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## **Airline Revenue Innovations: A Global Sample of the Coolest Products and Services**

Eight new ideas by airlines all over the globe: AirAsia, Cathay, Delta, easyJet, Eurowings, Emirates, Jetstar, United

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# Airline Revenue Innovations: A Global Sample of the Coolest Products and Services

*Eight ideas by airlines all over the globe: AirAsia, Cathay, Delta, easyJet, Eurowings, Emirates, Jetstar, United.*

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## About Jay Sorensen, Writer of the Report

Jay Sorensen's research and reports have made him a leading authority on frequent flyer programs and the ancillary revenue movement. He is a regular keynote speaker at ancillary revenue and airline retail conferences and has testified to the US Congress on ancillary revenue issues. His published works are relied upon by airline executives throughout the



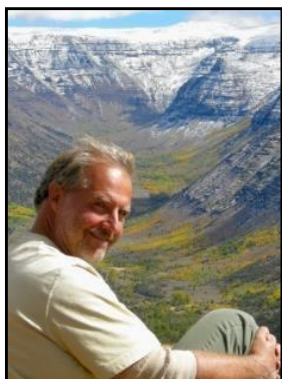
Jay with sons Anton and Aleksei at Artist's Point in Yellowstone National Park.

world and include first-ever guides on the topics of ancillary revenue and loyalty marketing.

Mr. Sorensen has 38 years experience in product, partnership, and marketing development. As president of the IdeaWorksCompany consulting firm, he has helped boost airline revenue, started loyalty programs and co-

branded credit cards, developed products in the service sector, and helped start an airline and other travel companies. His career includes 13 years at Midwest Airlines where he was responsible for marketing, sales, customer service, product development, operations, planning, financial analysis and budgeting. His favorite activities are hiking, exploring and camping in US national parks with his family.

## About Eric Lucas, Editor of the Report



Eric Lucas is an international journalist whose work has appeared in Michelin travel guides, Alaska Airlines *Beyond Magazine*, *Epoch Times*, *Westways* and many other publications. Founding editor of *Midwest Airlines Magazine*, he is the author of eight books. Eric has followed and written about the travel industry for more than 30 years. He lives on San Juan Island, Washington, where he grows organic garlic, apples, beans and hay; visit him online at [TrailNot4Sissies.com](http://TrailNot4Sissies.com).

Eric, at his favorite summer retreat, Steens Mountain, Oregon.

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## Airline Revenue Innovations: A Global Sample of the Coolest Products and Services

### REINVENTING STARBUCKS

I always seek out examples from outside the airline industry to help us better our business. Starbucks is an excellent source of inspiration because it's profitable, growing, and global. The two words in the heading above define the current mission for Starbucks. Leadership realized its market changed during the pandemic, and that the company had strayed from its core beliefs.

Starbucks is embracing change to define a path forward. Likewise, the innovations in this report describe how airlines all over the world are reinventing their services to be distinctive, more profitable, and industry leading.

The process of reinvention begins with an excellent definition of what you aspire to be; this identifies your destination. Frank Britt, EVP and Chief Strategy and Transformation Officer provided a tour-de-force description of the Starbucks mission and brand during their 2022 Investor Day:

***“We're a human connection company that uses coffee as our medium to enable that to happen at scale, and that is the essence of the brand of Starbucks. And that is why we are always quite declarative that we are a premium coffee company. We are not a food company. We're not even a beverage company. We're a premium coffee company because that is the soul of the company.”***



*This Shanghai retail “lab” location field tests new store designs and operating methods to reduce waste. Image: Starbucks*

Let's review some of the major changes this company has experienced. Among Starbucks customers, 70 percent now seek a cold coffee beverage, 50 percent use drive-through facilities, 25 percent of orders occur through the mobile app.<sup>1</sup> Concurrent with this, its employees are joining unions. The company's chief marketing officer readily admitted:

**“Our stores were built for a different era, an era that didn't anticipate the volume and complexity of the business that we would see today. And that is why we are reinventing.”**

