

Financial flows to support Retail Order Accounting

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Modern Airline Retailing principles

From record-centric to customer-centric.

Airlines in control of their offers and orders for all distribution channels.

Airlines are able to sell anything to anyone through any channel.

Open, modular and capability-based architecture built on typical online retailing principles and financial processes, supported by robust standards.

Design for the future rather than making things fit past limitations.

Zoom in on Financial Management



What changes with Offers & Orders?

1. End of pricing delegation to 3rd parties
2. Offers fully controlled by the airline, no availability without price
3. The pricing record of the offer cannot be manipulated by 3rd parties
4. Internal values for each service stored upfront within the Order
5. Interlines settlement values are agreed upon between Retailer and Supplier
6. No reconciliation required between pricing, PNR, E-TKT, EMDs
7. The Order is the single source of truth
8. The airline is responsible for reporting data for risk management and settlement processing (Seller and Retailer/ Supplier settlement)

Business Reference Architecture



Not reinventing the wheel – use standard OtC and PtP best practices

Customer Order Accounting

Allows for comprehensive customer Order accounting through the Order lifecycle and Accounts Receivable management.

Partners/ Suppliers Order Accounting

Allows for partners and suppliers Orders accounting through the Order lifecycle, and Accounts Receivables and Payables management and netting.

General Accounting and Revenue Recognition

Performs revenue recognition, cost accruals and general accounting positing for regular and irregular operations.

Corporate Finance, Treasury & Risks

Allows for cashflow forecasting, funds availability and currency management, including hedging and FX.

Enterprise Performance Management

Allows for route and product profitability and performance management, as well as financial KPIs management.

Tax Management

End to end taxes and charges management at order and corporate levels.

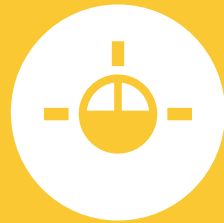


Order integrity and shift of controls



Case for Change

- De-specialization of financial management in the airline industry



Change Mgmt

- Significant piece of work within the airline organization
- Changes span across many domains within the airline



Controls Upfront

- Requires Order integrity to be guiding principle for Order Management System (OMS)
- Finance needs to be an active part in building the Offer and Order Management Systems

Order integrity transformation

Key controls **transition** from

Compensating & Detective

to

Primary & Preventative



Order integrity principles

Expectations

Offer/Order Management Controls Examples

Financial Management Controls Examples

- Means accuracy, consistency, regulatory and fiscal compliance, security and reliability
- Entails availability of key controls at the Offer/ Order Management as well as at the Financial Management
- Enables key controls transition from Compensating/ Detective framework to Primary/ Preventative
- Encompasses the entire order lifecycle

Order integrity principles

Expectations

Offer/Order Management Controls Examples

Financial Management Controls Examples

- Key control placement principle – value stream level
- Most order integrity controls are expected at Offer/Order management
- Financial management controls are expected to be limited to specific financial management functions
- Integrity controls in Finance will rely on the Order as the accurate and single source of truth

Order integrity principles

Expectations

Offer/Order Management
Controls Examples

Financial Management
Controls Examples

To ensure continuous order accuracy at each stage of Order lifecycle:

- *First-time-right* pricing principle at offer creation, transported to Order at the time of conversion
- *First-time-right* tax determination and application principle at offer creation, transported to Order at the time of conversion
- Customer and seller information (entitlements, payment and settlement information)
- Retailer, Supplier and other partner information (entitlements, payment and settlement information)

Order integrity principles

Expectations

Offer/Order Management Controls Examples

Financial Management Controls Examples

Related to specific functions under Finance, rely on the Order as the single source of truth and bidirectional information exchange with Offer/Order management capabilities:

- Consistency and sanity checks
- Revenue recognition and cost accrual
- IFRS 15, US GAAPs and other regulatory frameworks compliance
- Customer invoice management (issuance, OtC)
- Supplier invoice management (receipt, PtP)
- Customer/ Seller Order settlement processing
- Customer/ Seller payment (in/out) reconciliation