

Driving Airline Revenues and Profitability by Delivering Great Customer Experiences

Two New Studies Point to the Direction Airlines are Taking with Their Customer Experience (CX) Initiatives.

The sheer velocity of change in customer travel expectations and the economics of the airline business are forcing airlines to reinvigorate, expand and sharpen their CX strategies. Most of today's airlines—embattled with heavy competition, struggling through profitability challenges and exhausted with cost cutting—are turning to their customer bases to increase load factors more profitably. At the same time, customers are becoming increasingly dynamic as they race to embrace the newest digital channels through mobile devices, share experiences socially, and interact with their preferred airline brands, all while demanding recognition and consistent, high quality experiences across all touchpoints.

At the heart of airline CX challenges today is the consolidation of passenger data held across various entities in the travel ecosystem and acquiring ownership of the customer relationship. The air travel ecosystem involves many participants, including travel agencies, travel management companies, global distribution system (GDS) providers and online travel agencies. Passenger data gets collected and stored in these organizations independently, outside of airlines. Even within most airlines, passenger data is collected and stored in multiple repositories, including loyalty systems, reservations, sales, service, and the customer portal.

To better understand the airline CX challenge, Tata Consultancy Services (TCS) and Oracle Corporation independently launched CX-focused surveys to uncover what airline leadership finds critical to execute today. By comparing the results of these two studies, we can derive further insights about the industry. Both studies found that airlines are working to gather passenger data and understand customer priorities, enable all customer touchpoints and create consistent cross-channel experiences through their personalized CX strategies.

CX Insights: Two Studies Come Together

To learn more about the key challenges and the opportunities in the area of airline CX, Oracle and TCS launched independent surveys and accompanying studies to customer-facing business executives in the airline and travel industries. These two studies were compared to confirm their independent findings, building a more robust insight than either study could provide standalone.

Oracle's CX studyⁱ included over 1,300 senior executives across 18 countries in North America, Latin America, Europe, and Asia Pacific, which included executives in the airline and travel industry. TCS' CX studyⁱⁱ was based on 219 US and UK executives with 25 percent of those in the airline and travel industry. Links to these complete studies—complete with more figures, analysis, and demographics—are available at the end of this document.

Five key points were particularly well aligned:

1. Formalized Customer Experience Programs are Prevalent

Airline and travel companies continue to prioritize building the optimal customer experience as a key strategy to growing revenue and loyalty. Both studies found customer experience to be a top initiative with 74 percent of Oracle study respondents in the airline industry stating they have customer experience programs in-progress and 76 percent of airline respondents in the TCS study claiming to have a well-defined customer experience strategy.



Figure 1.ⁱⁱⁱ A formalized customer experience program was a main objective

Delivering great customer experiences across the travel value chain is particularly challenging for airlines. Much of the experience across the travel value chain is outside of an airline's control, whether it is a third party reservation website, travel agencies, airport, government security and regulatory processes, or the surrounding businesses that accompany travel. At the same time, most airlines have negatively affected customer experience by eliminating or charging fees for services that used to be free (i.e., the unbundling of the products/services by several airlines to create additional ancillary revenues). Because customers are so sensitive and vocal about their travel experiences, the customer experience can be a powerful differentiator to attract and retain customers. The right experience will keep a customer loyal, and create a vocal advocate whose good words to friends will be worth more than any paid advertising.

2. Passenger Data Management Remains the Missing Key

As most airlines are only able to get the limited information through booking and ticketing data, developing deep, comprehensive views of customers' behavior, desires and profitability becomes challenging. Both

studies revealed that 360 degree views are important and simultaneously elusive. According to the TCS study, 42 percent of airline respondents cited that providing a 360 degree view across all touch points is both a tactical and long term strategy. According to the Oracle study, though, only a miniscule 3 percent of airlines have a consolidated 360 degree customer view, highlighting a significant gap between the need for data and the airline’s ability to capture it.

