SWITCHFLY™

WHAT'S YOUR MERCHANDISING STRATEGY?

The Strategic Imperative Driving Airline E-commerce,
Revenue Growth and Customer Choice

## In 2015, ancillary revenues more than $38B

AN AIRLINE'S MERCHANDISING STRATEGY HAS EMERGED AS A KEY FACTOR IN THE COMPETITION FOR CUSTOMERS

With global ancillary revenues climbing to more than $38B in 2014[1] and only expected to grow higher in 2015, effective merchandising of value-added services is essential for airlines of all shapes and sizes. Airline executives across multiple functions—Marketing, E-commerce, Distribution, Sales, IT, Operations and the C-suite—are under tremendous pressure to deliver innovative results, which in some cases can be up to $45 of incremental revenue per passenger.

New opportunities to grow and transform air booking and loyalty programs, including the largely underserviced small- to medium-sized carrier market, create even more reasons for airlines to invest in new technologies that make it possible to innovate faster, more creatively, and across multiple channels and touch points. This all leads back to a question that has crossed over from the depths of IT into mainstream airline parlance: **WHAT'S OUR MERCHANDISING STRATEGY?**

Sources Sited: [1]IdeaWorks Company
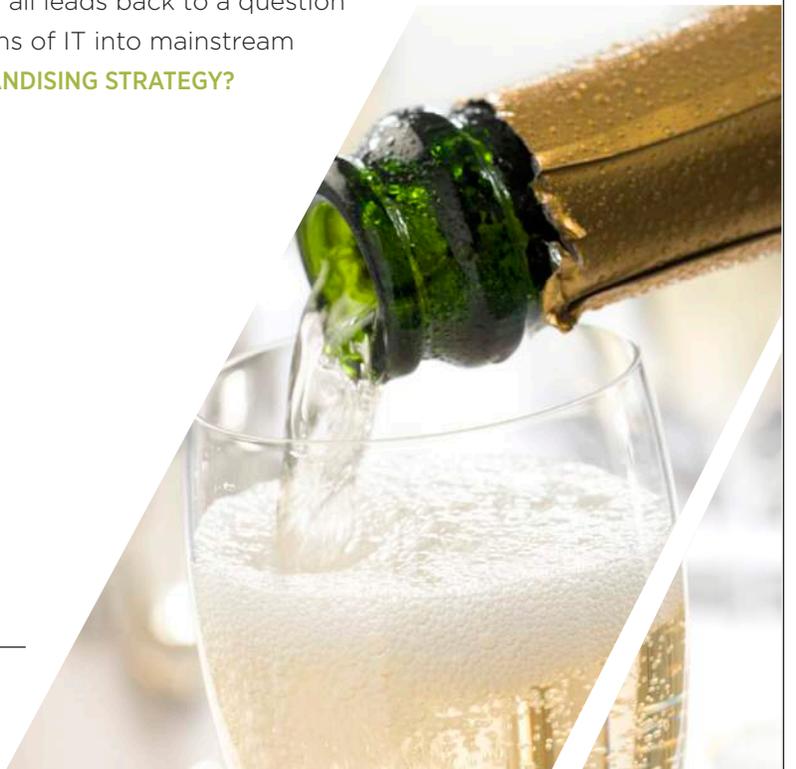
Investment in a robust merchandising infrastructure and supporting technologies can make or break an airline's ability to compete in the new world of personalization, yield-managed offers, fare-bundling and New Distribution Capability (NDC).

It is becoming painfully obvious that legacy technology won't "stretch" quite like it used to, leading to a series of barriers that stand between the airline and the opportunity to reach record amounts of incremental revenue and customer loyalty.

1 Uni-channel implementations that use hard coded or "piecemeal" technology approaches that are not easily modified.

2 Inability to seamlessly extend a merchandising program from one channel to another.

3 Costly SOW/custom development efforts whenever it's time to modify an offering, perform A/B testing or introduce something new.

4 Time delays due to dependencies on an outsourced IT provider or when mistakes on a new offer have to be corrected.

5 Increasing number of fail cycles.

The technology advantages of an airline merchandising strategy are numerous and well known. Structured data simplifies processing and new application development. Standardization (NDC) enables application-independent implementations and extensibility.

THE REAL BENEFIT OF A MERCHANDISING PLATFORM GOES FAR BEYOND ITS VALUE AS AN ENABLER OF E-COMMERCE AND ANCILLARY SALES.

