



Qantas cross-sell

Case study



Qantas cross-sells its way to new revenues and happy customers. A success story on the benefits of leveraging third party ancillary services to drive profitability and enhance customer experience.

The context

The continued rise of cross-sell ancillary services

The aviation industry, like so many commercial sectors, has faced one of its most challenging times in recent years. This has forced airlines to cut costs and look for new revenue streams in order to stay in business. In the midst of this transformation, ancillary revenues have come into the spotlight, giving airlines the motivation and justification to adapt their business model and adopt cross-sell strategies. Airlines are aware, however that it is the customer, who will ultimately determine the success of any new business model. By offering customers a one-stop-travel-shop, airlines can deliver time-saving, value-added services through a brand they already know and trust.

“This is one of the rare, new revenue opportunities the airlines have. Ancillary fees have become the new decade’s money tree for the airline industry and they’re going to continue to bear fruit.”

Jay Sorensen, President
Idea Works Company



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Research confirms the potential of ancillary revenues

New compelling evidence pointing to the growing importance of cross-sell ancillary services is highlighted in **“Cross-Sell Your Way to Profit”**, a Thought Leadership Paper commissioned by Amadeus and produced by Forrester Research in January 2011. The report reveals that revenue from third-party ancillary services is predicted to grow by an impressive 30% by 2015, and will account for 2.5% of total revenue for all travel suppliers.

Australia’s Qantas Airways are one of the pioneers in integrating cross-sell technology into their online sales strategy, implementing their first third-party supplier four years ago. A user of Amadeus’ e-commerce solutions since 2000, Qantas’ website development is supported by Amadeus from a dedicated competency centre in Amadeus’ Product and Development base in Sophia Antipolis, France.

Qantas Airways, has a clear ancillary revenue strategy. Its low-cost brand, Jetstar, is an unbundled product, charging for extras outside the ticket price, whereas Qantas itself is an all-inclusive, premium product. As Alan Joyce, Qantas Airways’ chief executive explains: **“We have a focus on ancillary revenue which is good with items like frequent flyers, which could grow and grow, but we are not going to get into the de-bundled category of trying to earn revenue outside of ticket sales on the Qantas brand.”**

Source: ‘Airlines strike it rich on new money’ - Orient Aviation

“20-30% of all passengers industry-wide use the internet to book flights - the potential of this online channel to create additional ancillary revenue is estimated at a staggering \$58 billion.”

Airline Trends and Ancillary Revenue Report 2010

“55% of passengers surveyed would like to book a hotel through an airline website but only 25% had done so. Almost half of those surveyed said they would be interested in renting a car via a carrier’s website, but just 19% had done so.”

