Embracing Airline Digital Transformation

A spotlight on what travellers value

Methodology

For this report, Amadeus undertook primary and secondary research in association with Connections Events, *The Telegraph* and various industry experts. Approaches included:

■ Conducting face-to-face interviews at the **Amadeus Airline Executive Summit 2017** in Dublin with the following participants:
Christophe Bousquet, *Senior Vice President of Airlines R&D, Amadeus IT Group*
John Gustafson, *Vice President of Digital Channels, American Airlines*
Aurelie Krau, *Consultant, Festive Road*
Mark Nasr, *Managing Director, e-Commerce, Loyalty Programmes and Ancillary Revenue, Air Canada*
Petteri Skaffari, *Head of IT Commercial, Finnair*
Wells Zheng, *Vice President, Fliggy*

■ Conducting **interviews** with the following participants:
Christopher Barnard, *Co-founder, President and Director, Points.com*
Michael Bayle, *Head of Mobile, Amadeus IT Group*
Professor Dimitrios Buhalis, *Director of the eTourism Lab at the School of Tourism at Bournemouth University*
Ian Chambers, *Chief Commercial Officer, Monarch*
Jason Geall, *Vice President in Northern Europe, American Express Global Business Travel*
Ken Harris, *founder and CEO, Plusgrade*
Nils Hartgen, *Vice President of NextGen Digital, Lufthansa*
Mikhail Naumov, *Co-founder and Chief Strategy Officer, DigitalGenius*
Tom Otley, *Editor, Seatplans.com*
PayPal, *Spokesperson*
John Strickland, *Director, JLS Consulting*

■ Conducting a **survey** in association with *The Telegraph* (UK), which was emailed to 246 members of the publication's reader panel. We asked respondents about their requests and choices when booking with an airline

■ Conducting interviews at **Millennial 20/20** in New York in 2017 with the following participants:
Iain Griffin, *CEO, Seatfrog*
Mark Weinstein, *Senior Vice President and Global Head of Customer Engagement, Loyalty and Partnerships, Hilton*

■ Researching industry perspectives at **Loyalty 2017 Conference** in London by attending thought-leadership sessions

■ Gathering insights from round-table discussions at **Connections** in India. Eighty leading international travel buyers and suppliers were asked about what top-tier loyalty programme members value

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About Connections

Connections is part of Travel Weekly Group, Europe's largest B2B multimedia publisher and events organiser for the travel industry. To find out more about Connections events, visit **weareconnections.com**

About the author

Rose Dykins has been a travel journalist for six years and has a background in business travel. She has written for publications including *The Telegraph*, *Lonely Planet* and *The Sunday Times Travel Magazine*, and was shortlisted for Young Travel Writer of the Year at the 2015 Travel Media Awards. She was formerly a staff writer for *Business Traveller* magazine.

Foreword

What makes your customers choose you? What makes them choose you over other brands? And how can you ensure they keep choosing you?

There are endless influences that lead travellers to make a purchase with a brand – or not. Their needs and personal preferences. Where they are at that moment in time. The device they are using. Even the weather that day. The list goes on, but all of these influences affect how consumers perceive the value of an offer at any given moment. So, how do you bring all of these real-time influences together to present the customer with something that is of value to them, right at that very moment?

ELENA AVILA,
Head of Airlines Strategy,
Amadeus IT Group

At Amadeus, we are fascinated by the potential of aggregated data to enhance airlines' digital interaction with travellers. Our technology platforms are evolving to give airlines new ways to better understand their customers and make informed decisions. Machine learning provides the opportunity to gather and interpret influences from multiple sources and better define how to build an offer that is truly of value to a customer during each transaction.

This paper aims to provide a useful overview of where the airline industry is now in terms of analysing its customers' behaviour, and sets the scene for what is coming next. I believe it will act as a springboard for discussion. How can we work better together to combine our knowledge and data pools to optimise the end-to-end traveller experience? This is something Amadeus is passionate about.

The data is here, and so is the technology – both are ready to be harnessed. It's up to us to use them to build affinity with travellers.

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Executive summary

We've entered the Fourth Industrial Revolution, an era of datafication, constant connectivity and digital workforces. It's an era where artificially intelligent machines will complement global manpower, allowing the humans at the helm to benefit from more efficient and accurate outcomes, and where digital solutions are enabling businesses to serve customers in completely new ways.

And it's an era where there will be more potential than ever for brands to get closer to consumers, understand what they value, and use machine learning to drive better-informed decisions about how to market to each of their customers.

Interestingly, 82% of global CEOs are concerned about the relevance of their products or services, according to KPMG's 'Now or Never 2016 Global CEO Outlook Report'. And almost half (45%) feel they could better leverage digital means to connect with customers.

So, how is the aviation industry faring in comparison to others when it comes to harnessing the potential of the Fourth Industrial Revolution to emotionally connect with travellers?

Compared with certain industries, such as fashion, motor and even hospitality, aviation is a relative newcomer to understanding retail consumer techniques. Unlike brands outside the aviation industry – which have always had to engage with customers to compete in the market – traditional airlines often had a monopoly over regions and routes, and therefore were under less pressure to win over travellers and achieve brand loyalty. The story is slightly different with the low-cost carrier business model, and these airlines have been earlier adopters of sophisticated, competitive marketing techniques as a result.

Now, however, airlines face saturated markets, where they have to fight to win and retain customers. And so, marketing strategies need to not only adapt to the Fourth Industrial Revolution, but to recreate the experience travellers have become accustomed to in other areas of their lives.

The concept of moment marketing – reaching consumers at the right time with targeted information – is becoming commonplace. It's about understanding all the influences customers are under at any given time – be it weather, election results or the latest social media craze – and always being ready to respond with relevant offers that will deliver something of value to them, then and there.

It's an exciting time. The aviation industry is early on in the journey, but airlines are starting to look beyond segmentation to understand what individual travellers value each time they make a booking, and bundling or unbundling their offering appropriately to drive a sale.

Technology providers and airlines have been working together to enhance their booking experience, and to follow a customer through their journey, offering relevant touchpoints and service enhancements along the way.

"Quite often, the human brain produces unstructured questions, such as 'I've got a break some time between June and July, and I can spend £1,000, where should I fly to?'" says Professor Dimitrios Buhalis, Director of the eTourism Lab at the School of Tourism at Bournemouth University. "But most of our current technology systems don't deal with unstructured questions; they deal with a demand like 'I need to book a flight to Miami next Friday' – very structured, data-driven enquiries.

"I think the next stage of airline travel technologies will deal with travellers in a different way. We're going to get to a situation where travel behaviour will be analysed to the extent that airlines will be able to predict where customers are going to fly to next."

