



# Revenue Management in the Railway: a comparison with other sectors

RMAPI – 22<sup>nd</sup> February 2024

## CROSSCOUNTRY VALUES

*Our core values will guide every decision we make and be visible in our actions every day.*



We care passionately



We do the right thing



We make the difference



# Agenda

01

Introducing the Guest Speaker

02

CrossCountry Trains

03

Revenue Management in different sectors

- Railway
- Car Rental
- Hospitality
- Airlines

04

A Summary



# The Guest Speaker

# CrossCountry Trains

- An *industry-leading*, *customer-focused*, *dynamic* and *innovative* long-distance train operator, that customers *trust* to meet their needs.
- Part of Arriva Trains UK
- Only TOC covering the 3 nations
- Most Extended Network in the UK covering nearly 1,500 miles
- Stopping at 7 out of the 10 biggest cities



Revenue  
Management  
in the  
Railways





## National Rail train operators

— airport services - westhoo airport, london airport, london city airport  
— in-rod railcar - united kingdom (operator)  
— under construction  
— high speed 2 - under construction  
— all lines shown except in London area within grey line

• airport interchange  
• very close interchange  
• local coach link with westhoo airport

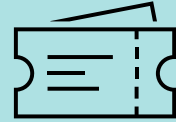
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# The Market

- The railway is a *natural monopoly* with Network Rail managing the tracks
- Whilst stations are operated by TOCs and Network Rail
- Market considered an oligopoly with rarely more than 3 operators on a specific OD with soft competition among competitors
- A highly regulated market with high barriers to entrance operated by TOCs and Open access operators
- NRC operators are “risk free”: rewarded through a PBF; whilst open access aren't
- Highly unionized and historically closed to professionals from other sectors
- Sector currently going under major changes

# The Walk-up Conundrum

## Walk Up Ticket



- Can be bought up to departure
- Customers who bought this ticket cannot be rejected
- Full flexibility: it is an origin/destination ticket with the only limitation of peak/off-peak services
- Price is fixed by Fare Rounds and highly regulated
- Revenue allocated by ORCATS

## Advance Purchase Ticket



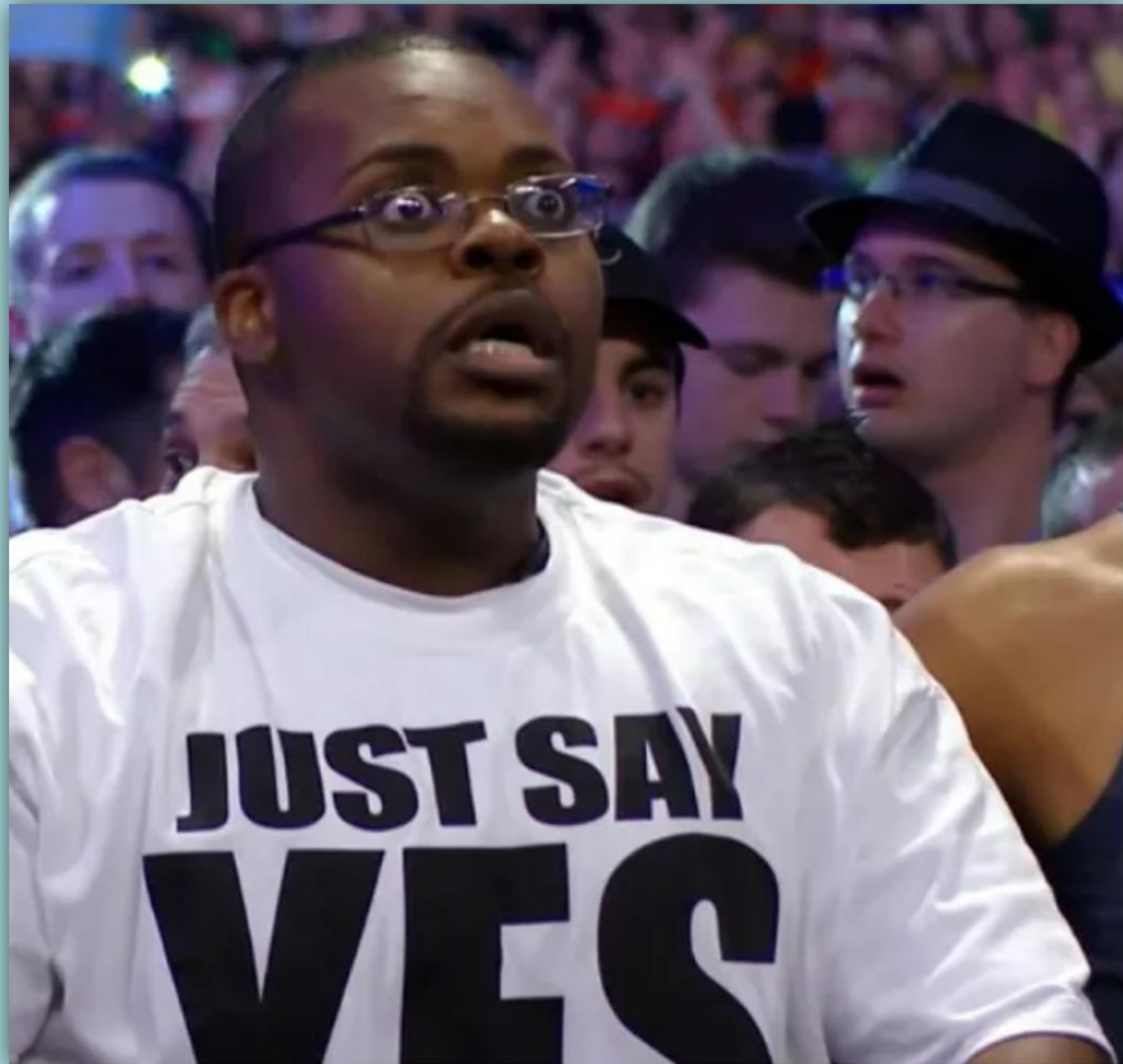
- Can be bought up to 10 minutes from departure
- Availability can be set
- No flexibility: the ticket is for a specific train, with a specific operator at a set time
- Price is fully controlled by Revenue Management
- 100% of the Revenue goes to the operator

