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THE MODERN MERCHANDISING IMPERATIVE:

WHY AIRLINES HAVE NO TIME TO WASTE

Sponsored by: **atpco**

Written by
Michelle Bruno



Impressum

The modern merchandising imperative: Why airlines have no time to waste

A PhocusWire report sponsored by ATPCO.

Author: Michelle Bruno

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Introduction

The airline industry's journey toward a retail refresh is at an inflection point. Travelers are no longer satisfied with a shopping experience limited to price and schedule. A cohort of visual, digital and channel-agnostic travelers, millennials and Gen Z want more than just words and numbers on a web page to inform their travel decision-making.

Tech-savvy airlines are taking advantage of emerging technology solutions to upgrade retailing across all their distribution channels, earn additional revenue - which could be worth [\\$40 billion by 2030](#) - and avoid losing market share to other airlines and channels. However, time is of the essence.

In this paper, we'll discuss the current state of airline merchandising and provide guidance on how airlines and channels can lead in creating world-class flight shopping experiences for younger travelers. We'll share supporting data from millennial and Gen Z respondents to a recent survey that Phocuswright fielded in April 2023 through a Dynata consumer panel, targeting the adult population in five European countries who have internet access and travel for leisure.

The current state of airline merchandising



Consumers today expect more from the flight shopping experience. There is a clear gap between how consumers see the online travel retail experience and how airlines see the buying experience they deliver to consumers. **Only 11% of consumers** think airlines are ahead of other online retail experiences. Data such as this confirms that airlines are not meeting flight shoppers' needs – but this doesn't have to be the case.

Airlines could better enable best-in-class merchandising across their distribution outlets by presenting visual content such as pictures, icons, tours and enhanced views when displaying their offers, compared to showing offers with only price and schedule. A strategy such as this not only can drive greater customer satisfaction but also higher revenue.

While airlines do well with merchandising on their direct channels and have made great strides technologically to deliver content to their distribution partners, the end-to-end infrastructure for modern retailing is still under construction.

Travel products are complex. Globally, commercial airlines place thousands of individual aircraft composed of many different aircraft types into and out of service on any given day. Airlines can only allocate aircraft 330 days before their scheduled flight. Thus, aligning the specific plane, seat or amenity with merchandising content that appeals to the intended travel buyer and pushing it through retail channels in a timely and consistent manner is challenging.

Airline travel is also constrained in ways that other industries are not. For instance, code sharing - a business practice in which two or more airlines agree to publish and market a flight as one of their own - can complicate merchandising. Also, flights can originate on one airline but terminate on another. To address some of these challenges, some airlines create display guidelines that they share with partners to standardize content and messaging across all applicable websites and third-party channels.

With all the current challenges, it might seem difficult to envision a move toward modern airline merchandising. However, as airlines work through the obstacles of legacy technology infrastructure and other impediments, travel technology companies such as ATPCO provide the framework needed to generate dynamically created offers while merchandising them at the same time. With Routehappy, ATPCO's merchandising solution, airlines can differentiate their offers, and channels can present offers to flight shoppers that are more compelling.

