

LEVERAGING TECHNOLOGY TO PROVIDE COST-EFFECTIVE COMMUNICATION AND IT SOLUTIONS FOR THE GLOBAL AIR TRANSPORT INDUSTRY: THE CASE OF SITA

Sona Vikas

Sr. Lecturer - Management

Ansal Institute of Technology, Gurgaon, India

Email: sonavikas9@gmail.com

ABSTRACT

Change is a fact of life for the air transport industry, and innovation is often a major driver of that change. As an innovator in IT and communications, SITA has been at the forefront of many new transforming technologies that have radically improved the way the air transport industry works. Guided by the industry's need for reduced costs, greater competitiveness, improved profitability and operational performance, SITA as a company strives to drive new advances in the global air transport industry, while exploring new revenue channels and also enhancing the passenger experience – making air travel easier, safer and hassle-free. This case is about a technology innovator, set to provide next generation technology for the benefit of the entire air transport community, in the process dramatically changing the journey for passengers and the operations of the industry. As SITA commemorates its 60th anniversary in 2009, this case traces its journey over six decades and looks ahead at the technological advances that will bring about a revolution in air travel.

Key Words: *SITA, Air Transport Industry, Communications, Technology*

"Created and owned by the air transport industry, SITA brings 60 years of unique airline and airport experience to bear on the problems facing the industry today.

As a community-owned and community-oriented partner, SITA is committed to continuing to play a proactive role in pioneering new tools and supporting new industry initiatives aimed at helping airlines and airports to reduce costs and improve customer service."

-Bill Miller, MD - IT Services, Continental Airlines and SITA Vice-Chair

Success stories are hard to find and there are few companies which have successfully lasted as long as SITA - Société Internationale de Télécommunications Aéronautiques - which turned sixty in February 2009. Sixty years on SITA has more than 550 members from across the air transport industry, a turnover of nearly US\$1.5 billion and operations in 220 countries and territories across the world with employees who speak around 70 languages. So what can the global business community learn from the experience of an IT and telecommunications co-operative founded in 1949 by 11 airlines and based in Belgium?

Introduction

Société Internationale de Télécommunications Aéronautiques (hereafter referred to as SITA) is the world's leading specialist in air transport communication and information technology (IT) solutions. Working closely with the air transport community, SITA innovates and develops IT applications and communication services across every aspect of the business. They deliver and manage business solutions for airline, airport, GDS, government and other customers over the world's most extensive

network, which forms the communications backbone of the global air transport industry. Created and owned by the air transport community, SITA is the community's dedicated partner for information and communications technology. As a team of industry experts, their know-how is based on working with customers across the global air transport community. Almost every airline and airport in the world does business with SITA. SITA innovates collaboratively with the air transport industry, and the industry itself drives the company's portfolio and strategic direction. Their portfolio includes:

- Managed global communications, infrastructure and outsourcing services
- Services for airline commercial management, passenger operations, flight operations, aircraft operations, air-to-ground communications, airport management and operations, baggage operations, transportation security and border management, cargo operations and more.

SITA was founded in 1949 by eleven airlines: Air France, KLM, Sabena, Swissair, TWA, British European Airways Corporation (BEAC), British Overseas Airways Corporation (BOAC), British South American Airways (BSAA), Swedish A.G.Aertransport, Danish Det Danske Luftfartselskab A/S and Noweigan Det Norske Luftfartselskap. From its foundation as Société Internationale de Télécommunications Aéronautiques, SITA has aimed to bring together airlines' existing air transport communications facilities. This allows organizations and the wider industry to take advantage of shared-infrastructure cost efficiencies. SITA offers its services to industry members that include airlines, airports, aerospace companies, air freight organizations and governments. Facts about the organization are given in

Table 1

Table I: SITA Facts and Figures

➤ Over 550 active members representing 90% of total worldwide airline business
➤ Over 3200 customers
➤ Around 4500 employees representing 140 nationalities speaking over 70 languages
➤ Operations in more than 200 countries and territories
➤ Over 1600 employees in customer service operations
➤ 60 years of air transport industry know-how

Source: www.sita.aero

The global presence of the company is illustrated in Figure 1.

Figure I: SITA's Global Presence



Source: www.sita.aero

SITA Members

SITA is the only global provider of information technology (IT) business solutions and communication services for the air transport industry (ATI) - owned entirely by its Members. Almost all leading airlines are members of SITA.