It's a clear-eyed confession which provides direct marching orders for the need for innovation. Premium coffee and product innovation comprise the strands of the company's DNA. Starbucks has numerous concept stores and coffee labs around the world to identify new technologies. The Tryer Center on the first floor of its headquarters building in Seattle is a 20,000 square foot ideas lab. It has rapidly reconfigurable store layouts, product development and testing areas, a working drive-through window, and 3-D printing to fulfill the company's “ideas to action in 100 days” mantra.<sup>2</sup>

By comparison, the research and development methods of many companies are often accidental, undefined, unfunded, and only utilized when required by crisis. Starbucks uses a diligent, disciplined, and robustly funded approach designed to create a continuing pipeline of results. For example, the Tryer Center conducts its research using actual frontline employees in the research and development process. There is much to learn from the Starbucks example, along with the eight airlines and the ideas presented in this report.

## 1. AIRASIA CHANGES TO CAPITAL A

Capital A is the new name of AirAsia Group. While Starbucks is singularly focused on its roots as a premium coffee company, Capital A is undertaking a significant change by becoming an Asian conglomerate. It's an approach distinct from Starbucks and very different from the airline industry as well. In January 2022 the group announced it would become “more than just an airline.”<sup>3</sup> This represents innovation on a group-wide scale.



*Branding statement at the Capital A website.*

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<sup>1</sup> Brady Brewer, CMO and EVP, Starbucks, Starbucks 2022 Investor Day transcript.

<sup>2</sup> “Inside the Tryer Center, the Starbucks lab where anything is possible” Starbucks.com page reviewed January 2023.

<sup>3</sup> AirAsia Group is now Capital A, press release dated 28 January 2022 at AirAsia.com.

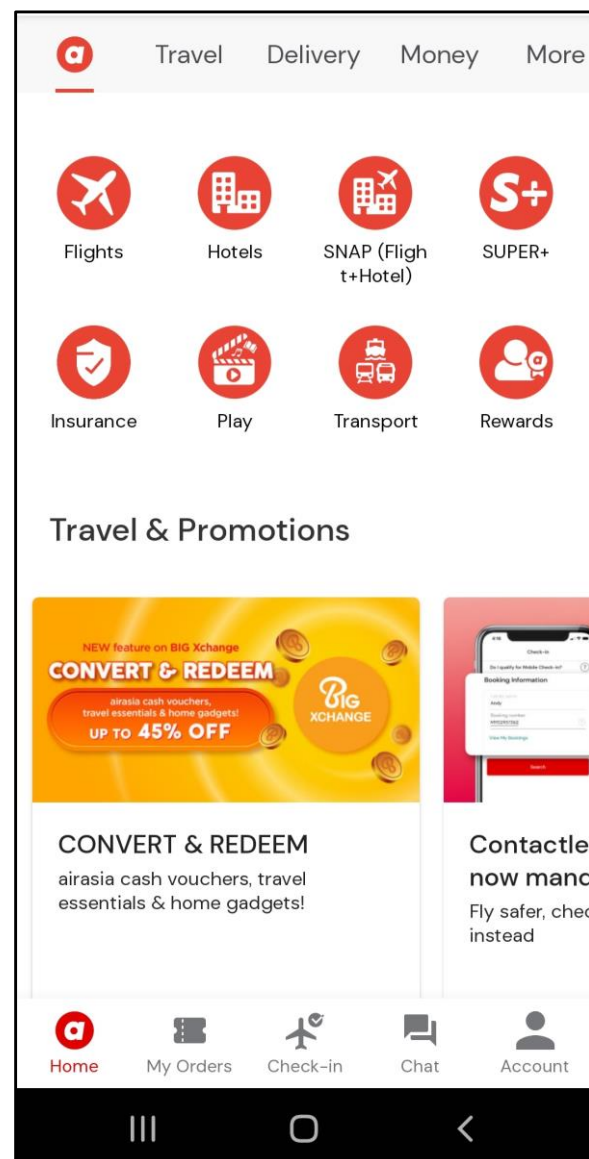
The endeavor focuses on the AirAsia Super App which intends to combine a wide variety of retail and media activities. This is definitely a work-in-progress in which the company has bet its future on the ambition “To be the top online travel agent in Asean,” according to Tan Mai Yin, CCO, AirAsia Super App.<sup>4</sup> The acronym refers to the nations of Southeast Asia, which covers 10 member states. Capital A wants to go beyond a loose-knit affiliation of companies in finance, logistics, air travel, catering, airport operations, online grocery, and venture capital, to a customer-facing powerhouse. It’s a huge goal.