This paper will:

- Explore what today's airline travellers really value, and apply behavioural theories to the flight booking process, including an analysis of the 'trigger points' that prompt customers to pay for an upgrade

- Reveal which components of air travel are valued the most and the least by readers of *The Telegraph*, according to a survey created for this paper by Amadeus and Connections. The results will be revealed throughout these pages

- Assess the latest industry strategies for better understanding consumer values – and even influencing them

- Report on best practice, emerging trends and the latest technologies that are revolutionising the way airlines will be presenting their products to travellers in the near and not-so-near future.
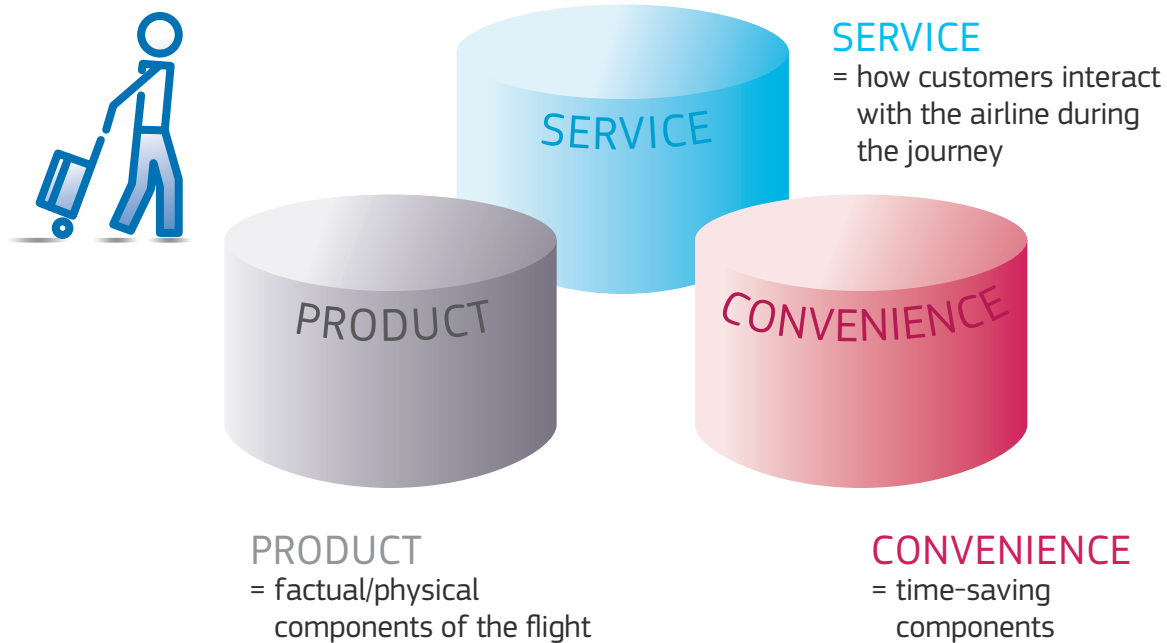
> "
> **Currently, the consumer looks for information. In the future, the information will look for consumers**
>
> *PROFESSOR DIMITRIOS BUHALIS,*
> *Director of the eTourism Lab at the School*
> *of Tourism, Bournemouth University*

The paradigm: product vs service vs convenience

What do passengers value most about airline travel? Why do they fly with one airline rather than another? How can airlines secure their brand loyalty? These questions can be answered by using the below paradigm to understand airline customers' values.

SERVICE
= how customers interact with the airline during the journey

PRODUCT
= factual/physical components of the flight

CONVENIENCE
= time-saving components

The saying goes that everybody has a price. But **in order to have a price, everybody has to have a value.**

For airline customers, this value is the sweet spot where they feel that the **balance between product, service and convenience** is achieved.

Each time a customer searches for a flight, they **bring their individual values** to the search:

PRODUCT: *"It's a long flight – I want as much legroom as possible."*

SERVICE: *"I want to feel like my holiday has started as soon as I step on the plane."*

CONVENIENCE: *"I need a direct flight; I don't have time for a stopover."*

On any given journey, a customer may place a different value on each component, depending on the context of their flight.

For each traveller, the balance between product, service and convenience will shift, affecting the overall price that they are willing to pay for a flight.

Q When booking a flight, which of the following statements do you agree with most?

**56%** The total package is most important to me

24% I look for the lowest price

20% I would always book with my preferred airline unless there is a significant difference in price

What do customers value?

By applying the paradigm to different types of travel personas, we can create a clear picture of how to upsell something of value to each of them. The more a traveller values one or more of these components, the greater the opportunity for airlines to market intuitively so the customer purchases something of value to them.
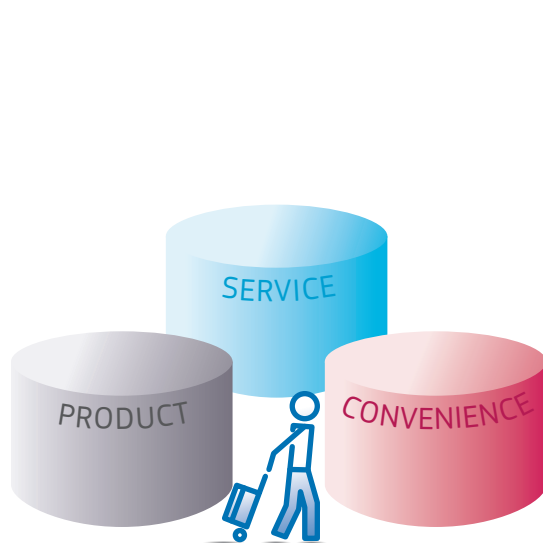
BUDGET TRAVELLER

"I need the cheapest flight possible, I can't afford to splash out, and I'm not in a rush."
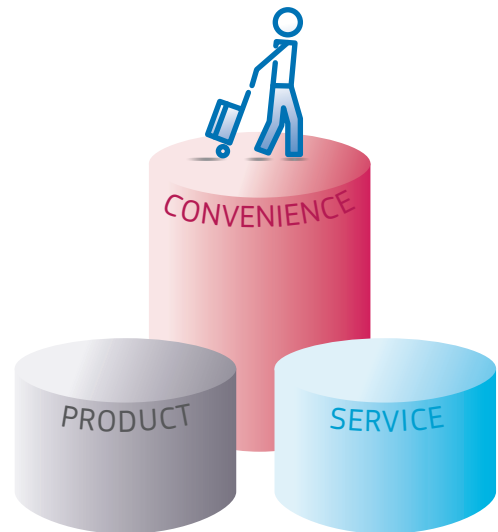
BUSINESS TRAVELLER

"I need to travel to Hong Kong, from my closest airport. I don't have time for a stopover and I need to be home for the weekend."
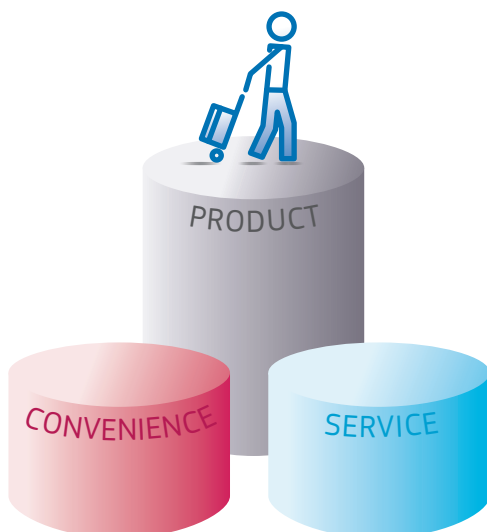
FREQUENT FLYER

"I want to fly on a comfortable aircraft because I want more space. I'll need a large baggage allowance, and I want to collect my loyalty points."
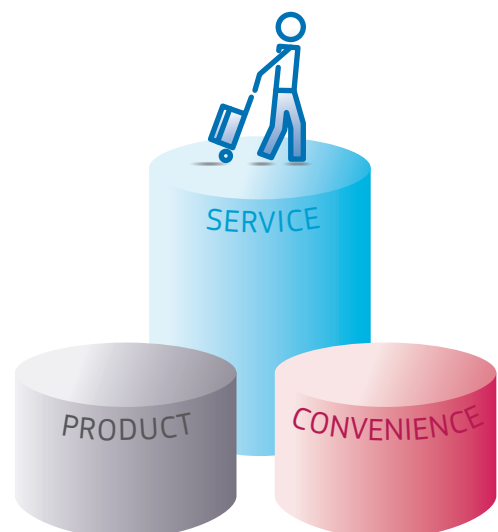
FAMILY TRAVELLER

"I'm travelling with a baby for the first time. I'll need some support before and during the flight, so I want friendly, helpful staff."

