How do you connect with the connected customer?

Digital wings are imperative for airlines to have a long and sustainable flight.

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The better the question. The better the answer.
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EY

Building a better
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Executive summary

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To break away from only "doing digital," airlines will have to shift from stand-alone innovation hubs to an integrated business transformation, with digitization as the engine of its end-to-end processes.

The growing digital mindset of travelers has far-reaching implications on the airline industry. The following are some of our key observations:

▸ Digital customer engagement is gaining strength as a key differentiating factor across all industries, including airlines. The industry is facing increased disruption due to demands for traveler-centric services and the increased adoption of digital technologies.

▸ A comprehensive view of the customer helps build strong loyalty and maximized ancillary services, propelling revenue growth. With the industry having access to vast reserves of passenger data, adoption of the latest digital capabilities will enable airlines to develop data-driven insights.

▸ Airlines have long been delivering travel experiences to customers with less focus on pre- and post-trip relationships. Digitization will help the industry prioritize customer-centric services throughout the travel lifecycle.

EY Global Airlines Leader Andy Soucheray thinks customers will soon see broader utility in the mobile applications airlines offer. "The initial approach to mobile, regardless of the industry, was to focus on excerpting the most basic activities from the desktop user experience. Now that mobile devices are becoming the more dominant interface, the more practical approach is to ask, 'what do our customers need to accomplish on the go?'" Andy adds, "and for travelers, that can include quite a lot. I think the day will come when the airline apps will become the traveler's main interface that they consult before, during and after their journey."

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1
Demand for traveler-centric services and an increase in digital knowledge

Smartphone penetration and dependence

As millennials establish themselves as primary spenders and smartphone usage becomes more pervasive, the use of desktop computers to book travel is decreasing substantially. Mobile technology is becoming an indispensable part of the travel experience as it shrinks the travel marketplace to a one-stop platform by offering a convenient and omni-channel experience. Airlines should accept mobile technology as a core travel essential − rather than a supplementary device − critical to customer experience.

Customer behavior

73%

The share of passengers who prefer to receive real-time information about baggage and other travel elements via mobile device in 2018[1]

Data-driven hyper-personalization

In line with the rising demand for end-to-end traveler-centric offerings, such as additional products and services (e.g., hotel, insurance and car rental) along with the flight bookings, customers are seeking tailored interactions − for instance, demographic-based flight offers and feasible travel time − at every touchpoint. Consumer data and the ability to convert it into meaningful insights will be a key source of product differentiation. Competing distribution channels, including online travel agencies (OTAs), have long cemented their position in the distribution network by providing transparency and regular interactions. Airlines should prioritize analytics and data-driven insights to offer bespoke services through their direct booking channel. Additionally, airlines should leverage OTA channels through the development and support of new distribution capabilities (NDC) to expand ancillary product offerings.

Customer behavior

43%

Share of passengers preferring to use a travel agency, travel management company or corporate travel department to book their flights in 2018[2]

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[1] "Passengers Want More Information, Automation, Control & Privacy but Human Touch Still Important," *International Air Transport Association*, 2018, © 2018 International Air Transport Association.

[2] "Passengers Want More Information, Automation, Control & Privacy but Human Touch Still Important," *International Air Transport Association*, 2018, © 2018 International Air Transport Association.

Customer behavior

65%

Passengers willing to share additional personal data for seamless journey in 2018[3]

Technology-driven customer engagement

In a fiercely competitive environment, ensuring superior customer engagement has become an imperative for maintaining business sustainability. Today, customers prefer high-quality digital interactions at every touchpoint, and engagement is not limited to the time between take-off and landing, but should also include pre- and post-trip touchpoints. Technologies, such as robotics and automation, virtual reality (VR), blockchain, and cognitive intelligence, could revolutionize customer engagement and offer prompt services and real-time data.

Shared economy and new modes of mobility

New entrants have already created a significant disruption in several industries – particularly in hospitality and transportation – by using new delivery platforms that allow for consumption of underutilized capacity. In order to compete in this "sharing economy," airlines should consider reorganizing or expanding their digital offerings. They can also explore investments in autonomous solutions for efficient last mile delivery for their customers.

Industry forecast

US$42b

Potential value addition from aircraft sharing[4]

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[3] Global Passenger Survey 2018," *International Air Transport Association*, 2018, © 2018 International Air Transport Association.

