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COMMENTARY

Airlines Get Personal

Database-driven marketing catching on

This time, it's personal. I'm not talking about grudge match here, or a vendetta. I'm talking about how airlines are going to be pricing, selling and marketing their seats and services to customers. A big move is afoot among airlines for much more sophisticated database-driven marketing.

You'll see retailing and personalization efforts in the way airline products, services, offers and websites are pitched and presented. It is evident in Delta's recent decision to make a big investment in a new e-commerce platform (and its hiring of the executive in charge of the website of a major U.S. retailer, Target.com, to lead the effort). You're seeing some of the consequences of it in American Airlines' threat to pull its inventory from online travel agency Orbitz as of Dec. 1.

You'll see it in offers that customers receive that may leave them wondering, "How did the airline know I wanted that?" That is, before they shrug their shoulders and buy what is being offered.

Database-driven marketing was much discussed at Airline Information's Mega Conference in Montreal last month, where separate tracks on ancillary revenue, loyalty programs and co-branding partnerships sometimes coalesced on the topic. It is also a popular subject in airline boardrooms and executive offices.

At its most personal, the potential is reflected in the work being done at Groupe Aeroplan, the loyalty program that Air Canada spun off more than five years ago. Groupe Aeroplan creates country-based coalitions with retail partners—such as gas stations and grocery, home improvement and drug stores, as well as airlines—in which members earn



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points for spending at the retail partners.

With customer permission, Groupe Aeroplan can track a member's shopping patterns and help the airline or retailers target offers accordingly.

How specific can this get?

"If you have a frequent-flier program that also has retail participants in it like a grocery store, for example, you can analyze the data that comes out of the grocery store, and you'll see that somebody has a child in diapers or has bought some children's clothing. You can then use that information to promote to them a trip to Disney," says Groupe Aeroplan President/CEO Rupert Duchesne.

More generally, someone who buys generic products is a different type of customer than one who buys based on brand.

Frequent-flier programs, already replete with member-provided data, are a rich source for segmenting passengers and customizing offers. Many airlines slice and dice program members into smaller subsets, or are planning to do so.

The past purchasing behavior and travel patterns of all customers are rich data sources, too—all business travelers are not alike, nor all leisure ones—as is the type of distribution channel a customer is using for a purchase.

With the right technology, marketing efforts and distribution channel arrangements, airlines can use this data to proactively suggest options or even customized offers: for example, a special bundle could include airport lounge access, priority boarding and inflight Wi-Fi service.

"We have so much data today, and we don't really use it that effectively," says Bob Kupbens, Delta's vice president for eCommerce and former vice president of Target.com for Target. "It's something retail has done very well and airlines are just getting there."

The most immediately visible form of personalized marketing may be on airline websites, which are poised to become more like Amazon's, which recommends products based on a customer's prior purchases. That's where Air Canada is headed, for example, as well as Delta Air Lines. "The idea is that the home page and any interaction would be extremely personalized for where you are in your travel and historically what you have found more relevant," Kupbens says.

Just because these things can be done, of course, does not mean they are easy. Airlines have to invest substantial sums in an IT architecture that enables systems to talk to each other, something many legacy carriers lack, as well as in a data analysis team.

And then there is the battle this can create on distribution. American's tussles with Travelport, owner of the Worldspan and Galileo GDSs and 48% owner of Orbitz, is instructive. American is threatening to pull out of Orbitz because it wants the online agency to connect directly to its internal reservations system for seat availability and pricing, rather than via the GDS.

Part of the tussle is about money: American can distribute its product more cheaply with direct connections. But it also argues the connections would give it more flexibility to customize offers based on who is shopping. American and other carriers are preparing XML coding to power direct connections via any source to their reservations systems—and to link to their own customer databases so they can customize offers based on buyer characteristics and travel history.

Airlines insist such battles are nothing personal; they are simply a consequence of the direction in which the industry is heading. ☼