2011 SITA/ATW passenger self service survey

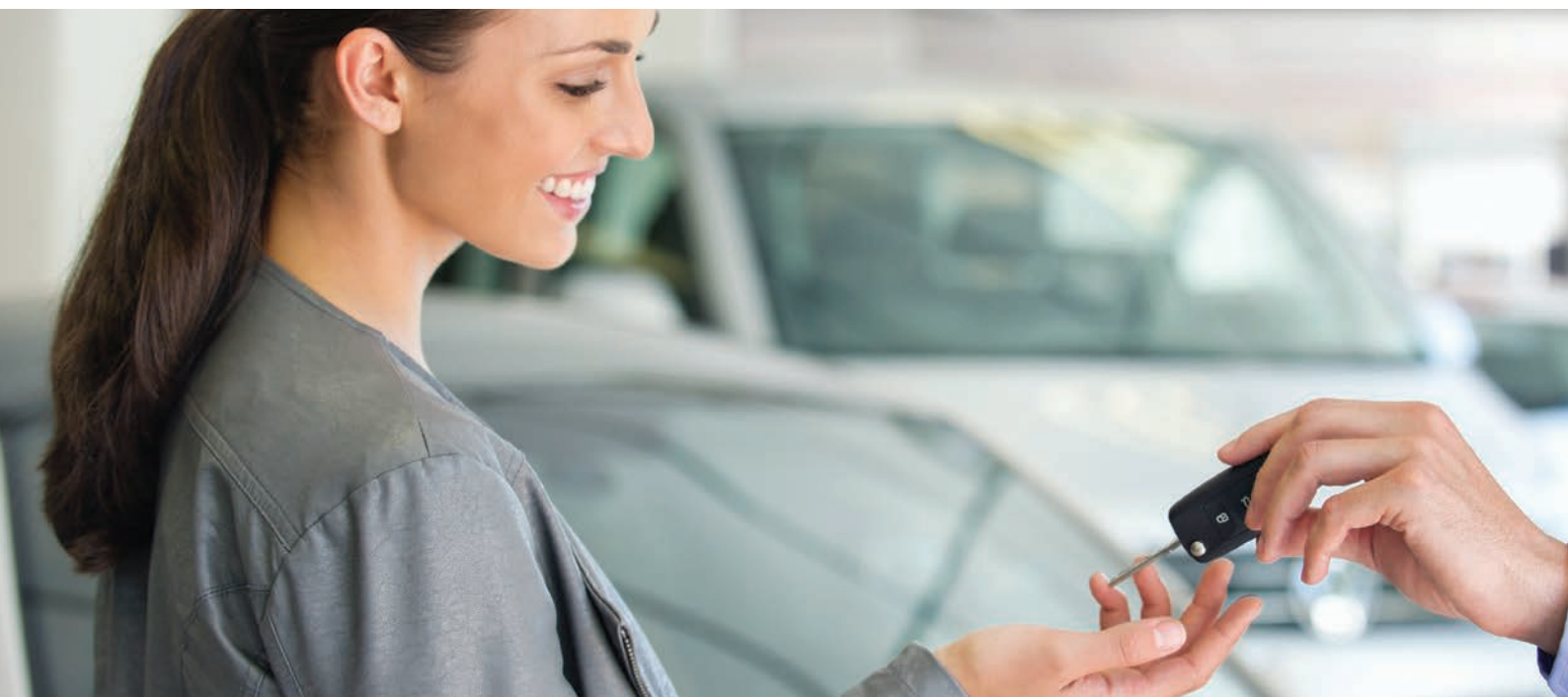
Ancillary services fall into two broad categories: the **‘à-la-carte’** fees added to an **‘unbundled’** air fare (i.e. baggage check-in, seat allocation), and **third-party value-added services** such as travel insurance, hotel reservations, car hire, and activities and services at destinations which can be **‘pushed’** to the airline customer during the booking process.

› **88%** of airlines planned to implement new products such as car, hotel and insurance by the end of **2012** to drive incremental ancillary revenues.

SITA airline industry trend survey.
Reported in: ‘Airlines strike it rich on new money’ - Orient Aviation, March 2010

› Airline earnings potential from the sale of third-party ancillary services, is expected to reach **\$16.2** by **2015**.

IATA, September 2010



The Qantas challenge

Sourcing the technology to add cross-sell capabilities without compromising flight sales

