



ICAO



Air Transport and Tourism: Smart Product Mix

ICAO, Air Transport Meeting

Georgetown, Guyana

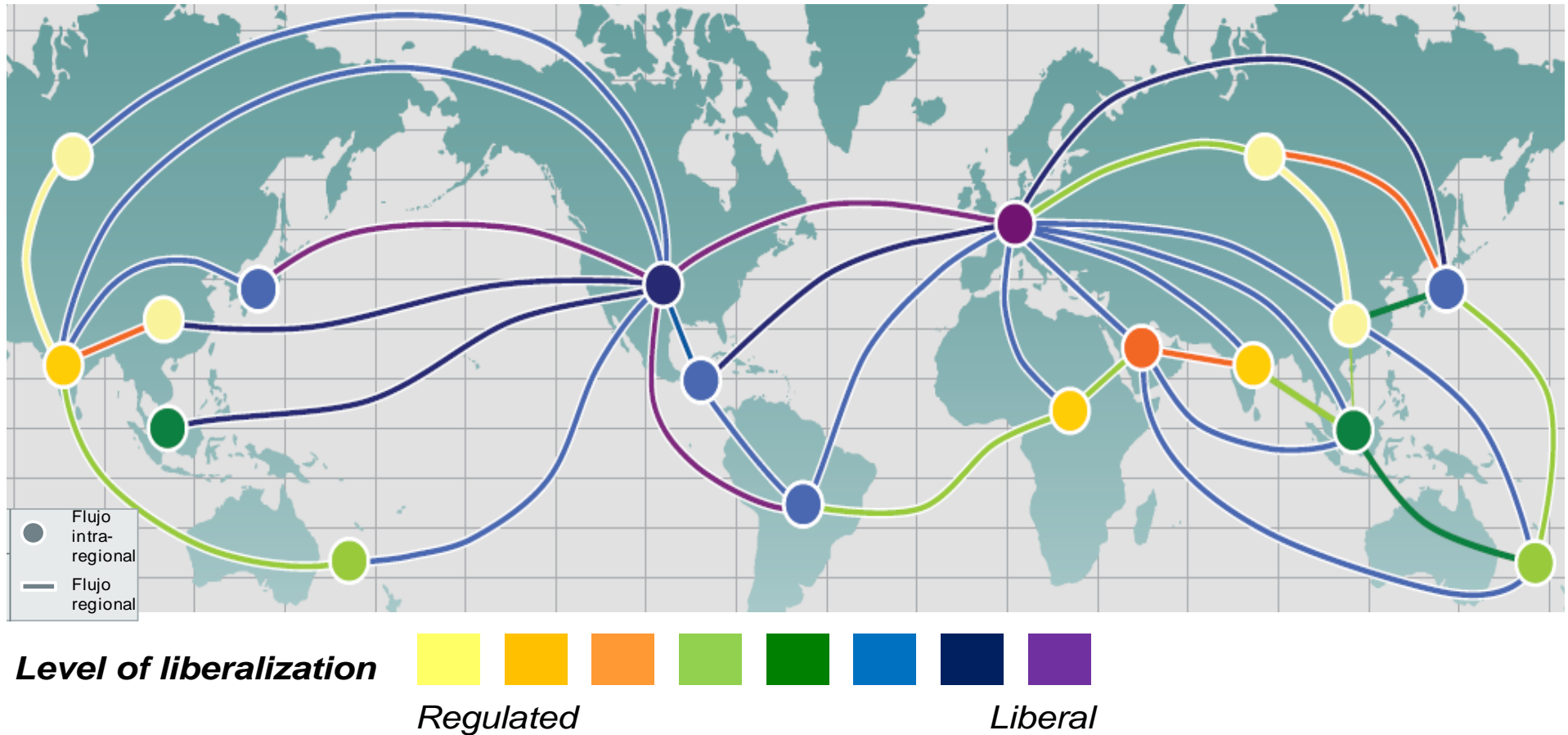
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ALG by Indra

Aviation policy is a driver to increase competitiveness and generate more traffic and has to be in line with the new way of traveling

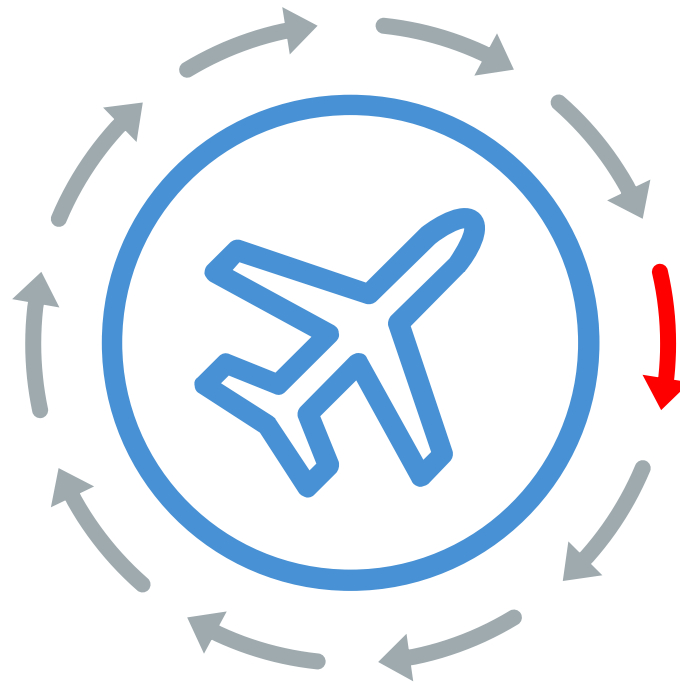
High level degree of liberalization in air transport bilateral and multilateral ASAs



Source: Airbus Global Market Forecast

Non-liberalized aviation policy leads to a vicious circle...