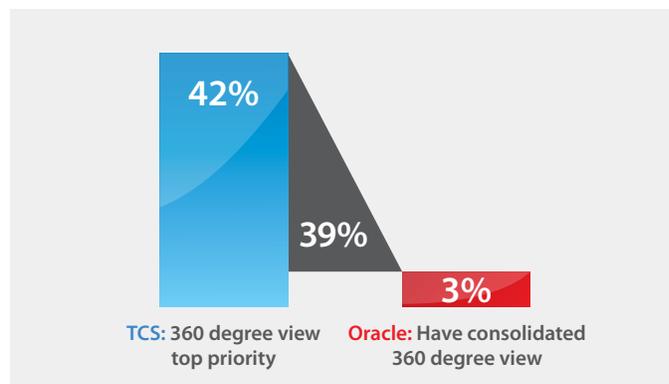


Figure 2.^{iv} 360 degree customer view was an important priority

The best and most complete passenger data has come from airline loyalty programs, but this only covers a subset of the customer base. Ideally, the “loyalty population”, at least data-wise, should be expanded to include every customer. Airlines will need to explore new and creative ways to extend the reach and scope of their passenger data. And while much of the challenge is external, most airlines have significant opportunities to combine passenger data among internal systems in marketing, sales, customer care and operations.

Passenger Data Management also provides the foundation for airlines to manage real-time interaction with customers. With the exception of mobile boarding passes in some cases, real-time interaction with customers is practically missing today, although 76 percent of the passengers are smart phone users.¹

3. Personalization is Rising

Being able to accurately and consistently provide personalization will likely be a great shaper of better customer experiences for airline customers. As airlines demonstrate this level of care and knowledge of their customers, and subsequently deliver better offers that are more relevant, loyalty and revenue should improve for those that do it well. Personalization, though, is easier said than done.

¹Source: SITA survey, October 2, 2013

Personalization for most interactions outside of marketing campaigns needs to happen instantly at the point of interaction, across thousands of customers, and across all of the channels and media a customer uses. Personalization will be highly-to-wholly reliant on good data and a lot of automation and tools. Comprehensive and accurate passenger data, as well as adopting new processes and technological capabilities, are needed to make personalization a reality across thousands of customers across the diverse channels they interact through.

Personalization, or the act of making individual communications and interactions match the specific desires or histories of individual customers, is rising in prominence as a customer management tactic. Both the TCS and Oracle studies found this to be true. In the Oracle study, recognition (58 percent of airline respondents) and personalized communications with relevant offers and information (53 percent of airline respondents) are the two key priorities. In the TCS study, 49 percent of airline respondents cite excellent proficiency in streamlining all communications to address the right customer, with the right message at the right time as a top priority.

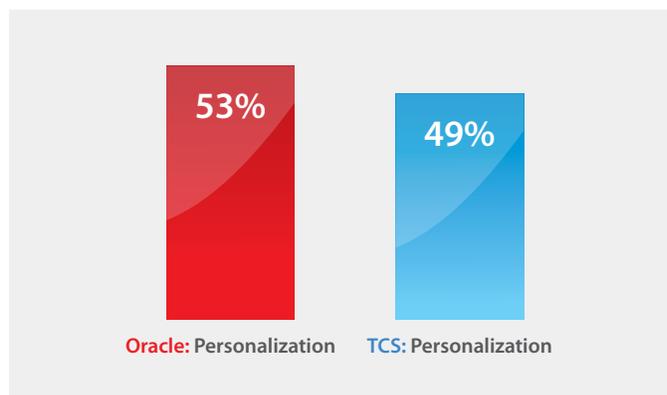


Figure 3. Personalized offers were a top objective

4. Customer Engagement and Real-Time Interaction Across Channels is Important

The rapid customer adoption of digital channels such as email, mobile apps, and social has most industries scrambling to meet their customers where and when they want to interact. Both TCS' and Oracle's studies reinforced this imperative. In the TCS study, 47 percent of the airline and travel respondents see the importance of cross-channel customer experience support, making it the second most selected response. In the Oracle study, 62 percent of airlines surveyed prioritized the enabling of service engagement where the customer needs or wants to interact (any channel or device).

