A CONNECTED ENTERPRISE IN THE SKY

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Abstract

Even at the best of times, the airline industry is one of the toughest sectors to operate in, and today's economic climate has made their business even tougher. Faced with rapidly rising costs and fickle consumer loyalty, airlines are forced to look for newer revenue models and customer engagement paradigms.

The proliferation of mobile devices offers airlines a perfect opportunity to address both these needs.

This paper looks at some of the approaches airlines can take to address these opportunities and challenges.

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The airline industry today

The airline business, even in the best of times is a difficult one to manage. Not only is it capital-intensive, it also suffers from excessive regulations, and in many cases, heavy competition. In the last ten years alone, six of the biggest US-based airlines and innumerable others across the world have filed for bankruptcy protection.

The rise of ancillary revenue

Faced with rapidly increasing costs and challenging economic conditions, airline companies worldwide have started stacking multiple `fees' and charges to the tickets, to raise ancillary revenues.

Combined with these fees and various other commercial activities, global airlines grossed US$23 billion in 2011, in ancillary revenue – a 66% jump over 2009.

Increased ancillary revenue, but at what cost?

Faced with increasing operating costs, airlines today have stacked multiple fees on to the ticket prices, much to the chagrin of the customers. Today, it is not uncommon to find additional fees for check-in luggage, seat selection, and even using a different credit card than the ones preferred by the airline.

All these changes, while adding to the top-line (and bottom-line), have had an adverse impact on customer loyalty and satisfaction. According to the American Consumer Satisfaction Index (ACSI), a survey of 70,000 Americans puts airlines at the bottom of all industries in terms of customer satisfaction – even lower than the federal government. The full-service airlines were the worst of the lot.

Technology – the new face of opportunity

The current low levels of customer satisfaction are clearly unsustainable for airlines, as switching costs for the customers are minimal.

At the same time, without the newfound revenue streams, their business becomes completely unviable. In short, they need to look for solutions to improve and better their customer engagement, as well as find other, less irritating revenue streams.

The rise of mobile technologies, specifically the smartphone and tablet proliferation offers such an opportunity to the airlines. The ubiquitous and personal nature of these devices allows airlines to personalize their interactions with the customers so as to better engage with them, and also to create a positive association with the airline.

So what can airlines do?

To improve customer service, airlines can take the help of technology. Broadly, they can –

- Engage with travelers to create positive memories and to increase the probability of the customers traveling with them again

- Enable the roles that face the customers, such as flight attendants and cabin crew, to provide better and personalized customer service

- While doing this, the airlines can look towards creating alternate revenue streams so that they don't appear to `nickel and dime' their customers.

Mobile – the savior?

The near-universal proliferation of mobile devices, specifically smartphones and tablets, gives airlines a new opportunity to personalize their engagement with their customers, while optimizing their operations and creating new revenue streams.

The combination of personalization and context data provided by the mobile devices can help airline companies create specific and unique experiences. All this can make their customers spend additional dollars and associate positive experiences of the time spent with the airline.

Some of the mobile-specific initiatives that airline companies can consider include –

- Creating mobile-based revenue channels

- Enhancing the entire travel experience

- Mobile marketing

- Enhancing cabin crew productivity

- Automating operations using mobile data

Creating mobile-based revenue channels

A mobile device is something that is carried by a customer from the time of booking her or his ticket, right up to the completion of journey. This gives airlines the opportunity to use this channel to generate ancillary revenue.

Today most large airlines have some form of basic mobile presence. However, the next step of the journey is to have a comprehensive set of mobile self-service applications. These apps can have built-in commerce capabilities to drive additional revenue.

An iPhone / iPad or Android app would be the next logical step to effectively connect with customers. It can be easier for the airline to push promotions and coupons via these apps and generate additional revenue, making the airline app the center of their interaction with customers. The airlines can then integrate more capabilities into it such as loyalty programs, partner offers such as car rentals, and hotel bookings, while other analytics can be leveraged to create a personalized experience for travelers.

From a mobile commerce standpoint, the flight crew is perhaps best positioned to champion in-flight sales.

For example, American Airlines owns 33,000 tablets, which is one of the largest corporate deployments of its kind. Their idea was to provide each flight attendant with a device so that they can have instant access to the latest flight information and other key customer information. With the introduction of smartphones / tablets, the flight crew has all the apps in their enterprise device – scheduling, point of sale, transaction, training, and flight manual information, among others.

In place of plain old brochures, airlines can look at creating rich interactive brochures and product guides, to help them sell additional products in-flight. These can be deployed on the tablets carried by the airline staff, to generate additional revenue.

Enhancing the entire travel experience

The most valued customers of airlines are often the most difficult to please. They are usually the full-fare paying business travelers who are heading to or from an important meeting. In addition, airlines also have various frequent flyers with different tiers of membership. Now imagine one such gold / platinum traveler who is unhappy because of not getting an upgrade in a flight. How can airlines turn this potentially customer-losing situation into a win-win situation?

