



Case Study: Scandinavian Airlines

SAS Reaps the Benefits of Better Cost Management from SAP BusinessObjects PCM Implementation

Leading European airline, Scandinavian Airlines (SAS), is proud of its heritage as one of the industry's innovators. With a track record of adopting new technology early, such as biometric check-in and baggage drop, it is no surprise that SAS has chosen a world-class solution to help reduce costs in an increasingly competitive travel market.

Globally, the group flies 29 million passengers every year, running approximately 1,200 flights every day and has been recognised as Europe's most punctual major airline during 2009.

Business Challenge

At the end of the 1990's, the airline industry was deregulated and a new generation of no-frills, budget airlines entered the market. To remain competitive, SAS needed to reduce operational costs on global and national routes without compromising on the service it offered.

To achieve this, SAS needed to analyse which routes, round trips and aircraft were making money and which ones were not. "It has always been important for us to be able to analyse the profitability of our routes", says Jonas Berggren, Director of Production Systems at SAS "but as the marketplace became more competitive it became critical for us to understand our Route Profitability in more detail and with far more precision."

SAS's existing Route Profitability system had been developed in-house over two decades and was based on legacy programming that was no longer supported. It was difficult and expensive to maintain and didn't offer the detailed data or the flexibility required to keep in line with the quickly evolving market conditions. "It was clear that we had to replace our RP system, in order to get greater granularity on the analysis of our profitability and reporting," said Jonas Berggren.

Project Objectives

In order to deliver the Scandinavian efficiency its customers have come to expect the SAS group has a complex set of production systems to manage and monitor all its activities, from ticketing and catering through to crew and aircraft allocation.

Following an analysis of commercially available software products, SAS chose to replace its legacy Route Profitability system with SAP BusinessObjects Profitability and Cost Management (PCM) which would take the data from its production systems and improve Route Profitability by identifying unprofitable routes, round trips and aircraft.



"Working with Vantage has allowed SAS to gain clear insight into aspects of business performance which were unclear beforehand. The Route Profitability system which Vantage has delivered has provided a new level of understanding of how our cost base can be streamlined, with a direct improvement to the bottom line."

Jonas Berggren
Director, Production Systems, SAS



Scandinavian Airlines

Challenge

With the evolution of no-frills airlines squeezing profit margins in the industry, leading Scandinavian airline, SAS, needed an efficient and effective way to evaluate Route Profitability.

Its existing legacy Route Profitability System was unsupported and impossible to maintain.

Solution

SAS turned to trusted partner and PCM industry leaders, Vantage, to implement a new SAP BusinessObjects Profitability and Cost Management (PCM) solution.

Benefits

- Better strategic decision making based on more granular, accurate and up-to-date data
- Service optimisation to achieve least-cost operation
- Cost reduction without compromising on service
- Replacement of an unsupported legacy system
- Scope for future development including currency effect analysis and multi-currency reporting
- Organisational flexibility: SAS found it easy to modify the model to accommodate a joint venture with Lufthansa



Vantage's Solution

The solution needed to bring together the multiple production systems SAS uses to plan and optimise its flights and the scheduling of its crew and aircraft; these include: traffic management, catering, maintenance management, crew management and financial systems.

SAP BusinessObjects PCM was selected as the allocation and modelling engine because of the flexibility and efficiency it allows in modelling complex scenarios.

The PCM model is integrated into a data warehouse where "cleansed" data from 15 source systems is stored. Extracts are transferred to PCM for allocation and calculation of profitability by route, flight, aircraft, day of operation, cabin class and sales region. The results are then sent back to the data warehouse for connection to the SAS-wide reporting system. The costing of 350,000 flights per annum requires that 19 million input records are processed, generating 50 million results records.

The new PCM solution was rolled out in a series of phases with Vantage taking responsibility for the PCM allocation and calculation engine, a vital component of the overall solution. Vantage also provided application implementation and cost management consultancy as well as technical advice on IT infrastructure and work-stream management.

"The Route Profitability solution delivered by the Vantage team enables SAS to manage costs to a much greater level of detail than was previously possible; the impact of this has been a direct improvement to the bottom line."

Jonas Berggren
Director, Production Systems, SAS

Results

The old, unsupported legacy system has been completely replaced by a more flexible PCM system which provides a wealth of information not previously available. This is helping SAS to reduce costs and supports key decision making processes throughout the organisation, including:

- Monthly actual, annual budget and bi-annual forecast financial reporting
- Network development
- Aircraft investments
- Aircraft allocation
- Product and service evaluation
- Profitability comparisons and evaluations

The flexibility of the new system has already provided scope for further development including rapid adaptation to enable reporting on a joint venture with Lufthansa. A number of further enhancements are planned for 2010 including evaluating the effect of currency movements on the Route Profit results.

**For more information please contact us at
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"Vantage's expertise of cost management, application implementation and technical advice enabled us to implement a world class RP system.

One of the key benefits of this new implementation is the ability to access much more detailed information, which gives a more accurate view of each individual route and assists the highest level of management in making strategic decisions."

Jonas Berggren
Director, Production Systems
SAS

Why Vantage?

Having worked with the team in the early phases of the project, SAS see Vantage as a valued and **trusted partner**

Vantage is recognised as the **leader in PCM** implementations with a proven track record across a range of industries

It is the world's largest and most experienced consultancy dedicated to PCM implementation having delivered **over 100 successful implementations**

Fully SAP-Certified
implementation partner

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Vantage was founded by former SAP BusinessObjects Consulting Services team members in order to provide software users with access to the very best consulting services and more of an independent perspective.

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