Many airlines are capitalizing on the digital and cross-channel environments that their customers are embracing. Travel by its very nature is extremely dependent on location, time and context, three attributes that make an always-on, location-aware device like a smart phone a powerful tool to communicate to customers when they are away from their computers and landlines and are instead heading to the airport, in the terminal, or on their way to baggage claim. Cross-channel interaction

strategies needn't only be about passenger information and convenience. Opportunities exist to drive efficiency and reduce costs by giving customers more options to serve themselves, automate or streamline existing processes across all touchpoints (shop, buy, pre-flight, in-flight, post-flight) and reduce the need for agent/employee interaction.

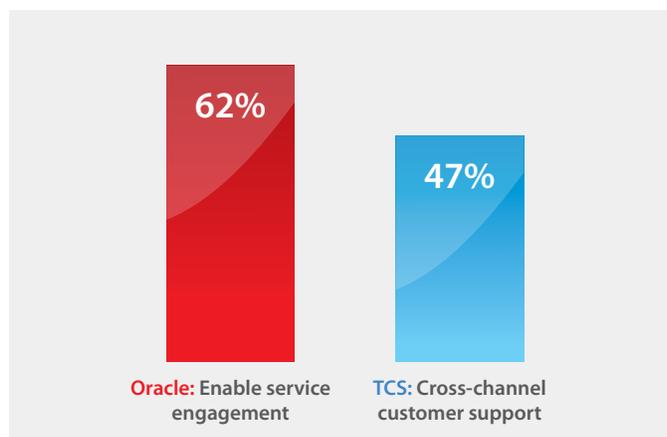


Figure 4.^{vi} Customer engagement and real-time interaction were prioritized

5. Customer Loyalty and Advocacy are Still Critical Beyond Points and Cards

Airlines were pioneers in formalizing frequent flier programs in the early 80's to manage customer loyalty. Today airline frequent flier programs have transformed to full-scale loyalty programs, and there are at least 130 airline loyalty programs with more than 150 million members.²

Beyond building a base of repeat customers, loyalty programs have been a very successful way of building comprehensive profiles for passengers. Still, the broader loyalty challenge has not been completely solved. Customers are often tempted to move to a competitor due to negative experiences or when the price and time is right. Both studies found that continued investment in loyalty was important. In the Oracle study, 58 percent of airlines indicate that they will recognize and reward their best customers. In the TCS study, 60 percent of airlines indicated that they are building customer loyalty to move towards customer advocacy.

The term "loyalty" in the airline industry is synonymous with the management of points, cards and free flights, so it is often difficult to extend the conversation into the broader areas of customer experiences and advocacy building. Yet these are the critical conversations about loyalty that must continue for airlines to build loyal customer bases and acquire deeper and deeper levels of passenger data. In this

²Source: IATA special report, August 2012

sense, the membership program becomes one of many tactics to drive customer loyalty and advocacy, not an end to itself. In addition, several airlines are transforming their loyalty programs and getting ready to operate as an independent profit center, leveraging their partnership across the travel, hospitality and retail eco system.

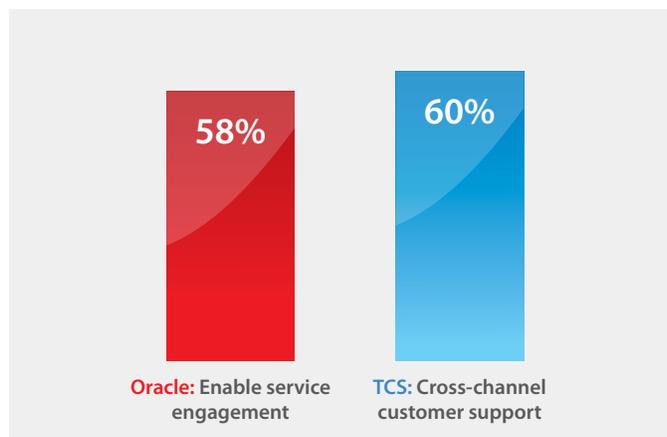


Figure 5.vii Primary goal was to build customer loyalty and move towards advocacy

The Path to Optimal CX

The joint experience of Oracle and TCS suggests that airlines should pursue specific tactics to succeed with their CX initiatives. While not exhaustive, focus areas should include the following:

Passenger Data Management

Passenger data management will provide the critical base platform for airlines to get the key passenger insights needed to deliver great customer experiences. Leveraging an airline data model that is compliant with industry standards will allow airlines to create a single repository that can be used to migrate historical passenger data stored in data marts and legacy operational platforms, and store real-time passenger data flowing from a variety of sources, including reservation centers, airline web sites, mobile devices, and social platforms. Analytics from the passenger data management solution will provide the key insights airlines need to personalize the travel experience.

