

WHY CONNECTIVITY IS KEY FOR LOW-COST AIRLINES TO BOOST ANCILLARY REVENUE

Duty free sales growth is at an all-time high and airports that have invested in their shopping facilities are expected to be big winners over the next decade. But what about on-board sales?

While research suggests that airport sales will grow on average 6.8% per annum over the next decade, sales in the air are actually forecast to fall by -1.5% each year.

That's a big concern for low-cost airlines that want to capitalise on ancillary revenue, especially as on-board sales are not yet predicted to experience the kind of turnaround that has been seen on the ground.

But it was only a few years ago that a global drop in airport retail worried many within the industry. However, airports have improved to the point where record growth is now expected, higher even than what was seen over the last two decades.

The potential is certainly there for on-board sales to experience a similar turnaround, but that potential needs to be unlocked with new strategies and fresh thinking.

Ancillary revenue is key to low-cost airlines that want to offset the price of seats to keep costs down. So what can they do to match the match efforts of airport retail and improve on-board sales?

GET OPTIMISED

Low-cost airlines need to make key strategic decisions if they want their on-board offerings to become more profitable. The good news is that inflight retail innovation can help to achieve this goal.

Firstly, there are a number of reasons why shoppers currently prefer to spend more money in the airport rather than during their flight that need to be addressed.

Compared to the experience on the ground, on-board retail can be seen as tired and dated. Choices are often reduced, and the shopping experience may be diminished. It can also be difficult to change passengers' perceptions, and this may well be one of the reasons why the biggest on-board sellers, perfume and alcohol, have not changed in decades.

Low-cost airlines that embrace connectivity and make use of the latest technology can move beyond these stereotypes. For example, selling onwards travel or event tickets can be an attractive option for passengers eager to reach their destination.

The ability to connect with passenger CRM systems and inventory management solutions also solves the problem of limited space for stock. Ensuring that items that are likely to be in demand, based on data collected on passengers and previous flight information, is simple when data is optimised.

Additionally, passengers can be targeted with personalised offers based on previous purchases. Crew can also upsell and suggest pre-orders for passengers to make for their return flight.

Food and beverage choice can also be improved, with fresh items produced to a high standard more likely to give passengers the 'wow factor' than pre-packaged selections.

THE DATA CHALLENGE

In many ways convenience is king for today's savvy shopper. Consumers that are used to modern shopping environments and online stores will have high expectations, and that's why JD Power found that passengers who are very satisfied with an airport tend to spend up to 45% more in retail outlets.

The good news for low-cost airlines is that many already collect lots of data, which is a key starting point to improving the relevance of their on-board offerings and providing a convenient service that passengers will enjoy using.

Smarter use of data is crucial if airlines are to move away from selling limited ranges to selling almost anything – and in more sophisticated ways. Airlines can switch from encouraging unlikely impulse sales of generic products, and instead become modern online stores offering everything from onwards travel tickets and destination activities to items to pick up on the return journey.

CHANGING THE GAME

Creating more attractive retail options will require airlines to make strategic choices. For example, getting product choice right will be especially important if low-cost airlines are to compete with the more mature retail models in use at airports.

Better use of data offers increased flexibility to target offers and messaging. When you know more about your passengers, you can better tailor the service depending on class, flight demographic or destination.

Passengers already on their journey should be well-informed on destination-related services creating the potential for carriers to be major retailers of last minute inventory, onwards travel and destination experiences.

Having the ability to offer these services has the potential to change customer behaviour, taking the stress out of last-minute shopping and allowing passengers to instead enjoy the on-board experience – and making them more likely to spend on other products.

GETTING IT RIGHT

It will come as little surprise to hear that competition is fierce among low-cost airlines, and the added pressure of passengers becoming more likely to make their purchases in the airport, rather than on-board, is a worrying trend.

But with the right application of technology, many airlines can use the data they likely already have to make innovative changes. Making data work hard is the key to offering the convenient and effective service that passengers expect.

Advances in technology have improved connectivity to such a degree that optimising stock based on customer and flight data is a simple but effective task that can improve on-board sales dramatically.

We provide both the back-office solution that can help airlines capture and structure their sales data and the Point of Sale (POS) solution and hardware that is crucial for crew to deliver great customer service and identify upselling opportunities.

As well as managing the logistics behind flight operations, our **NovoStar Back Office** integrates with airport and third-party systems, such as, ERP, WMS, passenger CRM, and catering.

Meanwhile, **NovoStar POS** provides an intuitive system that prioritises customer service. It ensures food and beverage, duty free, virtual product and other sales are handled efficiently, combining detailed and relevant passenger information to the crew who can use the information to upsell in a manner that feels personalised.

If you'd like to find out more about on-board retail innovation or speak to our team to find out how you could benefit from improved connectivity and the latest technology, contact jon.hall@onboard-retail.com or call +44 (0) 7768 145226.