THE RIGHT MERCHANDISING SOLUTION IS FAST, FLEXIBLE, AND FUTURE PROOF

For airlines striving to grow loyalty, incremental revenue and product differentiation, the minimum requirements for a complete merchandising platform include four key components:

Flexible web and mobile front-end that dynamically changes when you add/remove/modify any fare, bundle or ancillary – no need to re-do your website.

Flexibility to easily modify or introduce new products/services without having to go back for a new development effort or SOW.

Full support for all required offer types (from a la carte to bundles, branded fares, subscription services, and more) and corresponding functionality for shopping, booking, fulfillment, reporting, and servicing.

A single, standardized set of XML messages that can feed all channels (airline.com, corporate booking tools, agency/corporate portals, GDS, mobile apps, kiosks, etc).

With these components, the airline can benefit from a consistent, airline-controlled, and centralized approach to merchandising and personalization, with the capability to freely innovate as new opportunities, customer demands or market conditions arise. The right merchandising solution is PSS, Channel, and Device-agnostic, and completely portable should the airline change PSS systems, website providers or expand into new channels. Fast, Flexible and Future Proof.

THE COST SAVING BONUS

The business case for an airline merchandising strategy is obvious based on revenue and competitive opportunity alone. But there is another important advantage for airlines adopting omni-channel, airline-controlled distribution and e-commerce—direct cost savings. When all distribution channels and touch points are fed by a common set of engines and a single, industry standard API, the need to maintain multiple (channel-specific) connections becomes obsolete and an unnecessary cost center.

BUILD, BUY OR WAIT?

For airlines ready to invest in a next generation merchandising solution, the next step is deciding how to obtain one.

BUILD IT YOURSELF

This approach often sounds appealing and brings with it the benefit of airline IP ownership. However, many carriers steer away from the build-it-yourself approach due to the high costs and expertise required to

» build and maintain an E-commerce and merchandising platform;

» continually re-write your website and mobile experience to handle new bundles, ancillaries and fares,

» no infrastructure for A-B testing to optimize revenue per segment

» maintain a technical implementation support center for OTAs, corporate booking tools and aggregators that consume the airline's API.

CHOOSE AN EXPERIENCED THIRD-PARTY SOLUTION PROVIDER

This is generally more cost effective than an airline developing and maintaining its own merchandising solution, as the third party has the ability to

» spread investment and operations across multiple customers;

» provide implementation and ongoing support;

» deliver enhancements and updates; and,

» maintain schema compliance.

WAIT FOR YOUR PSS TO DELIVER

For the airline without an independent technology organization and a high degree of dependence on its PSS technology provider, placing the merchandising strategy in the hands of the PSS may be the more pragmatic option despite clear trade-offs in costs, level of control, speed to market, and portability. In this scenario, enhancements will happen on the PSS' timeline (not the airline's), and potentially with some heavy price tags attached. Additionally, if in the future the airline changes PSS providers, it could mean starting over with a new merchandising solution which may or may not be as flexible as the last solution.

NEXT STEPS:
TAKE CONTROL OF YOUR DESTINY

What's your Merchandising strategy? Whatever the answer, as an airline, it is essential you have a strategy that puts you squarely in control of your products, ancillary offers, personalization strategy, and capability to serve multiple channels. The freedom to innovate and compete is at stake — *what are you waiting for?*

SWITCHFLY™

Switchfly, Inc. is a global technology company that powers travel commerce, loyalty program engagement and ancillary product offerings for some of the world's most recognizable brands. Leading airlines, hotels, online travel agencies and financial service providers depend on Switchfly to power their omni-channel travel experiences because it uniquely combines a highly scalable and secure architecture with deep product and content inventory. Powerful analytics and real-time decision engines foster contextually-rich customer engagement and enable brands to offer a wide range of customized travel services to their customers. Headquartered in San Francisco, Switchfly generates more than $2 billion USD in revenue for its clients annually and facilitates the redemption of more than 40 billion reward points and miles each year. The company's global client roster includes American Airlines, JetBlue and LAN Airlines; IAG Avios, Lufthansa Miles & More and United Mileage-Plus; InterContinental Hotels Group, Marriott International and Starwood Hotels and Resorts; Groupon and Living Social. For more information, visit www.switchfly.com.