

On Track with Price Optimization



Leading European Rail Operator Eurostar Increases Revenue and Passenger Volume with Price Sensitive Revenue Management Technology

Eurostar Group Limited Fast Facts

Industry
Railway Operator

Headquarters
London, United Kingdom

Description
Eurostar is the high-speed rail service directly linking the U.K. to France and Belgium via the Channel Tunnel. It began operating in 1994 and has been at the leading edge of innovation in the rail industry, setting new standards for travel by train.

Revenues
£599 million

Number of Employees
1,300

"We have seen a substantial improvement in our business since implementing JDA's PSRM solution. The number of pricing decisions our team can process each day has more than doubled, freeing up analyst capacity so that they can spend more time focusing on growing our market presence, as well as planning and implementing special events."

- John Waddington,
revenue optimization senior manager,
Eurostar Group Limited



Business Challenge

Eurostar realized it needed to find a more efficient and consistent means of pricing and forecasting available seats for each train.

Business Solution

- JDA® Price Sensitive Revenue Management (PSRM)

Business Benefits

- Analysts have more time to focus on planning and implementing special event details
- Optimized revenue management strategies
- Substantial improvement in business operations
- Ability to leverage price as an effective means to gain market share from competitors
- Improved internal communication

Quantifiable Benefits

- 15.5-percent sales increase
- 20-percent increase in revenue on certain leisure trains
- 27-percent boost in passenger volume
- Number of daily pricing decisions has more than doubled



Eurostar Group Limited began changing the way people travel in Europe more than 10 years ago. The company launched the first high-speed rail service in 1994, linking the United Kingdom directly with France and Belgium via the Channel Tunnel. As a result, Eurostar has doubled the number of visitors traveling from London to Paris and Brussels.

The company continues to be at the cutting edge of innovation in the rail industry, setting new standards for travel by train. In fact, Eurostar was one of the first rail operators to introduce business lounges and a loyalty program. Today, it offers connecting services that link to more than 100 destinations across continental Europe.

Like all rail operators, including mass transit, commuter networks and intercity operators, Eurostar faced the challenge of optimizing fares for greater profitability. Highly priced fares tended to suppress demand on certain routes, while profitability is often diluted by pricing fares too low. Additionally, fare setting for operators like Eurostar that primarily offer passenger rail services is further complicated by the large number of possible journeys. This complexity is increased by various other transportation methods available to customers today.

Optimizing Rail Fares with PSRM

According to John Waddington, Eurostar's revenue optimization senior manager, decisions made by the company's revenue management team were limited due to the number of trains that could be reviewed by its analyst team. Historic booking curves at a specific train level were previously used as the basis for most decisions; therefore, there was little consideration for fluctuating price elasticity across different European and international markets. Eurostar's previous analysis suggested that applying sub-optimal manual pricing strategies could result in reduced revenues by up to 15 percent for each train.

In order to combat these pricing challenges, Eurostar opted for the Price Sensitive Revenue Management (PSRM) solution from JDA Software's proven, best-of-breed Revenue Management suite. This cutting-edge solution is revolutionizing the way that the travel industry approaches revenue optimization. Traditional revenue management applications have been successful in producing forecasts and managing rates and availability based on historic trends so that during peak seasons, travel and hospitality companies, cruise lines and passenger rail operators can

better sell the mix of services and products that will result in the most profit. However, companies within the travel industry often have slow periods and off-peak times during the year for which traditional revenue management solutions do relatively little.

Eurostar recognized that JDA's groundbreaking PSRM solution offered a far more powerful capability: instead of focusing on occasions when demand outstrips supply, it uses price-sensitive forecasting to estimate how price will impact demand. The solution also leverages price as an effective means to gain market share from Eurostar's competitors. In today's challenging business environment, companies are continually challenged with differentiating themselves to increase market share. To complicate matters, customers can easily compare prices online to secure the best possible deals. Price is always a substantial factor for customers as well as businesses, particularly when it comes to positioning prices against competitors.

Increasing Revenue and Passenger Volume

Following a 12-month project to fully implement the JDA solution, Eurostar's early trials revealed that revenues increased by almost 20 percent on certain leisure trains. This revenue increase was mainly achieved by offering more seats at the £59 lead-in fares on appropriate trains, minimizing revenue dilution and resulting in a 27-percent increase in passenger volume.

Today, JDA's PSRM solution provides an automated means of pricing seats based on forecasting customer demand and current availability and using complex algorithms and analysis for up to 37,000 seats per day. With a record 8.26 million passengers – up 5 percent from the previous year – as well as a sales increase of 15.5 percent to £599 million, Eurostar is achieving real results.

“We live with growing price transparency, increasingly commoditized travel options and downward pressure on profitability. Revenue management has taken a step forward with greater transparency around



pricing and the increase in Internet sales, both of which are driving the need for automated technology to help keep on top of those trends,” said Waddington. “We have seen a substantial improvement in our business since implementing JDA’s PSRM solution. The number of pricing decisions our team can process each day has more than doubled, freeing up analyst capacity so that they can spend more time focusing on growing our market presence, as well as planning and implementing special events. The ability to model various scenarios and view the potential impacts on revenue before applying them is also a significant benefit.”

Leveraging PSRM Capabilities Companywide

Following Eurostar’s relocation to St. Pancras International in central London, the company is on track to continue growing. The move to St. Pancras enabled the rail operator to cut journey times by

at least 20 minutes. By offering even more seats at attractive prices on services during off-peak dates, the company expects to be able to carry even more travelers on the company’s new high-speed network.

Additionally, Waddington believes that revenue management data can be used for improving efficiencies and cost-saving decisions throughout the organization. The ability to process more data has led to consistent distribution of reports across the enterprise. Current pricing and seating availability information is distributed to Eurostar’s commercial division, and passenger data is provided to the customer-services teams to more effectively plan staffing requirements in the terminal.

“Internal communication across the entire enterprise has significantly improved with the use of JDA Software,”



Waddington commented. “We’re now able to inform various departments of how busy a train is likely to be so that our customer-services division knows how many travelers to expect.”

Waddington added, “Price-sensitive forecasting is still fairly new to the industry, and Eurostar is currently one of only a few in the travel sector to leverage JDA’s PSRM solution to ensure that we remain competitive. As a result, we’ve significantly increased the number of travelers who use our rail service, and we are looking forward to leveraging the solution throughout the company to further optimize our revenue management strategies.”

About JDA Software Group, Inc.

JDA® Software Group, Inc. (NASDAQ: JDAS) is the world’s leading supply chain solutions provider, helping companies optimize operations and improve profitability. JDA drives business efficiency for its global customer base of more than 5,800 retailers, manufacturers, wholesaler-distributors and services industries companies through deep domain expertise and innovative solutions. JDA’s combination of unmatched services, together with its integrated yet modular solutions for merchandising, supply chain planning and execution and revenue management, leverage the strong heritage and knowledge capital of market leaders including Manugistics, E3, Intactix and Arthur. When supply chain results matter, companies turn to JDA.

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