As of the 3<sup>rd</sup> quarter of 2022, revenues produced by the four airlines and associated companies under the Aviation Group banner comprise 88 percent of Capital A revenue.<sup>5</sup> That leaves 12 percent from non-aviation businesses, which is far from the 50 percent level Tony Fernandes, CEO of Capital A, anticipates by 2026.

Usage numbers for the Super App are impressive with 10 million monthly active users and annual gross booking value of approximately \$2.5 billion. But this is far below mega-OTAs Trip.com (China) and Booking Holdings which each exceeded gross bookings of \$75 billion for 2021.

The flight booking function aggressively seeks to provide OTA-style availability with access to more than 700 airlines and more than 700,000 hotels worldwide. The

“Transport” section displays itineraries using motor coach, railway, and taxi with a focus on Southeast Asia. The SNAP promotes air-inclusive holiday packages, while Play provides online entertainment. The company has broad plans to expand retail and services selections consistent with its “lifestyle” theme.



Here's a screenshot of the AirAsia Super App home page using an Android phone.

<sup>4</sup> “How’s AirAsia Super App doing as an OTA?” YouTube video released by AirAsia on 06 September 2022.

<sup>5</sup> Capital A 3<sup>rd</sup> Quarter Results Presentation dated 30 November 2022.



Here are some of the results I found while playing with the app. You can search for ground transport between Bangkok and Chiang Mai and have the ability to book a luxury motor coach with business-class seating, first class sleeping cabins on Thai Railways, or a taxi for the 690 km (430 mi) journey. The flight search function is very good, but gaps exist. Searching a market not served by AirAsia, such as Istanbul – Singapore, yields a large selection of choices, such as nonstop flights on Turkish Airlines, or connecting flights on other airlines, which sometimes include a segment on AirAsia. But attempting a search for connections between Kuala Lumpur and Beijing Capital Airport (PEK) is impossible because only Beijing Daxing (PKX) is listed as a choice. Likewise, a search between Kuala Lumpur and Sydney only displays a solitary AirAsia X flight; a similar search on Expedia displays 14 additional possibilities on other airlines.

The conversion of AirAsia Group into a conglomerate meeting the many wants and desires of everyday consumers will be a unique and challenging journey for Capital A. There may be a pot of gold at the end of this rainbow and the company will likely need the luck of an Irish leprechaun to reach it. Capital A represents a level of innovation on a scale the airline industry rarely sees; a successful outcome would be ideally positioned to serve Asia's leisure oriented, tech-savvy travelers.

## 2. EASYJET GATEWAY LOUNGE AT GATWICK

EasyJet is rare among low cost carriers (LCCs) for offering airport lounge benefits. Among network airlines, lounges are very popular. This is surprising, because airline lounges were an endangered species about ten years ago. These were largely viewed as “cost centers” because they were primarily deployed as a free amenity for business class passengers and elite tier members.

The ancillary revenue revolution changed that in a number of ways. Annual paid memberships are promoted, daily passes are sold in the booking path, and higher-fee credit cards can include lounge access. The tide has certainly changed, with global network airlines eagerly offering more lounges with better amenities. Travelers now lament how popular the lounges have become because they are often full. It is a happy problem for airlines to have.



*EasyJet's Gateway Lounge at Gatwick is a collaboration with operator No.1 Lounges and features all the usual perks such as drinks and food.*



EasyJet's Gateway lounge at its Gatwick hub opened October 2021 and offers complimentary hot and cold food, freshly prepared and served to guest tables, alongside a range of self-serve side dishes and hot and cold drinks.<sup>6</sup> It's a fee based lounge with passes available for 1, 2, and 3 hour visits starting at £18.99.

