



LCC a la Carte Goes Mobile: A Review of the Top 15 Low Cost Carriers

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Contents

Mobile is how the world connects	4
Airlines seem to hide the potential of mobile.....	5
IdeaWorksCompany reviewed the app offerings of 15 LCCs	7
Ancillary revenue starts with the passenger fare	10
For most LCCs, baggage remains a complication.....	11
Ryanair assigns importance to seat assignment	12
Assorted a la carte selections from the mobile buffet.....	13
Life moves pretty fast – don’t miss the mobile opportunity.....	14

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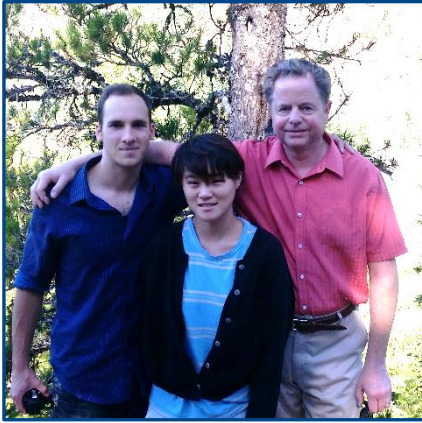
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About Jay Sorensen, Writer of the Report

Jay Sorensen's research and reports have made him a leading authority on frequent flyer programs and the ancillary revenue movement. He is a regular keynote speaker at the annual MEGA Event, spoke at IATA Passenger Services Symposiums in Abu Dhabi and Singapore, and has testified to the US Congress on ancillary revenue issues. His published



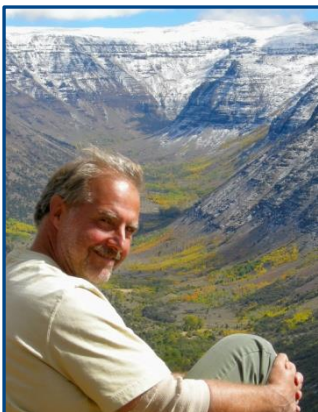
Jay, with son Aleksei and daughter Annika, in North Cascades National Park in Washington.

works are relied upon by airline executives throughout the world and include first-ever guides on the topics of ancillary revenue and loyalty marketing. He was acknowledged by his peers when he received the Airline Industry Achievement Award at the MEGA Event in 2011.

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Eric, at his favorite summer retreat, Steens Mountain, Oregon.

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LCC a la Carte Goes Mobile: A Review of the Top 15 Low Cost Carriers

Mobile is how the world connects

IdeaWorksCompany issued a predecessor to this report in 2017 which assessed the a la carte capabilities of mobile applications for the world's largest 25 airlines.¹ That list only included six low cost carriers. Theoretically, the mobile applications evaluated in this report should represent state-of-the-art examples of ancillary revenue excellence. After all, the LCC category should naturally excel in the art of ancillary revenue.

Mobile use now surpasses access to the internet, with the number of mobile phone accounts outnumbering the global population by 3.5 percent for 2017.² By comparison, less than half (48 percent, to be precise) of the world's population accessed the internet. Even the luxury of broadband mobile has become widespread with 97.1 percent of the developed world enjoying rapid data access. Globally, the same statistic drops to 56.4 percent (for developed and developing countries) and even that penetration exceeds the 48 percent having simple access to the internet.

Mobile is the perfect technological platform to enable communication between humans through social media, text messages, and email. It has also become a global payment tool through digital wallets, such as Apple Pay, MasterPass, and PayPal. Within developed countries, 30 percent of the population have used smartphones to buy products, and this jumps to 51 percent within developing countries.³ Overall payment rates are highest for China, India, and Japan.

The most amazing statistic describes how users are tethered to their devices, with 20 percent of consumers checking their phones more than 50 times a day.⁴ The highest rates are reported for Argentina, Brazil, Mexico, and South Korea. US mobile users were found to spend an average of 3+ hours a day on their phones for non-voice purposes.⁵ Never before has humankind entrusted so much daily living activity to a single device. Mobile phones can connect, entertain, inform, transact, and even inspire. It's the intersection of these qualities that airlines must master to ensure commercial success and competitive advantage.

¹ "Ancillary Revenue Goes Mobile: the Best Methods Used by the Top 25 Airlines" issued 21 February 2017.

² Global and Regional International Telecommunication Union (ITU) data for 2005-2017 at www.itu.int.

³ "Global mobile consumer trends, 2nd edition" (2017) at Deloitte.com.

⁴ "Global mobile consumer trends, 2nd edition" (2017) at Deloitte.com.

⁵ "eMarketer Updates US Time Spent with Media Figures" dated 09 October 2017 at emarketer.com.