What modern merchandising looks like

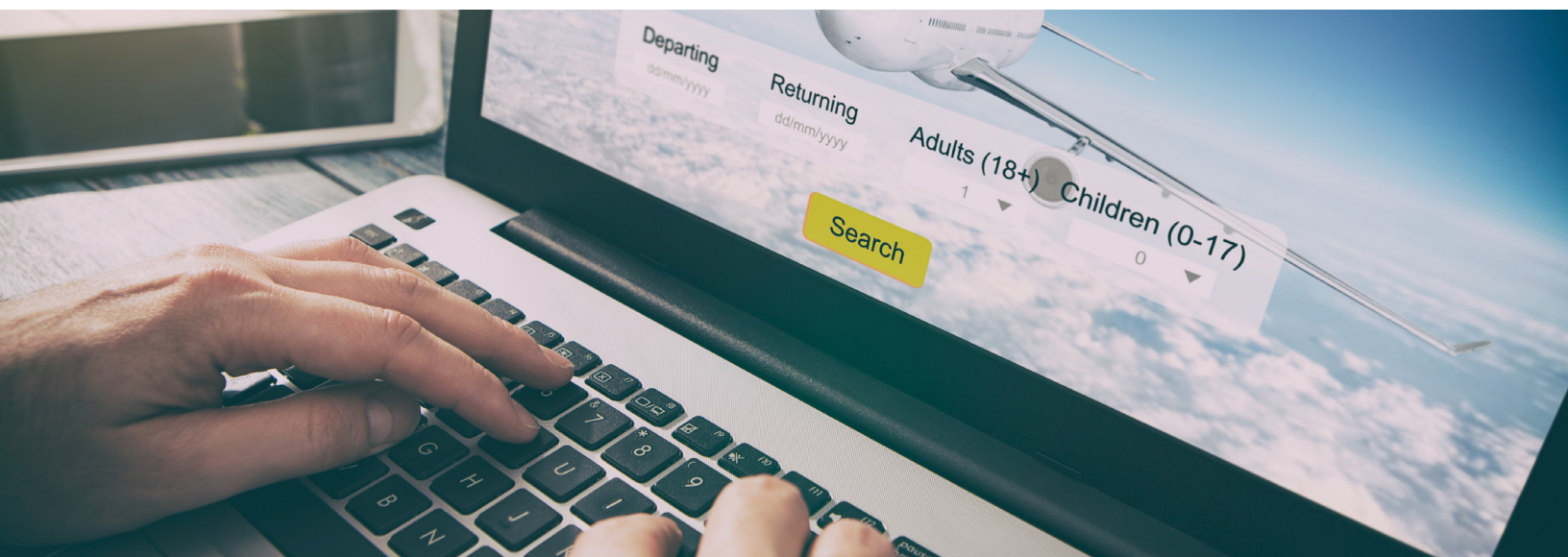
Airlines have come a long way in the past decade as they try to revamp a global industry with innumerable moving parts, players, risks and complexities. However, outside the air travel bubble, merchandising strategies are advancing quickly, exposing travel consumers to the personalization, experience and control throughout the purchase process that airlines lack.

A prime example of retail advancements outside the airline industry is how Home Depot merchandises its products online. The home improvement company's website displays products with a written description, price and visuals. For instance, customers searching for [something as simple as a nail](#) - worth less than \$1 - get a full 360-degree view of the product, complete specifications, ratings, reviews and more. Can the same be said for a flight ticket worth 100, 200 or even a thousand times that amount?

"Compare this with the average airline shopping display," writes ATPCO's vice president of global sales, Chris Phillips, in an [opinion piece on PhocusWire](#).

"Limited visuals, no 360-degree views of the aircraft cabin or airport lounge, little visualization of the travel experience or differences between branded fare product offerings and no ratings or reviews. The lack of investment and meaningful change in the airline shopping display is disproportional to the investment in designing, building and presenting those airline assets to the customer."

Another great example of merchandising outside the airline industry is the lodging company Roomzzz Aparthotels. Winning the 2022 Hotel Marketing Award for website UX developments, the company demonstrates how some hotel chains have modernized merchandising. The [Roomzzz](#) website oozes personality with cartoon-like iconography to guide searches for rooms, offers, stay categories (business, family, leisure, extended stay), a rewards program and city



guides. It also provides 360-degree tours and photos of each room and all properties, features a photo gallery of city sights and has a promotional video scripted with poetry.

Hotels often do a better job than airlines creating displays like this because they can offer more variety and flexibility in their product and service portfolios. However, while airlines may be hampered in adopting customer-centric displays for several reasons, adopting modern merchandising tactics offers them a broad range of new opportunities.

A state-of-the-art retail approach is a win-win scenario for all stakeholders. Travelers - conditioned by more advanced retailing tactics outside the airline industry, from search filters to detailed product descriptions to visualizations across multiple channels - are expecting airlines to step up. They want a higher quality shopping experience, which involves understanding the total value of a fare, having their travel experiences tailored to their specific needs and receiving more than just prices and schedules when they purchase airline tickets.

Findings in ATPCO's 2023 annual [flight shopper survey](#) support airline customers' desires for better merchandising when booking a flight. For example:

- 80% of respondents compare offers from multiple websites when shopping.

- 83% of flight shoppers prefer to see images of the aircraft and amenities that feature passengers.
- 91% of flight passengers want to purchase extras when shopping through online travel sites (a 21% increase from 2022).

Airlines, the principal players in a traditionally low-margin, highly-competitive industry, need the revenue from ancillaries to earn a positive return on their cost of capital. Passengers, even those who are price-sensitive, are [more than willing to pay for add-ons](#) like more legroom in a seat, an extra bag or an aisle seat when offered at the right time in the customer's journey.

Targeted messaging, images, videos, cabin tours and 360-degree views that visualize the differences between offers help airlines depict the experiential quality of travel and build excitement for the trip. They also differentiate offers from the competition and - on the practical side - have the potential to drive down the number of customer calls to airline call centers.