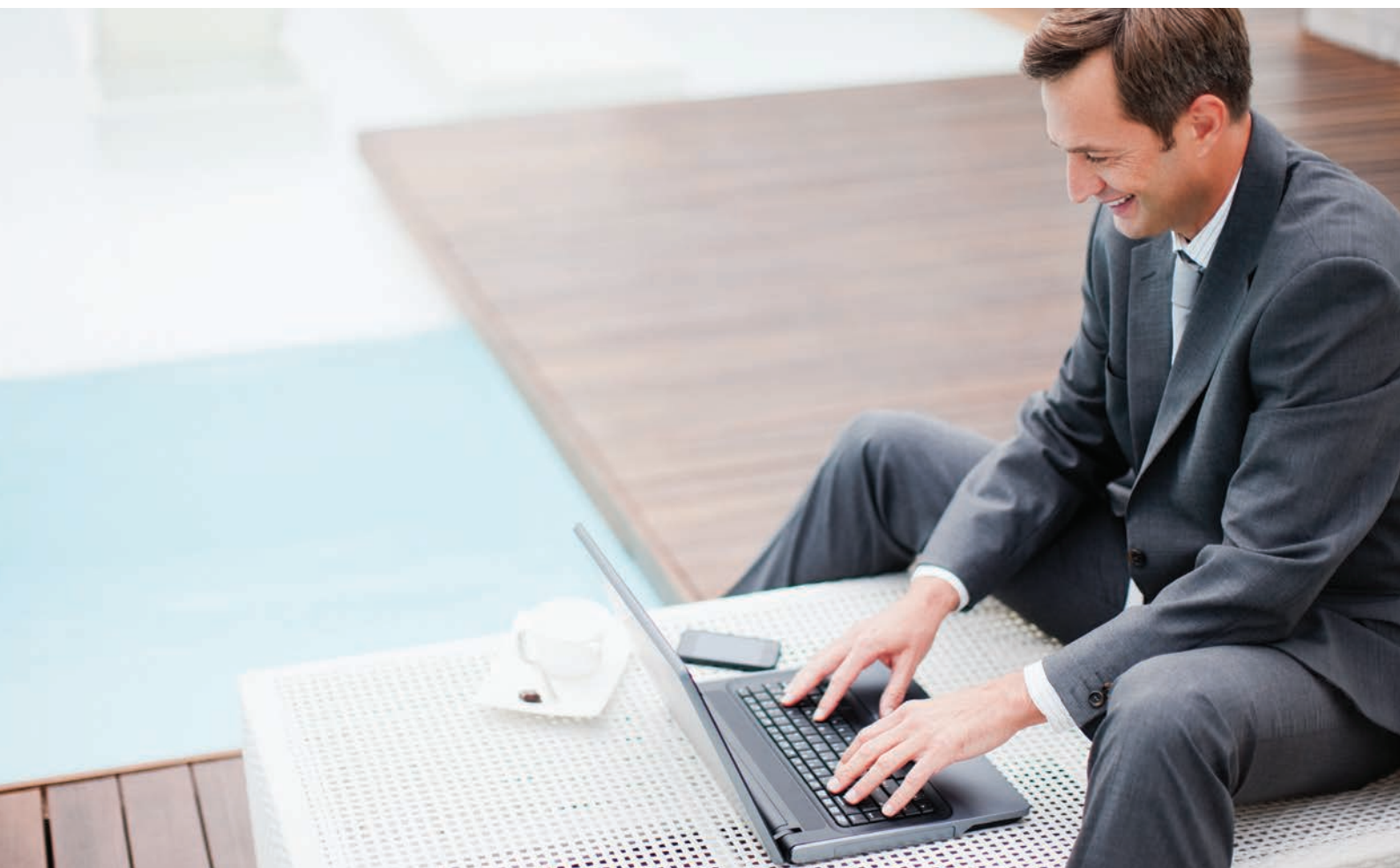
In 2007, prior to the crippling impact the global financial crisis would have on air travel, Qantas was already looking for new ways to expand their e-commerce offering. With the travel industry 'buzzing' about the ancillary phenomenon, Qantas' General Manager Direct Channels, John Lonergan, recognised there had to be huge potential in securing untapped revenues from the sale of third-party travel services, especially from their substantial client base of high-yield, frequent flyers. In addition, the positive knock-on effect of enhanced customer satisfaction levels and improved web retention was a major attraction. In a recent interview, John Lonergan explained Qantas' motivation:

"We needed to actively look for new sources of revenue, but due to the upsurge of low cost carriers, we were constrained from increasing the ticket price. In addition, we wanted to better compete with online travel agents and meet our customers' needs by offering a full-service booking site."

Qantas realised that any cross-sell services they would introduce, had to complement their global brand, be relevant to their customers, and work synergistically with the air booking process – the core of their business. The challenge was to source an IT partner who could deliver flexible, scalable and multi-touch point technology that would fully integrate with Qantas' existing IT infrastructure, without interrupting the flight sales process. John's priority at all times was to ensure that **"when cross-selling, we never compromise the air booking process."**

The challenge

- Identify new revenue sources to complement existing online flight booking engine.
- Deliver a full-service travel site, to offer customers an improved and more complete shopping experience.
- Source an IT partner that could offer fully integrated, flexible and multi-touch point technology, without compromising flight sales.
- Have the right technology in place to be able to focus on the commercial relationship with 3rd party providers.