Airlines will also be able to leverage the rich passenger history to mitigate and resolve service issues by providing timely, relevant and effective resolution to customers. By improving service experience in this manner, airlines are better placed to avoid potential customer defection due to service issues and convert these incidents into positive business outcomes.

Customer Loyalty and Advocacy

Identifying and retaining the best customers has never been more important for airlines. Customer loyalty solutions that provide leading practice capabilities allow airlines to retain and grow the most important customer relationships, acquire rich customer insights, and improve the overall customer experience through dynamic, differentiated and cost-effective loyalty initiatives. This can help airlines not only to manage customer loyalty but convert them to strong advocates as well.

Customer Engagement and Channels

Customers have many choices today. So it is critical to make their experiences as simple, consistent, and relevant as possible as they move through the travel lifecycle, from shopping to booking to preflight to inflight to post-flight and back again. By delivering exceptional customer experiences, airlines can acquire new customers, retain more customers, and improve revenues and profitability. Customers want to do business with airlines in more ways than before such as social, digital, direct, in-store, mobile, and call center and therefore customers want simple, consistent, and relevant experiences across all channels, touchpoints, and devices.

Getting started: Create the CX Vision and Strategy

CX means different things to different airline and travel companies. According to the TCS study, when travel executives were asked, “What does customer experience management mean to your organization?” most airline and travel companies responded with “To be agile, allowing us to quickly adjust to business demands.” In this sense, great CX is the ability to be operationally agile.

With this in mind, the first step is likely to create or revisit your CX strategy so that your organization will know what they should do to both capitalize on CX benefits and move quickly in the marketplace. Some of the key visioning, strategy and planning activities may include:

- Define your CX objectives to know what customer, business and financial outcomes you hope to achieve.
- Get buy-in early from senior leadership so future CX initiatives can be quickly embraced by all divisions and brands.
- Envision the future state by planning the specific interactions and capabilities, as they would be delivered at customer interaction points, creating both customer-facing and operational views.
- Understand today’s baseline by assessing your current state and even benchmarking your capabilities against the best practices in the marketplace.

- Identify gaps between the current state and envisioned future state.
- Choose technology solutions from a high-quality CX solution framework.
- Design new processes, organization, change management programs, governance strategies, knowledge management programs and other like initiatives to capitalize on the human aspects of CX.
- Justify financially with a strong business case.
- Take a measured, planned approach to implementation that delivers key benefits early and on important milestones. Use an approach that fits the capacity, abilities and resources of your organization.

There's no need to start from scratch. Consider using a formal assessment tool or methodology to see where you stand. There are many experts in CX who are skilled at devising CX strategy, understanding the state of the art within the airline and travel industry, choosing the best technology, and getting the right results in complicated initiatives. Get help and leverage the best people where you can.

Conclusion

CX is not a new discipline, but one that is arguably growing in complexity faster than before because of power moving to the hands of the customer and the rapid channel shifts and adoption patterns of the customer base. Delivering the right customer experience is fundamentally about harnessing customer information to gather key insights about customers and then using that information to impact how airlines interact with their customers across all touchpoints. The idea is to convert these cross-touchpoint interactions into contextual, immersive, consistent engagements so that the customer is encouraged to return, repurchase and advocate. Through their responses, the airline executives from both the TCS and Oracle studies have exposed what the CX priorities are for today and the future. The best of them will take decisive action towards meeting their CX goals, differentiating themselves within the marketplace while driving new loyalty, revenue and profitability.

ⁱ Oracle with O’Keeffe & Company, “Global Insights on Succeeding in the Customer Experience Era”, February 2013.