Airlines seem to hide the potential of mobile

The proximity and portability of mobile devices ensures smartphones and tablets are becoming trusted travel companions. No leap of faith is required to assume mobile will overtake personal computers as the primary choice for the self-booking of personal and business travel. Statistics indicate we are very nearly at that point of transition.

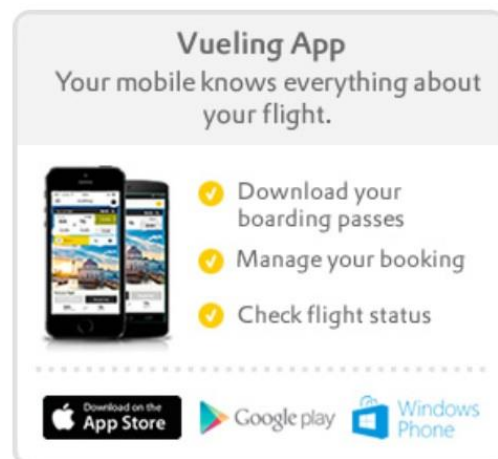
This is from a 2017 eMarketer study: “140.3 million US adults will research a trip online. And 101.4 million will do so via their smartphones, up 13.1% over last year.”⁶ The article also predicts digital travel bookings in the US will have reached nearly \$190 billion for 2017, with 40 percent of this activity booked through mobile devices. For a worldwide picture, Juniper Research predicts 1.5 billion boarding passes will be displayed on mobile devices by the end of 2019, which will represent 1 in 3 passengers.⁷ This small sampling of research overwhelmingly points to a big future for airline retail and self-service activity through mobile devices and applications.

It’s true, each of the top 15 low cost carriers included in this report provide a mobile application for the Android and iPhone platforms. In the 2017 report, IdeaWorksCompany found robust app development for the world’s largest 25 airlines. This is not a static activity, as airlines continuously update and improve their mobile apps. But the mobile retail story seems to fade beyond these developments. While mobile represents the industry’s next big distribution channel, the effort made to promote mobile apps is weak. We found almost no financial disclosure about its contribution to carrier income statements.

IdeaWorksCompany reviewed website promotion and financial disclosures associated with the mobile apps assessed in this report. We searched home pages during February 2018 for messages that encouraged consumers to download the carrier’s app; here’s what was found for the 15 airlines:

- 3 airlines offered no mention of their mobile application on the home page.
- 4 airlines provided a simple text-style link at the bottom of the page.
- 6 airlines displayed the App Store and Google Play logos (with link).
- Only 2 airlines used a banner-style ad to promote their applications.

Among the airline websites visited, Vueling made the biggest effort to promote their mobile application. Sometimes airlines almost intentionally neglect their apps. For example, JetBlue specifically states its double point frequent flyer bonus only applies for bookings made “directly on jetblue.com.” Calling the carrier’s help desk confirmed the bonus also applies for bookings made via its app.



Vueling offered one of the few examples of a home page message designed to promote its mobile application.

⁶ “Mobile Drives Growth of Online Travel Bookings” article dated 21 June 2017 at eMarketer.com.

⁷ “Travel Trends for Mobile Marketers” article dated 08 September 2017 at urbanairship.com.

Frequent flyer mileage bonuses are a natural tool to encourage consumers to download an application and to start booking. Yet, a simple online search for recent promotions did not identify an airline doing this. Meanwhile, the hotel industry seems very eager to encourage downloads with bonus point offers tied to frequent guest programs. Within the past year, Hilton Honors, IHG Rewards Club, Marriott Rewards, Starwood SPG, and Wyndham Rewards have offered point bonuses linked to app usage. Airlines should aggressively promote mobile adoption through bonus mile offers, fare discounts, and a la carte fee waivers (such as free seat assignments). Airlines do offer promotions to existing mobile app users, but seem hesitant to use promotions to encourage more first-time installations.

Airlines should also disclose more about the statistics and financial results associated with mobile applications. After all, the future importance of this distribution channel compels airlines to be more forthcoming to investors. None of the 15 airlines provided meaningful disclosures in the quarterly report, transcript, or presentation associated for the most recent financial period prior to February 2018. Word searches for “mobile” and “app” delivered zero results for 13 of the airlines.

Two airlines did include a few sentences to describe recent mobile retail activities. Spirit said “approximately 50% of spirit.com visitors use the mobile device to access the website” (3rd quarter 2017 earning’s call transcript). Azul disclosed a new feature “allows customers to engage in live chats with our crew members” (3rd quarter 2017 release). Even the world’s global network carriers are not saying much. A search for the word “mobile” in the most recent quarterly 2017 earnings call transcripts available at SeekingAlpha.com for Air Canada, Air France KLM, Delta Air Lines, Lufthansa, and United yielded no results.

