Redefining
airline growth with a new approach to merchandising

How the latest travel commerce technologies can help airlines transform their distribution and sales processes to maximize their competitive advantage

By integrating ancillaries into agents' normal booking processes and achieving a single view of the traveler, airlines can create greater loyalty and increase cross and up-selling opportunities, according to Travelport's Ian Heywood, Global Head of Product and Marketing, Air Commerce

"Today's travelers expect to be treated as individuals, whether that means being recognized as a repeat customer or being offered bundled ancillary packages to create a customized travel experience," says Heywood. "This paper discusses how airlines can adopt the latest travel technologies to maximize ancillary revenues, create a richer customer experience and increase their competitive advantage."

Ian Heywood
Global Head of Product
and Marketing,
Air Commerce

Maximizing the ancillary opportunity

Recent research shows that revenues from ancillary sales were worth $31.5 billion globally in 2013 – up a staggering 1200% since 2007. However, despite the growing dependence of airlines on ancillary revenues, many have yet to capitalize fully on the commercial opportunities available.

Central to this is the fact that 60% of fare revenues are transacted through the GDS channel, while 87% of ancillary revenues are still generated directly on airline.com sites. The fact that agents need to break out of their normal booking systems to book ancillaries reduces agent efficiency and slows down the booking experience for travelers. Even more importantly, agents can't easily access information about ancillary products from within these systems, making it impossible to cross and upsell them effectively.

To overcome these challenges and maximize ancillary sales, airlines must be able to integrate their unbundled products into the booking process quickly and easily. In addition, agents should be able to see airlines' key sales messages, products and services, enabling them to effectively articulate the value of these products to travelers.

Creating loyal customers

With dynamic selling, airlines can adjust the price of individual fares in real time based on fluctuating demand, competitor activity and other key factors. It becomes possible to sell every seat on a plane at a different price as the balance of supply and demand shifts – a capability that many low-cost carriers already have today.

To further differentiate their offerings, traditional airlines are now looking to embrace customer-centric selling, the natural successor of dynamic selling. This integrates customers' personal data into the search and sales process, enabling airlines to deliver personalized offers based on travelers' individual needs and preferences.

Enabling customer-centric selling and creating loyal customers requires a more agile and smarter approach to distributing and selling unbundled products. Not only must airlines eliminate disconnects in the booking processes for fares and ancillaries, but they must also collect and analyze data to support personalization, making it possible to reward their loyal customers.

Keeping pace with the industry

To achieve the levels of customer-centricity that today's travelers demand, forward-thinking airlines are re-evaluating their approach to fare and ancillary distribution. Many are using the Travelport Merchandising Suite, for example, which enables airlines to distribute their fares and ancillaries in a flexible, targeted way.

By pulling in unbundled products to the established airline booking process, and presenting travel agents with detailed product information, the Travelport Merchandising Suite helps airlines boost sales and streamline the booking experience. Agents can also see detailed information on products and services, helping them answer travelers' queries at the first time of asking.

The Travelport Merchandising Suite can also help low-cost carriers (LCCs) maximize their revenues, which now represent 68% of all airline sales in South East Asia and 30% in Europe. Our solution gives LCCs access to travelers who book through travel agents and travel management companies (TMCs), as well as those who book online, while enabling agents to make LCC reservations quickly and easily from within their existing booking process.

The Travelport Merchandising Suite allows LCCs to publish their fares to Travelport via Application Programming Interface (API) connections, rather than using Airline Tariff Publishing Company (ATPCO). The benefits to the LCC of opening up their products and services to a greater footprint, including high yielding corporate traffic, are significant. In addition, all bookings are made on airlines' back-end systems, so no changes are needed to their existing booking or reporting processes.

Driving positive change based on strong leadership

Airline systems have been constructed over the last 40 years to support the needs of businesses and travelers. While ours is an industry that is slow to accept change, recent trends such as product unbundling and growing LCC competition mean that established ways of working are no longer adequate.

What's needed is a new approach to merchandising and distribution that makes the full range of travel content, including LCC fares and ancillaries, available to agents from inside their existing booking process.

However, change is always a challenge and successful migration to a flexible, next-generation merchandising and distribution suite requires vision, strong leadership, investments in technology and effective risk mitigation at every stage of the process.

Travelport helps senior decision makers drive positive change in their organizations based on a low-risk migration approach. A single route or small group of routes or ancillaries can be migrated to the Travelport platform initially, helping to build a strong business case for wider deployment. Once the value of the Travelport platform has been quantified, additional fares and ancillaries can be migrated onto the platform over time, further expanding the commercial benefits available.

To discuss trends impacting the airline industry, or for more information about how the Travelport Merchandising Suite can help drive your business forward, please contact merchandising@travelport.com.

About Travelport

Travelport is a leading Travel Commerce Platform providing distribution, technology, payment and other solutions for the $8 trillion global travel and tourism industry.

Our Travel Commerce Platform enables travel providers, travel agencies, corporations and developers to connect. This increases profitability and drives commercial success across the business-to-business travel network.

As the airline industry evolves, we're utilizing our platform to redefine the distribution and merchandising of airlines' core and ancillary products. Fares and ancillaries can be integrated into agents' normal workflows for fast easy bookings. In addition, we provide rich, branded merchandising content to boost cross and upselling.

[1] Annual CarTrawler survey of global airline ancillary revenue conducted by IdeaWorksCompany.
Source: IdeaWorksCompany press release, July 16 2014

For more information about the Travelport Merchandising Suite, please contact merchandising@travelport.com or visit www.travelport.com

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