

# 2018 DIGITAL MERCHANDISING SURVEY





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VISIT



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an Airline needs.



## ABOUT THE AUTHOR

**Iztok Franko** is passionate about digital marketing and e-commerce. He has more than 10 years of experience as a CMO and CIO in airline, travel and multinational companies. He currently works as a strategic digital marketing and e-commerce consultant for global airline and travel brands.

Through practicing true data-driven digital marketing and testing several ecommerce processes and tactics for increasing online revenue in the airline industry, he established the **Airline Digital Merchandising Framework**. This can be used as a guideline for successful digital merchandising and a benchmark for airlines to realistically assess their digital merchandising competence.

Iztok also regularly writes and speaks about travel and airline marketing, ecommerce, conversion optimization and ancillary topics.

He is the founder of **Diggintravel.com**, a content platform for smarter travel marketing.

## ABOUT THE SPONSOR

**TraveLaer** builds products for the travel industry designed to improve the customer experience, implementing a 'Customer First' approach to designing and building B2B2C software. Founded in 2013, some of TraveLaer's Customers include Icelandair, Air Iceland, Sata/Azores Airlines, El Al Israeli Airlines and Aeroport Nice Cote D/Azur.

Current TraveLaer products include **Travel Paas**, an airline online booking and trip management platform, **Conversational**, an enterprise-level automated messaging platform (chat bots) that enables travel companies to automate commerce and customer service via Facebook Messenger and other conversational channels and a new innovative product - **Right Flight**, a Conversion Optimization Tool For Airlines.

For more information on TraveLaer visit [www.TraveLaer.com](http://www.TraveLaer.com).

# WHERE'S WHAT

## 6 INTRODUCTION

- Why digital merchandising? (author's note)
- 2018 airline ancillary revenue survey = digital Merchandising survey

## 9 ABOUT THE RESEARCH

- About the 2018 digital merchandising survey
- What were we evaluating
- Digintravel airline digital merchandising framework

## 13 KEY FINDINGS

- Findings summary - state of airline digital merchandising
- Low-cost airlines are still ahead when it comes to digital merchandising
- Ancillary revenue is still a top priority . . .
- . . . yet for some still untapped opportunity

## 20 2018 MERCHANDISING SURVEY

### 21 PRODUCT & PRICING

- Product and pricing evaluation
- It all starts with bags and seats
- Case study
- Fare product bundles
- Examples
- Pricing complexity

## 34 INNOVATION & TECHNOLOGY

- Innovation and technology evaluation
- (In)flexible booking platforms
- Should booking platform (pre)define your digital merchandising tactics
- Own your platforms
- Mobile - taking the next step
- Case study
- Machine learning on the rise
- What changed in the last two years
- Can we get rid of the cliché
- How can machines help with the complexity
- Examples

## 47 DIGITAL MERCHANDISING TECHNIQUES

- Digital merchandising evaluation
- Do you know what is happening in your own "store"
- Increasing conversion and upselling at purchase - the CRO approach
- Case study
- Leveraging the post-booking period
- Case study
- Emails still rule post-booking upselling and cross-selling
- Triggered emails are key for post-booking upsell
- Taking the next step with email - personalized automation
- Chatbots on the rise
- Case study

## 61 CUSTOMER CENTRICITY

- Customer centricity evaluation
- Digital user experience gap
- Ancillary pros and digitalization go hand in hand
- Let's demistify personalization
- Customer journey mapping - connecting the (digital) dots
- Case study
- Example
- Conversion optimization - expanding it from your website to entire customer journey

## 75 ORGANIZATION & DIGITAL INTEGRATION

- Organization and integration evaluation
- How to organize for digital merchandising
- The challenge of integration
- New skills for the new (data) approach
- Examples

## 85 REFERENCES & SOURCES



**THE BEST WAY TO  
PREDICT THE FUTURE  
IS TO CREATE IT**

**Got an idea?** For those travel companies who have no shortage of ideas, we are here to collaborate and help you realize your dream. From ideas on a napkin to a working product, we can assist with a full suite of services that will allow your future product to take flight.

The image features three concentric circles in a light blue color, centered on a darker blue background. Each circle has a small cross-like mark on its circumference. The word "INTRODUCTION" is written in white, uppercase letters across the center of the innermost circle.

# INTRODUCTION

# WHY DIGITAL MERCHANDISING? (Author's Note)

**Let me start with a confession – I hate buzzwords, I really do. When I see terms like “digital transformation” or “digital airline,” I react much like my dog does when she sees a cat. I become cynical towards the source, automatically discrediting whatever points might be made.**

You'll ask, why is that? In most cases I see the term “digital” used on a theoretical, conceptual level. Yes, most of us get it (and this white paper is probably not the right fit for those who are still skeptical about it). Everything is digital now; almost all travel research is done online, bookings are done online, we are all trying to understand our digital customer journey, yada, yada, yada...

Digital disruption happened in the airline industry so many years ago with the low-cost model that talking about digital transformation is kind of old news. The LCC model brought an e-commerce/digital-only approach to selling the product. All major touchpoints (inspiration, research, booking, check-in, in-flight, in stay) became digital.



In addition, unbundling meant many new products and an a la carte approach where the customer chooses the products he needs and is willing to pay for.

Unbundling, re-bundling, upselling and cross-selling became part of just about every airline's marketing and sales tactics. Increasing ancillary revenue is top priority (more on that in the survey results) for almost every airline, regardless of size or type.

Airlines being digital retailers and doing **digital merchandising** is now a reality – yet the term “digital merchandising” still sounded like too much of a buzzword for me.



So, instead of just throwing another term (digital merchandising) out, I wanted to analyze, understand and show you how the best airlines use “digital” to increase their ancillary revenue.

To do that, we surveyed 38 airlines about their ancillary revenue processes with a special focus on digital and e-commerce methods (more about that in the next section).

As a result, we created the “**Airline Digital Merchandising Framework**” which will help airlines improve their digital merchandising and serve as a reference point for each of the main areas.

# 2018 AIRLINE ANCILLARY REVENUE SURVEY = DIGITAL MERCHANDISING SURVEY

All of Diggintravel's research in the last year and a half has been centered around two areas: **conversion rate optimization and ancillary revenue.**

We published two research white papers:

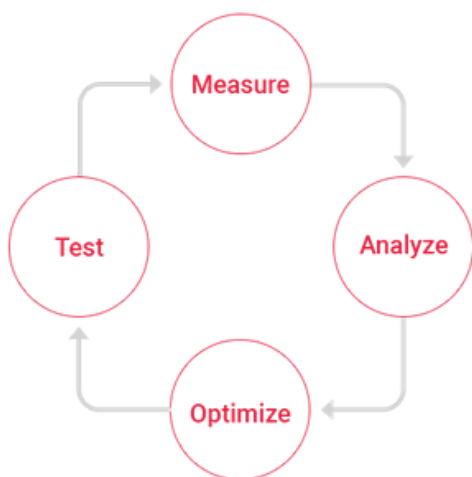
- **2017 Airline Ancillary Post-Booking Research** - where we analyzed how airlines increase ancillary revenue (with a focus on post-booking upselling and cross-selling)
- **2017 Airline Conversion Optimization Research** - where we analyzed how airlines grow online sales (with a focus on conversion optimization)

So when it was time to do this 2018 ancillary revenue research, the idea to connect both areas and prior findings came naturally to me.



YOU SEE, THE MAIN POINT OF CONVERSION OPTIMIZATION IS TO BE DATA-DRIVEN, UNDERSTAND YOUR USERS AND BECOME CUSTOMER-CENTRIC.

To achieve that you need to measure and analyze user feedback & behavior, optimize and test.



To grow your ancillary revenue, you need to do that for all your digital touchpoints. It starts with your booking process, followed by other touchpoints (emails, messaging, booking portals, web check-in...).

This is why **conversion optimization** and the **digital user experience (UX)** are important parts of the 2018 Digital Merchandising Survey.

In addition to all the general ancillary revenue questions from our 2017 ancillary revenue survey, **we added the following aspects** regarding airline digital merchandising to the 2018 research:

- How do you use data for your ancillary offers (personalized offers)?
- Do you use marketing automation platforms for your ancillary upsell and cross-sell activities?
- How do you use data for your ancillary offers (personalized offers)?
- Do you use marketing automation platforms for your ancillary upsell and cross-sell activities?
- Which UX and CRO processes do you apply to your digital merchandising touchpoints?
- How flexible are your digital booking and post-booking platforms?
- Do you experiment with advanced digital concepts (like artificial intelligence, machine learning, predictive analytics, and recommendation engines)?
- UX audits of the booking flows with a focus on bundling, upselling and cross-selling elements.

Can't get more digital than that, right?

I'm confident that the answers to these questions, combined with other ancillary benchmarks and best practices, will give you a very good understanding of what it takes to be a digital merchandising champ.

Happy reading!

*Iztok Franko*



The image features a dark blue background with four concentric circles in a lighter blue shade. Each circle has a small cross-like mark on its circumference. The text 'ABOUT THE RESEARCH' is centered within the innermost circle.

**ABOUT THE  
RESEARCH**

# ABOUT THE 2018 DIGITAL MERCHANDISING SURVEY

The 2018 Airline Digital Merchandising Survey is Diggintravel's second annual survey and research in the field of airline ancillary revenue.

While other reports focusing on ancillary revenue – like IdeaWorksCompany's Yearbook of Ancillary Revenue – concentrate on detailed statistics of airline ancillary revenue, we focus on qualitative data, the practice behind those numbers.

In other words, the 2018 Airline Digital Merchandising Survey is not trying to understand WHY growing ancillary revenue is crucial for your airline's profitability; instead, we analysed WHAT airlines are doing to develop their ancillary revenue and HOW they're doing it.

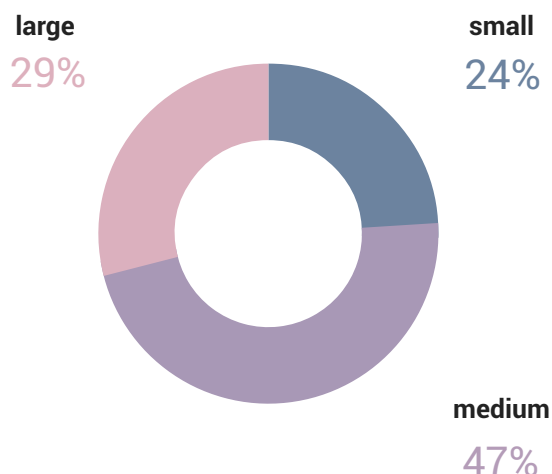
More specifically, the survey investigates **the maturity of the digital processes and key challenges** airline professionals face with growing ancillary revenue.

During the first quarter of 2018, our survey questionnaires were sent to more than 110 airlines' senior ancillary, digital and other executives.

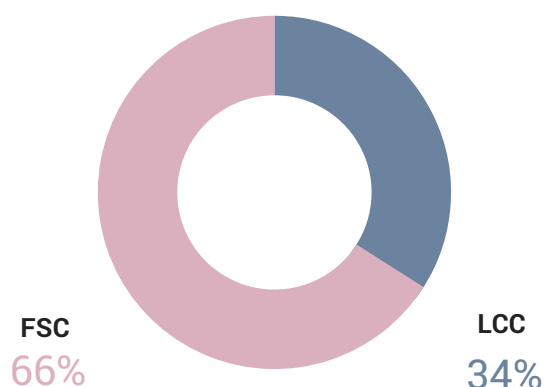
The survey represents the views and insights of **38 carriers**, providing intriguing insight into the state of digital merchandising for the airline industry.

## RESPONDENT PROFILE (38 airlines)

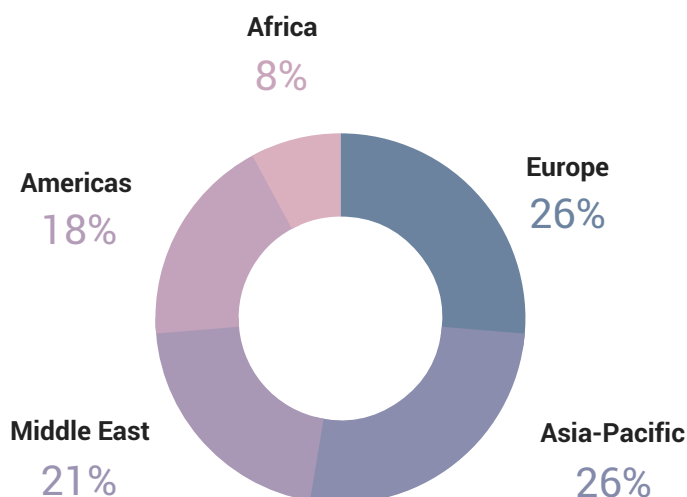
By size:



By type:



By geography:



# WHAT WERE WE EVALUATING?

**The goal of the survey was to evaluate digital merchandising maturity within airline organizations.**

For **evaluation of maturity** we structured questions around five main areas:

- Product and Pricing
- Digital Merchandising Techniques
- Innovation and Technology
- Customer Centricity
- Organization and Integration

You can find the exact questions, survey results and detailed analysis for each area in the special section in the second part of this report.

In addition to the survey questions, we performed a **digital audit of booking platforms** for all 38 participating airlines.

During the audit we evaluated various merchandising elements such as presentation of branded fares / fare families, upsell mechanics, a la carte ancillary product offering and usage of persuasion methods.

In the last part of the survey, we asked participants about the key challenge that limits them in taking their ancillary revenue efforts to the next level.

We wanted to understand the main focus of airline ancillary strategy development in 2018 by combining key pain points with the areas in which airlines will invest.

As a result, the **Airline Digital Merchandising Framework** was created (see next section).



# DIGGINTRAVEL AIRLINE DIGITAL MERCHANDISING FRAMEWORK

**The goal of Diggintravel Airline Digital Merchandising Framework is to provide a holistic view of all areas (and their interdependencies) needed for a successful digital merchandising.**

Framework can help airlines strategically assess and plan actions by each area. For a successful ancillary revenue program all areas need to be addressed and integrated.

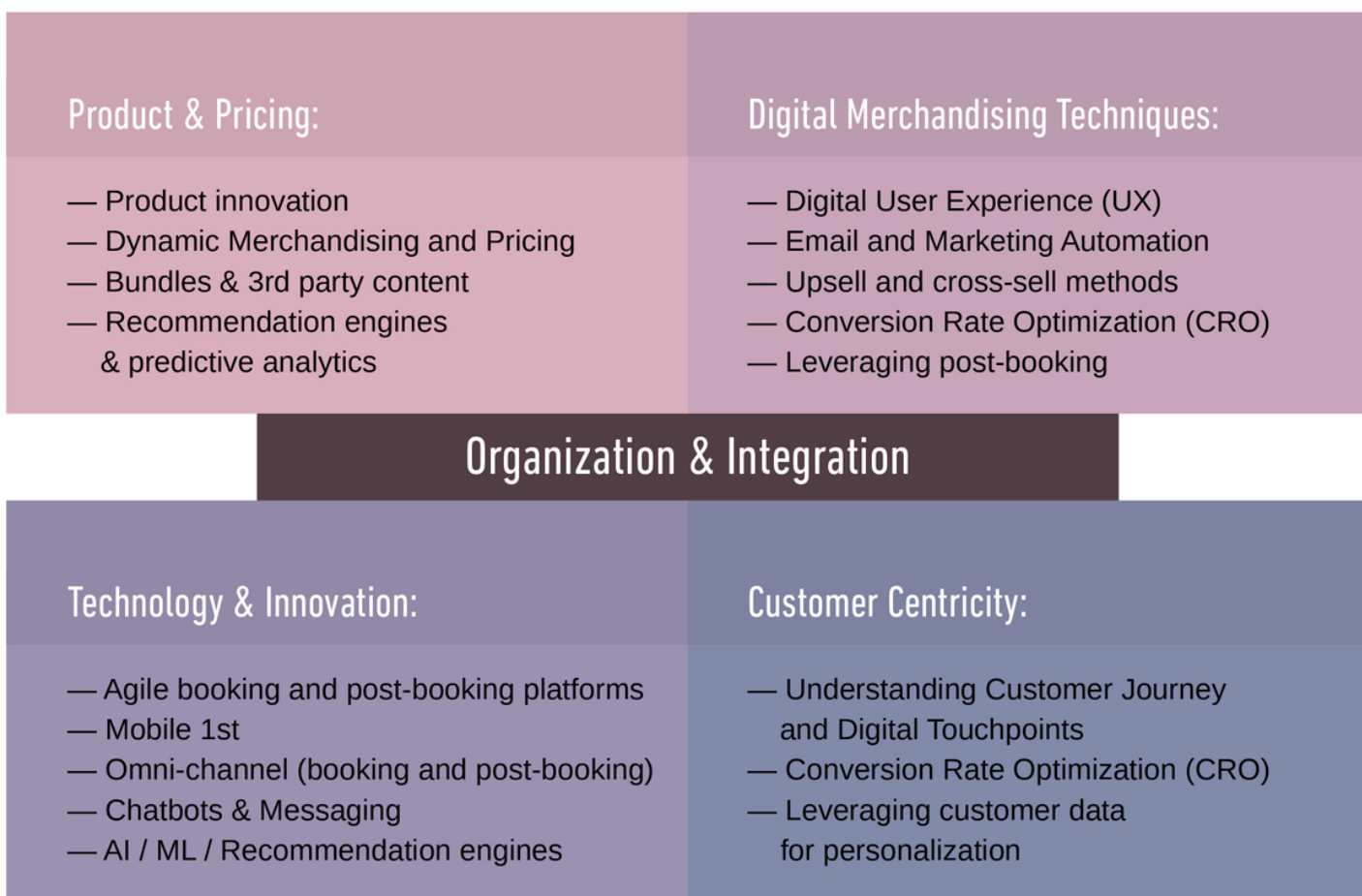
Great ancillary products are not enough to grow your ancillary revenue; digital merchandising skills and customer centricity are needed as well.

Similarly, great ancillary strategies cannot be realized without organizational agility, integration and agile IT platforms.

Finally, framework is also a tool for self-assessment for airlines to realistically assess their digital merchandising competence.

In a lot of cases there is an organizational belief that own digital and ancillary revenue competence is at a higher level than it actually is. Only when we do a systematic evaluation of each area we usually get the realistic picture.

## AIRLINE DIGITAL MERCHANDISING FRAMEWORK:





# KEY FINDINGS

# FINDINGS SUMMARY – STATE OF AIRLINE DIGITAL MERCHANDISING

**We scored the airlines' maturity in each of the five main areas of the aforementioned Digital Merchandising Framework.**

Individual airline survey question responses, the results of the digital audit of the booking funnel and the available ancillary revenue financial data (ancillary as a % of total revenue) all contributed to the final result.

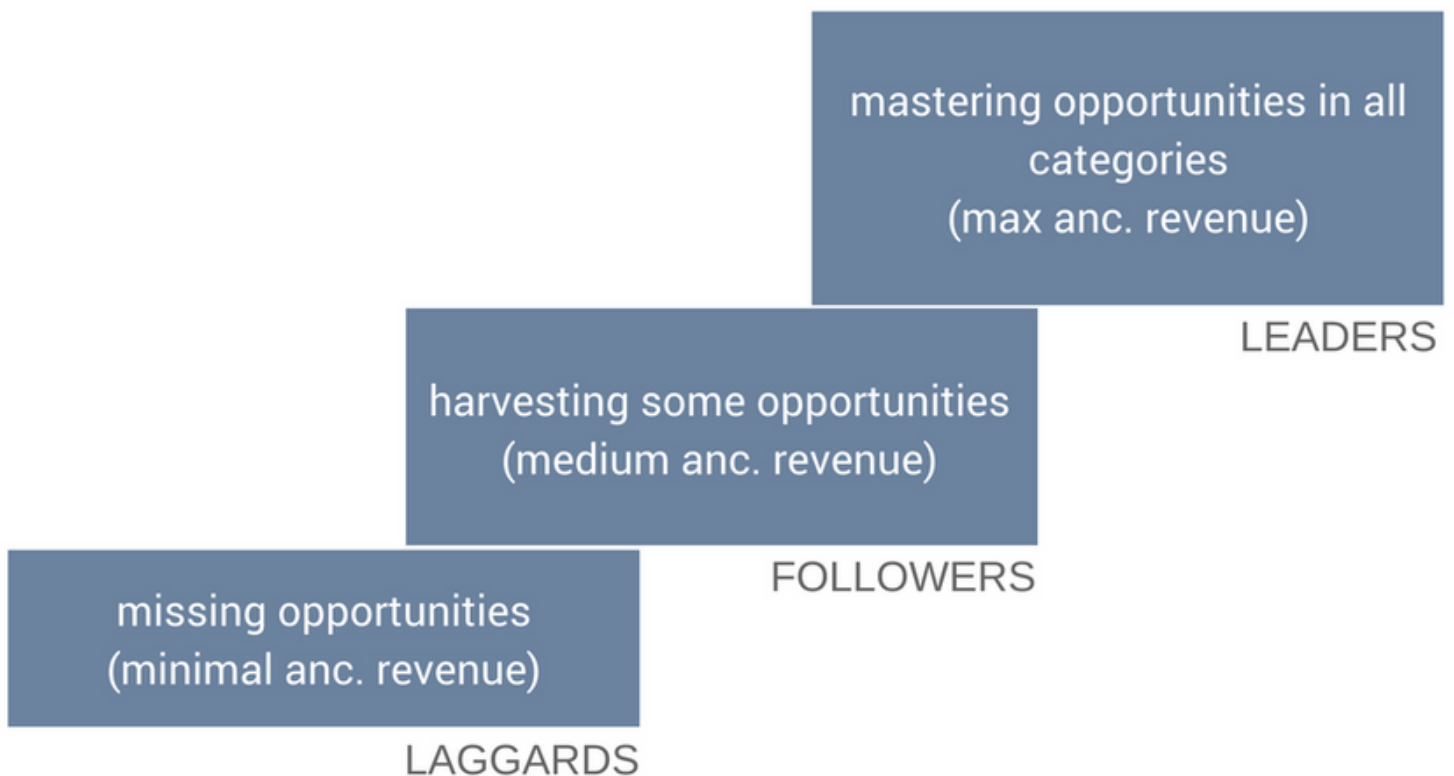
The sole purpose of ranking the survey results was to see if we could group airlines into different categories based on their digital merchandising maturity and to provide guidelines on how to advance. Survey responses and their interpretations are subjective, based on the views of the survey participants and this white paper author.

Based on the results we classified each participating airline into one of the following three categories:

- Laggards
- Followers
- Leaders

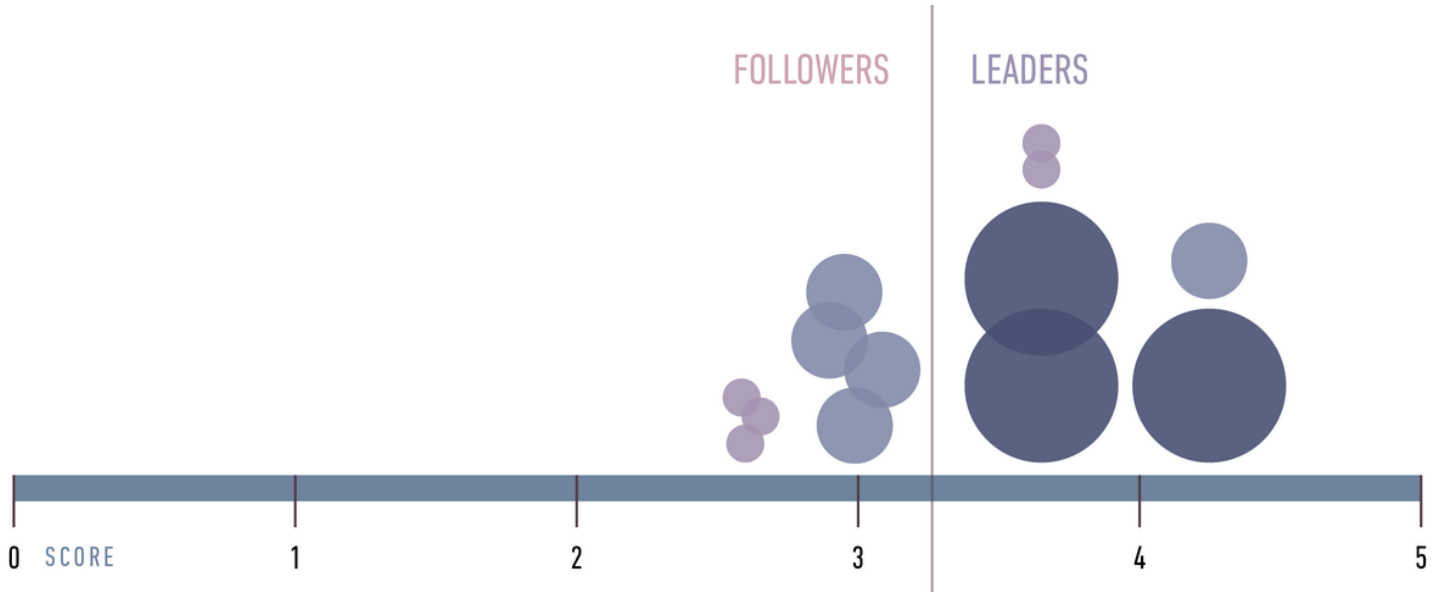
Summarized results of our Airline Digital Merchandising Survey and benchmarks:

- 17 airlines were classified as Laggards
- 15 airlines were classified as Followers
- 6 airlines were classified as Leaders



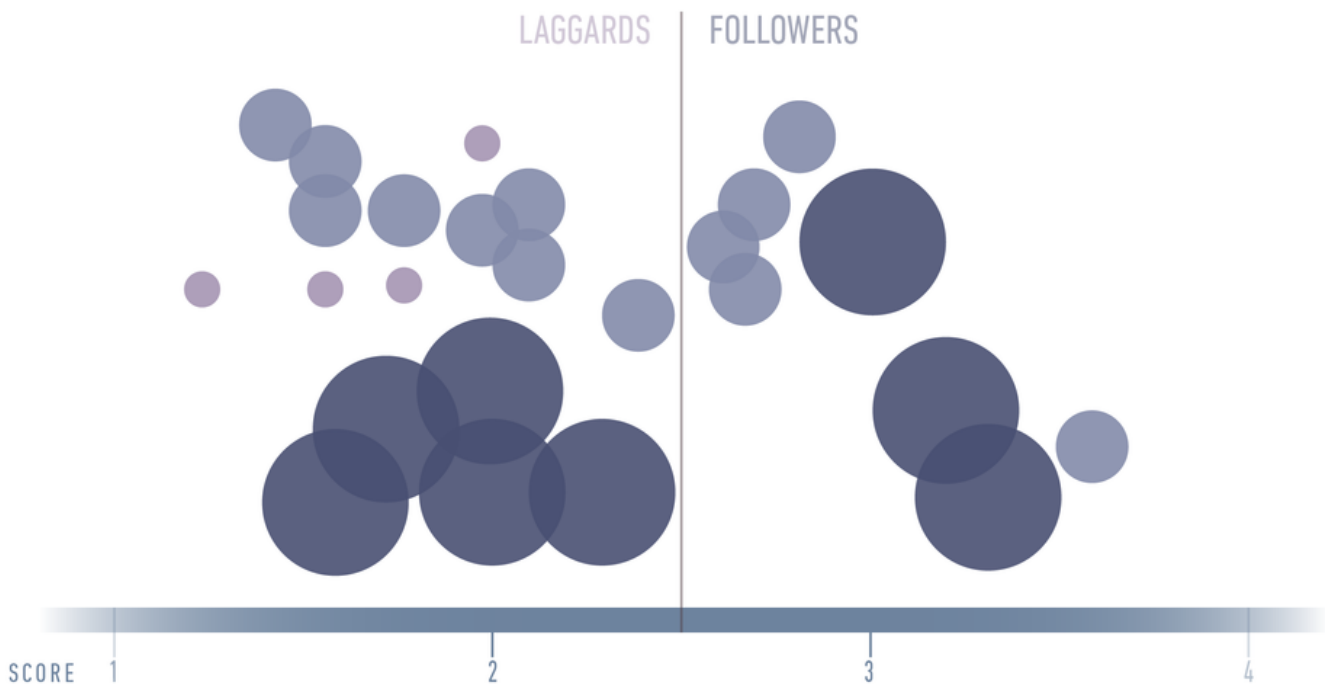
## RESULTS FOR LCC (LOW-COST AIRLINES)

- No airline was classified as a Laggard
- 7 airlines were classified as Followers
- 6 airlines were classified as Leaders



## RESULTS FOR FSC (FULL SERVICE CARRIERS)

- 17 airlines were classified as Laggards
- 8 airlines were classified as Followers
- No airline was classified as a Leader



## LAGGARDS

According to our Digital Merchandising Framework and survey results, Laggards are the airlines that scored the lowest (**1.8 on average on a scale from 1 to 5 across all five framework areas**).

Based on the provided data, **ancillary revenue represents less than 5% of total revenue on average** for this group (compared to the 12% overall average).

With 17 out of 38 airlines classified as Laggards, this is the biggest group. Traditional FSC airlines dominate this group, as no LCC carrier was classified as a Laggard.

## FOLLOWERS

We classified as Followers the airlines that are in the middle of the pack when it comes to ancillary and digital merchandising. Their **average score was 2.9 across all five framework areas** (the overall average for all 38 airlines was 2.6).

Based on the provided data, **ancillary revenue represents 14% of total revenue on average** for this group (compared to the 12% overall average).

15 airlines fit this criteria, so this is the second largest among the three groups. There are 8 FSC carriers and 7 low-cost airlines in this group.

## LEADERS

This is the most advanced group. Ancillary revenue and digital merchandising are key elements of their business model and their success. **The average score for this group was 3.9 across all five framework areas.**

Based on the provided data, **ancillary revenue represents more than 27% of total revenue on average** for this group (more than double the 12% overall average).

All 6 airlines in this group are low-cost carriers.



# LOW-COST AIRLINES ARE STILL AHEAD WHEN IT COMES TO DIGITAL MERCHANDISING

It's logical that the airlines with a low-cost model and low average fares have the highest "percent of total revenue" ancillary results.

