



A road map to prepare for tomorrow's passenger

Five goals towards sustainable profits
and better service



StB
Simplifying
the Business



Are you ready for tomorrow's passenger?

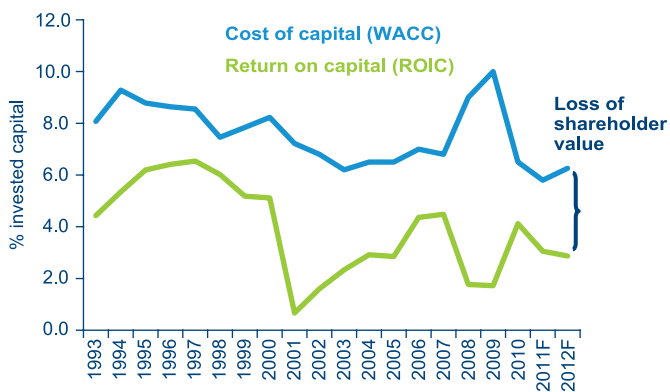
Air transport is today an integral part of the global economy. The industry moves people and goods across the globe quickly and efficiently, fostering economic development, greater human understanding and international trade. In the future, as economic interdependence grows so will the need for fast and secure transport.

IATA's Simplifying the Business program (StB), announced in 2004 in Singapore, was envisioned to address these challenges. And over the past seven years, it has demonstrated success, from the move to 100% electronic ticketing and 100% bar coded boarding passes to the widespread implementation of common-use self-service kiosks. This success was dependent on the mobilization of all industry stakeholders – including airlines, agents, airports, governments and ground handlers – towards a common goal of lowering cost and improving service and efficiency.

But the industry continues to face the twin challenges of profitability and customer satisfaction. Global shocks have become a constant in our business, from increasing fuel prices to natural disasters. And from the shopping experience to long lines at security, travelers face numerous pain points in their journey.

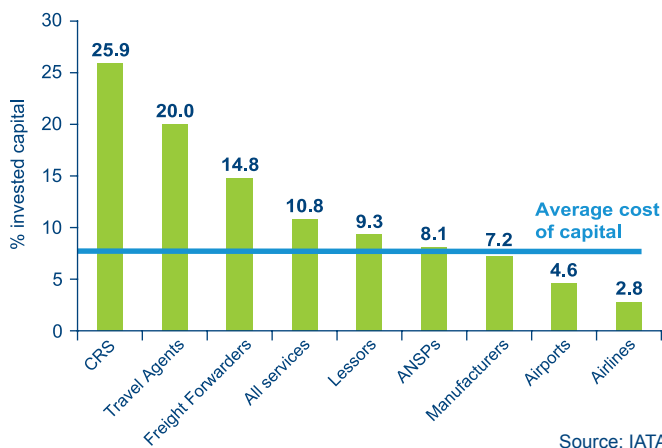
The graphs below illustrate the challenge for the industry, and, in particular, for airlines.

Return on invested capital in the airline industry vs cost of capital



Source: IATA

Return on invested capital, 2002-2009



Source: IATA

It's time to build on the success of Simplifying the Business (StB) and define the next wave of projects that will allow the industry to save costs, improve service and prepare for tomorrow's passenger. This white paper outlines the work of the StB think tank, which has proposed five goals in the areas of airline distribution, airport experience and system interoperability. The think tank, facilitated by IATA, consists of representatives from both airlines and system providers: Air Canada, Air France/KLM, Air New Zealand, British Airways, Emirates, Hewlett-Packard, IBM, L.E.K Consulting, and Oracle.

We look forward to your input.

Eric Leopold
Director, Passenger

THE FIVE GOALS

Goal 1: Airline products can be sold through all channels, identifying customers, and personalizing offers and prices.

Planning travel should be an exciting experience. But from a sense of initial euphoria at the thought of travelling somewhere new, today's consumer is quickly confused by the dizzying array of travel options available to her. Take the example of a business traveler journeying from London to Austin, Texas. She starts to plan out her journey, but quickly realizes she needs to visit multiple websites to do so, from various airlines to hotels and car rental options. With 10 windows open on her computer to try and identify the best fare, services and coordinate timings, she sits back and wonders, "Why can't I just find everything in one place?"

