

A MAGAZINE FOR AIRLINE EXECUTIVES

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# ascend

Taking your airline to new heights

A man in a dark pinstriped suit and tie is smiling and holding a small white model airplane. He is standing in front of a window with horizontal blinds. The background is slightly out of focus.

## World's Happiest Airline

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Chief Executive Officer  
and Managing Director  
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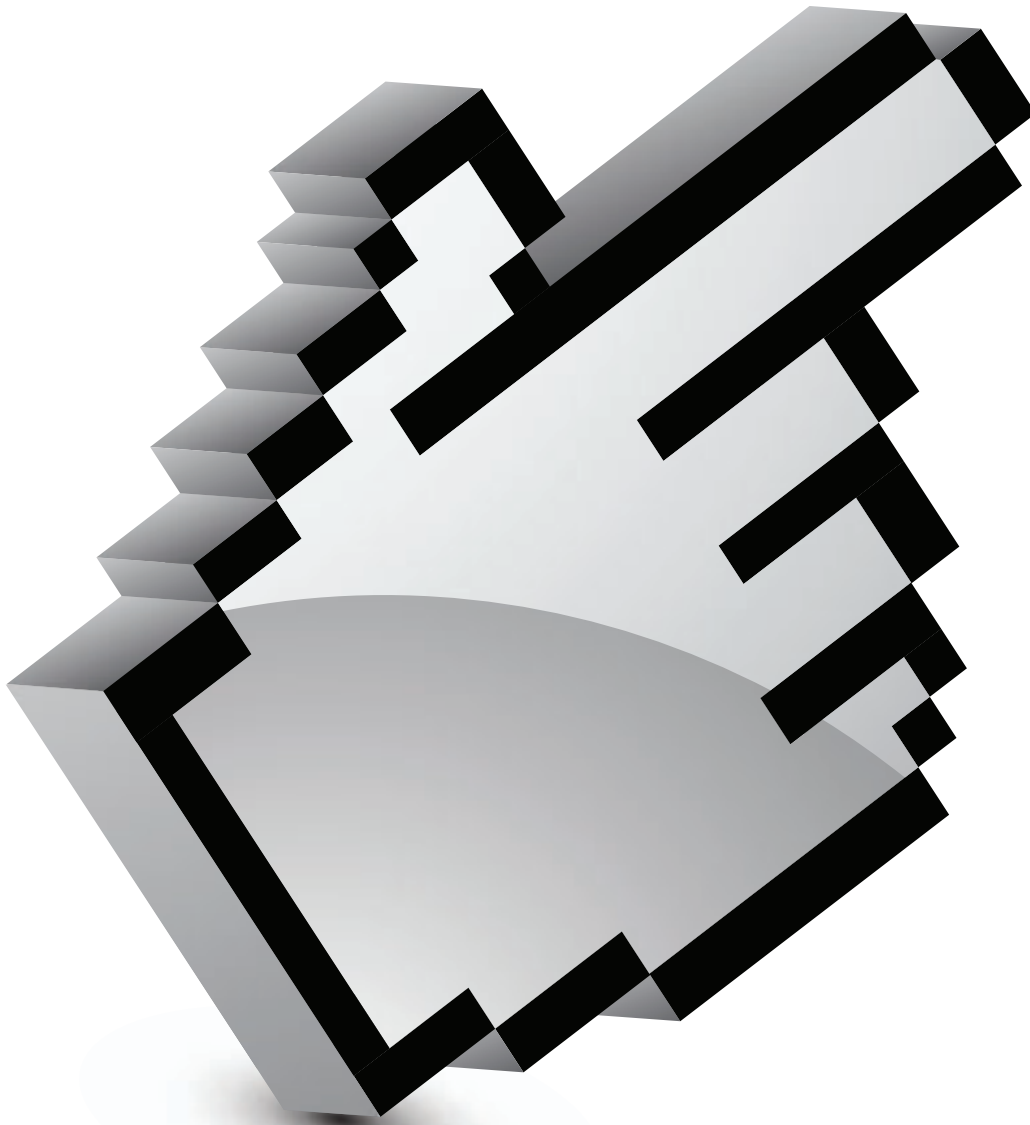
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Effectively diagnosing MRO issues and prescribing solutions



# Unleashing The Power Of Choice

Boosting ancillary revenues isn't just about offering a few add-on products or services to an airline's website. It's about implementing a concrete shopping strategy that appeals to every consumer type, ensures a satisfying customer experience and promotes loyalty.