They also scored highest in our survey analysis results.

When it comes to digital merchandising, they still have a head-start as a result of their business and product model, distribution channels and technology landscape.



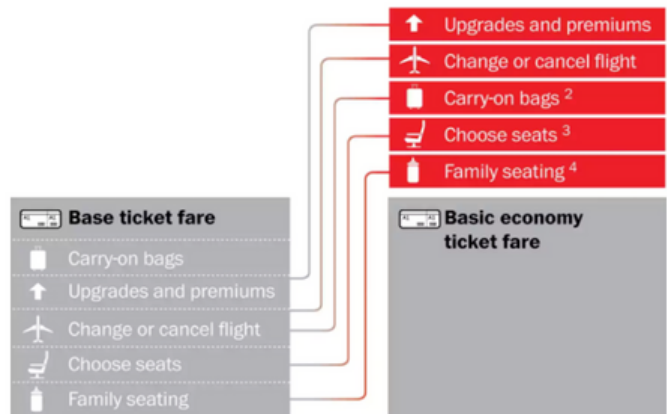
However, the distinction between business models is getting more difficult to make, as many airlines are adopting hybrid models to maximize ancillary and overall revenue.

This is why we see many traditional airlines catching up with ancillary and digital merchandising.

For example, in the US, most of the major carriers have introduced the unbundled Basic Economy fare, which used to be a domain of ultra-low-cost carriers such as Spirit Airlines and Allegiant Air. Recently, the trend has continued as the concept expanded from domestic to cross-Atlantic flights.

**Before** basic economy fares, many benefits were included as part of the base price of a ticket.

**After** basic economy fares, in most cases, many benefits have been unbundled and are not available, or cost extra as ancillary fees.<sup>1</sup>



- 1: Consumers with no elite-level airline status or credit card that offers travel benefits who purchase a basic economy fare for domestic travel could face these restrictions.
- 2: Delta allows carry-on bags for basic economy flights. American and United passengers can board with only one personal item that fits under the seat and are not allowed to use the overhead bin space.
- 3: At an extra cost, seating assignments may be available during booking and before check-in for United, or 48 hours before flights for American.
- 4: Though the airlines will attempt to sit families together, seating is not guaranteed unless advance seat assignments had been purchased.

Source: Senate Commerce Committee Office of Oversight and Investigations, minority staff report

THE WASHINGTON POST

Just before publishing this white paper Lufthansa announced it will introduce an Economy "Light" fare on transatlantic routes this summer. They are following a similar move by British Airways in an effort to compete with low-cost carriers like Norwegian and Wow Air on the transatlantic routes.

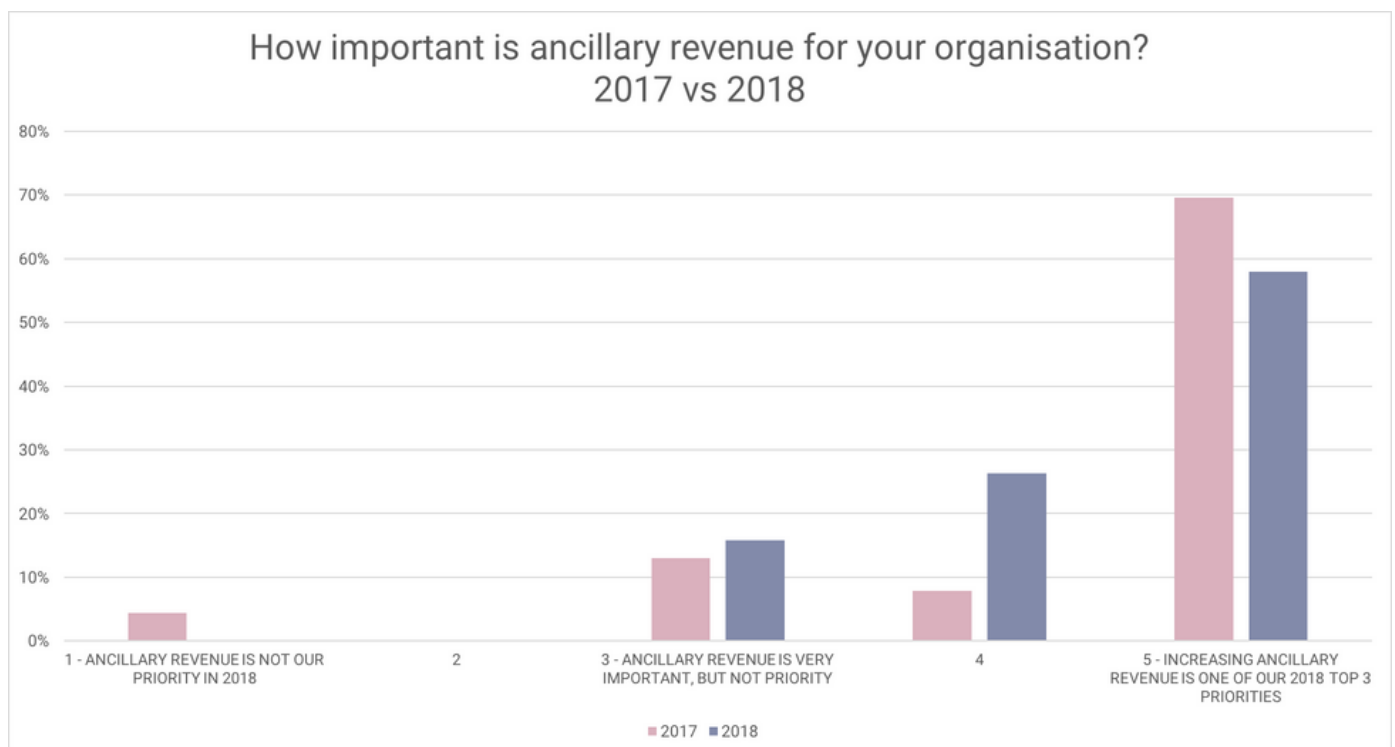
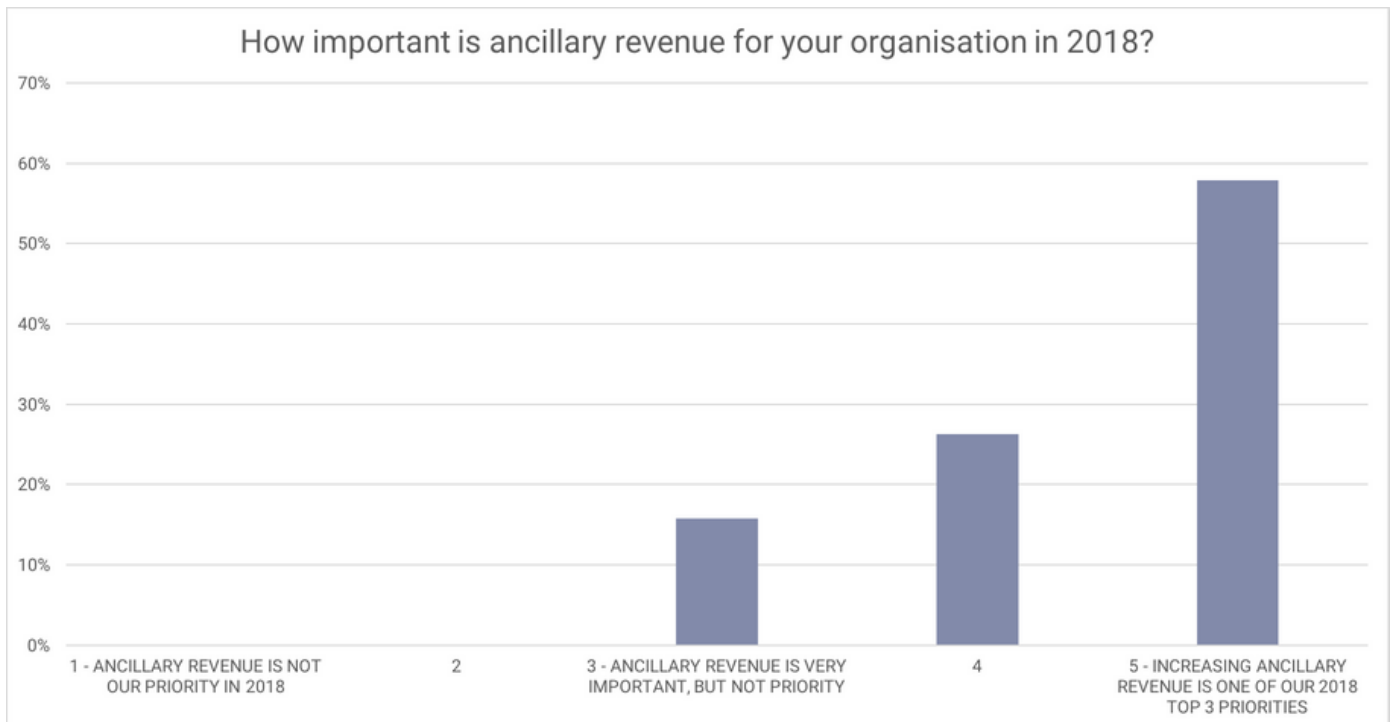


# ANCILLARY REVENUE IS STILL A TOP PRIORITY . . .

Those of you who read our Diggintravel 2017 Ancillary Survey analysis probably recognize this headline... because it's the same as the one in last year's report.

To be exact, 58% of the surveyed airlines reported that increasing ancillary revenue was one of their top three priorities in 2018. None of the surveyed airlines stated that growing ancillary revenue is not a priority.

When it comes to priorities, increasing ancillary revenue will not be removed from airlines' agendas and priority lists anytime soon.

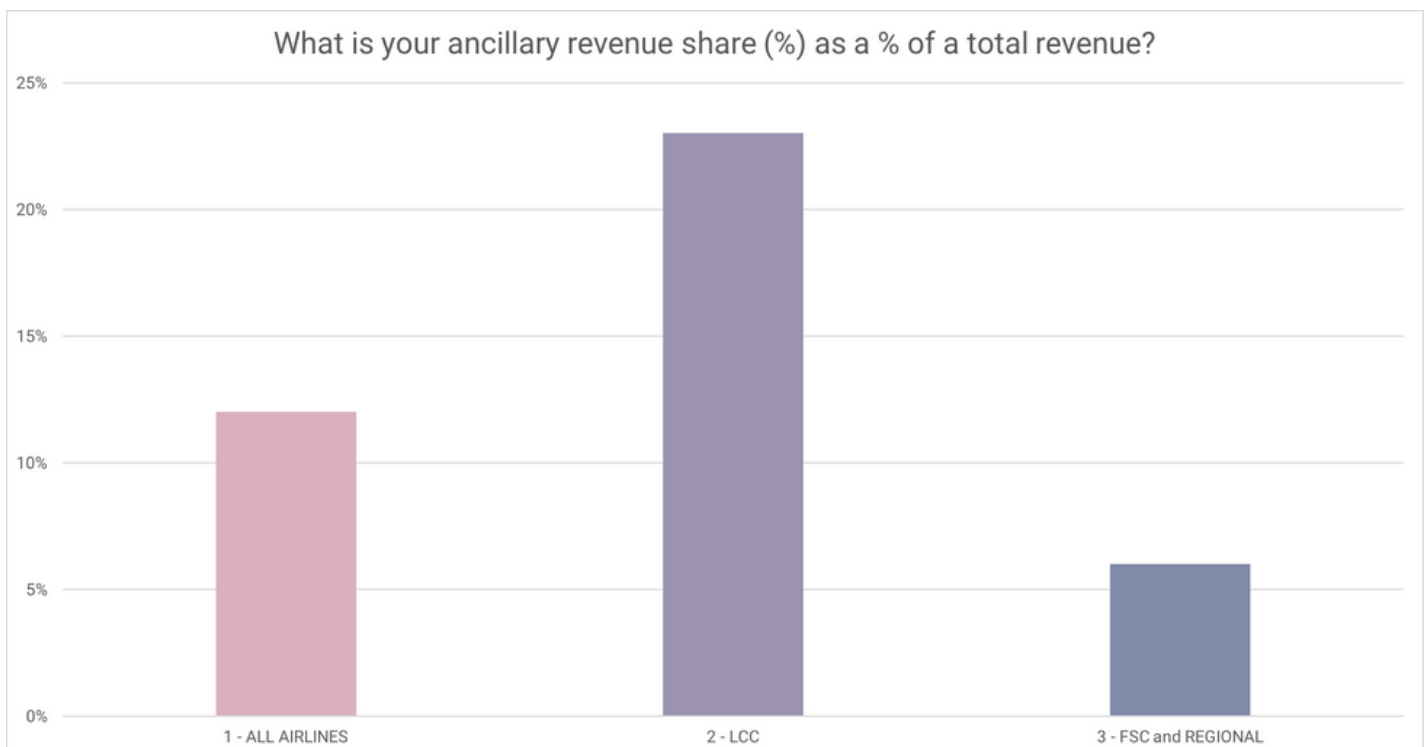
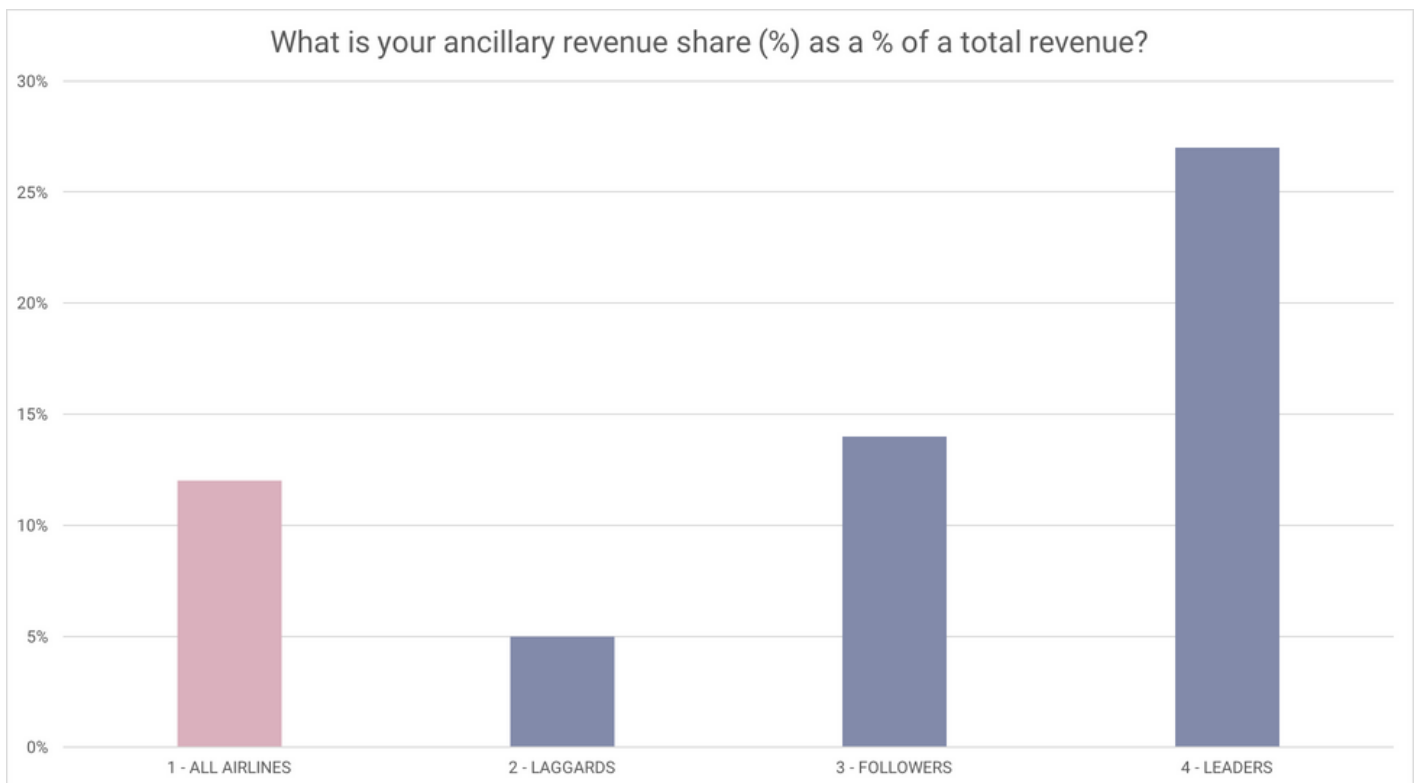



## ... YET FOR SOME STILL AN UNTAPPED OPPORTUNITY

According to our survey, **34% of airlines claimed that their ancillary revenue makes up 5% or less of their total revenue.** This indicates that focusing on ancillary revenue still holds a lot of potential for revenue increase.

Although the opportunity is biggest for low-cost airlines, a smart ancillary and digital

merchandising strategy can result in significant ancillary revenue shares for others as well. Out of the 22 FSC and regional airlines in our survey, 20% claimed they generate more than 10% of their total revenue from ancillary sources. For two of these airlines, the share is even higher than 15%.





**2018  
MERCHANDISING  
SURVEY**

I.



**PRODUCT  
&  
PRICING**

# PRODUCT & PRICING EVALUATION

To better understand what airlines are doing in the Product & Pricing area, we asked the following questions in our survey:

- What are your top ancillary products by revenue?
- Are you offering upgrades or bundled ancillaries?
- What are your top post-booking ancillary products?
- How integrated (on a scale from 1 to 5) is ancillary revenue uptake % in your base fare pricing calculations?

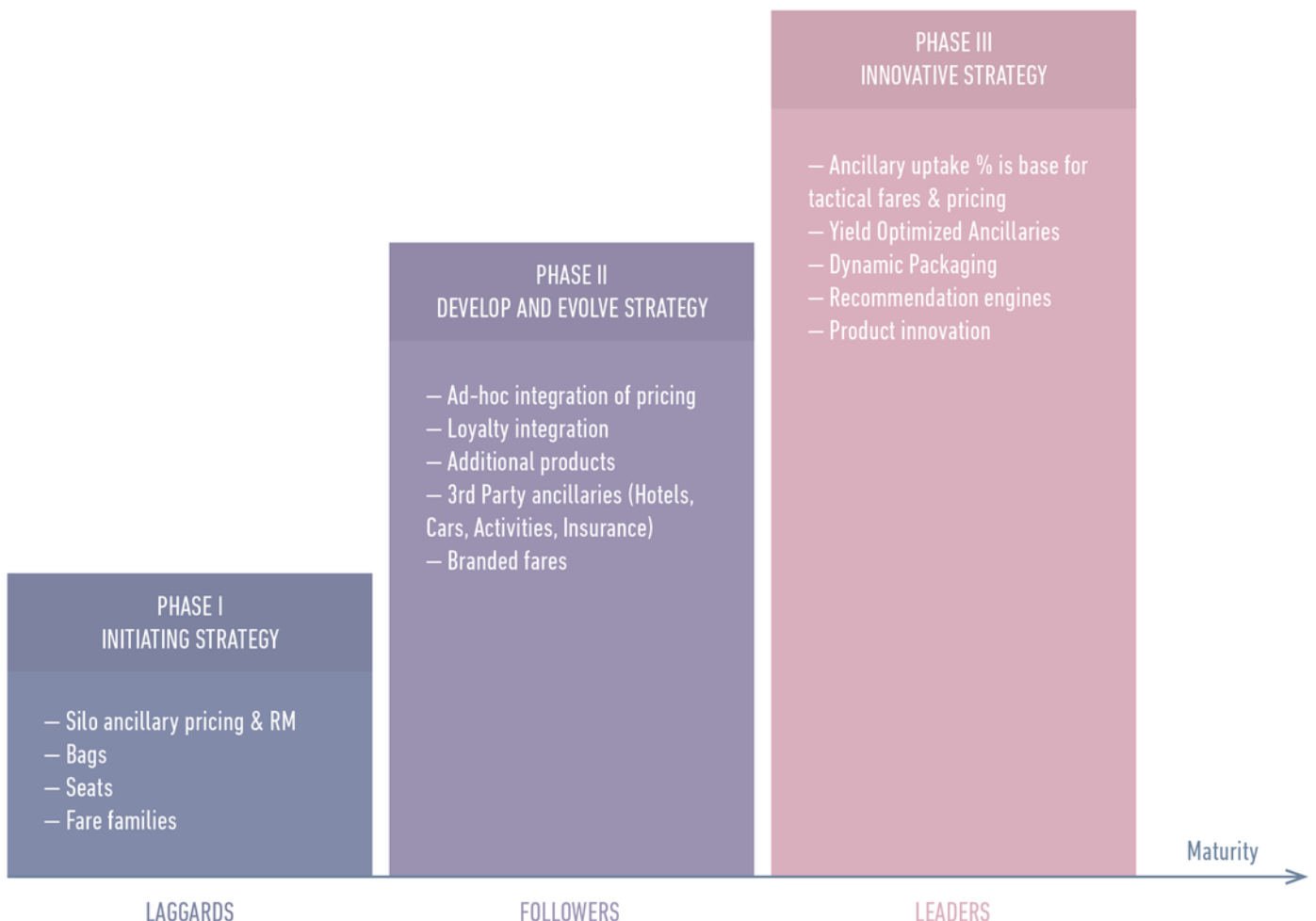
In addition, we reviewed the following during the digital audit of the booking platforms:

- Search results page and usage of fare product bundles (branded fare, fare family, or a subscription model)

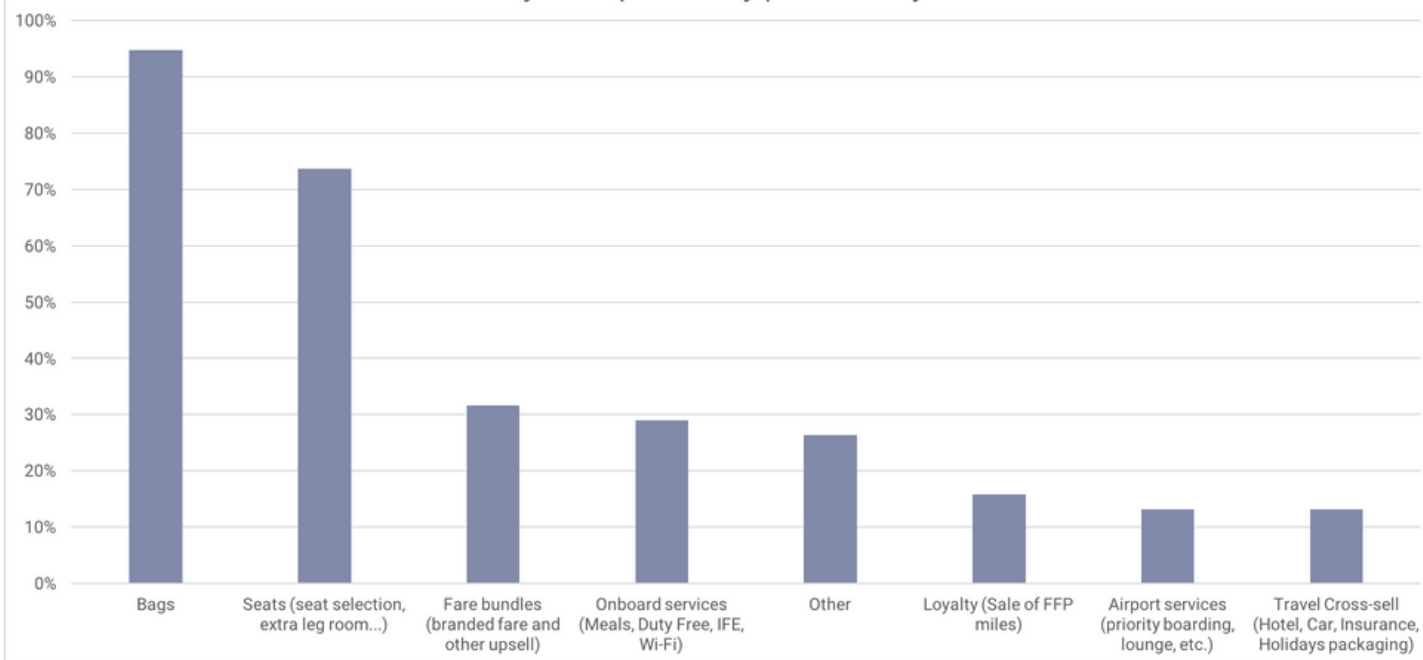
- Structure of the fare or product bundles (display, differentiation between options, bundle features, upsell benefits and triggers)
- A la carte ancillary products offered during the booking process
- Innovative approaches used for ancillary products during the booking process

Based on the key aspects above, we ranked **Product & Pricing** from 1 to 5, for each of the 38 participating airlines in the survey. The goal was to evaluate maturity of the airlines and identify best practices from the Leaders for this category.

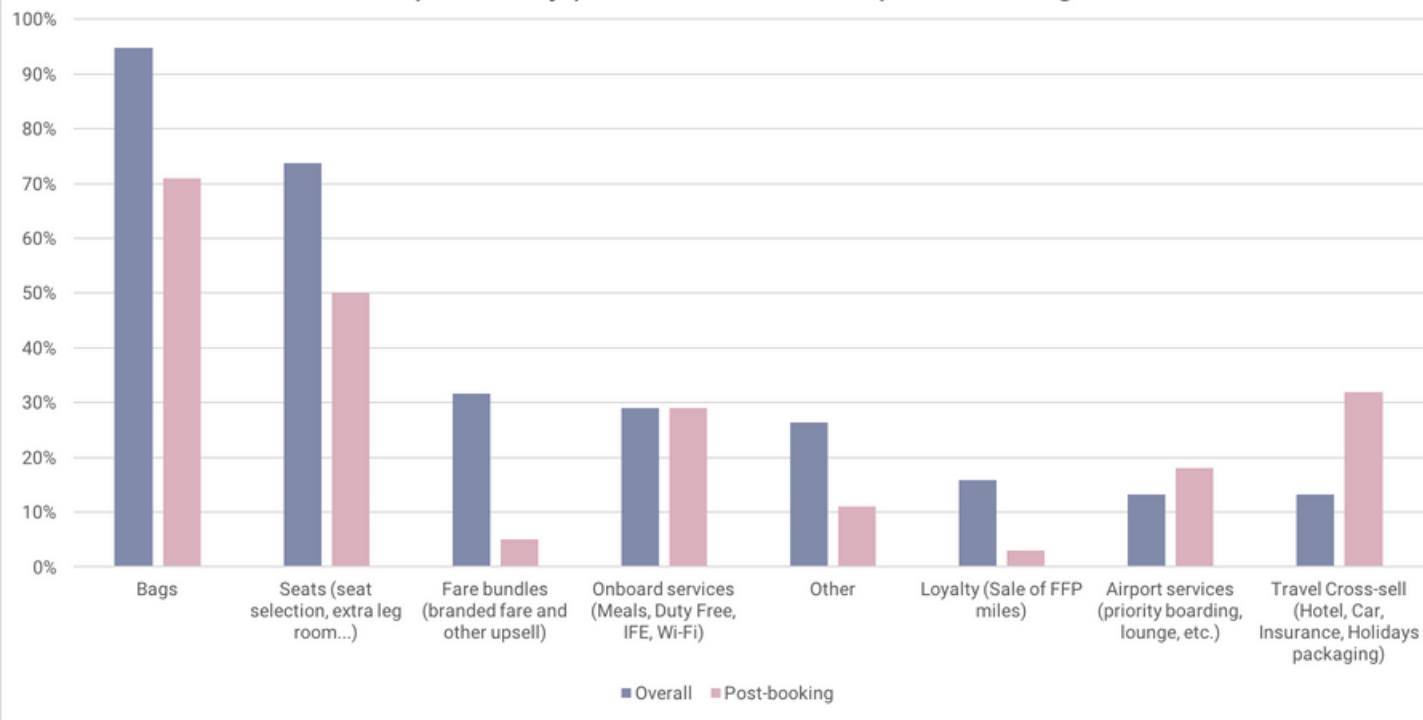
Below is a simplified three-step **Product & Pricing model** with key items airlines can use to plan and advance in this category:



### What are your top ancillary products by revenue?



### Top ancillary products - overall vs post-booking



# IT ALL STARTS WITH BAGS AND SEATS

It's no surprise that our survey respondents ranked **Bags (95% of respondents)** and **Seats (74%)** as their top ancillary revenue generating products.

After bags and seats, there is a huge gap to the next ancillary products, **Fare bundles (32%)** and **Onboard services (29%)**.

The importance of ancillary products varies for each airline depending on its business model and ancillary strategy. However, as can be seen from the examples in the 2017 CarTrawler Yearbook of Ancillary Revenue and our survey results, bags and seats are the core part of every ancillary program.

Airlines still in the early stages of their ancillary strategy should focus on maximizing revenues for bags and seats first (combined with branded fare product upselling), before focusing on developing other products.

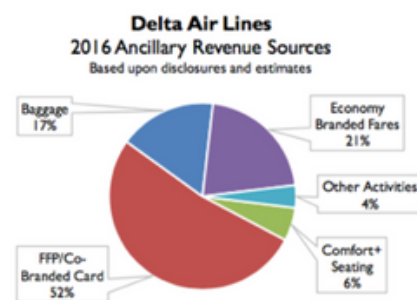
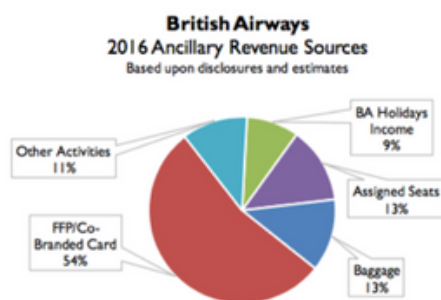
Bags and seats are top ancillary products in the **post-booking period** as well. The main difference compared to the overall results is that **travel cross-sell products** (hotels, cars, insurance, holiday packaging) are the third most important ancillary product category in the post-booking period at 32%.

Understanding your customer decision journey (CDJ) and using your customer data to create relevant offers is a must for successful post-booking upselling and cross-selling.