Recently the airline has been experimenting with including lounge access as an amenity for passengers buying its business travel oriented Flexi Fare. The airline began offering access to Flexi Fare travelers in September 2022 for a limited period. This benefit was extended through March 2023. It's fascinating to watch a low cost carrier adopt the methods of global airlines to attract business travelers. AirAsia was an early adopter among LCCs with its Kuala Lumpur lounge which opened in 2016. I believe more LCCs will launch branded lounges based upon the double benefit of generating ancillary revenue and attracting more business travelers. Might we someday see branded concepts from Southwest, JetBlue, and dare I say . . . even Ryanair?

### 3. EMIRATES WORLD RETAIL EXPERIENCE

Emirates enhanced its primary Dubai retail location at the end of 2022.<sup>7</sup> Airline ticket offices once routinely graced the central business districts of the world's major cities. The large facades carried the airline logo in giant size and a large display window would feature a model aircraft. But this was the limit of the retail effort – it was an expensive location for the issuance of paper tickets. This was not a resilient model for the digital age. The trend for self-service infatuated the industry for decades with some airlines experimenting with a physical presence to boost awareness and sales.



*His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive, Emirates Airline and Group, and Adnan Kazim, CCO of Emirates Airline view the premium economy seat, one of the many experiences and displays at the Emirates World retail store.*

<sup>6</sup> "easyJet opening doors to its first airport lounge at London Gatwick Airport" press release dated 20 October 2021 at easyJet.com.

<sup>7</sup> "Emirates reimagines retail travel experience with official debut of 'Emirates World' in Dubai" press release dated 28 November 2022 at Emirates.com.

Pop-up displays were popular among retailers and a few airlines in the 2000s. Delta Air Lines had a temporary storefront in New York City to promote its premium inflight service and global destinations for a scant 6-week period.<sup>8</sup> Gourmet snacks were served throughout the day and cocktails were offered at the “The Midnight Sky Bar” in the evening. By contrast, the Emirates’ initiative is not temporary and is far more oriented to inspire travel and help consumers plan actual itineraries.


Emirates World offers 3,000 square feet of lounge-like retail space which combines physical and virtual reality displays. Premium economy seats are on display with first class suites and the onboard lounge of the Airbus 380 aircraft rendered in a life-size presentation using virtual reality technology. Cross-trained representatives provide one-stop service for airline services, loyalty program, and vacation planning. Branded merchandise is also available for purchase from the Emirates Official Store and Costa Coffee baristas provide coffee, tea and other refreshments.

The airline plans to introduce more Emirates World locations throughout its network during the next three years. These retail stores will fall into three categories, including the full-fledged Emirates World concept, the Travel Store model, and Travel Kiosks. It seems more sales can be gained by a strategy which includes a mixture of digital and physical. Look for more airlines to adopt a style of “retail escapism” by offering immersive experiences that make travel planning enjoyable and entertaining, coupled with skilled and personalized service.<sup>9</sup>

#### 4. EUROWINGS EMPTY MIDDLE SEAT

While offering an empty middle seat is not an innovation, Eurowings has automated the process in its booking path. Blocking the middle seat is an expedient method for LCCs to create a premium seating zone to attract business travelers. It mimics the “business class” seating provided by sister carrier Lufthansa on short- and medium-haul flights in Europe.

Book a seat upgrade for your flight:



You can book one free middle seat per passenger. Please select:

Middle seats: − **1** +

Price pp  
for your oneway flight

€25

Select seats

*No call required, or waiting until airport check-in. The choice of having an empty middle seat represents the first step of the assigned seating process in the booking path.*

<sup>8</sup> “Delta Brings Award-Winning In-Flight Experience from the Skies to the New “SKY360° by Delta” in New York City” 02 October 2007 press release at Delta.com.

