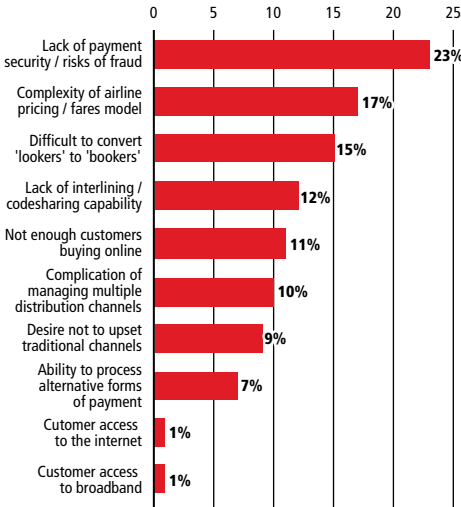
Proportion of ticket sales fulfilled as e-tickets



Base: Those answering who carry passengers

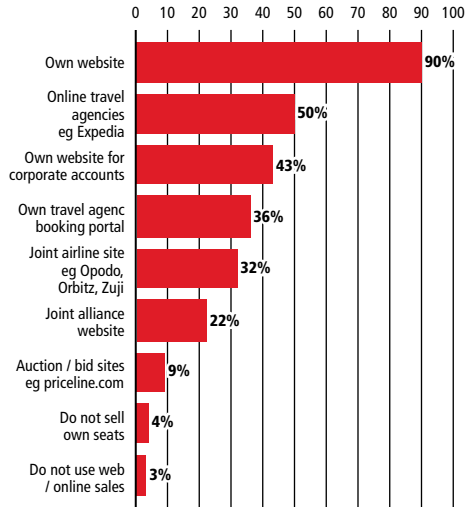
Part four: Passenger Services

Most important business issue associated with online travel sales



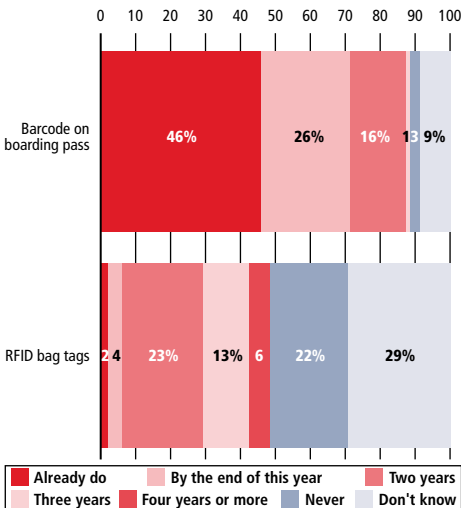
Base: All respondents answering who carry passengers

Online channels used for selling seats



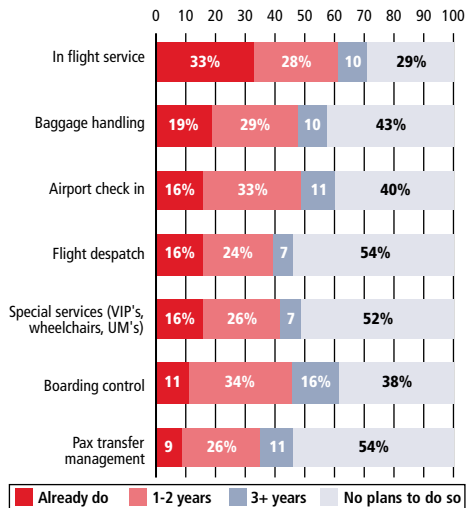
Base: Those answering who carry passengers

Expectations for offering RFID bag tags & barcodes on boarding passes



Base: All respondents who carry passengers answering

Plans to provide handheld devices



Base: All respondents answering who carry passengers

Online sales and e-tickets

Proportion of all tickets sold

Percentage of total seat sales	Own airline website	All online sales	Call centres	e-tickets issued
None	1%	6%	3%	6%
2% or less	2%	3%	4%	1%
2% - 10%	17%	10%	44%	3%
11% - 20%	27%	23%	44%	2%
21% - 30%	29%	6%	1%	1%
31% - 40%	7%	17%	3%	7%
41% - 50%	1%	9%	3%	1%
51+%	20%	30%	3%	80%
Average 2007	26.6%	35.2%	13.4%	71.5%
Unweighted 2007	19.3%	24.4%	18.7%	50.4%
Average 2006	24.4%	32.4%	18.6%	60.3%
Average 2005	16.4%	20.1%	20.3%	26.6%
Average 2004	11.0%	14.5%	17.1%	19.1%
Average 2003	9.7%	15.8%	-	14.7%
Average 2002	5.1%	10.1%	-	11.1%

Verbatim response (voluntary question)

Base: All airlines including those who did not provide a verbal response to this optional question. Some contributed more than one item.

Major IT successes in the last 12 months

Upgrading systems	33%
E-ticketing	24%
Improving security networks	6%
VoIP implementation	5%
Containing/ managing costs	3%
E-commerce	2%
Outsourcing	2%
SAP implementation	1%

Major IT failures in the last 12 months

Achieving goals within timeframe	23%
System failures	6%
E-ticketing	4%
Slow migration	1%
Lack of skilled IT staff	1%
Funding/managing/containing costs	1%

Biggest future IT challenges facing the airline industry

Adapting to change	14%
Reduce costs while maintaining profit	11%
Retirement of legacy systems	9%
E-ticketing	7%
Simplifying procedures	4%
E-commerce	3%
Finding/retaining skilled IT staff	3%
Security	3%
IP	2%
Regulatory compliance	2%
Self service	1%
Fuel costs	1%

Survey objectives /methodology

- The survey objectives are to monitor key IT trends within the airline industry including:
 - the IT environment
 - outsourcing and ASP
 - migration to open systems
 - passenger services
 - internet sales
 - security
- The survey was first launched in 1999 and comparisons are made where appropriate with the previous surveys. However, note that the sample may vary between years.
- Questionnaires were sent to a senior IT executive in each of the top 200 passenger carriers, including low-cost operators together with other key carriers in the cargo, regional and leisure markets during spring 2007.
- A total of 100 questionnaires were returned for inclusion by the cut-off date, providing an even and representative spread across the world's top airlines.
- Over half of the survey respondents are in the Airline Business Top 100 revenue rankings.
- The research was conducted by *Reed Business Insight*, the independent research arm of *Reed Business*.

Full results on CD

The full survey results, covering over 30 questions, are available to buy on CD priced at \$450. For details visit:

www.airlinebusiness.com

www.airlinebusiness.com
www.sita.aero