Exceptions do exist, but are rare. Looking back to the Wizz Air Annual Report for the period ended 31 March 2017 provides one of the more robust examples of mobile retail disclosure:

“With a website now available in 24 languages and 11 on the app, Wizz Air served over 200 million sessions to more than 50 million users. Wizz Air is the eighth most visited airline website in the world with one of the highest (56%) share of mobile visitors. Our mobile app user base more than doubled to 3.7 million users in FY2017.”

AirAsia offered a similar disclosure in its 2016 Annual Report for its mobile platform which was first introduced in 2010:

“Two immediate goals are for mobile bookings to contribute to about 35% of digital bookings within AirAsia by end 2017, from 13% (or 3.9 million bookings) in 2016; and for the number of guests who use the eBoarding Pass with their mobile check-in to increase from 20% currently to 40% by end 2017.”

The growing importance of mobile retail demands more attention from airlines. The assessment – which begins on the next page – reveals airlines have created applications that “deliver the goods” in a retail sense. But the merchandising magic is missing here . . . and that begins with getting people into the store by installing the app. Then after the sale is made, a good shopkeeper tallies up the results and tells everyone what a grand success the store has become.

IdeaWorksCompany reviewed the app offerings of 15 LCCs

This report focuses on the applications designed for Android-equipped phones. The Android platform rules the world with an 85.1 percent global smartphone market share as of November 2017.⁸ By comparison, Apple’s iOS platform, which powers iPhones, had a 14.8 percent share for the same period. IdeaWorksCompany searched for English language applications for the world’s largest 15 low cost carriers based upon passenger traffic data provided in the *2017 CarTrawler Yearbook of Ancillary Revenue*.

Apps have entered the mainstream with Android and Apple iPhone versions offered by the 15 airlines. Applications were found at the Google Play Store with one exception; Jetstar’s app can’t be used in the US and required special arrangements to view. With the exception of Spirit (which links to their website) all Android apps provide flight booking capability.

Ancillary revenue is increasingly generated through the sale of branded fares which bundle service features into fare products. These can best be described as a “good, better, and best” product presentation. When features are sold using this method, the need to sell individual components, such as assigned seating and checked bags, is reduced. However, many airlines also rely upon the a la carte method. Internet websites allow consumers to book a low-price seat-only fare on their desktop and proceed through the booking path by clicking and buying additional features. It’s often a challenge to offer mobile users the same functionality through a responsive website or native application. This report assesses the ability of airlines to duplicate this effort through mobile applications.

The following table provides a summary of the research conducted by IdeaWorksCompany to assess a la carte features offered in the booking path. That’s the crucial selling process which begins when a consumer queries a city pair and ends with the last step of making payment. Popular a la carte features include seat assignments, pre-pay bag fees, and pre-order cafe. Other items are noted as they appear in the apps with additional details such as the city pair queried and the total number of installs posted at Google Play.

Mobile Apps of Top 15 Low Cost Carriers						
Key a la carte features – Largest airlines based upon traffic						
Airlines <i>Alphabetical order</i>	In-Path Functionality				City Pair Queried	Google Play Store Installs
	Assign Seats*	Pre-Pay Baggage	Pre-Order Cafe	Other Offers		
AirAsia	■	■	■	Bundle (Bag, Meal, Assigned Seat, Bag Delay Ins. & On-Time Guarantee), Trip Protection	BKI-KUL	10-50 million
Azul	■	<i>Varies by fare type</i>		none	SSA-VCP	1-5 million

