

Happy Customers, Higher Profits: 4 Data-Driven Steps to Become a Leading Airline

How Covid-19 Changed the Airline Industry

When Covid-19 caused the shutdown of both business and leisure travel, airlines felt the pinch. Many took out government loans to stay in business, collectively adding more than \$180 billion worth of debt in 2020.¹ Now airlines are repaying those loans and trying to become profitable again.

The airlines that are recovering the quickest took a hard look at their operations and decided to undergo a digital transformation, investing in data and analytics to help make smart decisions—particularly regarding customer experience (CX).² This conflicts with the traditional view of airline customer service, which didn't prioritize CX because it hadn't been reliably shown to boost profit.³

That's no longer the case. CX matters a lot to profitability. Watermark Consulting ranked airlines and came up with the "leaders" and "laggards"—the top and bottom three airlines for CX. When the consultancy examined the 10-year stock performance of both, it found that the CX leaders provided 5.7 times better returns (Figure 1) and concluded that a great customer experience is linked to far greater financial rewards.⁴

How Airlines Can Leverage Data to Boost their Profitability

The good news is that all airlines are data-rich (Figure 2) and can catch up to the CX leaders—but only if they create a careful plan where they can use all of it. Capturing, organizing, analyzing, and accessing available data in near real-time is only possible with a powerful and wholly customizable data and analytics platform.

Data is tricky to track in this industry because it comes from so many different sources. There's data from the airline passenger's brand interaction—shopping, purchasing, ticketing, check in, baggage check, security, pre-boarding, inflight product delivery, cabin crew interactions, and the other myriad of interactions that shape the passenger's perception of the experience. There's airport data that's separate from the airlines.

Airlines must also categorize and tailor their customer service data for different segments. For example, business travelers with frequent flyer miles have different needs and expectations than the casual leisure traveler.

Airline Customer Experience Leaders Outperform

10-Year Stock Performance of Customer Experience (CX) Leaders vs. Laggards (2011–2020)

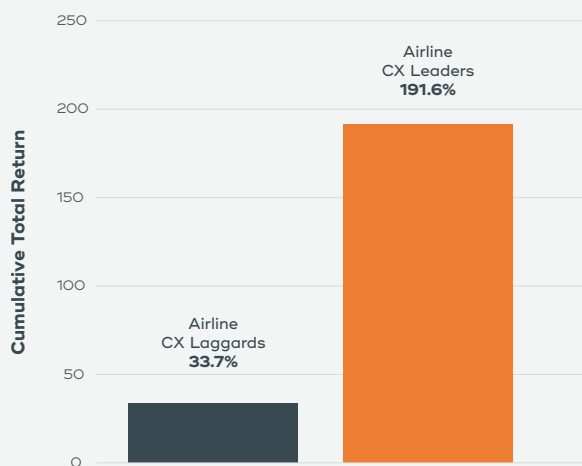


Figure 1. 10-Year Stock Performance of Customer Experience (CX) Leaders vs. Laggards (2011–2020)

1 <https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/back-to-the-future-airline-sector-poised-for-change-post-covid-19>

2 <https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/airline-data-what-next-beyond-crisis-response>

3 <https://www.customercontactweekdigital.com/customer-experience/articles/airlines-bad-customer-service>

4 <https://watermarkconsult.net/blog/2021/10/18/airline-customer-experience-roi-study/>

Each of the five categories from both new and old data sources also contains multiple sub-category possibilities not shown here, with tons of granular data pouring in constantly from all digital channels. That's a lot of data to manage and use for maximum ROI, but it can be done when airlines pay attention to the following four steps.

1. Gain a 360-Degree View of the Customer Experience

To get a complete view of how a customer is interacting with their brand, airlines need to link interaction, transactional, and behavioral data. Doing so can provide insight into which flyers are truly loyal to the airline – not just buying tickets and signing up for a frequent flyer program, but also clicking on emails and sharing their upcoming trips on social media. With this blend of cross-touch-point data available at the fingertips of front-line personnel, they can easily optimize CX for individual customers. Airline customers want the same things customers from other industries want—they want good customers and experiences and when things go awry, they want to be acknowledged. The way to do this is by creating an environment where all customer data channels are accessible and easily interpreted in real time, enticing customers to return—and talk about—their stress-free experience.

