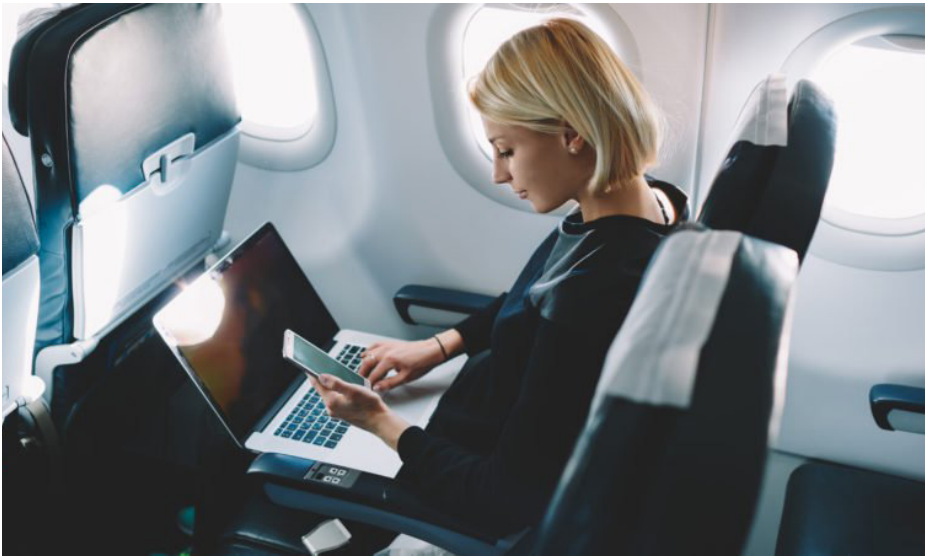# Inflight Wi-Fi to unlock $33 billion

Sky High Economics Chapter Three reveals an immediate opportunity for airlines to grab $33 billion in market share.

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The London School of Economics (LSE) in association with Inmarsat Aviation has released the final chapter of their Sky High Economics study, revealing how airlines can capitalise on changing passenger behaviour in a connected world.

Whilst the study's first chapter forecast that broadband in the sky will offer an additional $30 billion in revenue to airlines by 2035, this newest chapter uncovers an annual $33 billion in market share 'up for grabs' today, to be won by airlines embracing the connected inflight experiences that passengers want.

Stating that both the technology and infrastructure are in place and ready to meet the growing demands of today's always-on travellers, the study suggests that if airlines act now, they stand to gain a substantial competitive advantage over their peers and become the dominant airlines of the future.

Passengers and their behaviours are changing

Quality internet access is an expectation of life on the ground, thanks to the ubiquity of free internet connections and the penetration of smartphones, passengers are now demanding the same level of connectivity in the sky. Beyond the widespread and growing appetite for connectivity, the aviation industry is seeing a changing passenger demographic, which is accelerating demand at a high pace.

Millennials currently comprise the largest passenger group globally: More than a billion travel each year, taking 44% more holidays than Baby Boomers. Hot on their heels to become the largest passenger groups within the next decade are the digitally native generations: Generation Z (born between 1997-2012) and Next Gen (born after 2010). By 2028, these groups will each account for around 1.2 billion passengers flying each year.

For these groups, 'always-on' behaviours extend to almost every area of daily life, which is creating a seismic shift in behaviour in the travel industry. At the same time, passenger loyalty is changing as younger generations show lower levels of loyal behaviour compared with Baby Boomers.

Millennials are more likely to be in the half of travellers who don't belong to a loyalty scheme, for reasons including a preference to maximise travel budgets and to fly with low cost carriers who do not offer frequent flyer schemes.

Rewriting the rulebook on passenger loyalty

Only one third of passengers believe that the reasons they stay loyal to a brand today, are the same as they were three years ago. Such behavioural changes provide the incentive for airlines and partners to evolve traditional loyalty schemes.

The new drivers of airline loyalty should encompass a combination of exciting and engaging inflight experiences, personalisation before, during and after the flight, as well as making the flight a more significant component of the wider journey.

The impact of enhancing loyalty through service innovation will be huge. The renowned international management consultancy firm, McKinsey and C.o estimates that loyalty programmes can generate 20% of a company's profits, with customer satisfaction increasingly recognised as a key enabler of loyalty.

Making the switch and seizing the opportunity

The value of the proportion of global passengers that would choose to fly with an airline offering inflight Wi-Fi over one that does not, is predicted to be an annual $33 billion – equal to 6% of total market share.

The study used data from frequent flyer schemes to assess the proportion of active members, who generate most of an airline's revenue. This enabled the total market to be split into active, engaged frequent flyers (13%) and less engaged, brand-agnostic passengers (87%).

It is the less engaged travellers – many of them younger flyers with new expectations of travel – who present the largest opportunity for airlines to gain market share. Though they may travel less often than engaged flyers, the attraction of many 'less engaged' passengers will have a significant impact on an airline's revenue and profit.

It was uncovered that 12% of passengers are willing to switch airlines today, to one that offers reliable Wi-Fi. This $33 billion market share available today is forecast to increase to $45 billion by the end of the next decade, and in an industry where decisions are often made over decades, not years, those that act now stand to gain the lion's share of the prize. Equally importantly, those that don't act now stand to lose out.

Maximising opportunity through service innovation

Simply offering inflight Wi-Fi is a differentiator now, but it won't always be. The trend for Wi-Fi in the skies is mirroring the evolution of connectivity in other sectors such as hotels, where access to the internet has become a minimum expectation, rather than a purchase driver.

Putting in place high-bandwidth Wi-Fi with consistent coverage is crucial to meet the demands of data-hungry passengers but adopting the technology is just the start. In order to monetise passenger opportunities and unlock the maximum value of personalised engagement, airlines must adopt a retail mindset.

Enhanced passenger experiences, encompassing everything from destination offers to premium content can boost satisfaction and loyalty, while accessing new revenue streams.

And personalisation is set to revolutionise e-commerce, as consumers will only buy goods and services that are relevant to them, whether they are on the ground or in the air. Already, millennials are 14% more likely to make purchases for their onward journey, when an offer is personalised.

To encourage inflight spending, airlines can utilise data to develop personalised catalogues based on passenger profiles, routes, time-of-year and destinations. And this level of personalisation doesn't need to end with the cabin experience either. In fact, end-to-end personalised communication driven by data analysis based on passenger history throughout the wider journey, will only engender more trust and loyalty amongst today's travellers.

Information collected inflight can then be used for follow-up offers and engagement; generating further revenue and strengthening the relationship between the airline and customer by making the airline a more significant component of the wider journey.

In connecting the passengers' journey end-to-end, connectivity can also be utilised to streamline administrative processes such as boarding cards and immigration documents. With a third of passengers stating they would like to complete landing information digitally on the plane, this could have a significant impact on loyalty and satisfaction.

In the future, the use of inflight connectivity could be developed even further, to enable fingerprint and iris scanning and transmission during the flight, reducing time spent in arrivals and thus improving overall journey satisfaction.

Time is of the essence

The airlines that recognise changing passenger behaviour patterns, and adapt their offering to suit, will reap the rewards at the expense of their competitors. The $33 billion market share on the table today is predicted to grow to $45 billion in the next decade, and by that time, digitally native passengers will be the industry's largest customer base. To develop an inflight experience fit for the future, the time to act is now. ⚙

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