■ By Brian Borg | *Ascend* Contributor

**F**rom buying a car or choosing where to sit in a movie theatre to deciding on a vacation destination, decision making is everywhere. And, in no other place is there more choice and breadth of opportunities than in air travel.

For airlines to win in their points of sale, they need to have a robust solution for their guests as well as a sound strategy. Having an air shopping strategy is often an overlooked but exceptionally important part of e-commerce business. And, there appears to be growing frustration with airlines that use inflexible and uninspiring shopping processes that do little to help consumers uncover the choices they seek.

Previous issues of *Ascend* have included in-depth features about air merchandising and what it takes to implement a successful air merchandising strategy. Another vital aspect of the strategy is effectively taking opportunities and making them available to consumers. Airlines must determine which options to offer their guests and how best to display them on their websites so they can be easily identified. It should be considered much more than heuristics; it's a complete air shopping strategy.

An airline should think of its website as a virtual store. The shopping paths it offers and the creative ways it displays those fares is how customers view the product. Creative displays and easy-to-find merchandise almost always result in sales. They must be attractive to draw the customer into the buying experience. After all, if a shopper is uninspired by a particular website or shopping experience, chances are he won't buy anything and may not return to that "store" to shop in the future.

Finding the balance between offering too much or too little is a delicate process. More content and decision-making paths can result in longer look-to-book times. Too little choice in shopping opportunities can result in consumers feeling they are missing something and lead to shopping multiple sites, particularly if they are successful in finding alternatives in other sites.

A carrier needs to determine whether or not its product line is too complicated to allow less air-shopping-savvy consumers to quickly find what they need. The consumer shouldn't have to be an expert on the airline's product and fare structure to get through the purchase experience.

### Shopping Strategies

Establishing a true shopping strategy requires a harmonious union between marketing dollars and information technology solutions. To ensure the shopping strategy is effective and addresses specific business needs, an inside-out approach is required. More specifically, an airline's information technology group must understand marketing direction enough to suggest technical solutions, and its marketing team must understand the opportunities that are technically possible. Once

the strategies and solutions are agreed upon by all stakeholders, only then can a successful solution be rolled out into the marketplace. There are several possible shopping strategies that have associated benefits and risks.

### Price-Only Strategy

Designed for the low-fare enthusiast or cost-conscious buyer, this strategy provides consumers with the cost of the trip and allows flight choices to be based on the fare alone. This is the most simplistic approach and enables the consumer to select flights and associated fares based on availability. Conversion rates are excellent because there is a single shopping path, and time to book is quick. However, the risk with this strategy is perhaps the consumer is less price driven when it comes to airfare. And, for a full-service airline, the consumer is unable to realize the breadth and depth of product offerings.

### Informational Strategy

Specific to the analyzer or information-hungry consumer, using this strategy, if the

item or fare is available, then the consumer will have the option to see it. By providing as much information as possible and as many choices as possible, the consumer makes an educated choice influenced by an abundance (perhaps over-abundance) of information. The benefit is the customer feels as if the choice was made truly based on all the options available. The risk is more information and time to analyze results in longer conversion times as the consumer sorts through various choices and shopping paths. And, even after analyzing, the consumer may find it too difficult a task to decide and move on to another site to purchase.