The solution

Scalable, reliable, multi-touch point technology

Whilst there are many service providers in the market who offer integration of third-party content into airline booking engines, Qantas weren't looking for a middle man technically or commercially. As John Lonergan realised, **"It didn't make sense to bring in a third-party to do this. We already had the direct relationships with the insurance and car providers, and using Amadeus meant there would be no technical integration issues with the booking engine."** In effect, this meant that Qantas could focus on building and managing the commercial relationships with their travel partners, and not worry about the technology.

Using Amadeus Cross-sell ancillary services to add insurance to the booking flow

Given the existing commercial relationship that Qantas had with QBE Travel Insurance via the Qantas Frequent Flyer programme, it made sense to first incorporate travel insurance into the online sales path. Previously, Qantas had offered QBE services via a separate transaction, however it was considered that full integration within the booking engine would help maximise sales opportunities, and ensure more customers were travelling with valid insurance policies.

Although QBE was not an existing insurance provider in Amadeus, at Qantas' request QBE and Amadeus worked together to make QBE content accessible via the Amadeus GDS. The subsequent integration into the Qantas booking engine proved to be a speedy and straightforward process for the airline. Furthermore, Amadeus provided a valuable point of sale for QBE, who additionally benefited from the subsequent growth in Qantas insurance policy sales.

How does it work?

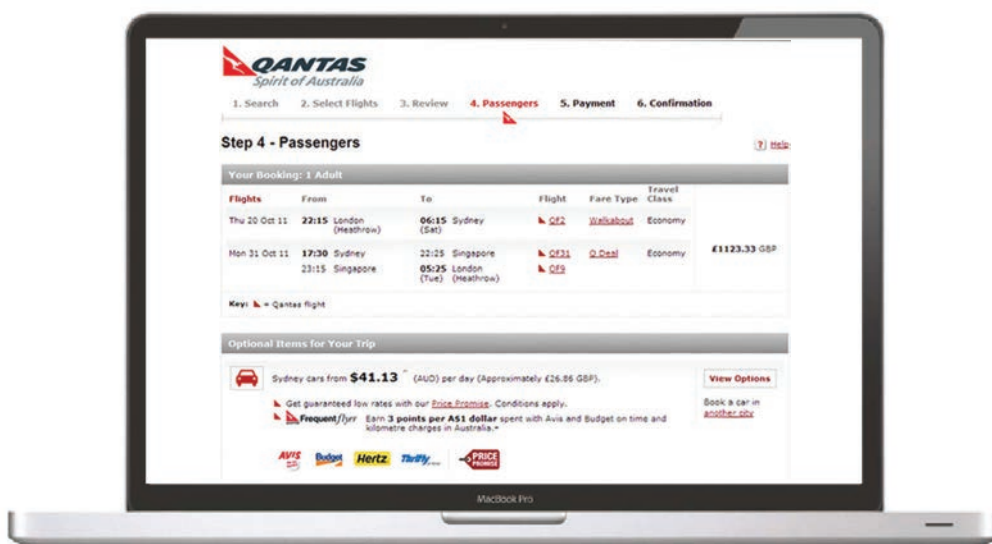
Customers are offered a selection of insurance policies during various stages in the booking process, either whilst they are buying their air ticket in the purchasing page, or when retrieving their booking in the servicing page. Passenger data is pre-filled from existing passenger name record (PNR) information, and policies are automatically priced, facilitating a quick and easy purchasing process. The success of the insurance implementation was immediate, with Qantas seeing a return on investment one month after launch, and conversion rates* of up to 8% on air tickets purchased, compared to 4.6% average achieved by all airlines.

