Digital Readiness for Customer Experience in the Airline Industry

Executive Survey
Study Background

Digital Readiness for Customer Experience in the Airline Industry
Study Purpose / Scope

Purpose
Understand business issues and disruptive impacts of digital technology on the airline industry, particularly in relation to customer experience.

Scope / Methodology
25 depth interviews with senior executives at leading airlines throughout the world.
Study Information Objectives

**Identify** top business and customer experience challenges in the airline industry, and the extent to which digital technology is an issue.

**Evaluate** airlines’ organizational readiness to use digital technology to optimize customer experience, using a “digital readiness scorecard”.

**Identify** top digital technology priorities and barriers to implementation, particularly as they relate to customer experience.

**Gain** reaction to key emerging concepts/strategies for digitally enabling customer experience.

**Gain** an understanding of how airline executives perceive the structure and competitive frame of the industry, particularly the role of third parties.
Executive Summary

Findings

Digital Readiness for Customer Experience in the Airline Industry
Executive Summary

Clear Vision, Struggle Implementing
Most airlines have a clear vision for using digital technology to optimize customer experience, but lack the implementation know-how and talent to “make it happen.”

Cultural and Technological Barriers
Top barriers to implementation are cultural resistance, technological limitations, and excessive “siloing” of both operations and technology.

Openness to Digital Innovation
Most airlines believe the airline industry lags other industries when it comes to digital innovation. While they tend to want to look outside the industry for the best ideas, they are enthusiastic about several emerging digital concepts presented in the study. These include real-time personalization, using digital to provide seamless service and break down operational silos, and being willing to innovate business and operating models because of the opportunities digital provides.
Executive Summary [continued]

Key Digital Disruption: Distribution

Customer data concerns point to what executives identify as the key disruption of digital technology on the airline industry, which is its impact on distribution and customer relationships.

Strengthening of Intermediaries

Airline executives believe digital has strengthened intermediaries such as OTAs (online travel agencies) and Google Flights. These digital intermediaries are perceived as distancing carriers from their customers and contributing to commoditization of the airline “product.” Their growth has also piqued interest in alternatives to traditional GDS (Global Distribution System) organizations, and made carriers even more intent on strengthening their own direct digital platforms.
Executive Summary [continued]

Strengths for Airlines to Leverage

To improve customer relationships and reduce the power of intermediaries, airlines seek to leverage three unique strengths: (1) owning the most important piece of the travel value chain (the flight), (2) having access to richer customer insights than intermediaries do, and (3) offering more touchpoints and meaningful services than intermediaries are able to.

Digital Sophistication for Business Advantage

Increasing their digital sophistication is another key strategy airlines are using to neutralize intermediaries and improve customer relationships. All airlines in the study are invested heavily in mobile self-service technology, and in creating and leveraging 360-degree views of the customer. Most have strong social media initiatives. A growing number are taking steps to implement real-time personalization. Digital technology initiatives in these four areas form the basis for achieving the business and customer experience advantages that leading global airlines seek.
Digital Readiness for Customer Experience in the Airline Industry
#1: Competing more effectively is the chief overall challenge for airlines participating in the study… but Digital is on the radar

What are your top 1–2 overall business challenges?

- Competitive challenges
- Digital challenges
- Operational efficiency and cost reduction
- Global economic conditions
- Global geo-political climate
- Regulatory Environment

Airline executives are preoccupied with how to differentiate and succeed in an increasingly competitive market that is not always perceived as a level playing field. But digital is on their minds.
#2: For customer experience specifically, top challenges coalesce around “how to make it happen”

Collectively, the overall customer experience challenge faced by airlines in the study is “how to make it happen” – how to navigate a variety of issues, barriers and tradeoffs.
#3: Cultural resistance is a key barrier

Aligning the organization to the importance of digital is formidable

“The biggest challenge to implementing digital technology? Number one: culture. Number two: culture. And number three: culture.”
– European Network Carrier

“Going digital is a big change management exercise.”
– European Network Carrier

“You need a leadership style to just get on with it…There can be lethargy because the digital ground is moving so quickly.”
– European Low Cost Carrier

“We can get top executives and people on the ground on board with our digital strategy, but there seems to be a permafrost of about 20% of the people who just don’t get it.”
– Global Group Executive

A related issue:
Are processes in place to support digital change?

“Being able to transform your workforce is critical, but so is understanding the process and policy changes that go with it.”
– APAC Network Carrier

“The top barrier to digital adoption is internal organizations’ concern about changes to organizational structure or functions.”
– APAC Network Carrier

“The issue is, ‘Do you have adequate company processes to support the digital initiative?’”
– APAC Network Carrier

“Digital is transformational. It changes the fundamental way the business operates.”
– Middle East Carrier
#4: “Siloed” technology and operations present another critical barrier to digital adoption

Legacy systems integration adds time and complexity

“We are sitting on old infrastructure that makes it very difficult to pull all of our customer data together into an actionable environment and then put it back out into the customer journey touch point in an actionable and intelligent way.”

