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Airlines only beginning to tap into mobile growth potential

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This article is based upon a report issued by IdeaWorksCompany.

Few airlines are making the most of the bookings and ancillary potential of mobile platforms according to a report.

Initiatives by those airlines at the lead show that mobile-first strategies can work exceptionally well.

The IdeaWorks and CarTrawler report points to the rising trend of consumers preferring mobile interactions, with 3.5% more mobile phone accounts than there are people in the world. As the authors write:

“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% of the population have used smartphones to buy products, and this jumps to 51% within developing countries. Overall payment rates are highest for China, India and Japan.

“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.”

Authors cite a 2017 eMarketer study showing that 140.3 million US adults will research a trip online and 101.4 million will do so on their smartphones.

It also projects that digital travel bookings in the US will have reached nearly \$190 billion for 2017; with 40% of those bookings being made on mobile devices.

A separate study by Juniper Research predicts that 1.5 billion mobile boarding passes will be displayed by the end of 2019, or one for every three passengers expected to fly.

Considering the importance of mobile to airlines, airlines could be doing more to advance their mobile applications and to make the most of platforms already deployed. IdeaWorksCompany reviewed performance of the top 10 low cost carriers in terms of their mobile applications for Android and iPhone, as a complement to a previous report for the world's largest 25 airlines.



Honorable mention

Of those 15, three failed to mention their mobile application on the home page; four airlines provided a simple text-style link at the bottom of the page; six of them displayed the App Store and Google Play logos with a link; and only two used a banner-style ad to promote their mobile apps.

Vueling is credited for making the biggest effort to promote their mobile app, while others neglect theirs. IdeaWorksCompany offers up the example of JetBlue's confusing messaging by stating that double point frequent flyer bonuses only apply to bookings made "directly on jetblue.com" when in fact the airline's help desk confirmed that the bonuses also apply to bookings made on the app. In this case, it would seem that JetBlue is steering customers away from mobile-first transactions.

"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.”

Ancillary Gap-ortunity

Those airlines offering a la carte items on their mobile apps are by and large favoring assigned seating, while other ancillaries to simplify the journey such as priority boarding and Fast Track security are only available on three of the airline apps on the list.

These ancillaries categories give airlines an opportunity to differentiate themselves from OTAs and Metasearch sites, IdeaWorksCompany finds, with details listed for ancillaries by those channels vague or limited.

“When the topic is ancillary revenue, airlines maintain a significant mobile app advantage over all other players.”

Mobile Spring

One example of significant growth driven by a mobile-first approach included in the report is Pegasus Airlines, which had recorded more than 4 million downloads of its mobile application by February of this year. The airline has experienced an overall mobile booking share (via mobile website and mobile app) has over 90% annual growth rate (CAGR) over the past three years. Mobile accounts for 20% of total airline sales and the app represents 65% of the mobile share.

Pegasus is not the only regional and low-cost carrier to experience dramatic growth from mobile. Earlier this month, airBaltic reported a 60% increase in the number of mobile bookings in 2017, with the share of bookings made from mobile devices increasing by 30%. The airline has accomplished this without developing a separate app.

Jouni Juhani Oksanen, SVP e-Commerce, Sales and Marketing of airBaltic said of the results:

“Our continuous iterations to improve mobile experience have come a long way and are showing strong results as a significantly larger share of passengers now choose to book trips using a mobile device.”

“In order to provide the easiest booking process, we do not require our passengers to download an application. Instead, we offer to conveniently book trips using our website.”

According to IdeaWorksCompany, Pegasus can also lay claim to a longer than average lifespan for its app on mobile devices. The airline has 700,000 users accessing the app month-to-month and 42% of consumers keep using the app for at least a month after installation, above the travel industry average of 38%.

For reference, IdeaWorksCompany reports that the average use rate for the travel industry as a whole drops to 25% on the second month after downloading and to 20% after the third month.

Branded Fares

IdeaWorksCompany suggests that branded fares and fares unbundling—common pricing tools among low-cost carriers—are well suited to mobile purchasing because they simplify the decision-making process for bookings.

“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.”

As an example of good design, IdeaWorksCompany presents Norwegian’s “compare fare types” screen which shows fare features including hand baggage, checked baggage, seat assignment, Fast Track availability, onboard Wi-Fi, as well as fees and fares policy details.

Ryanair is also credited as having good retail flow and UX that encourages consumers to buy options, including discounts for pre-paid baggage. The airline also offers customers an intuitive way to opt-in to buying better seating through its seat selection feature.

“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.”

Side Dishes

Pegasus has also integrated its popular onboard food service into the app retail flow, making it easier for consumers to order their meal in advance from the Pegasus Café, immediately following seat selection. The thumbnail image can be expanded for full details of the meal including a detailed list of ingredients and sides as well as the price.

“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.”