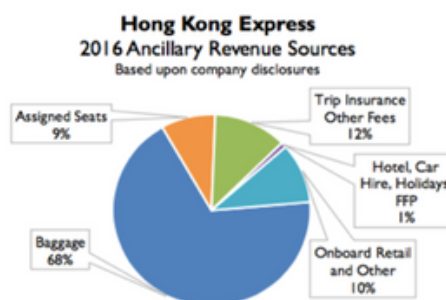
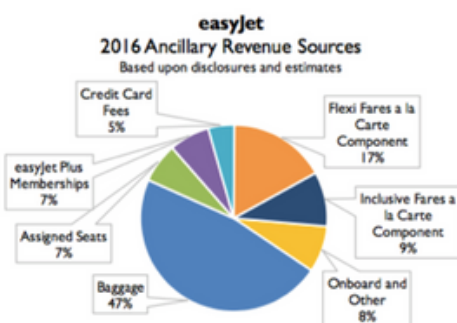
Creating relevant (if not personalized) offers in the post-booking period should be easier for airlines as the booking is already done and customer data is captured in a more structured way. Post-booking is also an area where you can be more flexible with your experimentation and testing.

You can find an example of how to combine the customer decision journey (CDJ) with targeted messaging for activity cross-sell in Section IV – Customer Centricity.

## Global Carrier Examples



## Low Cost Carrier Examples



Source: IdeaWorks Company



### JetBlue's "Even More Space" – When a seat is more than just a seat

Great ancillary products are not just an upsell; they add value to your customers. Once customers recognize this added value, they'll be willing to pay extra for it. If done right, such ancillary products **will not only add revenue but also increase your customer satisfaction.**

JetBlue's Even More Space product definitely meets all the criteria of a great ancillary product:

#### 1 Added value

No, it's not just a seat with extra legroom. If you purchase Even More Space, you actually get:

- Extra legroom
- Early boarding
- Early access to overhead bins
- Even More® Speed - expedited security in this departure city

If you select Even More Space, JetBlue gives you Even More Speed for free.

Basically, they bundle the lower priced product (Even More Speed) with the higher priced one (Even More Space).

#### 2 Clear communication and user experience (UX)

A great product and value proposition is not enough. You need to communicate it clearly to your customers. JetBlue does a great job of this in different ways:

**Name & logo** (branding) - It starts with a special product name. Even More Space is a seat product for seats with extra legroom. It's part of JetBlue's Even More concept, which also includes Even More Speed (fast security lane). The name itself already communicates the value. Additionally, they have a special logo and branding for the Even More products.



**Clear communication of the value proposition (USP)** - As discussed, Even More Space is not just a seat. You get more. JetBlue does a good job of communicating the benefits at the right time during the booking process.

## From roomy to roomier



Get even more comfortable in our Even More Space seats, which give you additional room to stretch out and relax, plus early boarding and early access to overhead bins. When you purchase an Even More Space seat you'll also receive Even More Speed, your fast lane to the security checkpoint, available in select cities.



### Extra space

Even More Space seats are available on all our fleets. With Even More Space seats you'll enjoy up to 38" of legroom.



### Early boarding

Even More Space seat customers have the option to be among the first customers to board the aircraft.



### Early access to overhead bins

Even More Space seat customers can take advantage of early boarding to get early access to overhead bin space.

## Even More Speed

You'll also get Even More Speed, our fast lane to the security checkpoint, when you purchase an Even More Space seat.

You can see the Even More logo next to the seating chart on the right, and the benefits on the left:

**Even More Space**  
New! Here's even more – your Even More® Space purchase comes with expedited security in this departure city.

**Even More® SPACE**  
This seat includes:

- Extra legroom
- Early boarding
- Early access to overhead bins
- **Even More® Speed**

[Learn more](#)

The benefits are also shown before the final confirmation of the product:

## Even More® Space

✕

You have selected an Even More® Space seat for an additional cost of **\$101.00**.

This seat includes:

- Extra legroom
- Early boarding
- Early access to overhead bins

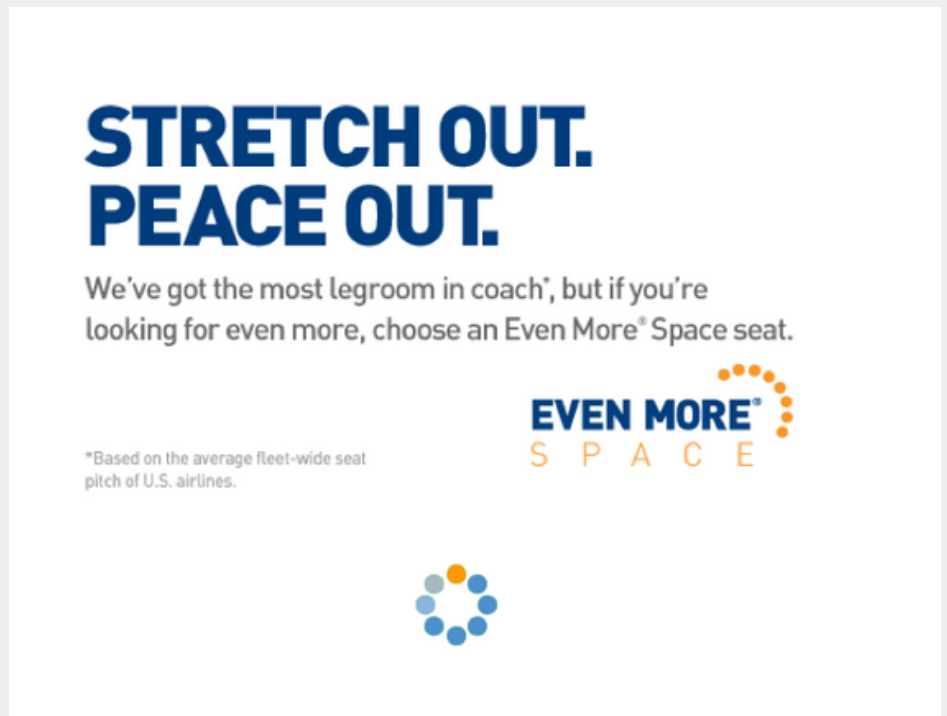
Even More® Speed - expedited security in this departure city.

Cancel

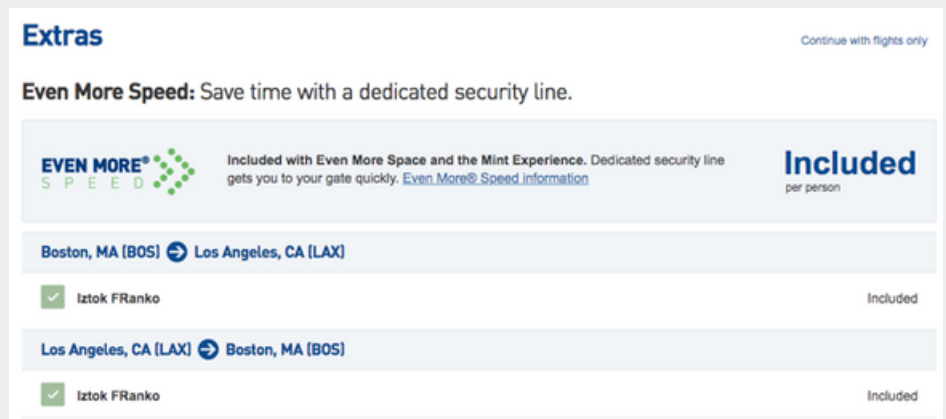
PURCHASE SEAT FOR \$101.00 USD

Pre- and post-communication - In his best-selling book Pre-Suasion, well-known psychologist Robert Cialdini explains how people are much more receptive to messages if we plant a “pre-suasion” message before the key point.

JetBlue shows you this message just before you get to the page to select seats:



Once a customer selects the product, he can clearly see the added value of his choice (free Even More Speed product) at the next step:

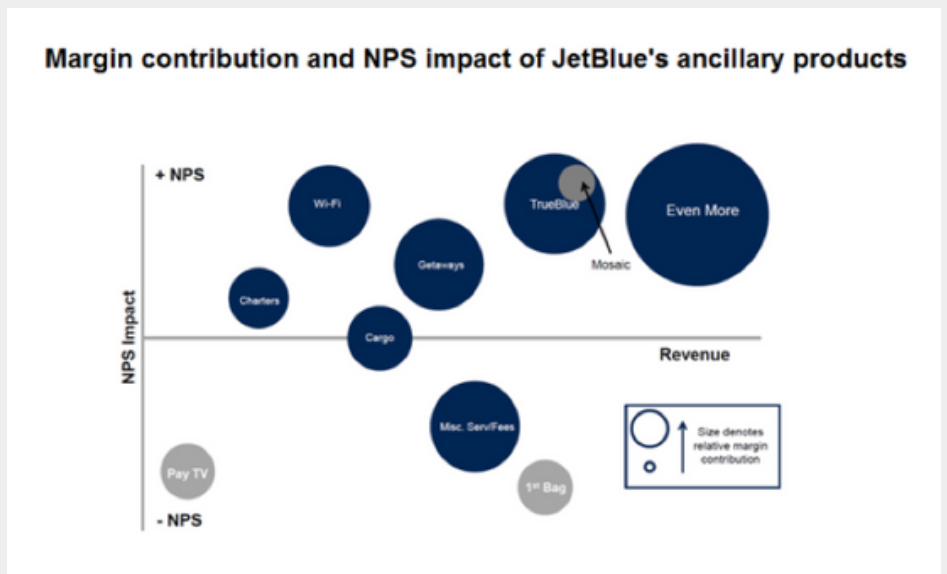


### 3 The results

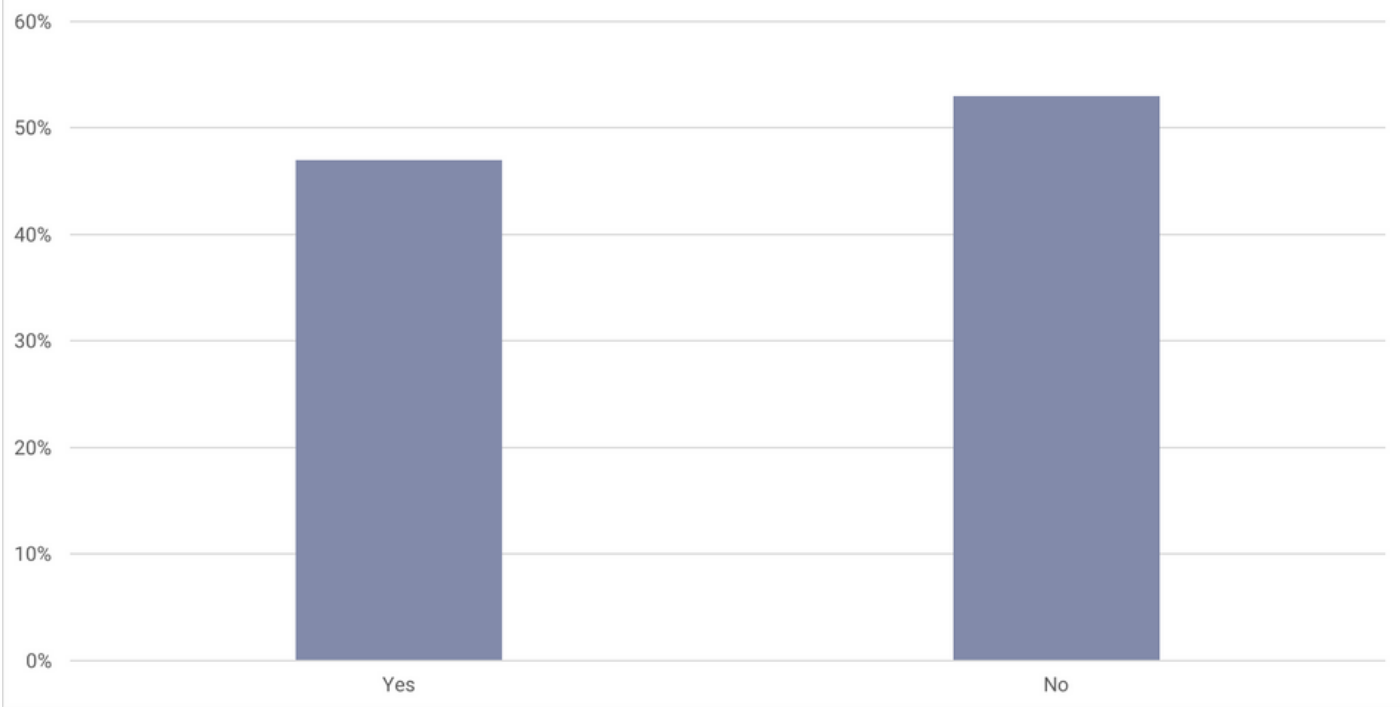
Based on the IdeaWorksCompany's 2017 Ancillary Revenue Yearbook data, Even More Space is JetBlue's largest a la carte product and generated \$238 million in 2016, which would mean \$6.20 per passenger.

Remember, great ancillary products don't only generate additional revenue. They add value and improve customer satisfaction.

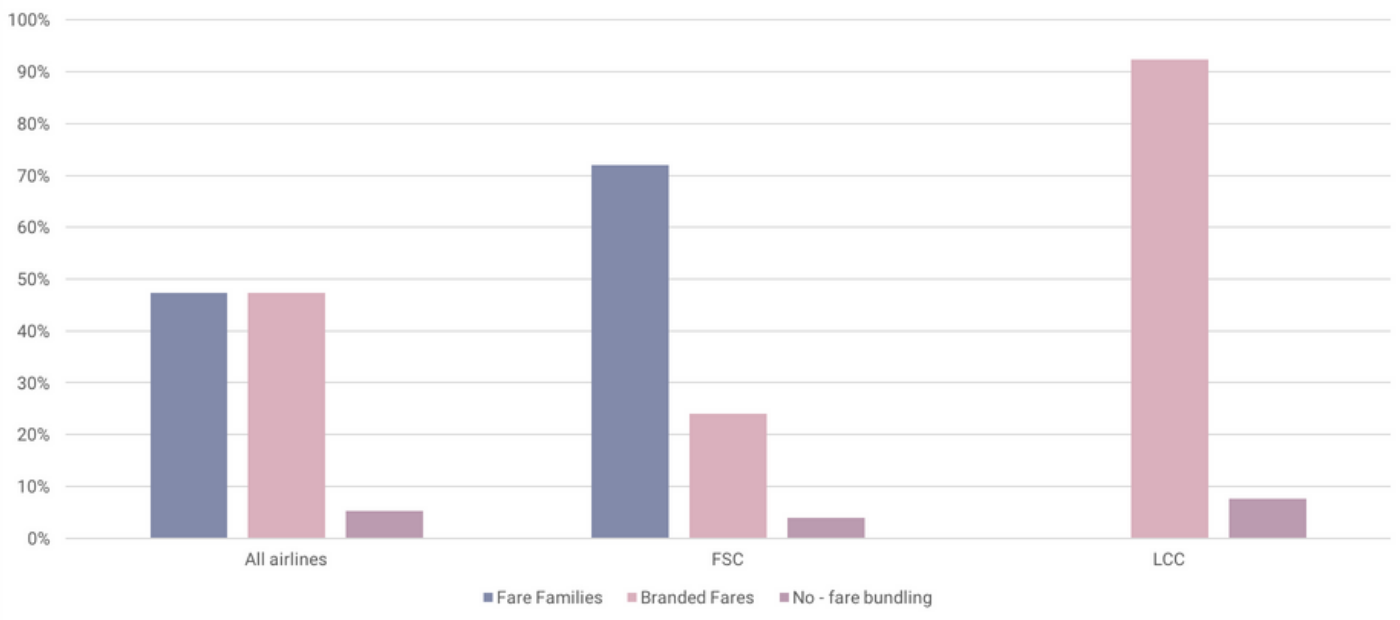
Based on the Market Realist report and JetBlue data, Even More products have the biggest impact on JetBlue's customer satisfaction score (NPS):



### Are you offering upgrades or bundled ancillaries?



### Fare Product Bundles



## FARE PRODUCT BUNDLES

**Product bundling is a merchandising concept popular within many industries. Just think about mobile subscription packages where various features (like call minutes, number of messages, and mobile data) are bundled together so you can choose the “package” that fits you best.**

Airlines adopted this concept with the low-cost model, where the main product (basic fare) is unbundled and additional services are offered as a la carte extras. However, eventually most of the LCC carriers applied some sort of re-bundling through **branded fares**. All but one of 13 LCC carriers from our survey are using the branded fare model, and some are combining it with subscriptions.

Typically, branded fares provide two or three choices (in a Basic, Better, Best model - each offering a defined list of services) for a seat booked on a flight. Each branded fare is always available (does not sell out as the aircraft fills). Usually, there is a fixed price difference between options, so it's easily understood by the customers.



SELECTING A PREMIUM (BUNDLE) SHOULD ADD VALUE TO THE CUSTOMER NOT ONLY BY MAKING THE DECISION PROCESS SIMPLER, BUT ALSO BY PROVIDING REAL VALUE. BUNDLED PRODUCTS SHOULD BE LESS EXPENSIVE THAN IF BOUGHT SEPARATELY. SEE THE ATTACHED AER LINGUS EXAMPLE FOR BRANDED FARE PRODUCT DESIGN.



Many FSC carriers still use the **fare family model** when it comes to bundling.

18 out of 38 carriers from our survey are using fare families for fare product differentiation. As the fare family model is defined by the fare rules and complex revenue management procedures, all 18 are FSC carriers. Fare family has three big limitations when it comes to true merchandising.

**First**, the differentiation between options is tied around fare rules (flexibility of date changes and cancelation and refund policies), which makes differentiation less transparent.

**Second**, with the fare family model the lower priced fares sell out as the aircraft fills. This means that the customer is sometimes forced to select a certain bundle because others are not available, which is bad for transparency.

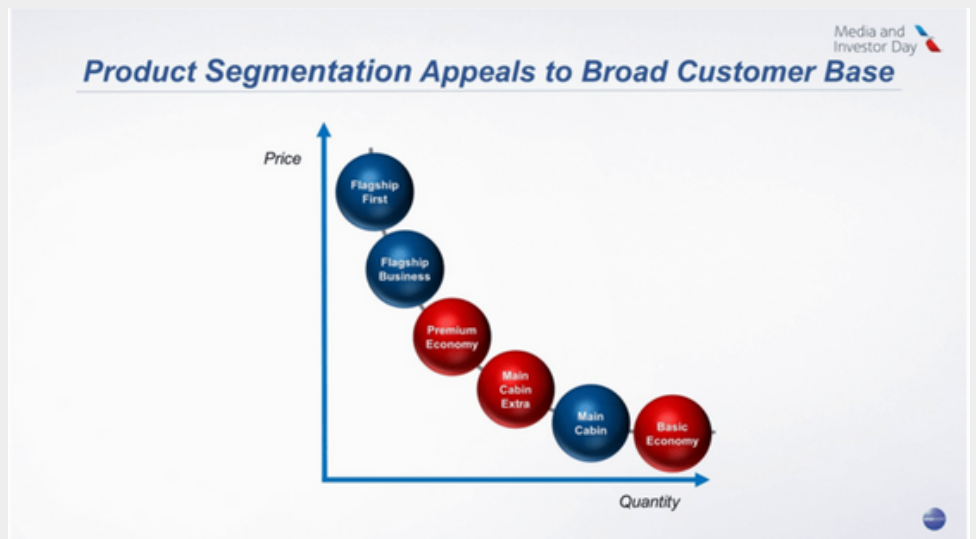
**Last**, but probably the most important aspect, is the mindset. Fare families were traditionally used by **revenue management departments** for segmentation and to maximize yields. With the evolution of ancillary, in a lot of cases revenue management picked up ancillary responsibility as well. In our survey, for 6 out of 18 FSC airlines, **revenue management is still responsible for ancillary products and pricing**.

Typical airline revenue management is focused on forecasts and calculating prices and yields. They are not really equipped for true digital merchandising and ancillary product development, where other skills (understanding customers, product development, user experience design, upselling and cross-selling) are needed.

This is why we see more and more airline ancillary departments (and even merchandising departments, especially in the U.S.) taking over. (You can read more about organization in the last section – **Organization & Integration**).

Example from American Airlines of a fare product segmentation strategy and branded fare upsell in practice:

These two examples show that a bundled fare product segmentation and strategy is not enough. If you want to increase revenue you need to implement smart branded fare upselling digital merchandising techniques as well. You can find more detailed examples of these upsell tactics in the Section III – Digital Merchandising Techniques.



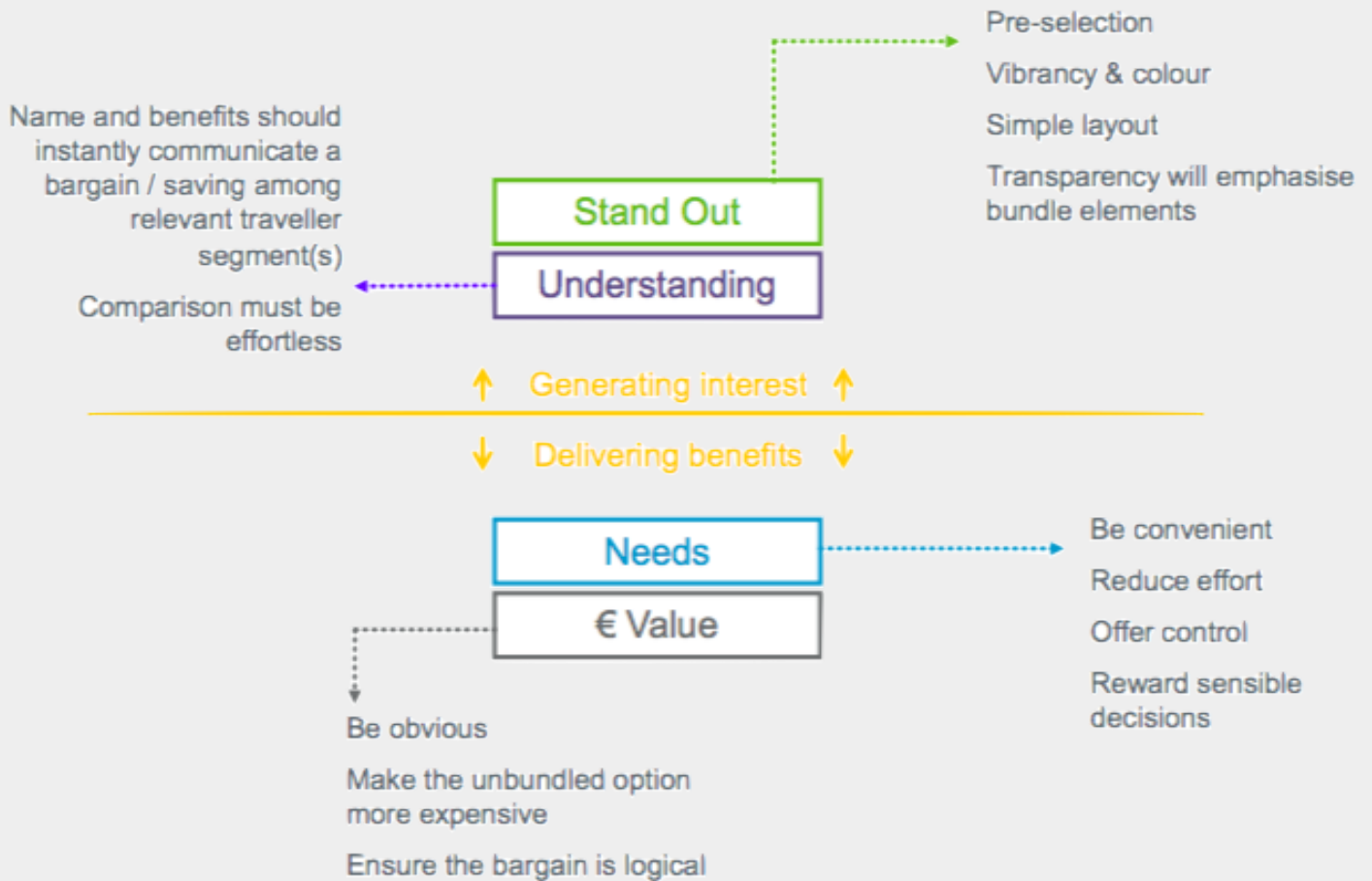
Are you sure?

	You chose <b>Basic Economy</b> Lowest fare	Move to <b>Main Cabin</b> Good value with benefits
Carry-on	✗ 1 item that fits under the seat (No access to overhead bin)	✓ Carry-on & personal item (access to overhead bin)
Seats	✗ Seats assigned at check-in*	✓ Choose your seat (fee may apply)
Upgrades	✗ Not eligible for upgrades*	✓ Eligible for upgrades on American flights
Flight change	✗ No flight changes or refunds*	✓ Flight changes allowed (fee applies)
Boarding	✗ Board in last group	✓ General boarding
*Rules apply to all passengers including AAAdvantage elites.		
	Round trip <b>\$181</b> per person	Round trip <b>\$201</b> per person
	Total \$180.41 (all passengers)	Total \$200.40 (all passengers)
	<a href="#">Accept restrictions</a>	<a href="#">Move to Main Cabin</a>

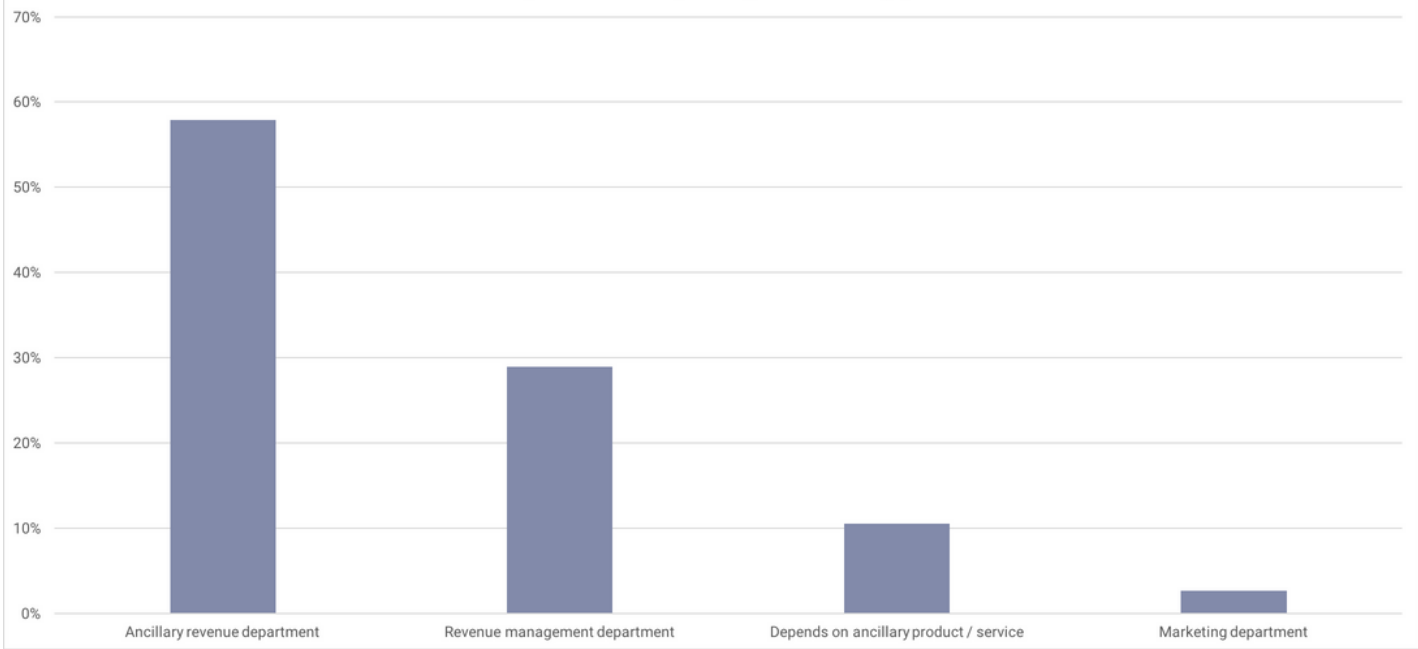
## EXAMPLE

### Example of a branded fare product guidelines:

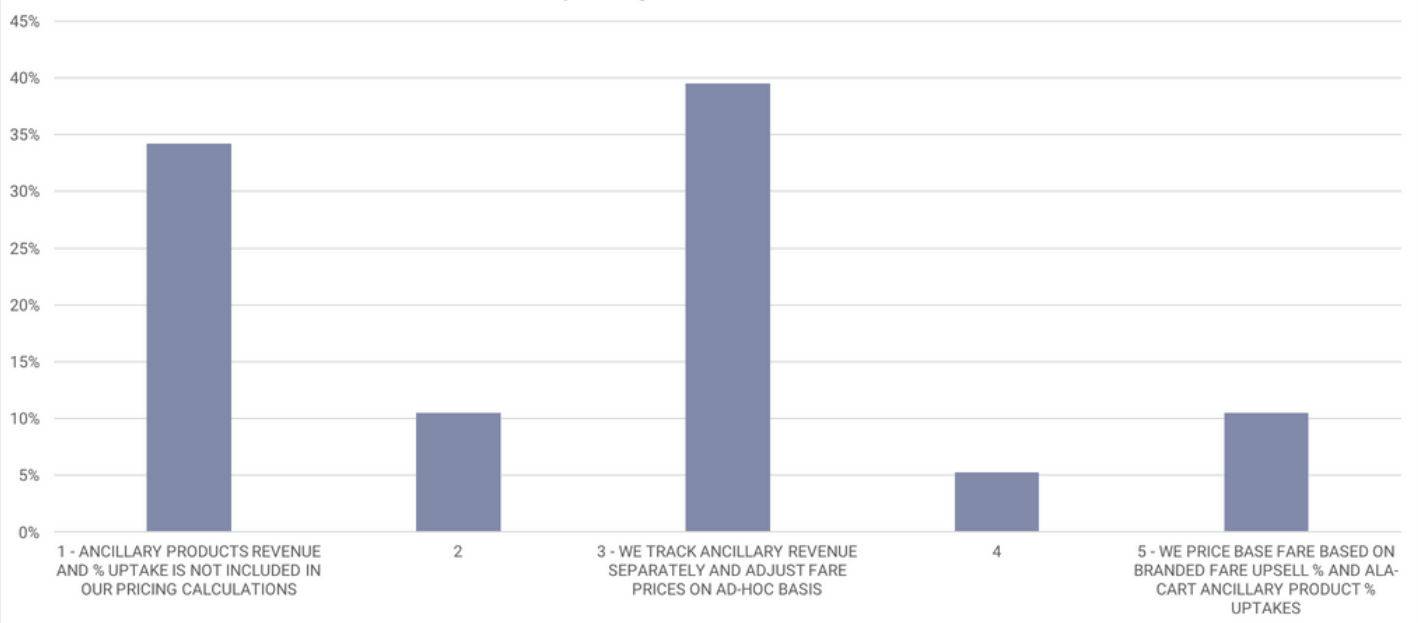
Below is an older but still relevant example from Air Lingus of branded fare product guidelines. Many airlines still fail to present their fare family or branded fare products in a way that differentiation and value of the upsell is clear.