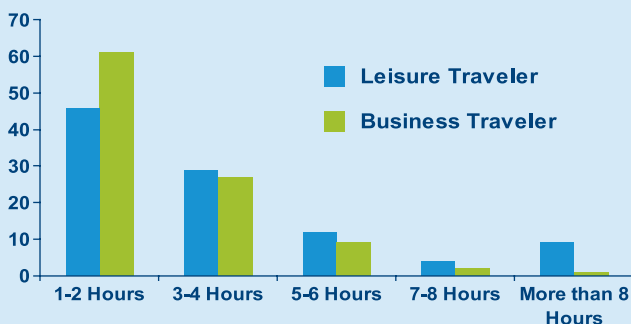
The Problem

In a recent IBM survey, none of the respondents indicated that they were able to complete their travel booking needs in one website visit. Travelers are bogged down by search and comparisons between products and services across the travel market.

For example, how does a consumer know which airline offers door to door bag delivery? How can a consumer choose personalized service levels across all airline offerings if they can't easily see what is on offer at one single location?

Not surprisingly, the increased number of choices available to travelers requires significant time investment in pre-booking search.

Average number of hours spent shopping and / or booking travel



Source: IBM Institute for Business Value Analysis, IBM-Oxford Economics Global Traveler Survey September 2010

On their most recent trip...

- Almost 20% of travelers spent 5 or more hours shopping and / or booking
- 25% of leisure travelers spent more than 4 hours shopping / booking
- Business travelers are more efficient, but ~40% of them spent more than 2 hours shopping / booking

Beyond just taking a long time to book travel, there is a more fundamental issue: the current distribution channels do not cater for the personalized service that a 21st century consumer has come to expect.

Instead, they drive commoditization of airline products. Price becomes top of list in terms of consumer preferences. This drives carriers to unbundle as many elements of the product as possible to have a low cost base product and then charging for many add-ons in order to maintain margins.

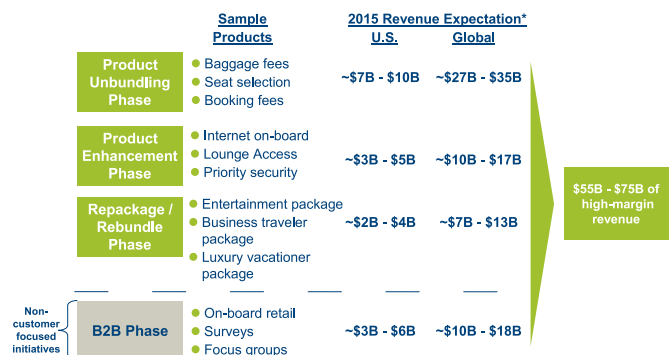
Airline websites (direct channels) are more advanced, in terms of features and design, than systems used by agents (indirect channels). They enable the consumer to interact with the brand and experience the value of the product. For example corporate buyers can access customized options within their specific corporate deals. Individual consumers can access personalized options, after being identified by a frequent flyer number for example.

The indirect channel however does not offer personalization for individual consumers. Through the push of content to airline distribution systems, the ability to mix and match options for the sophisticated 21st century consumer is limited.

This misalignment between consumer buying preferences and the selling models used by airlines and other travel distribution companies limits innovation. Furthermore there is a lack of consumer related data and buying behavior patterns, which also restricts the ability of airlines to innovate based on consumer demand.

The Solution

A consumer-centric approach that allows for more retail driven sales and distribution.



Source: Company financials, Press releases, L.E.K. analysis

Standards need to be developed to build an infrastructure that supports all travel industry related channels. That way, any airline website or agent system can display a complete range of services. Going back to our traveler, that means that she would have

a choice of multiple channels, each one proposing a complete range of end-to-end services based on her preferences and their own brand proposition.

For the industry, it will help to know who is buying the ticket so that personalized options can be presented to the consumer, regardless of the channel used. This would allow airlines to package their products in a meaningful way, based on buying patterns. It could also allow them to make more sophisticated offers to the consumer. Imagine the travel industry adopting the technology that online retail sales channels use in suggesting options to consumers based on their personal preferences. Airlines want to be able to launch fast new personalized offerings through all sales channels.

Tracking who is interested in buying what, regardless of channel, also allows for innovation of new products and services.