ⁱⁱ TCS and Forrester Consulting, “The Evolution Of Customer Experience Management”, November 2012.

ⁱⁱⁱ Oracle, “TRAVEL: Insights on Succeeding in the Customer Experience Era”. Respondents were asked about the state of their initiatives and plans regarding “Formalized customer experience program”. 37% of travel executives selected “Have programs implemented”. 37% of travel and hospitality executives selected “Have advanced programs implemented”.

TCS, “The Evolution of Customer Experience Management”, Forrester Research, Inc., November 2012. Pg. 5. “Many enterprises are well along the path of having a sound strategy, with 76% of enterprises surveyed indicating that they have a well-defined and explicit customer experience management strategy.”

^{iv} Andrew Magarie and Kate Leggett, “TCS Customer Experience Survey: Executive Summary”, Forrester Research, Inc., September 2012. Q10 by industry: Travel and Hospitality. “What are your three most important longer term (beyond 24 months) priorities to enhance the customer experience?” 42% of respondents in the study selected with any importance “Provide a 360-degree view of customer to enable front-office sales personnel to make informed decisions”.

Oracle, “TRAVEL: Insights on Succeeding in the Customer Experience Era”. 3% of travel executives “Have a consolidated 360 degree view of the customer”.

^v Oracle, “TRAVEL: Insights on Succeeding in the Customer Experience Era”. Q4 “Where is your organization most effective in experiences offered to customers during the research and buying cycles?”. 53% of travel executives selected “Personalizing communications with relevant offers and information”.

Andrew Magarie and Kate Leggett, “TCS Customer Experience Survey: Executive Summary”, Forrester Research, Inc., September 2012. Q8 by industry: Travel and Hospitality. “On a scale of 1 to 5, how proficient do you feel your organization is currently when it comes to the following business capabilities?”. 49% of respondents in the study selected five out of five (excellent) for the following capability, “Streamline all communications to address the right customer, with the right message at the right time.”

^{vi} Oracle, “TRAVEL: Insights on Succeeding in the Customer Experience Era”. Q5 “Where is your organization most effective in experiences offered to customers during the post purchase process?”. 62% of travel executives selected “Enabling service engagement where the customer needs or wants to interact (any channel or device)”.

Andrew Magarie and Kate Leggett, “TCS Customer Experience Survey: Executive Summary”, Forrester Research, Inc., September 2012. Q7 by industry: Travel and Hospitality. “Thinking of your company’s current planning cycle, what are your top three customer experience management business drivers?”. 47% of respondents in the study selected with any importance “Support a cross-channel customer experience.”

^{vii} Oracle, “TRAVEL: Insights on Succeeding in the Customer Experience Era”. Q4 “Where is your organization most effective in experiences offered to customers during the research and buying cycles?”. 58% of travel executives selected “Recognizing and rewarding our best customers”.

Andrew Magarie and Kate Leggett, “TCS Customer Experience Survey: Executive Summary”, Forrester Research, Inc., September 2012. Q2 by industry: Travel and Hospitality. “What does customer experience management mean to your organization?”. 60% of respondents in the study selected with any importance “To build customer loyalty and move towards customer advocacy”.

About Oracle Travel

Leading travel and transportation organizations around the world rely on Oracle for managing data and mission-critical operating environments while meeting rigorous performance requirements. 20 of the top 20 airlines use Oracle. Oracle's comprehensive applications and technology solutions help airlines reduce costs and enterprise risk by modernizing operating platforms; increase agility and operating efficiency by simplifying applications architecture; enhance customer loyalty by personalizing and differentiating the customer experience; and ease regulatory compliance through built-in automated controls.

For more information, visit us at www.oracle.com

About Tata Consultancy Services (TCS)

Tata Consultancy Services is an IT services, consulting and business solutions organization that delivers real results to global business, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled infrastructure, engineering and assurance services. This is delivered through its unique Global Network Delivery Model™, recognized as the benchmark of excellence in software development. A part of the Tata Group, India's largest industrial conglomerate, TCS has a global footprint and is listed on the National Stock Exchange and Bombay Stock Exchange in India.

For more information, visit us at www.tcs.com

IT Services
Business Solutions
Consulting