### Who is responsible for pricing of ancillary products?



### How integrated (on a scale from 1 to 5) is ancillary revenue uptake % in your base fare pricing calculations?





## PRICING COMPLEXITY

Based on the prior section, you can see why it's crucial to have ancillary or merchandising departments in charge of ancillary products development.

The ancillary model has also made the job of pricing and revenue management much more difficult. Using basic (unbundled) fare products allows airlines to use lowest fare as the tactical market fare. It's also a logical response from the FSC carriers to the LCC competition. However, to maximize the opportunity of such an approach, airlines need to **incorporate new parameters** (branded fare product pricing and upsell %, a la carte ancillary pricing and a la carte uptake rates %, implication of various upselling methods on the overall conversion rate) into their overall pricing and yield optimization calculations.

This added complexity is definitely one of the bigger challenges airlines currently face with their ancillary revenue initiatives. Our survey shows that the pricing of ancillary revenue is in most cases either the domain of the ancillary revenue departments (57% of survey responses) or the revenue management departments (29%).

However, **pricing of fares and ancillary pricing are two separate and unintegrated processes for most airlines**. 34% of airlines stated that ancillary products revenue and % uptake is not included in their pricing calculations. Furthermore, 84% of surveyed airlines track ancillary revenue separately and adjust prices on an ad-hoc basis. Only 11% incorporate branded fare % upsell and a la carte ancillary product % uptakes into their base fare pricing.

The following quote from a recent McKinsey article ("How airlines can gain a competitive edge through pricing") underlines the same challenge and opportunity (**5-10% improvement in revenue by their estimate**) when it comes to pricing integration:


“RM departments at most airlines are siloed from other departments, such as sales and marketing, which hinders their ability to collect and wield the customer data needed to optimize total revenue. In addition, few airlines employ data scientists, which prevents them from harnessing the latest advanced analytics tools to create cutting-edge predictive and prescriptive revenue-optimization models. If airlines work to address these shortcomings, we estimate they could reap a 5 to 10 percent improvement in total revenue. “Airline RM today is an exercise in setting prices and managing yield through inventory—how many seats are left, and what is the highest price we can sell them for? But in the quest to optimize total revenue, inventory is just one input to the final price presented to a customer. To realize the potential of total RM, airlines must adopt

*a bundled model that considers not only ticket price but also the probability that passengers will purchase other goods and services from the airline before, during, and after their journey.*

*“But most airlines do not have the analytical capabilities that are essential to making those types of predictions. In fact, the software necessary for total RM optimization does not yet exist, as most software providers are still focused on optimizing ticket revenue through increasingly advanced forecasting and optimization (for example, origin and destination forecasting and optimization). Airlines will need specialists who can create these models from the ground up rather than operations researchers who can tweak existing models.”*

As you can see, this challenge certainly isn't a simple nut to crack. The best approach requires new skills and new systems. Airlines now recognize the importance of the new skills part and are willing to invest in building them (see the Customer Centricity section). The system parts, however, is another story as it remains one of the biggest pain points for ancillary revenue professionals - as you'll see in the Innovation & Technology section.

II.



**INNOVATION  
&  
TECHNOLOGY**

# INNOVATION & TECHNOLOGY EVALUATION

To better understand how airlines are doing in the Innovation & Technology area, we asked the following questions in our survey:

- How flexible are your booking and post-booking platforms?
- How mobile ready are your systems for post-booking ancillary upselling and cross-selling?
- Do you use any of the advanced methods like machine learning, artificial intelligence, predictive analytics or recommendation engines for your ancillary offers?
- Are you selling ancillaries anywhere but airline direct? (i.e. on an OTA)
- Are you selling ancillaries post-booking anywhere but airline direct? (i.e. on an OTA)

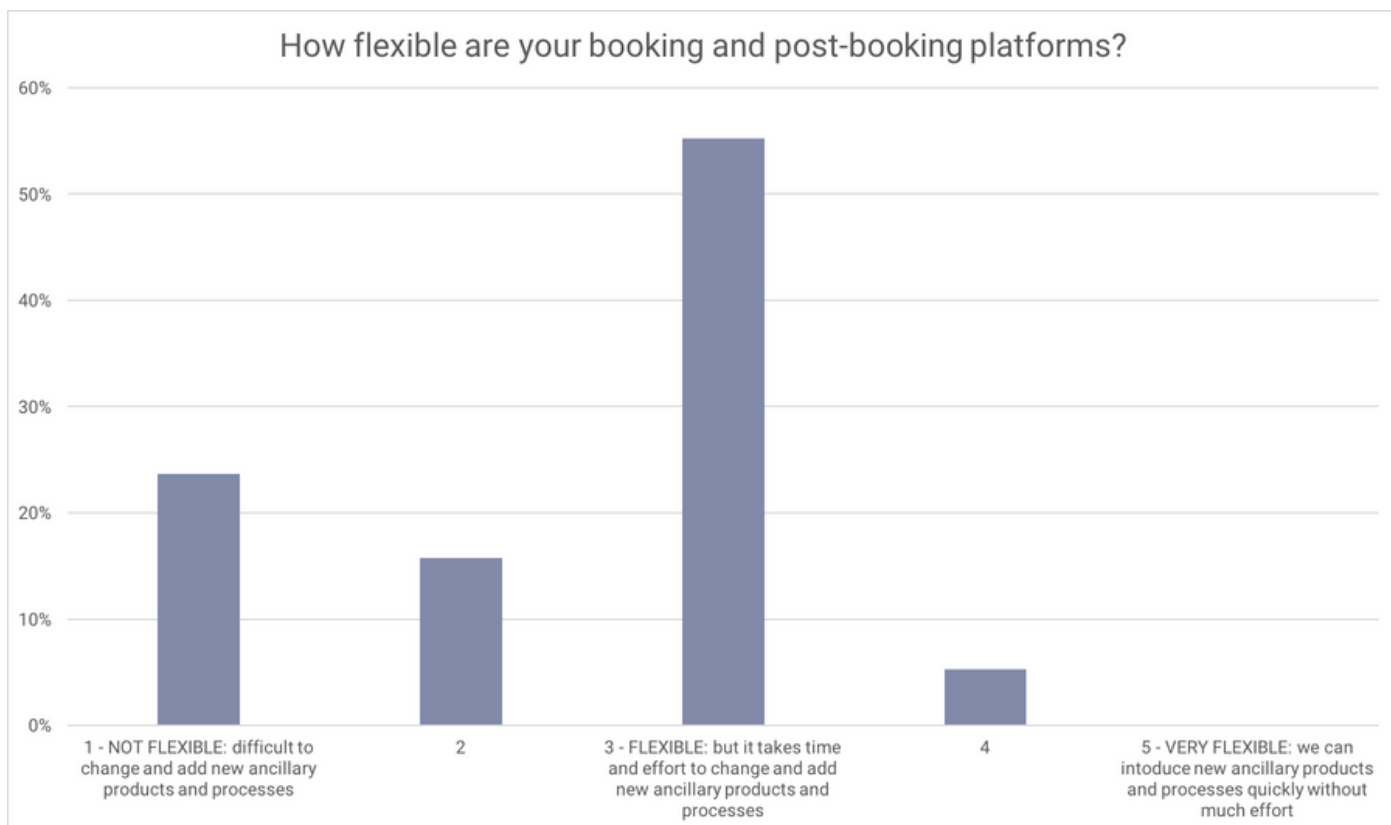
Basically, we tried to understand if IT platforms and technology actually help or limit airlines' digital merchandising.

In addition, especially for FSC carriers, we wanted to gauge how successful they are with their merchandising efforts via the indirect channels.

IT and technology was the main theme when we asked survey participants about their biggest pain points in their ancillary revenue processes. This is why we've included analysis of this question in this section.

Based on the above, we ranked **Innovation & Technology** from 1 to 5 for each of the 38 participating airlines. The goal was to evaluate the airlines level of maturity and identify best practices from the Leaders for this category.





## (IN)FLEXIBLE BOOKING PLATFORMS

The main learning when it comes to booking and post-booking platforms is that nobody is really happy with them.

40% of survey respondents claim their platforms are **not flexible** (answered 1 or 2) for digital merchandising.

Another 55% said their platforms are somewhat flexible, but **it takes time and effort** to add new ancillary products and processes.

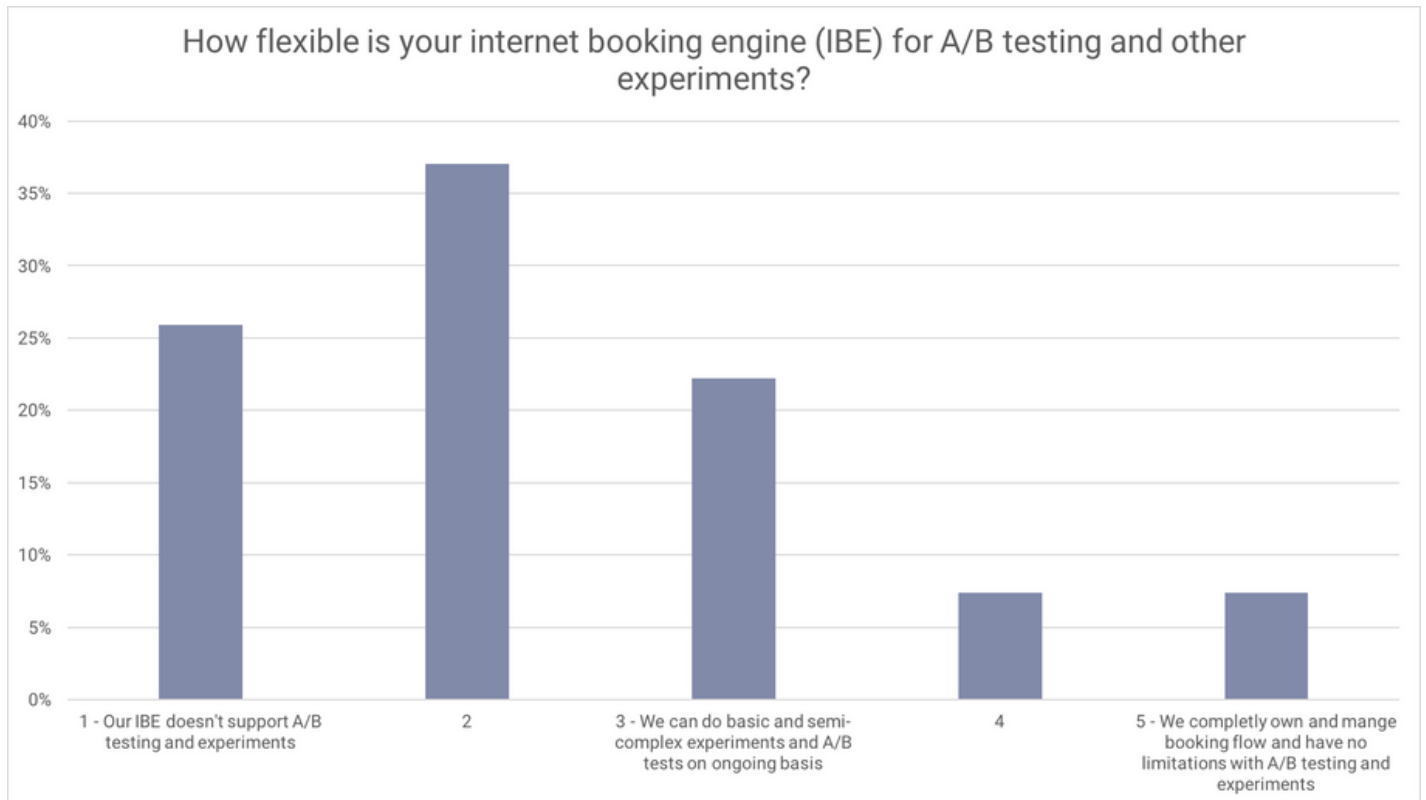
The answers to this question are very similar to the results of the question about booking engine flexibility from the **Diggintravel Airline Conversion Optimization Survey**. In that survey we asked airline ecommerce pros how flexible their booking platforms are when it comes to A/B testing.

You can learn **why testing and conversion optimization (CRO) is important for increasing ancillary revenue** in detail in Section 4 - Customer Centricity.

For now, let's just say that CRO is the key to customer centricity, and customer centricity is a must for great digital merchandising.



In both surveys, the **share of airlines who were satisfied with their booking platform flexibility** (answered 4 or 5) was **less than 15%**.



## SHOULD BOOKING PLATFORM (PRE)DEFINE YOUR DIGITAL MERCHANDISING TACTICS?

**During the digital audits of the surveyed airlines, we found an interesting pattern. At least 11 out of 38 airlines (almost 30%) had a very similar booking path experience.**

The digital merchandising process, meaning branded fare / fare family display, ancillary a la carte flow, a la carte selection and presentation UX, was conceptually the same. Design and styling was different, but digital merchandising mechanics were basically identical. Or, as they say, “if it looks like a duck, swims like a duck, and quacks like a duck, then it probably is a duck.”

Satisfaction with their booking platform was below average for these 11 airlines, and 7 of them claimed their platform is not flexible. It probably isn't a coincidence that all but two of them were classified as Laggards.

In my experience, based on the feedback I get when talking to airline pros and survey respondents, legacy/one-size-fits-all booking platforms are limiting airline digital merchandising initiatives.

Many airlines use solutions from mainstream airline IT tech providers which are not flexible. They need to wait for major product releases for solutions that just aren't flexible enough.

So what can you do about it?



## OWN YOUR PLATFORM(S)

According to English dictionary verb “own” can have different meanings:

### **verb**

1. have (something) as one's own; possess.
2. take or acknowledge full responsibility for (something).

When I talk about airlines owning their online booking platforms, I mean the latter - to fully take control and responsibility of the platform. So, not necessarily building their own, but having full control over it.

Your ideal digital merchandising platform would allow you to have different booking and post-booking path versions with dynamic content, based on customer data and behavior. It would also enable you to experiment (execute A/B testing) at scale.

In a way, it should be the exact opposite of how two of your airline colleagues described their situation in their survey responses:

*“Changing the channel UX's quickly to test new ways of selling - the channel programming process is too slow.*

*“We don't have flexibility in our digital channels to introduce products (new and current) and do AB testing.”*

You can apply the same quote we used for a definition of a modern ecommerce platform in our Airline Conversion Optimization survey for ancillary and digital merchandising as well:

*“A marketer's ability to leverage conversion optimization is often made or broken by the ecommerce platform. When templates are hard-coded, it can be costly and [time-consuming] to make even simple changes - especially when it requires outsourced development to implement these changes. If the marketer cannot make these changes [...], the incremental gains of optimization are more than offset by the costs to run them [...], which may force marketers to only run very simple tests, which don't bring a high enough return to justify continued investment in optimization.*

*The ideal ecommerce platforms for testing flexibility typically are CMS-driven, where the marketer can control the front-end without IT, or multi-tenant, plug-and-play where features can be turned on and off by the marketer at zero cost, and nearly instantly without breaking code. [...]*

*—Linda Bustos, Co-founder and Managing Partner at Edgacent, an e-commerce advisory firm*

The biggest online travel retailers, like Booking.com and Airbnb, built their own booking and experimentation platforms. This enabled them to experiment and consequently grow at a large scale.

When I talked to someone from one of the largest LCC carriers, they said they see building such a flexible platform as the crucial next step for their online and ancillary growth.

Similarly, **50%** of our survey respondents claimed that **booking and post-booking platforms** is an area in which they will invest in 2018.





# TRAVELPAAS

Travel Paas™ empowers airlines to provide a digital experience that's cohesive and intuitive across all channels and throughout all phases of travel.

More than just a booking engine, it's a platform for integrating products and services to create the best airline user experience.



**Icelandair** interface showing a flight from Denver to Reykjavik with a 2-night stopover in Reykjavik, and another from Reykjavik to London. It includes a 'Compare Fare Classes' table:

Flight	Class	Fare	Change	Cancel	Total	
Denver → Reykjavik	ECONOMY SPECIAL	\$1,248.00	+\$135	-\$247	+\$300	+\$1,104
	ECONOMY	\$1,100.00	+\$135	-\$247	+\$300	+\$1,104
	ECONOMY FLEX	\$1,100.00	+\$135	-\$247	+\$300	+\$1,104
	ECONOMY COMFORT	\$1,100.00	+\$135	-\$247	+\$300	+\$1,104
	SMGA BUSINESS	\$1,100.00	+\$135	-\$247	+\$300	+\$1,104

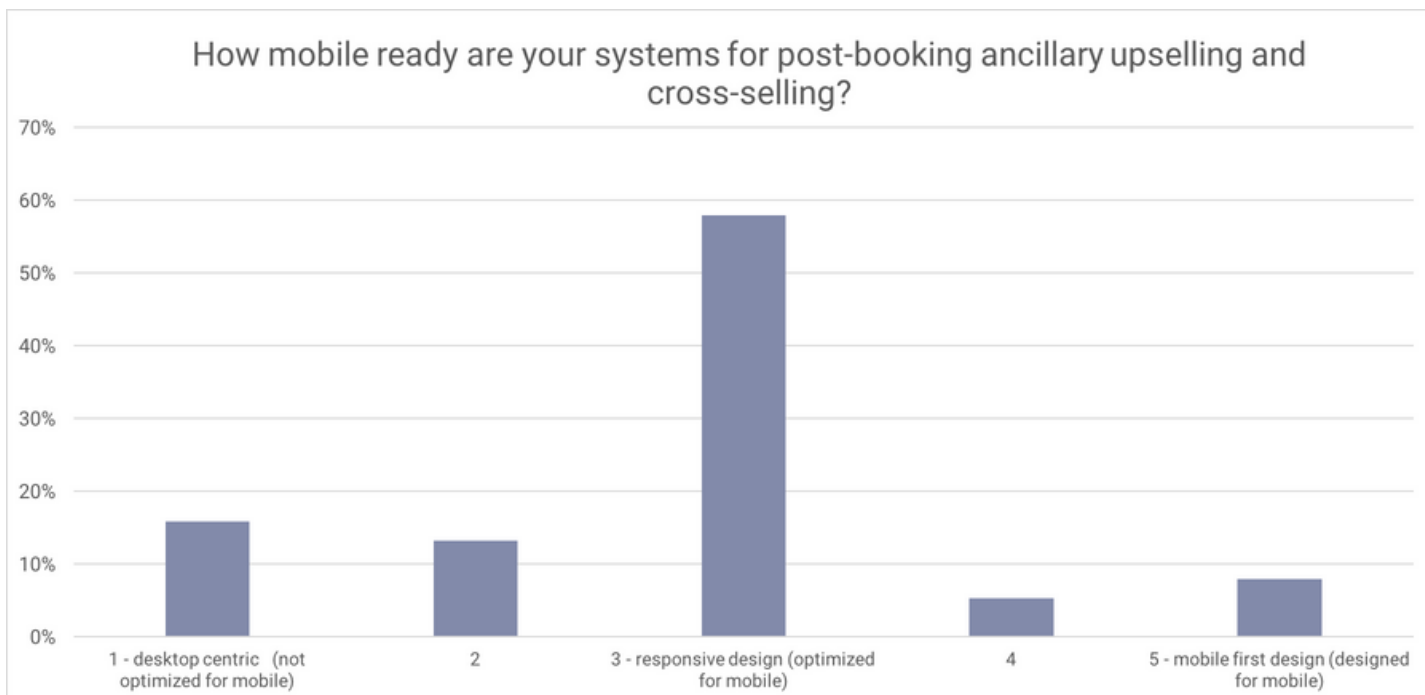
**El Al** interface showing a flight from JFK to TLV on April 7, 2014, with a price of \$966.79.

**SATA International** interface showing a flight from Boston to Lisbon on Dec 7, 2014, with a price of \$364.



To learn more about how your travel company can benefit from Travel Paas, visit [travellaer.com](http://travellaer.com)





## MOBILE - TAKING THE NEXT STEP

**You're probably tired of hearing the mobile argument and the stats about how mobile is growing exponentially compared to desktop usage.** Earlier in the year when we asked almost 100 airlines and travel marketing pros about the key trends for 2018, mobile was quite low, in 7th place. But when it comes to investment, it was higher - in 4th place.

This leads me to believe that mobile is not just a buzzword; it's a reality, and we are all aware of its importance. However, the transition to mobile is not easy.

Based on our survey results, we can see that most of you (**58% of our survey participants**) are at a stage where your **merchandising platforms are optimized for mobile**. This is fine, but it's still middle-of-the-road. When it comes to mobile, the final destination needs to be mobile-first, or a user experience designed especially for mobile (not desktop optimized for it).

Testing of mobile apps was not in the scope of our digital audit. That's a bigger area that requires special research.

When it comes to apps, however, airlines are certainly facing a dilemma.

First, building an app and motivating users for active usage of that app requires a special skillset.

Second, motivating users that don't fly frequently to download and use the app is very difficult. There are a lot of stats demonstrating that people are using apps all the time (for example, data from Flurry Analytics shows that 90% of time on mobile is spent in apps).





However, the competition for app attention is fierce: according to Quetra 6 of top 10 apps are messaging apps. Furthermore, these top 10 apps dominate 97% of consumers' time.

This is why we see many airlines building messaging platforms on apps that already have high usage and adaptation like Facebook, WhatsApp or WeChat.

Recent Google research shows that 87% of people say they can be loyal to a brand without having its app on their phone. In fact, 53% of smartphone users say they do not have their favorite brand's app installed on their phone.

I'm not saying that investing in your own app is the wrong strategy. Your most valuable customers (frequent flyers) are probably heavy users of your mobile app. They also spend more on your ancillary products.

For me personally, having my boarding pass in my iPhone Wallet, ready to be pulled up at the appropriate time, is still one of the best mobile experiences.

Just recently it was announced that support for mobile boarding passes is coming to Google Pay. Google Pay already lets you store credit cards and loyalty cards, which makes for an intriguing environment for airline ancillary products and merchandising.

My point is that it's very challenging for airlines to navigate the mobile-first world. Regardless of the scenario (a mobile website, an app or a messaging platform), you need to plan and design **special mobile experiences**.

This is the next step - the step from optimizing for mobile to building experiences specially for mobile.



LEVERAGING AN APP TO IMPROVE THEIR USER EXPERIENCE BY OFFERING THE RIGHT ANCILLARY PRODUCTS IS THE WAY TO GO.



## CASE STUDY

An innovative ancillary upsell on mobile  
Goibibo is India's fastest growing travel booking website which provides the best deals for travel packages, hotels, holidays, buses & air tickets.

### The problem

Salil Chatrath, Senior Product Manager at Goibibo, wrote in a Medium post:

*"Although the customer were able to book their favorite flights on Goibibo at awesome prices, not getting the desired seats made the whole experience little sour, and affected our NPS too.*

*While everyone like to research a lot to book desired flights at great deals, seat booking is more a mundane task. Post your flight booking, the whole process of logging in, going to "My bookings", seeing the seats, reserving a seat is a multi step process and only few really enter that funnel. How do we solve this for 95% of our users?*

*Goibibo has been investing heavily on AI & conversational platforms for sometime now. [...]*

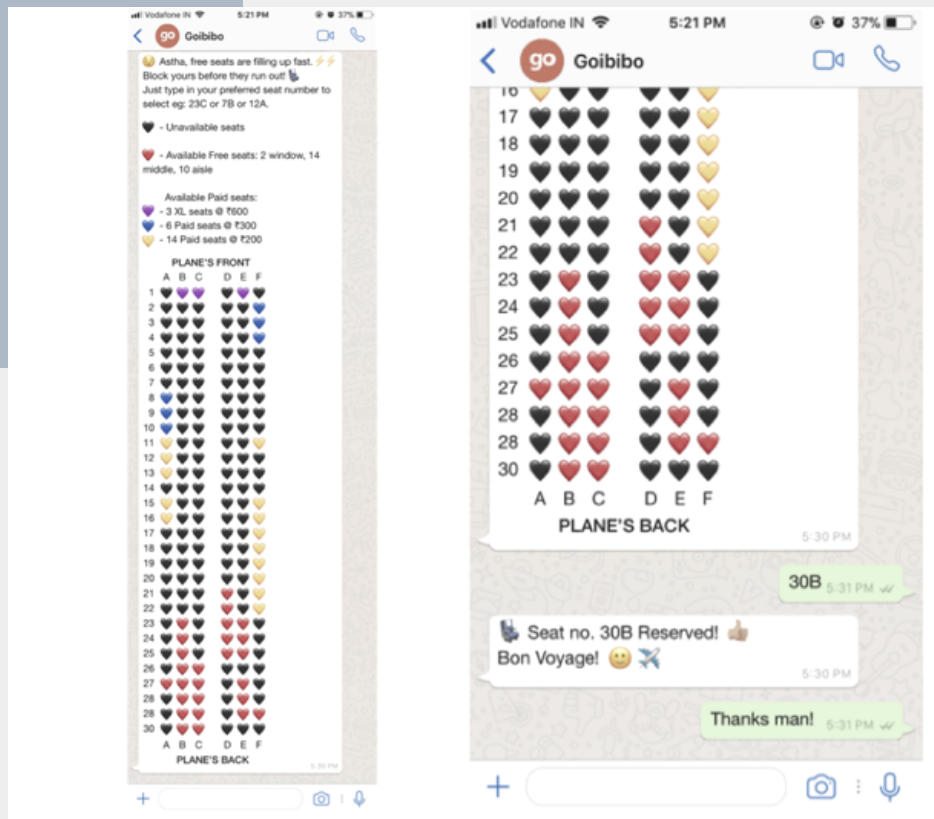
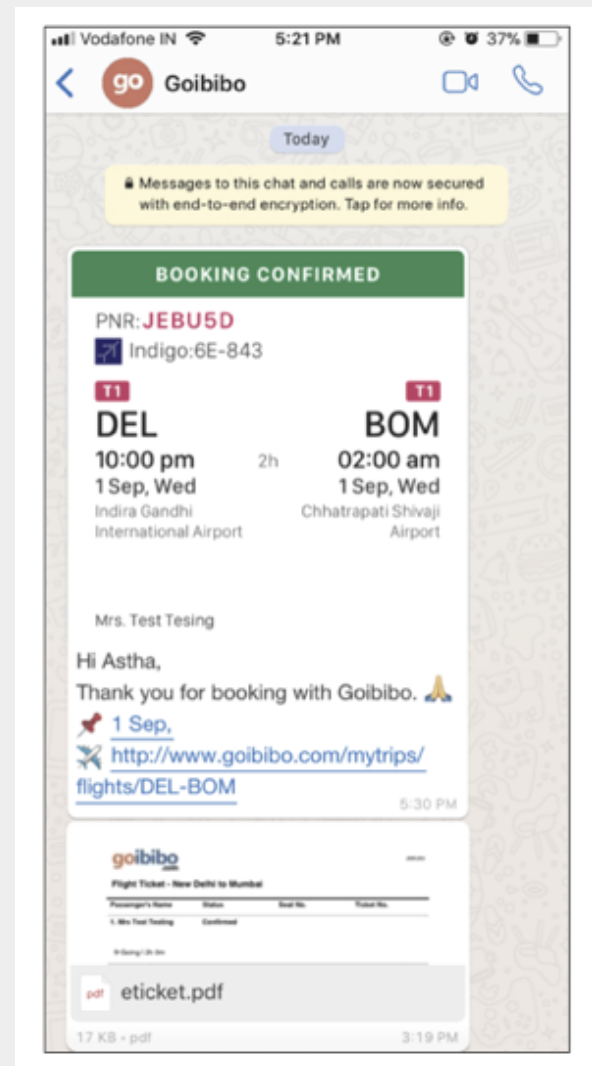
*So, we decided to go the conversational way; thinking Goibibo as the perfect concierge for the traveler. What if a simple message comes in your Whatsapp telling "Your preferred seats are filling fast, reserve yours now?"*

### The solution

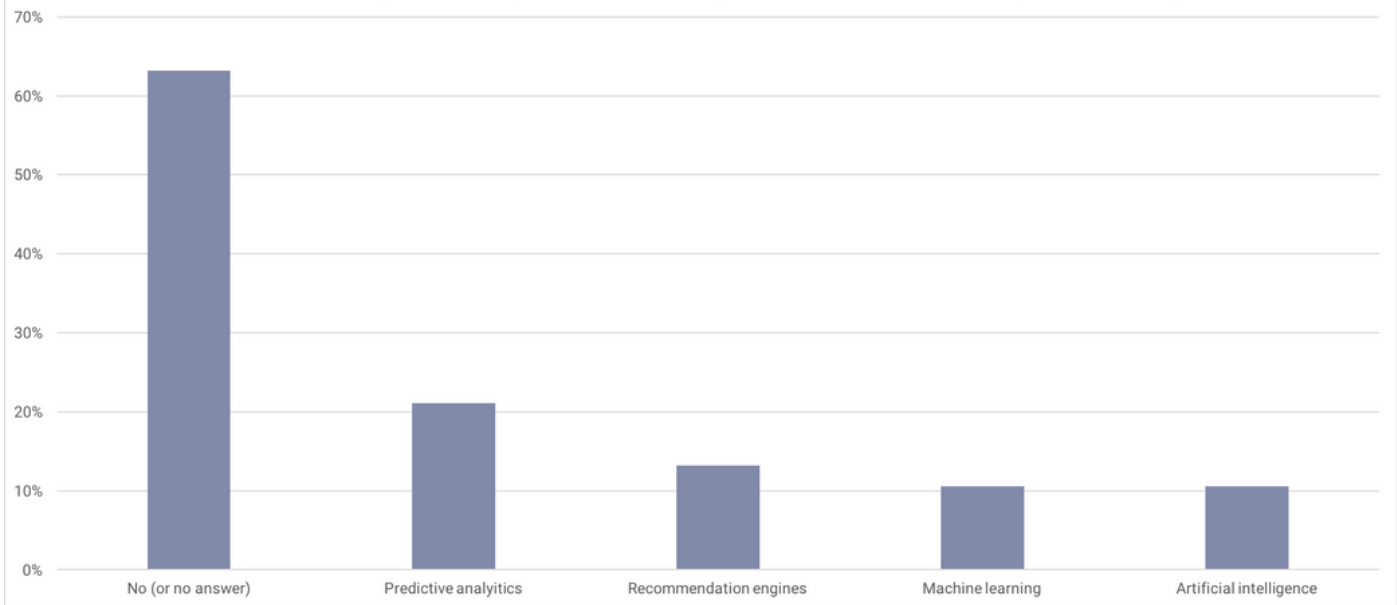
Pictures on the right show how their messaging solution looks.