Source: Amadeus eCommerce Report Manager
*Conversion rate measures PNRs that contain car or insurance bookings compared to the total amount of Airline PNRs

Adding car rental to bring more value to customers

Following on from the successful integration of travel insurance, in 2008 Qantas implemented Amadeus Cars in two formats: as a stand-alone booking solution (where a car rental booking is made independently from the air booking) on the airline's home page, and as a cross-sell solution (where the car booking is added to the same passenger record as the air booking) in the air confirmation page. There are over 30+ car providers that are seamlessly connected to the Amadeus system including Qantas' four preferred ones that use a 'payment on pick-up' model. As a result, it was a very straightforward process for Amadeus to customise Qantas' website, activate their preferred car suppliers and negotiated rates, in order for Qantas to begin selling car rental to their customers.

Integration of Amadeus Cars



"Having both Avis (a premium brand) and Budget (a value brand) displayed in same availability screen, we cover the two customer segments in the market. The vast majority of customers' brand preferences are covered across our two brands, plus they can earn points."

Greg Petersen
Director Sales and Marketing APAC
Avis-Budget Group

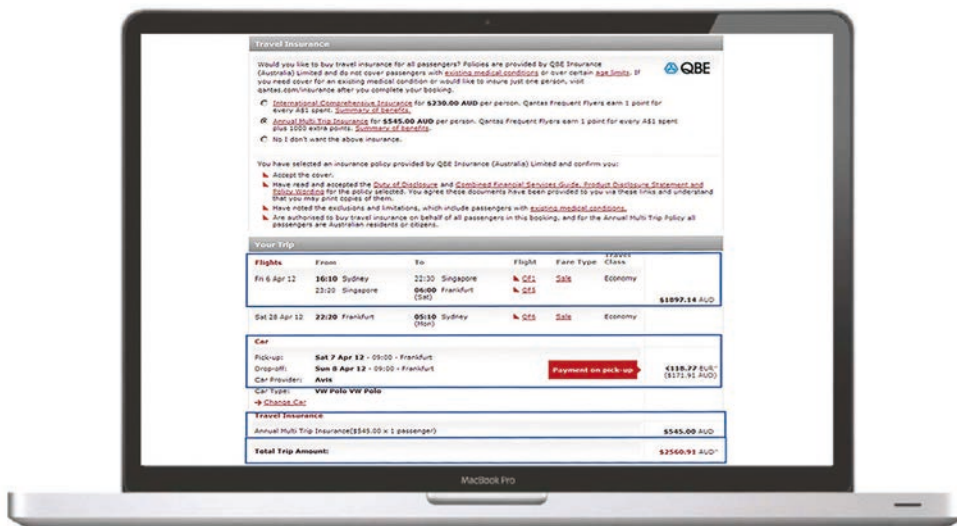
So why did Qantas choose to implement insurance ahead of cars?

In Qantas' view, insurance was a good testing ground as it was the easiest product to implement, and its point of sale did not interrupt the booking flow and risk compromising valuable air bookings. It also sold well, with insurance increasingly considered a 'must have' for air travel, and with only a single existing supplier relationship to deal with, management of the commercial relationship was very straight forward.

Enhancing the shopping experience

In June 2010, Qantas became the launch partner for Amadeus Shopping Basket. With this new solution, cars can now be booked on the air passenger page, and customers can add or remove car and insurance bookings to or from their unique shopping cart. Upon completion of the booked trip, users can see the total trip amount and can make the full payment in one transaction. With dynamically-priced cross-sell teasers, and a faster, more user-friendly purchasing process, the shopping basket solution contributed to an impressive increase in Qantas' ancillary revenues of approximately 400% in cars, and 100% in travel insurance.

Amadeus Shopping Basket



The solution

- Implement Amadeus cross-sell Ancillary Services for Insurance and Car products into online booking flow.
- Add Shopping Basket to improve ease and speed of booking, and increase conversion ratios without compromising the air booking process.

“Since the launch of Shopping Basket together with the exclusivity of the frequent flyer programme, we have seen a substantial increase in Avis/Budget car bookings and conversion rate growth. Prompting the customer during the air booking flow will secure additional business that otherwise we may not have gained.”