"The real value of SITA, to me, is that it gives us - its customers and owners - real choice. The air transport industry owns its own dedicated services and solutions company. This is very valuable for us."

-Paul Coby, *CIO, British Airways and SITA Board Chair*

SITA Membership is community driven, and the community benefits from their customer-owned approach in several areas, including economic, knowledge, community, governance and shareholder.

"SITA is a community of air transport organizations whose collective knowledge, wisdom and insights help drive and shape the IT and communication solutions for future air travel".

Dr Amin Khan, *Sr. GM - Transition Management, Malaysian Airlines*

SITA Membership delivers a strong and lasting financial value, particularly through minimizing the costs of network services. Their principle of long-term investment in shared infrastructure continues to help minimize industry costs, save unnecessary duplication of resources and enhance efficiency. Membership ensures a long-term view, rather than a focus on short-term shareholder return. During 2006-08, SITA members

benefited from price reductions of US\$ 130 million and redistribution of \$US 51 million in network service charges.

"SITA provides the secure, reliable network that allows each workstation to become an effective tool to drive our business and serve our passengers. On top of that, as Members we receive benefits such as network services at advantageous costs and pricing, as well as our economic rights of ownership."

- Jaime Pocasangre, *CIO, Aeromexico and SITA Board Director*

Membership brings insight into industry trends and initiatives from a global, national and regional level. It embraces collaborative developments and innovations, affords networking opportunities through focused industry forums and access to IT benchmarks and trends. Membership ensures that SITA meets the community's needs - regardless of size, all members can benefit from SITA's development of community-shared services and solutions, matched to their specific needs. SITA Membership also guarantees the representation of the global community in the development of industry standards. And it means that the air transport community benefits from the customer-owner approach. As Kevin Hartigan-Go, VP, Information Systems Department, Philippine Airlines and SITA Board Director says that this community model can serve the global community and is actually instrumental in creating an important community asset: a cost effective data and communications network used by the entire air transport industry.

SITA Membership gives the community an active and decisive role in SITA's governance, and preserves ownership of SITA by the air transport industry. Members actively participate in user groups, forums and conferences to ensure their requirements drive SITA's portfolio development and customer service. SITA Members play an active role in SITA's governance and influence their evolution. Members have the opportunity to be heard and to influence SITA business, portfolio and service strategy, either at Board level and/or through the SITA Customer Advisory Board.

SITA Subsidiaries

Through their subsidiaries, SITA leverages complementary resources, capabilities, technology, research and development. Their subsidiaries enable the development of new and innovative solutions for customers and include CHAMP Cargosystems, OnAir, Aviareto and Certipath.

Products and Services Offered by SITA

Increasing demand for information sharing, coupled with increasing dependency on online systems, make interoperability between stakeholders critical. SITA know-how spearheads common-use technologies, in addition to hosted solutions and open information technology (IT) standards. Their portfolio of innovative solutions ensures interoperability through shared infrastructure and cost-effective use of technologies. The wide array of Solutions and Services provided by SITA are given in Figure 2.

Figure II: Wide array of Solutions and Services by SITA

Aircraft Operations <ul style="list-style-type: none"> - Aircraft Operational Communications - Flight Operations - In-flight Communications 	Communications and Infrastructure <ul style="list-style-type: none"> - Aircraft Operational Communications - Community Messaging - Hybrid Networks - In-flight Communications - Infrastructure Management - Voice & Convergence
Airport Operations <ul style="list-style-type: none"> - Airport Management - Passenger Processing 	Passenger Operations <ul style="list-style-type: none"> - Border Management - In-flight Communications - Passenger Processing
Baggage Operations <ul style="list-style-type: none"> - Baggage Management 	Transportation Security <ul style="list-style-type: none"> - Border Management
Cargo Operations <ul style="list-style-type: none"> - Cargo Management 	
Commercial Management <ul style="list-style-type: none"> - Distribution Management - Fares Management & Pricing - Passenger Management - Revenue Optimization - Voice & Convergence 	

Source: www.sita.aero

Communication Services

SITA provides communication services across the world's largest global network.

