Creating relevant offers

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Dynamic Offers

The road to Customer-Centric Airline Retailing

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VP – Revenue Management

IATA AIR Symposium
Bangkok - October 2019
A world of Offers & Orders

- Traveler
  - NDC
  - Sellers (with or without Aggregators)
  - Airline own channel Airline.com

Airline Distribution

- Dynamic Offers
  - Offers
  - Orders
  - Pricing
  - Merchandising
  - Revenue Management
  - Delivery
  - Accounting

Airline “IT” Offer & Order Management

ONE Order
Airline Retailing with Offers & Orders

Traveler

Seller

Aggregator

Airline own channel
Airline.com
ATO/CTO
Mobile

Airline Systems

NDC

Offer Management
- Fares
- Inventory

Order Management
- Booking
- Ticketing

Pricing
Merchandising

Revenue
Management

Delivery
Accounting

ONE Order

Dynamic Offers

One Order Standard

NDC

NDC Standard

NDC API

Shop

Offers & Orders

ONE Order
Industry Challenges

- Continuous or discreet Price points
- Suboptimal results by coupling fares and availability by booking classes
- Overlapping systems and processes
- No holistic view of Total Offer
- Limitations of knowing “who is asking” in shopping request
- Agility to change product characteristics based on contextualization
Architectural Overview of an Offer & Order Environment

1. Distribution Layer (mostly outside the Airline)
   - NDC & Legacy based on IATA Standard
   - Proprietary ideally NDC, same content is minimum

2. Communication Layer
   - Real-time translation of message
   - Common standard interface to Offer Layer

3. Offer Construction Layer (Merchandizing)
   - Real-time construction of the Offer
   - Real-time pricing of bundle & a la carte items
   - Uses pre-populated rules & data

4. Offer Optimization Layer
   - (Off-line) optimization
   - Populates rules & data for Offer Construction Layer
   - Populates the price (parameters) for the Offer

5. Data Layer
   - Data to steer Optimization
     - Historically sold product (bundles)
     - Prices observed (own & competition)
   - Seat & other Inventory
   - 3rd party Services
   - Order Management System

3rd Party (GDS, OTA, TMC, NDC Aggregators…)
Airline

NDC Interface
Legacy Interface
Proprietary Interface

Shop & Price
Content Management
Business Rules & Data
Shopping Experience

Dynamic Packaging
Price the Bundle / a la Carte

Data, Business Rules & Science

RM & Pricing System
Sold Product Catalog

Order Management System
Airline Inventory
3rd Party (Inventory)

Analytics & CRM
Competition Monitoring
Shopping Data

Create, change, cancel Order?
Yes

= real-time
= offline
## Dynamic Offers - Industry Drivers

### A WIN-WIN SCENARIO FOR AIRLINES AND CUSTOMERS

<table>
<thead>
<tr>
<th>Enhanced Conversion</th>
<th>Offer Optimization</th>
<th>New partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contextual &amp; relevant offers</td>
<td>Continuous price points</td>
<td>Total offer management</td>
</tr>
<tr>
<td>Optimal product to the customer</td>
<td>Optimal price determination</td>
<td>Holistic revenue management</td>
</tr>
<tr>
<td>Increase sales conversion</td>
<td>Improved demand forecast</td>
<td>Customer life value</td>
</tr>
<tr>
<td>Customer loyalty</td>
<td>More accurate willingness to pay</td>
<td>Ancillaries, interlining, 3rd party products and services</td>
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### Cost Benefits

**Offer and Order Management platforms developments and process rationalization**

<table>
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<tr>
<th>Cost of transition &amp; change management</th>
<th>offset by</th>
<th>Process, organization and system rationalization today vs. tomorrow</th>
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*Disclaimer: Dynamic Offers are *not* based on personal sensitive information and *must* comply with government data regulations*
The next chapter in Revenue Management?

1980

Yield Management
- Capacity control
- Leg based
- Fare rules segmentation

2000

O&D Revenue Management
- Network optimization
- BidPrice
- Dynamic Availability

Merchandising
- Ancillaries
- Fare families

2020

Dynamic Offers
- Continuous Pricing
- Dynamic bundles
- Total Offer Management

IATA
Thank you
AN AIRLINE VIEW TOWARD DYNAMIC OFFER

Christian Popp

Head of Distribution and Revenue Management Strategy and Business Lufthansa Group
Driving a new era of Airline Offering
IATA Airline Industry Retailing Symposium

29th October 2019, Bangkok
Dynamic Offering capabilities are fundamental to airlines’ retailing power.