2. Measure Customer Value

For years, airlines have had a variety of measures to estimate customer value, including miles flown and more recently, total spend. But this doesn't provide the whole picture.

Granular data points that are available from the airline's analytic environment include metrics like discounts offered and accepted, loyalty member acquisition costs, retention rates, and marketing costs. In addition, a more precise understanding of customer value can then be compared to service delivery break down. Customers with high value and a high level of service failures must be communicated with and marketed to differently from other customers. The comparison of a more detailed customer value with key operational metrics can provide the airline with a significant competitive advantage.

3. Correlate Customer Value to Experience

Once an airline understands the entire customer experience, including behavioral product selections at specific dates, departures, and fares, it can then measure and predict the impact of specific service delivery treatments to changes in future purchases, and a corresponding change in lifetime value. Airlines, like other businesses, focus on a variety of activities: win new business, retain existing business, preserve profitability, improve customer experience, expand loyalty program, and facilitate cross-channel conversions.

The first three factors are fueled by a customer's purchase experience, which for airlines is especially multifaceted. The remaining factors are better understood when measured against experiences over time.

New, unconventional data sources emerge to address airline industry challenges

Traditional data sources



Travel shopping data

- Global distribution system (GDS) ticketing (marketing-information-data tapes)
- Airline's direct channel
- Online trends



Market and competitor insights

- Airfare benchmarking
- Effective flight capacity
- Competitive published schedules



Operations data

- Schedule data
- Airport data
- On-time performance data

New data sources



Travel shopping data

- Web and app analytics from competitors
- Flight-search data from metasearch engines and GDS
- GDS and direct-channel services
- Accommodation searches on aggregators' websites
- Financial analytics (e.g. credit card spend)



Macro data

- Travel restrictions
- Web searches
- Consumer-sentiment videos
- Mobility trends from data via maps and satellite imagery

Figure 2. Global Distribution System

A recent McKinsey report spells out all the different data sources an airline can readily utilize, each with multiple granular sub-categories and endless combinations. Source: <https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/airline-data-what-next-beyond-crisis-response>



CX points for airlines

- CX should be impressive, not just adequate
- Make the entire customer journey—at every digital or live touchpoint—seamless
- Create a positive emotional reaction that fuels referrals and repurchases
- Focus on both customer and employee experience

—Watermark Consulting
(source) <https://watermarkconsult.net/blog/2021/10/18airline-customer-experience-roi-study/>

4. Create Journeys Designed to Drive Value Growth

After airlines correlate experiences with increased customer value, they can focus on providing targeted segments with specific journey experiences in ways that grow value. Additionally, airlines are better positioned to manage service disruptions. The airlines that communicate more effectively with the passenger that will retain existing customers and win over new ones to recover will be the ones who bounce back after the pandemic setback.

Closing the Data Gap with Vantage

For airlines to gain the greatest insights and regain their post-pandemic footing, they need to prioritize investing in a data and analytics platform that can scale to perform millions of different queries and respond in real-time to predict operations, behavior, and more.

Vantage allows all of the vast enterprise-wide data to be organized, unified and integrated. The information can then be accessed instantly in millions of different ways. This allows airlines to deliver seamless customer experiences from the moment a person browses an airline’s website to the second they step off the plane at their destination. Airline staff won’t have to switch to different systems and figure out how to extract or process the information—Vantage does it for them in a single platform.

Plus, as new data points become available, airlines won’t need extra computing power—which means no

“Add additional volume, functionality and analytic complexity without adding computing power or cost.”

extra cost. Other systems are scalable in one direction at a time, adding up to expensive surprise costs for the additional computing power needed. Vantage is the only platform that’s scalable in eight ways, with enough computing power built in for both present and future needs, making costs uniquely predictable.

Take a closer look at Vantage’s technical specs, how to gain visibility into operations, and the top 10 reasons Vantage is a game changer, then connect with an expert on our Features page.

About Teradata

Teradata is the connected multi-cloud data platform company. Our enterprise analytics solve business challenges from start to scale. Only Teradata gives you the flexibility to handle the massive and mixed data workloads of the future, today. Learn more at [Teradata.com](https://www.teradata.com).