### The result

According to Goibibo, seat bookings **increased x5** in the first few days after going live.



Do you use any of the following advanced methods for your ancillary offers?



## MACHINE LEARNING ON THE RISE

**You've heard it many times by now. Be the Amazon of travel, do product recommendations like Netflix.** They are using fancy machine learning for their fancy algorithms, and so should you for your ancillary product recommendations.

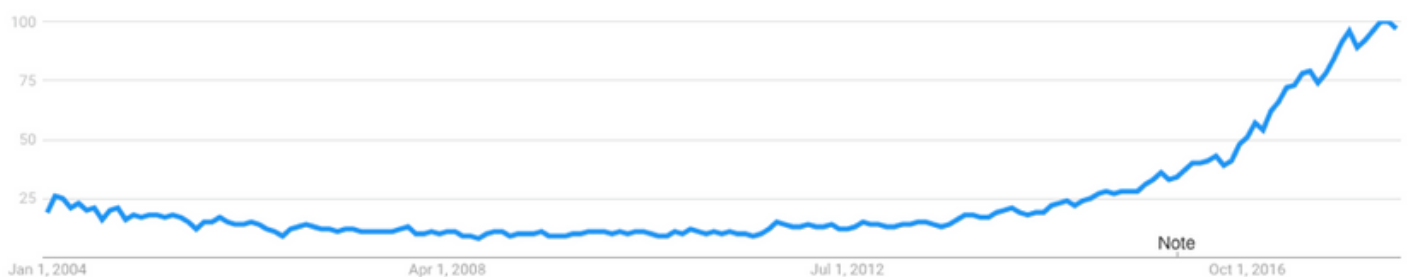
Although artificial intelligence and machine learning are more than 30 years old, there's been an increased "hype" over the last two years:

● machine learning  
Search term

+ Compare

Worldwide ▾ 2004 - present ▾ All categories ▾ Web Search ▾

Interest over time ⓘ



## WHAT CHANGED IN THE LAST TWO YEARS?

**In the past, if your organization is not huge, machine learning has probably not been realistic for you.**

This isn't true anymore. Now, you can use cloud machine learning services like Google Cloud Prediction API or Amazon Machine Learning Service. These services make machine learning accessible basically to everyone.

This is why we wanted to see how many airlines are experimenting with these new methods for their ancillary product recommendations.

Based on our survey feedback, most of you still don't use these advanced methods extensively for your ancillary and digital merchandising initiatives:

- **63%** said they don't use any or didn't provide an answer
- **21%** claimed they use predictive analytics
- **13%** built recommendation engines and
- **11%** are using machine learning and artificial intelligence

## CAN WE GET RID OF THE CLICHE?

The right customer, the right product, the right time, the right channel... this is probably the oldest cliché in ancillary theory. You and every other ancillary or digital marketing professional I've talked to know it. Where we struggle is how to **do it in practice.**

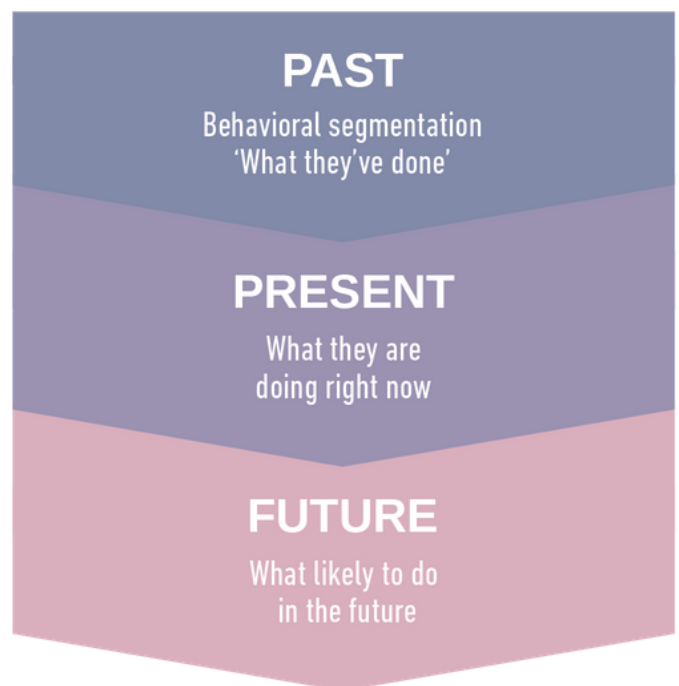
We all know we have the data to provide better, more personalized offers (more on that in the Customer Centricity section). Our web analytics track what our users do and how they behave on the web. We have the booking and the past purchase data. Furthermore, we know where in their customer journey our customers are currently.

We should be able to make an educated guess about what our customers will want in the future, right?

This is exactly what Finnair is trying to do. **Anni Ahnger**, Finnair's Head of Digital Revenue (her great title seems like it was made for this report!), explained their goal in a recent interview:

*"The aim is to combine purchase history, past website behaviors, external data, and predictive algorithms to find out what the customers actually want."*

*"Predictive analytics is the next-step evolution of analytics. For airlines that are working in e-commerce, predictive analytics has been a popular tool. We want to cater to our customers in the best possible ways, and make the purchase experience easier."*



## HOW CAN MACHINES HELP WITH THE COMPLEXITY?

Having the data and knowing what to do with it is not enough. There are just too many parameters for humans to consider.

**Avinash Kaushik**, guru of Web Marketing Analytics, provides a great illustration about the complexity of digital marketing campaigns:

*“Most manual touch (even with a tool) search campaigns take into account **three or four signals**. Keyword. Time of Day. Location. Something else. Even the most “automated” approaches from your advanced agency will use a handful more. Yet, an entity like Google or Facebook has hundreds (not a metaphor) of signals it can use to deliver the right ad. There is no way any manual approach can solve for this. Machine Learning to the rescue.”*

I would say there is a similarity here to our ancillary product recommendations. In the best case, we consider three to four parameters to suggest a product. However, the reality is there are many more parameters that influence each passenger differently.

Below is a great example of parameters and variations from Lee Barrett, Director of Ancillary Revenue at VivaAerobus:

Factor	Variations	Examples
Channel	5	Web, Mobile, Contact Center, App, Brick & Mortar stores
Activity	4	Booking, Confirmation, Managed Flights, Check-in
Product Categories	10	Seats, Luggage, Modalities, Insurance
Product Variations (per Category)	5	Checked Bags, Carry-on Bags, Special Baggage
Price Variations	3	Seasonality, Booking Window
Content Variations	5	Customer Demographic, Seasonality, Booking Window, Trip Length
Customer Groupings	8	Segments based on Trip Demographics
Sequencing Variations	10	Offer and Product Order

**Potential Test Opportunities: 1.2 Million combinations**

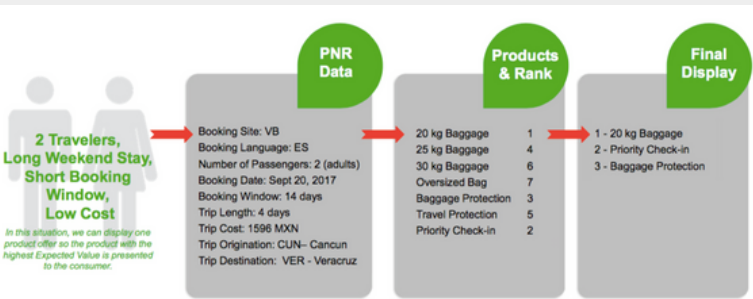
It's quite obvious that no human can process 1.2 million combinations.



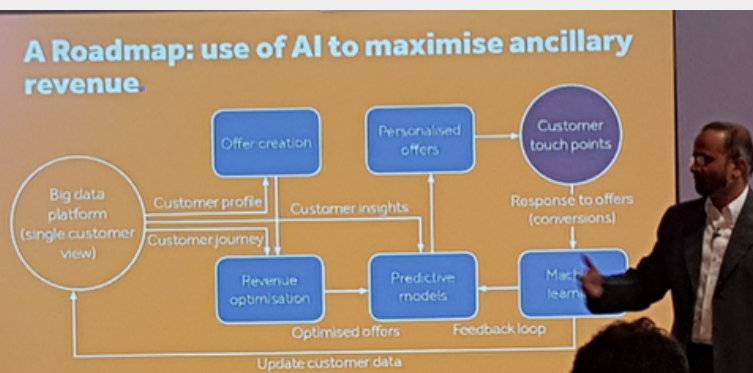
## EXAMPLES

### Examples of Machine Learning in practice

So what is VivaAerobus doing about it? They are using machine learning for propensity modeling. Using propensity models, they try to predict the likelihood of a customer purchasing a certain ancillary product.



Ramesh Venkat, CIO at Flydubai, recently presented how the airline plans to leverage artificial intelligence to maximize ancillary revenue:



Similarly, United Airlines is using propensity models for quite some time. Back in 2014 they explained for a Fortune article how this approach led to an increase in year-over-year ancillary revenue of more than 15 percent:

*"We look at who the customer is and his or her propensity to buy certain products. More than 150 variables about that customer—prior purchases and previous destinations among them—are now assessed in real time to determine an individual's likely actions, rather than an aggregated group of customers. The result, delivered in about 200 milliseconds later, is a dynamically generated offer tailored to the individual. Its terms, on-screen layout, copy, and other elements will vary based on an individual's collected data."*

Tony Fernandes, CEO of AirAsia recently stated the airline has spent the last two years fine-tuning its data. The key goal is to figure out new ways for monetization. They launched machine learning initiatives to support this goal.

One such initiative is personalized baggage pricing, which AirAsia is testing. The airline is working on dynamic pricing on checked-in baggage based on flyer profile and data. You can see examples of the new roles and job descriptions AirAsia is creating to support this initiatives, in the Organization and Integration section.



Let me conclude with an actual example from our industry from Avinash Kaushik:

*"A large hotel chain wanted to solve this problem: 90k travelers are stranded every day in America across 5,145 airports. How can the hotel ensure that they show up at the right moment for all these people?"*

*The solution was to leverage real-time signals like bad weather, flight delays at 5,145 airports, and other such data, combine that with ML powered algorithms to automate ads and messaging in the proximity of local airports. All sans human-control. Result? 60% increase in bookings in targeted areas.*

*ML + Automation = Profit."*

III.



**DIGITAL  
MERCHANDISING  
TECHNIQUES**

# DIGITAL MERCHANDISING TECHNIQUES EVALUATION

To understand which digital merchandising techniques airlines are using to increase ancillary revenue, we asked the following questions in our survey:

- Which UX optimization processes do you apply to your ancillary upsell and cross-sell activities?
- Do you track at-purchase vs. post-booking ancillary revenue split?
- What is your approx. share (%) of at-purchase vs. post-booking ancillary revenue?
- What kind of methods do you use for post-booking ancillary revenue upselling and cross-selling?
- Do you use any email or marketing automation platforms for post-booking?

- What skills do you see as the key for successful ancillary upselling and cross-selling?

In addition, we reviewed the following during the digital audit of the booking platforms:

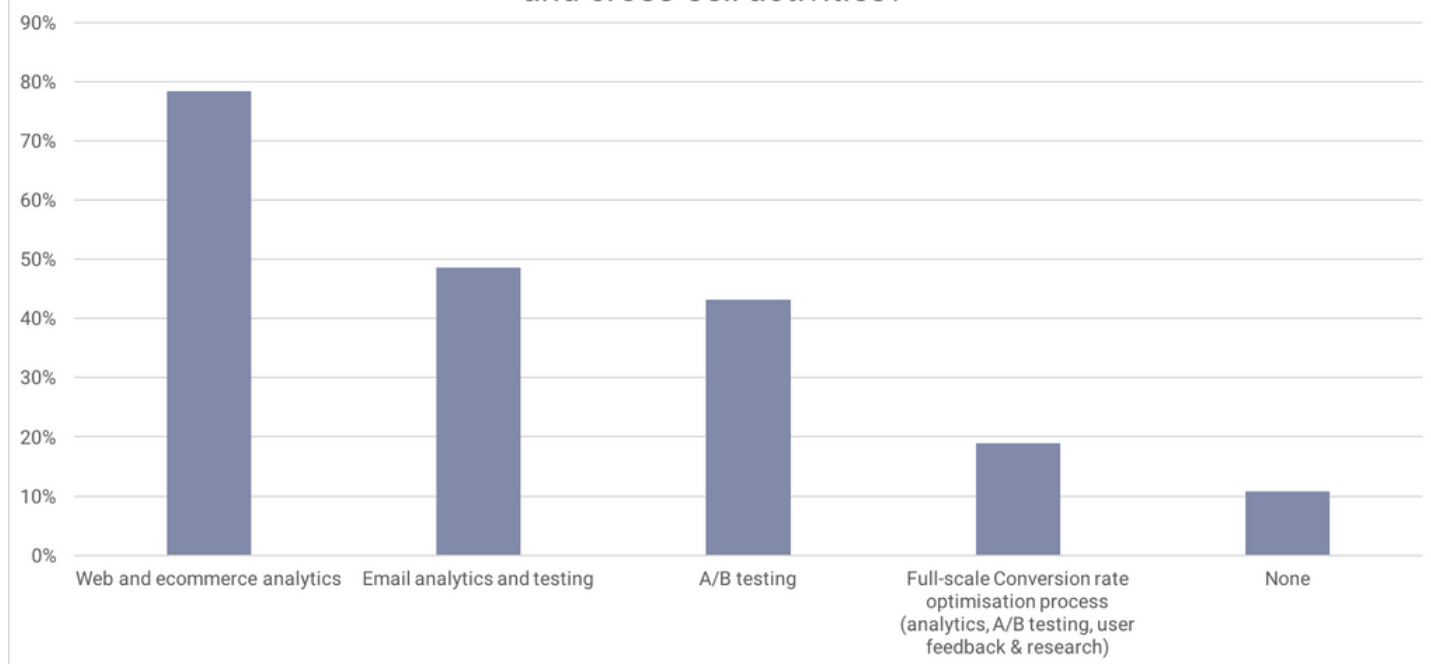
- Upsell methods used for fare bundle product upsell
- Upsell and cross-sell methods used for a la carte ancillary products
- Use of key conversion optimization elements such as clarity, value proposition, relevance, and urgency

Based on the above we ranked Digital Merchandising Techniques from 1 to 5 for each of the 38 participating airlines. The goal was to evaluate maturity for the airlines and identify best practices from the Leaders for this category.





## Which UX optimization processes do you apply to your ancillary upsell and cross-sell activities?



## DO YOU KNOW WHAT IS HAPPENING IN YOUR OWN "STORE"?

First, let me tell you one thing:

*conversion rate optimization (CRO)*

=

*user centricity*

This is especially true for digital customer centricity. Conversion optimization is a systematic process of understanding your customers and optimizing based on their input.

However, last year when we assessed airlines with our Airline Conversion Optimization Survey, half of the 28 airlines were identified as laggards. This basically means that they are not very customer-centric when it comes to designing their websites.

This was an assessment of the main store-fronts (airlines.com), so you can imagine it doesn't get better when it comes to post-booking and other ancillary platforms.

In fact, in terms of applying the conversion optimization process to ancillary

upsell and cross-sell activities, less than 20% of surveyed airlines claimed to be doing it.

When it comes to digital merchandising, most airlines do web (79%) or email analytics (49%), and nearly half do a bit of A/B testing (44%), but only a few have a real user-centric approach (CRO process in place).

All Leaders from our survey perform at least A/B testing for their ancillary offers, and most even have a full conversion optimization process in place.

On the other hand, only one of the Laggards does A/B testing, while all others only perform website and email analytics.



**WITHOUT A REAL USER-CENTRIC APPROACH TO DIGITAL UX, YOU CAN'T DO ANY REAL DIGITAL MERCHANDISING.**

Or, to repeat the question from the beginning of this section: how can airlines become digital merchandisers if they don't know what's happening in their own "stores"?

# INCREASING CONVERSION AND UPSELLING AT PURCHASE – THE CRO APPROACH

When it comes to upselling at purchase, your most common challenge probably is finding the right balance.

How can you know when there is too much upselling? Will you lose customers if you push it too much? These are the questions all ecommerce and ancillary pros are asking themselves.

So, what is the right answer? You'll only know if you have a systematic conversion optimization process in place. There are usually four stages in any CRO cycle.

- **Optimize** - optimizing your booking experience: optimizing your booking funnel experience based on analytics and user feedback
- **Test** - validating your optimization cases: performing A/B tests on a regular basis; executing split path testing on various booking funnel paths

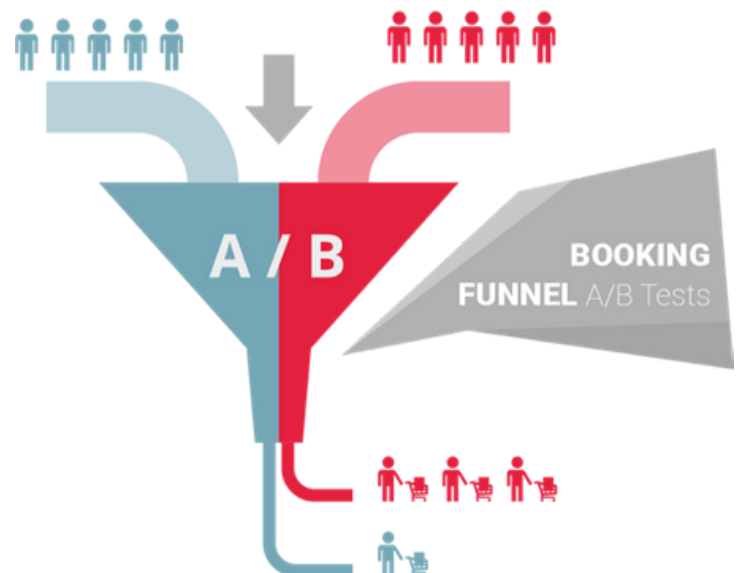
The last part, running different versions of your booking funnel and performing split path tests, is especially crucial for bigger optimization gains. You need a holistic approach.

**Running simple A/B tests is not enough.** If you can't measure the effect and correlation of different elements (overall conversion rate, bundle upsell, a la carte uptake, average order, total revenue), there is a risk that your partial optimizations may actually have negative overall results.



Here are the key elements for upselling at purchase:

- **Measure** - having detailed analytics in place: measuring conversion rates, bundled product upsell rates, ancillary uptake rates, add to cart activity, and average order value
- **Analyze** - understanding your users: performing surveys, session recordings, user testing and other research to understand their key fears, why they buy or don't buy a la carte products, onsite shopping behavior, etc.



## CASE STUDY

### Ryanair bundled fare upsell

Ryanair does a great job with user experience (UX) for the bundled fare options.

Once you select a flight you get three **bundle options**: Standard, Plus and Flexi Plus. The presentation is clear and you can compare all features easily.

The screenshot shows the Ryanair flight selection interface for the route Milan Bergamo to Fuerteventura. At the top, there are date selection tabs for Fri 15 Jun, Sat 16 Jun (€ 188.69), Sun 17 Jun (€ 250.91), Mon 18 Jun, and Tue 19 Jun (€ 218.27). Below this, the flight details are shown: a direct flight (4 hr 10 mins) from Milan Bergamo at 14:45 to Fuerteventura at 17:55, operated by Ryanair (FR 8806). Three fare options are presented side-by-side:

Standard fare	Plus	Flexi Plus
<ul style="list-style-type: none"><li>Lowest fare</li><li>60 day check-in</li><li>20kg check-in bag</li><li>Priority &amp; 2 Cabin Bags</li><li>Reserved standard seat</li><li>Flexible tickets</li><li>Optional airport check-in</li><li>Security Fast Track</li></ul>	<ul style="list-style-type: none"><li>Lowest fare</li><li>60 day check-in</li><li>20kg check-in bag</li><li>Priority &amp; 2 Cabin Bags</li><li>Reserved standard seat</li><li>Flexible tickets</li><li>Optional airport check-in</li><li>Security Fast Track</li></ul>	<ul style="list-style-type: none"><li>Lowest fare</li><li>60 day check-in</li><li>20kg check-in bag</li><li>Priority &amp; 2 Cabin Bags</li><li>Any reserved seat</li><li>Flexible tickets</li><li>Optional airport check-in</li><li>Security Fast Track</li></ul>
€ 250.91	€ 284.32	€ 327.30

If you select the “Standard fare” option, they **upsell** you the “Plus” package with a message where features and savings are emphasized:

The upsell message features a star icon and the text “Save with just 1 click”. It shows a photo of three people wearing sunglasses and hats. The main text says “Upgrade to Plus”. Below this, four features are listed with checkmarks: 60 day check-in, 20kg check-in bag, Priority & 2 Cabin Bags, and Reserved standard seat. On the right, a lightning bolt icon indicates a 10% saving, with the price “€ 66.82” and “Total price per person” below it. A blue “Add to trip” button is at the bottom right.

However, where Ryanair really does a better job than other airlines is that this message is dynamic. It varies based on the user and search data. I got the above upsell message when I was searching for Milan – Fuerteventura flights for one person.

When I searched the same flights for my family, I got this **upsell message**:

The upsell message features a star icon and the text “Save with just 1 click”. It shows a photo of a family of five people on a beach. The main text says “All of this for your family with Family Plus”. Below this, three features are listed with checkmarks: Priority & 2 Cabin Bags for all the family, 2 x 20kg check-in bags, and Discounted standard seats so everyone sits together. On the right, a lightning bolt icon indicates a 10% saving, with the price “€ 147.88” and “for the family” below it. A blue “Add to trip” button is at the bottom right.

Customized upsell product options and messages that are relevant for the user certainly have a much better effect.

## Jetstar bag upsell

Similarly, Jetstar (an Australian low-cost carrier) does a good job with their bags ancillary product upsell UX.

They make it easy for you to understand the different bag options. In addition, they build urgency by emphasizing the savings if you buy now versus buying later (at the airport).

**Departing and Return flight**  
 → Melbourne to Sydney – Saturday 2 June 2018  
 ← Sydney to Melbourne – Saturday 9 June 2018

✓ All passengers Individually

0 kg	15 kg	20 kg	25 kg	30 kg	35 kg	40 kg
	→ '15 <sup>00</sup> ← '15 <sup>00</sup> each	→ '17 <sup>00</sup> ← '17 <sup>00</sup> each	→ '22 <sup>00</sup> ← '22 <sup>00</sup> each	→ '25 <sup>00</sup> ← '25 <sup>00</sup> each	→ '29 <sup>00</sup> ← '29 <sup>00</sup> each	→ '31 <sup>00</sup> ← '31 <sup>00</sup> each
	Save over 75% on airport price	Save over 87% on airport price	Save over 89% on airport price	Save over 91% on airport price	Save over 91% on airport price	Save over 92% on airport price

\* Prices listed are per passenger.

Select bags for individual flights

If you select the **no bag option**, they display this message:

0 kg	15 kg	20 kg	25 kg	30 kg	35 kg	40 kg
	→ '15 <sup>00</sup> ← '15 <sup>00</sup> each	→ '17 <sup>00</sup> ← '17 <sup>00</sup> each	→ '22 <sup>00</sup> ← '22 <sup>00</sup> each	→ '25 <sup>00</sup> ← '25 <sup>00</sup> each	→ '29 <sup>00</sup> ← '29 <sup>00</sup> each	→ '31 <sup>00</sup> ← '31 <sup>00</sup> each
	Save over 75% on airport price	Save over 87% on airport price	Save over 89% on airport price	Save over 91% on airport price	Save over 91% on airport price	Save over 92% on airport price

Are you sure?

It's more expensive to add baggage online later, and much more expensive to add it at the airport.

Different upsell messages are displayed if you select the 15kg and 20kg options.

0 kg	15 kg	20 kg	25 kg	30 kg	35 kg	40 kg
	→ '15 <sup>00</sup> ← '15 <sup>00</sup> each	→ '17 <sup>00</sup> ← '17 <sup>00</sup> each	→ '22 <sup>00</sup> ← '22 <sup>00</sup> each	→ '25 <sup>00</sup> ← '25 <sup>00</sup> each	→ '29 <sup>00</sup> ← '29 <sup>00</sup> each	→ '31 <sup>00</sup> ← '31 <sup>00</sup> each
	Save over 75% on airport price	Save over 87% on airport price	Save over 89% on airport price	Save over 91% on airport price	Save over 91% on airport price	Save over 92% on airport price

Prepare for 'what if...'

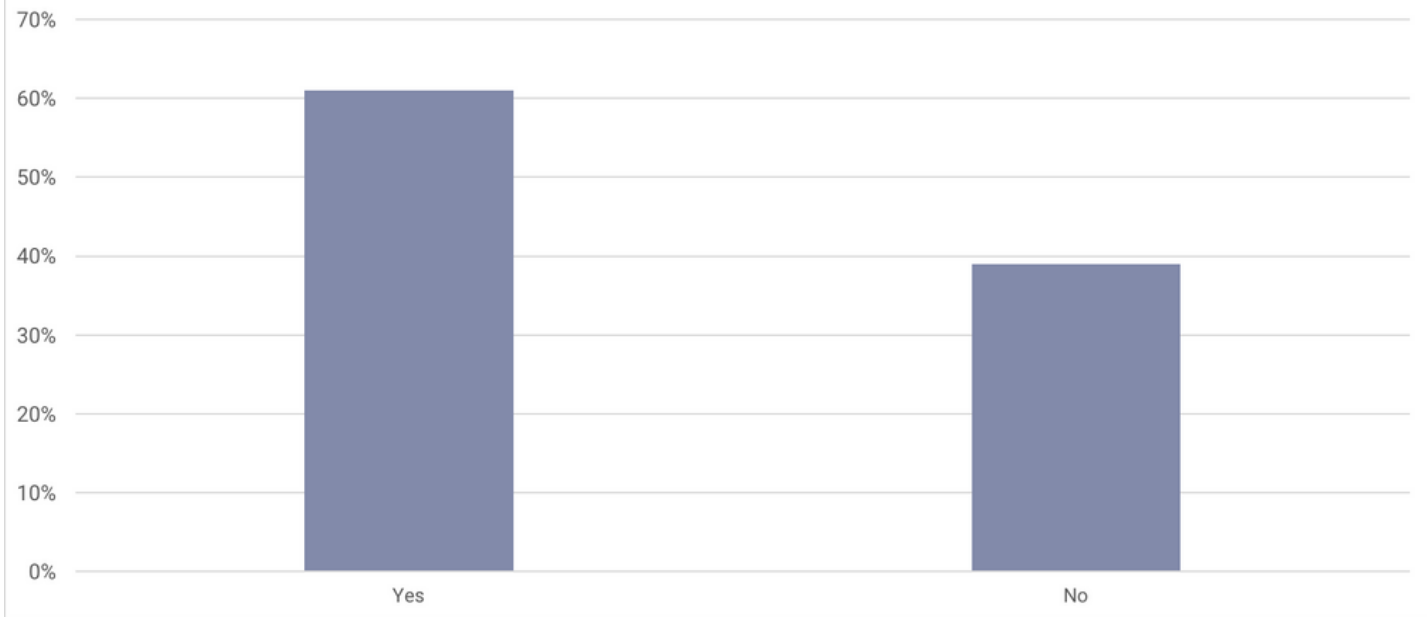
Upgrade now to take everything you need and avoid excess baggage fees.