Greg Petersen
Director Sales and Marketing APAC
Avis-Budget Group

“Since the launch of each solution, we saw a return on investment one month after launching Amadeus Insurance and three months for Amadeus Cars, and we achieved 4% conversion rate on cars and 7-8% on insurance.”*

John Lonergan
General Manager Direct Channels
Qantas

Key Results

A total retail travel site

By leveraging technology, in a very short time-frame, Qantas has been able to diversify their online sales strategy and include third-party travel services without compromising their core business of flight sales.

Quick to anticipate the benefits that sustainable ancillary services can bring in terms of incremental revenue, improved service and customer retention, Qantas.com has established itself as a credible e-retail site. With sophisticated booking technology and content that is both competitive and relevant, Qantas is able to deliver a world-class and flawless service at every customer interaction. With a clear cross-sell strategy defined, Qantas were also extremely proactive in promoting the new services to their frequent flyer customers through concentrated marketing communications that encouraged buy-in and uptake of the ancillary opportunities. These included price promise promotions and additional frequent flyer points earned on car hire bookings and travel insurance purchases placed through their website. As John Lonergan states:

“A huge number of the bookings come from frequent flyers. The important thing is to develop a total travel site and provide a great online experience or customers could go elsewhere to book their air.”

With ROI secured in just a few months, Qantas has seen both insurance and car bookings increase exponentially since the launch of each service, boosted further with implementation of Amadeus Shopping Basket. Qantas also implemented a points

redemption scheme for insurance bookings which generated a 10% incremental uptake. As a result, the airline is now considering including mileage redemption for cars rental bookings in the future.

But for now, Qantas is satisfied with their cross-sell ancillary business success, largely dependent on the Amadeus technology that helped turn the Qantas airline portal into a total retail travel site.

Promoting Rental Cars and Insurance Online



Qantas Car Net bookings

Qantas have seen 66% increase in net car bookings since the launch of Shopping Basket



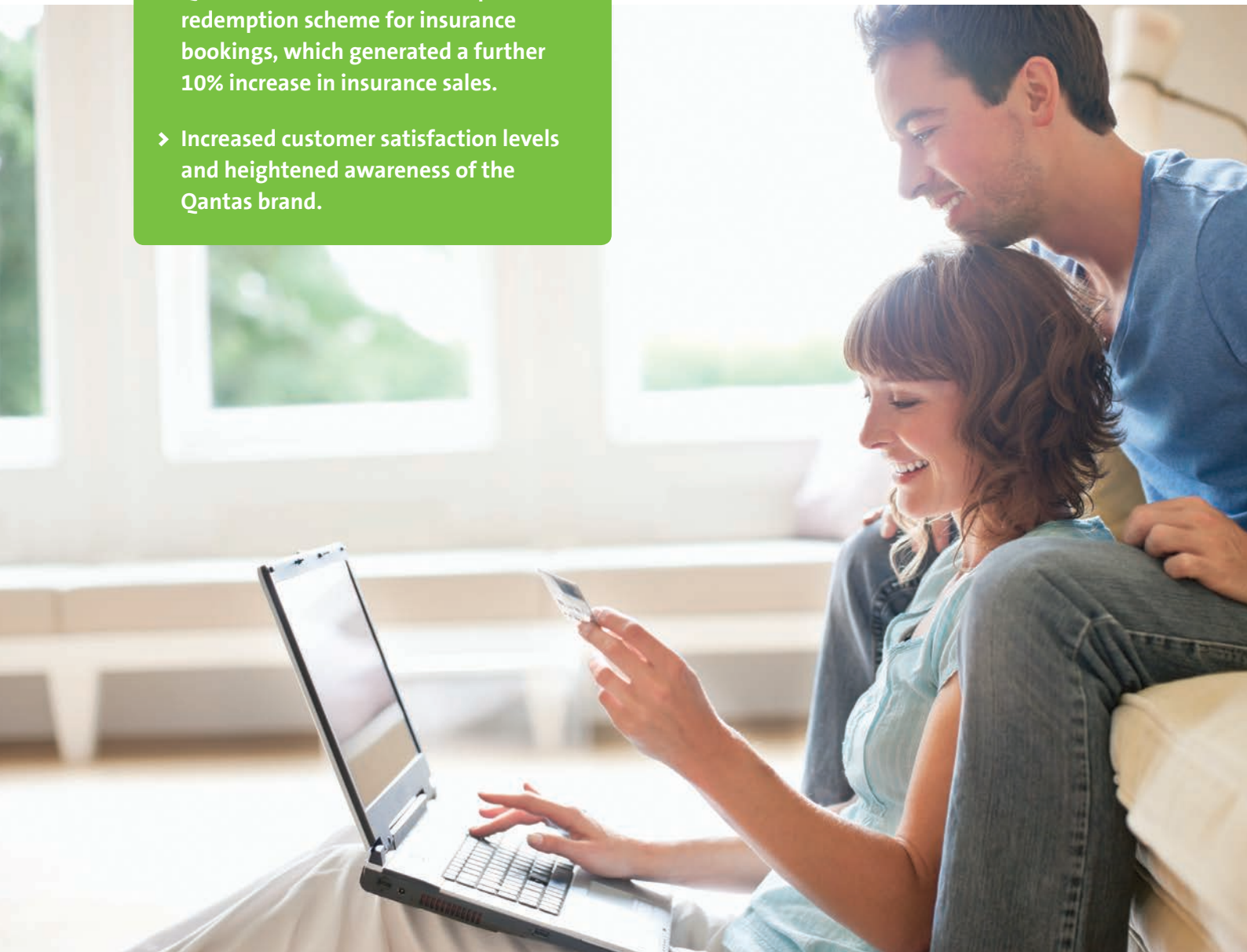
Source: Qantas Car booking Stats July 2008 - June 2011

