



Personalizing the passenger experience as a way out of the Covid-19 crisis:

A customer centric approach to recover revenues after the crisis

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The consequences of the Covid-19 pandemic are expected to trigger long-lasting changes in customer habits, expectations and decisions. Social distancing, the economic downturn and the shift towards online shopping, amongst other effects, will alter customers behavior. To remain relevant and competitive, airlines need to rethink and redesign commercial strategies to answer the question on how to adjust products and services for the first weeks and months with the resumption of service.

'Within a matter of a few weeks, our previous worst-case scenario is looking better than our latest estimates.'¹

Alexandre de Juniac, Director General and CEO, IATA

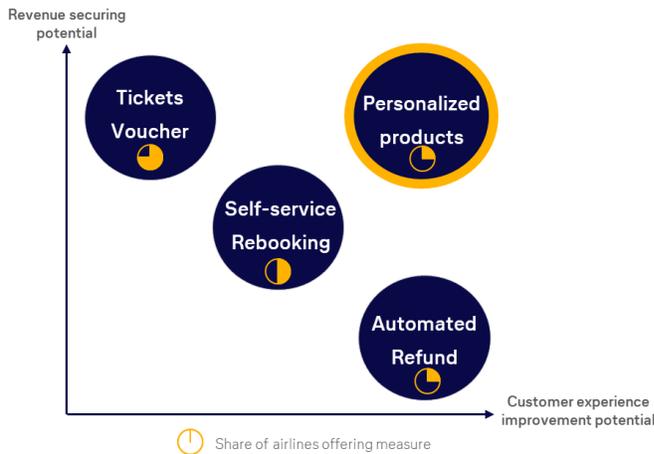
Every customer counts for the airline to defend its market position, to recover revenues, to secure its liquidity and to reduce the airline's liabilities towards customers for refunds and vouchers for cancelled flights. That is why, airlines have to react to customer needs, worries and desire to travel again by offering customized services to come out of this crisis. Identifying the customers' needs and understanding the changes in customers behavior allow airlines to take tailored measures.

How have airlines reacted so far to the crisis from a customer perspective?

Customers are insecure about travelling and booking future trips. Hence, airlines have to project themselves as reliable, supportive and empathetic partners to gain customers. The most common responses to the current crisis show that airlines use rebooking options, issuing of vouchers and if requested refunds to react to the customer need for flexibility. However, outstanding ticket refunds and vouchers are a high risk for the liquidity and survival of the company. These measures can be clustered under the perspective of revenue securing and customer experience improvement as indicated in Figure 1. In this context, personalized offers open up the opportunity to respond to customers' individual needs during times of uncertainty, enhancing the customer experience and tapping into revenue potentials. Examples for personalized offers could be flexible upgrades, lounge access or priority lane offers.

¹<https://www.iata.org/en/pressroom/pr/2020-03-24-01/>

Figure 1 Analysis of possible crisis measures (Source: LH Consulting)



Why focus on personalization now?

Personalization has been one of the hottest topics across industries, having significantly shaped both airline consumers' and senior management's expectations. Global champions, such as Amazon and Netflix, essentially initiated the shift from a product-focused to a customer-focused business strategy by leveraging the ability of personalization to drive increased relevance, loyalty and spend.

While the aviation industry has acknowledged personalization as a leading trend in recent years, many airlines are yet to create a truly customer-centric travel journey. This results in massive untapped revenue potential and a sub-optimal customer experience. The Edelman Trust Barometer 2019 has shown that personalized offers can increase consumer trust, an asset currently at stake for many airlines due to the crisis². Giving the customer the opportunity to personalize experiences along the travel journey allows airlines the flexibility to adapt to changing travelers' demand, to position themselves as trustworthy partners in times of uncertainties and to maximize revenues. Lufthansa Consulting's project experience has shown that ancillary revenue can be increased by 30% through unbundling of services. Therefore, a first step towards more personalization can be the introduction of further ancillary services to create more customer choices and to recover revenues after the crisis.