Below is a list of components that airline customers place a value on – divided into categories of product, service and convenience.

PRODUCT
- legroom
- aircraft type
- seat comfort
- food and drink*
- amenity kits*
- free baggage allowance*
- destination
- lounge access
- free ground transfers
- extra experience
- alcoholic drinks
- extra luggage allowance
- loyalty points

* dependent on the length of the flight

SERVICE
- option of self check-in
- mobile boarding pass
- pre-clearance of customs
- fast-track security
- fast-track passport control
- speedy boarding
- seat reservation
- exceptional staff
- unique touches

CONVENIENCE
- flight time
- stopover time
- ease of booking
- distance from airport
- accessibility from airport
- seat reservation

The complexity of choice

While travellers bring their own values to the flight booking process, they are open to being sold something they didn't know they wanted – as long as the purchase makes sense.

However, in order for the airline customer to feel that a component is of value, they expect to be guided through the sale. In an online ecosystem of overwhelming choice, airlines that exert influence over a traveller's decision-making process, and help to remove some of the complexity, are the ones that will appear to have the most attractive offering.

Influencing preference

"Imagine I give you a choice. Do you want to go for a weekend in Rome, all expenses paid – hotel, transportation, breakfast?

"Or a weekend in Paris, all expenses paid – hotel, transportation, breakfast?

"But what if you were also offered a trip to Rome, all expenses paid – breakfast, transportation – except it doesn't include coffee in the morning? If you want coffee, you'll have to pay for it yourself. Given that you can have Rome with coffee, why would you have it without? It's an inferior option.

"But guess what? The moment you add Rome without coffee, Rome with coffee becomes popular, and people choose it.

"The fact that you have Rome without coffee makes Rome with coffee look the superior option – even to Paris.

"The general idea is that we don't know our preferences that well, and because we don't, we're susceptible to external influences."

DAN ARIELY, behavioural economist, taken from his 2008 TED Talk "Are we in control of our own decisions?" ted.com

Communicating the value of the offer

Airlines' websites play a central role not only in finding out what their customers value, but also in showing travellers what their brand offers in terms of product, service and convenience.

What does this mean for airline travel?

When travellers search for a flight, unless the airline is able to convey how they differ from their competitors in terms of product, service or convenience, the customer will base their decision on the only variables they can see when searching online: **price** and **flight schedule**.

This is a wasted opportunity to sell the customer something they want, and for them to engage with an airline's unique offering.

"Airlines have such a presence when it comes to sports sponsorships and advertising, but when you actually get on to their websites, it's quite difficult to find the details about the product you're going to experience when you fly," says Tom Otley, Editor of Seatplans.com.

"For example, many airlines don't have seatplans on their website, so you can't tell where you're going to sit until you've gone through your booking."

While online consumers have a variety of resources at their fingertips for comparing brands' offerings – such as review sites –

airlines that offer quality, first-hand information enable travellers to base their purchasing decisions on more than base price and schedule.

Increasingly, airlines are recognising that their websites are portals between their customers and their brands, embedding them with the data and content required to serve them in an increasingly data-driven marketplace.

> "
> ### A lot of airlines differentiate themselves through marketing – until you get to their website
>
> *TOM OTLEY, Editor, Seatplans.com*

> "
> ### Customers want to interact [with a brand] through different channels at different times, but they expect to have a consistent experience
>
> *MARK NASR, Managing Director of e-Commerce, Loyalty Programmes and Ancillary Revenue, Air Canada*

CASE STUDY: ICELANDAIR SHOWCASES STOPOVERS

Icelandair's website features aspirational photography showcasing Iceland's natural beauty before promoting the opportunity to "add adventure to your journey" with a stopover in Iceland on the way to the US or Canada, with "up to seven nights at no additional airfare".

The site also features a concise video that clearly presents the value of booking a stopover – adventure, at no extra cost.

What its website communicates is the value of the airline's offering – Iceland is a gateway to North America, and a desirable destination for a stopover for several days – and makes it as easy as possible for the customer to enhance their journey and purchase this experience.

Q When searching for flights online, how easy do you find it to compare them on features other than price?

58%
Mixed – some airlines make it really clear what they offer, others don't

28%
Difficult – other than price, I don't find out much about what the actual flight will be like

14%
Easy – it's really clear what the on-board experience will be like

The evolution of economy class

Economy-class air travel has evolved beyond recognition over the past 20 years, and budget travellers are now accustomed to a culture of ancillary charges. But some charges are more evident than others, and provoke more of an emotive reaction, particularly when a charge is imposed for something that was formerly free.

This is a particularly difficult challenge for legacy carriers, which have traditionally offered many of these components of product, service and convenience as part of their core proposition.

Identifying which components travellers are happy to pay more for – and how much – is integral to the future of airline marketing.

"Airlines have always had a wealth of data, but not always in a easily usable form," says John Strickland, Director of JLS Consulting.

"Now, they can look at customers' behaviour, see what they respond to, and build up patterns, in order to achieve greater and more effective use of increasingly available data.

"This is key to upselling – if done in the right way, it can be positive for both the airline and the customer. If done in the wrong way, the airline just annoys the customer."

> "
> **Consumers have had to accept that in order to access low prices, things that were included in the past are most probably not anymore, and will be upsold**
>
> *JOHN STRICKLAND, Director, JLS Consulting*

CASE STUDY: AMERICAN BOOSTS CABIN OPTIONS

"At American, we're incredibly focused on understanding what satisfies our customers and delivering experiences to match," says John Gustafson, Vice President of Digital Channels.

"For the nearly 90% of our customers who fly with us once a year, price is most important. To appeal to these customers, we launched Basic Economy, our lowest fare that comes with restrictions on carry-on bags, seat selection and boarding priority. For customers who want more choice, we upsell to Main Cabin, which includes access to seat assignment, an improved boarding priority and the ability to carry bags on the airplane.

"We've also introduced Premium Economy. It sits between Main Cabin and Business and offers customers more legroom and recline, a chef-prepared meal plus other amenities.

"To support these products, American is focused on providing digital tools that empower customers to choose what's best for them. When we're able to match customer expectations to the experience, we achieve higher customer satisfaction.

"Our digital channels are performing this task extremely well. In fact, aa.com and our mobile app are upselling customers more successfully than every other sales channel."

CASE STUDY: BA EMPOWERS WITH FOOD CHOICE

British Airways introduced chargeable Marks & Spencer-branded food and drink on its Euro Traveller (economy short-haul) cabin in January 2017. Moving from free onboard catering, the airline now allows Euro Traveller passengers to pay by card or with Avios points.

"The challenge for BA, as a legacy carrier, is that they still have to deal with different kinds of customers," says John Strickland.

"They have their premium customers who, whether individually or through their corporate travel programme, pay large amounts of money. And there are those price-sensitive travellers that BA needs to offer competitive fares to in order to compete with the low-cost carriers.