<sup>9</sup> “Forget Retail Therapy. Welcome to Retail Escapism” article dated 12 December 2022 at TotalRetail.com.


The easiest way to add the empty seat option is to promote its availability just prior to boarding at the airport. Customers can request the guarantee of an empty adjacent seat and the gate agent can quickly determine if a seat can be blocked for a fee. Another method offers the feature through the call center. For example, Lufthansa also offers a vacant neighbor seat service in economy, but consumers are required to call to request it. Revenue management determines if the sale is advantageous, and the call center agent then blocks the seat.

Under every method, good practice requires cabin crew to enforce the blocked seat for the benefit of the passenger who booked it. Head rest covers notating “blocked seat” or “keep empty” should be used to reinforce the message to mitigate conflict in the cabin.

Eurowings keeps the product offer very simple. It does not promise early boarding or other perks such as free drinks. Surprisingly, it can be purchased with any of its branded fares, from Basic to Smart. Prices start at €10 and fees were observed to vary based upon demand on a specific route. Eurowings dedicates rows 1 through 3 to a business class which includes fast track and hot snacks. The empty seat service allows the airline to generate more revenue from passengers who desire more comfort, but are unwilling to splurge on a business class fare.

## 5. JETSTAR FARECREDIT CANCEL OPTION


Jetstar sells Flex and Max bundles which allow fee-free changes and cancellation of bookings. The base Starter fare and Plus bundle are not refundable (limited exceptions apply under law) and impose fees for reservation changes. Just prior to making payment in the booking path, Jetstar offers the FareCredit option to consumers who have selected these restricted fares. This provides credit for the fare and a la carte options when they cancel a booking for any reason. FareCredit is fulfilled as a travel voucher and does not provide a cash refund. It’s an effective way to encourage additional spending from consumers before they close the transaction.



### With FareCredit you're covered when plans change

When you add FareCredit to a flight, you can get a credit voucher for the value of the flight, plus any in-flight extras.\*\*

From  
**\$14.50**  
per passenger, per flight

[Terms & Conditions](#) 

[Add FareCredit](#)

*FareCredit appears in the booking path on the “Review and Pay” page just before the place where consumers enter credit card details.*



The traveler is required to cancel the reservation before their flight opens for airport check-in, which is typically 3 hours before departure (more clarity for consumers would be helpful here). The airline issues the voucher within 24 hours via email. Voucher validity is a generous 3 years for original bookings made on Jetstar Airways (Jetstar Japan: 6 months, Jetstar Asia: 18 months). The amount paid for the fare and optional extras is protected, while these items are not: accommodations, car rental, and travel insurance.

I queried a number of routes to assess how FareCredit is priced. On the low end of fares, such as AUD 43 (\$29) FareCredit was priced at AUD 14.50 (\$10) which is approximately 34 percent of the fare. For a much higher fare, such as AUD 1,818 (\$1,220) FareCredit was priced at AUD 111.60 (\$75) and this is approximately 6 percent of the fare. The percentage drops as the fare increases. Surprisingly, adding a la carte items to the shopping cart did not affect the FareCredit calculation.

“Cancel for any reason” became a popular travel insurance offer during the pandemic. FareCredit effectively provides the same guarantee with a minimum of terms and conditions. Placing the offer at the end of the booking path provides one last bit of caution for consumers who have purchased a basic fare. They can start the process over and opt for a higher-priced bundle which includes change and cancellation provisions. Or they can complete their booking with more knowledge of the risks they have agreed upon. An educated consumer is the best customer.

## 6. UNITED CLUB FLY AT DENVER

United surveyed its airline club and lounge visitors and found that more than 54 percent want to take food or drinks to go.<sup>10</sup> That prompted the airline to create the Club Fly grab-and-go concept which was introduced at Denver International Airport in November 2022. It's great to see this idea finally take flight. Back in 2009, I proposed a similar “AirTran Pit Stop” as part of a project for the former AirTran Airways. United's plan goes much further with a wide array of amenities.