According to L.E.K. merchandizing revenues will amount to up to US\$75bn in 2015 from US\$23bn in 2010 estimated by Amadeus IdeaWorks. Airlines need consistent product distribution across all channels in order to achieve those results.

How we get there

Standards need to be developed in the areas of consumer data and interoperability of reservation systems. IATA could be in a position to facilitate the development of these standards amongst industry stakeholders.

Goal 2: Passenger data is provided by passengers and validated by governments

Let us return to our business traveler from London. After spending several hours on various booking websites she has an itinerary in place. Prior to her journey, she now needs to submit advance passenger information, as required by the US government. But if she gets confused by the varying requirements and makes a mistake, she might end up being denied boarding at the gate – a very unpleasant surprise for any passenger.

The Problem

Today, harmonization between countries on the collection and distribution of passenger data is limited and, increasingly, required by more and more governments. Airlines are liable for fines when passengers are deemed inadmissible due to missing data or documentation. Passengers are confused due to the inconsistency of the information required depending on different regulations.

In most cases airlines are required to collect relevant data before the passenger reaches the gate and this causes delays, slows the check in process, and, on occasion, results in denied boarding, as airlines may not be able to validate the information until the passenger reaches the gate.

As a consequence, carriers have had to invest in their own computer systems to meet different government requirements, or contract with independent data processors. This has resulted in additional costs to carriers.

The Solution

Elements of the required passenger information can be embedded into an electronic passport linked to biometrics and a visa validation service provided by governments, building one single data set. Ultimately the responsibility and ownership of data provision should be passed on to the passenger, and validated by governments.

Information for passengers on the different government requirements could be held in a solution based on IATA Timatic which allows airlines and travel agents to check passenger immigration and health requirements, based on destination, transit points, nationality, residence and departure.

All travel vendors would be responsible for the collection of an agreed set of passenger data that is able to be sent on for verification to the relevant government agency.

How we get there

The industry needs to lobby governments and the International Civil Aviation Organization for a common approach on standards and liability issues. Infrastructure needs to be put in place to support and facilitate the distribution of passenger data on a global industry-wide basis. Governments should be persuaded to provide biometric and visa verification services as a responsibility of states.

Goal 3: Passengers can access real-time information relating to operational information on flight status, wait times and bags on any device in any location

So our passenger is ready to travel to Texas to take advantage of some warm winter weather. Twenty four hours before her scheduled departure time from London it starts to snow. She is receiving conflicting information from the news channels on television, the airport website and the airline website. She tries to contact the airline, but after spending a long time on hold she gives up. Since she booked her travel with an agent, the airline cannot push information to her as it does not have her contact details. She doesn't know what to do. Should she show up at the airport or not?

The Problem

Passengers suffer from uncertainty and stress associated with flight delays, cancellations and bag mishandling. Optimization of modern technology could go a long way to ease the pain, by allowing access to information in real-time.

Today the lack of consumer contact information creates further frustrations for passengers, airline, and airport staff when dealing with irregular operations. The need to collect an agreed level of passenger contact data is required in the first instance, in order to be able to share the data and then provide value added solutions back to the consumer.

Social media and smart phones deliver immediate information to passengers that is not necessarily available to airline and airport staff managing customer service and expectations. So in some cases the passenger is getting more information about what's happening than airline or airport staff.

The Solution

A range of devices can be used to keep the customer informed. A message sent to a passengers' smart/mobile phone on flight delays or cancellations would allow the passenger to make reasonable decisions on their journey. Messages could also be sent on bag status. Finding out that your bag has not made the flight before you reach baggage claim manages expectations. Knowing that it will be delivered to your hotel translates to great customer service.

Touch screen kiosks at airports can be used to communicate more effectively with meaningful messages, relating to flight delays when unavoidable due to extreme weather conditions for example. Easy wi-fi access in all airports would further enable dynamic communication.

How we get there

Harmonization on data sharing across all industry stakeholders would improve service throughout the system. The creation of a best practice on passenger information collection would lead to proactive customer service and industry alignment. By reaching agreement and developing standards through negotiations with industry stakeholders, airlines, airports, security agencies, border control, and ground handlers on supporting infrastructure would serve as a solid base for future development.