- Table continued on following page -

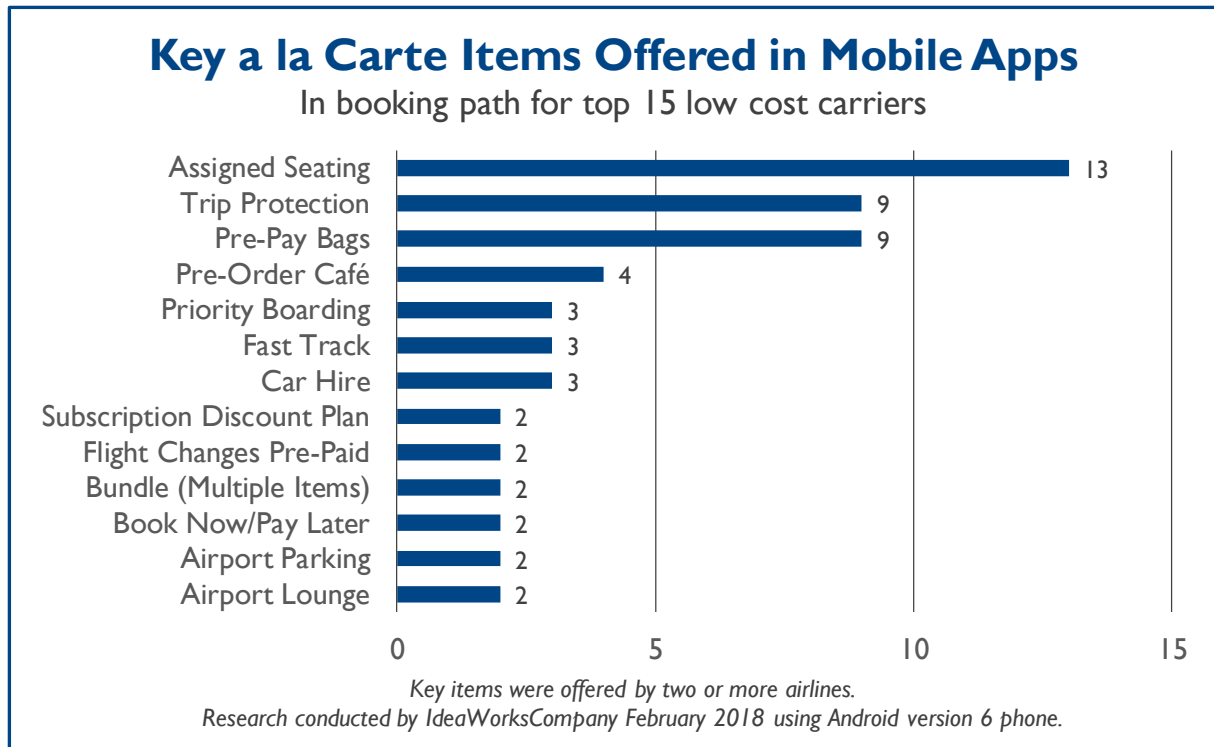
⁸ IDC Worldwide Quarterly Mobile Phone Tracker press release dated 29 November 2017 at IDC.com.

Mobile Apps of Top 15 LCCs, continued

Airlines <i>Alphabetical order</i>	In-Path Functionality				City Pair Queried	Google Play Store Installs
	Assign Seats*	Pre-Pay Baggage	Pre-Order Cafe	Other Offers		
easyJet	■	■		none	GVA-LGW	5-10 million
GOL	■	<i>Varies by fare type</i>		none	REC-GIG	1-5 million
IndiGo	■	■	■	Airport Lounge, Priority Bag Delivery, Trip Protection	BLR-DEL	5-10 million
JetBlue	■	<i>Varies by fare type</i>		Fast Track/Priority Boarding, Pet in Cabin, Trip Protection	BOS-MCO	1-5 million
Jetstar	■	■	■	Airport Parking, Car Hire, Club Jetstar, Trip Protection	SYD-BNE	1-5 million
Lion Air				<i>Flight booking only</i>	CGK-DPS	1-5 million
Norwegian	■	■		Fast Track, Trip Protection	HEL-LGW	1-5 million
Pegasus	■	■	■	Book Now/Pay Later, Bundle (Assigned Seats, Bag, Sandwich), Flight Changes	AMS-SAW	1-5 million
Ryanair	■	■		Airport Parking, Airport Transfers, Car Hire, Fast Track, Priority Boarding, Trip Protection	MAD-STN	10-50 million
Spirit	<i>No in-app booking – links to website</i>				LGA-FLL	100,000-500,000
Vueling	■	■		Airport Lounge, Trip Protection	AMS-BCN	1-5 million
Westjet	■	<i>Varies by fare type</i>		Car Hire, Trip Protection	YYC-YYZ	1-5 million
Wizz Air	■	■		Airport Check-In, Book Now/Pay Later, Flight Changes, SMS Msg., Priority Boarding (+ Bag Benefits), Trip Protection, Wizz Discount Club	LTN-OTP	1-5 million

*Fare choices – Fares with or without checked bag offered (no a la carte bag capability).
 * Fees typically apply for extra leg room seats; fees for regular seats might not apply.
 Research conducted by IdeaWorksCompany February 2018 using Android version 6 phone.*

The bar chart below displays items from the table which appeared two or more times among the airlines reviewed. Not surprisingly, assigned seating is the top a la carte item for LCC mobile apps. For most LCCs, this includes the full array of seat choices; while some only charge fees for premium seats such as extra leg room, exit row, or front of cabin. Baggage is a complex feature as many airlines now use branded fares which removes the necessity of selling baggage a la carte. The inclusion of checked bags is determined by the fare selected (shown as “Varies by fare type” in the table above).



The complete list reveals 17 distinct items sold by the airlines in the booking path of their mobile apps. That’s a large list of ancillary revenue activities which indicates diversity rather than universality. This creates abundant difficulty for any online travel agent or metasearch engine seeking to incorporate the complete list of a la carte products. A review of mobile apps for a major OTA and a popular metasearch engine revealed real difficulties for consumers. Both failed to deliver baggage fee information tailored for the itinerary queried and instead advised bag fees for the airline could range from \$19 to \$70 or merely linked to a list of fees on the carrier’s website. When the topic is ancillary revenue, airlines maintain a significant mobile app advantage over all other players.