– North America Network Carrier

Too many customer touchpoints need to connect and communicate

“We have to capture, analyze, and model data from 47 different points of contact. And also translate this data into meaningful, differentiating customer experiences at each of the 47 points. Three years ago, most of these points never even spoke to each other.”

– European Network Carrier

Being digital at the point of service is especially difficult

“When a plane has to be towed, we have mechanics working, flight attendants working, a gate attendant. Right now, they do not communicate as a team. I’d love everyone to have the same information and be collaborating.”

– North America Network Carrier
#5: Even the many carriers who favor third-party partnerships express concerns over how customer data will be managed

“Our API (application programming interface) for OTAs is responsible for anything between 10–15% of our total sales, and that’s growing quite rapidly.”
– APAC Low Cost Carrier

Some are selectively opening APIs to increase third-party interaction

“We’re creating APIs to provide partner services to our customers, and to provide our services to partners who can then provide them to their customers.”
– European Network Carrier

“Who owns the data? When a customer buys both flight tickets and a partner’s services through an app that the airline owns, is that data owned primarily by the airline, or does it also belong to the partner? External partnership discussions are getting tough because everyone claims ownership of the data.”
– European Network Carrier

“The challenge is understanding what is open and what should be closed. When Google Flights wants to know how we price our tickets, we say ‘That to us is our IP.’”
– APAC Network Carrier

INTEGRATING WITH DIGITAL ECOSYSTEM POWERS

65% FAVOR

Unfavorable Favorable

But establishing rules of customer data ownership is a “huge issue”
#6: The prevailing belief is that airlines lag behind other industries when it comes to digital sophistication

- “The airline industry was late to the digital party and now everyone is playing catch up.”
  — European Low Cost Carrier

- “Our best ideas come from a lot of actual development together with Google and Facebook.”
  — European Network Carrier

- “We are working with the same firm that designed the iPhone, and are meeting with Google next week.”
  — European Network Carrier

- “For us it’s not how well we’re doing relative to other airlines, it’s how we’re doing relative to Amazon or Netflix or best in class technology providers in a host of other industries.”
  — North America Network Carrier

- “We’re still very archaic in the way we interface with our guests. If you look at Amazon and Uber, the simplicity of the way they interface, the way they’re able to offer a very customized experience, those are who we need to learn from.”
  — Middle East Carrier
#7: Airlines are enthusiastic about several emerging digital customer experience concepts

How would you rate the following concepts?

- Real-time insights to personalize customer experience are just as or more important than customer database insights
- Digitalization requires more than automation, it requires new business, technology and operating models
- Digital presents an opportunity to break down organizational silos for the benefit of the customer
- As ticket prices converge, physical product and seamless service will be more important than ever

Level of Agreement
Likelihood to Adopt within Next 3 Years
#8 New distribution alternatives are re-positioning traditional GDS model

**30% FAVOR**

**TRADITIONAL GDS ORGANIZATIONS**

Unfavorable  Favorable

**New distribution alternatives are re-positioning traditional GDS model**

Some think newer digital intermediaries will replace GDSs

“New players like Google Flights are going to be the GDSs of the future.”

– European Network Carrier

Demonstrated interest in alternatives to traditional GDSs like NDC

“It’s difficult for us in a GDS world to sell our product and our differentiation. Once you have a green screen with numbers, everything just gravitates to pricing. So a project like NDC (New Distribution Capability) is positive movement.”

– Latin America Network Carrier

Most would prefer that customers use direct platforms, but they see GDSs as necessary

“Our direct channels are always going to be our preference, but we do need the shelf space that GDSs provide.”

– North America Network Carrier
#9: Customer data concerns point to the primary disruption of digital technology: distribution and customer relationships

