12th Ancillary Merchandising Conference – Edinburgh 2018
Lead Sponsor
Best Mobile Retail Practices for Ancillary Revenue by Global Network Airlines & LCCs

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The agenda for this presentation.

- Mobile is earth’s largest store.
- 35 airlines were reviewed in 2017 and 2018.
- Airlines seem to hide their mobile success stories.
- 12 great mobile a la carte examples.
- 5 tips to build retail mastery.

This presentation is based upon various reports published by IdeaWorksCompany during 2017 and 2018, which were sponsored by CarTrawler.

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About me

- Part of the Midwest Airlines start-up team, was Director of Marketing, threw bags, cleaned aircraft, and was an early believer in ancillary revenue.
- Started IdeaWorksCompany in 1996 to “Build Revenue through Innovation.”
- I’ve camped, hiked, and visited 90+ national parks in the US with my family, and have been volunteering in the parks for the last 10 years.

With my kids at North Cascades National Park in Washington after completing the Daisy Weaver cabin renovation.
Earth’s largest store is the mobile phone.

- The United Nations believes we share the planet with **7.5 billion fellow humans**.
- The UN also estimates there are nearly **7.7 billion mobile phone subscriptions** worldwide.
- Globally, the rapid data access of **broadband reaches 97.1%** of the developed world; with 81% accessing the internet.
- Mobile was found to represent **89% of last minute bookings** for the 4\(^{th}\) quarter of 2017 with **apps accounting for 41\%**.*


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In Rio de Janeiro’s favelas, mobile not only creates economic connections; it’s also an ever-present tool to stop violence against women and girls.

* Photo: UN Women/Gisele Netto
Responsive design and mobile apps create better storefronts.

<table>
<thead>
<tr>
<th>Key Mobile E-Commerce Options</th>
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<tbody>
<tr>
<td><strong>Responsive Website</strong></td>
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<tr>
<td>• Redesign an existing desktop website (for personal computers) to provide an optimal viewing experience.</td>
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<tr>
<td>• Provide mobile users easy reading and navigation with a minimum of resizing, panning, and scrolling.</td>
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<tr>
<td><strong>Mobile Website</strong></td>
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<tr>
<td>• Create a new website tailored for display on mobile devices; queries redirect to the mobile site.</td>
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<tr>
<td>• Consumer need not download an app to enjoy a good browsing experience.</td>
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<td><strong>Native Application</strong></td>
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<td>(mobile apps)</td>
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<td>• Offers a great user experience because it optimizes the capabilities of a specific device.</td>
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<td>• Requires sometimes-reluctant consumers to accept and download the app.</td>
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We reviewed how 35 airlines support ancillary revenue in their mobile apps.

- 17 mobile apps for large global airlines were reviewed in 2017.
- 15 apps for key LCCs were reviewed in 2018.
- 1 airline didn’t offer an app, and 2 others did not support flight bookings through their app.
- Android rules the world with an **85.1% global smartphone market share** as of November 2017.
Airlines seem to hide the potential of mobile.

We searched home pages for messages about a carrier’s app; here’s what was found among the 15 LCCs:

- 3 airlines offered no mention of their mobile application on the home page.
- 4 airlines provided a simple text-style link at the bottom of the page.
- 6 airlines displayed the App Store and Google Play logos (with link).
- Only 2 airlines used a banner-style ad to promote their applications.

Vueling offered one of the few examples of a home page message designed to promote its mobile application.
Disclosures about mobile activity are rare.

- Word searches in recent financial filings for “mobile” and “app” delivered zero results for 13 of the 15 LCCs.
- Spirit said “approximately 50% of spirit.com visitors use the mobile device to access the website.”
- Azul disclosed a new feature “allows customers to engage in live chats with our crew members.”
- Wizz Air has one of the highest (56%) share of mobile visitors, and its mobile app user base more than doubled to 3.7 million users (period ended 31 March 2017).
- Mobile bookings should contribute about 35% of digital bookings for AirAsia by end 2017, up from 13% (or 3.9 million bookings) for 2016.
Assigned seating, trip protection, and pre-pay bags are key features

Key a la Carte Items Offered in Mobile Apps
In booking path for top 33 global network and low cost carriers

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assigned Seating</td>
<td>19</td>
</tr>
<tr>
<td>Trip Protection</td>
<td>13</td>
</tr>
<tr>
<td>Pre-Pay Bags</td>
<td>10</td>
</tr>
<tr>
<td>Book Now/Pay Later</td>
<td>7</td>
</tr>
<tr>
<td>Pre-Order Café</td>
<td>4</td>
</tr>
<tr>
<td>Bundle (Multiple Items)</td>
<td>4</td>
</tr>
<tr>
<td>Airport Lounge</td>
<td>4</td>
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</tbody>
</table>

Key items were offered by two or more airlines.
Branded fares are perfect for mobile retail.

- Ancillary revenue increasingly benefits from the branded fares approach; results show 50% of consumers opt for a higher price.
- This bundles a la carte features into a “good, better, and best” retailing message.
- It reduces the need to sell individual components, which is problematic for mobile screens and rapid transactions.

JetBlue makes the clicking easy by bundling features into three easily understood fare products.
Good news for airlines . . .

OTAs struggle here.

- Airlines were found to sell **24 distinct** a la carte items in mobile app booking paths.
- It is currently impossible for an OTA app to accommodate that range of products.
- OTAs and metasearch apps **failed to deliver** baggage fee info tailored for the itinerary queried, such as a $19 to $70 range for easyJet on the Expedia app.

