THE FUTURE OF AIR TRAVEL:

IMPROVED PERSONALISATION AND PROFITS THROUGH
THE INTEGRATED USE OF CUSTOMER DATA

EXECUTIVE SUMMARY

This is an abridged version of a comprehensive whitepaper on how airlines can leverage data to improve the traveller experience. Stay tuned for the full paper, which includes commentary and real-world examples from airline industry leaders.
About the research: An Economist Intelligence Unit (EIU) customer and executive survey

To gain greater insight into changes and innovations that could usher in this new era for travellers, the EIU conducted parallel surveys of 100 airline executives and 810 air travel customers in August and September of 2013. Half of the executives hold C-level positions, with the rest being SVPs, VPs or directors. The regions of North America, Asia-Pacific and Europe are equally represented with 30% each, while Latin America, the Middle East and Africa make up the remaining 10% of responses.

About one-third of the companies represented in the survey report $1bn or less in annual global revenue, while 29% boast revenue of $5bn or more. Participants in the consumer survey were screened to include only individuals over 20 years of age who had travelled by air in the previous 12 months; the gender balance was near-equal (53% male and 47% female), with respondents spread across 18 different countries.
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INTRODUCTION

In the coming decade, airlines will have the opportunity to transform themselves from commoditised providers of transportation to full-trip coordinators that interact in an integral, more profitable way with travellers during every step of their journeys.

To do so, airlines will have to improve the customer experience, revive brand loyalty and undo the effects of years of cost-cutting. By adapting best practices developed by or refined in other industries and making the best use of existing technologies and the wealth of data travellers provide, airlines will be able to improve their return on investment (ROI), reduce costs and give customers more of what they expect of the total experience.

The Economist Intelligence Unit surveyed 100 airline executives and 810 passengers, as well as conducted in-depth interviews with 16 industry leaders and observers, in an effort to better understand the issues. Research has confirmed that customers want a more personalised and satisfying experience and that airline executives want more sustainable profit margins. Fortunately, these goals can be attained together.

IMPROVING THE CUSTOMER EXPERIENCE: AVAILABLE AND COST-EFFECTIVE SOLUTIONS

Carriers are understandably reluctant to invest money and resources in unproven technologies. Adopting (and possibly adapting) a new technology and testing it can be arduous, complicated, costly and time-consuming.

Three broad areas offer a wealth of underleveraged tools to achieve this goal:

- Using existing technologies to personalise travel
- Building on best practices from other industries
- Wielding the wealth of data that travellers provide
BUILDING ON BEST PRACTICES FROM OTHER INDUSTRIES

The airline industry can learn a lot from its would-be competitors and others. The hospitality, logistics and gaming industries offer well-honed best-practice templates, systems and approaches that could substantially improve the air traveller’s experience. Collecting, exchanging and analysing data are the key to these approaches.

Hospitality and logistics companies track data in two different ways. Systems that monitor packages, customers, guests and transactions automatically “pull” that data and report them on demand. Thus, these companies can know immediately how many packages were late today because of snow in Cleveland, Ohio, or how many room-service orders included hamburger versus steak.

SOLUTION 1
USING EXISTING TECHNOLOGIES TO PERSONALISE TRAVEL

As airlines welcome Wi-Fi, notebooks, tablet computers and other mobile devices onboard, air travellers no longer have to feel like in-flight exiles from the Internet.

Wi-Fi
The biggest game changer is Wi-Fi — a crucial gateway. People assume they will always have Web access to modify and personalise their environments; thus, making in-flight access the norm instead of the exception opens up tremendous possibilities for both productivity and entertainment.

Putting communications, entertainment and productivity devices literally back in the customer’s hands is one of the most powerful and efficient ways to personalise a trip.

Making in-flight Web access a standard feature instead of a frill often provides demonstrable operational savings. Such access can also open up new onboard revenue-generation opportunities — from premiums for special content to profit sharing across e-commerce partnerships.

Social Media
Airlines can make additional gains by making better use of another proven technology — social media — before, during and after flights. Social media can improve customer service by serving as a fast workaround for overwhelmed phone lines or gate agents. They can also provide a richer exchange of information with customers in both directions, giving carriers an opportunity to listen, learn and respond.

