

The Competitive Airline

Enabling Operations To Create The Best Customer Experience

For now, thanks to low fuel prices and high demand, airlines have reached record profitability. However, in an industry with uncertainty, including a shifting economy and more tech-savvy customers, how can airlines sustain growth and stay competitive? Airline executives agree that it starts with a focus on the customer.

In today's complex environment, disparate and siloed technology platforms and business processes challenge the customer experience. These challenges are made increasingly difficult when trying to manage external factors such as air-traffic congestion, extreme weather patterns and larger airports.

To better understand how airline operations can leverage technology to improve customer experience and profitability, Forbes Insights and Sabre surveyed 100 operations, marketing, IT and finance executives from the world's largest airlines. The survey examined the primary initiatives of airline operations, marketing and IT executives during the next three to five years.

Survey findings revealed that airline executives recognize the critical importance of the customer.



“The opportunity for airlines is not only to benchmark themselves against other industries, but to better understand and more broadly influence customers' travel journey from beginning to end,”

Vinit Dashi, senior vice president of solutions management and chief marketing officer for Sabre Airline Solutions.

TOP STRATEGIC PRIORITIES OVER THE NEXT FIVE YEARS

Customer experience

53%

The Connected Airline [article 1 of 4]



Respondents said customer experience is their top brand promise (61 percent), as well as the No. 1 measure of success in disruption management (72 percent). However, the correlation between how operations and customer experience can lead to higher profitability is not fully understood.

The good news is that airline executives recognize the role technology can play in bridging the gap between customer experience and profitability. They see technology as a major deciding factor of future success. But it transcends technology. They also recognize the importance of integrating the technology with new business processes for more-collaborative decision-making across the airline.

Airline travelers are the same tech-savvy customers who are used to China-based Alibaba

Survey Findings: Perspectives Of Airline Executives

- CUSTOMER EXPERIENCE MOST IMPORTANT**

61% of respondents say customer experience is the primary brand promise
- SIGNIFICANT OPERATIONS' IMPACT ON CUSTOMER EXPERIENCE**

72% say the impact on passenger sentiment is the most important measure of disruption management effectiveness

35% of respondents are moving ahead in customer experience, but not profitability

30% of respondents are moving ahead in operational performance, but not profitability
- LACK OF ADVANCED TECHNOLOGIES IS TOP OBSTACLE**

52% to improving customer experience

42% to improving operational performance

38% to improving profitability
- ADVANCED TECHNOLOGY IS TOP FACTOR FOR IMPROVEMENT**

53% customer experience

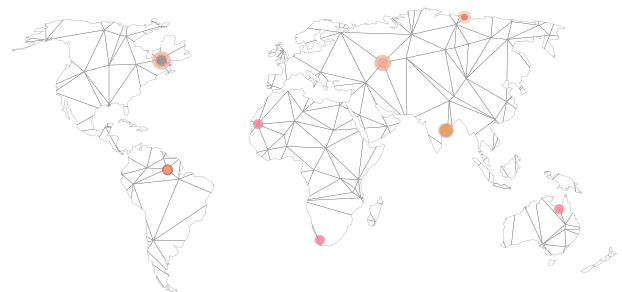
46% operational performance

41% profitability
- TOP STRATEGIC PRIORITIES OVER THE NEXT FIVE YEARS**

44% operational reliability

41% building customer loyalty

41% reducing operating costs



Customer Experience Is Most Important

or U.S.-based Amazon, prompting them with personalized offers and fulfillment. They have grown accustomed to seamless journeys at their fingertips from Uber and Lyft, and people do not change their expectations when they fly. Typically, airlines look at their prior performance or to the performance of their competitors to benchmark their customer-satisfaction ratings. While these ratings are higher than ever before, they are still not competitive with other industries.

“The opportunity for airlines is not only to benchmark themselves against other industries, but to better understand and more broadly influence customers’ travel journey from beginning to end,” Vinit Doshi, senior vice president of solutions management and chief marketing officer for Sabre Airline

TOP STRATEGIC PRIORITIES OVER THE NEXT FIVE YEARS

Operational performance

46%

Solutions. “One way they can do this is to use data and technology.”

