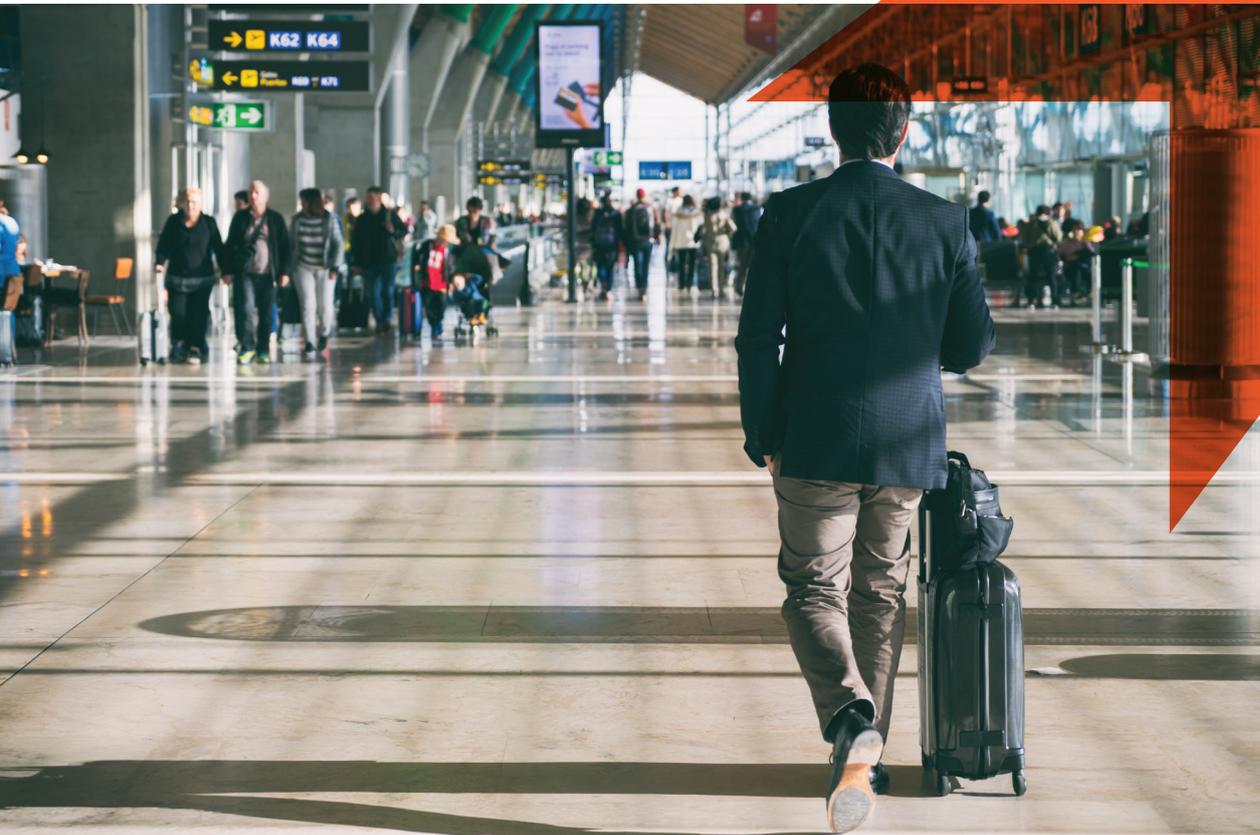


How can Big Data Technologies Simplify Customer Experience

And a Solution for Providing Differentiated Customer Experience

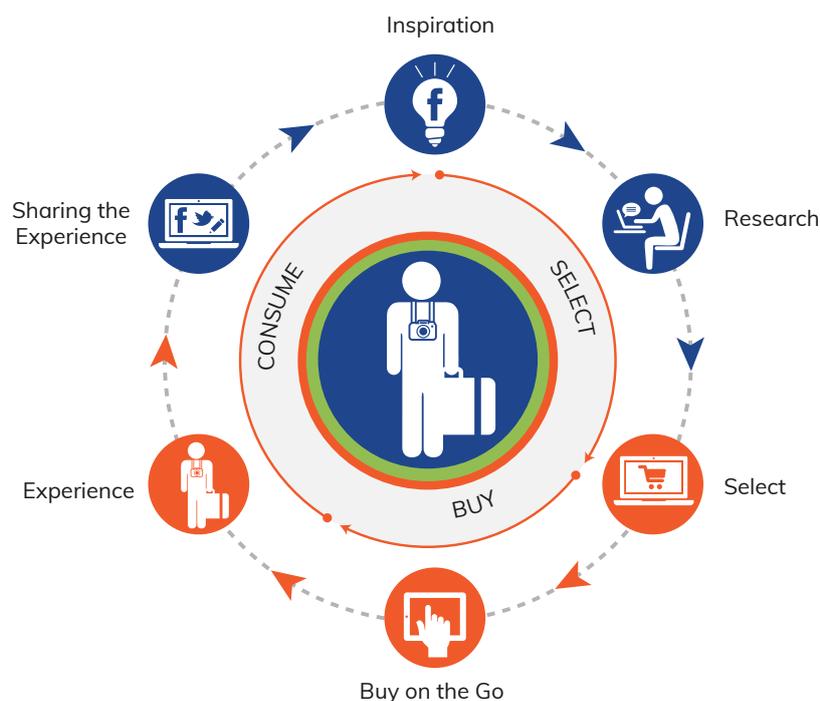


Introduction

The current economic slowdown has negatively impacted the global aviation industry. Airlines are struggling with high fuel prices, rising labor costs & intense price competition. To ensure sustainability & profitability, airlines need to come up with innovative ways for managing customer relationships. Although airlines are reducing operational costs by various measures (fuel efficient aircrafts, increased automation) but long term growth requires a renewed focus on the top line as well. This is where highly differentiated customer experience comes in.

No two customers are same: they have varied needs, behaviors and preferences. By gaining insights on these, the company would be able to optimize customer's interaction lifecycle at each critical touch point. After all, a customer centric organization adapts quickly to behavioral shifts and changing customer needs, at every stage in the life cycle (advertising to Post-Purchase support) and at every touch point (Web, POS, Mobile, and Social).

The customer landscape is changing fast. In the brick & mortar TMC days, there were only 3 steps in a customer purchase cycle – select, buy and consume. The customer would go to the travel agent, look at the various options, select and buy one and go on the trip. In this process, the travel agents used to have a lot of influence on the customer's final decision. The agent was the customer's friend - helping them decide on budgets, destinations as well as activities to partake in. Feedback from the customer was an unknown entity – rarely asked for and never given. The possibility to explore the same destination with different budgets was also difficult (the absence of options like airbnb and low cost carriers offering a backpacking trip for less). The only moment of truth used to occur at the consumption stage only.



Customer **Touchpoints**



However, the 3 step customer purchase cycle has now evolved into a more elaborate 6 step purchase cycle. The customer's selection process now encompasses Inspiration, research, selection, purchase, experiences & sharing.

The Social network has opened up a lot of avenues for knowledge acquisition, specifically strengthening peer to peer communication which was previously absent in the decision making cycle. The customer nowadays browses through review sites, social networking sites, blogs before making any purchase decision. The average traveler visits approximately 22 travel related sites during 9.5 research sessions¹ prior to booking. Research shows² that 68% of business travelers watch travel-related online videos before making any purchase. In the current scenario, the customer's interaction with the brand starts at the inception of travel planning. This touch point is highly critical since the customer selects or rejects further interaction with the brand at this phase only.

So where are most of the travel decisions made? Apart from TVs & desktops, smartphones are turning out to be the next medium which customers are using to explore travel destinations/offers/packages & plan their travels. Most of the purchasing decisions are happening on the go. On an average one in three people have booked hotel through mobile & approximately 25% are willing to make a hotel booking through a Smartphone while customer is on the move³.