How airlines present content matters. Airline and data analytics firm OAG contends, "the presentation (how, when, and what) of offers is critical" and "being able to [show \(rather than tell\)](#) a flight shopper about their potential flight experience is a transformative concept that is rapidly gaining traction in the airline industry."



Earning the attention of younger travelers

Airlines wanting to modernize retailing must prioritize millennial and Gen Z customers who travel more frequently and whose travel preferences diverge from the generations of flight shoppers before them.

OAG's 2023 [traveler survey](#) reports:

- Thirty percent of millennials and 26% of Gen Zs have planned business travel this year, compared to 25% of Gen X and 19% of baby boomers.
- Ninety-one percent of Gen Z customers are more inclined to pick the airline based on on-time performance, compared to 87% of millennials, 81% of Gen X and 77% of baby boomers.

- Twenty percent of millennials choose more sustainable flights when choosing their airline.

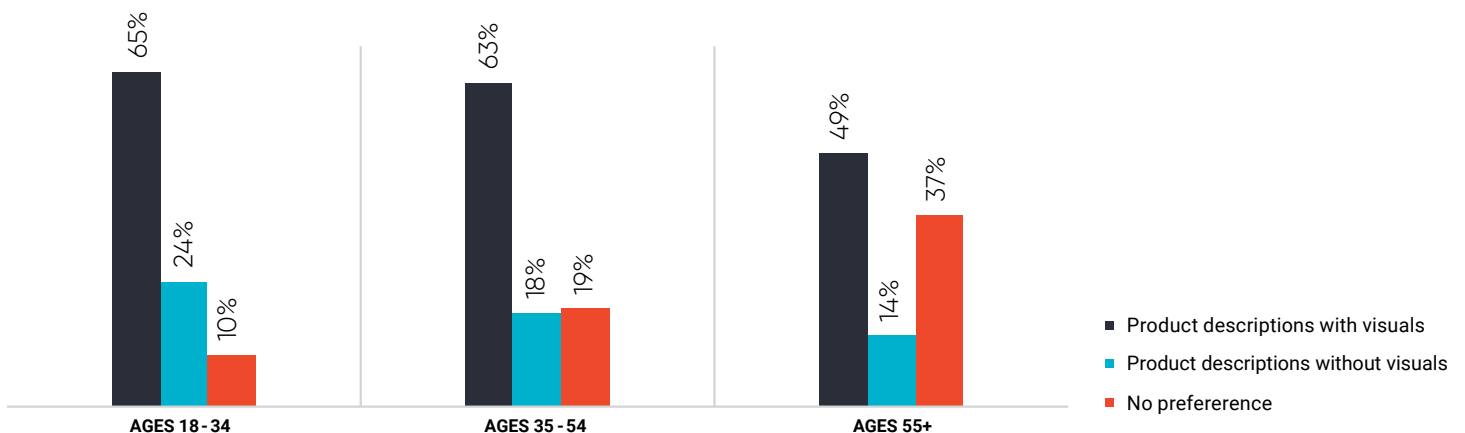
In successive reports on travel trends, Expedia Group also found that [two in three Gen Z Americans](#) (similar in preference profiles to Europeans) were looking for the company they book travel with to value diversity and inclusion, and [84% of millennials and 76% of Gen Zs](#) made a travel choice based on representation in travel advertising.

The Phocuswright survey findings further support the story of heightened expectations for retail travel experiences as millennials and Gen Z travel and shop for flights with higher frequency:

Young travelers prefer visuals that help buying decisions. In a side-by-side comparison, 65% of travel shoppers under age 35 said visuals (vs. static product descriptions) were valuable for making flight purchase decisions. This data reinforces the point that not only are visuals important to next-generation travelers but that presentation also plays a significant role.

Figure 1:

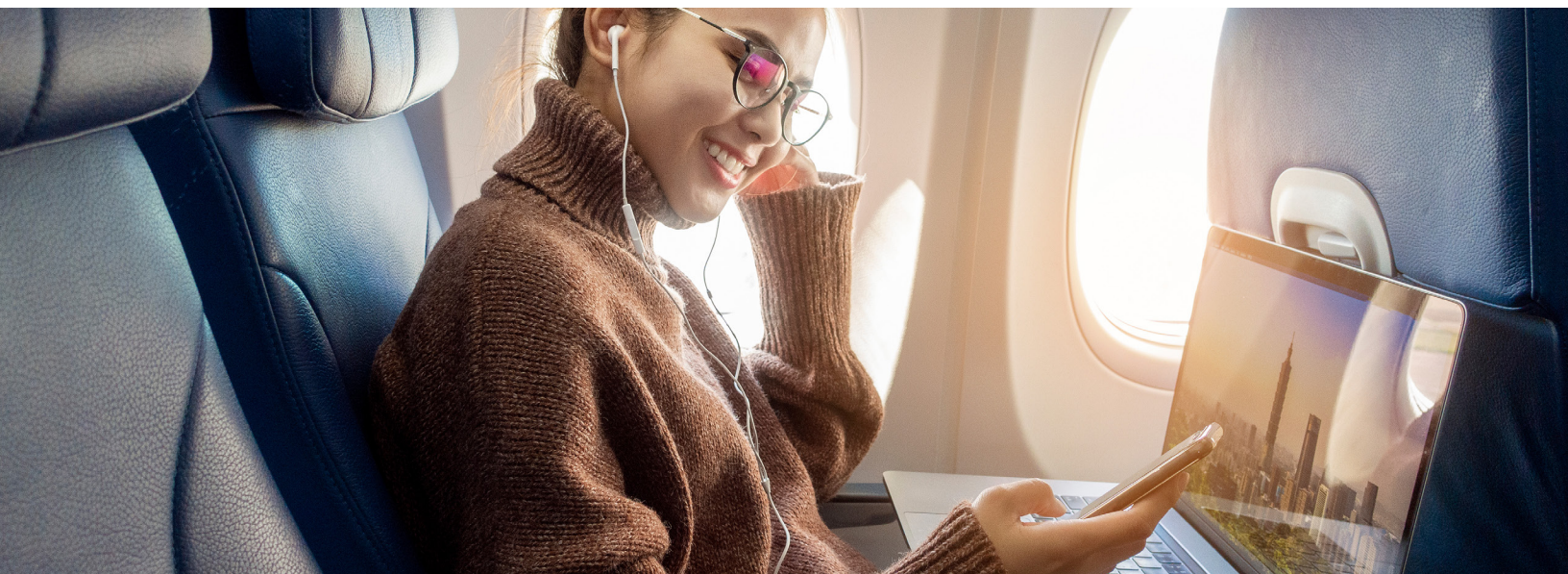
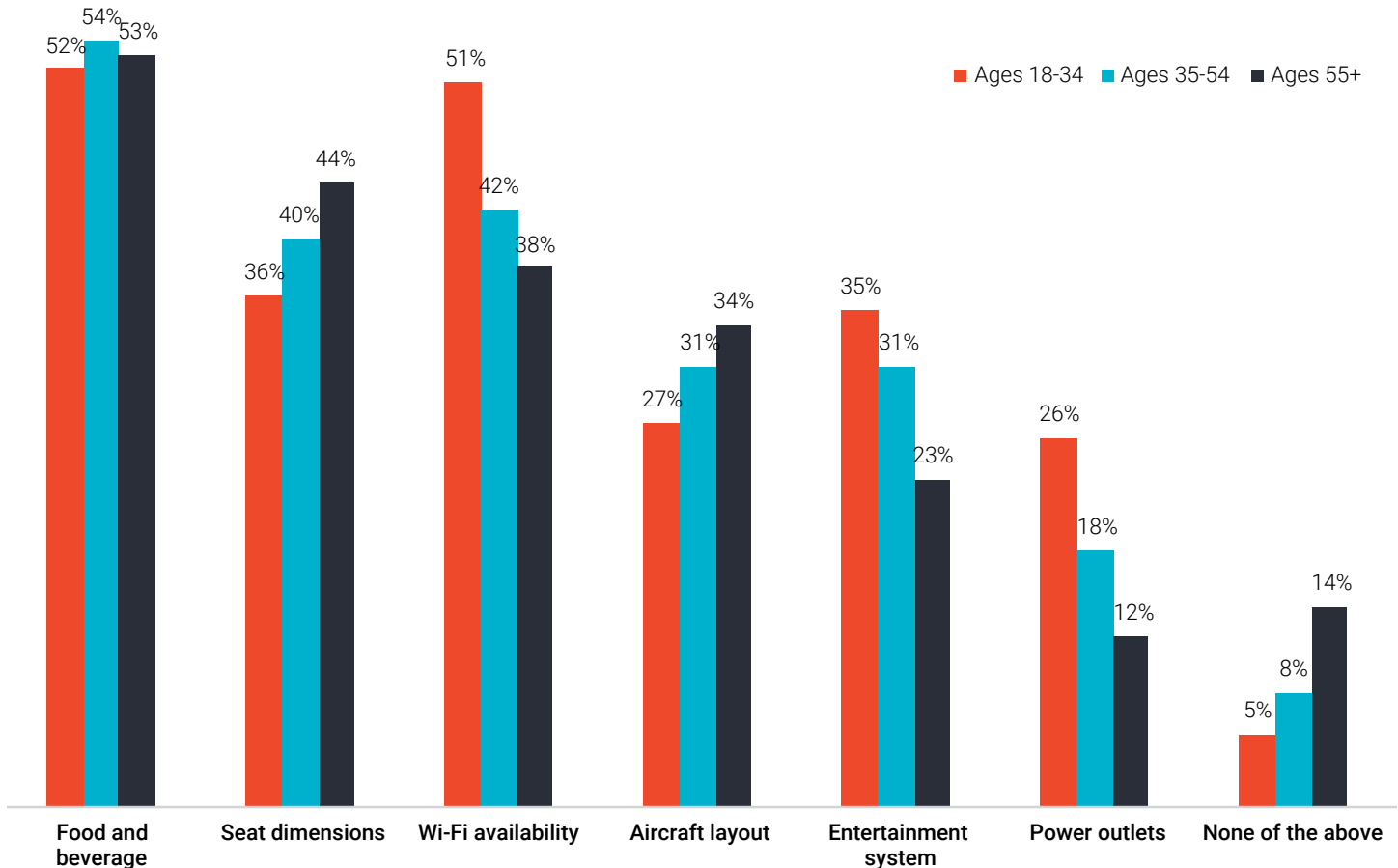
When you are selecting flights, would a screen with a side-by-side comparison showing visuals or a screen with static product descriptions be more helpful to you in making a decision? Select one.