<table>
<thead>
<tr>
<th>Digital has strengthened intermediaries</th>
<th>Digital intermediaries distance carriers from their customers</th>
<th>Digital intermediaries contribute to commoditization</th>
</tr>
</thead>
<tbody>
<tr>
<td>“The disruption has to do with the shopping and the booking experience. So when a customer has access to, we can use Google Flights again, Google has Google Money and Google Talent to put into how to display flight itineraries and search parameters...And so what’s happening in terms of disruptive technology is that it’s, in the end it’s good for customers but it’s the proliferation of choice and the extreme transparency that’s being put into the market.”</td>
<td>“The disruption has to do with the shopping and booking experience. When a customer has access to “If on your booking, you spelled your name differently or did not include your frequent flyer number, then we don’t really know who you are.”</td>
<td>“OTAs show low cost carriers and our airline on the same page, while our services are very different. So when customers are making decisions on price points, we end up having to compete on price.”</td>
</tr>
<tr>
<td>– North America Network Carrier</td>
<td>– Latin America Network Carrier</td>
<td>– North America Network Carrier</td>
</tr>
<tr>
<td>“You have to be where the customer is. The old game was driving your consumers to your touchpoints. More and more, it is about being where the customer is. The customer decides what channel, what device, what time. If Facebook wants to develop a travel service, we have to be part of that if we want to get a piece of the pie.”</td>
<td>“They may sell a ticket for our flight, but then what is our relationship with that passenger? We feel that there is a quite remote relationship.”</td>
<td>“They drive traffic away from us from a price comparison standpoint. As an Asian Premium carrier, we don’t really compete on price.”</td>
</tr>
<tr>
<td>– European Network Carrier</td>
<td>– APAC Network Carrier</td>
<td>– APAC Network Carrier</td>
</tr>
<tr>
<td>“I love the pipeline that Expedia and Google Flights and others provide, but then I have no way on an operational basis of reaching that guest.”</td>
<td>“In some channels, it sometimes seems that it is all about the price, and as a premium airline we don’t like that.”</td>
<td></td>
</tr>
<tr>
<td>– North America Low Cost Carrier</td>
<td>– Latin America Network Carrier</td>
<td></td>
</tr>
</tbody>
</table>
#10: To improve customer relationships, airlines seek to leverage their unique strengths in the end-to-end customer travel experience

**LEVERAGE POINT 1**
Airlines control the most important piece of the travel value chain

“The flight decision is often the most important of the travel journey.”
– European Network Carrier

“The customers still have to fly. The word Google isn’t written on the side of an airplane yet.”
– European Low Cost Carrier

**LEVERAGE POINT 2**
Airlines have access to richer customer insights

“Ability to control your content, schedule, flight information, and customer data is what’s critical. Because those digital interactions enable you to feed systems with more and more customer data, which helps you get better at knowing customer habits and customer preferences. That creates a more sticky infrastructure directly between the customer and us.”
– North America Network Carrier

**LEVERAGE POINT 3**
Airlines provide more touchpoints and services

“OTAs can only show the product we show them. Hypothetically speaking, your seat assignment would only be available to you when you come to our website or if you call our call center.”
– North America Network Carrier

“They’re just booking engines that can’t even offer seat selection. How are they supposed to better support the customer experience when the most basic of requests can’t be supported?”
– APAC Low Cost Carrier

“Airlines have all the products to offer: preferred seats, upgrades, VIP lounge access, preferred boarding. Products that only airlines can offer.”
– Latin America Network Carrier

“OTAs can only show the product we show them. Hypothetically speaking, your seat assignment would only be available to you when you come to our website or if you call our call center.”
– North America Network Carrier

“They’re just booking engines that can’t even offer seat selection. How are they supposed to better support the customer experience when the most basic of requests can’t be supported?”
– APAC Low Cost Carrier

“Airlines have all the products to offer: preferred seats, upgrades, VIP lounge access, preferred boarding. Products that only airlines can offer.”
– Latin America Network Carrier
#11: Increasing their digital sophistication is another key strategy for airlines to further improve customer experience

Four main categories of digital technology initiatives

Supporting self-service through mobile applications and website

“Your mobile’s with you 24x7 so it’s a great opportunity to interface with our guests in terms of their customer journey, making sure that we keep them abreast of what's going on.”
– APAC Low Cost Carrier

Creating and leveraging a 360-degree view of the customer

“Create touchpoints in the digital world. Take data from all the touchpoints and feed it back to the touchpoint so the next time he touches us anywhere, we already know who he is, why he’s touching us, what did he do in the last few days. That’s the holy grail of the customer experience digital journey.”
– Middle East Carrier

Expanding the digital dialogue via social media and partnerships

“Use your social media partners, your Facebook, Twitters, to know about customers, reach out to them, figure out their satisfaction, all of that.”
– European Low Cost Carrier

Using real-time insights to enhance the personalized customer experience

“…it’s what I would class as an end user experience where we’re leveraging context, space, real time information, data at any touch point.”
– Global Group Executive
#12: When it comes to digital readiness, airlines say they have clear vision but struggle to implement

Digital Readiness Scorecard
How would you rate your organization’s digital readiness to optimize customer experience, in each of the following areas?

Results are ratings of 4 or 5 on a 5-point Scale where 1 = Low

“We have a wonderful customer experience design for the future. Our vision for 2020 is perfectly clear. We’re just not able to implement it.”
Conclusions

Digital Readiness for Customer Experience in the Airline Industry
Conclusions

Carriers are ready with digital technology vision but face implementation challenges.

They are open to digital innovation, including third-party partnerships, but have significant concerns about protecting their customer data.

They have experienced a digital disruption in distribution that may have strengthened intermediaries and diluted customer relationships.

They believe they have unique points of leverage in the travel value chain that can be used to reduce the power of intermediaries and strengthen customer relationships.

They are committed to increasing their digital sophistication to further improve customer experience and achieve business advantage.
For more information, visit:

accenture.com/airlinesurvey