[4] "Digital Transformation Initiative Aviation, Travel and Tourism Industry," *World Economic Forum*, January 2017, © 2017 World Economic Forum.

2 Adoption of latest digital capabilities to develop data-driven insights

Personalize passenger experience to cultivate loyalty

Customers are increasingly demonstrating low tolerance to travel barriers, yet airlines face the obvious challenge that different customers have different priorities. Data will help identify and promote the best offerings for each type of customers – from those who prioritize low pricing above all else to those who are willing to pay for individualized service. In light of these heightened expectations, airlines should find new ways to provide smart customer experiences in order to build deeper relationships with their passengers.

To build this relationship and improve customer loyalty, airlines should consider the following:

▸ Seamless interaction across device platforms and unobstructed end-to-end travel experiences are critical for customer satisfaction. Airlines should provide a convenient user interface to undertake direct bookings and maximize the customer's ability to use their smartphone and tablet for all travel needs.

▸ Limited rewards earning and redemption opportunities are pain points for frequent fliers. Airlines should consider providing more multichannel opportunities for earning and redeeming loyalty points to reinforce brand image and loyalty. Redemption opportunities should be accessible through smartphones and tablets.

▸ Robust grievance redressal is essential in the service industry. Airlines can leverage existing insights on customer behavior – both online and offline – to improve service quality.

Customer behavior

8%

Passengers using mobile phones for airline booking compared to 77% booking via web portal in 2018[5]

Customer behavior

46%

Loyalty program members of North American airlines having program's mobile app on their phone or tablet as of May 2018[6]

[5] "2019 Passenger IT insights," *Society International Telecommunication For Aeronautics (SITA)*, 2019, © 2019 SITA.

[6] "Confusing Airline Loyalty Programs Have Fewer Satisfied Customers, J.D. Power Finds," J.D. Power, 2018, © 2018 J.D. Power, jdpower.com/business/press-releases/2018-airline-loyalty-program-satisfaction-study.

Utilize touchpoints to maximize ancillary revenue streams

For a long time, airlines have been privy to a repository of passenger data without capitalizing on the full potential of its use. With increased data analytical capabilities, carriers can group clusters of customer data and develop market intelligence to augment its top line.

Airlines can consider the following to leverage passenger data:

▸ Over the course of their journeys, passengers will have multiple instances of sharing their data with their carriers. Airlines can analyze these demographic and transactional data for behavioral insights, enabling them to proactively send customized offers on ancillary services, such as seat upgrades, extra baggage allowances, more food and beverage options, and in-flight retail.

▸ How airlines use the volume of customer data they collect is key to decoding the lifetime value of their passengers. Carriers can monetize advanced passenger information by sharing it with complementary industries, such as shared mobility and hospitality providers, for extending their offerings to include, for instance, co-branded travel.

Industry trend

1,000gb

Average data generated by a transatlantic flight[7]

Industry trend

US$92.9b

Projected revenue from airlines ancillary service in 2018, 312% increase from US$22.6b in 2010[8]

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[7] "Camilla Hodgson and Patti Waldmeir, "How airlines aim to use big data to boost profits," *The Financial Times*, 8 May 2018, © 2018 The Financial Times Limited.

[8] "Ancillary revenues expected to hit $92.9bn," International Air Transport Association, 2018, © 2018 CarTrawler and IdeaWorksCompany, airlines.iata.org/news/ancillary-revenues-expected-to-hit-929.

3
Digitization to help airlines improve customers' digital journey

Airlines have long been delivering overall experiences to customers with little focus on pre- and post-trip relationships. Digitization will help the industry prioritize the delivery of customer-centric services.

Start of a customer's journey

Applications for shorter user sessions, with personalized pricing offers based on insights from behavior-tracking and purchase history

Virtual view for experiential booking from any device along with voice activated search

Artificial intelligence-based customer service that proactively engages and responds during the shop-to-book process

Seamless payment using digital technology

Applications for departure reminders, real-time flight status, traffic updates and transportation booking

Sensors, beacons and augmented reality for airport navigation and location-based promotion

Robotic assistance and in-wallet document scanning accessible through smart wearables

Autonomous bag-drop units for seamless baggage handling and reduced check-in queues

Biometrics, facial recognition systems and robotics for automated "couch-to-gate"* journey; and VR glasses for last-minute seat upgrade at boarding gate

Hyper-personalization of in-flight infotainment using mobile integration, live content streaming and VR

In-flight seatback immigration using biometrics and automated gate pass equipped with facial recognition technology

Track-and-trace solutions, such as radio frequency identification, for real-time baggage tracking

Blockchain for loyalty points redemption across multiple platforms and tokenization of points as virtual currency

*"Couch-to-gate" encompasses elements of customer journey including check-in, bag drop, lounge access, boarding and border processing.