- SITA manages more than 17,000 IP connections on behalf of nearly 700 customers – as well as more than 2000 AirportConnect Net CUTE (MDNS) connections at over 150 airport locations
- Network availability is maintained at over 99.99 percent
- SITA IPVPN networks are deployed globally, for over 660 customers, connecting 13,500 air transport sites around the world
- SITA's dial access services are available across the most extensive global

network in the world, consisting of over 1583 nodes in 183 countries

- SITA introduced the air transport industry's first ever “voice exchange” in 2006 – enabling free intra-corporate calls
- SITA Airport Hubs offer the airport-user community access to a shared IP network infrastructure to drive down costs while delivering the efficiencies of IP – today, there are 103 Airport Hubs used by over 90 customers, including airlines, airports, ground handlers, aircraft manufacturers and catering companies
- SITA introduced the world's first global community extranet – Air Transport eXchange (ATeX) – used by around 100 airlines and aerospace manufacturers
- The world's largest Type B messaging community, serviced by SITA, regularly exchanges more than 25 million messages per day
- In 2003, Star Alliance selected SITA to create the first global IP community network for an airline alliance

AIRCOM Services

SITA's AIRCOM service provides Aircraft Communications links for pilots to communicate with Airline Operations Centres and Air Traffic Control Centres.

- SITA provides air-ground communications over 1083 VHF ground stations
- SITA AIRCOM Data Link Service supports more than 180 contracted customer airlines with more than 8,500 individual aircraft in routine airline operation
- More than 1,200 customer aircraft use SITA's advanced Future Air Navigation Systems (FANS) avionics, enabling pilots to use data link instead of voice for communications with Air Traffic Control

.aero

.aero is the first industry-based, top-level Internet domain, reserved exclusively for aviation.

- More than 5,576 domain names have been registered by 2,866 aviation companies and individuals – these consist of airlines or aircraft operators, airports, aerospace companies, aviation suppliers and pilots

Airport and Desktop Services

SITA has more than 25 years of experience installing and maintaining desktop services for air transport companies.

- SITA manages about 30,000 CUTE workstations used by some 285 customers in more than 200 airport locations worldwide – these check in more than 600 million passengers per year
- More than 3,300 check-in kiosks have been deployed by SITA to date
- There are 42 airport sites with 594 SITA CUSS kiosks

- SITA provides the world's leading baggage tracking network, WorldTracer, used by more than 400 of the world's largest airlines and ground handlers, and present at more than 2,200 airport locations
- SITA has a market leadership in baggage solutions by providing BagManager at 70 airports worldwide
- SITA installed one of the world's largest Wi-Fi network projects in Hartsfield-Jackson, Atlanta International Airport, allowing passengers to access the Internet and use their mobile phones anywhere in the world's busiest airport

Passenger and Travel Solutions

SITA streamlines and integrates airline and airport operations for more than 200 airlines worldwide.

- SITA developed the world's first airline booking engine, for British Midland (now bmi) in 1995
- SITA provided the forerunner to today's application service provider (ASP) solutions, with a hosted/shared passenger reservations system introduced in 1976
- SITA's Horizon portfolio of products and services includes their reservations system, which boards more than 112 million passengers per year
- SITA Departure Control Services check in over 88 million passengers. More than 46 million tickets a year are issued by SITA Ticketing customers, including 32.2 million e-tickets

Flight Operations

The pilots of over 220 airlines use SITA's Flight Briefing solution.

- Flight Operations' Flight Planning module delivers around to 10,000 flight plans a day (nearly 3.6m a year) to pilots of more than 170 airlines
- Pilots around the world rely on SITA to provide more than 60 million weather and aeronautical briefing documents each year

SITA Global Services

SITA works to maintain, monitor and enhance critical IT systems whereby limiting risk and increasing profitability. SITA offers support for complex, critical IT environments; Highly experienced multilingual teams based in over 200 countries dedicated 100% to the air transport industry (ATI); Access to a simplified and integrated delivery model; Enhanced operational reliability and efficiency; Streamlined communications through a single point of contact; Better infrastructure support that optimizes internal resources and available skills; Lower total cost of ownership (TCO) through fewer maintenance expenditures and lower administrative costs; State-of-the-art operational and monitoring systems, supported by a single integrated incident,

change and asset management system.