If as part of the check-in routine, the flight attendant can get information about seat numbers of all the preferred customers, they can take extra care of them during the flight; such as offering them a complementary drink and a discount in the in-flight shop. Other such examples could be providing such customers with tailored services like booking a rental car, escorting them to the destination gate or a connecting flight, etc. One can think of multiple such use-cases; the key to this lies in having accurate information about the customer. Since most airlines are now issuing tablets to their flight attendants, this could become a logical next step.

From a technology standpoint; this will need deeper integration of the mobility application with the CRM, coupon system, payment services, etc.

Strengthening their brand

Today, almost all airlines are competing in a race for a suite of mobile applications developed for their customers. This, in their view, is the best way to demonstrate value to their customers. For example, Delta Airlines has linked a few restaurants in Minneapolis' St. Paul International Airport and New York's LaGuardia Airport with an iPad app. Customers can order meals through an intuitive and interactive visual menu. The food is then prepared fresh and served in 15 minutes or less. All this goes a long way in associating positive experiences with the Delta brand.

Other such examples could be linking up with local tour operators to help tourists experience the best of the place.

Implementing this will need much deeper integration with the merchants point of sale systems, the airline's loyalty system, etc.

Flexibility in operations

For a business traveler, what he or she craves the most is flexibility. Flexibility can be in many ways – including schedules and payment mechanisms among others.

Mobile devices can play a key role in supporting such flexibility in operations; functions like real-time inventory tracking of items in the aircraft using a mobile device and mobile payment mechanisms can be implemented using a mobile device. To achieve this, integration with back-office systems is important.

Conclusion

The next generation of airline wars will be fought for customers. Thus, it is imperative for airlines to start engaging with their customers. Mobile devices can play a key role here.

Airline companies will need to take an end-to-end view, to set up a parallel and connected enterprise for the sky.

It is important for them to design their mobile strategy in such a way that it is highly customizable and extensible to address all the complex use cases. It is also important to build the systems that are very closely integrated with the CRM, coupon systems, and payment services among others, to add true value to the customer. Other factors that need to be

considered, include but are not limited to PCI compliance, encryption of the data on the devices, and multi-device platform support as a part of their mobile strategy.

Our view is that a well-thought-through mobile strategy will enable airline companies to differentiate themselves meaningfully from the competition.
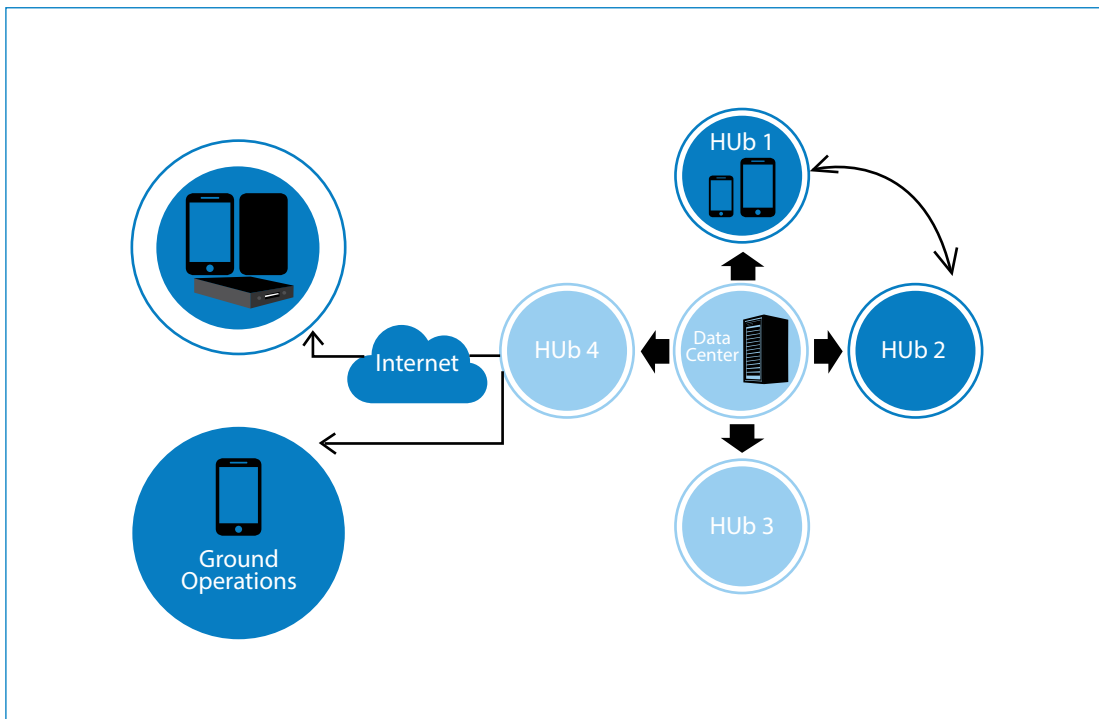
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Manoj Narayan is an Associate Vice President with the Infosys Digital Practice. He is responsible for providing digital transformation services for industry verticals – insurance, healthcare, and life sciences clients. This includes digital services across three key areas – consumer experience, improving and simplifying enterprise processes, and collaborating better through the world of connected devices.

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