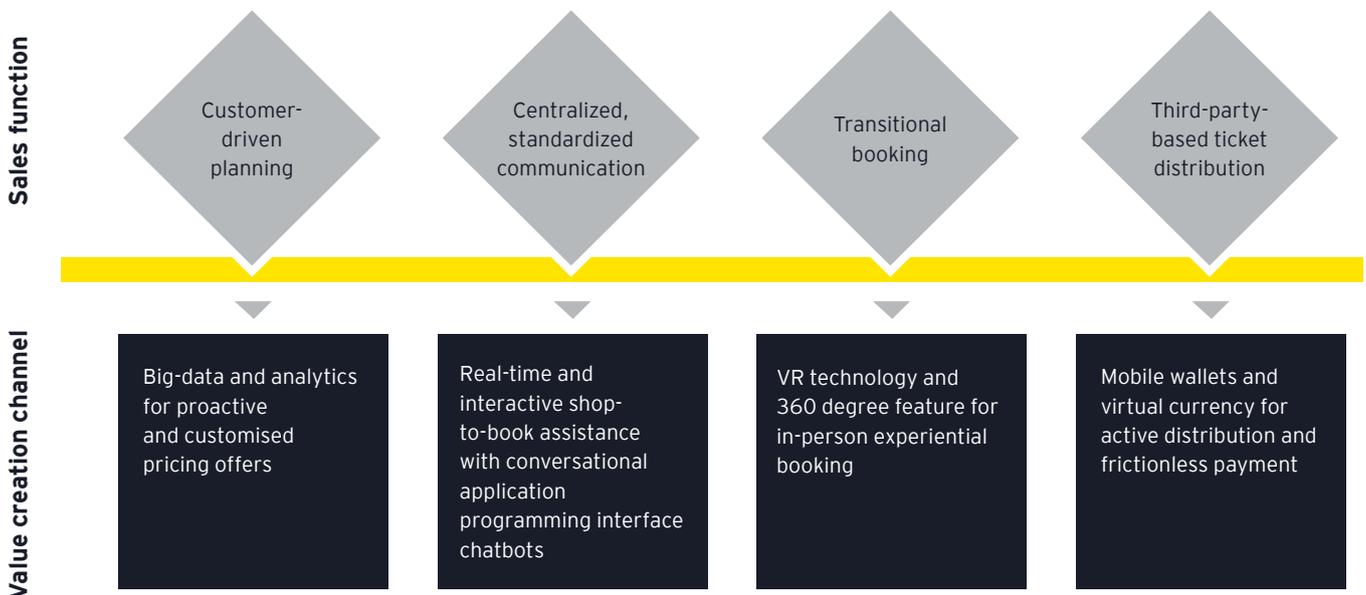# Initiative to shift from digital functions to digital DNA

To break away from just "doing digital," airlines will have to shift from stand-alone innovation hubs to an integrated business transformation, with digitization as the engine of its end-to-end process.

Traditionally, carriers had their primary focus on cost controls and fees to maintain profitability; focusing on understanding their customers should come next. Now, they are faced with a new generation of digital-savvy travelers who demand consistent personalized experiences.

To succeed in this turbulent marketplace, airlines need to adopt a core digital foundation providing smart experiences based on three key attributes – personalization, predictive and adaptive – and offering heightened expectations, atomized experiences, value exchange and

brand promise to their customers. It will help them transform transactional associations with their passengers into a long-term relationship development and customer engagement channel, resulting in increased revenue and a long sustainable future.

Illustrating transformation of the online booking process from a sales function into a value-creation channel

| Sales function	Customer-driven planning	Centralized, standardized communication	Transitional booking	Third-party-based ticket distribution
Value creation channel	Big-data and analytics for proactive and customised pricing offers	Real-time and interactive shop-to-book assistance with conversational application programming interface chatbots	VR technology and 360 degree feature for in-person experiential booking	Mobile wallets and virtual currency for active distribution and frictionless payment

5

EY core digital offerings to build confidence

In a digitally disrupted world, EY helps companies seize the upside of digital disruption supported by Digital Strategy and Transformation Solution.