### CROSSCOUNTRY VALUES

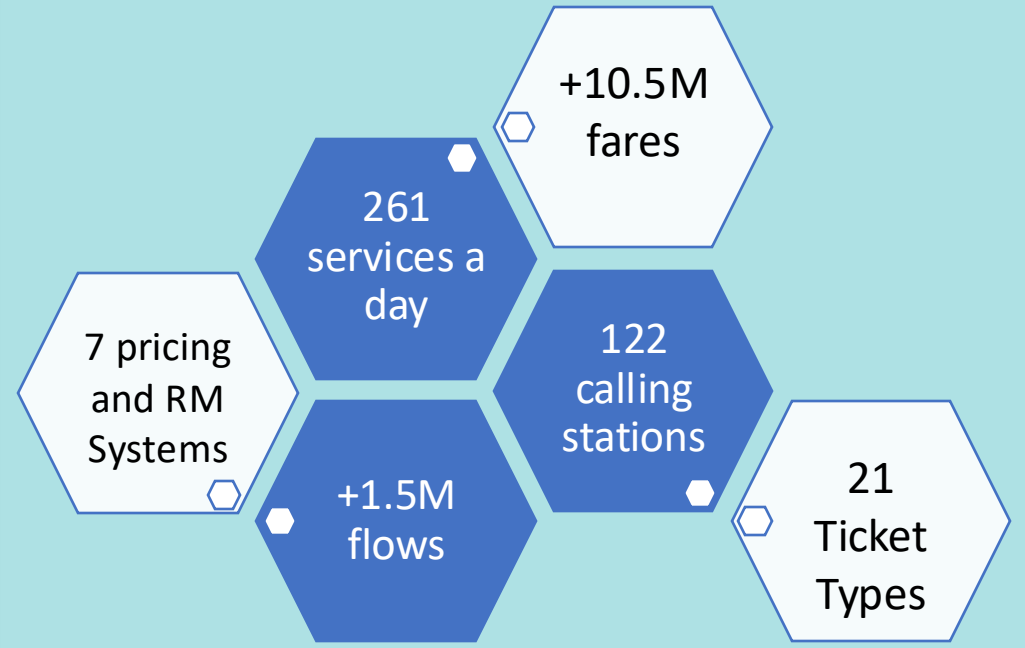
Our core values will guide every decision we make and be visible in our actions every day.





