IATA ECONOMICS’ CHART OF THE WEEK

10 FEBRUARY 2017

BREAKING THE (OLD) RULES: THE CHALLENGE OF INNOVATION

Source: BGC Global Innovation Survey 2016

- BCG has just released its 2016 Global Innovation Survey. Unsurprisingly, the Top 50 list is dominated by technology companies, with Apple and Google holding down first and second place again this year. There is only a single airline in this year’s Top 50 – Southwest, which returns to the list for the first time since 2009, at #12.

- As an industry, should we be concerned by this lack of representation? Are we missing opportunities to create additional value – for our customers and investors alike – via a lack of innovation?

- When it comes to air transport, much of the innovation focus currently revolves around two broad aspects; the evolution of traditional airline business models and strengthening the customer relationship. These are not unrelated issues; both are centered on building a better understanding of our customers and their needs – evolving airlines from merely commodity travel providers into bespoke travel partners. Within IATA, initiatives including the New Distribution Capability (NDC) and ONE Order contribute to this development.

- But the challenge for airlines is that there are plenty of other non-traditional organizations – many of whom are household names and appear on the BCG list of leading global innovators – which have very large global customer databases and are very good at developing relationships with their customers, understanding their needs and then delivering exactly what the customer wants. They are agile and flexible and constantly evolving to remain relevant. We need to ensure that airlines – and the air transport industry more broadly – are doing the same!