Goal 4: The consumer ground experience is hassle free

Once the snow has cleared, our stressed-out passenger has managed to check-in for a flight to the US. But once she drops off her luggage, she proceeds to the security check to find a very long queue. Passengers are wondering if they need to take off their shoes or belts, or leave their laptops in their carry-on luggage. She wonders, "Why does this have to be so complicated?"

The Problem

The biggest pain point for passengers today is the hassle associated with airport controls. Passengers experience uncertainty and stress due to inconsistency of processes at airports which can be better integrated than they are today. There are long wait times, in addition to different procedures to be followed at different airports around the world.

The Solution

Passport, visa, customs and immigration issues could be solved at booking; and off-airport document checks validated by governments could be similar to credit card validation. There are already existing standards for automated bag drop and check in – and using biometrics in conjunction with Checkpoint of the Future and immigration, the customer experience could be a simplified and hassle free experience.

The Checkpoint of the Future ends the one-size-fits-all concept for security. Passengers approaching the checkpoint will be directed to one of three lanes: "Known travelers", "Normal", and "Enhanced security". The determination will be based on a biometric identifier in the passport or other travel document that triggers the results of a risk assessment conducted by government before the passenger arrives at the airport.

The three security lanes will have technology to check passengers according to risk. "Known travelers" who have registered and completed background checks with government authorities will have expedited

access. “Normal screening” would be for the majority of travelers. And those passengers for whom less information is available, who are randomly selected or who are deemed to be an “Elevated risk” would have an additional level of screening.



Checkpoint of the Future at IATA's AGM in Singapore, 2011

Existing self-service options which are already in place should work with the Checkpoint of the Future and immigration, aiming to improve security screening and introduce faster processing, making more efficient use of passenger data.

How we get there

Governments, airports and airlines need to cooperate by sharing data with each other. The industry as a whole should start by lobbying governments on standards and infrastructure for data exchange. Airlines and airports need to work together to link all of the different components of processing the passenger through the airport and onto the aircraft to the final destination.

Goal 5: Seamless end to end customer journey through interoperability of travel partners

Our traveler boards the plane and her flight takes off for New York, her first point of entry into the US. When she lands in New York, she finds out that she needs to postpone her connecting flight to Austin for a day to attend a critical meeting in the city. Today, that means she needs to separately change her flight, hotel reservation, car rental reservation and any other experiences she may have booked in Austin.

The Problem

Today, the primary identifier of a customer is a booking reference. And not just one. There might be several booking references that don't talk to each other. So if a traveler needs to make a change, or book something else through a different travel agent, the systems can't talk to each other. There is no concept of a master PNR

that encompasses all aspects of a travel experience. A booking reference given to a customer in a distribution system is not recognizable in the operating carrier's host reservation system or through that airline's customer facing systems. Increasing code share and interlining within airline alliances is increasing customer expectations for a seamless journey. With the growing importance of alliances, and the existence of many different proprietary airline host systems, the industry is missing standards for an inter-airline host system communication to enable alliances and partners to service their joint customers from whichever airline touch point in the journey the customer has reached.

Customers cannot experience a seamless integrated journey with reduced stress if travel partners are not connected. When a flight is changed, for example, the airport pick-up service may not be notified. The changes in the travel distribution landscape have forced many customers to assume the role of travel agents responsible for finding schedules that work well across travel modes and also monitoring connections between modes in transit.

The Solution

To alleviate the stress factor of customers and the airlines that serve them, both could benefit from a service that addressed the disconnected nature of travel today by providing assurances mid journey that everything was on track, and if not, assurances that the problem had been resolved. If airlines had more information about the final destination of their passengers they would be in a better position to delight the customer with more information, better service, and choices on how to adjust when things change.

Collaboration and connectivity are limited within segments of the travel industry, should a passenger need to transfer from one airline to another due to a change of plans. At the airport, it is good to know the possible length of the delay. It would be even better if the traveler was confident that changes to their airport pick-up had been made and that a late check-in at the hotel had been arranged.

How we get there

To achieve a seamless end to end customer journey through interoperability of travel partners, the industry needs standards for data exchange protocols. By reaching agreement through cooperation with travel partners, the future could be a single travel wallet for the entire journey, with all travel segments talking to each other, to the passenger, and being able to exchange information with the consumer at different points during his trip.

CONCLUSION

Despite the difficulties she encountered, our traveler reaches Austin safely, and has the chance to explore new business opportunities, gain exposure to new people and places, and enjoy a break from the European winter.