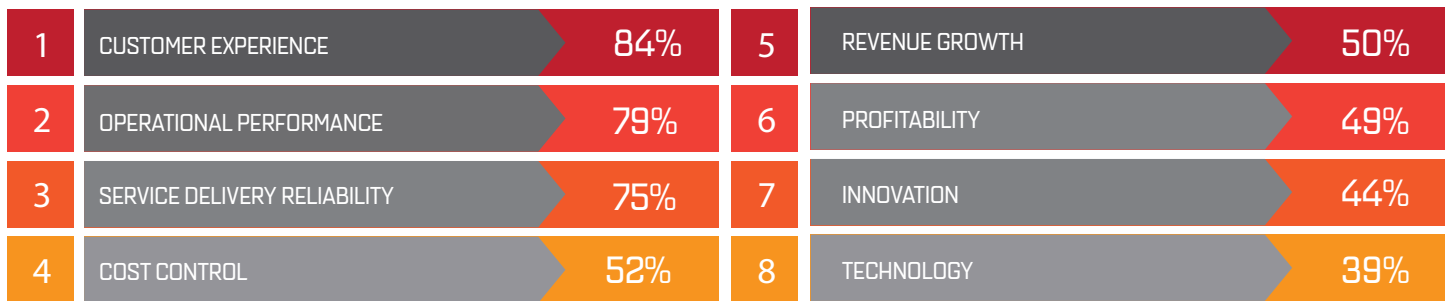
Connecting to customer expectations across the entire travel journey can be enabled through common data, aligned goals and unified technologies. As it relates to the brand promise, an airline should consider how to balance the goals with functional departments, including operations. This will realign success criteria with customer expectations.

Customer experience is the primary brand promise for a majority of airlines. Having traditionally competed on price, this highly regulated industry is now adopting new means of delivering on customer experience. The Forbes Insights and Sabre survey reveals that executives are beginning to recognize this critical relationship among operations, customer experience and profitability.

AIRLINE EXECUTIVES' PRIMARY BRAND PROMISE



AIRLINE EXECUTIVES SEEK TO MOVE AHEAD OF COMPETITORS IN THE FOLLOWING AREAS:



Why Is There A Disconnect Among Customer Service, Operations And Profitability?

A vast majority of airline executives surveyed believe their airlines deliver on their brand promise. But do they really, and does delivering on the brand also deliver financial results for the airline?

The survey reveals disconnects among customer experience, operations and profitability. A majority of airline executives (84 percent) believe that they are moving ahead of their competitors in terms of customer experience and

operational performance (79 percent). However, success with customer experience and operations does not always translate into revenue or profit increases. Only 50 percent of airline executives think they are

TOP STRATEGIC PRIORITIES OVER THE NEXT FIVE YEARS

Profitability
41%

To close this gap, new thinking is required to operate in a world in which disparate and siloed technologies, processes and organizational structures are challenging customer experience and airline performance.

“Leading airlines that focus on customer experience are able to see an improvement in their profitability,” Doshi said.

The majority of airlines, however, still need a better understanding of their return on investment in adopting new technologies and business processes. The ability to compete depends on customer service.

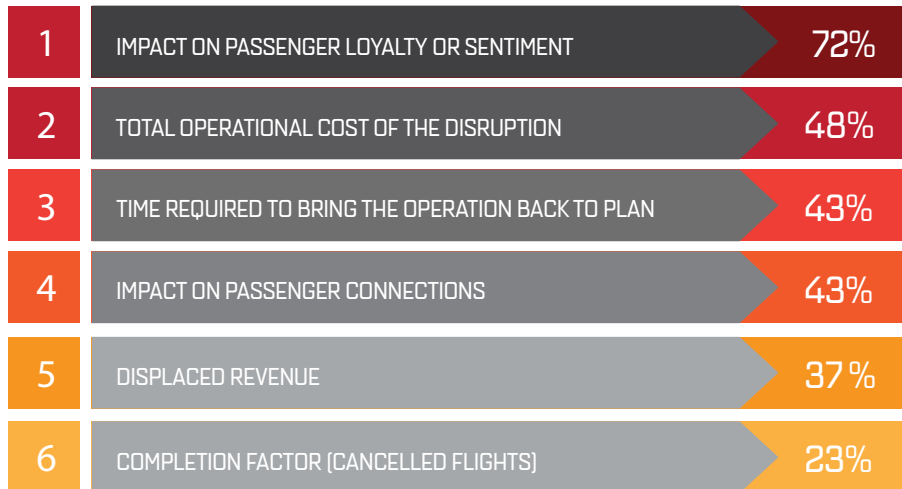
TOP THREE OBSTACLES TO IMPROVING AIRLINE PERFORMANCE

OPERATIONAL PERFORMANCE	CUSTOMER EXPERIENCE	PROFITABILITY
ADOPTING ADVANCED TECHNOLOGIES 46%	ADOPTING ADVANCED TECHNOLOGIES 53%	STRONG LEADERSHIP 50%
INFORMATION SHARING 27%	MORE SKILLED EMPLOYEES 33%	ADOPTING ADVANCED TECHNOLOGIES 41%
STRONG LEADERSHIP 26%	INFORMATION SHARING 27%	ABILITY TO REACH CONSENSUS ON COSTS AND BENEFITS 23%