SOLUTION 2
BUILDING ON BEST PRACTICES FROM OTHER INDUSTRIES

Hotel
Logistics
Gaming

The airline industry can learn a lot from its would-be competitors and others. The hospitality, logistics and gaming industries offer well-honed best-practice templates, systems and approaches that could substantially improve the air traveller’s experience. Collecting, exchanging and analysing data are the key to these approaches.
A top-tier logistics company can pinpoint a package’s location at any time and, with sufficient awareness of the larger transportation network, reroute that package on the fly to save time or money or to skirt difficulties.

A high-end hotel also knows, ahead of a guest’s arrival, that she prefers turn-down service to be done when she is at dinner, that CNN should be the default channel on her television and that she is happier if sugar is removed from the coffee supplies in her room.

A resort casino with a well-tuned predictive analytics programme can note the interval since Mr. Tanaka’s last visit and foresee that an appearance by a famous Italian tenor and the offer of a US$25 dinner discount may tip him towards visiting on the upcoming weekend.

With the right planning and investment, and by making better use of information already available, air travel a decade from now could give both the industry and travellers more of what they want. The passenger gets more options for personalising a trip, a smoother passage through the airport itself and a more pleasurable in-flight experience, while the airline gains loyal customers who will provide repeat business, along with a more efficient, and thus profitable, process overall.

Harrah’s Entertainment, a resort and casino company, started to develop and refine the collection and analysis of customer information back in 1998 on a level not seen before in that industry, according to a Harvard Business School case study. Using a loyalty programme introduced the previous year and expanding the use of its patented swipe-card system, Harrah’s tracked every customer transaction it could. Data gathered included not just choices for bet-by-bet gambling, but food, lodging and other forms of entertainment as well. As noted in the case study, this information did not simply track how customers behaved in the past. It created information-rich customer profiles that enabled prediction of how they might behave in the future and what kinds of incentives and interventions would either encourage or discourage more visits to Harrah’s.

SOLUTION 3
WIELDING THE WEALTH OF DATA THAT TRAVELLERS PROVIDE

Airlines already collect much of the data that would allow them to make best use of the approaches of the hospitality, logistics and gaming industries. But the industry now lags other sectors in how it uses its data.
Addressing the Pain Points in the Traveller’s Journey

Airlines can leverage existing technologies and best practices from other industries to create a more satisfying experience for the traveller while managing their own costs. There are three broad phases of the customer journey in which airlines can apply these solutions.

Improving Booking

Customers are dissatisfied with the process of booking air travel, with the relatively paltry range of choices they have to personalise their flights and with both the quantity and the quality of information available to them as they plan and book trips. Many have turned to websites like FlightAware, AirportZoom and SeatGuru to get richer descriptions of flights, amenities and equipment, as well as more comprehensive information about destinations and airports.

This corresponds to our survey results that show that customers place a higher value on contextual information during booking than do airline executives (by nearly 20%) [Exhibit 1]. When it comes to technology to improve the customer experience at the booking stage, 28% of executives stressed predictive analytics, while 37% emphasised large-capacity, high-speed data storage and retrieval [Exhibit 2].
IMPROVING THE AIRPORT EXPERIENCE

The airport experience has proved to be the most frustrating segment to passengers. By 2020, IATA wants 80% of passengers to have the option of total self-service at the airport. Executives agree with consumers that boarding without human interaction would yield the greatest improvement in the customer experience (62% and 58%, respectively) [Exhibit 3].

As long as they don't put additional clutter in travellers’ paths, many executives surveyed (44%) would like to use some of the space freed up to increase airport shopping options, along with providing opportunities for ordering restaurant food or duty-free goods for onboard delivery. Only 21% of potential customers, however, were interested in those options [Exhibit 4].
“The challenge is making the data come alive, so we get a better picture of the individual customer.”

- Jeff Foland, executive vice president of marketing, technology, and strategy at United Airlines

**IMPROVING THE IN-FLIGHT EXPERIENCE**

A personalised experience results from personal decisions. Air travel, of necessity, revokes most adult privileges and choices. Passengers sit in their assigned seats, sitting up straight when prompted; they eat when it’s snack time and only what’s available; they can even be refused bathroom privileges. Legitimate concerns about costs, revenues and ROI have led to a far more Spartan flying experience with more seats, less legroom and flights often at full capacity. Heightened security concerns have also inserted intrusive and time-consuming hurdles between the traveller and the departure gate.