*Quick trip. The market-style club features a variety of non-alcoholic drinks, premium snacks and even a favorite barista-made coffee beverage.*  
Image: United

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<sup>10</sup> “United Customers Can Grab-and-Go at New Airport Club in Denver” press release dated 07 November 2022 at United.com.

Club Fly has a smaller footprint than a traditional lounge. The design does not encourage travelers to linger (only 16 seats) and is perfect for Denver's many connecting passengers. Access to Club Fly is available to United Club members, travelers in premium cabins flying internationally, and United Club one-time pass holders. This is a self-service location and travelers scan their boarding pass at the automated entry gates. Travelers may choose from a free selection of premium and portable food options, such as sandwiches, salads and wraps, yogurt, vegetables, fruit and more. There's a barista for coffee drinks, and a self-service beverage counter. There's no check-out, travelers simply walk through the exit turnstile.

Denver is the only current Club Fly location and United will learn much from what in reality is a laboratory for future locations. Grab-and-go can reduce crowding at traditional lounges and this improves the experience for everyone. It provides a tangible reason to choose United over another carrier for itineraries which require a flight connection. This is an idea that could leap beyond United's network to other carriers and may represent a very attractive concept for LCCs seeking more business travelers.

## 7. LIFE ELEVATED WITH CATHAY

"Cathay" was introduced as a new premium travel lifestyle brand in association with Cathay Pacific in July 2021.<sup>11</sup> It seems similar to AirAsia's Super App initiative, but Cathay takes a softer, less technological, and more upscale approach. Furthermore, the brand also refers to the airline within the Hong Kong market, whereas Cathay Pacific will continue as the airline brand globally. This is a unique approach for airline marketing, and it has the feel of being an ongoing experiment as Cathay Pacific Group flies a path out of the pandemic, which includes determining Hong Kong's future role in Asia.

The initiative has grown steadily with successive new categories of products. First to arrive just days after the July 2021 brand announcement was a new collection of co-branded credit cards bearing the Cathay brand.<sup>12</sup> This was soon followed by an August 2021 introduction of restaurant dining benefits such as mileage accrual for digital payment to include settling a dining check with a mix of money and Asia Miles.<sup>13</sup> Just two months later, in October 2021, Cathay introduced a 10,000-item online shopping platform.<sup>14</sup> Following an established pattern, purchases accrue Asia Miles and payment can be made with a mix of money and miles.

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<sup>11</sup> "Life elevated with Cathay – a new premium travel lifestyle brand" press release dated 05 July 2021 at CathayPacific.com.

<sup>12</sup> "Standard Chartered, Cathay and MasterCard deepen cooperation with launch of a brand-new range of MasterCard Credit Cards" press release dated 08 July 2021 at CathayPacific.com.

<sup>13</sup> "Cathay and OpenRice present a brand new dining and digital payment experience" press release dated 17 August 2021 at CathayPacific.com.

<sup>14</sup> "Introducing a new shopping experience with Cathay" press release dated 21 October 2021 at CathayPacific.com.

Wellness and health insurance was added as a category in February 2022.<sup>15</sup> In collaboration with Cigna Hong Kong, health insurance could now be purchased with Asia Miles, or miles could be redeemed for services. Loyalty members may accrue miles through the mobile app for completing daily wellness goals as a free benefit. Those choosing to insure through Cathay will accrue bonus miles for completing wellness goals.

Later in 2022, the Asia Miles loyalty and Marco Polo recognition programs were merged under a single Cathay membership program in August.<sup>16</sup> The heretofore categories of co-branded credit cards, dining benefits, shopping platform, and health insurance, would now operate under the single Cathay brand for the program's 12 million members.



Cathay opened an “experiential retail space” in December 2022 which can be

*Cathay has made shopping a key element of “Life Elevated with Cathay.”*

viewed as a physical manifestation of all this activity.<sup>17</sup> The store is located in Hong Kong's Cityplaza and features merchandise to “showcase the very best of the premium travel lifestyle that Cathay represents.” Shopping is enabled by Cathay's app which allows consumers to scan items to an in-app shopping cart and pay by credit card . . . or of course, a mix of money and miles.