The Expedia MasterCard can lower the pain of missing bag fees with an annual $100 travel fee credit.
Ancillary revenue starts with the fare.

- Branded fares are best served by a “compare fares” display which allows consumers to easily determine features.
- Norwegian’s “compare fare types” screen readily displays **seven fare features**: hand baggage, checked baggage, seat assignment, fast track, Wifi, reservation changes, and refund policy.
- The user simply **scrolls the screen** to learn about each.
For most, baggage remains a complication.

Here are the problems we observed:

- Zero ability to click for **more information** in the booking path.
- Broken links to baggage information on the **carrier website**.
- Inability to **seamlessly return** to the booking path after clicking for info.
- Using **complicated tables**, defining fees by zones or city pairs, making it impossible to decipher baggage pricing.

*This in-path link takes the consumer to a non-responsive web page that offered general information for all routes.*
Inform consumers through 3 layers of detail.

All together now. The Air France mobile app provides a consumer friendly and retail savvy collection of screens for pre-paid baggage. Shown above are the pre-pay baggage screens associated with a Paris-Milan itinerary.
Book now, pay later motivates impulse buying.

- Mobile might be the perfect platform to encourage impulse purchases.
- This **always-with-you store** allows consumers to pull out their smartphone to shop for a trip while having coffee with friends.
- Perhaps that’s why 7 airlines (Air France, American, Emirates, Lufthansa, Pegasus, United, and Wizz) included the feature in their mobile apps.
Ryanair assigns importance to seats.

- **As you scroll**, the seat legend at the top of the map changes to reflect the seat types displayed.
- Graphics use diagonal arrows to advertise which seats offer extra leg room.
- **Simple identifiers** such as “Front” and “Extra legroom.”
- Information link for more details.
- Ability to **highlight seating** products with text, such as “On sale” pricing.
Airlines need not limit apps to bags and assigned seats.

- Vueling applies an effective “dashboard” summary for these a la carte items:
  - Assigned seats.
  - Checked baggage.
  - Trip insurance.
  - Airport lounge access.
- Once an item is bought, it confirms the sale and even suggests the consumer should consider checking more bags.

The example does show the importance of careful language translation; “cases” is a confusing substitute for “baggage.”
Pegasus offers a mobile buffet.

- After seat selection, the airline serves up its Pegasus Café with thumbnail images that include entrée titles and prices.
- Clicking on the item delivers the most thorough meal description we’ve seen at a website or in an app.
- Consumer hesitation about airline food can be overcome by providing abundant information.

*Pegasus offers up to a 20 percent discount for pre-payment.*
Wizz delivers a subscription plan to the palm of your hand.

- Subscription plans deliver **better loyalty** than frequent flyer programs.
- Wizz Air has embedded the Wizz Discount Club into its mobile app.
- Standard one year membership is €29.99 and provides **fare and baggage discounts**.
- Selecting “Switch to WIZZ Discount prices” **lowers all fares** to the discount level.

Membership is solicited during the booking path.
Mobile allows airlines to apply savvy merchandising methods.

- Ryanair placed the perfect “sales tag” in its booking process.
- The message tempts consumers with a big €25 or £25 discount off the price of a Business Plus fare.
- Perhaps it was inserted because the mobile app was freshly downloaded just minutes before.
- Or maybe Business Plus bookings were light for the flights queried.

Ryanair’s mobile application was the most advanced of those reviewed for this report.
But wait, there’s more!

- Further into the booking process, Ryanair served up an offer personalized with the name of the passenger.
- The message was for “George” and even included an image with his name on the seat.
- It’s a small personal touch – but it helped make Ryanair’s app stand out from the crowd.

Test bookings used the name of George Washington.
Apps can also use conditional sales pitches.

- Air Canada selectively places lounge access in the booking path based upon the fare purchased.
- When selecting the lowest Tango fare for a Toronto to Calgary flight, the lounge was not offered.
- But when a trip was booked using the higher Flex fare — voilà — the Maple Leaf Lounge access offer appeared.

Portion of Air Canada screen shot displaying lounge access option for a Toronto – Calgary flight.
5 Tips to build mobile retail mastery.

- Build a seat map that **easily associates seat features** with the fee charged.
- Use a **3-tier approach** to define product features. 1) Use key words in the booking path, 2) Offer more details on the item page, and 3) Provide option to click for more info and perhaps an image.
- Create an **obvious method** to return to the booking path.
- Make sure your app **works**.
- Aggressively **promote mobile adoption** through bonus miles offers, fare discounts, and a la carte fee waivers.
Time for Questions.

Don’t miss the mobile opportunity.

The lead character said it best in the 1986 film, Ferris Bueller’s Day Off: “Life moves pretty fast. If you don't stop and look around once in a while, you could miss it.”

Image credit: The Independent, St George Utah News & Events.
About IdeaWorksCompany: IdeaWorksCompany was founded in 1996 as a consulting organization building revenue through innovation in product, partnership and marketing. Its international client list includes the airline, hotel, marine, railroad, and consumer product industries. The firm is a leading expert on creating ancillary revenue opportunities for airlines. IdeaWorksCompany has worked with airlines on ancillary revenue projects in Europe, the United States, and South America. The consulting firm has helped create frequent flyer programs and helped develop co-branded credit cards in the USA, Europe, and South America. Learn more at: IdeaWorksCompany.com

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