0 kg	15 kg	20 kg	25 kg	30 kg	35 kg	40 kg
	→ '15 <sup>00</sup> ← '15 <sup>00</sup> each	→ '17 <sup>00</sup> ← '17 <sup>00</sup> each	→ '22 <sup>00</sup> ← '22 <sup>00</sup> each	→ '25 <sup>00</sup> ← '25 <sup>00</sup> each	→ '29 <sup>00</sup> ← '29 <sup>00</sup> each	→ '31 <sup>00</sup> ← '31 <sup>00</sup> each
	Save over 75% on airport price	Save over 87% on airport price	Save over 89% on airport price	Save over 91% on airport price	Save over 91% on airport price	Save over 92% on airport price

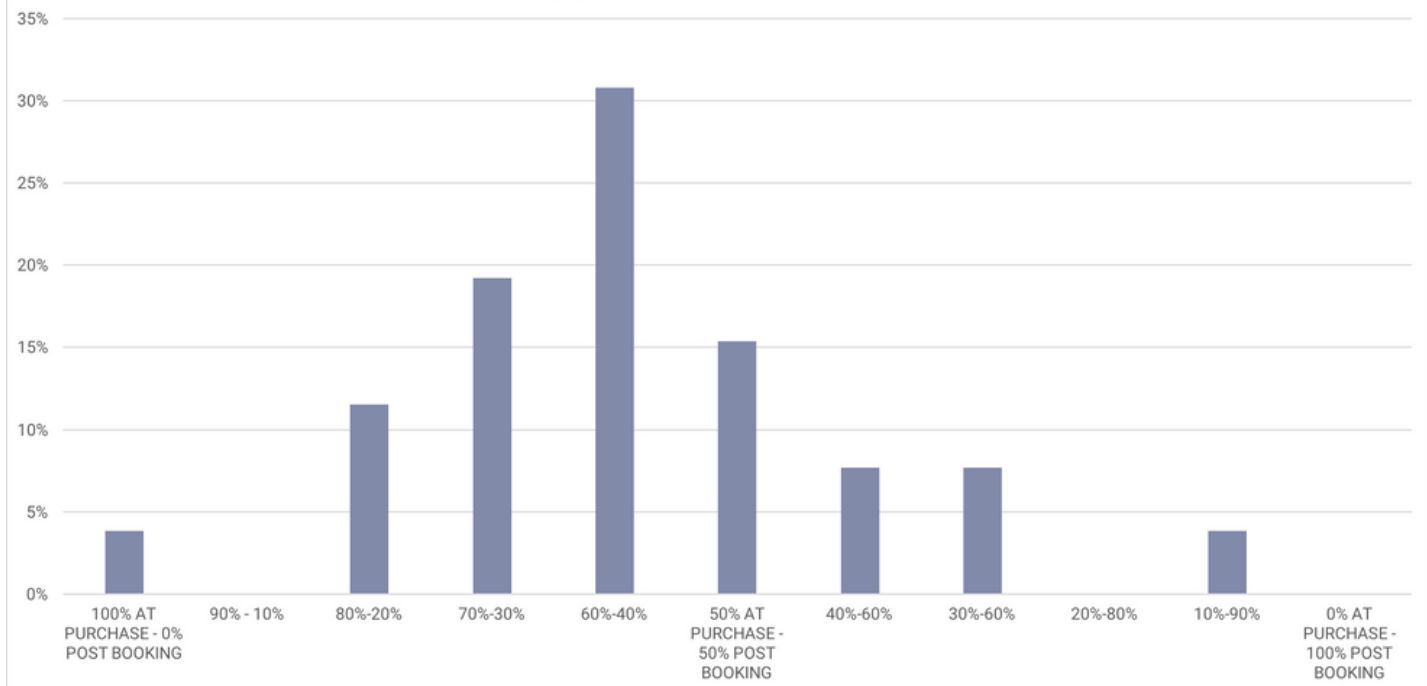
Most popular

The most popular choice for trips to this destination.

### Do you track at-purchase vs post-booking ancillary revenue split



### What is your approx. share (%) of at purchase vs post booking ancillary revenue?



## LEVERAGING THE POST-BOOKING PERIOD

One thing that is evident from the chart is that the share of ancillary revenue you generate in the post-booking period depends on your airline business model.

Some full-service carriers actually have higher post-booking shares because they don't sell much ancillary during the booking process. They don't sell bags or seats, so most of the ancillary revenue is generated post-booking (like duty free sales, hotel & car cross-selling, and advertising).

The other stat in this section - 39% of airlines don't measure the at-purchase vs. post-booking ancillary revenue split - shows that the post-booking period is often still neglected. What you don't measure, you can't manage efficiently.

On the other hand, the Leaders from our survey who provided this data on average generate more than 25% of their ancillary revenue in the post-booking period.

All Leaders are LCC carriers who have a full-scale ancillary portfolio of products.



IT'S CLEAR THAT DIGITAL MERCHANDISING LEADERS UNDERSTAND THE IMPORTANCE OF THE POST-BOOKING PERIOD. THEY HAVE FAR MORE CONFIDENCE IN THEIR ABILITY TO UPSELL/CROSS-SELL AND DRIVE ANCILLARY SALES POST-PURCHASE.

And where does this confidence come from?

In a nutshell, they have a digital and data-driven mindset, they're masters of ecommerce, and they're user-centric.



IF YOU WANT TO EXCEL AT ANCILLARY REVENUE, YOU SHOULD TAKE ADVANTAGE OF THE FULL CUSTOMER JOURNEY.

Understand the customer journey (you can read more about that in the next section), create digital touchpoints, and leverage booking and other customer data.

Most of all, connect ecommerce and digital marketing with your post-booking ancillary upselling and cross-selling activities - which brings us to the next section.



### Lufthansa innovating with new digital touchpoints

Lufthansa created a 360° video of the cabin of its long-haul aircraft. Their employees then presented VR headsets to passengers waiting at the gates in Newark and Frankfurt. Once passengers had seen the new cabin, Lufthansa offered the upsell - an upgrade to a premium economy seat.

Torsten Wingenter, Lufthansa's senior director of digital innovations, said:

*"Virtual reality gave the company the first chance to show the product in an emotional way."*

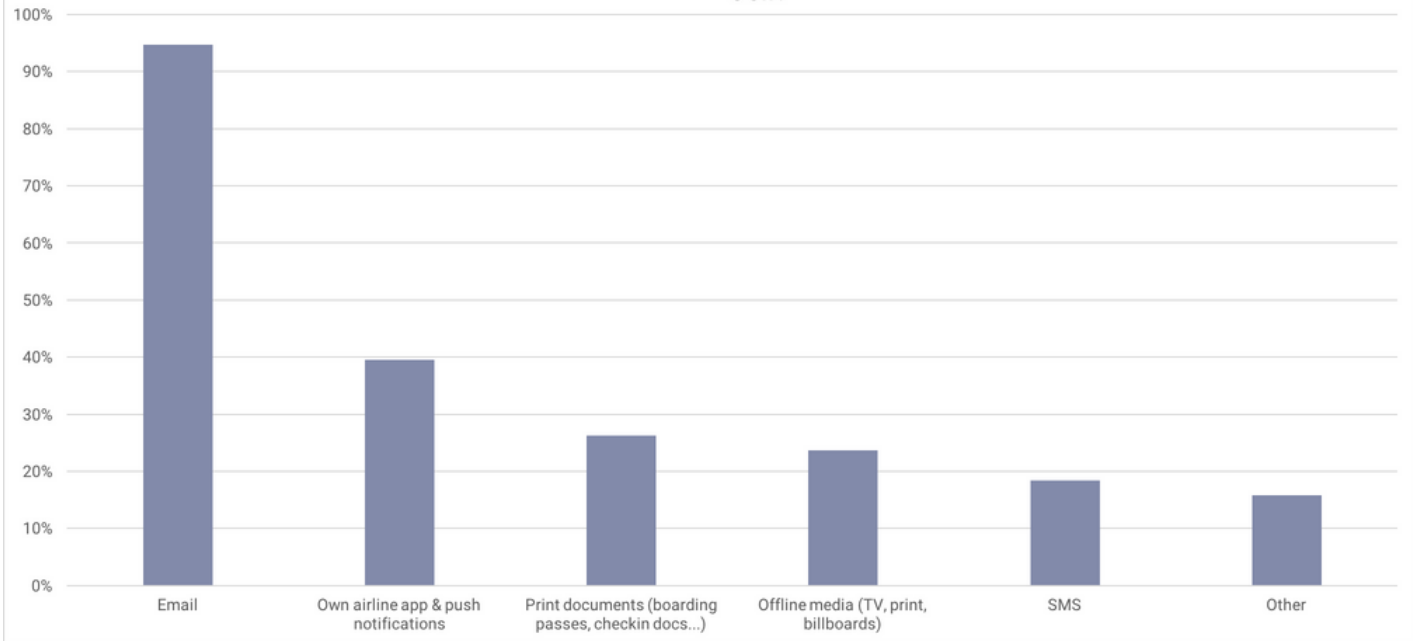
As reported by the New York Times, the initial results were good. According to Mr. Wingenter, a significant number of economy passengers chose the \$299 premium economy upgrade after the virtual reality experience.

The crucial part is getting the timing right. According to Wingenter:

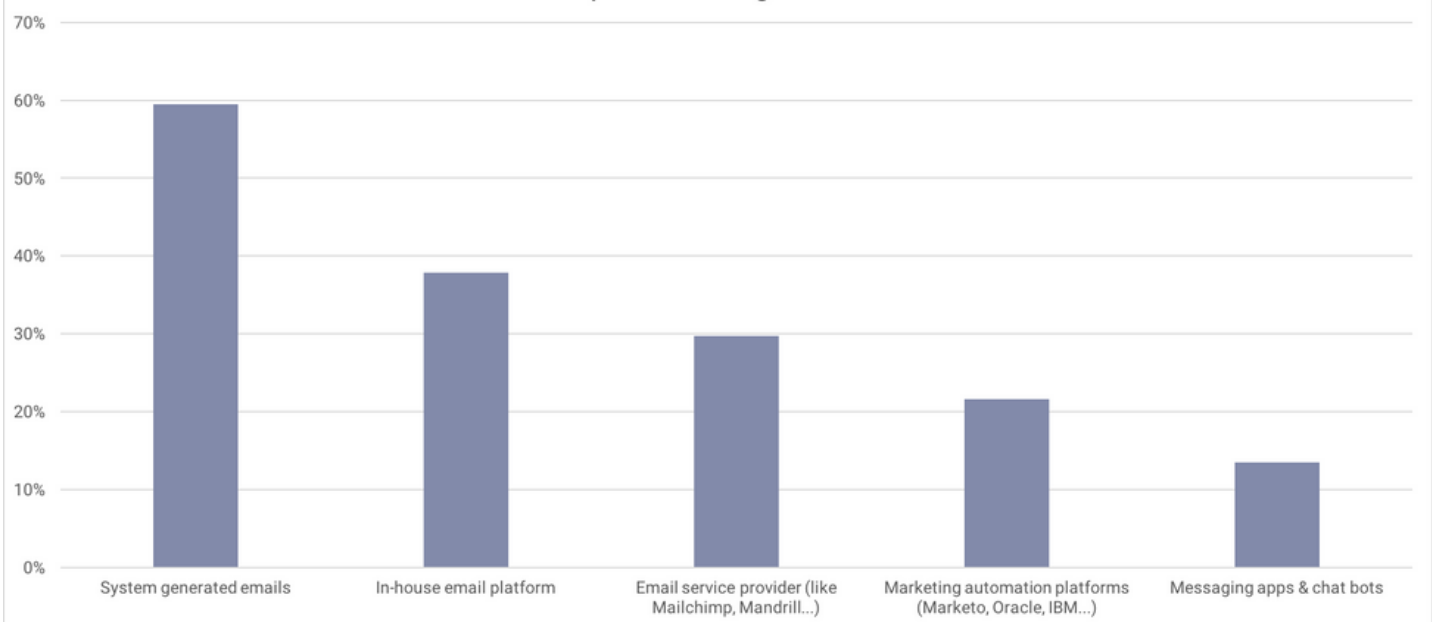
*"It doesn't work at check-in, where there is too much stress and hassle. At the gate it's a totally different situation. People are relaxed, looking forward to the flight and, particularly if it is their return flight, already know how much they've spent for everything on their trip. They say, '\$300 for this is something I'll do for myself. I want to sleep on the flight'."*



### What kind of methods do you use for post-booking ancillary revenue upsell and cross-sell?



### Do you use any of the following email or marketing automation platforms for post-booking?





## EMAIL STILL RULES POST-BOOKING UPSELLING AND CROSS-SELLING

**Our survey results show that email is still by far the most used method for digital merchandising in the post-booking period.**



**95% OF THE SURVEYED AIRLINES ARE USING EMAIL FOR POST-BOOKING ANCILLARY PROMOTION.**

You can read more about how to maximize ancillary with email in the “Triggered emails are key for post-booking upsell” section below.

39% of the airlines use their apps and push notifications, the second most-used method in 2018 (overtaking print documents, which were second in 2017).

With the rise of in-flight connectivity and new in-flight entertainment platforms, many airlines are exploring the new opportunities they bring. For example, Lufthansa did a pilot project with supermarket REWE, which allows passengers to buy groceries using the carrier’s on-board Wi-Fi service. Passengers then get their groceries delivered to their home address.

## TRIGGERED EMAILS ARE KEY FOR POST-BOOKING UPSELL

**It was no surprise that email was selected as the most-used upselling and cross-selling method in our survey. Probably more interesting for you are the results about how email is actually used.**

59% of the airlines said they still use system-generated emails to some extent, while 38% claimed they have in-house email platforms. 30% use email service providers (like Mailchimp, Mandril, etc.).



**THE SURPRISING STAT WAS THAT ONLY 22% USE MARKETING AUTOMATION PLATFORMS FOR THEIR ANCILLARY UPSELLING AND CROSS-SELLING.**

Of course, some of the airlines that have in-house email platforms probably have automation flows built into them as well. But even if we add this to the marketing automation group, at least 40% of the airlines still don’t do automated email flows.

In 2017, Epsilon analyzed more than 13.5 billion marketing emails (BAU -business as usual emails) and 3.6 billion transactional triggered emails across various industries, including travel.

Here are three relevant stats from their “Email Trends and Benchmarks” report:

- Open rates for triggered emails were 64.5% higher than those for BAU (marketing) emails
- Click rates for triggered emails were 115.9% higher than those of BAU emails
- 97.6% of all emails sent in the travel industry were promotional emails

Based on the amount of emails sent, we can see that the focus of marketing departments is still mostly on promo emails. However, the performance of the targeted transactional emails shows where the big revenue potential lies. Just remember that the Leaders generate at least 20% of their ancillary revenue in the post-booking period, and email is the most-used promo method.

Many airlines still treat transactional emails as a one-and-done setup (system-generated emails). Think about the effort you or your marketing team put into weekly promotional campaigns compared to transactional emails. I bet your marketing team is spending way too many resources on your promotional email campaigns rather than on your transactional email campaigns.

## TAKING THE NEXT STEP WITH EMAIL - PERSONALIZED AUTOMATION

**Use marketing automation or at least transactional email services with analytical capabilities to measure and optimize your post-booking campaigns.**

With email automation, marketers can easily create workflows to send personalized, timely, relevant emails to customers at the right time.



MAP KEY TOUCHPOINTS IN YOUR CUSTOMER JOURNEY AND PLACE TRIGGERED EMAIL MESSAGES BEFORE EACH TOUCHPOINT.

### 5 tips for your transactional email campaigns

**1 Be useful and show value** - your transactional emails should improve the customer experience, not make it worse. Use customer data to offer relevant products. Explain the benefits of the upsell and cross-sell products, not the features. Information that adds value to the traveler should be your focus. Upselling and cross-selling should be complementary.

**2 Mobile first** - most transactional emails will be opened on a mobile device. Plan and test your mobile email user experience.

**3 Measure / optimize / test** - create a proper tracking system (UTM codes) for all your transactional emails and use systems that provide email analytics. You can use simple tools like Google Campaign URL Builder. Measure key metrics (open rates, click-through rates, conversion rates, unsubscribe rates) to optimize and test your campaigns.

**4 Personalized content** - Personalized emails always perform much better than generic ones. Check the Customer Centricity section for tips on personalization and integrate personalization into your triggered email campaigns.

**5 Dynamic content** - Dynamic content allows you to determine who sees what content for each block of content within an email. Essentially, that means you can show different email content to different segments or lists for a specific campaign, as seen in the example below. New features such as AMP for email also allow you to dynamically update ancillary product info within the emails.



# CHATBOTS ON THE RISE

**Among the other methods for post-booking ancillary, promotion through social media is the most popular among the surveyed airlines.**

Retargeting customers who bought your flight and offering them additional ancillary products is a tactic most airlines use.

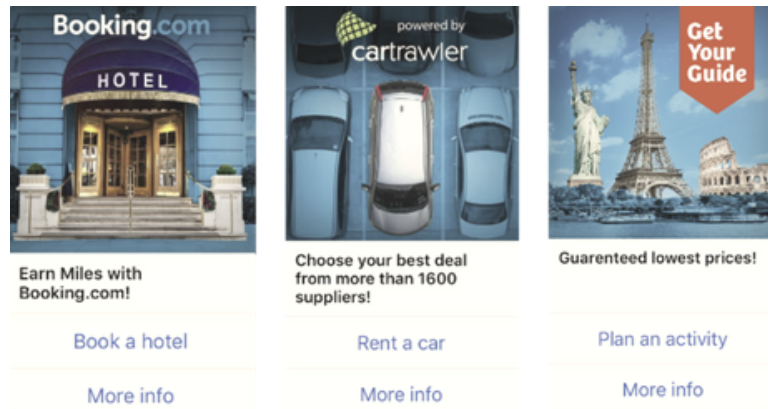
However, the rise of messaging and chatbots is changing the method of communication on social media.

We've seen many airlines (Icelandair, Aeromexico, KLM, Lufthansa, Avianca, and TAP among others) developing their chatbots. While most of the chatbot use cases were focused on customer service, you can see the opportunities this new channel brings for digital merchandising.



14% OF AIRLINES IN OUR SURVEY CLAIMED THEY USE CHATBOTS AND MESSAGING FOR THEIR UPSELL AND CROSS-SELL ACTIVITIES.

KLM is one airline that uses social media and messaging extensively. Earlier this year they implemented a third-party (hotels, rent-a-car, tours and activities) ancillary cross-sell functionality within Facebook Messenger.



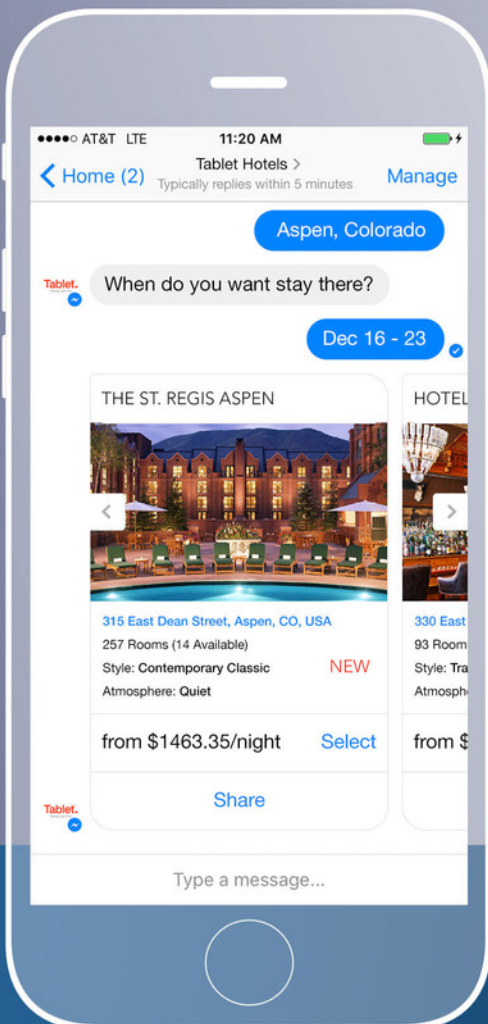
If the passengers opt in, they get all relevant travel information consolidated in a single place. This is a part of their strategy - being where their customers are.

## CONVERSATIONAL

Building bots is easy. Building a platform that can seamlessly assist the customer via messaging through all phases of travel? Not so much.

Conversational™ is more than just a bot, it's an enterprise conversational platform that allows travel companies to extend their digital experience where their customers already spend most of their time - on messaging.

To learn more about how your travel company can benefit from Conversational, visit [travelaer.com](http://travelaer.com)



### How AMP for Email could change the way we sell ancillaries

Recently, Google shared a developer preview of “AMP for Email.” AMP (Accelerated Mobile Pages) is an open-source framework used to make mobile pages faster. Now, with AMP for Email, the technology can also be applied to email.

With AMP you would be able to build emails that work almost like webpages. Your users could find relevant information in one place (their Gmail account) and you could update it dynamically.

Flight confirmation emails are one example. Gate changes, flight delays and other relevant flight info could be reflected in the confirmation email in real-time.

Let’s expand this logic to emails promoting ancillary offers. You could build urgency by telling your customer that there are only a few seats with extra leg room left as the inventory fills.

Additionally, you could provide dynamic pricing info - for example, last minute upgrade deals or updating the third-party hotel offers within your emails.

Most of all, you could improve the user experience. You could use AMP for Email to create a booking flow that can be completed entirely via email, without requiring the user to visit a website.

Dynamic emails could also allow you to have an interactive seat map, allowing your passengers to select and buy seats within the email.



**IV.**



**CUSTOMER  
CENTRICITY**

# CUSTOMER CENTRICITY EVALUATION

In this section we tried to identify how customer centric airlines are when it comes to their digital merchandising. To understand this, we asked the following questions in our survey:

- How do you use customer and other data for post-booking ancillary offers?
- At which stages (of customer journey) do you promote your ancillary products?

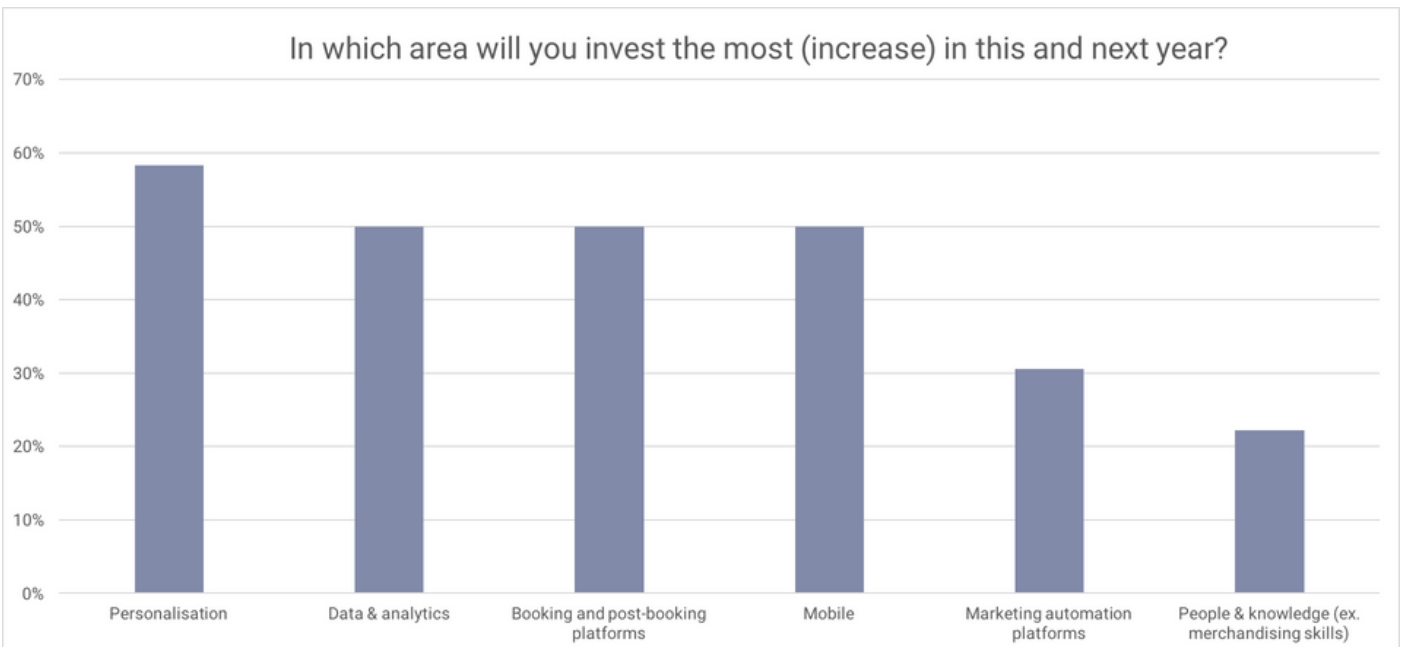
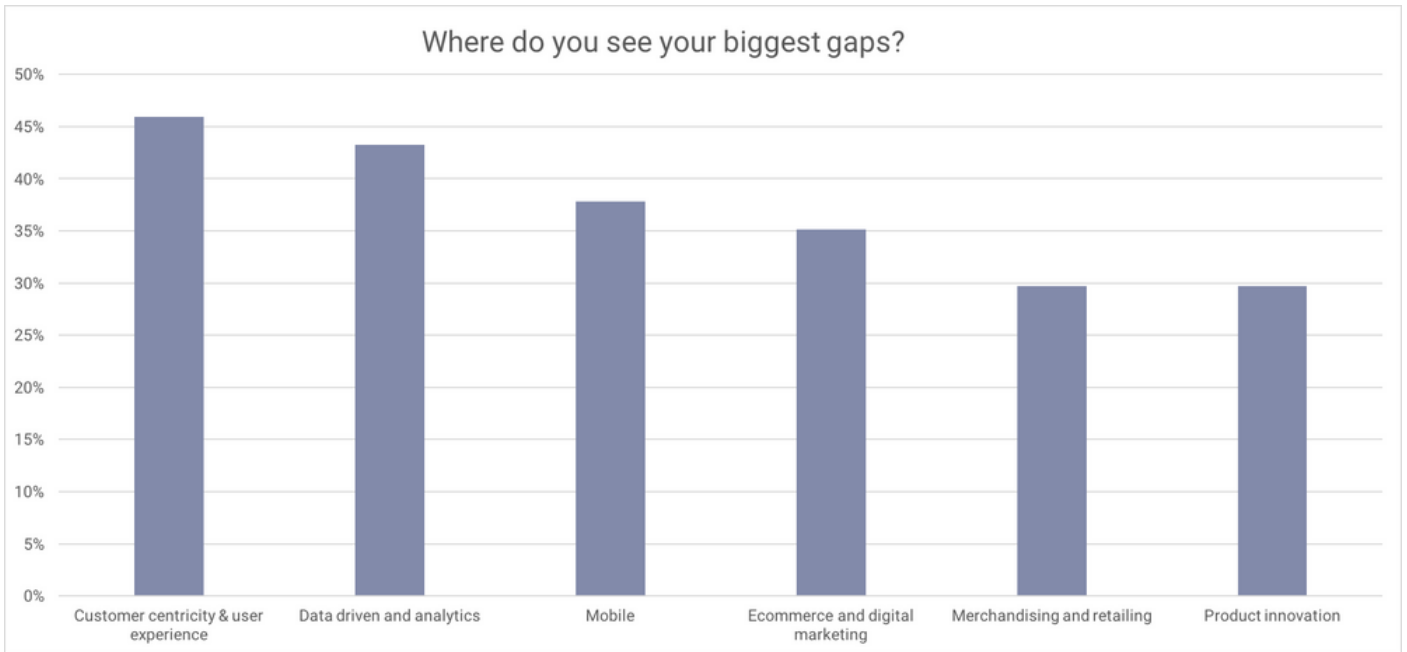
By now you know that conversion optimization (CRO) is all about understanding your users and being customer centric. This is why we used the feedback from the question about CRO methods (“which UX optimization processes do you apply to your ancillary upsell and cross-sell activities?”) in our customer centricity analysis and ranking as well.

In addition, as customer centricity and personalization proved to be the focus areas for airlines in 2018, we added the following question to this section:

- Where do you see your biggest gaps (for digital merchandising)?  
In which area will you invest the most (increase) in this and next year?

Based on the above we ranked **Customer Centricity** from 1 to 5 for each of the 38 participating airlines in the survey. As with the other categories, we tried to identify maturity and best practices from the Leaders for this category.





## DIGITAL USER EXPERIENCE GAP

Armed with mobile devices and 24/7 real-time access to information, your customers are in a position of control.

According to McKinsey's "CEO guide to customer experience":

*"Three-quarters of them expect "now" service within five minutes of making contact online. A similar share want a simple experience, use comparison apps when they shop, and put as much trust in online reviews as in personal recommendations.*

*"Increasingly, customers expect from all players the same kind of immediacy, personalization, and convenience that they receive from leading practitioners such as Google and Amazon."*

In a nutshell, your customers expect you to be as fast and simple as Google and provide Amazon-like personalized recommendations.

This puts an immense amount of pressure on all airlines to deliver a digital user experience across all of their touchpoints to fulfill user expectations.

Our survey results show us airlines are aware of this challenge.



46% SAID "CUSTOMER CENTRICITY AND USER EXPERIENCE" IS THEIR BIGGEST GAP WHEN IT COMES TO DIGITAL MERCHANDISING.

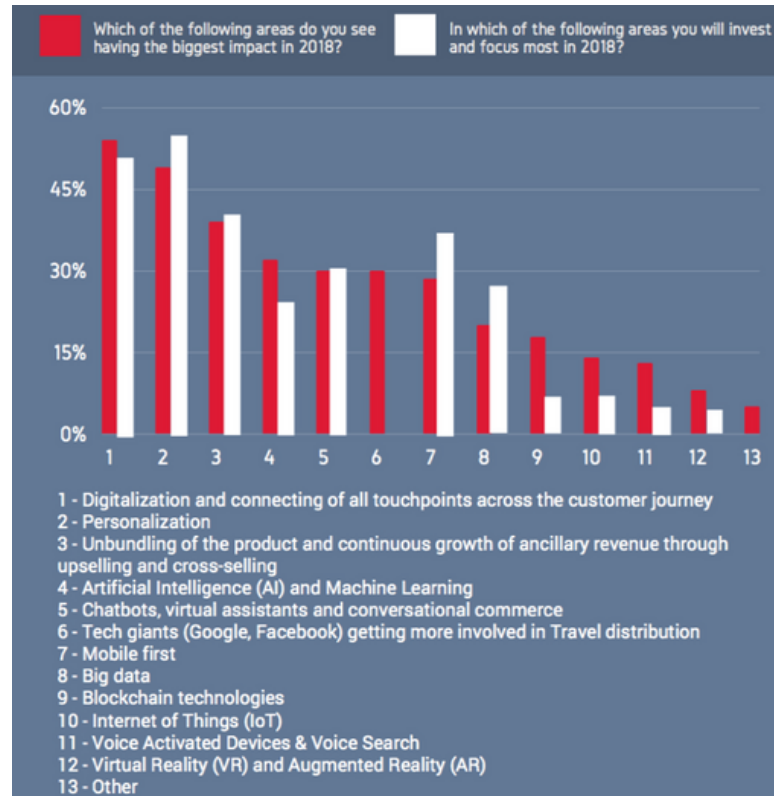
Your airline's customer journey is long and complex, with many digital touchpoints.

Airlines face many challenges (as seen in the Innovation & Technology section) with their digital merchandising platforms.

This makes consolidating data, creating a unified customer view and providing the same user experience across the journey a very difficult task.