Dynamic Offering

**Dynamic Offer Creation & Interactive Distribution**

- **Control Offer Components**
  - Ancillaries
  - Fares
  - Schedule
  - Availability

  Drive innovation

- **Establish interactive link**
  - Partner
  - Supply
  - Demand

  Real-time interaction

- **Overcome RBDs in RM**
  - Y
  - B
  - M
  - U

  Empower retailing

**Technology to create continuously priced and dynamically bundled offers at the time of the customer’s shopping request**

**Dynamic Offer Management**

- **Continuous Pricing**
  - Gain competitive edge

- **Dynamic Bundling**
  - Tailor to customer needs

- **Dynamic Assortment**
  - Increase relevance in display

**Methods and processes aiming at optimized customer value and maximized margin**

*Roll-out since 2015*
*Roll-out since 2016*
*Roll-out since 2017*
Customer centricity powered by a new era of Dynamic Offering

Customer Centric Offering

Meet customer expectations by offering more relevant offers and easy access where the customer wants it

A new era of Offering

> Data-driven
> Dynamic
> Scalable
NDC and ONE Order compliment to enable and deliver Dynamic Offering

- LHG received highest NDC certification
- Enables Dynamic Offering and advanced retailing
  - 3,500+ NDC partners
  - LX exceeded 2020 goal
  - SWISS 20%+
- Achieve 2020 goal @ all LH Group airlines
- Enables simplified delivery and accounting
  - Successful POCs
  - Partnering to drive value chain innovations
  - MVP with selected airline partner

LH is the first airline to be certified
Next level of customer centricity: Combining interactive distribution with AI based offering to Conversational Commerce

<table>
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<tr>
<th>Degree of Automation</th>
<th>Traditional POS Commerce</th>
<th>Telephone Commerce</th>
<th>Electronic Commerce</th>
<th>Mobile Commerce</th>
<th>Commercial Chatbots</th>
<th>Digital Voice Assistants</th>
<th>Digital Personal Assistants</th>
<th>Conversational Commerce</th>
</tr>
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<tr>
<td>Today?</td>
<td></td>
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</table>
Thank you!
Vielen Dank!
Merci!
ARE VENDORS RE-INVENTING THEMSELVES?

Daniel Friedli, Managing Director, Travel in Motion

Surain Adyanthaya, Senior Vice President of Strategy, PROS

Meg O'Keefe, Vice President, Airlines Offer Suite | Airlines Customer Unit – Solutions, Amadeus

Manish Nagpal, VP Global Sales Engineering, Farelogix

Tom Gregorson, Chief Strategy Officer, ATPCO

Bryan Porter, Chief Commercial Officer, OpenJaw Technologies
Dynamic Offers: a common Industry framework is critical

Dynamic content

Dynamic determination of pre-defined bundles

Static bundles (e.g. fares families or branded fares)

Static flights and ancillaries

Pre-defined price points with dynamic availability

Pre-defined price points with dynamic price adjustments

Dynamic price determination

Typical airline's offers creation

Dynamic Offer creation under IATA AIR vision

Transitional Models

Application of shopping context & data science

Ability to control distributed offers
PROJECT ROBOT – AIR THINK TANK 2019

Andrew Webster  
Digital Business Transformation Manager – Shop Order Pay, International Airlines Group

Erik Stogo  
Director PreTravel Solutions, United Airlines
Project Robot

Airline Industry Retailing (AIR) Think Tank
The Problem

Only one book!
Finding the Bull’s-Eye

100% Anonymous
90% Economy, one way or round trip
83% Frequent requests

47%
Anatomy of the Robot

Airline NDC APIs

Orchestration

Machine Learning Model

Offer Store

Pricing Engine
A Closer Look at the Data

56% of all requests
### POC – Observations & Recommendations

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<th>Concentrated customer shopping behaviours</th>
<th>Opportunity exists for identical shopping requests</th>
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<td>Limited by data available</td>
<td>Could identify trends but not set limits</td>
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<th>Change model to adjust itself for most popular city pairs</th>
<th>Execute PoC on a larger data set</th>
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Opportunities & Next Steps

• Airlines have the opportunity to process more data
• Regular fine-tuning of model with offer data stream
• Feedback loop including booking information
• Move from seat only to retail

No robots were harmed in the making of this PoC...
Thank you

Airline Industry Retailing (AIR)
Think Tank
CREATING RELEVANT OFFERS: A WIN-WIN SCENARIO FOR AIRLINES AND CUSTOMERS

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Rogier van Enk, Vice President Digital Revenue & Distribution, Finnair
# Dynamic Offers - Industry Drivers

**A WIN-WIN SCENARIO FOR AIRLINES AND CUSTOMERS**

## Enhanced Conversion
Contextual & relevant offers
- Optimal product to the customer
- Increase sales conversion
- Customer loyalty

## Offer Optimization
Continuous price points
- Optimal price determination
- Improved demand forecast
- More accurate willingness to pay

## New partnerships
Total offer management
- Holistic revenue management
- Customer life value
- Ancillaries, interlining, 3rd party products and services

## Cost Benefits
Offer and Order Management platforms developments and process rationalization

Cost of transition & change management **offset by** Process, organization and system rationalization today vs. tomorrow

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