Where do we go next?

These ideas have been crystallized over a few months of interaction among the StB Think Tank. It's now your turn. Join us and shape the future direction of the industry as we prepare for tomorrow's passenger. Let us know what you think and how you think you can contribute to these goals. Share these ideas amongst your stakeholders. The think tank will have a session dedicated for feedback at the IATA World Passenger Symposium, on Friday 14 October. In addition, ongoing feedback is welcome and can be sent to passenger@iata.org.

As a next step and based on the feedback received, these ideas will be presented to the StB Steering Group and formulated into proposals for the December 2011 IATA Board of Governors meeting.

Tony Tyler, IATA's Director General, believes passionately that "aviation is a force for good in the world, a force for progress, growth and wealth in both material and human spirit." Let us work together to build a sustainable future for our industry.





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beorourk@us.ibm.com



CONTRIBUTIONS

The following airline delegates are members of the StB Think Tank and were appointed to propose a way forward for Simplifying the Business.



Rob Broere
Vice President IT – Passenger Services Systems & Passenger Experience – Emirates



Rob Broere, who originates from the Netherlands, started his career in 1981 at KLM working on the IT side of the RES/DCS system. He has always been involved in the core airline systems and during his career of over 30 years supported many airlines across the world with their systems. He joined Emirates in 1995 and is as Vice President IT – Passenger Services Systems & Passenger Experience, responsible for the running and expanding the Passenger systems and driving forward the customer experience from an IT point of view. He combines his knowledge of the Airline Industry with the knowledge of what IT can do and uses that to support the airline driving forward the customer experience. In 2010 he joined the IATA StB Steering Group and was appointed Chairman of both the Steering Group and IATA StB Think Tank with as aim driving forwards the industry.



Glen Morgan
Head of Service Transformation – British Airways



Glenn is seen as a thought leader in the travel, aviation, & technology sectors, plugged into emerging digital trends and innovation in behavior and technology. If it's new, cutting edge and interesting, Glenn can tell you how to exploit it. Glenn has worked across range of industries where IT is a boardroom issue, including telecommunications, utilities, oil and gas, government, and airlines and prior to his current role, was Technology & Service Partner at British Airways Plc.

As Head of Service Transformation, Glenn will develop and refine the business strategy by understanding market trends, develop external customer insight and business innovations, seek opportunities for competitive differentiation and reengineer and develop new sales and distribution channels. Prior to his current role, Glenn worked in Dubai, UAE for Emirates Airline. Glenn holds a Black Belt in Six Sigma from GE and is also a specialist Lean Practitioner.



Patrice Ouellette
Director Customer Solutions & Innovations – Air Canada



Patrice Ouellette joined the e-Commerce/IT department in 2004 after spending the first 10 years of his career at Air Canada with the Airport department. He has performed many roles during that period from an agent check-in to General Manager Customer Service Eastern Canada, responsible for all the Air Canada operations at more than 10 airports.

In 2005 he created the Customer Service Platform within Air Canada taking the responsibility for the self service applications and Customer facing Airport innovations. His team has lead the introduction of many innovations like mobile applications for smart phones, mobile check-in, the electronic boarding pass and a complete re-architecting of the Kiosk and Web Check-in Self Service product .The CSP team introduced self tagging in selected stations and smart drop a quick baggage drop off solution for airport.

He is currently Director Customer Solutions and Innovations within the IT department. The role consists of developing new and maintaining actual customer facing application and at the same time promoting and often demonstrating the use of new and innovative technologies direct into the business.



Matthias Koch
Director Research and Development – Air France



Director Research and Development Passenger Ground Experience in the Marketing Department of Air France and KLM, has been working in the airline industry for over twenty years. He has a strong background in the Marketing, Sales, Revenue Management, Pricing and Ground Services aspects of the airline business with a particular emphasis on Innovation and Product Development.

Working today on new business solutions and the future travel experience on the ground he is also a member of the

IATA Simplifying the Business Steering Group and the recently created IATA Think Tank. Based today in Paris, Matthias has lived and worked in countries like Germany, Venezuela and Mexico.