Adopting Best Practices

SITA's service model is based on the best-practice framework of the IT Infrastructure Library (ITIL), the recognized standard for excellence in operational support. This model enables SITA to deliver best-in-class customer service utilizing both centralized and local resources. They have also adopted and implemented Six Sigma, an additional set of best practices designed to ensure customer satisfaction. One in three SITA employees is customer service staff. Their Customer Service Managers have unparalleled insight into the ATI and its needs. SITA focuses on continuous training and certifications of their experts to ensure their knowledge and capabilities remain unsurpassed. Through use of 24/7 real-time proactive monitoring, and rich knowledgebase, they can identify, react and resolve incidents faster and more accurately, preventing further escalation. Onsite and remote, their experts work to deliver a consistently high level of support worldwide. These efforts guarantee service-management standards and reinforce 'zero outage' approach for customers' IT systems.

Consistency in Customer support

A total of 1,470 SITA customer-service staff provides support in more than 220 countries and territories. They offer integrated customer services across the entire SITA portfolio of products and services. SITA follows ITIL Service Management best practices to support the quality of their products and services. All SITA customer-service employees – at or above the supervisor level – hold ITIL Foundations Certification, as a minimum.

Measuring Performance: Facts and figures of SITA

SITA performs annual customer surveys to understand customer requirements and drive improvements. Customer First Feedback (CFF) 2008 survey shows 93% of SITA customers express overall satisfaction with fault handling; 95% of SITA customers express satisfaction with time between interruptions and 91% of SITA customers express satisfaction with time to fix incidents. 89.5% of their largest customers are “satisfied” or “very satisfied” with SITA services; SITA's customer satisfaction rating was 4.09 / 5 in 2007 and SITA network availability was 99.99 percent.

Reliable and guaranteed levels of service management are essential to business. This entails not just the right technical solution but also the right people to ensure that stable operations are maintained. SITA aligns their business with the success of their customers. Regular reviews ensure customer satisfaction throughout the lifetime of the contract. If requirements change, they adapt. They are capable of providing a more personal, customized approach, if required. Their Customer Service Managers have access to multiple data sources, including incident management records, performance statistics and feedback from users and operational staff. By examining and interpreting this data, in the context of the business priorities and operating environment, SITA can

identify trends and provide recommendations for improvement. If the customer wished to manage their own IT services and operations, and are willing to invest in extra resources and training to develop the requisite in-house skills, SITA offers a low-cost on-demand service management solution. At the other end of the spectrum, they provide a tailored service, with a dedicated SITA Customer Service Manager, to guide through every step of the process. SITA service management delivers minimized disruption of business through faster resolution of incidents and continuous service improvement; Cost savings from analysis of operational data; Enhanced IT infrastructure support that complements internal resources and skills; Simplified communications through a single point of contact; Continued alignment between their service and the customer's business needs.

Innovation at SITA: A Key Differentiator

SITA has been a constant source of innovation in the ATI for 60 years, from creating the world's largest network in 1950 to the advent of OnAir that allows airlines to offer in-flight mobile phone service in 2005. As the present and future continue to collide at greater and greater speeds, SITA continues to look for innovative solutions to meet customer needs. Air Transport Industry (ATI) has witnessed innovation like never before. From digital travelers to next generation aircraft to the airports of the future - the seeds of change have long been planted and the first companies to harvest them will reap the greatest rewards.

The adoption of mobile phones (cell phones) is a global phenomenon. Penetration of hundred percent is the norm in industrialized countries. Ninety percent of people already carry some type of mobile device when they travel by air. Thus, developments in mobile technology will have immediate impact on passenger travel in many ways. At current rates of growth, there will be five billion mobile phone subscribers by 2011. Mobile-device services and applications are very likely, to become mainstream within the ATI. Next generation mobile devices are expected to power a range of new applications and services, improving the passenger experience from home to plane to destination. By 2011 most mobile phones will combine communications functionality with that of computers, televisions, wallets, personal navigation systems, and Internet browsers. Mobile technologies will allow airports, airlines and passengers to stay connected for longer periods of time – offering the ATI the opportunity to strengthen the relationship with their customers.

