“Is it worth it?“ Efficiency and Utility are Key to Channel, Customer, Intermediary Value Management

- Is the channel, the intermediary, the account, the customer worth chasing?
- Will airlines recognize and pay up for better yielding/lower cost channels and customers?
- Will passengers pay up for the best reliability, service quality and on-time performance?

After decades of clearing away the low-hanging fruit of inefficient inducements, airlines are looking to analytics -- deep inspection of search and availability inquiries, PNR data and XML transaction streams -- to identify, consolidate, cultivate and incentivize best distribution practices/accounts/customers, to find and recognize best channels and customers, and to ferret out even further inefficiencies. Analytics are worth it.

Likewise, airlines are embracing retail merchandising to improve prices and closing rates. Moving customer identity closer to the offering airline – even on intermediary sales -- allows personalization to become part of the offer. Employing multiple-discriminant pricing (in the product, service and terms dimensions) achieves ‘best lead price’/’best raw demand’, with personalized ‘willingness to spend’ an additional avenue for upsell. Retail best practice is worth it.

It will not appeal to those for whom loyalty programs have been too rich for too long, but FT program economics benefit when churn is dis-incentivized. ‘Real best customers’ are recognized and benefit from enhanced, personalized Customer Value Management efforts. Mileage runners are not worth it.

Operational analytics will reform airline production processes and passengers will benefit from the emergence of real efficiency, utility and service competition. High time value customers will be able to decide whether to choose and pay up for the quickest enroute, most reliable, service delivery and quality, and on-time performance. Both the cost savings to the airline and the productivity and utility benefits to most valuable (as well as infrequent) passengers are worth it.

Unbundling and personalization are lightning rods for criticism, but lower basic service costs, can economically shift the demand curve to a lower price point stimulating greater raw demand, and create via an added services dimension the potential to realize yet further revenue from follow-on sales of ancillary services desired by many travelers. Unbundling creates an additional dimension of sales opportunities, checks more boxes under the demand curve, and realizes more of spectrum between basic ‘lead price’ and front cabin premium seat and upsell-service potential revenue. The risk is worth it.

Airlines are focusing on simplifying and scaling web-oriented presentations for the limits of mobile screen real estate to leverage the inexorable move towards mobile, while preserving web-resident rich media sales tools. The use of new/rich media channels and best retail practice incentives enhances the demand/supply equilibrium and improves the revenue mix. Beyond brick-and-mortar and fixed desktops, mobile provides a real-time/anyplace merchandising platform – the web-based ‘app’ is the new retail frontier. Development is worth it.

While fresh-start ULCCs focus primarily if not purely on own-distribution, legacy carriers recognize the majority of their transactions originate from legacy platforms. Airlines recognize enduring legacy distribution roles, while promoting revenue vs. cost efficiencies to metadata aggregators, OTAs and TMCs. Channel efficiency is thus a mission-critical objective for both airlines and intermediaries (if they are to remain relevant) and 'Intermediary Value Management' cultivation efforts will continue. Preserving intermediary channels is worth it.

The most efficient aggregators, OTAs and TMCs will have roles and grow, though their 'unicorn' valuations are unrealistic and are unlikely to survive without creative and expansive pivots. Those ethereal multiples are not worth it.

Airlines will use 'Top Travel Search and Sales' analytics to focus the organic and synthetic network planning process, reduce cycle time and risks on carrier and alliance/JV network development and hone fleet planning. That said, we will never see an A380 in U.S. carrier livery. The capacity risk is not worth it.

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