Todd Grace
Strategy Manager –
Air New Zealand



AIR NEW ZEALAND

Todd is currently working as a Strategy Manager in the area of Strategic Development at Air New Zealand. His role focuses on our airport business, in particular operations, service development and airport company commercial relationships.

He is responsible for identifying areas for creating value in airports through effective use of technology, strategic partnerships and improved operating and customer service processes. It also focuses on managing the commercial relationship between the airline and the airports and inputting into the charging process as required by legislation.

The role entails delivering travel solutions for our customers, and developing a suite of innovative products and services based on our customer's needs. This has seen the development and implementation of Air New Zealand's self service product for New Zealand airports including the use of mobile and NFC technology.

Strategic Partners

The following delegates were appointed by their companies, which are IATA Strategic Partners, to advise IATA on the implementation of strategic initiatives.

Daniel Friedli
Hewlett Packard



Daniel Friedli, a Swiss and Canadian national, joined the airline industry in 1998 as a TPF trainee for Atraxis, the Swissair IT subsidiary. After several years of TPF development in the Reservations and Ticketing areas, Daniel himself led training for TPF developers in South Africa for several months, passing on extensive domain knowledge. Transitioning to EDS with the rest of Atraxis, he started

working on strategic and pursuit related projects. In that time, he also started his engagements in several IATA groups to help define industry standards. In 2006, Daniel decided to widen his domain knowledge and move from the system provider side to the airline. He joined Swiss International Air Lines, albeit still on the IT side of things. At SWISS, Daniel focused on large, strategic projects such as the implementation of interline ETKT, Star Alliance collaboration as well as developing strategies around mobile device usage and the value and need of next generation PSS systems. In 2010, Daniel decided to take a challenging role with HP at the forefront of defining HP's new PSS product. In this role, he currently also represents HP at industry conferences and working groups such as the IATA StB Think Tank as well as in customer facing roles supporting the existing HP airline community as well as potential new business.



Eric Conrad
Leader IBM's Global Travel &
Transportation Industry – IBM



Eric Conrad leads IBM's Global Travel & Transportation Industry comprising, Air Travel Related Services, Freight & Logistics, and rail.

Across his 25+ year career, the last 16 of which have been in Asia Pacific, Eric has gained extensive, direct experience in creating business value for Travel & Transportation clients, working across the United States, Europe, and in many Asian economies such as Malaysia, Singapore, Indonesia, Thailand, the Philippines, Vietnam, Korea, Japan, Hong Kong, China, Australia and India.

Working with some of the most prestigious global airlines, Eric has been able to create significant client benefits through major multi-year partnerships with IBM focused upon technology-driven transformation. His transformation work has effectively linked strategic planning to business and operational planning, all the way through to technology deployment.

Eric has an MBA in International Business (1st in Class) from the University of Connecticut, USA. He graduated with a Bachelor of Science (Business Administration) from the University of Delaware, also in the USA .



John Thomas
Vice President – LEK



John Thomas is a Vice President at L.E.K. Consulting and heads L.E.K.'s global Aviation & Travel practice. John has more than 21 years experience in strategy, financial, commercial, operational and organizational consulting to the aviation industry and has worked with most of the leading airlines around the world (both legacy and LCC) on a broad range of major issues e.g. he has been instrumental in the adaptation of merchandising (ancillary revenue) to the airline industry, and has advised on many of the major merger and acquisition deals in the industry.

John Thomas has also worked with OEMs, CNS/ATMs, airports, tour operators, travel destinations, cruise lines, hotels, resorts, loyalty programs, caterers, as well as having extensive experience in the GA and Corporate Aviation industries. He has worked with clients in North and South America, Europe, the Middle East and the Asia Pacific region.



Vijay Anand
Senior Director, Industries
Business Unit – Oracle



Vijay Anand is the Senior Director at Oracle Corporation's Industries Business Unit and the Global Industry Lead for Travel, Transportation & Logistics Industries. Vijay has over 20 years of experience across Transportation Industries IT Solutions and Consulting. Prior to joining Oracle Corporation, he was part of SITA for 8 years in the capacity of Solutions Director.

Vijay has a graduate degree in Science specializing in Physics (Applied Electronics) and MBA from Canadian School of Management, in addition to Project Management Professional (PMP) qualification. He is an active member of the Project Management Institute, American Association of Airport Professionals, Singapore Computer Society and Singapore Quality Institute.

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