AIRLINES "LEAKING" 3% OF REVENUE, NEW REPORT CLAIMS

News / Airlines

Airlines are facing a series of financial challenges which can result in the loss of up to 3% of their revenue, a new report has revealed.

The study, written by Frost & Sullivan and commissioned by Amadeus, said that revenue leakage,

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complex income streams, and tax reporting and compliance across multiple markets, is costing the industry millions of dollars every year. The report also cited an "often traditional approach to financial processes", which are in need of innovation.

Considering these issues, Amadeus says there is a significant "window of opportunity" for airlines to boost their revenues and profits by integrating financial processes, increasing automation and using analytical tools.

"This report reveals a significant opportunity for airlines," said Patricia Simillon, head of strategic marketing for Amadeus' airline IT division. "Streamlining financial processes will enable airlines to achieve optimisation and efficiency. This is a strategic priority for us at Amadeus and we are committed to working with our airline partners to transform the industry's approach to financial management."

Key findings of the report include the assertion that "revenue leakage" can cost airlines as much as 3% of their annual revenue, and that greater integration of financial processes could boost revenues by up to US$1.5 million per year for a medium-sized airline.

Adapting to new payment methods such as bitcoins will be a "competitive imperative", according to the report, which also states that blockchain technology (the public ledger of bitcoin transactions) could have a "revolutionary impact on accounting".

Interline settlement improvements could save the industry US$500 million annually and better financial management will enable the development of the airline products and, in turn, improve the customer experience.

"In certain circumstances, airlines today may not even be able to know the exact revenue numbers for a specific flight," said Alexander Michael, director of digital transformation at Frost & Sullivan. "It is imperative that airlines now focus on integrating and streamlining financial processes, not only to eliminate revenue leakage and other inefficiencies, but also so they can benefit from predictive analysis, becoming truly customer-centric and improving the top and bottom lines."

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