ATI will also have to rely on advance technology and communications solutions to handle the steady rise in passenger traffic and to resolve many of the challenges it faces today, such as congestion at check-in and security, lack of predictability, flight delays and mishandled baggage. The adoption of new and proven technologies will not only address these issues but will fundamentally change the way airports operate. Airports and airlines are faced with the enormous challenge of lowering the cost of technology adoption and refresh while deploying Information and Communication Technologies (ICT) services that can support a maximum number of applications. They can go about this in one of two ways. Each airline and airport can deploy its own ICT infrastructure

separately, or airlines and airports can leverage concentration of air transport industry (ATI) operations, employees and travelers in airports by sharing costs and benefits and potential sources of revenue thus bringing about cost efficiency and economies of scale. With the aftershocks of the global credit crunch rippling through international financial markets and into the world beyond, this is no time to be complacent. According to IATA CEO, Giovanni Bisignani, having turned a profit in 2007 for the first time in years, the airline industry is once again in the red, with a loss of some US\$5.2 billion projected for 2008.

Finding innovative ways of managing IT in a downturn is therefore a top priority for everyone and there are two concerns in this context namely, reducing non-fuel unit costs and reducing fuel consumption. SITA is working actively to achieve these goals by developing the next generation of integrated ICT infrastructure, creating platforms to enable degrees of data integration which were previously not possible, and providing capabilities to support a wide range of automation initiatives already underway in respect of passenger, baggage, cargo and airport management.

SITA is working to develop innovative aircraft management and aircraft operational communications' solutions to meet the business needs of airlines; Maintenance, Repair and Operations (MROs); and Original Equipment Manufacturers (OEMs). The priorities include creating Enable Electronic Flight Bags (EFBs), secure loading of software aircraft parts, automatically identifying parts for faster turnaround and better asset tracking, reducing inventory and enhancing safety through better reliability reporting, improving operational efficiency through enhanced mobility at airports, introducing next generation air-to-ground communications etc. By integrating aircraft into ground IT chains, supporting digitization of safety regulatory and airworthiness data, and providing tools to optimize aircraft maintenance and the supply chain, SITA aims to deliver faster aircraft turnaround, secure air to ground communications, maximize asset management, provide end-to-end process compliance and improve credentials management. SITA is driving industry transformation via collaboration and new IT products. SITA is an International Air Transport Association (IATA) Preferred Partner for Simplifying the Business – helping to implement innovative solutions.

Using Strategic Alliances for Servicing Customers

Strong alliances with leading technology providers help SITA to deliver end-to-end solutions worldwide. Together, they provide the requisite technologies and skills to drive customer initiatives – on time and within budget. SITA strategic alliances include:

- Orange Business Services - A strategic alliance bringing innovative, flexible and cost-effective communication solutions to the air transport industry including IP network solutions, community solutions, mobility solutions, voice and convergence solutions, corporate messaging, communications outsourcing and other professional services.
- UK Met Office – A strategic alliance for enhanced safety and operational benefits by delivering Advanced Weather Service, leveraging improved

forecasting techniques and expanded weather data for enhanced safety, operational benefits and reduced costs.

- Airservices Australia – A strategic alliance tailored for airspace surveillance whereby they market Automatic Dependent Surveillance Broadcast (ADS-B) services to the air navigation service providers in the Asia Pacific region.
- Flight Explorer – A strategic alliance delivering enhanced flight monitoring

Accolades for the Company

SITA has received numerous accolades for their commitment to the ATI, and these include:

- Best Wireless Broadband Mobility Solution, WBI Awards 2009
- Airport Support Services Provider of the Year, Frost & Sullivan Asia Pacific 2009
- Gartner's Visionaries Quadrant, Pan-European Network Service Provider 2008
- Best New Aviation Web site, Bronze Prize Flight Global Webbies Aviation Web Awards 2008

These awards are given to a company which has exhibited industry leadership through the implementation of excellent organizational strategies, numerical success in terms of revenues, customer count, number of products sold and services offered in addition to excellence in growth planning for the coming years. It is the wide range of SITA's capabilities, and the vision of their leader who spearheaded the company through turbulent times, that brought about these accolades.

Vision of a Leader

Francesco Violante has been CEO of SITA since 2006. Under his leadership, SITA has undergone a dramatic transformation which has seen the merging of previously separate entities into one company which won more than US\$ 1 billion worth of new business for the first time in 2006 and repeated this achievement in 2007 and 2008. His vision is to strengthen SITA's position at the heart of the air transport industry and to scale new heights in terms of delivering innovation and cost reductions. To this end, he initiated the creation of the SITA Lab as a world class R&D facility addressing industry challenges.