## ANCILLARY PROS AND DIGITALIZATION GO HAND IN HAND

We got similar results earlier this year in our 2018 Travel Digital Trends survey when we asked almost 100 airline and travel pros about the key digital trends for 2018:



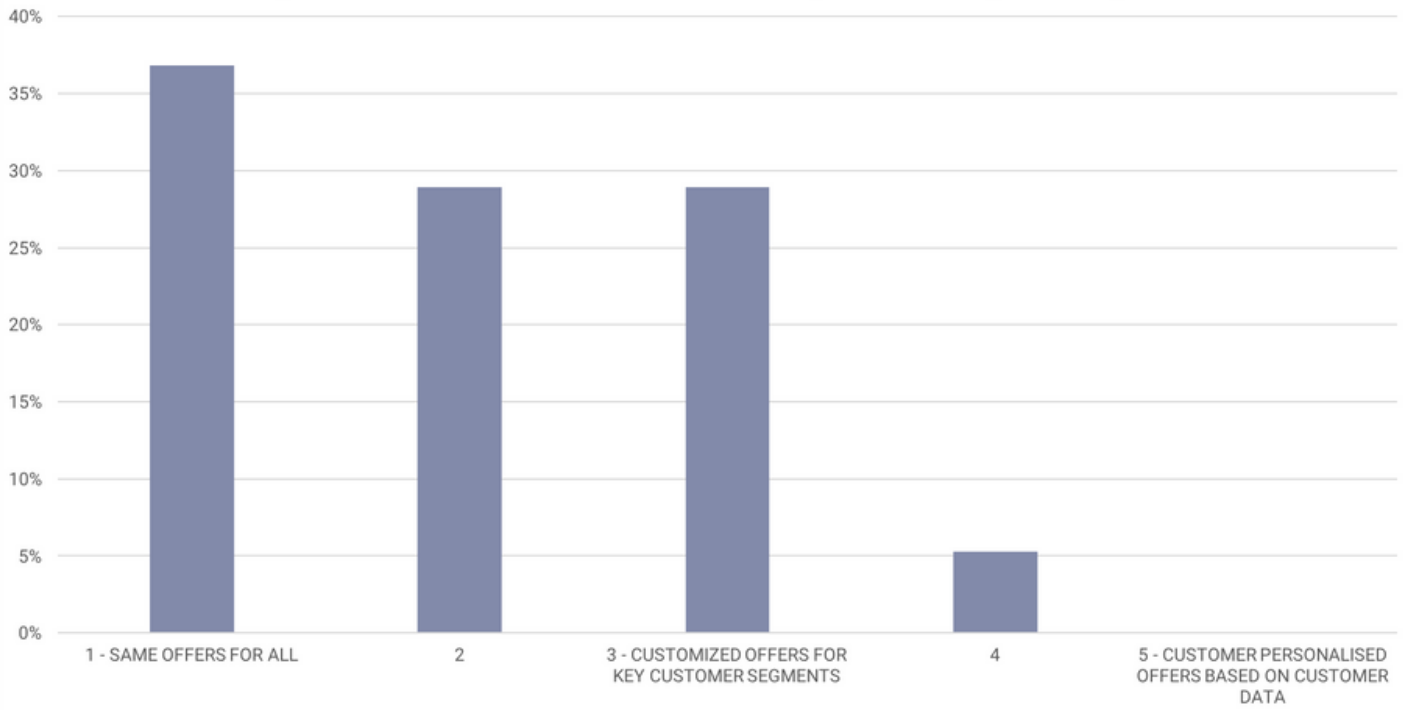
Digitalization and connecting all the digital touchpoints was the number one trend identified. This and personalization were also the two biggest investment areas for 2018. So the good news is that it seems everybody is acknowledging the importance of the digital customer experience. The ancillary professionals from our survey know they need to become more customer centric and provide a better, more personalized experience.



58% OF THE SURVEYED AIRLINES WILL INVEST IN PERSONALIZATION AND BETTER USE OF DATA AND ANALYTICS (50%) TO ENHANCE THEIR DIGITAL MERCHANDISING. ALONG WITH BOOKING PLATFORMS (50%), THESE WERE THE TOP THREE INVESTMENT AREAS FOR 2018 FOR ANCILLARY REVENUE PROS.



## How do you use customer and other data for post-booking ancillary offers?



# LET'S DEMYSTIFY PERSONALIZATION

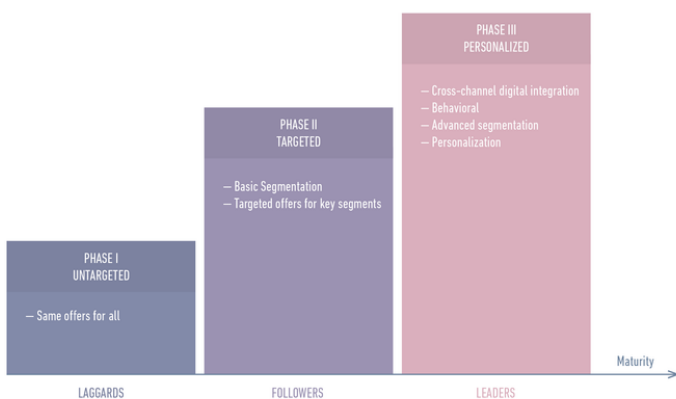
**It's 2018 and we're still trying to figure out personalization. Everybody is talking about it, everybody wants to do it, yet we still struggle with it.**

Evidently, we are still facing this huge gap between where we want to be and where we actually are.

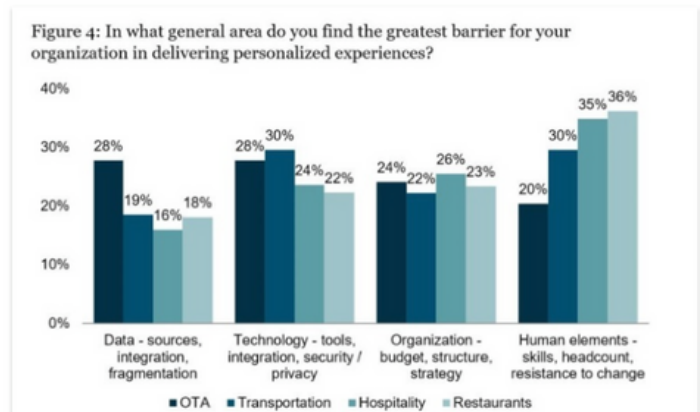
None of our 38 surveyed airlines claimed they were creating truly personalized ancillary offers. Even more, 37% said they are still at the beginning – they give the same offers for all customers. A similar number of airlines is somewhere in the middle of the personalization journey; they either create customized offers only for key customer segments (29%) or are moving towards creating personalized offers (5%).

The question you are probably asking is: how can you get there?

In my opinion, instead of a revolution (personalized offers for every customer), you need an evolution – a step by step approach. Below is an example of the Diggintravel three-step model:

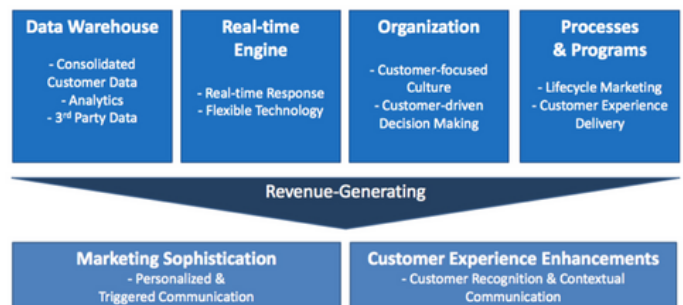


Most airlines are in the middle, at a stage where basic segmentation is done. Econsultancy analyzed the biggest barriers to personalization for travel companies.



For the next step, all areas of our framework (product, organization, digital merchandising techniques, IT) need to be ready. This is why personalization is so hard.

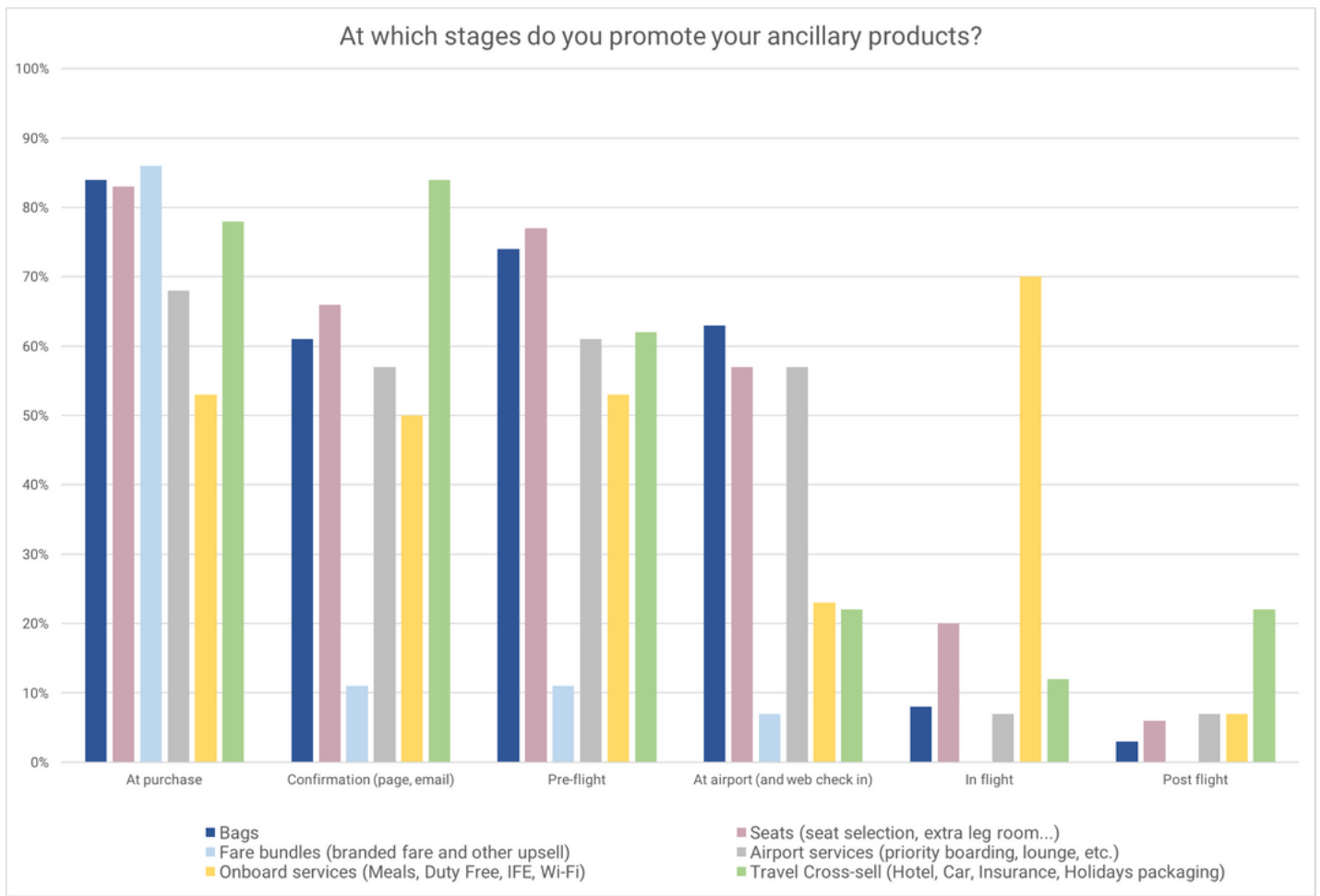
Below is an example from Southwest Airlines of their framework for integrating all areas into their “Customer Centric Digital Experience”.



Human elements and integration are key for large airline organizations with strong “silo organizational” tendencies. You can read more about this in our last section.

As you can see in the Innovation and Technology section, Leaders have started to leverage technology and data to create personalized offers and product recommendation engines.

However, while technology allows us to collect our customers’ data during different touchpoints of the customer journey (and cross-device), this data still remains mostly siloed.



## CUSTOMER JOURNEY MAPPING – CONNECTING THE (DIGITAL) DOTS

**Our survey shows that airlines promote ancillaries across the whole customer journey.** With more pressure on generating ancillary revenue, your typical customer service digital touchpoints (like messaging & chatbots, web check-in, self-serve kiosks, inflight entertainment) are becoming digital merchandising platforms.

This is why it is even more important that you map the customer journey and connect all the digital dots. Offering irrelevant ancillary services will worsen your customer service.

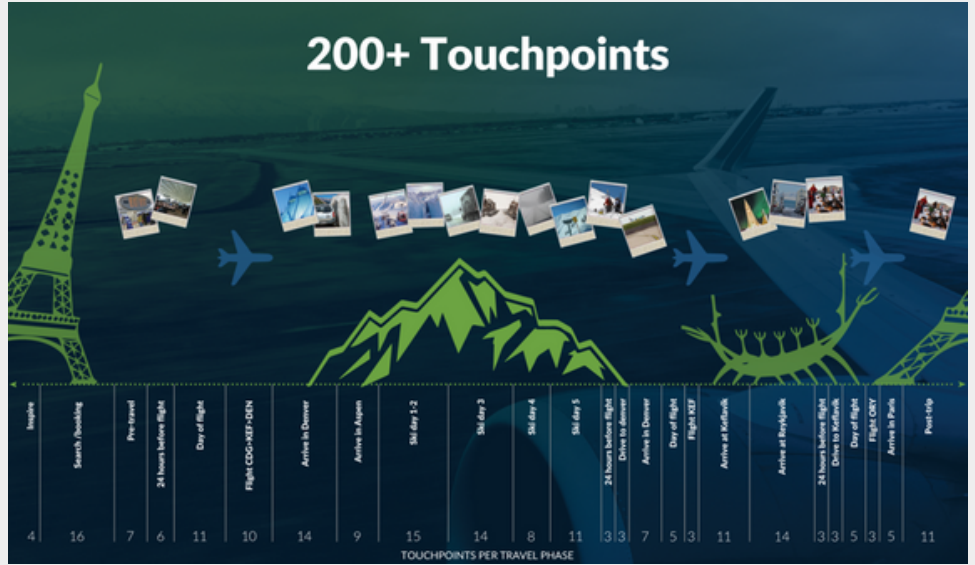
On the other hand, offering the product that actually solves your customer’s problem will definitely improve it.



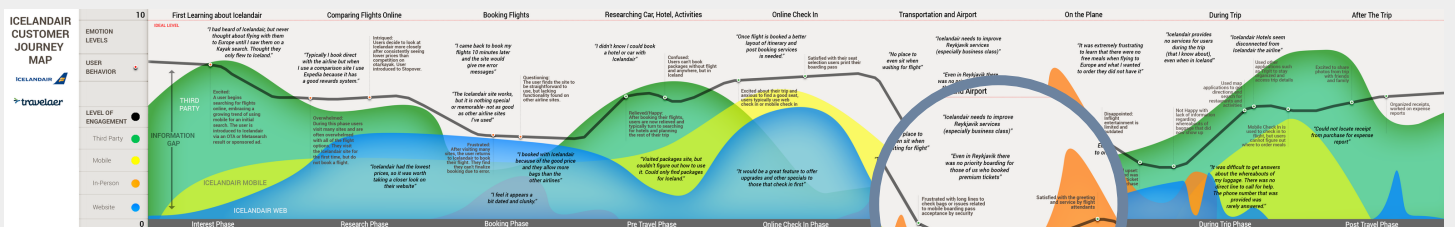
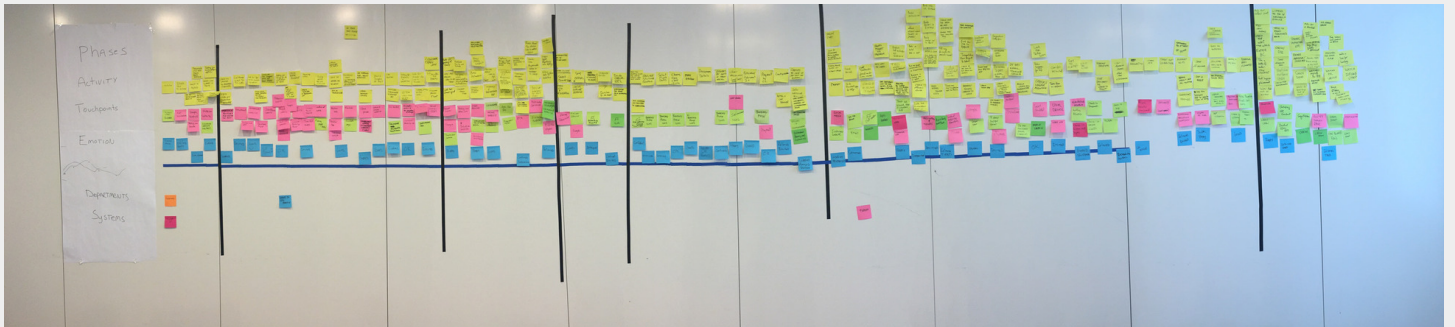
# CASE STUDY

Customer journey mapping for Icelandair  
 Mike Slone, Chief Experience Officer at Travelaer, is a veteran of many customer journey mapping projects. When faced with the task of improving Icelandair's digital platforms, his first priority was detailed mapping of all touchpoints.

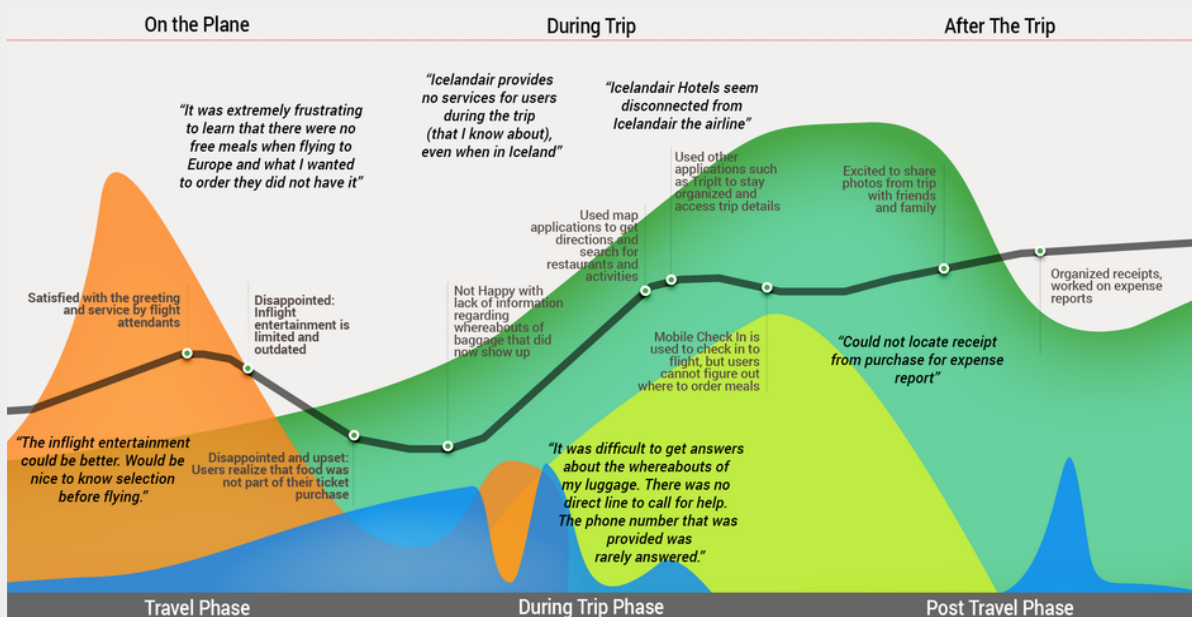
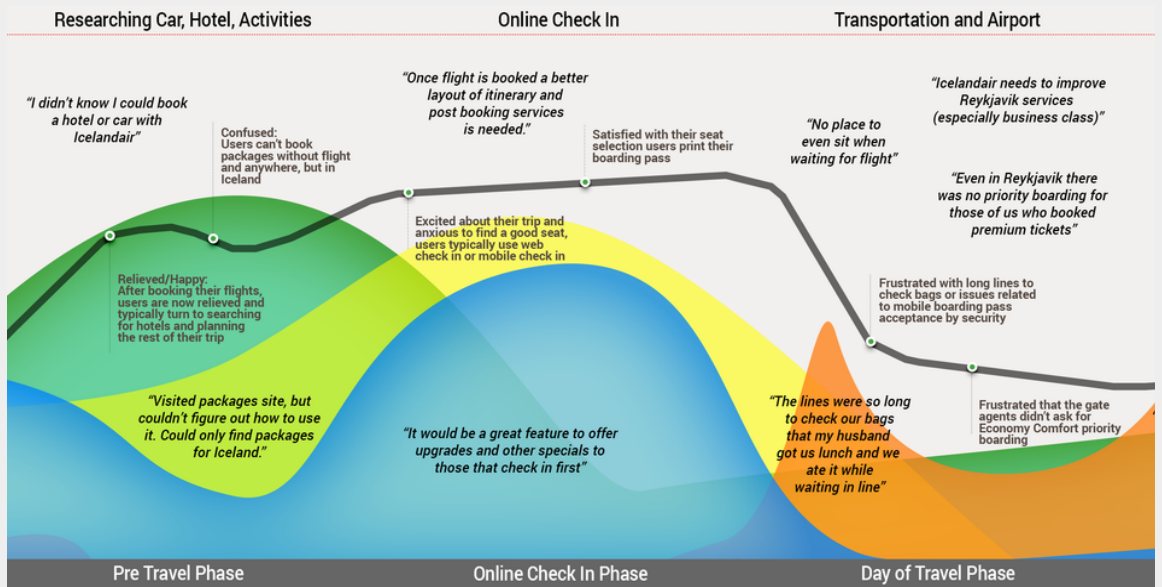
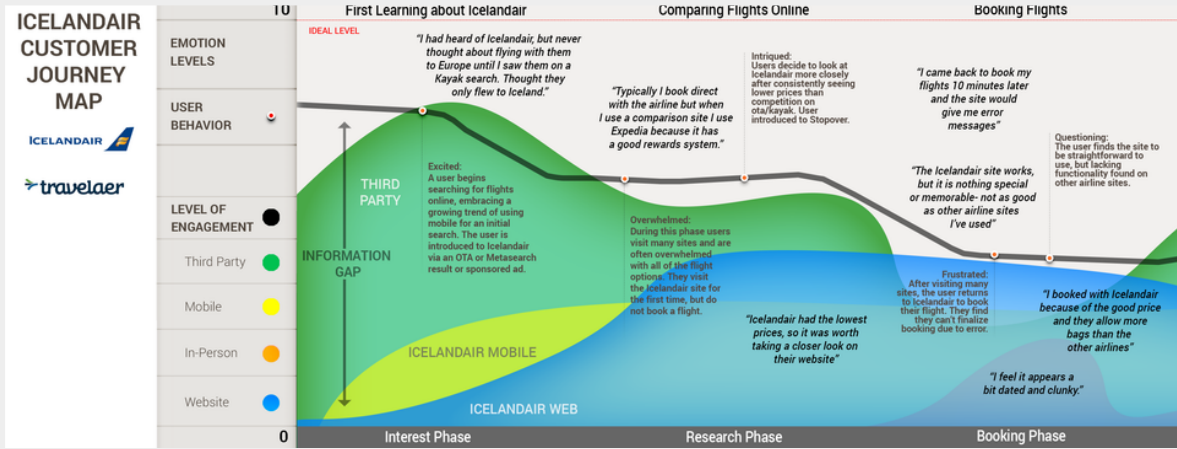
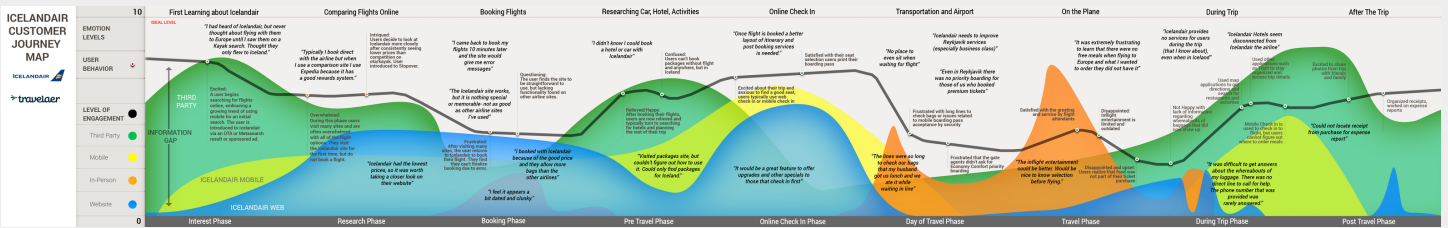
The results were surprising. **More than 200 customer touchpoints** were identified over the course of a hypothetical weeklong ski trip from Paris to Aspen, from inspiration to travel to coming back home.



The next step was visualizing and identifying Icelandair's key touchpoints.

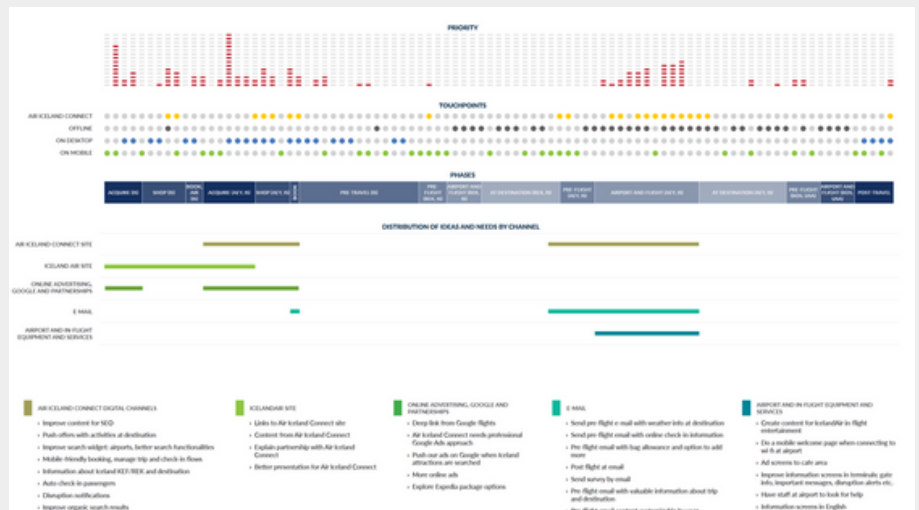


TAKE A CLOSER LOOK AT  
 ICELANDAIR'S TOUCHPOINTS  
 ON THE NEXT PAGE



Then he created a digital inventory and a roadmap for Icelandair's user experience initiatives.

The digital inventory and the plan is just the beginning. For real optimization, you need to understand how your users interact with your touchpoints. Here is Mike's take on why user testing and research is a crucial part of this process:



*"I've probably done now hundreds, no, more than that, thousands of user test for probably 40, 50 airlines starting in the beginning with Southwest Airlines. What I really learned is that you shouldn't do just user testing once a year or every two years. You should actually do it all the time. It should be something weekly that you're doing just to get real feedback from your customers."*

You can read more about why you need to apply the full conversion optimization process across all digital touchpoints in the last paragraph of this section.

One thing that Mike and Travelear learned during their analysis of users is how important the visual aspects of the process were to them, and developed accordingly:

*"We combined a mapping element that is connected to the booking widget to display the customer's itinerary and timeline on the map, so that customers could visualize what they were booking before they ever leave the booking widget."*



As you can see understanding your customer journey and users is a heuristic process. The key is the constant learning and building the digital experiences based on your user's needs.

## EXAMPLE

### Example – Activities cross-sell

Understanding your customer journey and integrating digital touchpoints within it is definitely an important part of digital merchandising. To master cross-selling, you need to understand which products and services are typically purchased before, with and after your products. Activities are one such example.

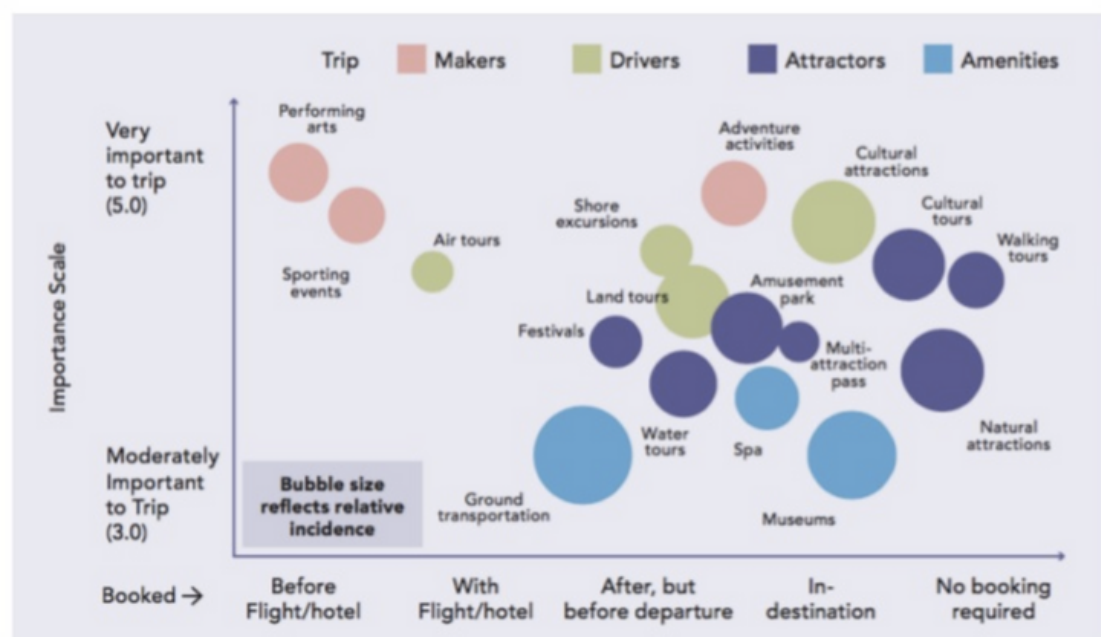
According to Phocuswright, travel activities (the aggregate of in-destination spend on tours, activities, attractions and events) is the third largest travel segment and accounts for 10% of global travel revenue.

