



# Airline Merchandising/Retailing

A Discussion



# Our Panel

- Shelly Terry, Sabre Travel Network
  - Malachi Faughnan, Datalex
  - Cindy Falschlehner, HP Enterprise Services
  - Paul Byrne, OpenJaw Technologies
- 
- Compere: Timothy O'Neil-Dunne, T2Impact Ltd.



# Unbundling vs Merchandising



"It's part of our new beverage plan. We offer free, unlimited coffee, but it costs \$75 to use the restrooms."

# The Difference between Unbundling and Merchandising

## Yes

- True Merchandising
- Are Airline Retailers? (finally)
- What do we need to do?
- Commercial Issues
- Context/Personalization
- Tools/Options

## No

- Avoiding Unbundling discussion
- Politics Of Distribution
- Passenger Rights



# I wonder if you can guess who this is?



# Surprised? I was...

BRITISH AIRWAYS Manage My Booking

> Home

Where you sit... can make all the difference

Seats for booking 6N6JBA  
Chhatrapati Shivaji Intl (Mumbai) - Heathrow (London)  
BA0138, 02:30 Wed 25 May 2011, Club World

Passengers	Seat information
Mr Timothy Oneildunne	✓ 12K - Confirmed

Flight duration 09hrs 30mins [View or change seats for this flight](#)

**Seating information**

- > View our seating policy
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# Hello Are We On?