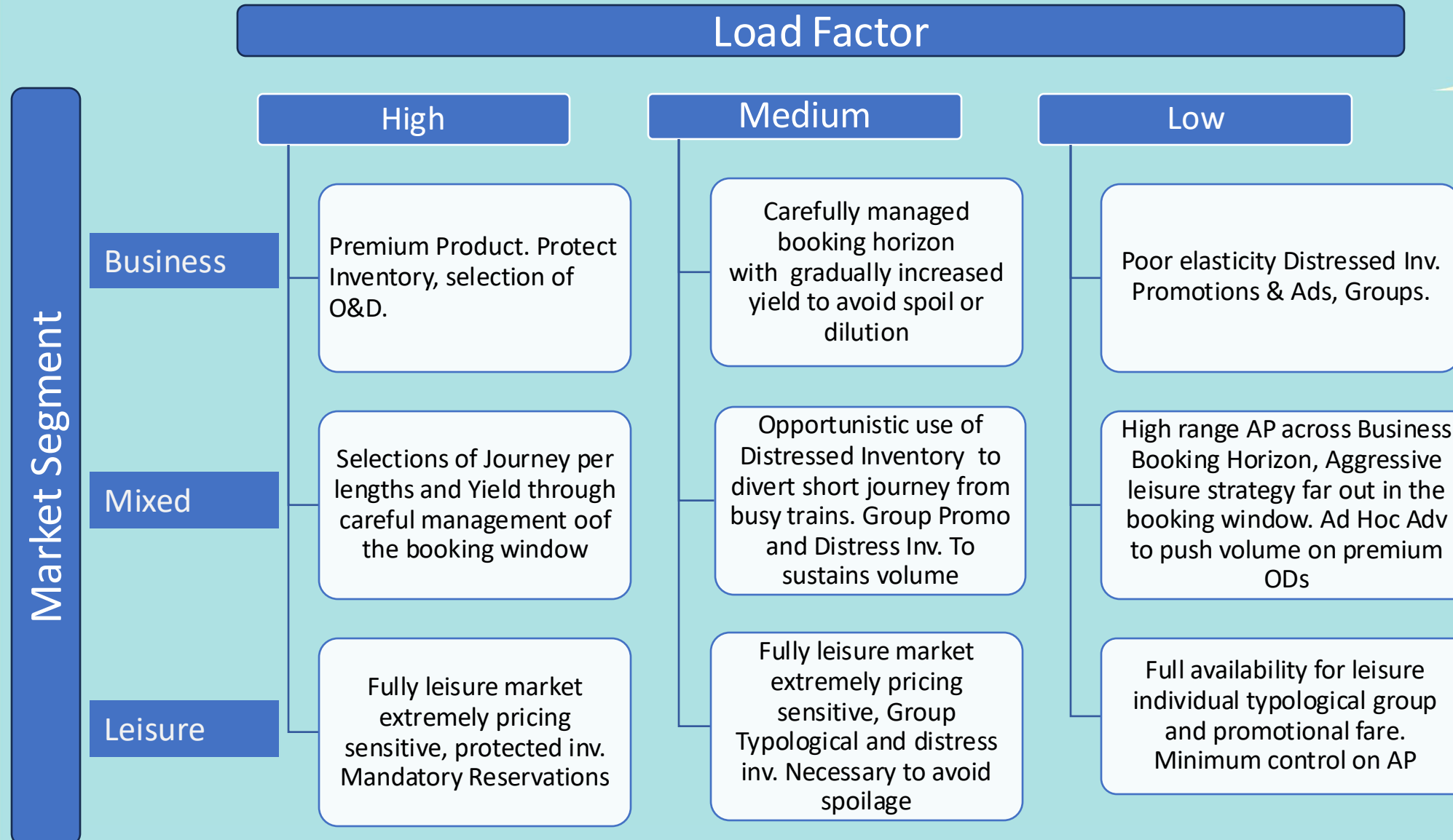


# ...and a Revenue Manager reaction to Walk Ups

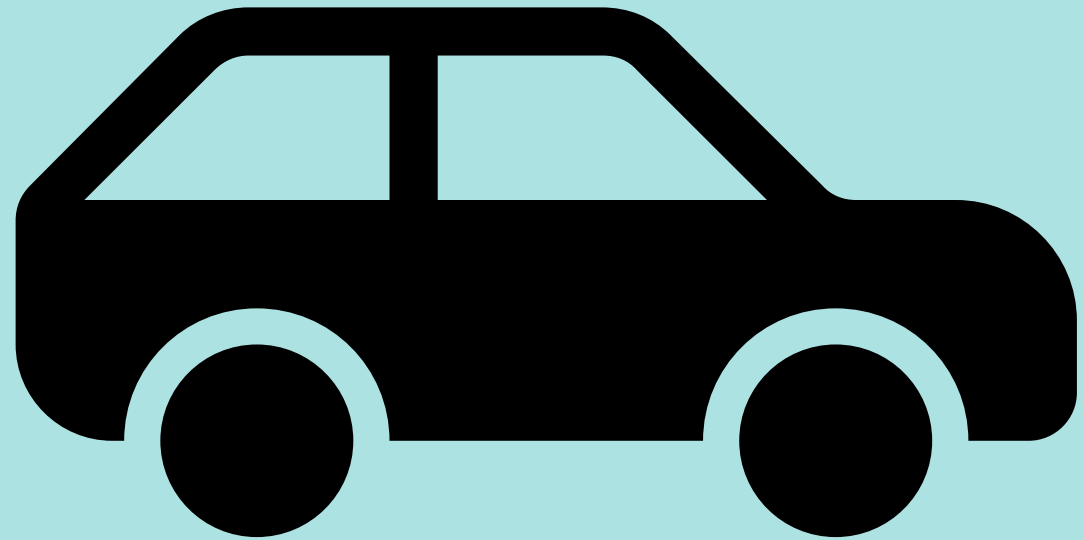




# How we optimized Revenue Management



*Revenue  
Management  
in the Car  
Rental Sector*



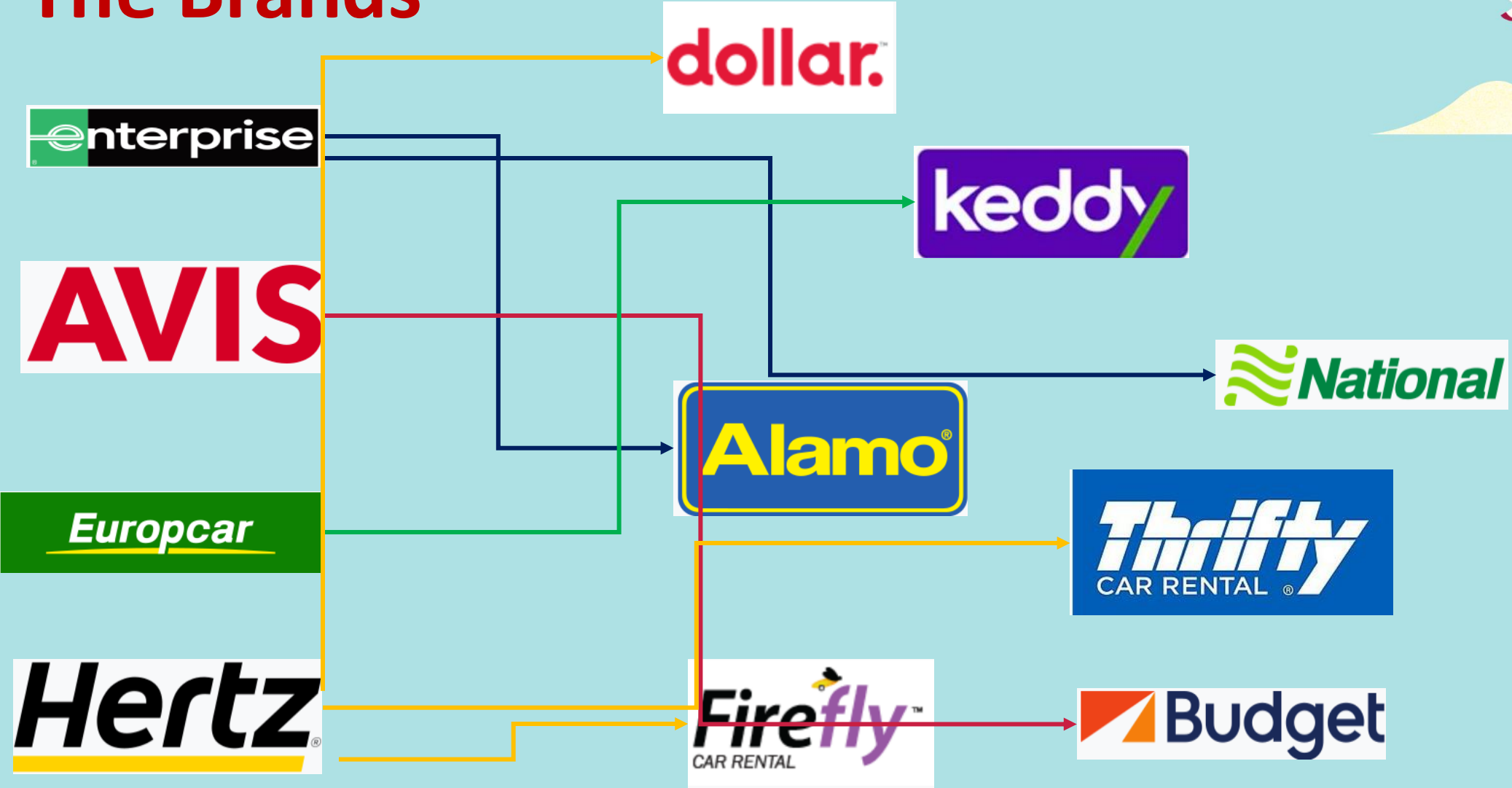


## The Market



- The car rental industry is the perfect example of **Oligopoly** with few key international companies and some local players
- Estimated **1** new car **out of 4** comes from the car rental market
- Incredibly **dynamic** and price sensitive
- Big difference in customers and strategy between the **airport** and the **city** market
- **Buying** and **selling** cars in bulk plays a massive part in generating profits for big car rental companies
- **Branding** plays a big part of RM: companies use the same fleet but under different brands