"So they have this overlap – they are charging for food on short-haul flights, but with a brand associated with quality (Marks & Spencer)."

British Airways' decision to commoditise onboard food and drink on short-haul flights allows it to compete with the low-cost model in terms of catering, and empowers customers to decide how much value they place on this particular product.
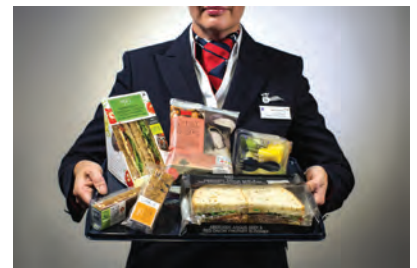
Q When choosing an airline, which component is the MOST important?

37%	31%	21%	6%	5%
Competitive price	Convenience of flight time/departure airport	Choice of destinations	Customer service and support	Free onboard food and drink/ service/seat selection

How do customers decide the price is right?

The theory of bounded rationality is about economic decision-making where, rather than seeking the most perfect choice, the human brain instead seeks an option that feels efficient and satifsfactory. This can be applied to the way airline customers decide whether an offer is worth the price.

When consumers make a purchasing decision, they face three kinds of limitations: time, information, and their own knowledge/understanding. As a way of coping with information overload, the human brain has evolved to make expedient choices.

Rather than wasting time and effort pursuing and analysing every option available to us, it is more valuable instead to make a decision that seems rational enough. It may not be the best possible decision, but they will have chosen something that feels satisfactory, even if it's still not entirely rational.

What does this mean for airline travel?

Airlines cannot control a traveller's time or their ability to understand information. They can, however, supply the right information to that traveller to effectively convey the value of purchasing an extra component.

This means the airline exerts more influence on the information behind that customer's decision, while also enabling the customer to feel satisfied with the price on offer. For example, this could be when an airline presents the customer with the option to bid for an upgrade to business class.

"Our behavioural research with passengers has shown that most people don't know what a business-class seat is worth. But

it's not as simple as just showing them an image of what the seat looks like," says Iain Griffin, Chief Executive of Seatfrog.

"A key strategy is to give passengers an anchor value, which gives them the confidence to make an informed decision, in turn maximising price and increasing conversion. One way we do this is by using a 'buy it now' function to establish value in advance of their flight, making them think 'this seat's worth $2,500 if I upgrade now'. Then on the day of flying, when their willingness to pay is at its peak, they're pulled into a live auction on their mobile, with that value clear in their mind."

"

Empowering the traveller to decide how much they are willing to pay – while still giving airlines a tremendous amount of control – has been only a positive move

KEN HARRIS,
Founder and Chief Executive,
Plusgrade

BOOKINGS: SOME HOME TRUTHS

- Travellers don't care how they book flights, as long as their needs are met
- Airline websites are not the first place they search (see results below)
- When they are booking more than just flights, metasearch alone is not enough
- Millennials are still turning to travel agents *(Source: ASTA, 2016)*
- Making airline offers available through a range of booking channels and methods is critical to reaching consumers

CASE STUDY: PLUSGRADE OFFERS NEW APPROACH TO UPGRADES

Plusgrade's software solutions enable airlines to present their customers with the opportunity to join digital auctions and bid to upgrade to a higher cabin class.

"We didn't invent the upgrade, but we made it more engaging and powerful for passengers and airlines," says Ken Harris, Founder and CEO of Plusgrade.

"We have a dozen passenger touchpoints

from booking to departure, where the passenger might receive emails, text messages or app notifications. At all of these touchpoints, we have engines evaluating passenger profiles and itineraries in real-time

to decide whether we should invite them to bid for an upgrade.

"Once they submit their bid, some of our airline partners have other feedback loops where, prior to departure, they can let passengers know what the likelihood of their success is at that point.

"It's about continuing the conversation so there's an automatic loop between airline and customer throughout the journey – so you're helping to guide them to a fare that they want to pay."

Q When searching for flights, where is the first place you visit?

27%	25%	24%	6%	5%	13%
Metasearch (eg Google Flights or Kayak)	Travel agent shop or call centre	Airline website	Travel agent online booking site	Review website (eg TripAdvisor)	Other

"Price is what you pay.
Value is what you get"

WARREN BUFFETT,
American business magnate

The shift in online shopping

The Fourth Industrial Revolution, an era of datafication, constant connectivity and digital workforces, will lead many businesses to move away from presenting their customers with something physical that they can hold, assess and consider before they buy. Instead, travellers will rely on their digital sense to make their assessment.

For airlines – whose physical product has always been challenging to convey – this creates an opportunity. As brands across all industries find new ways to inspire consumers online, there are more methods than ever before for reaching new audiences.

At the same time, airlines need to have an even stronger idea of what they represent, and how to utilise the digital realm to build emotional connections with travellers, and to stand out among the digital noise.

The aviation industry faces a quadruple challenge across multiple booking channels:

- Determining what a customer values (on as close to an individual level as possible)
- Communicating what their brand stands for, and how it satisfies a customer
- Identifying real-time opportunities to offer enhancements to the customer's journey
- Defining the right price to upsell to that customer

To take up this challenge, airlines need the following to identify and attract new customers for reasons other than price/schedule:

- A strong omni-channel digital marketing strategy
- Data to understand individual travellers
- Focused marketing strategies for their core customer segments
- A clear understanding of their brand values – and how to communicate them
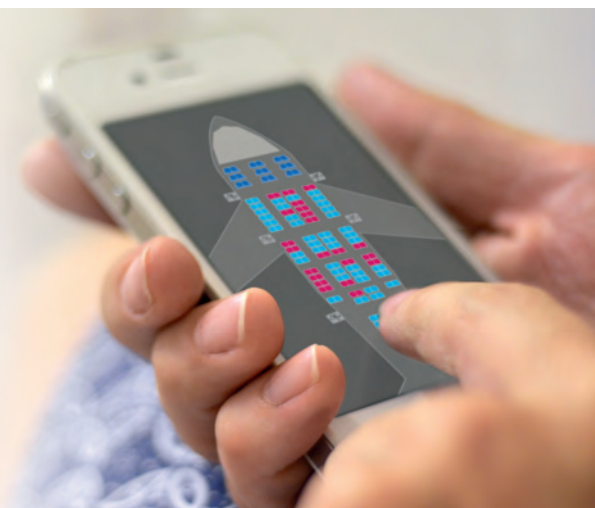
FLIGGY IDENTIFIES BOOKERS' ONLINE PERSONAS

"We are not an Online Travel Agency (OTA), we are an Online Travel Platform (OTP). We bring the customer to the supplier so they can touch base directly, with no intermediate in sight. We tell the airlines how to reach their customers.

"We've created a model called Airlines Flagship Store. It's a solution to help the airlines sell to their customers directly. Because we are part of Alibaba's ecosystem, we not only have the data about a person's travel, we have the data for their whole online persona. If we know a customer has bought a bikini, for example, we know they are going to the beach, and I can push relevant products to them.

"When someone buys nappies online, we know they have a baby, and then when we have a product that is relevant for a family, we can push that too. This ecosystem can provide such powerful data."

WELLS ZHENG, Vice President, Fliggy

RYANAIR AIMS TO BECOME 'THE AMAZON OF TRAVEL'

Now in its fourth year, Ryanair's 'Always Getting Better' campaign has seen the airline launch a series of customer service initiatives to enhance its brand reputation.