Francesco leads a company with 4,500 employees and consolidated revenues of \$1.42 billion in 2007. SITA is the specialist provider of integrated IT business solutions and communication services for the world's air transport industry with a presence in 220 countries and territories. Previously he spent three successful years as CEO and Managing Director of SITA INC (Information Networking Computing) during which time he guided the IT solutions business of SITA through a period of major strategic change. Among his major successes was the strategic move into outsourcing which led directly to the two largest deals in the company's history to date. He is also chairman of

the Boards of the SITA subsidiaries OnAir and CHAMP Cargosystems, two groundbreaking industry initiatives which he brought to fruition as SITA INC CEO. OnAir has already been endorsed as the partner of choice by a number of leading airlines anxious to be early adopters of in-flight mobile telephony. CHAMP Cargosystems is the world's only IT Company totally dedicated to air cargo.

A hallmark of his leadership has been his ability to forge new alliances for the company with prestigious industry partners such as Airbus, Cargolux and Orange Business Services. He also embarked on a policy of acquisitions which have included Vancouver-based SMG Technologies, Dublin-based Eland and Sydney-based CPS, which have given a strategic edge to the company's portfolio of high tech solutions targeting passenger travel. His strategic vision for simplifying travel and transportation is motivated by industry concern for lower costs, asset optimization and improved passenger experience.

Francesco is a computer science graduate with a solid background in IT and Telecommunications. He started his career at Digital as a software specialist and rose through the ranks on the way to becoming Vice President for the Telco Industry World-Wide and then Vice President for Sales and Marketing, Europe. Subsequently, he became Chief Information Officer with Telecom Italia where he was responsible for all IT services and IT companies, employing 12.000 people. While with Telecom Italia, he was also Chairman of the Board of Telesoft, the telecommunication software specialist, and Chairman of the Board of Finsiel, the largest IT software and service company in Italy at that time. Francesco then joined EDS as Regional Vice President for southern Europe with responsibility for 4,500 employees and annual revenues of Euro 700 million. While there he was responsible for a number of large outsourcing contracts. For six years he was a non-executive member of the Board of Directors of IONA, a middleware software company which was based in Ireland and was listed on NASDAQ before it was acquired by PROGRESS during 2008.

Authors Note: An Organizational Analysis

SITA serves an enduring and effective business model for the global air transport industry. The mandate is not to maximize revenues alone but to deliver best value to members, meeting business needs by investing in R&D and innovation for the future benefit of the community, and providing solutions at a competitive price. All members, regardless of size, benefit from cost sharing and actions taken in the collective interest of the industry – through the use of SITA's purchasing power to source and deliver global communications services at the best possible price. On top of that, SITA continues to deliver savings to members, not least through network price reductions. Air transport organizations are constantly reassessing and even reinventing their business models. A critical premise must always be that there is no point in duplicating services and systems whose need is shared by all – the premise on which SITA was founded. SITA's principle of long-term investment in shared infrastructure continues to help minimize industry costs, save unnecessary duplication of resources, and enhance

efficiency. By meeting common industry requirements like WorldTracer for baggage tracking, Airport Hubs for shared airport-based communications, Aviareto for aircraft asset management, AirportConnect, CUTE and BagMessage Services, systems for advance passenger processing etc., the community business model of SITA enables the global aviation industry to work together more effectively.

Strengths

SITA is the only player in the industry with a physical presence in almost all of the world's airports, and with most of the world's major airlines among their customers. Thus their strategy is driven by their ability to leverage investment in common-use infrastructure at airports or across the supply chain; enable simple mission-critical communication between all stakeholders; facilitate real-time, 'single-source-of-truth' to establish and ensure security and trust; alleviate the limitations of 'any-to-many' communications and enable collaboration; and act as a community hub / enabler across different sectors of the industry. In India, they have established relationships and high PR at senior levels with their customers. A proven track record of operations in India, they have a very high visibility in the aviation sector. Their broad existing clientele includes AAI (13 non-metro airports), NACIL, Jet Airways, Jetlite, Nepal Airlines, Biman Bangladesh, Kingfisher Deccan and Druk Air among others.

Weaknesses

SITA has been fraught with various challenges. Their response to the local market dynamics has been rather slow. They lack local capabilities for development. SITA's policy of not to bill at local currency prohibits business with domestic TTI players. There have also been cases when the quality of the product delivery has been inconsistent. There is a huge gap between integration and customization of service. The biggest area of concern perhaps is their inability to provide low cost solutions to address the LCC market in India.