The cycle doesn't end on the consumption of services, as people are ever connected posting tweets, Facebook pictures of their every movement & sharing their experiences. It is estimated that almost 40% of travelers share their experience online⁴. Social media provides an immediate outlet to share reviews, thus empowering the customer to affect a brand. Negative reviews or comments shared on social media can tend to go viral, resulting in a cascading decline in brand equity.

Thus, the whole scenario of customer purchase cycle has changed: the decision making process is no more controlled by service providers unlike brick & mortar days of travel industry. Internet, social sites, mobile etc have enabled the customer to take independent travel decisions & experience the brand not only before planning the travel but also after consuming the services

So How Does It Impact Customer Experience?

The evolved customer purchase cycle is posing new challenges for the brand. The increased customer touch points from pre to post purchase cycle has made brands more vulnerable to customer scrutiny. In the brick & mortar TMC days, customer experience of the brand was only at the point of consumption & customer was also not able to share his experience with other travellers thus limiting the revenue loss due to customer dissatisfaction.

However, now not only the customer touch points have increased thus exposing the brand to customer scrutiny at multiple points but also a dissatisfied customer is much more empowered to share his experiences with other travellers, thus significantly impacting revenues of any company.

Potential Revenue Loss Due To Customer Dissatisfaction

The research shows that approximately 34% customers are dissatisfied by the in-flight service, 41% are dissatisfied with ticket prices & approximately 43% customers are not happy with the on-board experiences⁵. Another research shows that approximately 35% customer' experience problems annually, out of which approx 25% customers' show a drop in loyalty & less than 5% may actually complain to the grievances/customer services department of an organization⁶. Taking example of Virgin Atlantic, for an airline the size of Virgin Atlantic which flew approximately 5 million⁷ passengers in 2012 & earned annual revenue of approximately \$ 4300 million⁸, the average annual revenue per customer comes out to be \$860. Also, assuming 35% customers experience problems, out of which drop in loyalty is approximately 25%, the annual revenue at risk can be calculated by using the following model:

| Step 1: | | |
|---|----------------|-------------|
| Total number of customers | C | 5,000,000 |
| Average annual revenue per customer(\$) | R | 860 |
| % customers who experience problems | | 35% |
| Drop in loyalty due to problem experience | | 25% |
| | | |
| Step 2: | | |
| Number of customers experiencing problems annually | $C * 0.35 = A$ | 1,750,000 |
| Number of customers at-risk due to problem experience | $A * 0.25 = B$ | 437,500 |
| Annual revenue at risk from problems(\$) | $B * R$ | 376,250,000 |

Table 1.1: Model to calculate annual revenue at risk

The annual revenue at risk calculated above totals to approximately \$ 376 million* (refer table 1.1) which is approximately 9% of the annual revenue. This dollar figure is not limited to direct loss from bad customer experience only rather the customer sharing their experience with other potential customers can have a cascading effect on the annual revenue of a company. The research also shows that customers who experience problems share their experience with 8-15 other people about the problems they face.

An estimated \$ 80 billion is lost each year because of bad customer experiences, out of which approximately \$2.3 billion is the annual impact on the airline industry because of customer experience⁹. The failures to address the problems of bad customer experience impacts airline's topline. The organization to remain competitive needs to foresee possible pain areas & take proactive action to address the issues. Nowadays, the customers expect personalized & more engaging interaction with the brand & the brands unable to fulfill this expectation are very likely to drive the customer away leaving him with bad experience.



Personalization - How It Improves Customer Experience at Various Touch Points?

By implementing a truly consumer centric approach to enhance overall customer experience, an airline is in better position to acquire, develop & retain high value customers. By implementing customer analytics & decision support technologies, airlines can use customer information to differentiate service levels based on customer value. The organizations can meet or even exceed customer's expectations by personalizing the customer service, engaging the customers more effectively & simplifying the customer experience at each customer touch point.