Kenny Jacobs, Chief Marketing Officer, said: "The success of the Always Getting Better programme has been reflected in ever-increasing load factors and record passenger numbers, which has seen our traffic grow by over 50%."

This year, the airline's campaign will focus on "service, digital, ancillary and inflight development". Ryanair embarked on its ambition to become "the Amazon of travel" last October by launching Ryanair Rooms. This saw the airline augment its hotel upsell service to include B&Bs, hostels, homestays and holiday villas.

In addition, the carrier's myRyanair service means passengers can securely save their passport and payment details to their Ryanair account, or to the airline's app, as well as those of friends and family, saving customers time during the booking process.

This year, the airline is introducing 'phase 2' of myRyanair, promising "improved profiles, offers and incentives" for those who sign up, signalling more relevant upsell opportunities to myRyanair passengers. Ryanair Rooms offers online customers more choice of accommodation – making the airline's site more of a one-stop-shop for consumers.

AMERICAN EXPRESS GLOBAL BUSINESS TRAVEL INVESTS IN CLIENT PROFILING TO MEET CUSTOMER PREFERENCES

"We've made a number of innovations to help our customers better meet individual travellers' preferences. We are taking steps to enable a personalised experience for when travellers call a Global Business Travel counsellor by investing in technology to support a new telephony system.

"Soon, travellers will be recognised when they dial from a registered number and our travel counsellors will be able to pull up critical details about the traveller to facilitate the conversation. One trend to

watch for is anticipatory technology. This has the power to automate personalisation for travellers, especially if they frequently travel to the same destination. For example, in the future travellers won't be subjected to the same booking process every time they visit a client in a particular location – the hotel and flight they regularly book is already known, so a shortened and customised experience can be offered."

JASON GEALL, Vice President, Northern Europe, American Express Global Business Travel

FINNAIR CHATBOTS HELP TO DRIVE EFFICIENCIES

"More and more customers are willing to get in touch with us using our chatbot service. It has had brilliant reviews, and has increased the efficiency of our call centre staff.

"We are going to enhance the service by connecting it to NDC so that it can eventually send customers ancillary offers and enable them to book.

"One thing we are working on is really 'finding' our customers. We have a good local loyalty member base, but we have some 12 million passengers annually. With some groups of customers – for example, those who book with travel agents – we are often missing contact information. But there are various touchpoints over the journey that could be useful for identifying those valuable customers."

PETTERI SKAFFARI, Head of IT Commercial, Finnair

LUFTHANSA STREAMLINES CUSTOMER EXPERIENCE

"I would say that the basis of customer loyalty and brand affinity in the online world is being able to fulfil the needs of different customer groups and making the website easier to use.

"On top of that, you can think about personalisation, more customised offers, but always based on strong fundamentals."

NILS HARTGEN, Vice President, NextGen Digital, Lufthansa

The transformation of travel advice

Despite the heightened role of technology in the Fourth Industrial Revolution, the airline industry acknowledges that travellers are not fully converted to the digital realm when it comes to seeking advice.

The fact that air travel consumers are continuing to seek advice from multiple sources highlights the importance of maintaining an omni-channel approach to customer service.

This is particularly true when a customer is booking more than solely a flight during a transaction. Though only 14% of survey respondents may seek advice from traditional travel agents for flights alone, they are more likely to seek professional advice if they are planning, say, a 10-day tour around Vietnam, or a business trip to Toronto – of which the flight is an important component.

Of course, there will be certain members of the so-called Generation Z – those born between about 1995 and 2012 – who may never set foot in a travel agent's office, such is their affinity with technology.

Millennials (those born between about 1980 and 1995), on the other hand, are still turning to agents, depending on the context of their trip, as are the generations before them, because they value the personalised, empathic advice of another human being.

Overall, it depends what value the individual consumer places on the product, service and convenience that agents can add to their travel planning.

"Most technology so far has concentrated on helping customers search for things they know they want to find," says Professor Dimitrios Buhalis, Director of the eTourism Lab at the School of Tourism at Bournemouth University.

"Whereas if they go to a physical travel agency, the agent looks them up and down and immediately understands what the customer needs.

"The agent then starts going through a game of proposal and emulation. They say 'How about Mallorca?', and the customer says 'No, I've been three times; I've never been to Ibiza, though', which then creates an anchor for the agent to search again."

"

It's not the death of the travel agent. It's an evolution of the travel agent's job description, where they're training the artificial intelligence to be better and the AI is there to help them provide meaningful experiences for customers

MIKHAIL NAUMOV,
Co-founder and CSO, DigitalGenius

As technology evolves and improves its ability to replicate the above process, this does not negate the need for advice from travel professionals. Rather than eliminating the need for a human touch, tomorrow's technologies will work with agents to provide the ultimate service.

"There's so much talk today about artificial intelligence (AI) crushing jobs and replacing agents," says Mikhail Naumov, Co-founder and Chief Strategy Officer at DigitalGenius.

"The reality of the situation is that fully automated chatbots are in no way ready to be used end-to-end to solve customers' problems.

"An agent's role has simply evolved from tasks like searching knowledge bases, routing customers and data entry.

"What's happening is, machine algorithms are taking over menial tasks, while the humans can focus on providing a much better personalised level of service.

"It's not the death of the travel agent. It's an evolution of the travel agent's job description, where they're training the AI to be better and the AI is there to help them provide meaningful experiences for customers."

The progression of technology, if harnessed correctly, could dramatically boost the potential for agents to present consumers with personalised, niche travel experiences that they didn't know they were looking for, and that are relevant and desirable.

This experience would not only outperform the experience of searching online but would also add a new layer of value to the role of the agent.

