



Master Class Workshop & Ancillary Assessment

Ancillary revenue — Loyalty programs — Product development

Project Objectives

- Airline learns areas of strength and concern regarding its ancillary revenue strategy, a la carte products, airline competitors, and department capabilities.
- Consultant gains background on domestic operations prior to workshop.
- Airline staff builds ancillary revenue, airline retail, and product development knowledge through a 2-day workshop.
- Workshop “Consumer-Carrier-Competition” post-it note activity reinforces awareness and builds ancillary revenue ideas using the perspectives of product strength, competitor weakness, and consumer needs.
- Department-level interaction with consultant addresses specific questions.
- Delivery of an 8- to 10-page Ancillary Revenue Assessment upon conclusion of the on-site engagement.

Consultant Activities and Itinerary

Before Travel

Consultant conducts online research to understand carrier’s ancillary revenue product design within all market groupings (1 day).

Saturday – Travel Day

Travel from the US to airline headquarters.

Sunday – Hub Observations

Arrive airline headquarters.

- This is the 1st day of passenger service observations, with a request to be accompanied by a passenger services employee for the day.
- Observe afternoon international passenger operations at front counter and gates with emphasis on bag checking and carry-on compliance. Also focus on domestic flights as well as low fare competitors. Visit carrier’s domestic lounge.

Monday – Flight Observations

- This is the 2nd day of passenger service observations, with a request to be accompanied by a passenger services employee for the day. Focus on international flights, as well as low fare competitors. Visit carrier's international lounge.
- Schedule a roundtrip flight in the afternoon to experience onboard retail methods. The outbound flight would be in economy in the back of the aircraft, and the return would be in business class.

Tuesday – Headquarters

8:00 a.m. to 12 noon

Meet with ancillary revenue team leaders to learn about carrier's booking path design and financial results of core ancillary revenue components:

- "Walk through" of booking paths for web and mobile.
- Branded fare strategy and sales data.
- Carry-on and checked baggage sales data.
- Assigned seating strategy and sales data.
- Review of other a la carte services.

1:30 – 5:00 p.m.

Executive interviews: Informational interviews, of approximately 30-45 minutes each, to discern management's objectives for ancillary revenue, organizational capabilities, brand development, and business culture.

- CEO.
- Chief Financial Officer.
- Chief Commercial Officer.
- Director, Revenue Management.
- Head of Ancillary Revenue (assess capabilities and alignment with strategy).

Anticipated interview questions:

- How does airline seek to define itself to consumers? To investors?
- What are competitive factors on primary routes?
- Where does carrier position itself (in an aggressive sense) for seeking ancillary revenue?
- Which airlines pose the greatest competitive threat regarding ancillary revenue?
- What role do premium products have among consumers in key markets? What is anticipated here for the future?
- What are your thoughts on becoming a master retailer of travel (a carrier which offers total travel solutions to include hotel, car rental, and activities)?
- What should the ancillary revenue function achieve in the next year? The next 3 years?

Wednesday – Workshop Day 1

8:30 – 9:00 a.m. "Pre" Master Class Meeting

Key account contacts and Jay Sorensen.

9:00 – 9:15 a.m. Introductions - Start of Master Class

Master Class participants introduce themselves (see page 6 for suggested departments for workshop participation).

9:15 – 10:45 a.m. Presentation

The Airline CEO Guide to Merchandising

This 90-minute session, with ample Q&A time, provides a thorough overview of the many methods used to generate ancillary revenue, such as a la carte, fare families, bundles, and branded fares.

10:45 – 11:00 a.m. Break

11:00 a.m. – 12:15 p.m. Presentation

Who's Getting It Right in Airline Retail and Ancillary Revenue?

This 75-minute session, with Q&A time, features 8 ideas we admire to boost airline revenue from low cost and global network airlines.

12:15 – 1:30 p.m. Lunch

1:30 – 2:30 p.m. Exercise

Post-it note exercise #1.

- Name 2 positives produced by ancillary revenue, and name 2 negatives, as these apply to your airline.
- Name 2 positives produced by ancillary revenue, and name 2 negatives, as these apply to customers.
- Results are collated and discussed as a group.

2:30 – 2:45 p.m. Break

2:45 – 3:15 p.m. Exercise

Post-it note exercise #2.

- Name 2 ancillary revenue products your airline might consider for the future.
- Results are collated and discussed as a group.

3:15 – 4:45 p.m. Presentation

Love, Loyalty, and Lots of Cash

This 90-minute session, with Q&A time, defines loyalty and explores big frequent flyer programs, and the challenges facing loyalty.

Thursday – Workshop Day 2

9:00 – 9:15 a.m. Recap

Master Class participants describe their highlights from yesterday.