There are several cases wherein techniques like Speech analytics, early warning systems, contextual analysis of data, channel integrations & predictive analysis are used to provide seamless & highly personalized services, engage customers & simplify the customer experience.

- Speech Analytics is being used by one of the big financial institutions of the world to monitor opinions and attitudes in order to determine where and how to spend on client initiatives. It utilized insights about customer preferences and indicators for what prompts customer to buy more. This resulted in E-LOAN improved sales conversion by over \$2 million annually.¹⁰
- Another consumer electronics manufacturer used text analysis from social media to uncover product issues before they turned into expensive problems. They set up automatic alerts through their text analytics engine so that they could know immediately when issues arise in the new product. Once identified, they would mitigate the issue ensuring customer satisfaction.¹¹
- Co-creation of products – the Simpsons asked its fans to create a character for an episode, whereas Pepsi, Doritos and Chevrolet asked their fans to create Super Bowl ads, thereby engaging & hence strengthening the relationship between the brand and its fans.¹²
- Increased reach from Social Media – During the Europe ash cloud, KLM responded via tweets for delayed flights instead of making call to each passenger about the delay.
- Self service, channel integrations, real time interactions & predictive analysis have helped leading airlines enhance the customer experience.

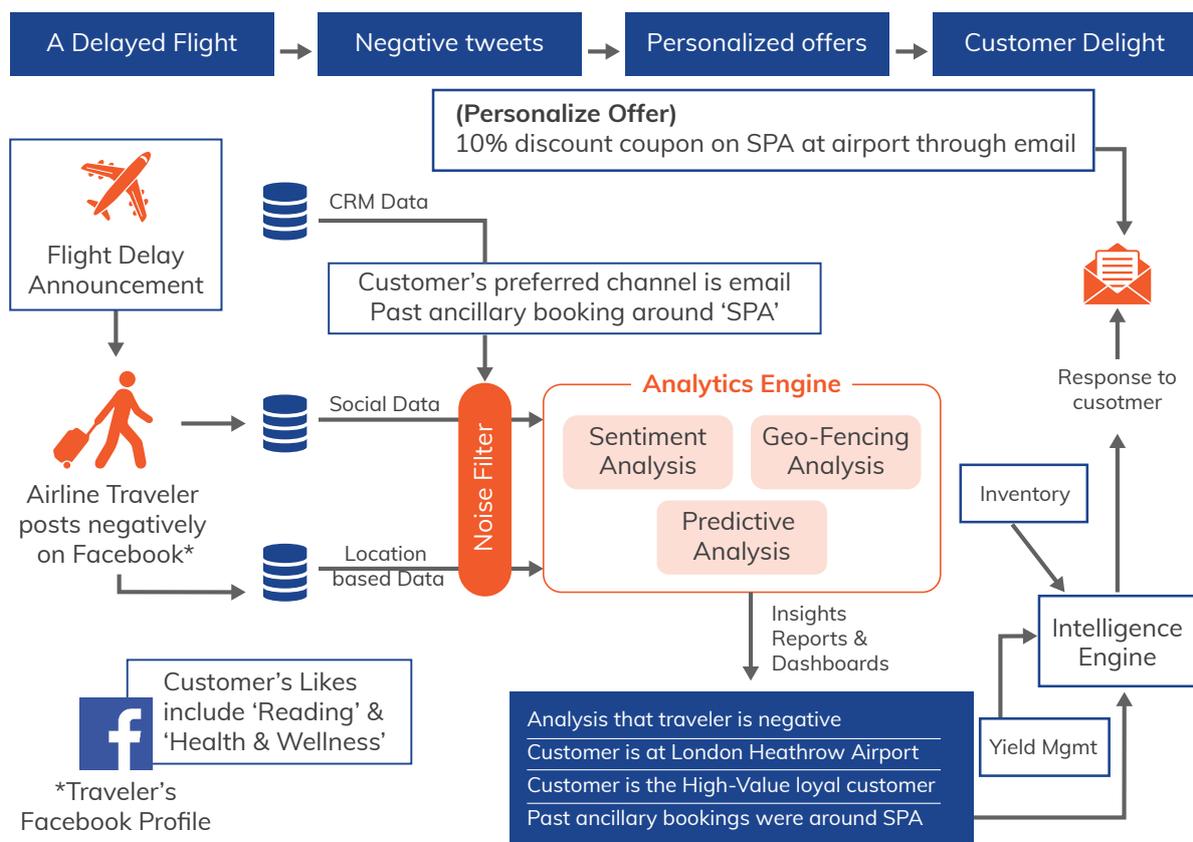
The customer is constantly looking for personalized, more engaging & simplified experience at each touch point with the brand. The goal of a company to make its customer happy is getting even more challenging as the customer nowadays has become more demanding & expects faster turnaround for his needs from the brand.