The next generation of airline travel customers is specific about their preferred visual information. For example, travelers under 35 were significantly more likely to prefer visuals depicting amenities like Wi-Fi, the in-seat entertainment system and power outlets for charging while flying. Thus, retailers interested in catering to this demographic of travelers must consider emphasizing technology-related offerings in addition to physical comforts like aircraft layout and seat dimensions. (See Figure 2)

Figure 2:

Which of the following ancillaries and amenities would you most like to see visually depicted to enable you to make your booking decision faster? Select up to 3.

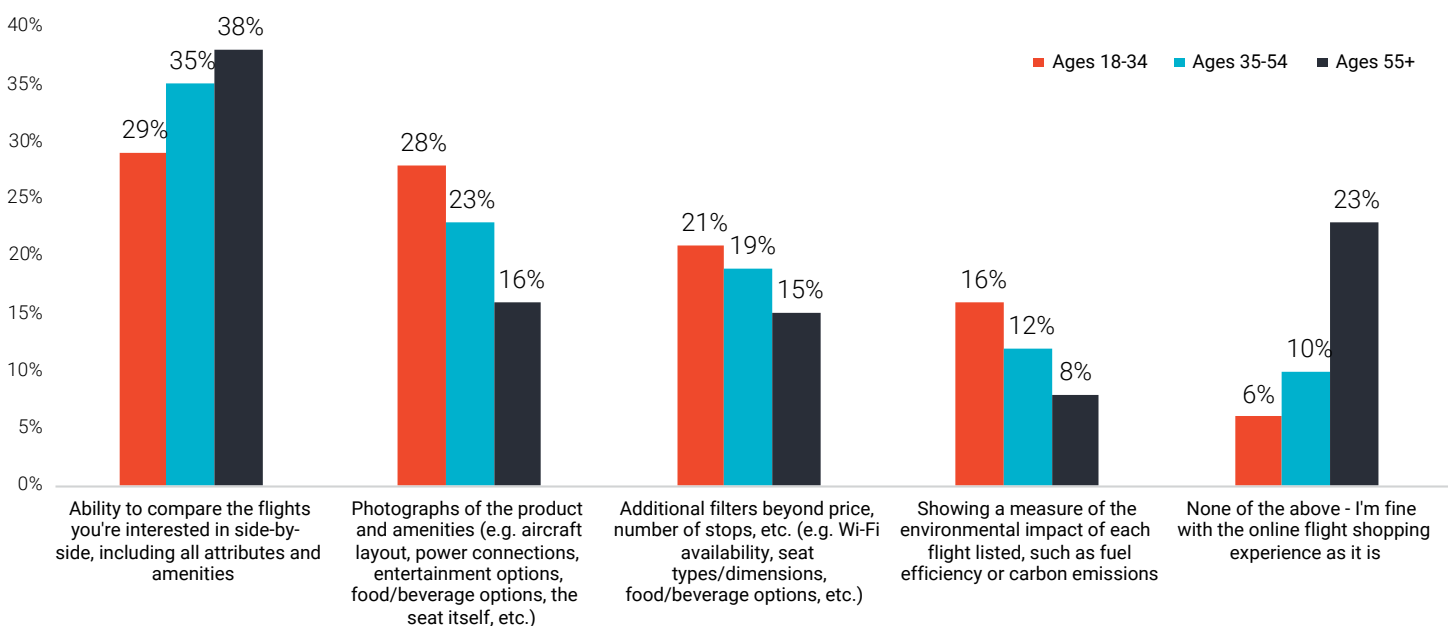




Younger travelers want a more modern retail experience. Only 6% of travel shoppers under 35 were satisfied with flight shopping as it is today. To improve on this startling statistic, airlines and retailers must focus on side-by-side comparisons, photos of amenities, advanced filtering capabilities and depictions of environmental impact. (See Figure 3)

Figure 3:

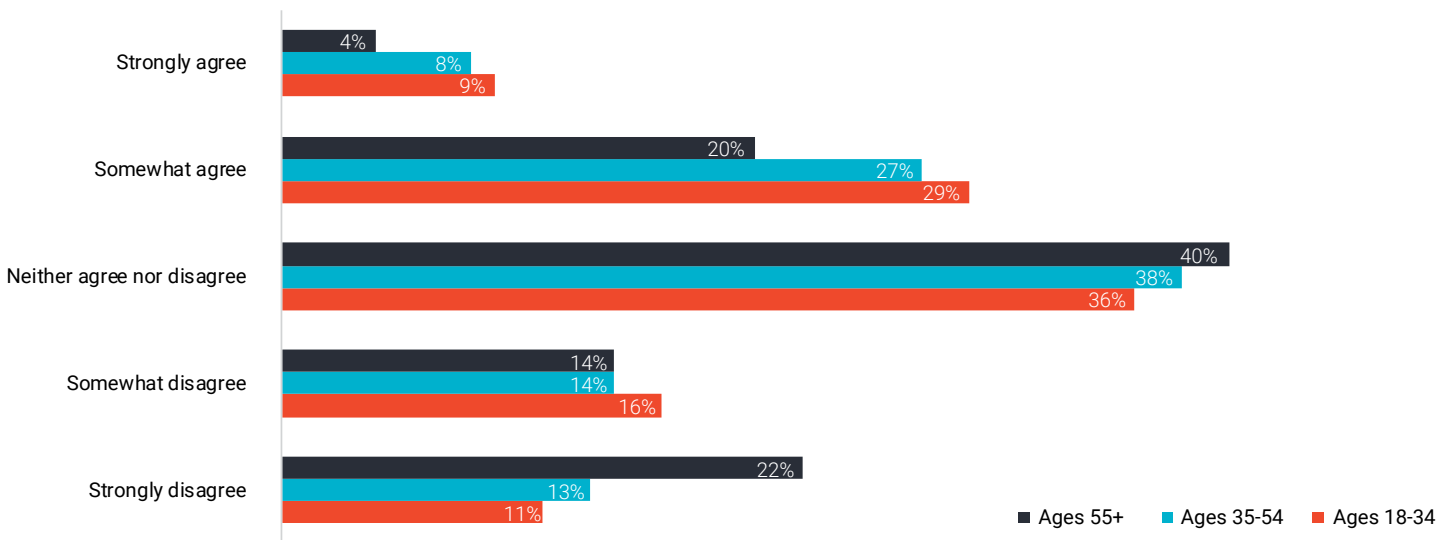
Which of the following would provide the most significant improvement to the online flight shopping experience? Select one.