9:15 – 10:30 a.m. Presentation

A Field Guide to the Best of Airline a la Carte

This 75-minute session, with ample Q&A time, dives into the a la carte basics of bags, seats, and buy-on-board with a planeload of data and airline industry examples.

10:30 – 10:45 a.m. Break

10:45 a.m. – 12:00 p.m. Presentation

How Do I Reward Thee? Let Me Count the Ways Dear Traveler

This 75-minute session, with ample Q&A time, reveals the many ways to love your best customers; IdeaWorksCompany explores six of them.

12:00 - 1:30 p.m. Lunch

1:30 – 3:30 p.m. Consumer, Company, Competition Exercise

- Post-it note exercise #3.
- Name 2 ancillary revenue related areas (products/culture/distribution) which are strengths for your airline (things you do well).
- Name 2 ancillary revenue related areas (products/culture/distribution) which are weaknesses for your key competitors (things they don't do well).
- Name 2 ancillary revenue related areas (products/culture/distribution) which are important to your customers.
- Identify the "sweet spot" where these 3 intersect.
- Results are collated and discussed as a group.

3:30 - 3:45 p.m. Break

3:45 – 4:30 p.m. Presentation

Jay Sorensen Busts 8 Airline Business Myths

This 45-minute session, with ample Q&A time, describes how the airline industry is ever-changing, which requires leaders to question the practices of the past and to write new scripts for the industry of today.

4:30 - 4:45 p.m. Closing

Jay Sorensen summarizes the 2-day event for participants.

Friday – Work Day

Work at headquarters to write the assessment and start work on the report. Request midway meeting with primary project contact to discuss assessment findings and incorporate changes to the final document. There will be interaction during the day to collect data with ancillary revenue staff.

Ancillary Revenue Assessment Outline

1. Description of the engagement.
2. Summary of the strategic direction determined from the executive interviews.
3. General overview and commentary on key ancillary revenue areas: branded fares, seat assignment, and baggage, with narrative on carrier's comparison to global network and low cost carrier benchmarks.
4. Observations of airport operations with emphasis on baggage.
5. Observations of ancillary revenue issues related to cabin service from 2 flights.
6. Results from the workshop and commentary on the areas offering the greatest opportunity.
7. Concluding comments and next steps (Phase 2).

The document will have an approximate length of 8-10 pages.

Weekend

The consultant remains at carrier's headquarters city to complete the Assessment, and the draft is sent to another IdeaWorksCompany team member for overnight editing.

Monday

- Work continues at headquarters to finalize the Assessment. After the document is approved by primary client contact, time can be spent to present findings to management. Comments on staff effectiveness will be provided verbally.
- One-on-one time for questions by departments, to include loyalty, will be available as time permits.
- Depart in the afternoon for return to US or to next engagement site.

Budget and Consulting Fees

- Consulting resources: Jay Sorensen
- Consulting days: Jay Sorensen (8-9), Travel days: Jay Sorensen (2).
- Project fee: Available upon request.
- Plus, reimbursement of travel expenses such as surface transport, hotel accommodations, and meals: 1) Confirmed roundtrip business class travel, 2) Airline travel MKE or ORD to carrier's US gateway, 3) Hotel accommodations, 7 nights at airline headquarters city, 4) Car parking in Chicago or Milwaukee, 5) Taxi at airline site, and 6) Meals at airline site.
- Air travel can be provided by airline, or booked by Consultant for reimbursement. The latter can be beneficial because it creates a more realistic consumer experience.
- All terms, conditions and fees are subject to the provisions of a consulting agreement between the client and IdeaWorksCompany.

Consultant

Jay Sorensen

President – Product, Partnership and Marketing Practice

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

Mr. Sorensen has 42 years experience in product, partnership, and marketing development in the airline business and travel industry. 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.

Suggested Master Class Participants

Representatives from the following functions are important contributors to workshop results:

1. Agency Sales
2. Airport Baggage
3. Airport Passenger Services
4. Ancillary Revenue
5. Cabin Service
6. E-Commerce & Website
7. Finance
8. Information Technology
9. Loyalty, Frequent Flyer
10. Marketing
11. Pricing
12. Product Development
13. Reservations
14. Revenue Management
15. Strategy

The best results occur with a group size of 16 to 22 participants, with a focus on those involved in ancillary revenue decision-making. The inclusion of frontline staff for airport and cabin roles is very helpful and often very revealing. Participation by frontline staff from airport operations and cabin service often reveals unique perspectives that are unknown to headquarters staff.

Master Class Requested Setting

The preferred setting is off-site to help employees disconnect from the office and their daily routines. Collaboration is encouraged by a U-shaped table layout. Power Point presentations are made via projector. Post-it note exercises are done on large layout paper attached to white board easels. The best workshops occur when mobile phone distractions are discouraged.