

COLUMNS

Why are airlines so fearful of mobile innovation?

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By **Vanessa Horwell**

This is not the airline industry I thought it would be. Nor, I suspect, the industry that people a generation older than me envisioned a few decades ago.

If any vertical embodied the symbolism of what a technological tomorrow could bring, it was the airline industry and the age of commercial jets.

Think about it: from in-flight movies to early microwavable fast food to seatback phones (remember those?), airlines pioneered far more than rapid domestic and overseas travel. They were truly the cutting edge, getting you there in style and making the cabin a destination in its own right.

But something has changed.

Grounded

An innovation headwind has developed. As U.S. retailers increasingly embrace mobile a September comScore report shows that large retail brands such as Amazon, Apple, Walmart and Target are devoting serious efforts to building customer engagement on mobile airlines have been left circling.

In fact, airlines account for only a small fraction just 11 percent of spending on travel-related marketing via mobile.

That is disappointing, especially when you consider that in the U.S. mobile leisure/unmanaged business travel bookings will hit nearly \$26 billion in 2014 more than tripling since 2012 according to the latest estimates released by travel research firm PhoCusWright.

The reality is that airlines have become fearful of mobile innovation or any innovation whose implementation is challenging and whose ROI potential is hard to measure.

Apropos of the recent Oscars, airlines are asking "Field of Dreams"-style, "What's in it for me?"

Mobile booking only the beginning

It is a question that airlines should already know the partial answer to, thanks to taking a page from other verticals.

Mobile booking, while no doubt popular and important, is only the beginning of what mobile innovation can mean for airlines.

It really does surprise me that so few airlines have effectively implemented the technology, considering that 70 percent of British air travelers want to use their phones and visit social media sites while in-flight and 65 percent of U.S. flyers think airlines should offer Wi-Fi.

Until this February only 3 percent of United Airlines flights offered fee-based Wi-Fi. Even with the addition of

and February, only 9 percent of United Airlines flights offered fee-based Wi-Fi. Even with the addition of satellite-based Wi-Fi on a dozen planes and plans for some 300 more upgrades throughout the year, fewer than half, or 43 percent, of United Airlines' flights will be offering the service.

Wi-Fi aside, JetBlue's head of mobile, Jonathan Stephen, predicts that within the next two years most airlines will have self-boarding and self-service baggage drops as well as incorporate some kind of mobile bar code check-in.

However, every year that goes by without these innovations being widely implemented means a lot of missed opportunities for airlines to engage travelers on their devices and drive revenues in the process.

And while no doubt an improvement, I wonder if those advances will unfold in concert with costly backward-compatible upkeep.

Think how expensive it must be to service a single airport kiosk's built-in boarding pass printer. Imagine the paper costs. I know what ink costs my own business and I know what Miami International Airport's American Airlines Terminal looks like: rows and rows of kiosks, each spitting out paper boarding passes.

How old-fashioned.

Switching runways: From airlines to fashion and retail

As I wrote earlier, airlines do have a helpful template namely mobile's integration within the retail sector. Here are a few examples:

During the Black Friday shopping blitz in November, Macy's and Walmart added features to their mobile applications that recognized customers' locations within stores and displayed interactive maps directing those customers to the deals they wanted or did not want but purchased anyway.

California-chic apparel retailer Pacific Sunwear published an award-nominated iPad app that used Apple's Lookbook catalog function to enhance the in-store experience. Sales associates can show customers different outfit combinations and suggest products based on past purchases. Customers can also access the content by using their smartphones to scan QR codes on the associates' iPad screens.

The hotel industry is also doing good work in this space.

Mobile Media's multilingual white-label hotel app, Ustay, allows travelers to book rooms easily, confirm reservations, receive push notifications related to their loyalty memberships and share every aspect of their stay with their social networks.

The app also provides information on all on-property amenities and recommends off-property local attractions that might be of interest.

While hard numbers on these efforts as they relate to customer engagement are unknown, it is reasonable to conclude that retailers would not be adding mobile amenities if they did not work. That means they are enhancing customers' experience, giving them what they want when they want it and, of course, turning a profit.

Pardon the pun, but in-flight retailing is just beginning to take off.

According to a 2012 IdeaWorks and Amadeus study, about 30 percent of airlines' \$36 billion ancillary revenue stream comes from retailing while another 15 percent comes from onboard retail. No question this is a good start.

But I would like to see a not-too-distant future where the ancillary revenue balance between fee-based and mobile-enhanced service-based offerings is a little more even.

More than just buying goods, I want a seamless mobile experience an experience that elicits my loyalty and indirectly improves my odds of buying something retail or travel-related during my journey.

For instance, I am a frequent business traveler, I live in Miami and American Airlines is the most convenient carrier based on the destinations I fly to regularly. And so I have American Airlines' mobile app installed on my phone.

The app allows me to book flights and check their status. I can set a parking reminder, download a virtual boarding pass and manage my AA Advantage miles and points. These are all great functions.

However, the travel experience is not confined to airports and planes. It is time American Airlines allows its passengers to book hotel rooms or hire cars or buy tickets to attractions at their destinations and shop just as it does on its Web site.

Why is it so difficult for travel brands to replicate the same services, options and functionality that they have on their

Web sites and translate these offerings to mobile for a unique experience?

Turning browsing into buying

Any frequent traveler even a not-so-frequent traveler will tell you these offerings and amenities would make our journeys more efficient, easier, enjoyable and probably less stressful.

And when it comes to mobile booking, these services, just as they do online, present myriad opportunities for airlines to partner with OTAs and travel providers for a bigger slice of the travel spending pie.

Putting my professional hat back on, as someone who works with both mobile and travel-related brands, I can say with authority that these two industries are perfect for each other. After all, mobile browsing now accounts for a quarter of all traffic to travel sites.

So why not take it a step further and turn that browsing into buying?

As mobile surpasses the desktop as traveling consumers' main Internet access point, it represents a trove of opportunities for airlines to make their passengers' experiences more positive, boosting engagement and, ultimately, revenues.

Headwind to tailwind: Turning airlines' trepidation into innovation

Of course, it is not as if airlines have not been busy.

With rampant merger news the latest being US Airways and American Airlines rising fuel costs, continued European and US economic instability and the proliferation of low-cost carriers, airlines, especially the legacy carriers, have been in survival mode.

Add to that the cultivation of continuing fee-based ancillary revenues efforts that as yet are not as mobile-centric as they could be.

Preoccupied and overwhelmed might be more accurate. Airlines fear mobile innovation not because they are not aware of its success in other verticals. They are.

But at a time of unprecedented airline uncertainty, they can ill afford costly upgrades or IT improvements as direct ROI is difficult to calculate.

I am reminded of the Concorde and its epic 27-year long failure. The Mach 2 (1,350 mph) aircraft, retired for almost a decade, was innovative in the extreme and shaved hours off transatlantic travel, but it could not outrun a \$6,336 one-way ticket.

My point? Innovation does not always equal dollar signs. And that is unfortunate. Because all it takes is another Michael O'Leary, another Ryanair, to re-write the airline rule book, embedding mobile and all its booking, retailing, entertainment and passenger engagement potential throughout the entire travel experience.

Whether device-equipped passengers are at home planning a trip, at the gate, in the aircraft or enjoying their first glass of wine on their hotel balcony, airlines must break the mobile innovation barrier to engage passengers at all these points along their journey.

If airlines can break the sound barrier, this barrier should not be all that difficult.

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