EY teams provide a combination of digital growth offerings (strategy, innovation and experience) under the Digital Strategy and Transformation (DS&T) umbrella. The solution is modular by design with over 99 tools and accelerators to support the following key components:

▸ **The bridge and engine room** – entails setting the strategy, aligning portfolio of digital initiatives to overall purpose and strategy, and coordinating the execution by unblocking barriers such as funding, tax, legal and regulatory compliance

▸ **Digital innovation** – comprises identifying capabilities and culture to rapidly innovate in an unconstrained environment similar to a start-up

▸ **Design, test and iteration** – entails applying design thinking, rapid prototyping and in-market experimentation to take new products and services to MVP (minimum viable product), test, validate and iterate like a tech giant

▸ **Deployment hub** – comprises executing and scaling new innovation through multiple mechanisms like a venture capitalist

▸ **Digital factory** – entails assistance in establishing the physical environment to run DS&T programs, and accelerate and industrialize digital transformation
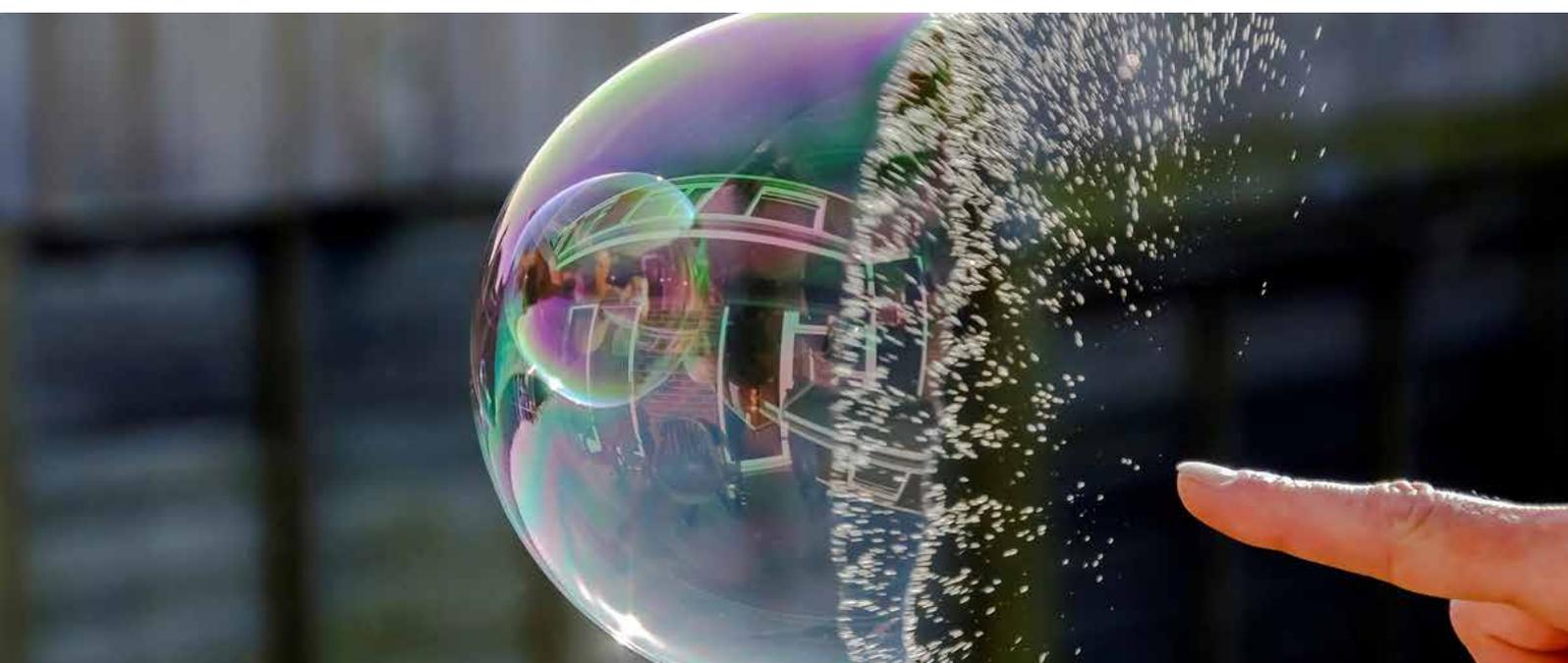
Digital Strategy & Transformation solution