The preceding paragraphs have reviewed the breathless advance of marketing initiatives undertaken by Cathay. It's a lot for consumers to digest and for the company to deliver. Cathay is certainly on a mission to redefine itself and is betting “all its chips” to be Hong Kong's hometown airline, and much more. In an industry which is moving to serve price-conscious consumers, Cathay hopes the focus on upscale travelers will allow it to maintain their unique competitive advantage.

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<sup>15</sup> “Begin your wellness journey with Cathay and enjoy premier health coverage from Cigna” press release 16 February 2022 at CathayPacific.com.

<sup>16</sup> “Enjoy an elevated membership experience with Cathay” press release dated 17 August 2022 at CathayPacific.com.

<sup>17</sup> “Elevate your shopping experience with Cathay's first retail space” press release dated 02 December 2022 at CathayPacific.com.



## 8. DELTA – STARBUCKS REWARDS PARTNERSHIP

This report began with Starbucks and will end with Starbucks as its final example of innovation. Sometimes marketing ideas are simply sitting there for all to see and the benefit accrues to merely putting two parties together. In this example, customers of both companies enjoy rewards in the other program. The objective of creating daily member engagement with a loyalty program has been around for decades. For ultra-elite travelers, a roundtrip might occur every week. For most, the frequency is far less. Frequent flyer programs try to fill in the gaps with partner activity.

Co-branded credit cards promise more activity with everyday purchases accruing miles. I've always thought the behavioral link between shopping at a convenience store and eventually accruing miles or points in one big monthly credit card statement event was weak. Yes, the member appreciates earning a couple thousand miles, but the issuing bank is positioned between the purchase and accrual events. That's why airlines eagerly seek partners where the accrual link is direct. Traditionally these have been petrol companies and grocers. Landing Starbucks, with its vast armada of daily coffee imbibing consumers, is truly a marketing coup.

The best partnerships are those in which both partners generate benefits and are excited by the opportunity. As the below table demonstrates, Starbucks and Delta are giant global enterprises. But they are very different. Starbucks has billions of annual customer visits, with each generating \$6 of revenue. Delta has far fewer customers, but at a far higher level of per-customer revenue. I admit, this is a simple comparison based upon "company revenue" which contains activity not tied to customer visits or passengers carried . . . but still, this is a compelling statistic.

Comparing Goliaths: Starbucks and Delta Air Lines		
	Starbucks	Delta Air Lines
<b>Annual Revenue</b>	\$32.3 billion	\$50.6 billion
<b>Weekly Customers</b>	100 million retail visits	3.29 million passengers*
<b>Company Revenue per Customer Visit</b>	\$6.21	\$300*
<b>Loyalty Members</b>	58 million	136 million*
<b>Locations</b>	35,711 stores**	275 destinations
<i>Starbucks financial year ended 30 October 2022. Delta financial year ended 31 December 2022</i> <i>* IdeaWorksCompany estimate ** Starbucks operated and licensed locations</i>		

The mutual benefit is this. The Delta SkyMiles program now has contact with billions more transactions and customers. Starbucks is now associated with a travel reward program and the universal allure of rewards which are more exciting than a cup of coffee.

## How It Works

Starbucks Rewards and Delta SkyMiles are coming together to bring you more of what you love – Stars and miles! A linked account could mean more free cold brew and more beach vacations.



### Linking Bonus

150 Stars and 500 miles when you link before 12/31/22



### Travel-Day Perks

Double Stars on Delta travel days



### Everyday Earn

1 mile per \$1\* spent at Starbucks

\*Excludes taxes and gratuities. At participating stores. Some restrictions apply. 150 Stars deposited after first qualifying Starbucks purchase. For details, visit [deltastarbucks.com/terms](https://deltastarbucks.com/terms)

*A simple order, professionally brewed. The partnership is defined by two easy to understand features and was introduced with a double Stars and miles benefit to encourage adoption. Image: Delta.*

