



Benchmarking Report Builds Model on Patterns of Airline Sales

By Trevor Lloyd-Jones, 15 Dec 2011

Over the past few years, airlines have increasingly monetized and unbundled meals, baggage, seat selection and more just to cover fuel and other volatile operating costs, some more successfully than others. The path toward developing a competitive edge - and indeed, for airlines' survival - now lies in focusing on a complete onboard retail strategy that encompasses everything from traditional duty-free to virtual shopping in the sky and, importantly, embracing the technology and analytics to do so.

The new GuestLogix Onboard Retail Benchmark Report 2011 was launched in Miami last month at the Travel Profitability Summit and Airline Merchandising Conference, the 'Mega Event'. Released in conjunction with Airline Information, organizers of the event, the report is meant to assist in feasibility of buy-on-board programmes to aid comparison between different airline modes of operation. It looked initially at major North American airlines for sales of food service, comfort items and alcoholic beverages analysed by length of the flight sector and comparing how and when during the flight passengers buy.

Among them main findings, average sales of alcoholic beverages increased by +14% in the first half of 2010 over 2009. When it is offered, fresh food service provides more than a two-fold lift in sales on average per flight. Between 2009 and 2010 buy-on-board sales per flight increased by an average of +4%. This was mainly driven by the increase in alcoholic beverage sales. The average sales of comfort items also increased across all flight distances, although the increase is soft and expected to grow in the coming years. Fresh foods and comfort items drove the increase in the number of transactions, though to a lesser extent the sales value.

Comparing the average sales result with the buy-on-board leaders, the study showed that average sales on flights of 1,501-3,000 miles were almost ten times the sales on flights of 0-500 miles. Whereas sales on shorter flights rose +9% in 2009 to 2010, sales on longer flights were down by nearly -2%. There was a bigger gap between top-performing airlines and average airlines on long flight sectors. The study compared nearly 13 million transactions totalling US\$ 106.6 million over 1.4 million flights in the first half of 2010, compared to one year previously.

The report concludes that the success of buy-on-board programmes depends on three key elements: generating sustainable incremental revenue from destination products, connecting and engaging with passengers all along the entire journey and understanding the sales opportunity derived from sales analytics.

On general release from this month, this examination of in-flight sales is a starting point for understanding passengers' purchasing habits and emphasizes the need for ongoing trend analysis to track and evaluate airlines sales performance week-by-week, month-by-month and year-over-year. It provides airlines with the opportunity to evaluate their onboard retail performance against the overall mean, and to strengthen onboard retail operations and maximize sales opportunities.

Chris Gardner, Managing Director of OnTouch Global Merchandising at GuestLogix presented the headline findings of the report at the Miami conference. In an interview for Best and Most he said all airlines can now look at the findings and they will be able to put new elements into the next round of research.

"For the next report we will be able to put a little more flavour for individual airlines, including at box office, destination sales and comparing duty free sales and everything sold through OnTouch," said Gardner.

"For the European airlines, they can look at this and compare. North America is more developed for buy-on-board and now we have data to show what the real numbers are. All the carriers know what their margins would be, case by case, so they can use it for planning for different passenger perspectives.

"Airlines are moving more to the mix, charging for some items or just charging for liquor or giving everything for free. Then when they can see what works for them, the airline can decide based on the real numbers."

The GuestLogix Onboard Retail Benchmark was created to help the airline industry understand the "enormous potential of onboard retail generation" and to enable more informed decision-making about onboard retailing initiatives. These include: connecting and engaging with passengers throughout the entire journey lifecycle; generating sustainable ancillary revenues by expanding duty-free offerings beyond the basics, to including more 'virtual' products and services.

"We're trying to do a baseline of everything," said Gardner. "We're aggregating so each airline can compare themselves to what the rest of the world is doing. Inflight retail is moving into the 'real' retail world. The origin and destination of a flight is just like a retail store. It's like the walls and shelves of a store, it sits there empty until the airline adds its branding to it."