Effective & efficient grievance redressal is an area which has a huge impact on customer satisfaction. Proactive and customer savvy companies not only listen to its customer's problems & take appropriate action to resolve the problem but they go a step forward & ensure customer delight. The brands unable to leverage this aspect of converting bad customer experience into customer delight are likely to lose out to competition.

Sample User Scenario - Differentiated customer experience in Disruption Management

Disruption Management is one of the key areas where organizations need to focus in order to provide highly differentiated customer experience. The efficient & effective handlings of flight disruption have an immediate & very strong impact on customer's perception of the airline. The traditional approach followed by airline during flight disruption have been informing the traveler about the delay & providing some kind of refreshments during his wait period. This

Senario - Providing Differentiated Customer Experience



A dissatisfied/frustrated customer is very much likely to share his bad experience on social media which can be detrimental to airline's image. The figure above shows an example of an airline traveler whose flights have been delayed & the traveler posts negatively on Facebook. The airline aiming to change the customer perception about the experience with the airline should focus on providing a personalized service during that time which would interest the customer & would have a lasting positive impact about the brand.

The foremost task for any airline is to understand the likes/dislikes of the traveler & the services that can be provided at his current location. The airlines can use CRM data, social data & location data to determine the likes & dislikes of the customers. For instance, travelers' Facebook profile suggests that the traveler likes reading books & is also interested in health & wellness. The data from CRM suggests that customer's preferred channel is email & the past ancillary services have been around SPA & books. Similarly there can be lot of information about the customer on social



media or other channels, so the airlines need to filter the information to determine the useful one which can then be used to provide personalized & differentiated service to the customer. Analytics engine can be helpful in carrying out such operations. Sentiment analysis, Geo-fencing analysis & Predictive analysis can be performed by the analytics engine to gain further useful insights.

The insights obtained from the various types of analysis done in analytics engine can be maintained in reports & dashboards which would then be accessed by intelligence engine to determine the appropriate response to the customer. The insights found by analytics engine in this case are that the customer is a high value loyal customer; he is present at Heathrow airport & is dissatisfied. The data also suggest that the customer has done his past bookings around SPA. This information is then used by intelligence engine to determine if the customer can be provided with SPA service during his wait time at the airport. The intelligence engine checks for the inventory i.e the intelligence engine checks if SPA services are available at that particular airport & if those services can be provided to the customer during that time. The intelligence engine also determines the preferred channel of communication which it uses to communicate the personalized services to the customer. The intelligence engine designs the personalized service, in this case a 10% discount coupon on SPA & communicates the same to customer through email. This is how an airline can address the bad experience of customer by providing personalized & highly differentiated services & can convert the bad experience into customer delight.

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IGT Solutions Pvt. Ltd.

Echelon Building, Plot No. 49,
Sector-32, Gurgaon - 122 001,
Haryana, India

T +91 (0)124 458 7000
F +91 (0)124 458 7198
mktg@igtsolutions.com
www.igtsolutions.com