The results directly disclosed by Pegasus Airlines to IdeaWorksCompany demonstrate how mobile bookings can grow when enabled by a well-executed mobile strategy. The airline has achieved more than 4 million downloads of its mobile application.⁹ Overall mobile booking share (via smartphone website access and the mobile app) has a 90+ percent annual growth rate (CAGR) for the last three years. Mobile now accounts for 20 percent of total airline sales with the app representing 65 percent of the mobile share.

⁹ Pegasus Airlines marketing department disclosure made to IdeaWorksCompany, February 2018.

Encouraging customers to install an application on their mobile phone is a crucial first step. Consumers must also find value in continued use of the app, which is ensured by initial good design, ongoing improvement through updates, and promotions to encourage loyalty. As of the beginning of 2018, Pegasus has nearly 700,000 users accessing the app on a monthly basis. Retention is measured by how many consumers use the app for periods of one, two, and three months after installation. The one-month rate for Pegasus is 42 percent, which is above the travel industry average of 38 percent.¹⁰ Digital marketers must be ever vigilant, as the average rate for the travel industry drops to 25 percent for the 2nd month, and 20 percent after the 3rd month. The strength of your app determines whether customers remain loyal or find a better distribution channel . . . or worse yet, a better airline.

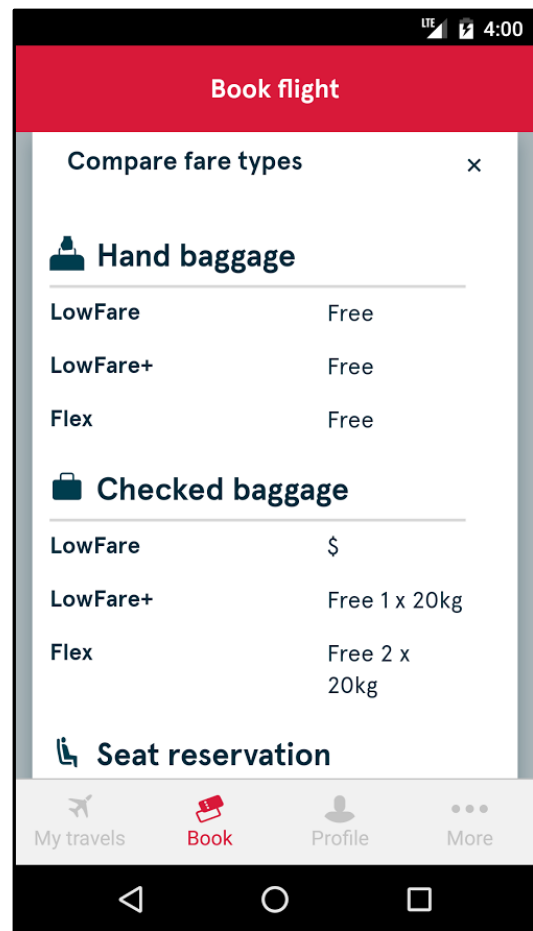
Ancillary revenue starts with the passenger fare

The statement above seems self-evident, but the truth of it has increased with the arrival of branded fares. Low cost carriers largely rely upon two methods: a base fare combined with a la carte choices or the bundled approach represented by branded fares. The latter uses a good, better, and best approach to bundle various amenities at different price points. The consumer reviews the choices, usually aided by a pop-up comparison chart, and then selects the fare.

The good, better, and best approach has been proven to generate more ancillary revenue. Carriers disclose 50 percent or more of consumers opt for the middle or top choice when presented with reasonable price levels. The ease of choice encourages the consumer to make a quick decision. Branded fares also reduce reliance on the booking path to carry every a la carte item. Instead, the branded fare can efficiently bundle key items such as bags, seat assignments, and pre-order café.

Branded fares are best served by a “compare fares” display which allows consumers to easily determine features. Smartphone displays provide very little space to accomplish this task, so efficient design is a must. Norwegian’s mobile app provides an excellent example of good design.

The “compare fare types” screen readily displays seven fare features: hand baggage, checked baggage, seat assignment, fast track, Wifi, reservation changes, and refund policy. The user simply scrolls the screen to learn about each. JetBlue and Wizz Air also provide good fare comparison examples within the booking path of their mobile apps.



Norwegian provides a very complete “at a glance” view of key attributes for its LowFare, LowFare+, and Flex fare options.

¹⁰ “Mobile Apps: What’s A Good Retention Rate?” article dated 21 March 2017 at Localytics.com.