# The Brands



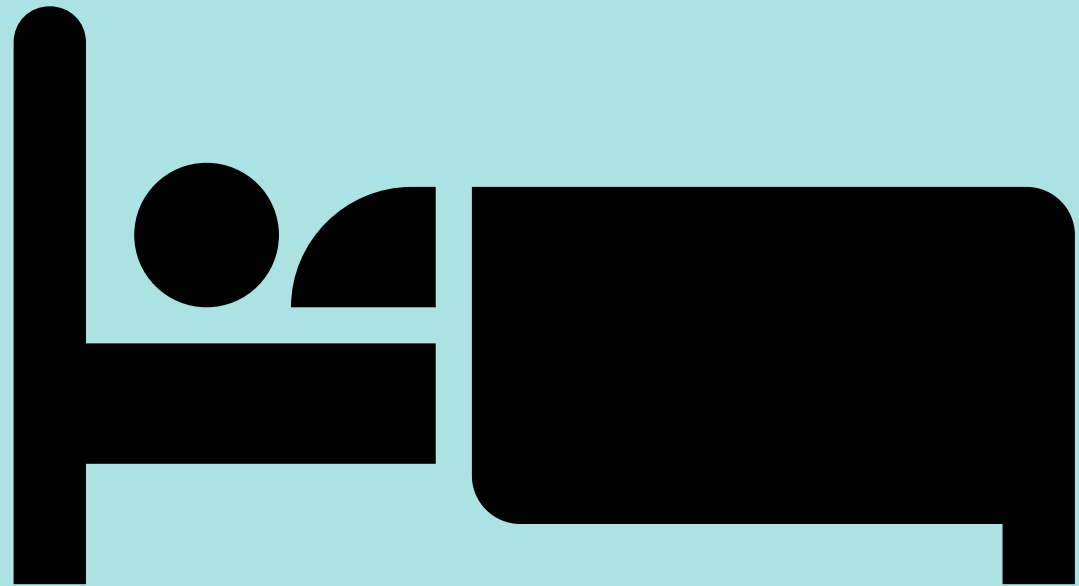


# Revenue Management in Car Rental



- Competition Strategies are set according to **different tiers** in the market and on price matching/undercutting/sell with a premium
- Same company uses **different brands** to target specific leisure/business customers
- Data plays a massive part: prices are updated multiple times a day (up to 5 times)
- Rentals can have significantly different prices according to the **time of the day** you are picking up your vehicle to protect the business market
- Occupancy can go **over 100%** (a car could be rented twice on the same day) but overbooking can be a massive problem
- **Inventory** is very **flexible**: cars can be moved around locations and fleet can flex up and down according to seasonality
- Flexible inventory opens up to limitless **analysis** on
  - Fleet size during different times of the year
  - Fleet Type Analysis
  - Yield analysis on where certain cars would sell at a better rate
  - Cost/Opportunity Analysis on moving fleet

*Revenue  
Management  
in the  
Hospitality  
Sector*





## The Market



- The hospitality industry represents **7.6%** of world GDP
- Market has few big players but quite close to **perfect competition**
- Perfect competitions push margins to be very small therefore **RM plays a key part**
- Incredibly **dynamic** and price sensitive
- **OTA** play a big part in revenue and loyalty
- With Pandemic, Airbnb and Serviced apartments the market has changed significantly

# Revenue Management in Hospitality



- **Different levels** of complexity in RM according to size and maturity of the organisation/market segment
- Different area of focus according the specific market segment
  - Budget accommodation: price matching strategies
  - Branded Hotels: building loyalty through brand recognition and schemes
  - Luxury and Spa accommodation: upselling and ancillary revenue
  - Serviced Apartments: focus on length of stay
- Moving towards **Total Revenue Management** and journey personalisation
- **OTA** in many cases own customer loyalty and an have increasing market share
- Heavy use of **restrictions** and **overbooking**
- **Fixed capacity** but in seasonal hotels costs play a big part during low season → closing floors/buildings, F&B venues
- **MICE**: threat or opportunity?