TOP THREE FACTORS THAT WOULD IMPROVE AIRLINE PERFORMANCE

OPERATIONAL PERFORMANCE	CUSTOMER EXPERIENCE	PROFITABILITY
TECHNOLOGY 42%	TECHNOLOGY 52%	TECHNOLOGY 38%
BUDGET LIMITATIONS 25%	LACK OF INFORMATION SHARING 28%	LACK OF VISION 26%
LIMITED ACCESS TO ACTIONABLE DATA 25%	HUMAN RESOURCE LIMITATIONS 25%	INABILITY TO ACHIEVE CONSENSUS ON COSTS AND BENEFITS 25%

MOST IMPORTANT FACTORS FOR MEASURING EFFECTIVENESS OF DISRUPTION MANAGEMENT



TOP STRATEGIC PRIORITIES FOR AIRLINES DURING THE NEXT FIVE YEARS



Unified Technology Is Critical For Customer Experience And Operations, But Is It A Blind Spot For Airlines?

The Forbes Insights and Sabre survey shows that executives believe operations technology helps improve customer experience. Recognizing the crucial role of technology, they perceive it to be the top enabler of operational airline performance and customer experience. A lack of technology is shown as the biggest obstacle to achieving such goals. However, investing in technology is expensive and is not necessarily being prioritized over business performance.

The technology now exists to enable airlines to operate on a whole new level, and it is critical that executives think about how to use data and align their organizations so they can make more-informed decisions quickly. For example, if a flight is off schedule, is burning more fuel or arriving late the better choice?

The survey reveals that operations executives have begun to think about the day of operations in a different way.

“What they need now is to have the integrated technology and business processes to make sure customer information is part of the fabric in which they operate,” Doshi said. “Insights from that data in real time allow airlines to balance priorities among customer service, operations and profitability.”

Disruption Management Is Key

The best way to take good care of customers is to recover smoothly from disruptions. Any disruption, major or minor, is an opportunity for an airline to improve customer experience and financial performance. Real-time data can provide the decision support needed to recover from disruptions with speed and accuracy.

The survey revealed that disruption management is closely correlated with the brand promise – the most important factor for measuring the effectiveness of disruption management is impact on passenger sentiment (72 percent).

Improving disruption management is dependent on unified technology and actionable insights from data. It allows organizations to connect the dots about who the customers are, where they are in the travel journey and how the airline can best serve them. Such data can, for example, help lead to an informed decision about which flights to cancel based on information about high-valued passengers.

With real-time data, airlines know how many passengers are on the flights, how many would lose connections depending on the decisions

about cancellations and the value of the customers to the airline. As a result, an airline may decide to hold a flight for its most valuable customers.

“What they need now is to have the integrated technology and business processes to make sure customer information is part of the fabric in which they operate,” Doshi said. “Insights from that data in real time allow airlines to balance priorities among customer service, operations and profitability.”

Achieving Operational Excellence Requires Collaboration

The challenge airlines have had is getting access to data in a meaningful, real-time way so they can act on it. Using a technology platform that provides the right data to the right people is not only key to enabling better decision-making within operations, but also balancing the goals of cost and business performance across the airline. As the survey shows, the use of advanced and unified technologies leads to continued improvement.

However, as the research also indicates, airlines are not yet transforming holistically. Sixty-five percent of executives said their airline is transforming across multiple functions and processes, while the same is true for only 43 percent of departments.

Operations executives agree that aligning priorities with other functions is one of the most important factors in successful operational performance (46 percent). However, recognition of the importance of collaboration and new technologies is not enough. These executives need to continue fighting the obstacles, inertia

being obstacle No. 1. The main barrier to process change is fighting existing processes and technologies (58 percent) and user-based resistance to change (46 percent).

Looking Ahead

The vast majority of airline executives (73 percent) expect significant transformation to the entire customer journey during the next three to five years, more so than to individual phases, such as booking and in-flight. Airline executives recognize that to succeed at creating a unified journey for the customer, they need to have unified processes, technologies and goals.

To continue transforming their customers' journeys, airlines will need to overcome their biggest internal challenges, which executives recognize as enterprise-wide continued improvement of processes (23 percent) and using insights from data and analytics (21 percent).

Overall, airline executives' primary issues are with operational reliability (44 percent), building customer loyalty (41 percent) and reducing operational costs (34 percent), their top three strategic priorities during the next five years. ASCEND

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