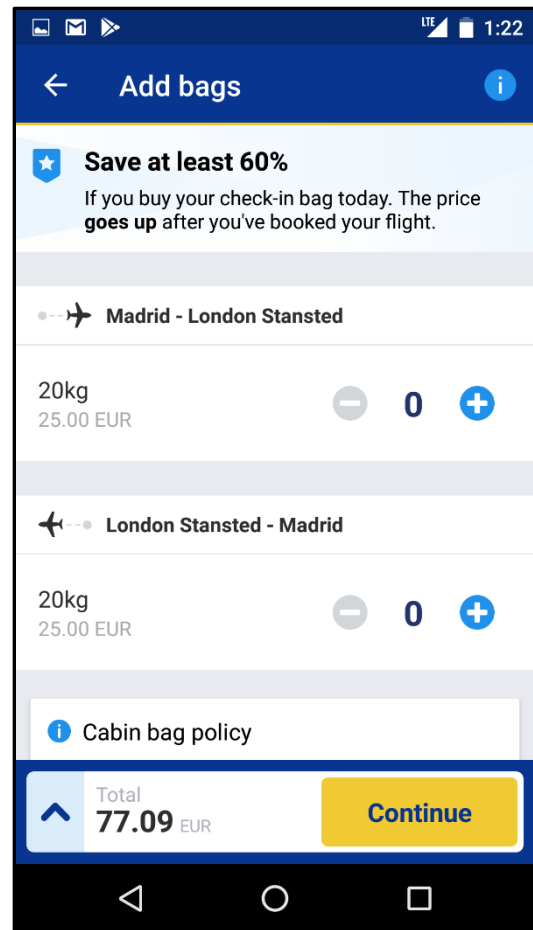
Websites generally provide acceptable disclosure of the terms and conditions associated with airline fares. However, mobile apps seem to struggle with this basic requirement. Ten of the 15 apps were found to provide few details for specific fares and no reasonable ability to click and find full terms and conditions. Some merely referred to a fare as “nonrefundable” while others provided a link to the generic terms and conditions page at the airline website. IdeaWorksCompany strongly recommends airlines use a 3-tier approach to define product features. First, present a few key words or easy-to-understand branding description in the booking path. Second, provide more details on the item confirmation page. Third, provide the option to click for more details, and if appropriate, an image.

For most LCCs, baggage remains a complication

Checked baggage is the largest contributor of a la carte revenue which makes its inclusion in the booking path a mandatory feature. Fare bundles often remove this necessity by allowing consumers to pre-pay baggage, as part of the fare purchased. Virtually every airline included provision for checked baggage as a fare bundle or a pre-pay a la carte feature. Checked baggage is a complicated service for travelers, and many airlines fail to provide the transparency required to prevent confusion and problems at the airport.

Here were some of the problems observed with the apps reviewed:

- Zero ability to click for more information while in the booking path.
- Non intuitive buttons, such as up and down arrows to change bag size (rather than the quantity of bags).
- Broken links to baggage information on the carrier web site.
- Inability to seamlessly return to the booking path after clicking for more information.
- Confusing labels which poorly describe an item due to branding or translation issues.
- Using complicated tables which define fees by zones or city pairs, making it impossible to decipher baggage pricing.



Ryanair makes it easy to add a 20 kg bag and provides abundant access to baggage information.

Ryanair’s mobile app provides plenty of good retail examples that encourage consumers. The booking path highlights the savings available for pre-payment. Clicking to add bags alerts the consumer to a minimum 60 percent saving for buying now. Information links stay within the app for details about checked bag and cabin bag policies. Wizz Air also provides a good example for pre-paid bags and offers the choice of 20 kg or 32 kg weights.

Ryanair assigns importance to seat assignment

Charging fees for assigned seating is the most popular feature and is provided by 13 of the 15 mobile apps reviewed. In almost every regard, it's a smart a la carte item for airlines to offer. Consumers can opt for the convenience of choosing their seat, or wait for a free-of-charge assignment when check-in occurs. Providing an assigned seat incurs almost no operating expense. Of course, the airline needs to create procedures to accommodate aircraft changes, booking changes, and itinerary cancellations. Fairness requires the fee to be refunded if the assignment is not fulfilled.

