Airlines F&B (Food and Beverages) and Catering

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Introduction

Airline industry being a service industry has a great emphasis on Customer Experience. Apart for various other aspects that airline provides that contribute to the Customer Experience, onboard services and meals play a big part. This becomes all the more challenging if the passenger being serviced is from the Middle East or Asian region where food plays a particularly important role for the passenger.

SKYTRAK, a key agency for air travel ratings and reviews, does annual survey of the airline ratings. One of the key criteria in the assessment is the quality of food and its quantity and availability. Hence for a customer focused airline, F&B and catering becomes a very critical part of the business especially for Network Carriers serving long distance.

![5 Star Airline Rating](image)

Select and Sort column data by clicking on Column Header

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Figure 1
Airline Business Processes

Figure 2 below is a representation of Airline Business Processes using contemporary categorization.

As depicted in the diagram, it becomes clear that while Catering itself is not considered a ‘Core Capability’ of the airline, the ‘In Flight’, within which the F&B department will reside, is a ‘Core Capability’ of any airline.

The implication if this should be visible in the way the Airlines will build their Catering and F&B capabilities and organizations. For many airlines, the Catering is a part of the ‘In Flight’ process itself. And in most cases of large network carriers where food does play a critical role, often, the main caterers do belong to the Airline itself. For most network carriers in Asia and Middle East, Airline will own the main caterer, e.g. ANA, SIA, QF etc. In case of US airlines like DL, they do not have their own caterer at all and the entire catering is outsourced to a third party vendor.
If an airline has its own catering department, then from the end to end servicing perspective the airline will primarily have two business units, Catering and F&B. Following diagram depicts the relationship between the caterers and F&B for an airline.

**Caterers and F&B**

As the diagram depicts, an airline F&B department interacts with multiple Caterers including its own, if there is one. Similarly, an airline Catering division, if there is one, will in all likelihood cater to multiple airlines’ F&B division. Catering division could be a purely a cost center and service of the parent airline. But from the business perspective, given the fact that catering is not really a core competency of the airline, it makes sense to be able to supply to multiple airlines and leverage revenues where possible. This is just like an airline having an MRO (Maintenance Repair and Overhaul) facility trying to leverage it by offering the services to other airlines.

In terms of the Customer-Vendor relationship, the Airline F&B is the customer and the caterer is the vendor.
The above diagram depicts the sub processes within the F&B and Catering department. It needs to be kept in mind that the F&B process in interacting with multiple Caterers while the Careering department is typically interacting with multiple Airlines. Therefore, even where we see some similarities like meal Policy, meal forecast, Recipe planning, meal Pricing, etc. the content will typically be different. The process in F&B deals with all the meals for that airline and communicates to multiple caterers to fulfill the meal requirements across the globe. Whereas, the catering process deals with a part of the carrier’s meal requirements, typically the largest portion, while it also caters for other customer airlines who would get their meal requirements fulfilled.

The overall process can be categorized into two major parts:

I. **‘Meal Design’**: This deals with the design of the meal, its constituents and components, the recipe and menu planning. This is a long term process as sometimes it takes months to finalize a menu and the recipe for the same. This is also a collaborative process where they have to interact with the caterers for the feasibility and pricing and also possibly the expert chefs that many network carriers may have to create attractive food items for the customers.

II. **‘Meal Planning’**: This is at an operational level where, based on the passengers in the flight, the meal counts are decided and then ordered to the catering section. Catering division then will do the necessary procurements of raw material to ensure the meals are prepared and packaged and delivered to the aircraft as per the orders.
**Key sub processes of F&B**

*Recipe and Meal Planning*
This is typically done by airlines in collaboration with Caterers in advance. Here, the airlines will finalize the menus and the ingredients to be used and agree on the costs with caterers.

*Meal Forecast*
This may include basic forecasting based on the aircraft configuration and the aircraft capacity on which the meal policy will be applied to get the number of meals for a particular flight. Some airlines may have advanced forecasting capabilities that is based on passenger count forecasts based on historical data.

*Galley Planning*
The Airline F&B division is responsible to design the layout of the carts and plates in the carts and the way the carts are to be placed in the galleys of the aircraft. This information is passed on the caterers who will ensure the appropriate loading of the carts and later the same information is passed on the cabin attendants so that they are aware of the layout of meal placements in the aircrafts.

**Key sub processes of Catering**
- Catering Requirement planning
- Meal Production (Forecast to Produce)
- Procurement (Procure to Pay)
- Inventory Management
- Flight assembly and Dispatch (Order to Cash)
- Finance

*Create Meal Policy*
The F&B department establishes the meal policy for various regions, flights, aircrafts, etc. This will decide if the flight will have only breakfast or breakfast and lunch. Here all other rules including the meal rotation policy is decided.

*Meal Schedule Creation and Meal Orders*
The number of meals and the types of meals for each of the flights is established based on the Meal policy and meal forecast and this information is used to create the orders for meals for various caterers across the globe including the airlines own caterers, if the airline has one.

*Invoice Reconciliation*
Each of the caterers serving the airline will send the invoice for the meals served. This invoice will be crosschecked by the airline with the orders they have placed and any last minute orders beyond the normal orders.

*Payments*
Once the invoice reconciliation is completed, the payment is made to the caterers.
Catering Requirement Planning

Primary task of this department is to take the requirements from the Customers (Airline) about the menus that will be delivered to different flight. This exercise starts approximately 3 months before the actual meal is delivered to a flight. Although every airline has its own strategy of introducing new menu, generally on International flights, new menus are introduced every 6 months and on domestic, it is introduced every 3 months.

