

Success story

Lufthansa Cargo: Optimising price-setting for a global airline

Price-setting used to take Lufthansa Cargo three months. Now it can be done in one day.



Challenge

Optimise a global business process

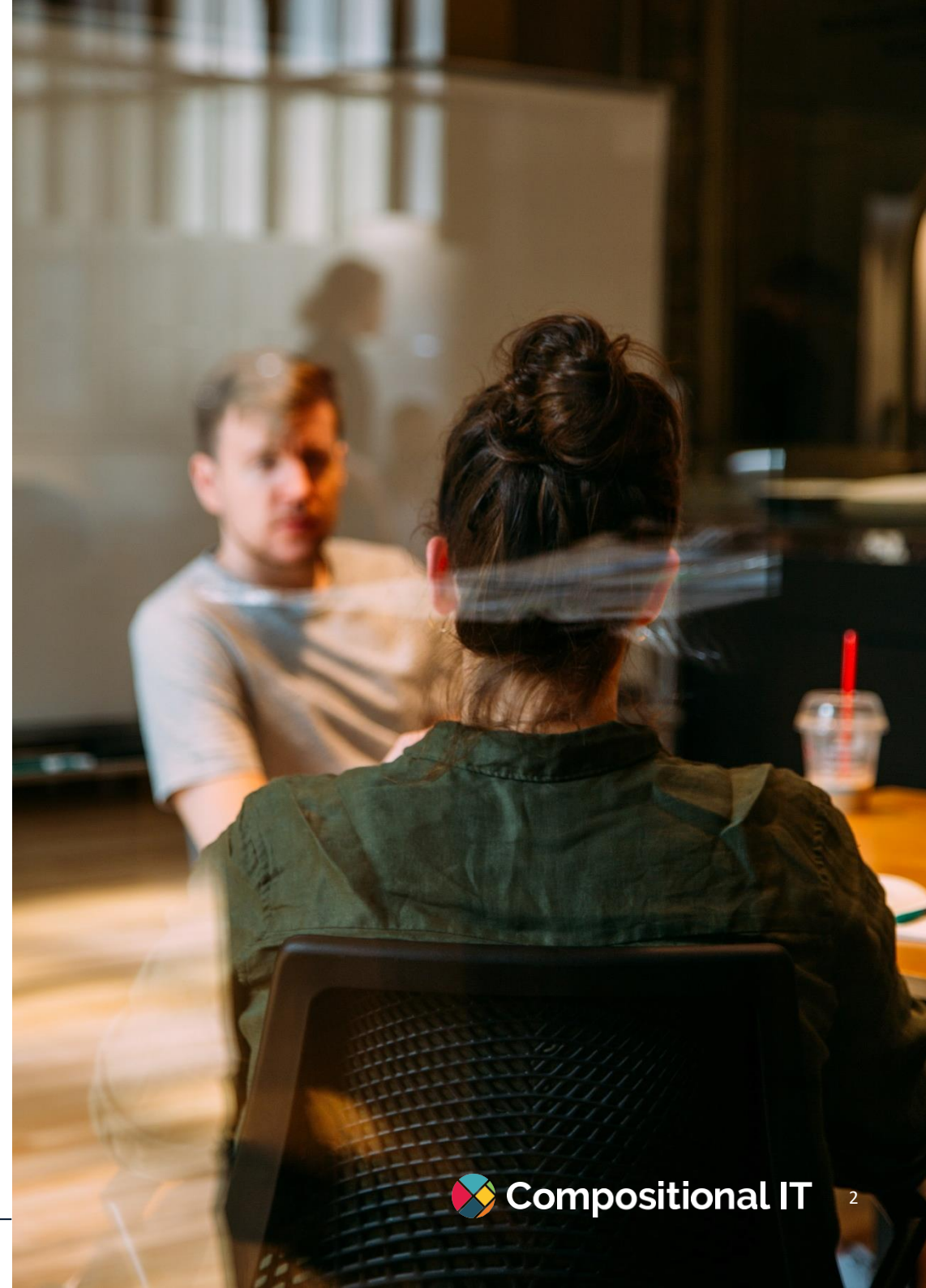
Every six months, Lufthansa Cargo review the list prices for all the routes they offer, across 140 markets, and set new prices for the next period.

It's a key process for the business, but it wasn't working efficiently.

"Preparing prices took such a long time," says Philip Haitas, Senior Manager Projects and Processes at Lufthansa Cargo, who led the project. "So we wanted to make it faster, leaner and more cost-effective."

- **The price-setting process was mostly manual.** That meant it was taking too long and was too prone to error.
- **Prices were being prepared without sufficient data or insight,** so the business couldn't be confident they were robust or competitive enough.

Compositional IT's challenge was to build a new pricing system that would solve these problems.



Challenge

Before: The old process

1. A central team coordinated with 140 local markets to produce a **'standard rate sheet'** (SRS): a list of default prices for all the routes offered in that market.
2. This started with the central team running data through a **pricing console**. This was a command-line app, with no user interface, running on individual users' machines.
3. The app worked by reading in **Excel spreadsheets** of pricing data, and then writing out another set of spreadsheets containing new prices, for each local market to review. These were sent out by email.
4. Local markets reviewed the spreadsheets, made **manual adjustments** and emailed them back.
5. The central team often needed to run data through the pricing console again - a tool to which **only they had access**.
6. This process of review and amends, **over email**, continued back and forth - until finally the prices in every market were signed off for use.