The bridge

See the future and plan with purpose

The engine room

Orchestrate and accelerate like a market leader

Innovation

Disrupt and create like a start-up
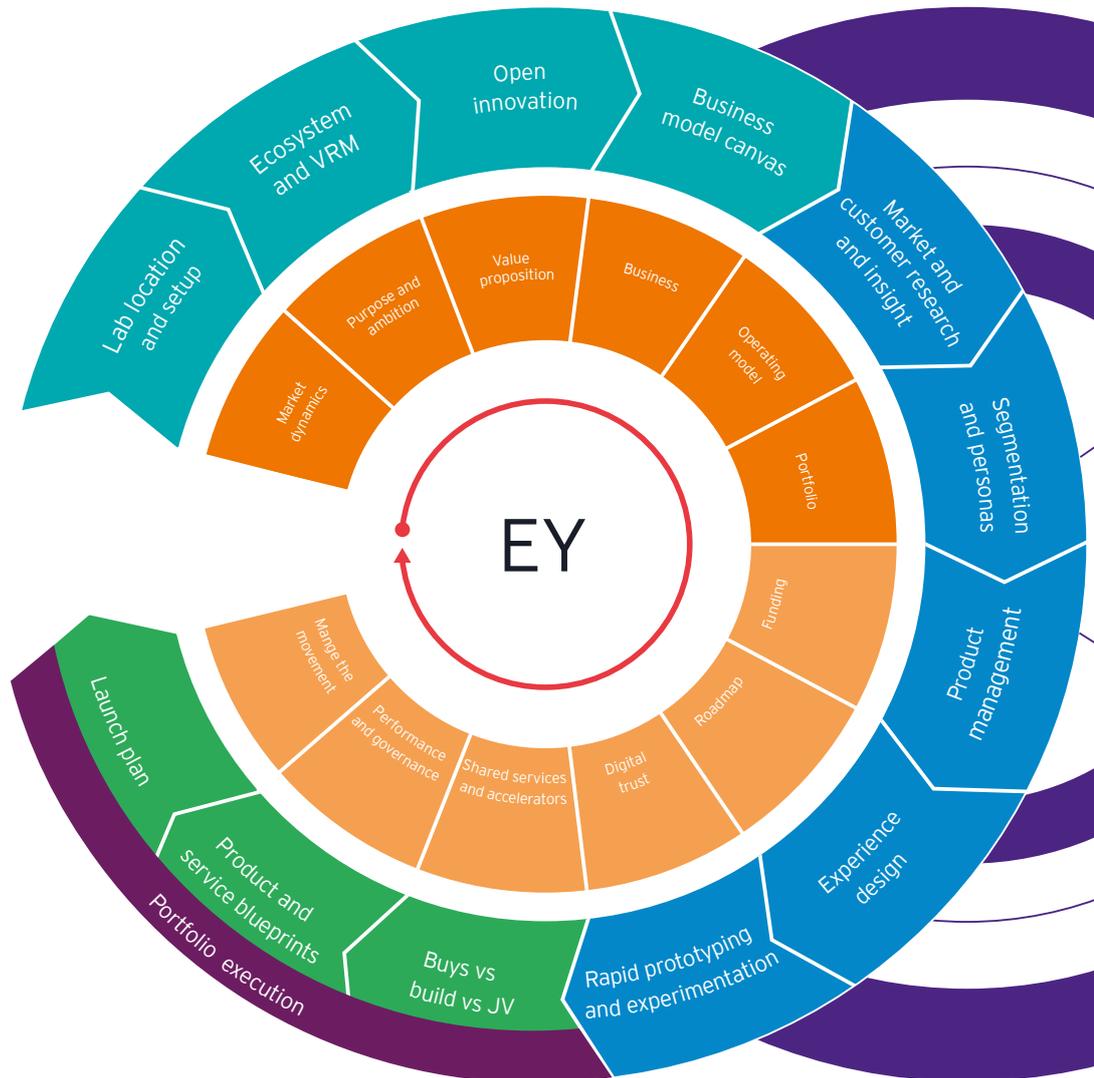
Design, test and iteration
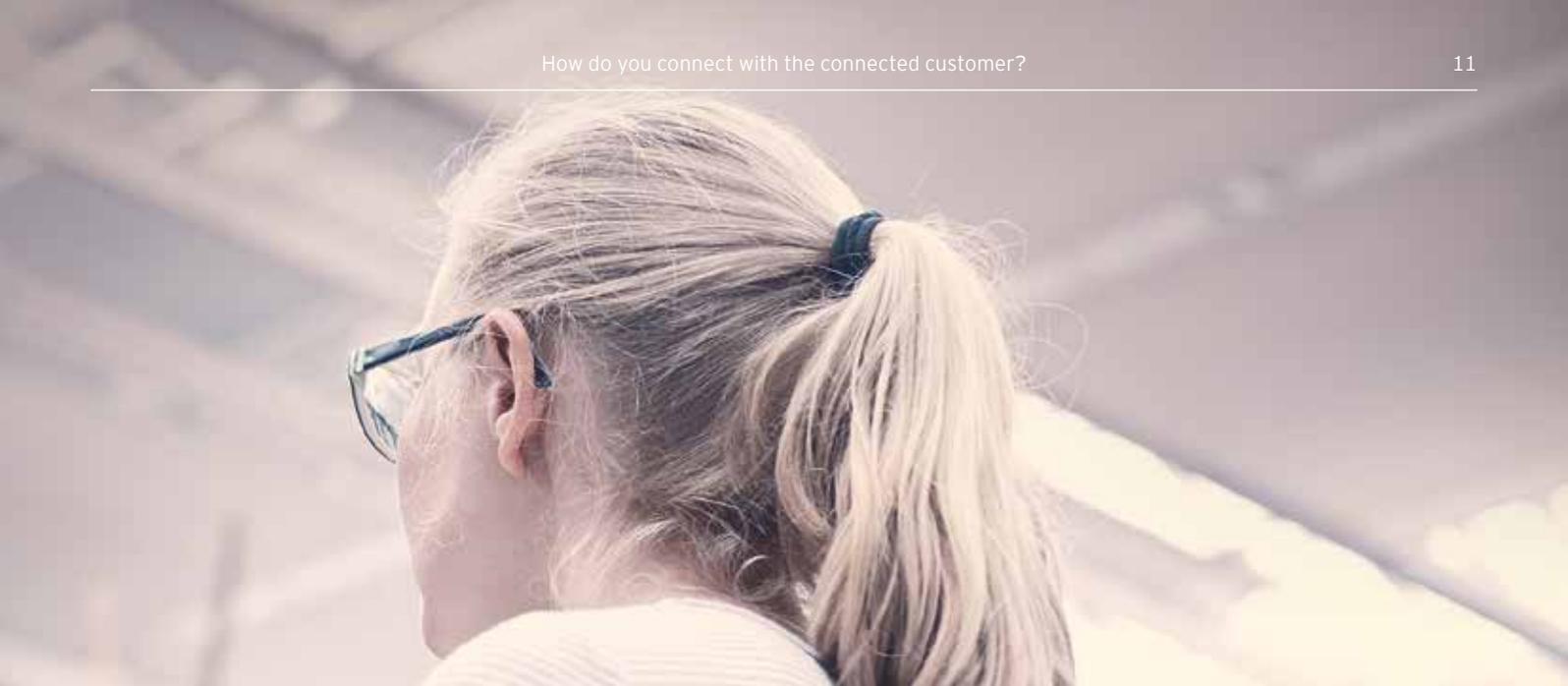
Design, build and test like a scale up

Deployment hub

Plan, invest and scale up like a venture capitalist

Digital factory

Accelerate and industrialize transformation

Source: EY Digital Strategy and Transformation solution

wave**space**™

Digital factory

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About EY's Global Advanced Manufacturing & Mobility Sector
Urbanization, changing consumer expectations and emerging digital technologies are reshaping what's possible, from the production and distribution of goods to the transportation of people. To succeed in this new world of mobility and smart manufacturing, incumbents must transform themselves at unprecedented speed – to think like an innovative start-up, tap into new talent and engage the customer. With experience across the value chain and key technology alliances, our teams show clients how to create efficiencies now while adopting digitization and optionality for long-term growth. Automotive, transportation, aerospace, defense, chemicals and industrial products companies can draw on the strength of our network of cross-industry players and put our diverse range of approaches to use today to equip their businesses for tomorrow.

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