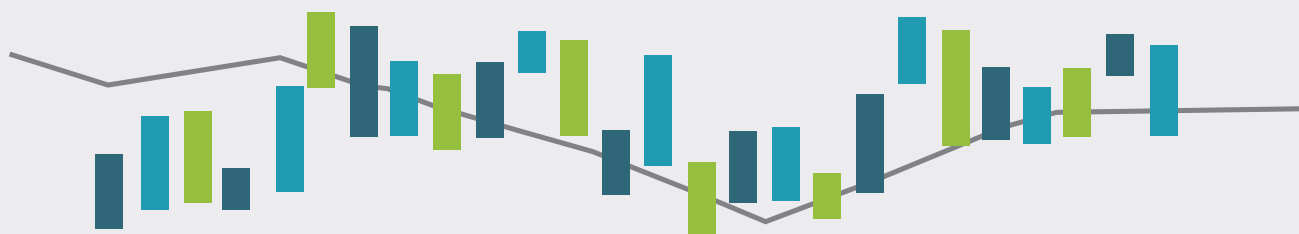


Case Study

Aeroflot Minimizes Debit Memos Using ARC's Memo Analyzer Tool and Revenue Recovery Services

Access to debit memo analysis and financial recovery assistance helps airline get a handle on travel agency debt



About the Organization:

Aeroflot, Russia's flagship carrier based out of Moscow's Sheremetyevo International Airport, is a proud member of the SkyTeam global airline alliance and serves 1,074 destinations in 17 countries with its partners. Operating one of the youngest fleets in the world, with 230 aircraft, the airline carried 32.8 million passengers in 2017. Aeroflot was the first Russian airline to be awarded Four Star Airline status by Skytrax for its customer service, and in 2017, was named Best Airline in Eastern Europe for the sixth time by the Skytrax World Airline Awards.



Challenge:

Aeroflot's U.S. office needed a more efficient way to reduce and recover on existing agency debit memos, as well as a better way to spot and analyze debit memo causes and trends to identify plans for improvement to reduce future debt.



Strategy:

Leverage ARC's suite of debit memo solutions to better monitor, analyze and prevent agency debit memos, and resolve, collect and report on debt.



Result:

Using ARC's Memo Analyzer, Aeroflot's team was able to clear 250 agency debit memos, approximately \$150,000, in just a six-month period, as well as mitigate future losses by communicating more effectively with accounts. With ARC's Revenue Recovery Services, the airline has been able to recover on approximately 1,000 memos per year, since its purchase in 2012, equating to approximately \$1 million, plus saved time, resources and money previously spent on collecting debt.

As the United States sales manager for Aeroflot, Russia's national carrier and largest airline, Dragan Drobnjak, along with his counterpart Edita Djordjevic, manage revenue within the United States and nurture corresponding partner relationships with various accounts, including online travel agencies (OTAs), consolidators, tour operators, small agencies and more. Part of this sales management includes the management of agency debit memo debt.

In 2010, Aeroflot adopted ARC's Memo Manager tool to help automate its debit memo processing and payment with travel agencies. Taking a lot of the leg work out of the process, this product offered an electronic way for Aeroflot to communicate and action debit memos to its agencies, which reduced processing time on the airline's end and provided a reliable internal source of up-to-date memo statuses.

Now the airline can't imagine functioning without the product. But, Drobnjak explained, "While Memo Manager is extremely valuable, just logging into the tool doesn't give you a completely clear picture of what's going on, or more specifically, where the issues lie. The tool reports on the current state of our memos, but you can't really identify or visualize any patterns."

The desire for more prompted the airline to purchase Memo Analyzer a little over two years ago in order to help identify specific problems, address and educate agencies on these issues, and ultimately, prevent more debit memos from occurring. The need for help in collecting on these agency debts also led to the purchase of ARC's Revenue Recovery Services some years earlier.

Getting to the Route of it

Prior to purchasing Memo Analyzer, Aeroflot's memo management process was very time consuming. Drobnjak would receive internal reports from headquarters on agency debt and have to manually look up individual memos in Memo Manager to try to piece together reasons and trends on his own — a lot of time spent with not a lot of clear answers.

"Those reports weren't even close to what Memo Analyzer provides," Drobnjak said. "This tool not only gives better data, but it's now a much quicker process to review the debt

situation, and if necessary, drill down to a particular agent or even a single debit memo."

Memo Analyzer offers insight into memo and ticketing data to help airlines, like Aeroflot, better understand their debit memo landscape and flag any trends to uncover areas for improvement.

For example, Drobnjak said, "The beginning of last year, we started an internal campaign to clean up all the agent debt. Memo Analyzer helped us visualize our situation and distinguish the agencies with large debt. Through this exercise, we were able to really get results for the majority of our memos." Since August of 2017, Aeroflot has cleared 250 agency debit memos using Memo Analyzer — approximately \$150,000 — through better education with agencies on commissions and proper booking procedures, specifically when another airline is involved.

"Having this tool has saved us time in terms of analyzing memo data and identifying where it's coming from — what the issue actually is. It gives us a really good picture of all our markets and lets us drill down to a single memo," he said.

Accessing not only the current year, but also two years' worth of historical memo data, including ticket details associated with these memos, allows airlines to really take their investigation as far as they want. Drobnjak elaborated, "If we see an agency has an increase in memos, we can go in and look even beyond memo reasons, identify certain routes and see where the tickets are being issued."