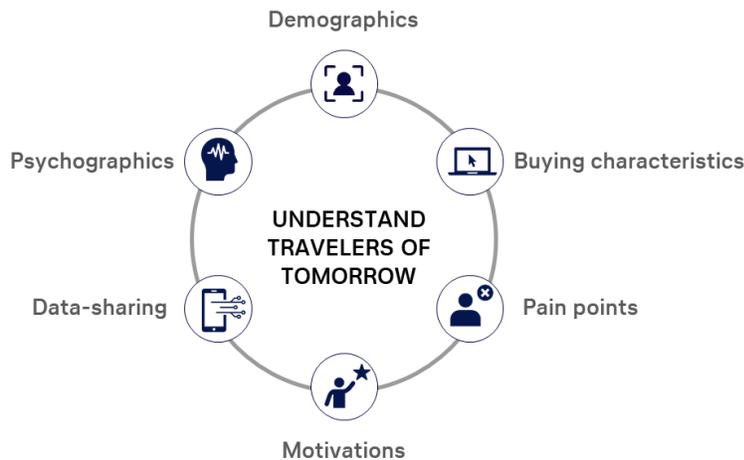
How can an airline identify its customers' needs?

The key is to leverage the customer insights in order to define a strategy to evolve from the 'segments of many' to the 'segment of one'. With Lufthansa Consulting's proven 'Persona Building' approach, travelers' needs can be structurally assessed by defining an airline's target personas. Building on profound project know-how, six dimensions were defined to understand the underlying rationale of traveler choices. Powerful customer intelligence for personalized product and service enhancements can be created through the connection of the six dimensions and customer data.

²Edelman Trust Barometer 2019: Special Report on Brands We Trust



Figure 2 The Six dimensions of new Persona-Building (Source: LH Consulting)



What do travelers of tomorrow desire?

The amount of customer interactions and feedback has been extremely high since the crisis, granting access to valuable customer data. Based on these insights, airlines should radically re-think established strategic customer segments by either adapting their definition of target customers or creating a set of new traveler personas. Lufthansa Consulting has identified six key traveler demands becoming more significant after the Covid-19 epidemic:

1. **Staying healthy**
2. **Financial security**
3. **More flexibility**
4. **Memorable moments**
5. **Modular corporate offers**
6. **Reachability anywhere**

As a first step in the crisis recovery process, it is crucial to listen to the voice of the customer to identify quickly changing needs. Airlines could respond to the top six traveler demands as follows:

1. Airlines can offer more hygienic measures

Travelers are expected to be wary of infection when traveling for the foreseeable future. The implementation of automated queue management during boarding, security controls, customs and passport controls will increase customers' trust in travelling. Also, the focus on passengers' hygiene and sanitisation during the inflight experience and on ground will play a role for customers in booking future trips. With social distancing continuing to be practiced rigorously, travelers' willingness to pay for more distance on the plane is projected to increase, which is a revenue opportunity for airlines.

2. Airlines can offer insurance products

Reacting to the need for more financial security is an opportunity to explore the selling of insurances to gain customers confidence in booking trips. Also, a shift in booking channels towards the airline website could be an opportunity for airlines to gain trust as customers value direct interaction with the airline and perceive the brand as an insurance for booking future trips.

3. Airlines can offer relevant products

Customers will require more flexibility and appreciate modular products, fulfilling their individual needs. The willingness-to-pay for selected services is expected to be higher than for full-fledged bundled fares, for example optional flexible fare conditions across all booking classes.

4. Airlines can offer inspirational packages

People have been under lock-down for a long period and their daily life has been restricted. Therefore, a response to the need to create moments is an opportunity to capitalize on inspirational offers, especially in the leisure segment. Examples could be inspirational packages with a focus on well-being and relaxation.

