AFS: EDITED

**Headline: Two to tango**

Intro: Been there, done that, yet game for more. That’s how it is with AFS, which quite understandably, prides itself as a pioneering BPO company in India. With Tata Sons taking over Swissair’s 74.9 % stake in AFS, things look all set for a perfect take off.

“We are a pioneering BPO company,” says Khusru Mistry, vice president and company secretary, Airline Financial Support Services (AFS). “British Airways visited our premises several times before they set up BPO operations at WNS”, he adds.

The origin of AFS makes an interesting reading. Mckinsey had recommended Swissair to outsource its activities to low-cost locations to cut costs. For its revenues accounting service, Swissair decided on India after considering locations like Johannesburg and Kuala Lumpur. AFS was set up in March 1992, with 75.1 % of the equity held by Swissair and 24.9% with Tata Sons.

AFS provides various services to airlines – revenue accounting, cargo accounting, traffic accounting, sales accounting, fare checks, refunds, fair pricing, frequent flyer programmes and navigation support. Revenue accounting involves understanding the billing between various airlines and prorating revenues between different airlines. Fare checks involve scrutinising tickets for proper application of fares and applicable rules. The Frequent Flyer Programme involves data entry and data analysis. Cargo revenue accounting involves keeping account of all traffic documents sold worldwide and accounts for transport services performed. Sales accounting involves checking all passenger sales reports against audit coupons and booking sales amounts to relevant accounts. Pricing ensures that Swissair fares are displayed and quoted correctly at all major computer reservation systems. Navigation support involves producing and updating charts that go into making up route manuals. Traffic accounting involves accounting for all flight documents of passengers transported and provides data with respect to statistics, traffic load and revenue earned. Yield management involves determining profitability of various routes.

Swissair has closed down and is into the liquidation process. Hence, Tata Sons are purchasing Swissair’s 74.9 % stake. Though the transfer of ownership is yet to be approved, for all practical purposes, Tata Sons is now the complete owner of AFS. This has meant that AFS can now leverage on the marketing strengths of TCS to expand its business. In fact, since Swissair-owned AFS, there was never a marketing team, with most of its business coming from Swissair or its partner airlines – Sabena, Austrian, S N Brussels. This has prevented the fast growth of AFS to its possible potential.

The collapse of Swissair has hit AFS rather badly. While at its peak, AFS boasted of a staff strength of almost 700 employees, AFS currently has just half the number of employees. Almost 115 of these employees work for Swiss International Airlines, an entirely new airline different from Swissair, 90 are assigned to Austrian Airlines and the remaining to SN Brussels and others.

The work environment at AFS is slightly westernised. A ‘blend of east and west’ is how Mr Mistry explains it. We have the efficiency of European nations, the work culture of European nations, while still adhering to Indian warmth and friendliness. The management strives to make the work environment friendly, with allowance for sports and fun. The attrition rates are very low between 6-8 per cent. The Swissair collapse led to massive downsizing with almost 250-300 layoffs between April 2001 to March 2002 and a little ahead. However, the management has provided the severed staff with placement assistance.

AFS has 60,000 square feet of office space – 35,000 square feet within SEEPZ housing 280 people and another 25,000 square feet housing 70 persons just outside SEEPZ. Currently, operating in a single shift, AFS can rapidly ramp up staff strengths by adding shifts. AFS salaries are competitive and employee costs comprise almost 50% of total costs. Despite a massive hit due to the collapse of Swissair, AFS has not sold any premises, as it is confident of upturn in near future.

What lies ahead? The marketing assistance from TCS could help AFS capture market. However, the competition is heating up and AFS is facing price pressures, with profit margin shrinking to close to 10 per cent. The hourly rates have been pushed downwards from US$ 12 to US$ 10. Though while under the Swissair management, AFS had considered diversification into other business areas like finance, insurance and banking, after the change of ownership to Tata, AFS plans to stick to the airline sector with marginal diversification in hospitality, hotels, tourism and transportation.
TCS is the biggest IT company in India with over a billion dollar in sales. The marketing help from TCS and unshackling of chains from Swissair management could mean that this early bird in BPO business could soar to unheard of heights.

Start-Up Year: 1992
Area of Operations: Airline operations such as revenue accounting services, revenue audit services and cargo accounting
Location: Mumbai
CEO/Managing Director: Mr Randeria
Promoters/Owners: Earlier owned by Swissair and Tata Sons. Now owned by Tata Sons
Approximate Headcount: 350
Approximate Revenues: N.A.