Airlines can drill down into specific agencies, choosing specific agency numbers and home office locations, and identify which O&Ds these memos are occurring on, as well as the memo reasons plaguing that agency. Getting the full picture helps airlines identify tendencies within specific airport pairs and even classes of service.

The ultimate goal? "We're really trying to use this tool for prevention," he said, "and it has definitely helped us with that."

Preventing debit memos is not just about identifying the issues, but, as Drobnjak mentioned, it's also about spotting larger trends and reoccurrences, and then effectively communicating and educating on these issues. Using Memo Analyzer, airlines can visualize debit memo patterns and create targeted plans and process changes to mitigate future issues.

For example, Drobnjak said, "There was a ticketing mistake we found by using the tool, which was resulting in a huge amount of debit memos. Suddenly, there were 10 memos over \$100,000, which was shocking to see." Drobnjak was then able to investigate further in Memo Analyzer to identify the pattern and later note that the reason for the memos was incorrect ticket pricing, an issue with the other airline (OA) segments involved. From this, Drobnjak determined the issuing agency was violating the Special

Prorate Agreement (SPA), and he was able to communicate this with the agency to prevent future memos.

"But," he cautioned, "identifying issues is one thing, resolving or recovering these memos is, of course, a completely separate issue."

Recovering Losses

To help with the resolution and recovery of outstanding agency debit memos, Aeroflot also engaged ARC's Revenue Recovery Services. The airline uses ARC's Ticket Resolution Services (TRS) and Third Party Resolution Services (TPRS) to address memos that do occur. With TRS, ARC handles recovery of memos that fall under breaches of the Agent Reporting Agreement (ARA), such as an unreported sale or credit card chargeback. With TPRS, ARC helps airlines recover on memos older than 90 days, no matter the reason, because these can be some of the hardest funds to gain.

Prior to using ARC's services, Aeroflot had an in-house team tracing agencies. Drobnjak said, "It's completely different now and much more convenient for us."

Using ARC's recovery services, rather than our own resources has saved us time and money."

Aeroflot has been able to reduce resource needs and, in turn, save on the associated costs. Plus, by contacting agencies on Aeroflot's behalf, this service has left Drobnjak with more time for memo trend analysis, process improvement and relationship management.

"Without ARC enforcing memo recovery, airlines would be forced to find, and pay for, legal help for everything down to chargebacks," he said.

But, it's not only the money and time saved that are value adds in using these services. Drobnjak explained, "With these services, we get reports, so we now also have a much clearer view of what's going on and what actions are being taken or are going to be taken." He continued, "It's not just about how much we recover, but also the benefit associated with knowing what's going on in our market and where we stand on accounts."

A Weekly Glance

Aeroflot uses Memo Analyzer on a weekly basis to:

1. Look at the airline's outstanding agency debit memos and associated dollar amounts
2. Analyze memos for trends within particular O&Ds or agency accounts
3. Drill down into particular routes if a trend is spotted to identify offending agencies
4. Drill down by agency accounts to segment the debt
5. If necessary, locate the individual debit memos of concern
6. Open Memo Manager to locate the memos in question and read associated memo reasons*

*Most users, who have their memo reasons mapped in Memo Manager, will be able to see all of this information within Memo Analyzer displayed in easy-to-understand graphs.

Customers of Revenue Recovery Services receive comprehensive monthly reports with all open, closed and paid, as well as escalated memos that ARC has been and is working on, so airlines are in the know with their agency accounts at all times. These detailed reports also include the total dollar amount to be deposited into the carrier's bank account that month, plus details on how that balance is broken down by accounts and memo details.

"It's also great to have predictable timelines on the resolution of memos. I know that after 90 days, ARC's collections team will take over. I can set up our schedule internally and know exactly what to expect and what resources each memo requires," he said. Additionally, each airline has the opportunity to customize its resolution rules and policies and even exclude specific accounts they want to handle internally.

Since using ARC's services, Aeroflot has been able to recover approximately 1,000 memos per year, and through TPRS alone, the airline is recouping an average of \$60,000 in revenue per year.

Changing the Memo Landscape

By reducing efforts around compiling memo data, analyzing causes and identifying trends, Aeroflot has increased efficiencies significantly and been able to more effectively communicate with agency accounts, which has led to hundreds of agency debit memos cleared since purchasing Memo Analyzer in December of 2015.

With the help of ARC's Revenue Recovery Services, the airline has been able to recover approximately 6,000 memos since 2012, equating to approximately \$1 million. This amount does not include the value of freeing up resources previously assigned to analyzing memos and resolving debt, nor the money saved by identifying issues that would have inevitably caused future losses.

"By leveraging ARC's debit memo solutions, we've not only seen monetary returns in the form of debit memo resolution and prevention, but we've also been able to really get handle on our agency debt by simply being more in tune with our data," Drobnjak said.

"I recommend all of these products for airlines, of any size, trying to better understand, quickly resolve and ideally prevent agency debit memos."

About ARC:

The Airlines Reporting Corporation (ARC) is the premier driver of air travel intelligence and commerce in the travel industry, with leading business solutions, travel agency accreditation services, process and financial management tools, and high-quality data. ARC settles more than \$88 billion in air transactions annually for more than 12,000 travel agency locations. ARC is headquartered in Arlington, Virginia, with offices in Louisville, Kentucky; Tampa, Florida; and San Juan, Puerto Rico. For more information, please visit www.arccorp.com.

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