*Revenue  
Management  
in the Airline  
Sector*





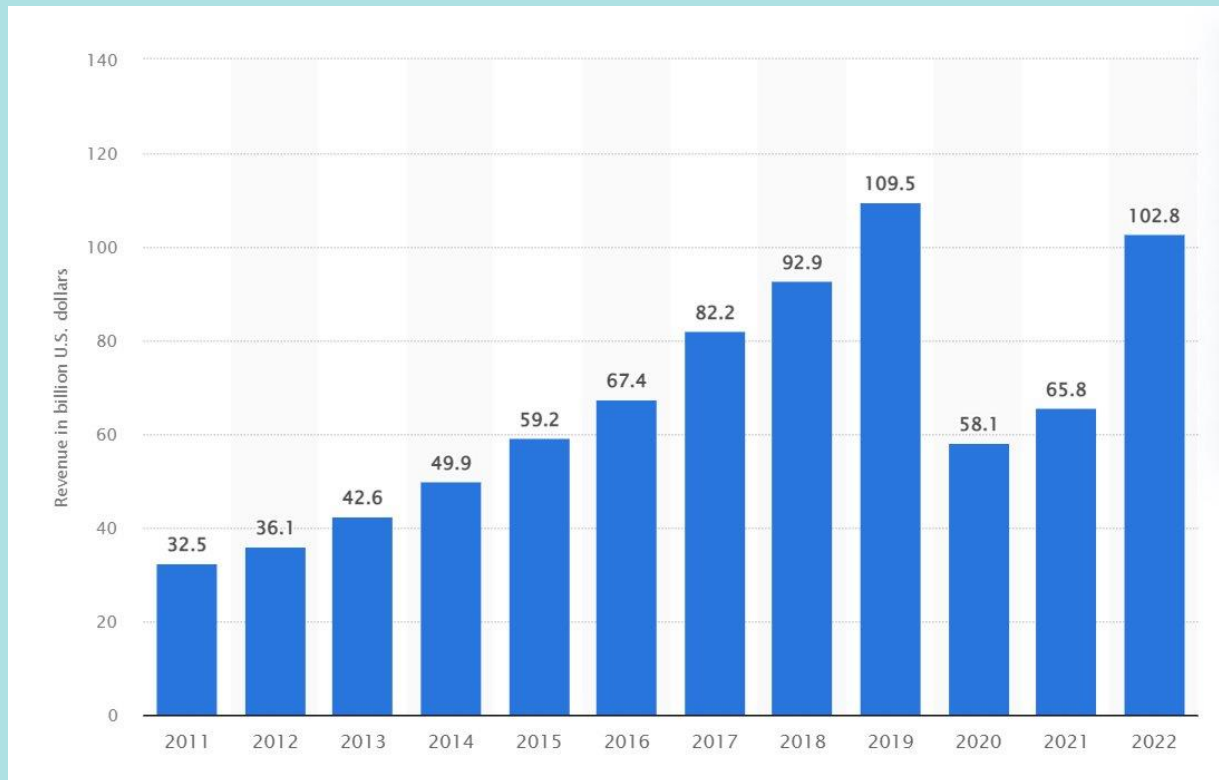
## The Market



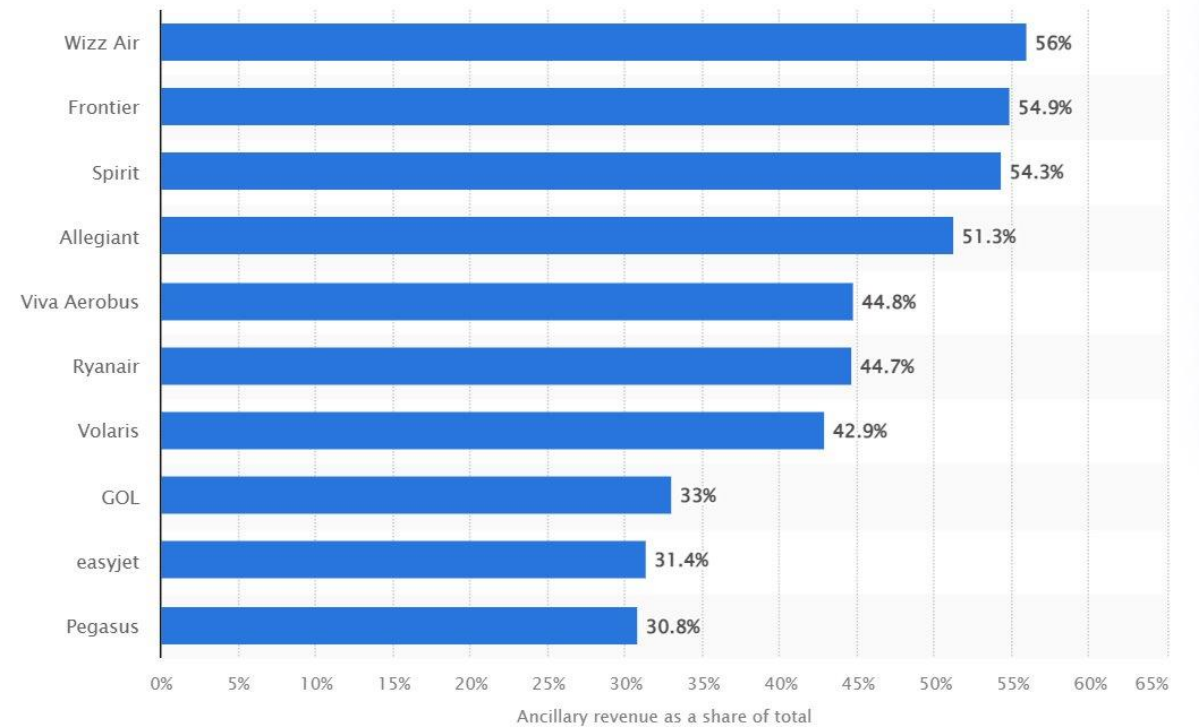
- Industry is an **oligopoly**
- ...but airports are a **natural** monopoly
- Aviation is where all **started**: Airline Deregulation Act (1978)
- **Low-cost** flying introduced at the end of the 90s
- 2008 depression played a big part in reshaping the industry and bring big investments in tech
- **Search aggregators** play a big part in consumer behaviors