Airlines are constrained in responding to these issues by space limitations, by regulations and by costs. Nevertheless, airlines can make significant improvements to the travel experience by making affordable adjustments.

Passengers are the best judge of what type of access would help make them feel at home. For many travellers, losing time is even worse than losing autonomy. So much of modern life — work, play, commerce and communication — depends on Web access that to be cut off for several hours feels to many like the time has been rendered unusable. Provide Web access and that time is recaptured.

By allowing more comprehensive information exchange during booking, airlines can make a more personalised flight a reality. Parents could be allowed to lock out certain content at a child’s seat during the booking process. And, even though customers with open Web access could retrieve whatever they wanted on their own, they might also be offered an additional menu of profile-based personalised options as an important welcoming touch.

An airline that consistently makes its customers feel surrounded by the comforts and options of home is far more likely to encourage loyalty, maintain connection and get repeat business.
Many factors outside of airlines’ control nonetheless affect how passengers respond to them. Airlines may be reluctant to take on the additional complexities of coordinating their operations with a bigger, more complicated and less integrated travel industry. But what was once defensible prudence has become problematic hesitation and resistance. Circumstances have changed, and technology has matured.

For customers, the value of a last-minute flight discount has to be weighed against all of the other pieces of a trip they are left to cobble together on their own. An entity that offers to handle all the resulting changes as a complete package — taking customer preferences into account, making best use of facilities across the full chain and delivering all at a good price — would transform its role from vendor to coordinator — a powerful and more profitable position.

A number of players in the travel sector are trying to step into this coordinating role.

Airlines, the hospitality industry and online travel agents have been joined by data-centric companies like Google and Amazon, along with a host of start-ups. The full set of tools Google has at its disposal make it one of the most serious potential Big Data candidates in the full-trip coordinator arena. But how fast and how far Google will proceed is unclear. Facebook and Amazon both have their toes in the travel pool, though neither has made serious integration moves.

In this context, the hospitality industry and airlines have a common interest in not having the travel business comprehensively disrupted by outside companies. Models are available that would permit them to compete with each other in some ways and cooperate in others — for example, allowing limited reciprocal access to each other’s reservations systems.

As providers, the airline and hospitality industries have a number of advantages over outside entities, from the OTAs to Google. Both know a great deal about travellers’ habits, needs and desires. Hotels have more space, a greater range of amenities to offer and, therefore, more information about which are favoured by different demographic groups and under which circumstances. Airlines, as the heart of the network that physically moves travellers from place to place, have a broader information map of where and how people travel. They have different, potentially complementary, strengths.
LOOKING TO THE FUTURE

Nawal Taneja, professor emeritus at Ohio State University’s department of aviation and former president of a small airline, has long stressed the importance of helping travellers manage the journey across the complete travel chain. While this expansion increases complexity for the airline industry, he does not see moving in this direction as optional.

If the airlines don’t “become either travel facilitators or solution providers to the problems that people are facing,” he contends, “if they say, ‘we just fly seats from Airport A to Airport B,’ people are not going to keep paying the airlines.”

“My overall view is very positive,” he stresses, looking 10 years into the future. “Travel is going to grow in all segments: not only at the low end, but at the high end. The winners will be those [airlines] that are able to provide more customer-centric and personalised service.”

CONCLUSION

For airlines, a tenacious adherence to cost-cutting makes sense, but, at some point, it becomes counterproductive; a focus on costs begins to obscure the focus on the customer. Passengers do not want to overpay, but they also do not want to be underserved. They are seeing technology being used in other industries to increase choice, personalisation and comfort—they want all these when they travel as well.

Customers want solution providers: when moving from point A to point B is the problem, an airline provides the solution. When a trip involves any number of additional problems, the more of them that can be solved the better—preferably even before the traveller is aware that a problem exists.

“The winners will be those [airlines] that are able to provide more customer-centric and personalised service.”

– Nawal Taneja, professor emeritus at Ohio State University’s department of aviation
Smooth the flight and the customer is grateful. Make the flight an experience that feels personal, one during which the customer feels cared for, and the customer is loyal.

Accomplish this across all segments of a trip and the customer is astonished — both grateful and loyal. And that’s great for business.