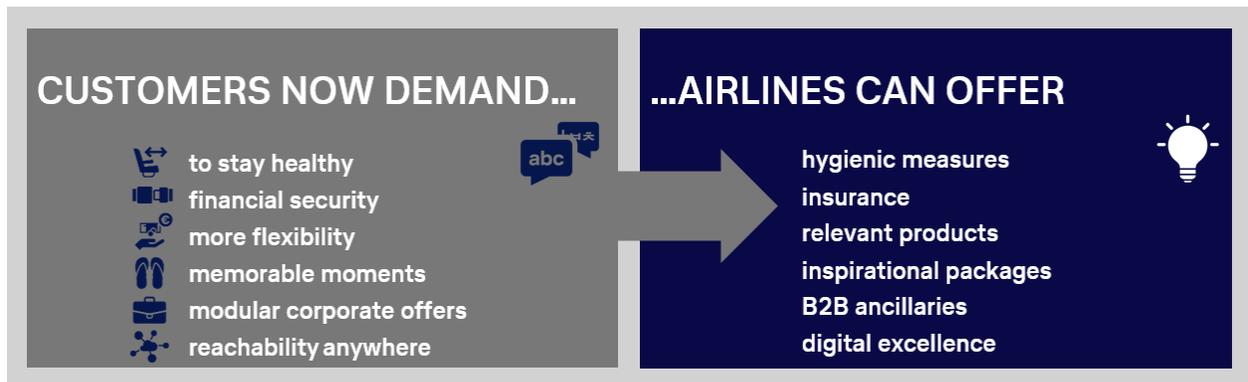
5. Airlines can offer B2B ancillaries

In a recent study by the Global Business Travel Association, 80% of travel managers surveyed indicated they would shift to alternative solutions to flying for business trips. This is particularly true as the crisis delivers experience on the scope for remote work and digital communication³. Hence, future revenue management strategies should consider personalization for B2B segments, creating business travel incentives through more modular corporate fare offers. Options to play with could be lounge access, refundability, changeability of the ticket and seat reservation.

6. Airlines can focus on digital excellence

Despite the lockdown, airlines can reach out to passengers offering individualized content, services and products via digital touch-points. Enhancing digital services, e.g. self-services or mobile services, is essential to trigger customer interaction as research of the Lufthansa Innovation Hub has shown that airline app downloads are quickly rising despite the remaining travel restrictions⁴.

Figure 3 Top six traveler demands & airline response options (Source: LH Consulting)



How can these ideas drive long-term sustainability after the crisis?

Lufthansa Consulting's research has shown that light personalization through greater variety in persona-specific bundles and broader ancillary offers unlocks additional potential of up to 8% increase of fare-related revenues. Airlines could leverage the concept of static fare bundles by introducing market-specific bundles of services at different prices. This builds on the recent trend of "basic economy" fares without checked baggage, creating a broader product portfolio.

³ <https://www.gbta.org/blog/coronavirus-is-decimating-entire-global-travel-industry-travel-comes-to-a-halt-across-the-globe/>

⁴ <https://travelandmobility.tech/how-long-will-the-coronavirus-torture-the-travel-industry/>



The ultimate goal is to offer personalized and innovative products through fully dynamic bundles across channels and touchpoints. This flexibility enables airlines to serve changing customer needs and maximize revenues by capitalizing on the individual willingness to pay despite challenging post-Corona times. With a constant content attribution testing in real-time, well-designed personalized offers are ensured. According to the Harvard Business Review, personalization can deliver five to eight times the ROI on marketing spend and increase sales by 10%⁵.

Conclusion

Personalizing the customer experience to regain customer's trust in travelling and booking future trips allows revenue recovery as a way out of this crisis. This can be achieved by identifying the customers' needs by utilizing the proven 'Persona Building' approach to understand the prevalent changes in customers demand. Airlines could address these demands by introducing a broader ancillary portfolio through further unbundling or by leveraging the concept of static fare bundles to offer customer centric products with market-specific prices. The ultimate goal is to offer personalized and innovative products through fully dynamic bundles across channels and touchpoints. Therefore, starting to build the foundation for customer-centric capabilities on an airline's technological and organizational level is essential to gain a competitive advantage, recover revenues and ensure long-term sustainability in turbulent times.

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Further insights from Lufthansa Consulting's aviation experts are available at <https://www.lhconsulting.com/insights/news/>

*To learn more and discuss how your organization could benefit from Lufthansa Consulting expertise on Crisis Recovery, please get in touch: ALcrisis-solutions@LHConsulting.com. **Together, we can make it through to better days.***

⁵ <https://hbr.org/2015/11/how-marketers-can-personalize-at-scale>