Under-35 travel shoppers want a personalized shopping experience. Thirty-eight percent of young travelers surveyed preferred that airlines use their shopping history and loyalty data to develop tailored offers, emphasizing the importance of expanding and enhancing data-gathering initiatives to help deepen the relationships airlines and retailers have with younger customers. (See Figure 5)

Figure 4:

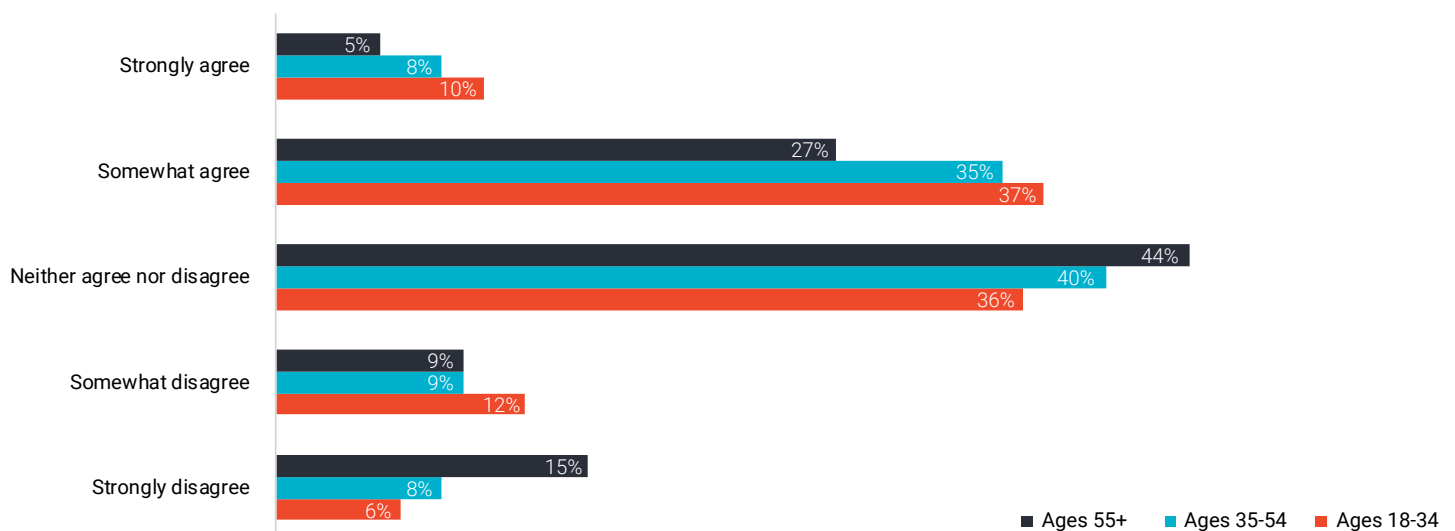
To what extent do you agree or disagree with the following statement about online flight shopping? I would prefer that airlines use my shopping history and loyalty data to generate offers with flight attributes and ancillary services that are tailored to my needs.



Young travelers will select flights with pictures of their preferred amenities. When comparing flights, nearly half of travelers under 35 were likely to book a flight with a visual depiction of a favorite product or amenity (Wi-Fi, entertainment, charging outlet) compared to a flight with no imagery. Young travelers prefer images of the extras they like and base their buying decisions on whether airlines choose to display them. (See Figure 6)

Figure 5:

To what extent do you agree or disagree with the following statement about online flight shopping? When comparing a flight that has a visual depiction of the product (seat, entertainment system, etc.) and amenities (food and beverage, Wi-Fi, etc.) to one that does not, I would be more likely to book the one that has visuals.



How to optimize travel merchandising

The airline industry has invested billions to create and offer a compelling brand and travel experience. Airlines have a significant opportunity to merchandise the flight experience more effectively. The time is now to advance into the modern world of retailing.

As the early supporters of retail modernization envision the future, a picture is emerging of what works:

- Retailers across distribution networks utilizing more specific visuals that come as close as possible to reality – for example the actual seat on the actual flight - and optimally-placed visuals.
- Airlines providing code-sharing partners with messaging guidelines, storing images in a centralized database and utilizing NDC and open APIs to distribute content to retailers more efficiently.
- Airlines providing clear and transparent offer descriptions, including information about the specific

aircraft utilized, restrictions, benefits, amenities and the costs of flight changes and delivering additionally relevant information during the shopping experience, such as the ability to clear destination customs and border patrol at the point of origin, flight carbon emission data, travel health warnings and restrictions.

- Airlines being selective about what to communicate to travelers by understanding what they need to know and what will enhance their travel experience and allowing travel shoppers to filter flights by amenities, attributes or priorities.

While modern retailing on airline direct channels is essential, merchandising solutions like ATPCO's Routehappy also help third-party channel partners improve the booking experience by providing shoppers omnichannel purchasing opportunities and giving airlines brand consistency across all distribution channels.



Why Routehappy?

It's no secret that every component of an airline offer is undergoing a major transformation. With modern airline retailing and attribute-based shopping a focus of airlines, sales channels and the entire industry, presenting an offer in a way that resonates with flight shoppers is a priority.