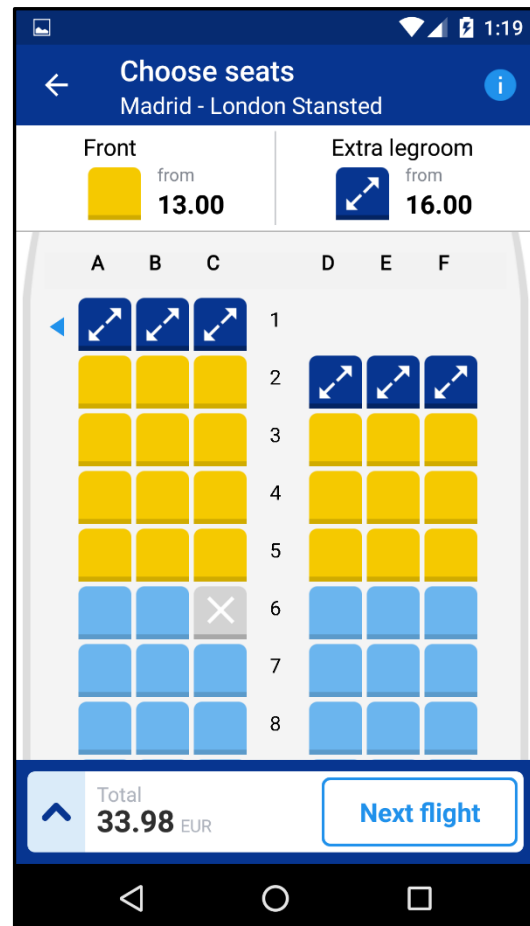
Once again, Ryanair provides a good example with the design of its seat selection map. The investment the company made in its Ryanair Labs technology endeavor is clearly paying dividends as the company is becoming known for introducing very effective retail solutions that deliver better revenue. This includes the app's integration of car hire, which was the best we encountered.

The Ryanair booking path reference motivates purchase behavior by indicating the savings available for consumers at the time of flight booking with reminders such as "price goes up after you book" and "new everyday low price." The seat map displayed to the right provides four notable features:

- While it's not visible in a static screenshot, the seat legend at the top of the map changes to reflect the seat types displayed. This keeps the description and pricing next to the seat inventory.
- Graphics use sideways arrows to advertise which seats offer extra leg room.
- Simple identifiers such as "Front" and "Extra legroom" instantly convey the key product benefit.
- The information link opens a screen which lists all available products, and includes the ability for Ryanair to highlight select seating products with "On sale" pricing.

EasyJet and Jetstar also offer seat maps with good merchandising features. Jetstar is unique with its "Quick Select" option. Consumers select the desired type: Standard, Upfront, or Extra legroom. The system then assigns seats (including two or more passengers) in the zone requested for each segment.

Practices to avoid include displaying the price only after the seat has been selected. That's rather like a magic price tag that only shows the price of a product after you take it off the shelf. The other common problem reflects an uninspired and utilitarian approach to retailing . . . boring graphics which make no attempt to reflect key product attributes.

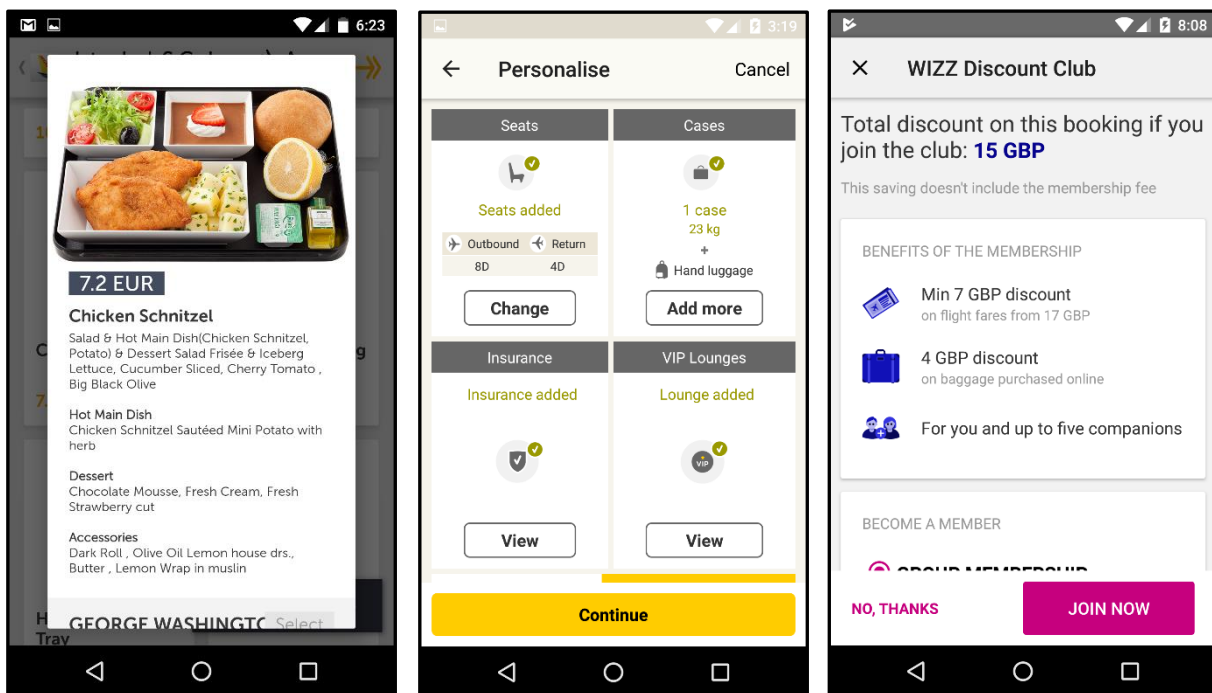


Assorted a la carte selections from the mobile buffet

Pegasus has a long tradition for a very robust onboard café product. The airline offers hot and cold entrees on domestic and international flights. Pre-paid meals are offered in the mobile booking path with a level of detail comparable to the carrier’s website.