Furthermore, more than 80% of gross bookings are made offline. This represents an attractive cross-selling opportunity for airlines. There are many consolidators that provide APIs for airlines and enable them to cross-sell activities. However, just implementing activities and selling them to your customers is not enough. You need to dig into the data and integrate the findings in your customer journey.

Below is a suggestion from Viator (one of the biggest digital activity platforms) on how to segment by importance and customer journey (booking window):

### Segment by Importance and Booking Window

Currently 90% of all activities are still booked in-destination (Viator), but there are several types of activities that travellers are most likely to be book in advance: music concerts, music festivals, major spectator sports and ski-passes.



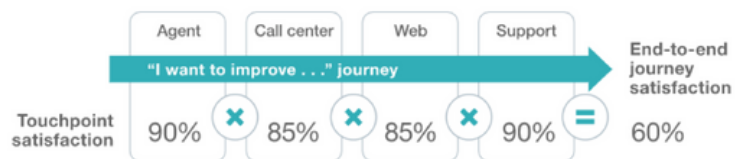
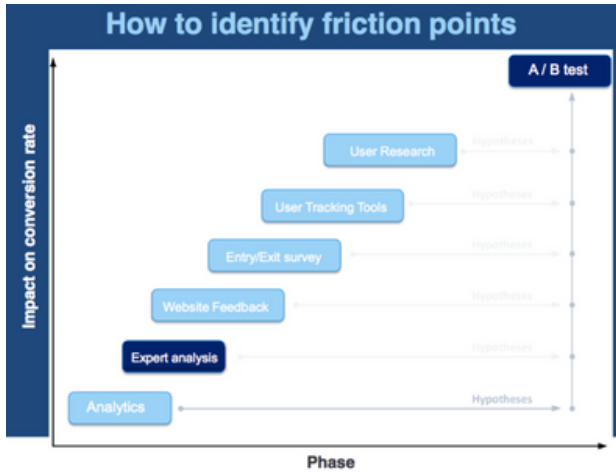
# CONVERSION OPTIMIZATION – EXPANDING IT FROM YOUR WEBSITE TO THE ENTIRE CUSTOMER JOURNEY

By now you probably know what a big fan of conversion optimization I am. If you do have a systematic CRO process in place, you'll understand your users much better and understand their pains (friction points).

If you are currently just optimizing web and app pages, start focusing on optimizing the digital experience as a whole. You need to start applying optimization omni-channel and across all customer journeys and touchpoints.

Optimizing touchpoints in a silo can be tricky and sometimes provide a misleading representation of customer satisfaction.

Individual touchpoints may perform well even if the overall experience is poor



McKinsey&Company | Source: McKinsey Digital Labs

CRO is often mistaken for a set of tricks and hacks. According to Dr. David Darmanin, Founder & CEO of Hotjar, a tool that allows you to understand your users' behavior:



*"It's become increasingly common for consultants, tools and services to write about best practices and tricks they recommend. This reduces optimization to a list of hacks or shortcuts which clearly are not necessarily relevant to the audience. We need to realign optimization to the user experience."*

*"Understanding our users, listening to their feedback and empathizing with their needs is the only way to truly understand what needs to be optimized. First become your user – then optimize to create an experience you would be truly impressed by. This is the only way to 'win' in the long term."*

Currently, airlines perform conversion optimization mostly on their websites, if they do it at all. Yet, as we've seen, airlines are using new digital touchpoints for merchandising, and customers certainly expect a great user experience across the journey.



According to McKinsey, Leaders apply agile optimization cycles across the whole company.

*"Customer-experience leaders can become even better by digitizing the processes behind the most important customer journeys. In these quick efforts, multidisciplinary teams jointly design, test, and iterate high-impact processes and journeys in the field, continually refining and rereleasing them after input from customers."*

*"Such methods help high-performing incumbents to release and scale major, customer-vetted process improvements in less than 20 weeks. Agile digital companies significantly outperform their competitors. To achieve those results, established businesses must embrace new ways of working."*

Agile, multi-disciplinary teams that are empowered to perform optimizations was one of the characteristics of the Leaders from our Airline CRO research.

To join the Leaders, you need to develop new, innovative digital experiences fast. Launch, measure, analyze, and revise the user experience and test again. This should be a constant process, not one that is started every few years or only for big website redesign projects.

**Mike Slone** from Traveleer shares a similar view:

*"We are constantly seeing airlines spend 6 months to 1-year designing a new digital experience with an amazing digital agency, then they spend another year building this new digital experience, but by the time they have the new experience live it is 1-2 years old. This process can't continue for airlines to be successful. Airlines are not agile enough and most are not willing to fail fast, thus they will always be behind until they change their internal processes to stay ahead of their customers."*



# RIGHT FLIGHT

More than just a flight comparison tool, Right Flight™ helps airlines optimize conversion rates by making the booking process more transparent for customers and airlines alike.

Any airline can now give its digital customers the ability to compare a flight's features, such as pricing and leg room, with competitive brands flying the same route.

## The Right Flight



Delta Airlines



9.9



Fastest



+\$100



Comfiest

\$1099.00

DL 1022

10:30

CDG

10h 25m

Direct

03:55

JFK

BOOK

DL 845

20:45

JFK

11h 05m

Direct

09:50<sup>+1</sup>

CDG

Hold Flight

Track P

Details ▶



Lufthansa



8.9



+ 4 hrs



Cheapest



Average

\$999.00



Lufthansa



8.7



+ 4hrs



+\$600




Average

\$1599.00

To learn more about how your travel company can benefit from Right Flight, visit [travellaer.com](https://travellaer.com)



V.



**ORGANIZATION  
&  
INTEGRATION**

# ORGANIZATION & INTEGRATION EVALUATION

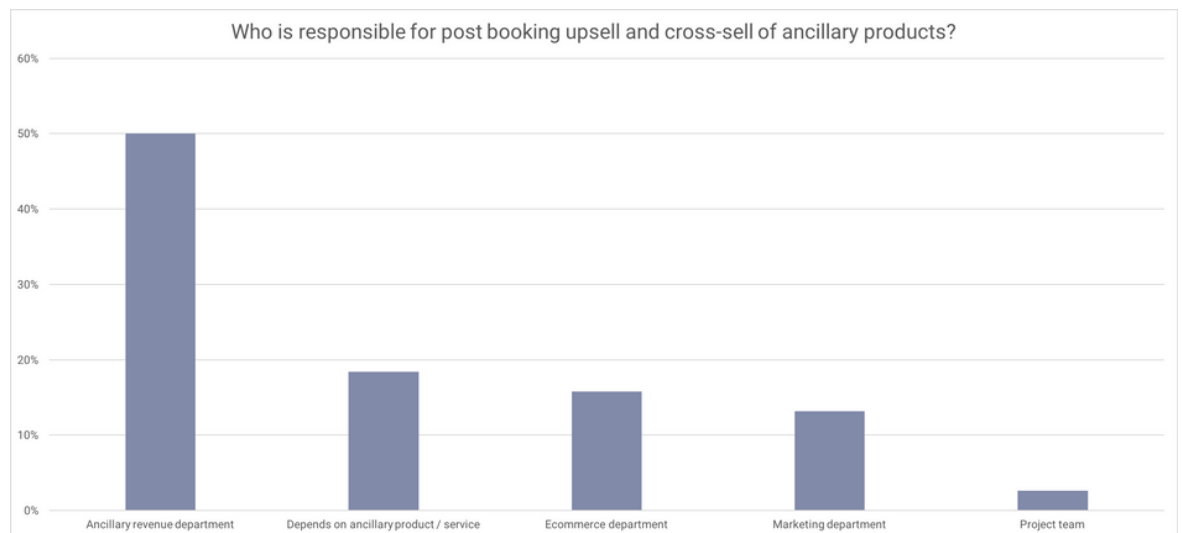
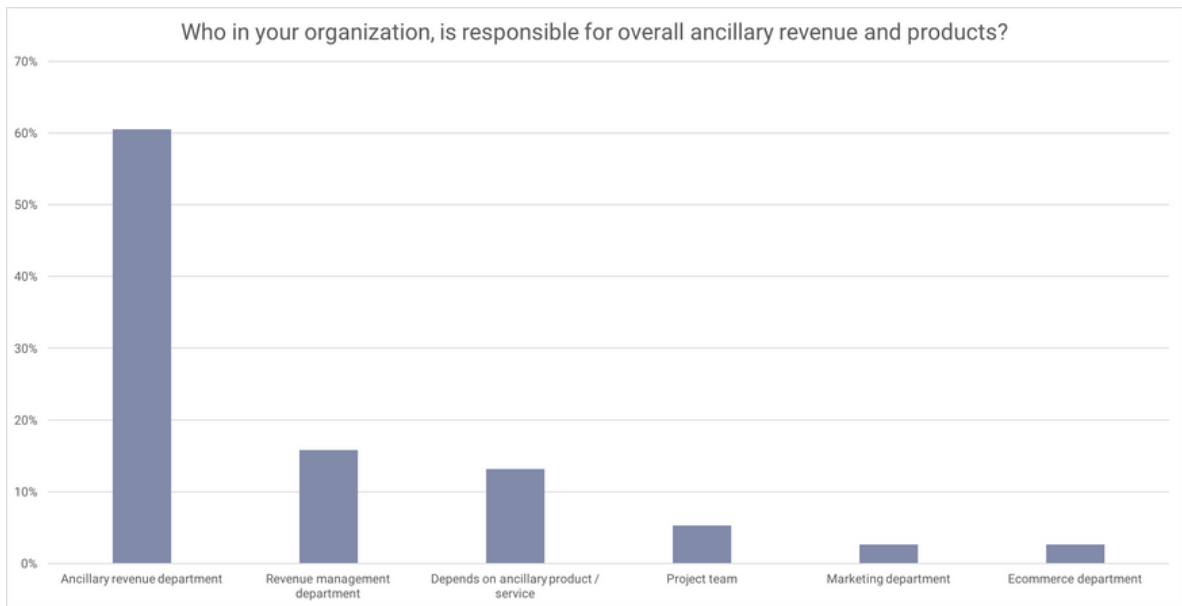
In the last section we analyzed the organizational aspect of ancillary revenue. The key goal was to see how integrated key digital merchandising processes and activities are. To understand this, we asked the following questions in our survey:

- Who in your organization is responsible for overall ancillary revenue and products?
- Who is responsible for pricing of ancillary products?
- Who is responsible for post-booking upselling and cross-selling of ancillary products?
- How integrated (on a scale from 1 to 5) are your departments in your ancillary products post-booking upsell and cross-sell activities?

- What skills do you see as the key for successful ancillary upselling and cross-selling?

Based on the above, we ranked **Organization & Integration** from 1 to 5 for each of the 38 participating airlines. As with the other categories, we tried to identify maturity and best practices from the Leaders for this category.





## HOW TO ORGANIZE FOR DIGITAL MERCHANDISING

**Where does ancillary belong in an organization? Should it be an independent department, or should it be a matrix, cross-functional organization? Who should develop new ancillary products? What about pricing and promotion?**

These are the most common questions you'll face when it comes to organization of your ancillary revenue processes. Ancillary revenue has changed how we do pricing (as shown in the Product & Pricing section) and promotion (Digital Merchandising Techniques section). That's a reality we can't hide from.

As you can see from the results, your ancillary and digital merchandising organization depends on your airline size, business model and ancillary revenue maturity.



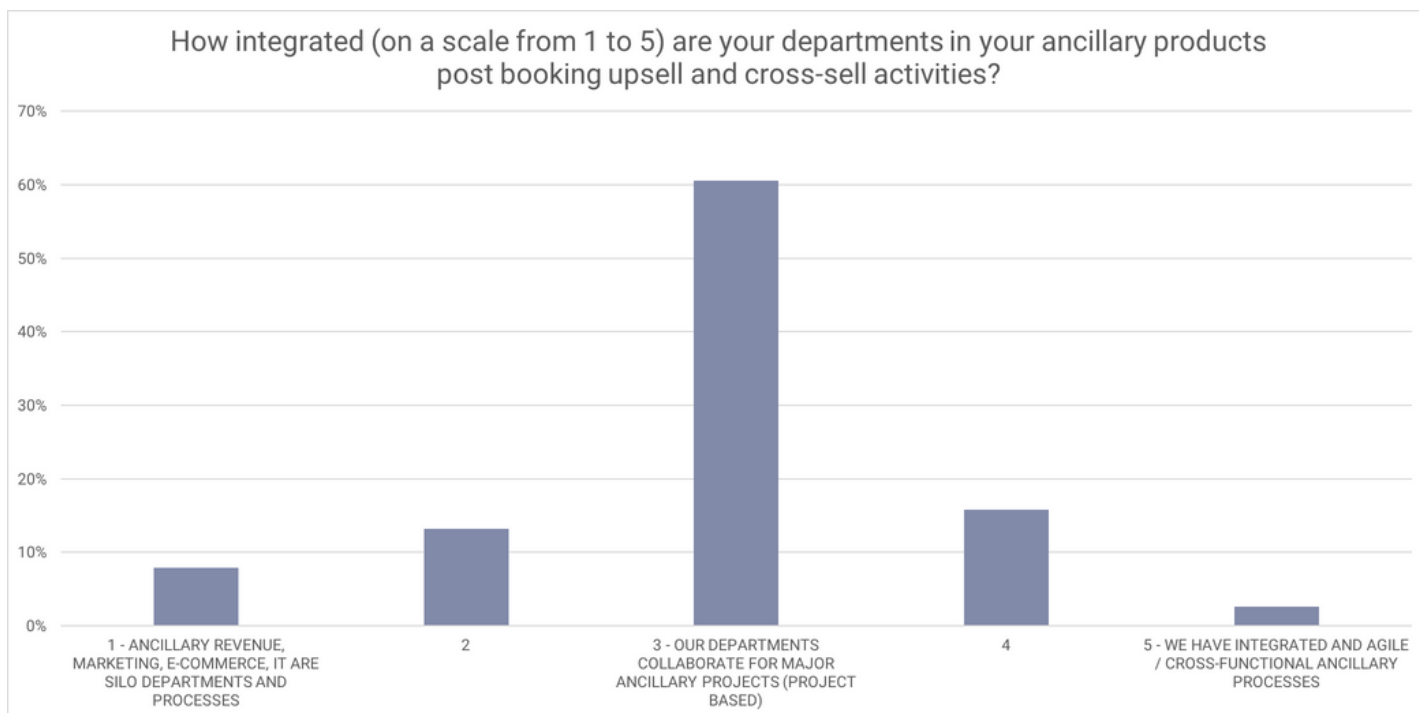
**MOST AIRLINES (61%) RECOGNIZE THE IMPORTANCE OF ANCILLARY REVENUE AND HAVE DEDICATED ANCILLARY DEPARTMENTS IN CHARGE OF THEIR OVERALL ANCILLARY STRATEGY AND PRODUCT.**

In 58% of cases, the ancillary revenue department is responsible for pricing as well. This is especially true for the Leaders, as all Leaders from our analysis have ancillary departments responsible for both overall ancillary (product) and pricing.

On the other hand, almost half (47%) of the Laggards still have revenue management, a project team or different departments (depending on the ancillary product) responsible for overall ancillary development.

Ancillary revenue departments are responsible for upselling and cross-selling (promotion) in 50% of cases. E-commerce departments and marketing departments are responsible for promotion for 16% and 13% of the surveyed airlines respectively.

	Overall (Product)	Pricing	Upsell & cross-sell (Promotion)
Ancillary revenue department	61%	58%	50%
Revenue management department	16%	29%	0%
Depends on ancillary product / service	13%	11%	18%
Marketing department	5%	3%	13%
Ecommerce department	3%	0%	16%
Project team	3%	0%	3%



## THE CHALLENGE OF INTEGRATION?

**Consolidating all ancillary and digital merchandising responsibilities under one department (ancillary or merchandising) is something the Leaders do and is certainly a step in the right direction.**

However, this still doesn't solve all the problems of integration of all relevant departments. Revenue management cannot be excluded from ancillary; you must adopt a new "total revenue" concept that includes ancillary revenue.

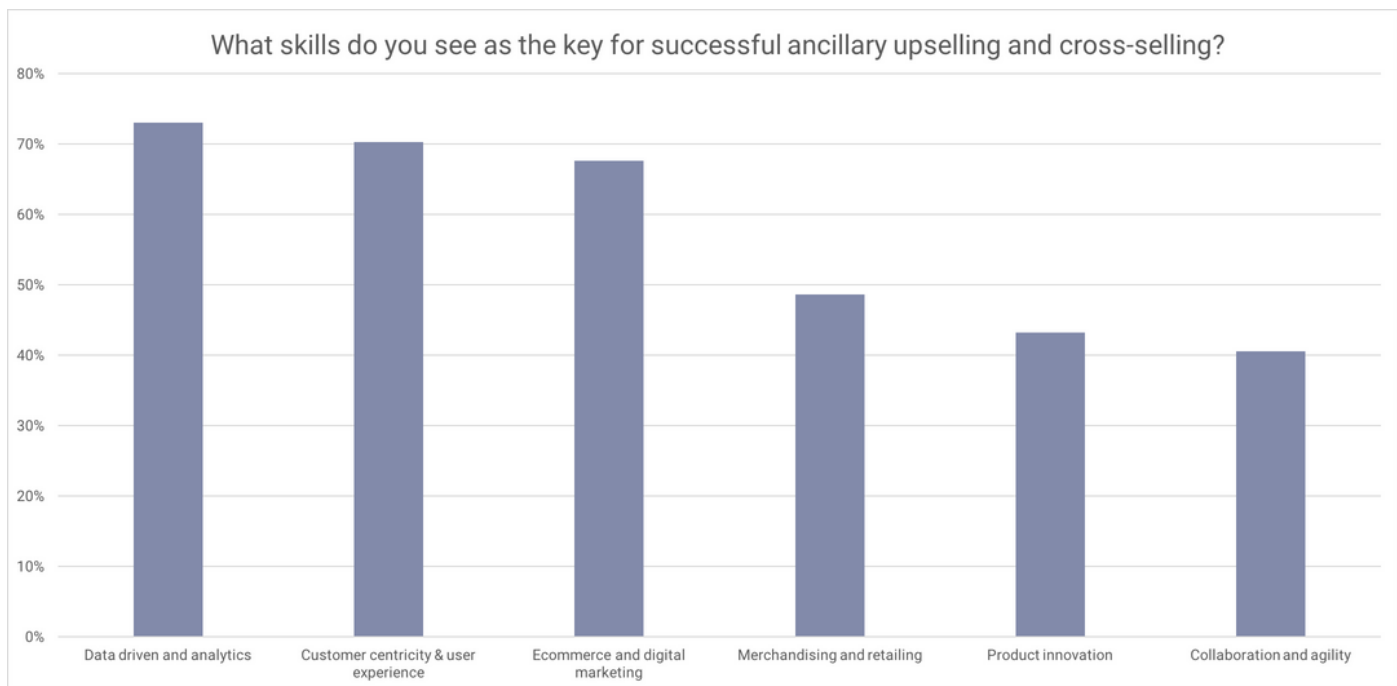
Historically, revenue management departments have focused on just maximizing the base fare, but now you need to incorporate ancillary uptakes and other ancillary data.

Similarly, your e-commerce and marketing departments need to master upselling and cross-selling (as shown in the Digital Merchandising Techniques section) in addition to promoting the base product. Our survey results show that most airlines (61%) collaborate on a project basis when it comes to digital merchandising initiatives. In 21% of cases, collaboration is worse or departments even work in a silo.

The McKinsey article "How airlines can gain a competitive edge through pricing" suggests how you should break organizational and data silos:

*"Because many of the tasks performed by various departments require deep technical expertise, airlines have historically divided operating functions into silos. As a result, data is siloed as well. RM may oversee core ticket pricing and steering; marketing may manage onboard ancillary pricing; and sales may handle pricing with rental car, hotel, and other partners. A total RM model—one that brings together RM authority and then optimizes the entire process—will require vast amounts of input data from across the airline. In short, the current state of fractured data and authority is not conducive to total RM optimization.*

*"Airline leadership must begin by revising the organizational chart to allow for communication and collaboration among the various departments—and likely reallocating authority of pricing for all products to a single leader. Of course, integrating teams that have historically worked as distinctly separate units will require a significant shift in mind-set."*



## NEW SKILLS FOR THE NEW (DATA) APPROACH

**The challenge of siloed data is definitely not an easy nut to crack. Not only is it a technical problem to consolidate data from various systems, it's also a matter of organization, people and skills.**

The people and skills part is vital to address in order to truly embrace the new total revenue approach.

Data scientists, artificial intelligence experts, and people skilled in developing recommendation engines and algorithms are just some of the profiles you need to consider to close this gap.



AIRLINES FROM OUR SURVEY CERTAINLY UNDERSTAND THIS, AS 73% OF THEM IDENTIFIED "DATA DRIVEN AND ANALYTICS" AS CRUCIAL SKILLS FOR DIGITAL MERCHANDISING. THIS WAS THE MOST POPULAR AMONG ALL SKILLS LISTED.



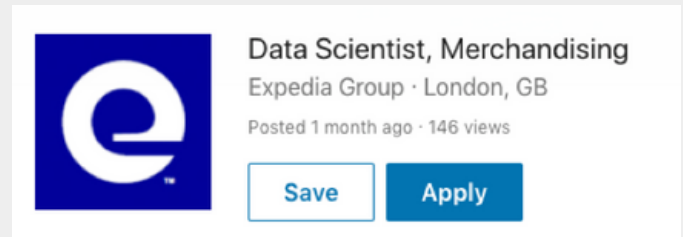
Being more data driven was also stated as an area where airlines see the biggest gap. At 43%, it was the second biggest gap area identified (see the full gap chart in the Customer Centricity section).



## Expedia - Data Scientist, Merchandising

Recommendation engines are probably the most mainstream use case for data science. Netflix and Amazon have been using it for content and product recommendations for a long time. Similarly, online travel agents like Booking.com and Expedia are using it to offer cross-sell products or next destination recommendations.

Below is an example of a Data Scientist job description published on LinkedIn by Expedia. As you can see, it requires a mix of conversion optimization skills, like A/B testing and advanced analytics.



The Global Merchandising team is essential to the company's mission of becoming the world's most intelligent travel marketplace through its charter to match supply to demand. As the inaugural member of the Merchandising Data Science team you will be at the heart of developing and implementing algorithmic approaches to increase the return on almost \$500M of investment across Expedia Rewards, Coupons, Member-Only Deals, Seasonal Campaigns & Flash Sales; marking the start of a fundamental change in approach. The initial focus will be to create a self-optimising algorithm to surface the right offer to the right customer on site alongside a methodology for surfacing the correct campaigns to our suppliers. We have a hit list of subsequent focus areas on the table but you will be actively encouraged to identify new opportunities.

### The Role

- You will apply advanced analytic techniques such as machine learning, data mining and statistical modelling to design and implement mathematical models and algorithms to solve real-world marketing problems
- You will develop analytical insights through assumption testing and sensitivity analysis and share with your team
- You will perform difficult data analysis and financial modelling to support business case development
- You will conduct A/B test design, implementation and analysis on the website in order to figure out the effectiveness of our efforts
- You will work on modelling seasonality along with other inputs with the view to optimising the right price for our customers

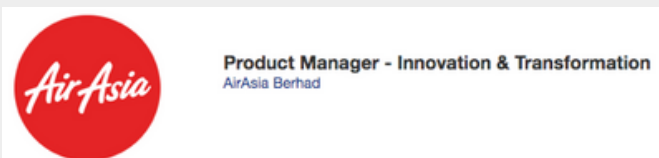
## AirAsia – Becoming a digital airline

AirAsia have been very open and candid about their digital transformation initiatives. Their CEO, **Tony Fernades** (who is very outspoken about his mission for AirAsia to become a digital airline) says:

*“You either be a “Dinosaur Manager” or “Digital Manager”. It’s either you change or be changed!”*

Below are two job descriptions published on the AirAsia job website. Based on the roles and descriptions, you can see they are willing to invest in new skills and roles to support their digital strategy.

Again, they require a combination of skills from our digital merchandising framework areas: Product, Innovation, User experience, E-commerce and Digital merchandising.



### JOB DESCRIPTION

#### Product Manager - Innovation & Transformation

AirAsia is ranked the world's best low-cost airline 9 years in a row, and in the process of transforming into a truly digital airline, which requires strong internal capabilities within Product, Data, Digital, and Tech. We are looking for talented Product Managers to take us to the next level. With 73 million passengers last year, expected to grow significantly coming years, the things you build will always be in the hands of millions of users. And we're not just an airline, since there are so many digital opportunities on top of our core business. Join us to help decide what those opportunities could be and see them created and delivered.

### Job Description

As a Product Manager (PM) within Innovation & Transformation you are not tied to one specific product or area of the business, but will be working within AirAsia and our group companies in projects together with tech and data teams to help revamp and improve our current processes, products and channels, digitize them where needed, as well as launch new digital products.

### Responsibilities

- Review of the business and our processes. Together with various stakeholders, drive ideation of what can be improved and how, as well as what should be redone and rethought from scratch.
- Requirements gathering and scoping of new concepts, projects and products.
- Work closely with and manage inhouse tech and data teams for delivery. We expect you to work as one single team, not “hand over” the implementation, but constantly taking part in how things are built and why.
- In some cases engage external vendors and consultants where makes sense.
- Ensure engaging and optimized customer experience (CX), user experience (UX) and user interfaces (UI). While others focus on the craft, you need a very good eye of what works and what doesn't, and you find ways to make those decisions data-driven, e.g. through A/B testing.
- Oversee Quality Assurance (QA) and monitor performance of the business and our products.



## Data Science Manager

AirAsia Berhad

### JOB DESCRIPTION

Asia's leading airline was established with the dream of making flying possible for everyone. Since 2001, AirAsia has swiftly broken travel norms around the globe and has risen to become the world's best. Driven by the Dare to Dream spirit, we pride ourselves in being the region's largest low-cost carrier, serving 24 countries and over 130 destinations. We are not confined by walls, except when we need to answer the call of nature, so all departments mingle every day. As we embrace new technology to become a digital airline, services like BIG Duty Free, BIG Pay, BIG Loyalty, Touristly, ROKKI and Xcite Inflight Entertainment will be an exciting evolution, placing us ahead of the game. Are you in? AirAsia is set to take low-cost flying to an all new heights with our belief "Now Everyone Can Fly:

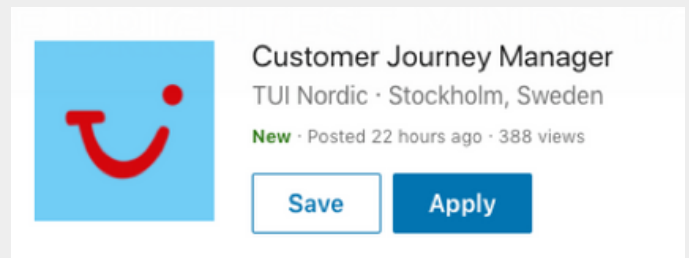
### Role & Responsibilities :-

- Leading, mentoring, and managing a group of data scientist (12 to 15 people).
- Leading analytics and insights development for Group Digital stakeholders
- Data Custodian for Digital Products, Personalization, Customer Experience and Commercial stakeholders.
- Responsible for planning, design and developing analytical solutions such as Data wrangling, modelling & transformation, Visualization and Dashboard, Segmentation, Scoring, Forecasting, Recommendation
- Proficient in Data Engineering/Modelling using SQL, BigQuery, Python and Visualization (Tableau/Qlik/DataStudio)
- Advanced / predictive analytics development experience with R/Python, RapidMiner/TensorFlow.
- Proficient in some or all of the following techniques: Linear & Logistic Regression, Decision Trees, Random Forests, K-Nearest Neighbours, Markov Chain Monte Carlo, Gibbs Sampling etc. Evolutionary Algorithms (e.g. Genetic Algorithms, Genetic Programming), Support Vector Machines, Neural Networks, Deep Belief Nets, RBMs etc.
- Advanced Statistics - forecasting, regression, ARIMA
- Ensure good integrity in deliverables via diligent testing and verification
- Ensure timeliness and quality of solutions delivered.
- Work with Business and Digital Stakeholders to understand business and deliver data analytics.
- Participate in the end to end process for the strategic plans - planning, execution & evaluation.
- Responsible to build insights and data driven analytics solutions for Group Digital stakeholders through Data Ingestion, Data Engineering, Visualization, Machine Learning, Trending, Prediction & Forecasting etc.
- Responsible for all Digital stakeholders communication, requirements gathering, project management and on time delivery of projects.
- Ensure team updated with the latest data science technologies/tools/skill sets.
- Ensure transparency and promote good governance.

## TUI – Customer journey manager role

You've seen why mapping and measuring the customer journey across all touchpoints is important in the Customer Centricity sections. Now let's take a look at TUI as a great example of this.

TUI has a customer journey manager role whose responsibility is to follow metrics to determine the impact of CX and UX initiatives across the whole journey. It's a cross-functional way of working within TUI, identifying both pain points and highlights to improve the customer experience.



### What You Will Be Doing

As Customer Journey Manager you will be a part of a team responsible for driving TUI Nordic's customer experience from an end-to-end perspective. This includes responsibility for the customer journey, NPS as well as development of products, services and concepts from a consumer perspective.

You will be defining and documenting the existing customer journey landscape to be able to build and maintain comprehensive end-to-end customer journey maps that incorporate customer interactions, behaviours and opinions. You will create a target state customer journey, aligning it to TUI Nordic customer journey strategy and future customer promise.

One key element for the Customer Experience team is to continuously analyse and improve the different parts of the customer journey by creating change recommendations to Product- and Concept management, Marketing and Sales - with both customer satisfaction and business efficiency in mind.

- Ensuring analysis and recommendations are based on quantitative and qualitative insights
- Using an agile way of working, managing fast paced projects and involving relevant resources within TUI Nordic / TUI Group when needed to ensure involvement and engagement throughout TUI
- Collaborate and communicate to ensure development of service design, concept development or product management according to TUI Nordic customer journey strategy, aligned with TUI Nordic strategy
- Driving customer journey development and identifying key revenue opportunities and areas of improvement and customer journey metrics to determine the impact of the team's work and progress
- Secure CX productivity, quality and NPS goals

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