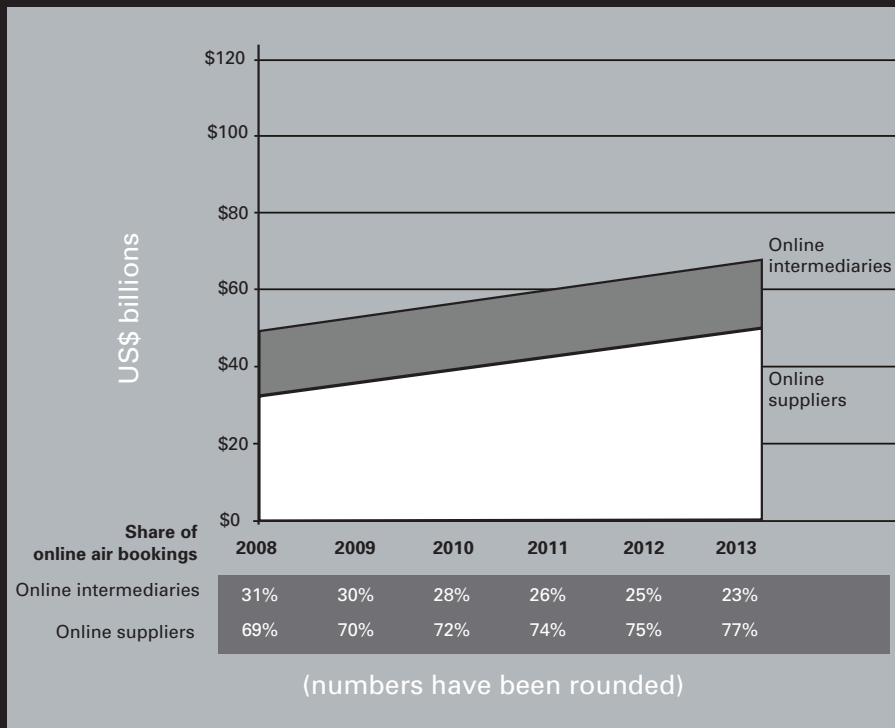
### Time-Is-Everything Strategy

This strategy is aimed at build-your-own-trip or schedule-driven consumers — those who don't really worry about the cost as much as convenience or schedule. Predictably, this is usually geared toward business travelers who operate on a time schedule that has been predetermined. It is most valued as a shopping strategy in a corporate portal, giving consumers quick booking paths, but



**An airline's website, when presented as a virtual store with appealing displays and easy-to-find merchandise, often results in ancillary sales. An unattractive, difficult-to-navigate site will likely turn customers away, and they probably won't return to the site for future shopping.**

## Online Leisure And Unmanaged Business Air Bookings By Booking Channel



According to Forrester, 77 percent of air travel booked online in 2013 is expected to be on supplier sites, up from an anticipated 72 percent this year and 69 percent five years prior.

arguably not broad enough for the leisure traveler.

### Bundling/Unbundling Strategy

For the pay-as-you-go customer, this strategy — one that a large number of airlines around the world are increasingly pursuing — may begin with a simple low-fare search that draws the customer into the buying process but provides opportunities to add other services as the consumer shops. This could be anything from adding insurance and pay-for-seat options to adding a rental car or hotel. Alternatively, the airline may elect to create a fare-family product with different bundles of products and services that meet the needs of specific customer segments. The primary benefit of these strategies is driving additional revenue through better customer segmentation or up sell and cross sell of other products and services. But, the strategies also offer consumers additional opportunities to complete their trip and create site stickiness. The risk involved is the customer may be confused by the choices or be shocked at the end of the

process to see the once simple low fare is now 200 percent higher than originally thought.

### Leisure Strategy

Surprisingly, this strategy, designed for the consumer who wants it all, requires the most thought. Although leisure consumers generally provide the least amount of revenue on a per-passenger basis, this group tends to be a mix of cost-conscious guests who are looking for the best deals but have flexibility in their travel schedule. The benefit of this strategy is that it addresses the majority of leisure consumers who shop the airline's website. The risk is that these passengers may tend to shop multiple sites before settling on their purchases.

### The Value

The success of a shopping strategy can be measured in multiple ways. And airlines need to consider the various points of sale where they will distribute shopping strategies. Having a product in multiple points of sale (direct and indirect) is often necessary, but those gains may be offset by

inconsistencies in shopping experiences. If consumers know they will get one deal by calling a reservations office and another by booking directly on the website, they will shop every possible avenue before making a choice. An airline should strive for consistency across all channels to mitigate this risk.

A successful shopping strategy will:

- Boost revenues — The more effective the shopping strategy, the better conversion rates and look-to-book ratios will be. Conversion and look-to-book rates all have an impact on the bottom line, particularly if the e-commerce site is the primary purchase point for the carrier's consumer base.
- Increase loyalty — When a consumer feels he consistently finds what he is looking for, at the appropriate price, he will repeatedly return to that particular airline.
- Empower the customer — Enabling the power of choice means giving consumers the opportunity to choose the fares, services and products they value most. A successful air shopping strategy will enable customers to feel empowered by their purchase.
- Deliver brand awareness — An airline's brand begins with its strategy. However customers shop and wherever they shop, the brand should be there to serve them.

The answer to having an effective shopping strategy may be a combination of two or more of the specified methods. Careful evaluation needs to take place to discover what works best for an airline's specific line of business, and it should be consistent with its brand promise and customers' expectations. For most, an e-commerce site is the primary entry point for customers. It presents an airline's brand and provides the first opportunity for them to purchase a service. Couple this with delivering the best fares in an easy-to-find but creative format, and consumers will reward their airline of choice with a long-term business relationship. ■

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