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BEYOND THE SILOS: CONNECTING THE DOTS IN THE AIR TRAVEL VALUE CHAIN

By David Orellana

The "connected travel experience" as envisioned by the airline industry is characterized by ease, convenience and seamless and personalized service. As any regular flyer can attest, however, this ambitious goal remains elusive at best. While a wide range of specific operational and business issues must be addressed, a fundamental underlying problem is fragmentation across the travel value chain. Today, the various operational towers and business entities comprising that value chain operate largely as discrete silos, preventing the collaboration and communication needed to drive true connection. Breaking down the silos, meanwhile, requires a combination of innovative and proactive initiatives, coupled with the momentum of market forces that will ultimately scale existing barriers to organizational and cross-industry integration.

The Connected Travel Vision

The airline value chain comprises myriad entities that include airlines, airports, parking authorities, rental car companies and retail and hotel partners. For the airline industry, the Holy Grail is to leverage digital and smart technologies, as well as logistics and supply chain expertise, to seamlessly integrate these various entities and enable real-time data sharing, communication and tracking of people and goods. The result: a convenient, uniquely tailored and truly connected air travel experience.

Consider the possibilities: A family departing for a trip from New York to Paris, say, has their bags picked up at their home and finds them waiting in their hotel room when they arrive the next day. Following an expedited TSA pre-check, text alerts highlight preferred food options near their terminal. In-flight entertainment is tailored to each family member's preference. Upon arrival, another text directs the family to a pre-paid ride that takes them straight to their hotel. After a day of sightseeing in Paris, the family picks up their rental car from the VIP counter and drives out to the country.

Who Owns the Data?

The potential of the connected travel experience is certainly alluring. So, what's preventing the airline industry from fulfilling the promise?

At a macro level, a fundamental challenge is that the entities of the air travel value chain operate more as discrete silos than as an integrated whole. The more specific issue is a fragmentation of data. Today, airlines manage passenger reservation and frequent flyer data, airport authorities manage security and TSA data and retailers, hotels and rental car companies manage buyer and bonus point data. In terms of successfully executing an integrated travel experience, the challenge lies in consolidating and managing data from these various sources.

For example, let's say a frequent flyer is traveling from Atlanta to Los Angeles. Miles and status points entitle the passenger to – upon arrival at LAX – a free coffee, a platinum rental car and a discounted hotel room. Executing and processing these transactions requires real-time data sharing and communication to create transparency between multiple entities and databases. While the technology challenge is formidable, an equally thorny problem is navigating the gray areas between where one entity's responsibility ends and another's begins.

Then there's the issue of delivering the information to the passenger – which app alerts the passenger that a free coffee awaits and guides him or her to claim the reward? While the coffee chain, airline, airport, rental car company and hotel all have a role to play, expecting the passenger to manage and monitor five different apps hardly makes for a seamless experience. While an opportunity to consolidate multiple apps clearly exists, the question then becomes whose brand gets absorbed and whose gets visibility.

Who Owns the Problem?

Airlines, airport authorities and other entities also have conflicting perspectives on who assumes responsibility for a travel problem, which further complicates the collaboration needed to drive genuine connection. A specific point of contention – which all too many travelers can relate to – is the question of who's responsible for delayed or lost luggage. Airline and airport systems, processes and applications need to be in sync to share information to expedite recovery and delivery of bags. Hotel information systems enter the luggage tracking picture, adding additional layers to the complexity of integration.

Integration among these myriad entities and their respective systems and databases is imperative to enhance the travel experience – especially when things go awry. The frustration of a cancellation, delay or other disruption can be assuaged by a rapid and proactive offer of a different flight option, meal voucher or hotel

reservation for the night. In many cases, the lack of coordination in a disruption can result in hours of waiting with no information at all about the situation. Even a "We know your flight is late and we're doing our best" text message to stranded passengers can create goodwill. The challenge is that – from a perception standpoint – customers tend to associate a bad travel experience first and foremost with the airline itself, even if the problem occurs outside its purview. As a result, other entities are reluctant to step up and assume a portion of shared responsibility.

Ultimately, passengers don't care who is responsible for a problem – they simply want the problem resolved. Achieving this goal requires robust communication mechanisms that enable different entities to deliver prompt and consistent answers to questions, as well as proactive notifications on status updates.

Conflicting Priorities

In addition to operational fragmentation between entities, conflicting business priorities contribute to silos across the air travel value chain. For example, airlines seek to reward their most valuable customers with products, while retailers want to sell products to build loyalty. While an airline might want to partner with a retailer to deliver special offers to its customers in a terminal, the retailer has no incentive to focus its resources on targeting a particular airline's customers, while ignoring customers of other airlines.

Additional examples of integration challenges and opportunities in the air travel value chain include parking and traffic systems – ideally, passengers would be guided to open spots (rather than circle lots aimlessly) and alerted en route of traffic delays. With pre-check gaining in popularity, alignment between airports and TSA authorities could ease approvals.

A Tipping Point for Silos

Today, each entity within the air travel value chain jealously guards its piece of the action, and is reluctant to proactively share data with other entities, as doing so potentially risks ceding control over the customer journey. Ultimately, the industry will reach a point where players will have no choice but to collaborate, as refusal to do so will simply mean getting sucked out of the value chain.

In the meantime, innovative industry leaders can proactively develop business and operational strategies to facilitate the collaboration and integration required to progress the quality of the travel experience.

Building a Collaborative Business Model

As do many other industry sectors, air travel needs to evolve and disrupt its traditional approach to doing business. This is happening to an extent, as digital transformation in retail and financial services is impacting air travel business models by facilitating payment solutions, pre-reservation notifications and location services. That said, current efforts are isolated and evolving business models must be truly integrated to reflect multi-party collaboration, B2B2C requirements and diversification of distribution channels.

Rethinking IT Capabilities

Meeting customer demand for a true end-to-end travel experience characterized by higher degrees of integration and more consistent communication presents a challenge for IT departments to deliver a secure and robust infrastructure capable of sharing critical travel information.

The New Distribution Capabilities (NDC) initiative effort from the International Air Travel Association (IATA) represents a good opportunity to close the gap and build a multi-services hub connecting ports, air, ground and maritime channels and integrating new content providers into the value chain.

However, the inconsistency of services presents a challenge in terms of aligning specific services to specific points in the travel chain. One potential solution is to develop mobile apps – the challenge here is the need to have one app for each point in a travel itinerary. Integration is a more viable solution, as it enables an airline or travel agency to consolidate services and consistently display options to travelers.

Collaboration is Key

Collaboration across the end-to-end journey is needed to optimize the customer experience. The good news is that today's technology solutions can integrate all the data needed to deliver a seamless outcome.

The challenge lies in developing IT and operational models that enable the business to facilitate partnership and collaboration between the multiple entities that share the common interest of the passenger's satisfaction. A truly customer-centric strategy requires just that – for airlines and other entities to put aside parochial interests in favor of the larger need to put the customer first, to optimize each point in the end-to-end journey and to enhance the overall travel experience.

About the Author

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David Orellana is a Softtek Managing Director in the company's Transportation and Logistics vertical. He has more than 10 years of executive experience in the airline Industry and more than 18 years as an IT leader, specializing in strategy development and execution. Following his successful implementation of Mexicana Airlines' IT transformation plan, David was recognized in 2009 as CIO of the year by Ernst & Young and Information Week magazine.