After seat selection, the airline serves up its Pegasus Café with thumbnail images that include entrée titles and prices (see below screenshot on left). Clicking on the item delivers the most thorough meal description we’ve seen at a website or in an app. The meal is fully described down to the last detail, which for the Chicken Schnitzel example even includes a “big black olive” boldly listed among the items.

Three other airlines offer pre-order meals which places this item within the top 4 of a la carte offers for the apps reviewed. Airlines should follow the lead of Pegasus and create a menu that offers large images and detailed meal descriptions. That’s because consumers approach airline food as skeptics due to the industry’s poor reputation in this area. This consumer hesitation can be overcome by providing an abundant amount of information . . . an educated consumer can be an eager consumer. Travelers can also be encouraged by a pre-pay discount; Pegasus offers up to a 20 percent discount for pre-payment online and through its app.



Three tasty examples of good ideas. Pegasus (left) offers a little bit of Bavaria on a flight to Turkey. Vueling (center) provides customers a one-stop a la carte shop. Wizz Air (right) promotes loyalty through their subscription plan.

Vueling (above center screenshot) applies an effective single screen summary for these a la carte items: assigned seats, checked baggage, trip insurance, and airport lounge access. It’s rather like a dashboard that instantly conveys the purchase status of these items. Once an item is bought, the dashboard confirms the sale and even suggests the consumer should consider checking more bags. The example does show the importance of careful language translation; “cases” is a confusing substitute for “baggage.”

Wizz Air (see above screenshot on right) has embedded the Wizz Discount Club into its mobile app. This was no easy task as the program offers a discount off every fare. Standard one year membership is €29.99 and provides a fare and baggage discount. Membership is solicited during the booking path. Existing members merely use a button on the booking page to “Switch to WIZZ Discount prices.” This automatically lowers all fares to the discount level. Subscription plans are known to generate more revenue by increasing customer loyalty. Members are compelled to search Wizz Air first for their travel because they have “invested” in program membership. Integrating this feature into the mobile app expands the revenue opportunity Wizz Air enjoys its website.

Life moves pretty fast – don’t miss the mobile opportunity

The lead character said it best in the 1986 film, *Ferris Bueller’s Day Off*: “Life moves pretty fast. If you don’t stop and look around once in a while, you could miss it.” The industry is realizing smartphone access represents the future of airline distribution. We shouldn’t forget voice-enabled devices, such as Amazon Echo and Google Home, as representing an evolving future distribution channel. But for now, mobile web access and applications represent an immediate revenue source and can create a meaningful competitive advantage. To help airlines maintain an edge, IdeaWorksCompany offers the following five tips:

5 Tips to Build Retail Mastery – Mobile Apps and a la Carte

- **Build a seat map that easily associates seat features with the fee charged.** The price of the seat must be displayed along with the main feature of the product (such as extra leg room) in an easy to comprehend manner.
- **Use a 3-tier approach to define product features.** First, present a few key words or easy-to-understand branding description in the booking path. Second, provide more details on the item confirmation page. Third, provide the option to click for more details, and if appropriate, an image.
- **Create an obvious method to return to the booking path.** Requiring consumers to start over motivates them to stay in the booking path and to avoid a la carte items.
- **Make sure your app works.** This report contains many examples where apps (and websites) don’t deliver a great user experience – avoid this at all cost.
- **Aggressively promote mobile adoption.** This can be accomplished through bonus mile offers, fare discounts, and a la carte fee waivers.

There is danger the airline industry might lose the moment as Google is ever present in the travel space. If you use Gmail, the data-collecting behemoth is already aware of your travel habits. Simply download Google Trips to learn how Google has siphoned information from your air, hotel, and car hire booking confirmation emails to recreate your past and future itineraries. It’s rather startling. The app represents a good travel resource, but it’s far from perfect. Google Flights, however, is now viewed by many as the best way to shop for airline seats. But Google has yet to introduce a Google Flights mobile application. So take heart – for the present time – it’s still possible to be better than Google. But this advantage will only remain for companies that unlock the code of how mobile retail can connect, entertain, inform, transact, and even inspire.



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"Jay Sorensen's annual surveys and in-depth Master Class sessions provide a global competitive benchmark for many airlines, including Finnair with its global growth plans in the Northern Hemisphere. It's something every airline needs! The status quo is no alternative in today's airline industry."

Juha Jarvinen, Chief Commercial Officer
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