Q Where would you be MOST likely to go to seek advice about an airline before booking a flight?
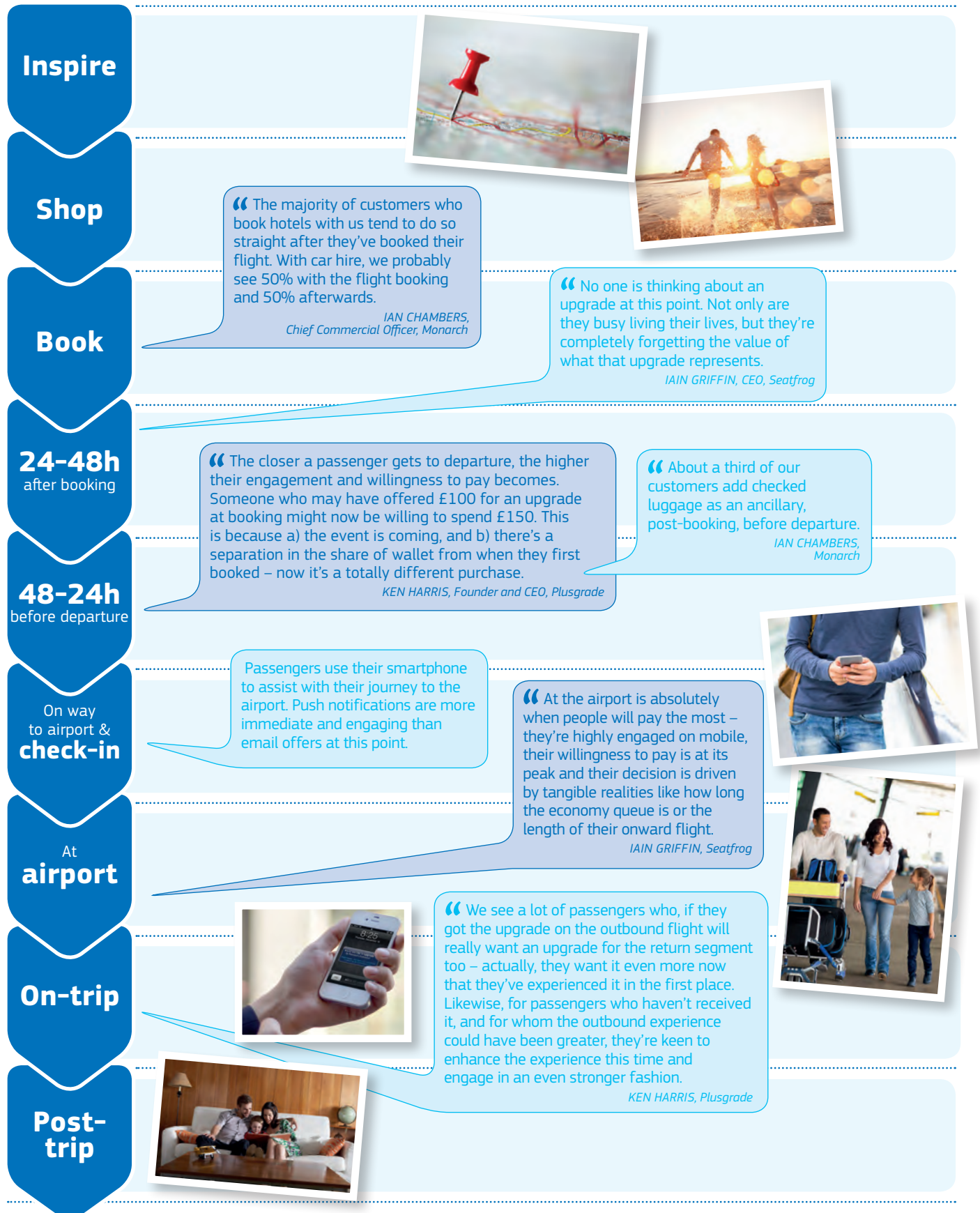
39% Friends or family

39% Review website

14% Travel agent

8% Social media

Identifying upsell opportunities

Customers' attitude to ancillary purchases during the travel cycle

Inspire

Shop

Book

24–48h
after booking

48–24h
before departure

On way
to airport &
check-in

At
airport

On-trip

Post-trip

> The majority of customers who book hotels with us tend to do so straight after they've booked their flight. With car hire, we probably see 50% with the flight booking and 50% afterwards.
>
> *IAN CHAMBERS,*
> *Chief Commercial Officer, Monarch*

> No one is thinking about an upgrade at this point. Not only are they busy living their lives, but they're completely forgetting the value of what that upgrade represents.
>
> *IAIN GRIFFIN, CEO, Seatfrog*

> The closer a passenger gets to departure, the higher their engagement and willingness to pay becomes. Someone who may have offered £100 for an upgrade at booking might now be willing to spend £150. This is because a) the event is coming, and b) there's a separation in the share of wallet from when they first booked – now it's a totally different purchase.
>
> *KEN HARRIS, Founder and CEO, Plusgrade*

> About a third of our customers add checked luggage as an ancillary, post-booking, before departure.
>
> *IAN CHAMBERS,*
> *Monarch*

> Passengers use their smartphone to assist with their journey to the airport. Push notifications are more immediate and engaging than email offers at this point.

> At the airport is absolutely when people will pay the most – they're highly engaged on mobile, their willingness to pay is at its peak and their decision is driven by tangible realities like how long the economy queue is or the length of their onward flight.
>
> *IAIN GRIFFIN, Seatfrog*

> We see a lot of passengers who, if they got the upgrade on the outbound flight will really want an upgrade for the return segment too – actually, they want it even more now that they've experienced it in the first place. Likewise, for passengers who haven't received it, and for whom the outbound experience could have been greater, they're keen to enhance the experience this time and engage in an even stronger fashion.
>
> *KEN HARRIS, Plusgrade*

The changing face of loyalty in travel

The value of loyalty programmes endures. Two-thirds of travellers belong to at least one loyalty programme, and brands across all industries are adapting their programmes to increase membership – reflecting their significant role in capturing and engaging with customers.

According to The Future of Loyalty in Retail report from Collinson Latitude:

- **40%** of passengers picked their airport based on the airport loyalty programme

- When choosing an airport, **Generation X (44%)** and **Millennials (41%)** are much more influenced by airport loyalty programmes than **Baby Boomers (31%)**

- **40%** of travel loyalty programme members would tell friends and family about a programme following a positive redemption experience

How are travel brands responding to the changing face of loyalty?

"All brands are realising that they need to invest in a wide range of tactics to ensure they keep existing clients loyal, as well as bring new ones into the fold," reads a 2016 report from Crowd Twist called 'The Loyalty Evolution'.

The research suggests the importance of multichannel loyalty programmes. Of the 230 brands surveyed from a range of industries as part of the report, only 17% had multichannel programmes. However, of that 17%, almost nine out of 10 rated their loyalty schemes as successful.

"Vendors or partners can help brands navigate through the process to overcome technology challenges and integrate multichannel loyalty data solutions," the report reads. "This strategy can help brands …integrate disparate data to form a holistic, data-centric view of their customers."

Airlines also have to appeal to two types of brand loyalists – travellers who continue to choose them time after time, and those who believe themselves to be loyal, but who are actually susceptible to being swayed by another brand that appeals to their values.

Travel brands are responding to this pattern of behaviour by redesigning their loyalty programmes in the following ways:

- moving to spend-based schemes

- integrating with retail brands

- pooling loyalty points

- preventing points from expiring

- making it easier to spend and manage points (especially when passengers join multiple schemes)

Overall, we're seeing loyalty schemes becoming more flexible, with fewer barriers to redeeming.

A significant trend among travel brands is the change allowing less-frequent customers to complete redemption cycles – for components other than upgrades and flights.

CASE STUDY: HILTON HONORS BOOSTS FLEXIBLE BENEFITS

Last year Hilton made changes to its Hilton Honors loyalty programme, including offering free Wi-Fi for members.

"Elite travellers told us they wanted more flexibility, more choices and more variety, while less-frequent travellers told us to enable more immediate gratification and more useful benefits earlier on in the process," says **Mark Weinstein, Senior Vice President and Global Head of**

Some truths about top-tier airline loyalty scheme members

- They are not solely seeking upgrades (although these are extremely valuable)

- Components such as priority check-in, extra luggage allowance and the feeling of being looked after well during disruption are all important incentives to remain members

- Some feel that their loyalty could be better reciprocated

- For many, the most valuable aspect of their loyalty programme is the option to earn points via credit card spend

- If any changes are made to their preferred loyalty programme, top-tier members appreciate them being communicated clearly, without having to research what the changes will mean for them

Insights from 80 delegates at Connections Luxury in India (May 2017)

Customer Engagement, Loyalty and Partnerships at Hilton.

Following these changes, the Hilton Honors programme grew by nine million members in 2016 – with more members joining by Q3 than throughout the whole of 2015.

More recently, the hotel group added yet more flexible benefits, including the option for members to pool points to redeem stays, and an option that allows them to choose the balance between spending their points versus cash to redeem a stay.

Offering more options to complete the redemption cycle helps build brand loyalty.