# Ancillaries, ancillaries and again... ancillaries

## Total Ancillary Revenue in the Industry (2011-2022)



## Percentage of Ancillary Revenue vs Total Revenue



# Ancillaries, ancillaries and again... ancillaries

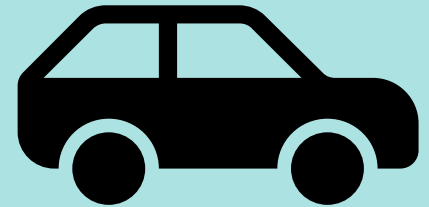
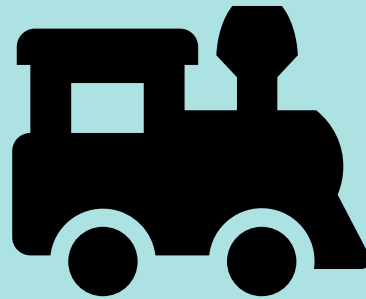
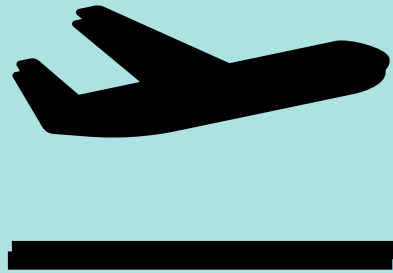
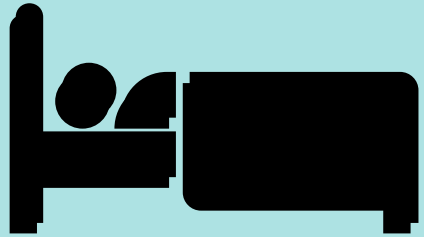


- Fare ticket is now used as a “**hook**” on search aggregators to win the customer
- Once the customer is “won” other items which historically were considered as granted will be **added** to your basket
- The final price paid is **significantly higher** than the “hook” price
- Ancillary Pricing, which historically was static, is now starting to be Revenue Managed (semi-flexible)
- Due to nature of flight being months in advance, customer will be charged **several times** through his booking journey with targeted **CRM campaigns**
- Striving towards **Dynamic Bundling** and **Full customisation**
- Airlines are slowly but steadily **moving away** from the historical definition of **business vs leisure** customer to a place where each customer has full customisation of its own journey



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*...Summarizing it all...*

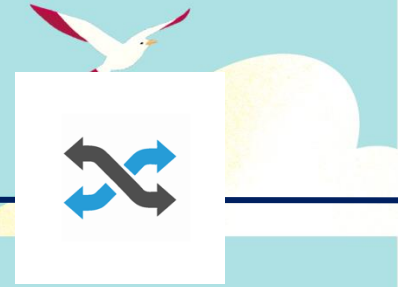
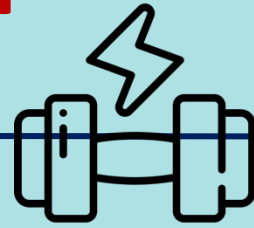


# A Comparison



	% Demand controlled by RM	Market type	Predominant way to segment demand	Ancillary Revenue	Level of RM
		<p>"Controlled" competition / natural monopoly</p>		<p>Neglectable</p>	<p>Basic</p>
		<p>Oligopoly</p>		<p>Small</p>	<p>Advanced</p>
		<p>"Nearly" perfect competition</p>		<p>Significant</p>	<p>Intermediate</p>
		<p>Oligopoly</p>		<p>Huge</p>	<p>Advanced</p>

# In Conclusion



Revenue Management is in **different stages** of their journey in different sectors

Its weight is constantly **increasing** and becoming central in new sectors too

**Ancillary Revenue** will play a more and more central part in Revenue Management and Total Revenue Management is the future

One of the main differences among sectors is the **capacity**: with a flexible capacity several other scenarios open



But... **cross-industry knowledge** is much more valuable than people think!



We can all learn from each other building better Revenue Management Strategies



**Movement of professionals** among industries should be encouraged and would create further synergies and new developments



***Thank you!***