This division performs following tasks:-

1. **Provide Quotation**
   
   Catering Requirement planning division receives new menu from the customers and they need to provide a quote for this menu. Catering division enters this information in their system and creates a Bill of Material (BOM) along with pricing. There might be few changes in the recipe from customer before the final price is agreed with customer.
   
   - **Source Supplier (P2P) – Procurement**
     
     While creating the BOM if a new item is required, a tender is given to its existing or new supplier. The tender is evaluated from different suppliers. Negotiation is done with the supplier. Selected supplier is setup in the catering system and the item cost is entered into the catering system
   
   - **Provision of Costs and Pricing – Finance**
     
     Catering Finance department does the costing of the new menu and provides pricing to the customer for the new Menu. Final pricing is agreed with the customer either on the Day or a few days later.

2. **Meal Presentation**
   
   Once the quote is finalized, customer also provides information to Catering about how the meal should be presented. Catering Requirement planning division invites the Customers (Airline) on a meal presentation day where the new menu is served. During the meal presentation, catering also provide some variance of the menu. During the meal presentation Customer finalizes the menu which then goes into production.

3. **Setup Meal Policy**
   
   Customer also sends meal policy information to Catering division, which primarily includes meal rotation in different sectors. This contains the information that how one menu will be rotated in different flights and on different days. Catering Requirement planning division enters this data into the catering system.
Production (Forecast to Produce)

Once the menu is finalized and rotation policy is set, the task moves to production department. It performs the following activities:

1. **Generation of Daily Flight Schedule and Forecast**
   
   In order to find out how much food has to be manufactured, production planner generate the daily flight schedule and based on the past experience they enter the forecast vale for each item.

2. **Run Material Requirement Plan and Estimate monthly consumption**
   
   After entering the forecast value in the catering system, production manager generates MRP which tells how much item is required to produce the food. Based on the estimated monthly consumption list is produce which is given to purchase department for item to be procured.
   
   - **Approval and generation of purchase order Purchasing Item (Procure to Pay) – Procurement**
     
     ✓ Based on material forecast and MRP, purchasing department approves, generates and issues purchase order to suppliers.
     
     ✓ Suppliers raise the invoices and supplies goods to the store where the goods are received and the inventory is updated accordingly.
     
     ✓ Based on the invoices and goods receipt, procurement department then pays to suppliers.

3. **Generation of Production Schedule**
   
   Production manager generates a production schedule which contains all the instruction required to produce the food. This schedule is then used in kitchen, preset and consolidation departments.

4. **Complete production schedule and Stock Validation**
   
   System is updated once the production schedule is completed and a stock validation is performed. Stock Validations updates the inventory.
   
   - **Maintain Inventory**
     
     Inventory is updated during following activities:
     
     ✓ Update inventory whenever goods are received
     
     ✓ Issue Items for production: In order to issue items for production following steps are performed
       
       - Based on the MRP a distribution order is created
       
       - Picklist is printed. Picklist contains all the items to be required for production order is picked
       
       - Order is shipped from Store to Kitchen /production department
       
       - Inventory is updated accordingly
Flight assembly and Dispatch – Order to Cash

Flight assembly and dispatch team performs following task

1. **Enter Flight Catering Order**
   - Based on total no of passenger received from Customers (Airline) and based on daily flight schedule master this team creates the flight catering order in catering System and generates Picklist.

2. **Preset and Consolidate Flight**
   - Using Picklist all the items are arranged on the tray. Bar and dry items, equipment are consolidated and arranged in the carts accordingly.

3. **Dispatch**
   - All the consolidated items are finally delivered to Aircraft. Dispatch team then enter handling charges and extra item in the catering system and then finalize the flight.

**Financial**

Finance team raises invoices to customer and on receiving the payment, updates the catering system.
Existing IT solutions to F&B and Catering

There are two distinct solutions required to support the end to end processes, one for F&B and the other for Catering. Between the two processes there are a few sub processes that seemingly need similar kind of IT solution. Examples are Meal Policy Creation, Meal Schedule, Meal Orders, Forecasting (Demand management). However, as indicated earlier, the F&B division will need these for all meals for the Airline including those being served by other caterers, while the Catering division will need these for the meals they are serving for the host airline as well as for all other customer airlines. Often there are suggestions made to have a single system supporting these seemingly common sub-processes. However, there is a distinct need for these sub-processes to be on different systems because of different ownership of data and different priorities that the two groups may have.

In F&B, some of the players in the market today are:
- **Sabre® AirVision™ In-flight**
- **Lufthansa LSG**
- **eGate**

However, eGate, an offshoot of GateGourmet has developed a niche solution around this process which many airlines like Cathay, SIA, etc. are embracing.

In Catering, the following players exist:
- **GateGourmet**
- **SAP** (Airlines have customized SAP to support their catering process, like SIA and ANA)
- **JDEdwards** (Airlines have customized JDE to support the catering process, like Qatar)

Having both implementation and supporting experience in Catering IT solutions for large airlines, Tech Mahindra can help fast track the implementation and as a result save costs for airlines looking to implement an end to end Catering Solution.
Conclusion

For an airline that perceives Catering as an important aspect of their offering, it is important to have an optimum solution for F&B and Catering divisions. While there is a need for seamless integration between F&B and Catering to reduce the overall costs of running, it is also important to maintain the modularity between them. TechMahindra has extensive experience in implementing and supporting Catering systems for Airlines including 5 Star airlines and can help recommend an optimal solution and fast track the implementation for an Airline.

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