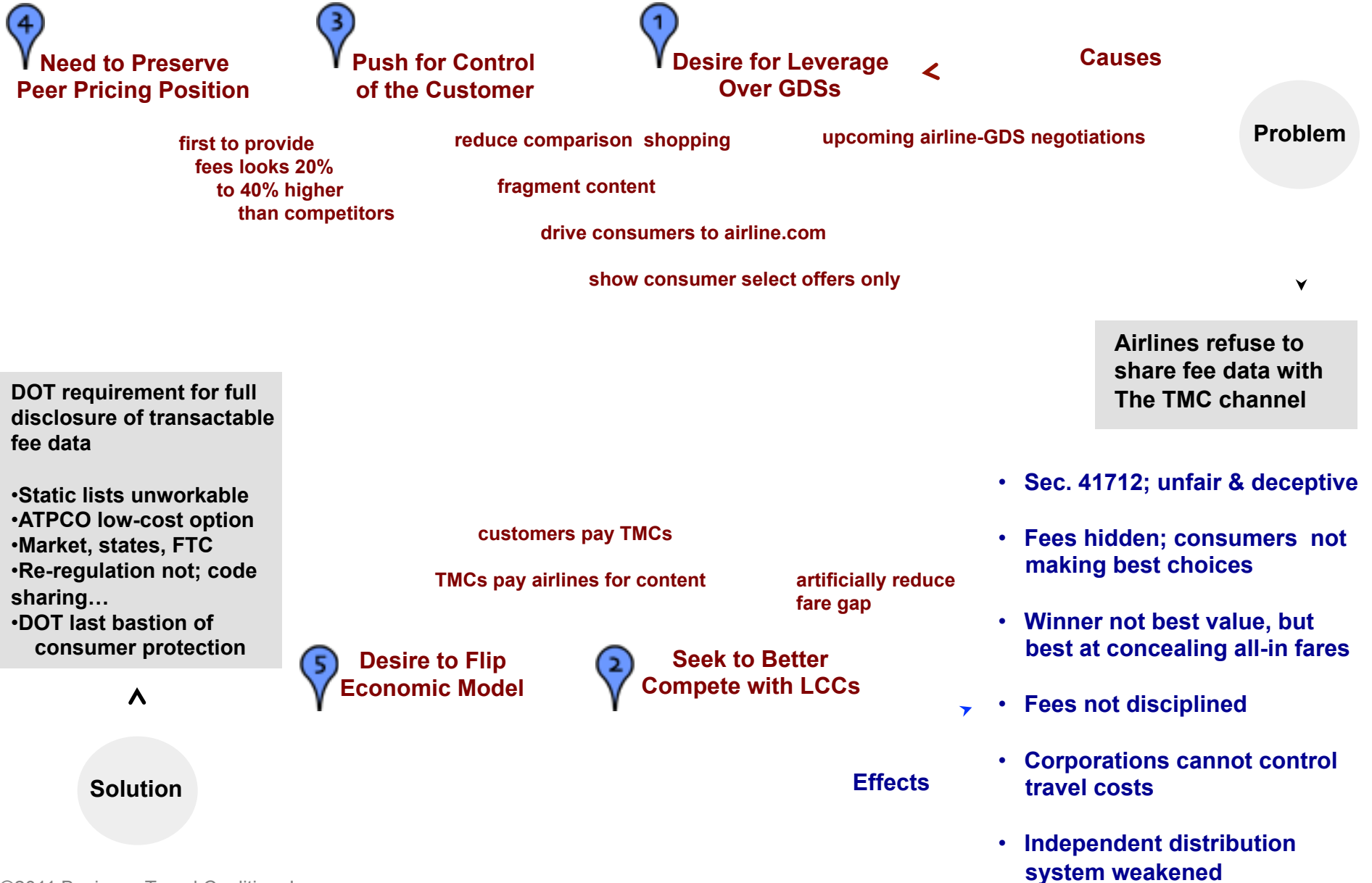


# How Big?

## Top 10 Airlines – Total Ancillary Revenue

Annual Results – 2009		Annual Results – 2008	
€1,527,310,000	United	€1,650,000,000	American
€1,507,750,000	American	€1,200,000,000	United
€1,117,120,500	Delta	€1,125,000,000	Delta
€782,903,000	Qantas	€625,350,240	Ryanair
€663,600,000	Ryanair	€458,622,000	Qantas
€608,796,693	easyJet	€396,468,000	easyJet
€540,589,500	US Airways	€262,500,000	JetBlue
€534,143,000	Air Canada	€207,298,140	Emirates
€368,869,000	Alaska Airlines	€184,888,900	TAM Airlines

# Solution < Causes < Effects < Problem < AIRLINE FEES ANALYSIS



# Integrated Graphics

The screenshot displays the LUTE CommandPRO interface. The main window shows flight availability for the route MIA-BOS on Sunday, June 5th, 2005. The flight details are as follows:

Flight	Class	Origin	Destination	Time	Day	Time	Time	Time	Time	Time
1 AAD452	F7 A7 P7 Y7 B7 H7 K7 /MIA	BOS	B	0700	1015	E0/757	03:15	SRC:AA		
2 AA2036	F7 A7 P7 Y7 B7 H7 K7 /MIA	BOS	B	1035	1345	E0/757	03:10	SRC:AA		
3 AAD840	F7 A7 P7 Y7 B7 H7 K7 /MIA	BOS	B	1305	1620	E0/757	03:15	SRC:AA		
4 AA1926	F7 A7 P7 Y7 B7 H7 K7 /MIA	BOS	B	1535	1845	E0/757	03:10	SRC:AA		
5 AA2536	F7 A7 P6 Y7 B7 H7 K7 /MIA	BOS	B	1725	2030	E0/757	03:05	SRC:AA		
6 AA1812	F7 A7 P7 Y7 B7 H7 K7 /MIA	BOS	B	1910	2215	E0/757	03:05	SRC:AA		
7 AA1640	F7 A7 P7 Y7 B7 H7 K7 /MIA	BOS	B	2040	2350	E0/757	03:10	SRC:AA		

The user has selected flight AA2536. The seat optimization window is open, showing a 757 (Boeing 757 -Passenger-) - Economy Class cabin layout. The layout is a 7x36 grid with rows A-F and columns 9-36. The seats are color-coded: Available (light blue), Occupied (dark blue), Selected (orange), Restricted (grey), Preferential (yellow), and Premium (green). The user has selected seat 17E. The seat optimization preferences are as follows:

Category	Preference
Premiums	Decline
Row Location	Exit
Row Position	Aisle
Cabin Front/Back	Front
Cabin Left/Right	Right
Power Port	Request

The user can drag to arrange preferences in order of importance. The window includes 'Submit' and 'Cancel' buttons.

# Next Gen Merchandising Tools

**CommandPro**

Desktop Jetlets Preferences

Calendar

May 2011

May

S	M	T	W	T	F	S
24	25	26	27	28	29	30
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

**Seats**

MIA-BOS AA 2536

Available Occupied Selected Restricted Preferential Premium Exit

757 (Boeing 757-Passenger-) - Economy Class

9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36

F F

E E

D D

C C

B B

A A

9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36

**18D: Aisle seat on Exit row**

- Preferential
- Priority seat
- Power port

Traveler	Seat	Info
<input checked="" type="checkbox"/>	TIMOTHY TEST	

Submit Cancel

FLXA

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# Enhancements at Point Of Sale

Seat Optimization - MR MICHAEL ZUMDIECK

	Most Important	Very Important	Important	Less Important	Nice To Have
Premiums Decline	Row Location Exit	Power P Request	Drag Me ition	Cabin Front/Back Front	Cabin Left/Right Right

Drag to arrange preferences in order of importance.