Opportunities

The Indian Aviation Industry has immense potential and offers numerous opportunities for SITA. Some of the key drivers of Indian Aviation include airline, airport and cargo market growth and favourable regulatory changes (Enlisted in Table II). Along with an impressive aviation sector growth, there is also a huge MSI (Master Systems Integration) opportunity. Offering bundled solutions for upcoming airlines and carrying out cost effective operations in India are some of the opportunities for the company. SITA also has business prospects with the emphasis on privatization and modernization of Indian airports. The Indian government is strengthening telecommunication and other infrastructure which is a positive sign for SITA. Above all, there are several local and international companies who are willing to partner with SITA to work on specific projects.

Table2: Drivers of Growth - Indian Aviation

Airline Growth Market	Increase in traffic: International to cross 40 Million in 2010 and domestic to cross 100 M in 2010. The fleet size is expected to reach 450 by 2010. Influx of LCCs (own 49% market share which is likely to grow to 70% by 2010. There is a strong influx of international airlines flying into Indian Airports and domestic carriers being permitted to fly internationally.
Airport Growth Market	Privatisation of airports (Delhi, Mumbai done; Kolkata & Chennai on the anvil), Modernisation drive of Non Metro regional airports, Public Private Participation being applied to Greenfield facilities at Bangalore, Hyderabad Kannur, Navi Mumbai, Goa, Ahmedabad)
Air freight/ cargo market growth	Cargo traffic to all airports has increased from 15.6% during 2005-06 to 21.5% in 2006-07. Cargo growth projection of 11.4 % by 2012. Open sky Policy for Cargo flights
ATC	Launch of a major programme to modernise the air navigation infrastructure, an initiative on par with SESAR & NGATS
Favourable Regulatory changes	Setting up of Aviation Economic Regulatory Authority (AERA), increased FDI in Civil Aviation Sector (100% in Airports, 40 % in airlines), limited open sky policy for passenger flights; Open sky policy for cargo flights; 49% FDI permissible in domestic airlines under automatic route, but not by foreign airline companies.

Compiled by the author

Threats

It is not that the position of the company is under any impending threat. While it is true that the demand for IT services is driven by rapid technological advances, but spending for these expensive products depends on the health of the Indian economy. The profitability of companies depends on offering technical expertise, innovative services, and effective marketing. Large companies have advantages in broad service offerings and global reach, which give them the ability to provide outsourcing services to big corporate customers. Small companies can compete effectively by specializing in market niches or by partnering with larger companies that want to broaden their mix of services. In today's tough times, SITA is not only threatened by strict exchange control laws and withholding taxes, but also by big and small players including Sabre Airline Solutions, Kale, Navitaire, Amadeus, Reliance Communications, Mercator, IBS, Navtech, Bharti, Unisys, Siemens, IBM and Arinc. They are aggressively trying to capture the market with low pricing strategy and expanding coverage. The local

competitors are developing capabilities to cater to the customer demands. Arinc is key competition in India with respect to both airline and airport solutions. It launched the low cost carrier, Indigo and is establishing VHF Pan India coverage. ARINC, which originated as Aeronautical Radio, Inc., is a high flyer in communications and systems integration. Commercial aviation, defense, and government customers rely on ARINC's communications products, IT know-how, and engineering expertise to make their operations run smoothly. ARINC's broad range of products and services cover airport security, air traffic management, aircraft and satellite testing, modeling and simulation, network design, passenger and baggage processing, voice and data communications, and weather reporting. Founded in 1929 and serving customers worldwide, ARINC has operations in the US, Europe, and Asia. Over the years, ARINC has evolved into a dynamic, progressive leader providing engineering solutions in aerospace and aviation, airports, government, networks, security, and transportation industries with over 150 innovative products and services worldwide. The company is planning to expand coverage in India and poses as a grave threat to SITA in the country. Lastly, the existing contracts of SITA are getting affected by the impact of privatization drive that is happening in countries like India.

The management has come to realize that to bring about incremental growth can be only through focus on delivery, revenue realisation, quality of service and customer satisfaction. It involves entry into higher growth places such as LCC, MSI and Cargo; repositioning presence in the market by addressing the airlines perception of SITA; transforming market share into leadership by strengthening customer relationships, venturing into successful partnerships and providing continuous value-add and quality services to customers. SITA needs to develop a new commercial model for existing solutions and continue the support to build the local capabilities in implementation.