Based on an interview with MARK WEINSTEIN

Collaboration, flexibility and building brand affinity

Collaboration with external partners – including fellow airlines – and fluidity in ways to earn points will increase the relevance of loyalty schemes to more airline customers.

"One of the driving trends that we're focusing on is facilitating partnerships between airline frequent-flyer schemes and those of other industries," says Christopher Barnard, Co-founder, President and Director at Points.com.

"We're finding that many of the largest retail brands want to find ways to create partnerships with more than one airline loyalty programme, in order to offer their customer more choice. It's a really key way to give value to the partner brand, but also a tonne of value to the customer.

"The flexibility of choosing which programme to earn within is seen as a significant benefit by consumers."

Loyalty programmes have a huge part to play in the data capture that will allow the aviation industry to hone its digital marketing strategies, and to understand travellers more on an individual level.

The role loyalty schemes play in customer retention is also important. According to research by Econsultancy, 82% of companies agree that customer retention is cheaper to execute than acquisition.

Airline loyalty schemes have the potential to be a key tool in building the brand

> "One of the trends that we're focusing on is facilitating partnerships between airline frequent-flyer schemes and those of other industries
>
> *CHRISTOPHER BARNARD, Co-founder, President and Director, Points.com*

affinity with customers that the aviation industry is increasingly seeking to achieve. The opportunity they bring to offer enhancements to product, service and convenience, and better tailor the offering to consumers' values, is yet another crucial part they have to play in moment marketing.

If airlines continue to find creative and intuitive ways to make points mean something to each of their customers, then loyalty schemes – and their potential for accumulating useful consumer data – will become even more valuable for both the consumer and the airline in an increasingly digital world.

Similarly, members can apply for a physical version of the card, which works in the same way, and can be used at cinemas, restaurants and boutiques.

Finally, Etihad Guest has started partnering with brands to embed an Etihad Guest PointsPay Checkout button in their online payment processes.

Members shopping with these brands click on the button to log in with their Etihad Guest programme details and pay with a combination of miles and cash.

CASE STUDY: AIR CANADA TO REPLACE LOYALTY SCHEME

Air Canada is replacing its current loyalty programme with the aim of offering "additional earning and redemption opportunities, more personalised service and a better digital experience for Air Canada customers".

The carrier spun off its Aeroplan programme over 10 years ago, with the standalone marketing and loyalty analytics company – subsequently renamed Aimia – continuing to provide the programme for Air Canada customers.

This agreement expires in 2020, at which point the airline will launch its own scheme. The airline recognises how loyalty programmes have evolved beyond mere transactional rewards, to the point where they are invaluable for customer data capture, and for emotionally connecting with customers.

"The ability to have the loyalty programme in-house, we think will allow us to have a closer relationship with customers and provide them with a more personalised service that can only come from having the data and control in-house," says **Mark Nasr, Managing Director of e-Commerce, Loyalty Programmes and Ancillary Revenue, Air Canada.**

"Our current programme is not just an airline programme, it's designed around a coalition of retailers and, as such, it serves a very disparate set of consumers.

"[Our new programme] will mean that those who really want to engage with the airline and its travel and bank partners should be getting a better, more rewarding experience than they get today."

Based on an interview with MARK NASR

CASE STUDY: ETIHAD GUEST GIVES MORE WAYS TO SPEND

Etihad's loyalty programme, Etihad Guest, has introduced inventive ways for customers to spend their miles.

The airline launched a slider for its Etihad Guest Reward Shop. This allows members to select how they'd like to divide their payment method between redeeming miles and spending cash.

The PointsPay Etihad Guest Reward Card allows for Etihad Guest miles to be uploaded to a Virtual Visa Card, which can be used for any online retailer that accepts Visa. Etihad Guest members can use the platform to spend their miles on a wide variety of brands.

"The only way to predict the future is to have power to shape the future"

ERIC HOFFER, American philosopher

The Fourth Industrial Revolution

Digital tools, automated services and data-driven decisions – these are the theoretical building blocks of the Fourth Industrial Revolution. The gap between businesses that are embracing the changes this era will bring and those that are failing to innovate will soon become apparent. It means businesses need to speed up, put data in the driving seat and find new ways to become even more connected to customers.

What will the future look like?

- The digital remastering of global businesses

- Fully interconnected systems – both customer-facing and back-end – that enable 'feedback loops' between brands and consumers

- Artificially intelligent workforces interpreting consumers' behaviour by monitoring their online worlds and identifying the best opportunities to serve them

The Fourth Industrial Revolution means investing in digital solutions and infrastructure, and encouraging a cultural makeover for companies, and even industries.

But this seismic, technology-driven shift also augments the potential for more empathetic relationships between brands and consumers. Companies have never had such access to the brains and feelings of their customers.

"I think [air travel sales] are going to creep into Instagram and WhatsApp," says Michael Bayle, Head of Mobile, Amadeus IT Group.

"We are beginning to see experiments where these channels become a portal for purchasing travel. If you look at the phenomena of filters and accessories available with these social media platforms, their creativity tools are playful.

> **"**
>
> Contextual commerce will enable consumers to buy at the point of discovery – in an email, a Pinterest page or an app – rather than clicking through to an online shop
>
> *SPOKESPERSON, PayPal*

"When you visit an airline website currently, it's not a playful experience. But we'll get to a point where it is, and when you playfully interact with an airline, there's real potential."

The rewards are there to be reaped by those who are willing to embrace the challenge, make brave changes to how they engage with their customers, and have faith in the power of technology to augment our potential as human beings.

In doing so, companies will make some game-changing discoveries about how to increase the relevance of their product to consumers.

A PLEA FROM A MILLENNIAL: 'SPEAK OUR LANGUAGE'

"Airlines can market themselves better to millennials by helping us connect the dots. Today, our trips are pretty much fragmented.

"Make my life easier. Give me some information when I arrive at the airport. If I have a layover of several hours, get in touch with me and send me an offer for lounge access, for example.

"Recognise me, keep in touch with me, create touchpoints. Don't forget about me after the trip. And value my opinion, because we millennials share a lot of content online. We take selfies, we share our experiences.

"During or after my trip, if I tag the airlines, it could be something as simple as a 'like' on my Instagram or Facebook post. Say 'Have a good flight' and ask 'How did we do?'

"Stop sending emails – we don't really read them. Just send us a smartphone notification. Speak our language – a simple thumbs up, thumbs down, or star rating are likely to result in a better engagement. We'll answer because it's instant, it's easy and we have smartphones in our hands all the time. And gamify it, so that we find value in providing feedback."

*AURELIE KRAU, Consultant,
Festive Road (and millennial traveller)*

What does the Fourth Industrial Revolution

The race is on for aggregators of multiple travel services to build solutions to meet consumers' evolving needs.

During the Fourth Industrial Revolution, more information than ever will reach the consumer, making the complexity of choice even more of an obstacle in their decision-making process.

Customers will only tolerate brands that present them with a relevant, speedy user experience, and will turn away from brands that don't. In fact, certain consumers will be ready to shift to whichever brand shows that they are best able to serve them – right at that moment.

From an airline's perspective, as well as catering for their customers in the best possible way, and upholding the principles of moment marketing, they also need to factor in the real-time influences on their offering.

In order to dynamically shape the offer presented to customers, airlines need to be able to connect the parts.

Christophe Bousquet, Senior Vice President of Airlines R&D at Amadeus IT Group, says: "The world is getting connected and we leverage integration with many touchpoints throughout the travel ecosystem to provide the right service, at the right time, through the right channel.