Results at a glance

- › ROI within 1 month of implementing Amadeus Insurance e-Retail, and conversion rates of up to 8% on air tickets purchased versus 4.6% general airline average.
- › ROI within 3 months of implementing Amadeus Cars Plus e-Retail, with 25% of bookings deriving from the stand-alone cars tab, and 75% achieved from the cross-sell solution.
- › 400% increase in car sales revenue (equal to +66% net bookings) and 100% increase in travel insurance revenue, following implementation of Shopping Basket.
- › Qantas introduced an on-line points redemption scheme for insurance bookings, which generated a further 10% increase in insurance sales.
- › Increased customer satisfaction levels and heightened awareness of the Qantas brand.

“It [Amadeus Cross-sell Ancillary solution] works like a treat. It’s the best product out there, and if Amadeus e-commerce customers are not already using it, they should be asking themselves why not!”

John Lonergan,
General Manager Direct Channels
Qantas



About the Qantas Group

The Qantas Group comprises two complementary flying brands, Qantas and Jetstar, the Qantas Frequent Flyer and Qantas Freight businesses, and a portfolio of supporting businesses and investments. Qantas is Australia's largest domestic and international airline and is ranked among the world's leading premium carriers. Jetstar is one of the world's fastest-growing and most successful low-cost carrier brands, operating in Australia, New Zealand, the Pacific and throughout Asia.

The Qantas Group is the world's eleventh largest airline group by passenger numbers and distance flown. It employs approximately 35,000 people and offers services across a network spanning 208 destinations in 46 countries (including those covered by codeshare partners) in Australia, Asia and the Pacific, the Americas, Europe and Africa. Domestically, Qantas, QantasLink and Jetstar operate around 5,700 flights a week serving 60 city and regional destinations in all states and territories. Jetstar also operates 222 domestic flights per week in New Zealand. Internationally, Qantas and Jetstar operate more than 970 flights each week.

The Qantas Group operates a fleet comprising Boeing 747s, 767s, 737s and 717s, Airbus A380s, A330s and A320s, Bombardier Dash 8s and Bombardier Q400s. Qantas is a founding member of the oneworld alliance.

Find out more!

Please contact cross-sell@amadeus.com or visit our website for more information: <http://www.amadeus.com/airlineIT>. We look forward to hearing from you!



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