# Let The Customer Decide

Seat Optimization - MR MICHAEL ZUMDIECK

	Most Important	Very Important	Important	Less Important	Nice To Have
Premiums	Row Location	Cabin Front/Back	Power Port	Cabin Left/Right	Row Position
Decline	Exit	Front	Request	Right	Aisle
Decline	Exit	Front	Request	Right	Aisle
Accept	Bulkhead	Back	Request	Left	Window
		Over Wing		Right	
				Center	

# Recap in any form

Itinerary

Booked

Flights

<input type="checkbox"/>	Flight	Class	Cities	Depart	Arrive
<input checked="" type="checkbox"/>	<a href="#">2536</a>	Q	MIA - BOS	TUE 10MAY 05:25 PM	08:30 PM
RUSS KNAP		MR MICHAEL ZUMDIECK			
▪ Seat: 34E, Status: Confirmed		▪ Seat: 32E, Status: Confirmed			
▪ Seat Optimization		▪ Seat Optimization			
▪ Flight Status Notification		▪ Flight Status Notification			
<input type="checkbox"/>	<a href="#">1939</a>	Q			09:00 PM

APIS, SSR, and OSI

Status: Searching  
Date & Time: 2011-04-21 01:32 PM  
Premiums: Decline  
Preferences:  
Exit  
Front  
Request Power Port  
Right  
Aisle



Thank you!

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[www.tnooz.com](http://www.tnooz.com)



# Sabre

- In the world of true merchandising where airlines seek to create and offer “custom” offers for specific travelers – potentially bundling hotel, car, insurance, etc. into the offer – how does this fit w/ the role of the travel agency who also has a direct relationship with the customer and who seeks to meet their total travel needs?
- How do we reconcile what seem to be two opposing forces: airlines’ desire to provide “custom” offers and consumers’ desire for “transparency and comparison”
- In the world of managed business travel, how do airline merchandising and “custom” offers co-exist with corporate travel best practices around:
  - Airline RFP’s/contract management and optimization
  - Travel policy definition and enforcement
  - Expense management and employee reimbursement
  - Fraud/waste/abuse (auditing and preventing)

# HP

- The concept of "connected" (aka in the know) is exploding - look at the penetration of mobile devices in emerging markets today, those devices going smart, and the shift in who is the buying public (slides 8, 18)
- 
- The amount of information people willingly place in the public domain has dramatically changed what we can "know" about a person (slide 15)
- 
- Localization and identification driven by the evolution of devices expands the opportunity to situationally know a person (24, though this is airport focused right now)
- 
- All of this is not unique to airlines and btw airlines are significantly behind the curve (slide 20)

# Datalex

- Commercial issues
  - What are the tax implications on ancillary components where the tax take on fares is reducing as ancillaries are unbundled
  - Are the airlines willing to pay commission on ancillary components? – especially for our non US and European members
  - Merchandizing offers the airlines the ability to return to profit by changing the point of attack away from the lowest fare – of which there can only be one
- 
- Unbundling of Air
  - Unbundling of bags, seats and lounge access are now commodity items and fully supported by the ATPCO optional services
  - Why have many of the US carriers held back on Resolution 302 and what impact with this have on the ATPCO standards around bags?
  - How does an airline differentiate outside of these commodity items
    - Fare lock - CO
    - Charge for carrier-on - NK
    - Discount for not taking a bag - JK
    - Bundles of un-bundled (yes I know)
    -
- Real Merchandizing
  - Merchandizing should equate to Retailing for an airline – learn from best practice online retailers
  - Not just about “offering the right product to the right person at the right time” – but more “optimizing the offer of the right products to the right persona at the right time” – we call this “Persona-lization”
  - Not only should you not offer something already included in the customer fare, but listen to what the customer is telling you or what you know about them – Persona, Profile, History
  - What about t-shirts, pens, books etc – will airlines compete in this space and more importantly do their customers want these products?
  - The airline must own the customer to fully realize the merchandizing opportunity
  - Can the airlines wait for the GDSs to define the products the airlines can sell to THEIR customers – standards bodies like Open Travel facilitate innovation not just standardization

# OpenJaw

- Unbundled air ancillary revenue for 2010 totalled \$22.6 bn. Is capturing this revenue really 'true' incremental revenue? Or is it capturing the revenue lost when fares were unbundled and lowered through margin erosion?
- Battle between airlines and OTAs is more than about lowering distribution costs; it is about taking control of the customer relationship.
- For airlines to become true online retailers, they must not only sell third party ancillaries, but they must integrate the content into the booking flow, to maximize cross sell opportunities. This requires a technology solution that can work seamlessly.
- The use of White label and consolidators presents challenges in personalization/merchandizing. A fully integrated solution is the optimal choice.
- Goal is to offer the right product to the right customer at the right price and at the right time, ensuring the products offered are relevant. Implicit or explicit collection of traveler preferences e.g. as used by Amazon, interests, past purchases, peers, etc, to offer relevant product. Less is more - consumer has too many choices, touchpoints are finite - relevant product is vital to maximize revenue.
- In Europe, consumer behaviour is shifting from static packaging to custom holiday packaging.
- Majority of US airlines outsource vacation packaging (MLT Vacation-UA, DL, CO, Mark Travel-SW, CO and UA in UK). This is disconnected from the airline site and has limited up-sell and cross-sell potential. Knowledge of customer behaviour is lost. Customer behaviour in US is also favouring custom packaging.
- Research shows static package sales remaining static, a reduction in packages sold in travel agents and a shift towards online packaging. Airlines now have an opportunity to shift share away from OTAs.