"To support this, Amadeus is building the platforms that will allow the streamlining

> " Amadeus is building the platforms that will allow the streamlining of every travel micro-moment, from inspiration to post-trip, helping airlines to increase revenues, build loyalty and improve retention
>
> *CHRISTOPHE BOUSQUET,*
> *Senior Vice President of Airlines R&D,*
> *Amadeus IT Group*

of every travel micro-moment, from inspiration to post-trip, helping airlines to increase revenues, build loyalty and improve retention.

"As an IT partner, Amadeus offers solutions that collect and analyse travel data, generating real-time insights to apply this knowledge (eg preferences, customer value, propensity to buy a service) into servicing, merchandising and retailing environments.

"It will allow airlines to personalise every interaction they may have with all customers, while respecting privacy regulations."
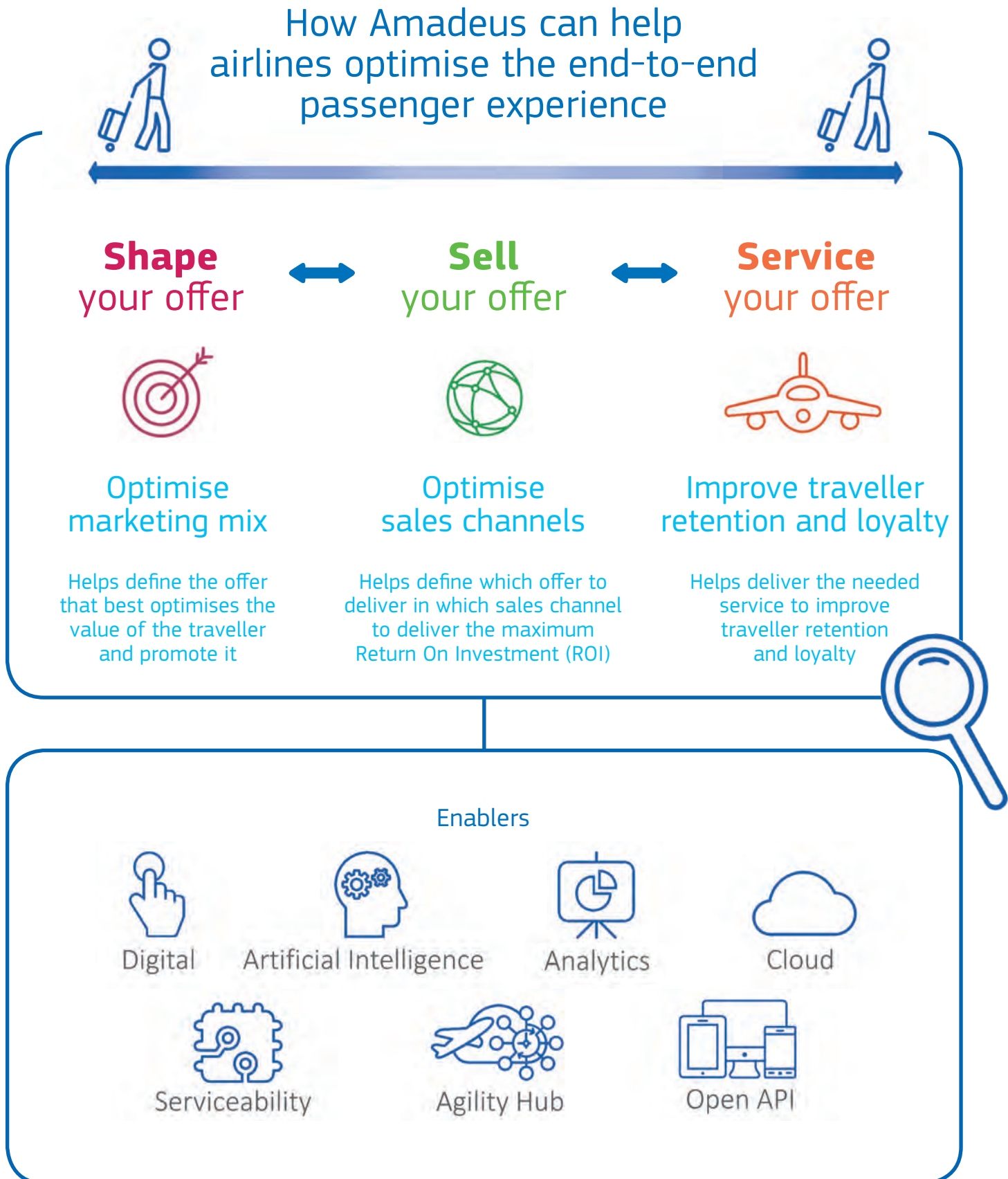
Technology is the enabler of this process, but it's worth remembering that airlines are in control. Technology is here to serve the airline's purpose by collating data about inventory, customer demand and other external influences, and using this to shape the offer presented to customers.

In addition, the technology needs to simplify the offer as much as possible. This will capture the attention of consumers suffering from information overload, and present a much-needed clear path to purchase.

The Fourth Industrial Revolution is all about deploying machine learning to do just this.

mean for airlines?

How Amadeus can help airlines optimise the end-to-end passenger experience

Shape your offer

Optimise marketing mix

Helps define the offer that best optimises the value of the traveller and promote it

Sell your offer

Optimise sales channels

Helps define which offer to deliver in which sales channel to deliver the maximum Return On Investment (ROI)

Service your offer

Improve traveller retention and loyalty

Helps deliver the needed service to improve traveller retention and loyalty

Enablers

Digital

Artificial Intelligence

Analytics

Cloud

Serviceability

Agility Hub

Open API

Conclusion

This paper has sought to explore the landscape of the Fourth Industrial Revolution, and propose how it will affect the way that airlines understand and market to their customers.

The ability of new technologies to aggregate customer data, combined with a constantly connected consumer base, provides incredible potential.

It augments our ability as an industry to get closer to airline customers and understand their values, while the growing sophistication of machine-learning technologies means we will be better able to anticipate their future behaviour.

Brands that are concerned about the relevance of their product to their consumers need to take note.

Brand loyalty is still there to be gained but the terrain has changed. An omni-channel approach is essential for demonstrating brand consistency – from an airline's website through to the face-to-face service of its crew – to loyal customers.

At the same time, in order to secure customer loyalty from new digital customers, airlines need to meet these customers 'where they're at'. An active, flexible, and real-time approach to shaping offers will grab the attention of new consumers, and build brand affinity to them.

As ever, it's about achieving a balance. It's about creating a feedback loop that is constantly gathering data – from both the traveller and the airline – constantly learning and constantly refining the process, so that as an industry, we can move forward with everyone's best interests at heart.

THE FUTURE: COLLABORATION IS KEY TO AMADEUS SOLUTIONS

"At Amadeus, this active, flexible and real-time approach is something we've been developing via our platforms for some time. We've collaborated with external technology partners to create an ecosystem for understanding and serving customers in the digital age.

"Similarly, we've learnt a lot by talking to our airline partners, finding out what they need technology to do for them, and finding solutions that fuse the two things: the ability to present the customer with a valuable offer, while simultaneously respecting the fluctuating product supply and pressures placed upon our partners."

CHRISTOPHE BOUSQUET,
Senior Vice President of Airlines R&D,
Amadeus IT Group

Find out more

For further information, visit
amadeus.com/Airline-Digital-Transformation
or speak to your Amadeus Account Manager today

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