Every dollar spent at a Starbucks accrues one mile from Delta SkyMiles. When the Starbucks Rewards member travels on Delta, double Stars are accrued for Starbucks purchases. For example, the member buys a coffee and pastry at a hotel or airport on the day of travel. But the cool part of the relationship is the ability to do so much more. With good relationships, this occurs naturally; with contrived relationships – the marriage feels forced. Here are two early examples:

- Delta will add Starbucks as a Choice Benefit for its Diamond and Platinum members for 2024. Enjoying the perk of 4,000 Stars added to a Starbucks Rewards account will be one of the benefits.
- Starbucks included Delta tickets as a prize in its 2022 holiday edition of its Starbucks for Life online game.

4,000 Stars in the Starbucks Rewards program is a real windfall for members; that's 40 brewed hot coffees or 40 bakery items. Or said another way . . . days and days of tangible and tasty reminders of why members should remain loyal to Delta.



*A tradition for frequent accrual. Here is the 2017 announcement on Twitter for the Delta – Lyft ride service partnership.*

## THE PATH OF GOOD INTENTIONS

I offer this section as advice for the innovators. The words above are intended as a play on the phrase, “The road to hell is paved with good intentions.” The desire to do something new, better, or unique, will almost always create disruption for others. Therefore, it’s important to have a plan based upon the 7 steps described below and the backing of a senior executive to protect the project from an early demise.

The innovations offered in this report range from the development of a single service such as Jetstar’s FareCredit and Eurowings’ empty middle seat to the companywide makeovers envisioned by AirAsia and Cathay. I hope these airlines tested these concepts on a small scale to assess actual consumer responses and to perfect service delivery. Innovation requires airline management to forgive failures, because experimental attempts always include less-than-perfect early results. Testing on a smaller scale mitigates the size and expense of mistakes.

### 7 Steps on the Path to Innovation

1. **Assess customer needs** and consult frontline staff on initial design.
2. **Test by quiet delivery** in a small market to limit the consequences of failure.
3. **Learn from mistakes**, make corrections before larger implementation.
4. **Measure outcomes** through data collection and watching behaviors.
5. **Improve results** with frontline feedback, perfect pricing to maximize revenue.
6. **Cancel or grow** based upon meeting objectives; avoid the trap of sunk costs.
7. **Celebrate success** and acknowledge failure as the call to try again.

The participation of frontline staff is crucial for the earliest steps and necessary for the cycle of improvement. Most companies measure outcomes by financial results and observation of customers and employees is often neglected. As an example, market researchers should physically watch the path consumers take when visiting the Emirates World or United Club Fly locations.

In any series of experiments, most attempts yield failures. Too often, management is tempted by sunk costs (the amount already spent) to justify “one more attempt.” Guard against corporate pride playing a role in innovation. It is not easy to innovate and corporate culture rewards people for continuous success . . . and is unkind to those who fail, fail, fail, and finally succeed. In reality, continuous success is merely mediocrity covered by pretty packaging. Don’t be distracted and deluded by it.

I close this report with a quote attributed to Sir Winston Churchill, “Success is stumbling from failure to failure with no loss of enthusiasm.” May your many attempts yield the elusive joy of success.



A portrait of Jay Sorensen, a middle-aged man with short, graying hair, smiling. He is wearing a dark gray V-neck sweater over a light blue and white checkered shirt. The background is a blurred outdoor setting with dark, textured elements.

## Chief Revenue Officer

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Jay Sorensen's consulting work, research, and reports have made him the **leading authority** on ancillary revenue, a la carte pricing, loyalty marketing, and airline retail.

Jay has the hands-on-experience of 13 years as an airline executive and the innovative spirit of 25 years as an industry consultant. Since 1996 IdeaWorksCompany has helped 70 client companies including airlines, loyalty programs, passenger railroads, and hotel brands. Jay has presented on-site workshops in Europe, the Middle East, South America, Asia, and North America, and has issued 96 reports, 15 yearbooks of ancillary revenue, and more than 20 other publications on frequent flyer programs and travel industry statistics.

## IdeaWorksCompany clients do better.

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