Before: Business problems

- ✘ **Too slow.** Price-setting happens every six months at Lufthansa Cargo - but the process was taking three months just to complete.
- ✘ **Inefficient.** With 40-50 staff involved, use of employee time was far from cost-effective.
- ✘ **Error-prone.** Attempting to handle and update spreadsheets manually was leading to errors, lost files and versioning issues.
- ✘ **Siloed.** There was no connectivity between pricing data and other internal tools that Lufthansa Cargo used.

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"40-50 staff were spending three months on a key business process that happened twice a year."

Philip Haitas, Project Lead, Lufthansa Cargo

Solution

Empower expertise with cloud technology

SRS Cloud: a transformational solution

We needed to create a system that would help teams set more informed prices and provide a hub in which everyone could work, at pace.

So Compositional IT worked with Lufthansa Cargo to develop **SRS Cloud**: a web-based app, built with functional programming, that would transform one of the airline's key business processes.

"We optimised the process to become more efficient. And with the blend of algorithmic and human decision-making, we found the perfect price-setting solution."

Philip Haitas, Project Lead, Lufthansa Cargo



How SRS Cloud works

1.

Local market teams log into the app online.

2.

For each route, they see a 'new price' – a data-driven, up-to-date price generated by the system's pricing algorithm.

3.

Local teams review prices and pricing data for their market, and can make adjustments.

4.

Prices are submitted, and can be immediately reviewed and approved – in the same system – by the central team.

SRS Cloud: the benefits for Lufthansa



Collaboration at speed

Cloud technology means central and local teams can log into the same system and collaborate in real time.



Optimal prices

An improved algorithm means prices are driven by more and better data. That means informed, robust and market-ready prices.



Pricing confidence

Users can view pricing insights and data quickly and easily, allowing them to make more informed decisions and be confident they're setting optimal prices.



User empowerment

Local markets are empowered to use their expertise in a more optimised way. The top 85% most valuable routes can be manually adjusted, with prices for the least valuable routes set by the system for greater efficiency.



Process tracking

Central management can see, and filter by, the status of each market's price set - created, submitted, approved - allowing them to track the overall business process.



Interoperability

The app interacts automatically with other Lufthansa systems, reducing the amount of manual work the user has to do.

Solution

Why our approach worked for Lufthansa

Compositional IT's unique way of working - agile and collaborative - brought a range of benefits for Lufthansa's business:

Agile. Our approach combines a collaborative, agile way of working with the use of functional programming - a concise, cost-effective and flexible way of building IT solutions.

Fast. For Lufthansa Cargo, that meant SRS Cloud was delivered within a year - the fastest project to completion in Lufthansa Cargo's programme. It also meant the project was highly cost-effective.

Flexible. Our approach has also given Lufthansa Cargo the flexibility to incorporate new ideas on the fly - both during the build phase and after go-live, as we continue to work together to evolve the system.

A true collaboration

"This was a great collaboration between Lufthansa Cargo and CIT. We used an agile project management approach, which enabled us to quickly test and improve the process and application."

Kathrin Bolz, Senior Manager Price Steering & Processes,
Lufthansa Cargo

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"We've never liked the traditional 'us and them' approach to IT projects. Our attitude for all our work is: 'We're all in this together.' And Lufthansa Cargo was a great example of that."

Isaac Abraham, Founder, Compositional IT

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Results

Optimised prices in a third of the time

From one month to three days

Since its implementation, SRS Cloud has delivered transformative business results.

“We’ve reduced the process from three months to a maximum of four weeks,” says project leader Philip Haitas. “And some markets can do it within one day.”

Key results in numbers



The price-setting process is
OVER 3X FASTER



Total reduction in process time of
60 DAYS



5,460 STAFF HOURS freed up
per year



450 FEWER EMAILS sent and
600 FEWER EXCEL SHEETS to
handle

Results

SRS Cloud has achieved impressive commercial results in three areas: the **optimised process** it's created, the **optimised outcomes** it's achieved, and its improvement of **user experience**.

Optimised process

More than 3x faster. The global price-setting process used to take three months. Thanks to SRS Cloud, it's now complete in a maximum of four weeks - and some markets get it done in as little as a day.

Business flexibility. An always-on web app means decision makers have the flexibility to update prices more frequently in the future.

Increased productivity. Staff spend less time on price setting, and the hours they save can be spent on other valuable work within the business - such as online sales and nurturing key accounts.

Optimised outcomes

Optimal prices. Thanks to the combination of automation and human expertise that SRS Cloud enables, the business can now be confident that its list prices are robust, well informed and competitive.

Better user experience

Great feedback from Lufthansa users. Lufthansa Cargo's central team has received "very positive feedback" from local teams about SRS Cloud, says Philip Haitas, who led the process. "With SRS Cloud, the central team and the local markets work really well together, and we've had such good acceptance of the new application."

Get in touch

To find out how Compositional IT can help your business, get in touch.



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