Routehappy enhances airline offers and helps increase revenue by delivering a best-in-class visual shopping experience with content that retailers can target, publish centrally, distribute broadly (including via NDC), and integrate flexibly in any sales channel, ensuring the content is relevant to the offer they're presenting.

Three Routehappy content types visually communicate targeted information about airline offers:

- **UPAs (Universal Product Attributes)** show flight shoppers time-sensitive and relevant content, such as unique fares, products and services with images, messaging, videos and more as they shop. Retailers can precisely target offers by aircraft, cabin, fare and

other attributes and help retailers to differentiate and represent the brand while driving conversion and increasing upsell opportunities.

- Comprehensive flight **Amenities data** helps convey the expected features of the onboard experience to flight shoppers by presenting a clear, simplified and comparable picture of what one seat on an aircraft or across airlines will look like compared to another.
- **UTAs (Universal Ticket Attributes)** are benefits and restrictions by fare that make it easy for flight shoppers to understand what they're purchasing. They're sourced from airline ATPCO Fares, Branded Fares and Optional Services filings and processed into straightforward merchandising content.





Routehappy helps airlines to differentiate and channels to present offers to flight shoppers in the way they expect with easy-to-understand and easy-to-compare information.

London Heathrow Airport, UK (LHR) to New York JFK Airport, NY (JFK)

Mon, Oct 17 to Sun, Oct 23

Sort by: Seats

Change Search

FARE CATEGORIES	STANDARD	MORE COMFORT	LUXURY
	Economy	Premium Economy	Business
 Airline 7:20am ————— 10:19am LHR LHR London Heathrow ————— JFK JFK New York	 Round Trip from \$821	 Round Trip from \$1,285	 Round Trip from \$3,964
Seats Advanced seat selection Extra legroom seat	Included +\$40	Included Included	Included Included
Baggage 1 free carry-on + personal item 1st checked bag 2nd checked bag	Included + \$20 + \$30	Included Included + \$30	Included Included Included
Eligible for upgrades	No	Yes	Yes

Costs of the merchandising status quo

The most apparent disadvantage of failing to pursue retail modernization is lost revenue. Early adopters realize significant jumps in conversion rates, revenue and margins from the booking path sale of simple amenities like upgraded economy seating (more legroom) and the post-purchase offering of upgrades from economy to business-class (for unsold inventory).

Airlines rely heavily on Net Promoter Scores (NPS), which measure a customer's likelihood of recommending the airline to a friend or colleague, serves as an indication of customer loyalty and remains the gold standard metric of customer experience programs. A high-quality flight booking experience is the first step toward becoming recommendation-worthy.

Without visuals that provide understanding and context about how a product works and its value, airlines risk disappointing customers and losing the opportunity to help them feel more engaged and loyal to their brand. As the number of airlines increases and commoditizes travel globally, modern merchandising may be one of the only ways to differentiate from competitors.

Without a more significant push toward retail modernization, airlines could lose valuable competitive ground to other airlines and channels and diminish the opportunity to provide a better booking experience on their direct channels.



Conclusion

Airlines and third-party retailers are more interested than ever in working smarter and more efficiently to add additional revenue, delight existing customers, and cultivate offers. Survey data demonstrates that modern airline merchandising is a “need to have” and not just a “nice to have” requirement for attracting young travel consumers.

Other ecommerce retailers, such as Amazon, Etsy, Chewy and a handful of airlines, are pushing the retail bar higher with intuitive, seamless shopping experiences that capture the attention of young shoppers and pave the way toward the future of modern airline retailing.

Travel technology experts like ATPCO significantly accelerate the airline industry’s retail evolution. They work with airline and channel partners to identify and overcome barriers and implement merchandising solutions like Routehappy to help airlines and channel partners deliver visual, consistent, trustworthy and omnichannel shopping experiences to their customers.

If you’re ready to create flight shopping experiences for the next generation of flight shoppers who value visuals, targeted messaging, differentiated aviation choices and more, contact ATPCO about Routehappy.





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About ATPCO

ATPCO drives innovation for modern airline retailing. From offer creation to order settlement, ATPCO partners with over 400 airlines and channels to identify marketplace needs, deliver standards and global solutions, and lead end-to-end the ecosystem transformation required for industry success. As a neutral entity, we do this through a combination of industry collaboration, governance, and a commitment to enhancing airline retailing today and into the future. Airline-owned for more than 55 years, ATPCO is everywhere people shop for flights. For additional information, visit atpco.net.

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