Competitive Advantage of SITA: Continuously Redefining their Strategy

SITA is one of those companies which have not been complacent with the times. With the air transport industry under severe pressure, SITA's focus is on continuously finding better and more efficient ways of managing costs, finding new revenues and being flexible to the changing passenger journey. They are an ideal example where they have leveraged with information and communications technology (ICT) to provide cost-effective communication and IT solutions for the global air transport industry. SITA's new business plan (2009-2011) emphasizes on a continued investment in areas of critical importance for the medium and long-term benefit of customers and for the air transport industry as a whole. It is also why a SITA Lab was set up to work directly with customers on collaborative innovation for community benefit, in areas such as mobility and wireless.

Riding on their USP: Innovation and Collaboration

Crucially, thinking ahead to the future, SITA is making a strong commitment to increase spend on R&D and innovation to bring about transformation in critical areas. They are focusing on portfolio investment and ICT innovation-based on their work

with customers and the wider community – that will make a lasting and beneficial impact on air transport. Areas of continued investment and innovation include: airports, including Master Systems Integration (MSI), aircraft management, border management and security, customer facing technology, such as kiosks, web, mobile applications, information services and portals, environmental solutions, passenger and workforce mobility, next generation communications, in-flight connectivity (OnAir), air cargo (CHAMP Cargosystems) etc. In all of these areas, and more, their main objective is to promote collaborative solutions to support industry and customer needs. One area of particular importance is customer service. The air transport industry can no longer tolerate system downtime, as manual fallback is no longer an option. Passengers now depend totally on 24x7 service availability from airlines and airports for web booking, self-service check-in and baggage etc. For this reason, SITA embodies the concept of zero downtime in its business plan. They are investing heavily in customer service as part of their capability to deliver outstanding and differentiated customer service on a global basis. It is their endeavour to offer a unique value proposition to the air transport industry, during the plan period: a multi-vendor customer service and operations capability with integrated SLAs (including end-to-end monitoring) to reach the vision of zero downtime performance.

The year 2009 was, as well known, one in which the Air Transport Industry came under severe pressure. Recession hit the global economy, swiftly and hard, in the fourth quarter of 2008 and harder into 2009. The figures are worsening all the time, and it is clear that as 2009 comes to an end, the world economy still faces great challenges. A return to traffic growth above 4% for at least two years is not expected. As a consequence, there is a continued structural change in air transport that has been underway since the start of the decade, with the expansion of alliances and consolidations, and the continued growth of the low-cost airline sector. This has major implications for air transport industry IT service providers like SITA. Equally, there is a big impact for CIOs and IT departments throughout our industry. CIOs of the air transport industry are facing reduced investment in IT – not only this year but for some time into the future. With the focus switching to IT projects with good short-term paybacks and mandatory replacements, there is huge pressure on both service providers and CIOs to make IT really count. So top of the CIO agenda, more than ever, is the business imperative to drive down costs. This was reinforced by SITA's Airline IT Trends Survey in 2008, in which 62 per cent of survey respondents said the top driver for their IT investment was to reduce costs. CIOs are searching for savings – including price reductions and value reductions – as well as new more efficient ways of doing business. CIOs also want to be able to generate ancillary revenues for their airline or airport. Given the severe market discontinuity and disruption, and its impact on IT and the air transport industry, CIOs and service providers need to respond – rapidly. SITA has the proven ability to do this. During this time of extreme pressure on the industry, SITA has continued to work closely with all its customers. They are asking SITA about smart IT investment: how best to use IT and communications to reduce costs, increase efficiencies and do things in a better way. SITA's strong performance in 2008-09 reflects the company's ability to respond positively to the global industry challenges.

Conclusion

As the industry's dedicated ICT provider, SITA strives to work to solve common issues for the industry's many stakeholders. To achieve this, they need to always think ahead, invest for the industry's medium and long term future. SITA is a typical case of an organization that has leveraged technology to provide cost-effective Communication and IT solutions for the Global Air Transport Industry.

Discussion Questions

- Q1. What should be the long-term plan of the company to sustain itself given the low pricing strategy of its competitors?
- Q2. What should be the business development strategy of the company given the almost saturated market in which it operates?

References

- www.sita.aero
- *Speech by IATA CEO, Giovanni Bisignani, on 6 October 2008, available at: www.iata.org/pressroom/speeches/2008-10-06-01*