7 / 1 The domestic market is not able to sustain itself



2 The domestic market depends on the incoming international traffic flow

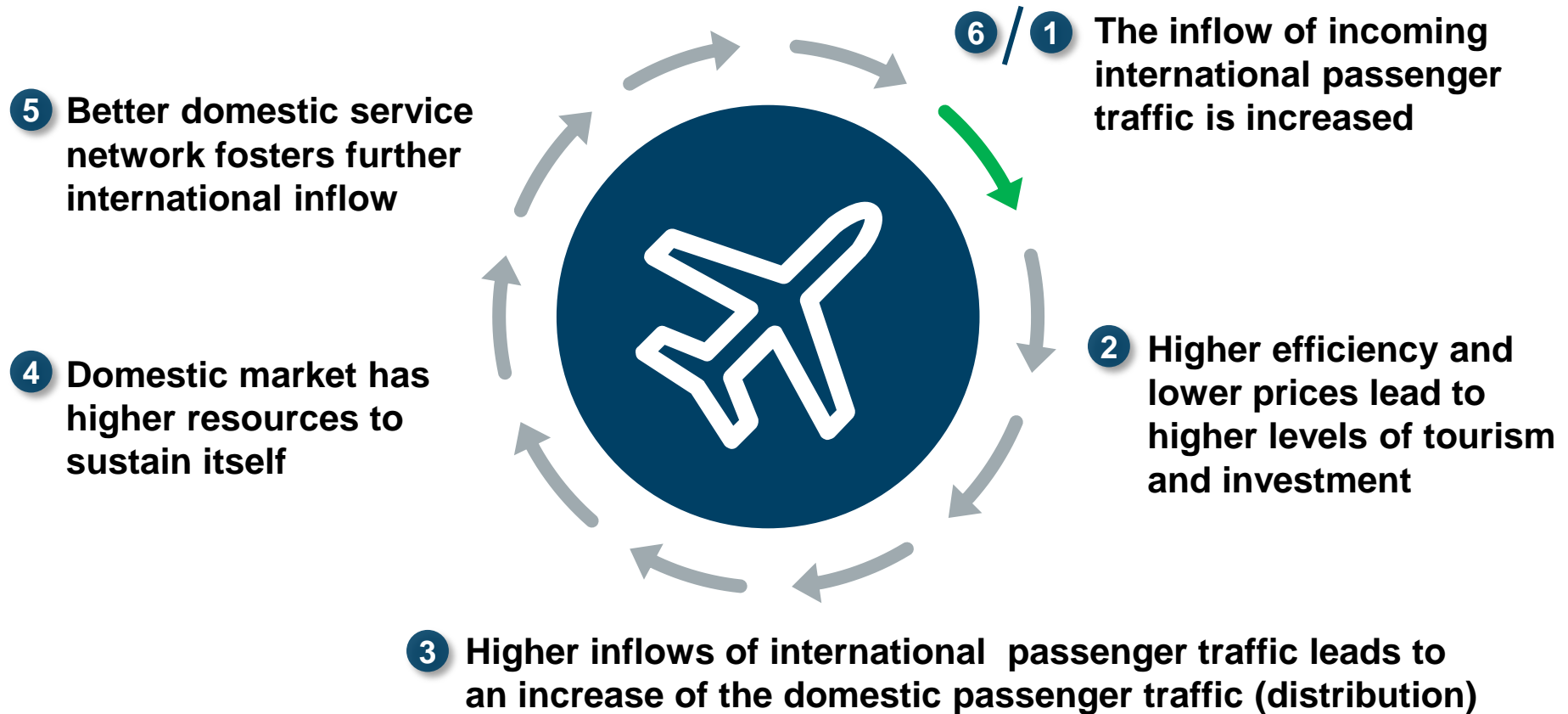
3 The incoming international flow is restrained to protect the national airline

4 The national airline fails to take advantage

5 International market continues to be underdeveloped

6 Domestic market receives less international flows

...whilst a liberalized aviation policy leads to a virtuous circle



Liberalized air transport market set the basis for what comes next

Traditional way of traveling has changed mainly due to three factors: LCC, client's desire of experiences and new technologies

- **Years ago:** traveler experience and selection of destination were **highly dependent on travel agencies**, who in turn depend on tour operators and charters
- **Nowadays:** fast changing sector due to:

01/

Irruption of LCC

LCC made new destinations more accessible, reducing the dependence of tour operation and charter pre-define holiday packages

02/

Travel experience

Desire for authenticity, active discovery and being connected are travelers' new basics

03/

Technology

Internet connectivity, search and geolocation technologies, mobile payments and social platforms, have a direct impact in travel

01/ LCC has made more accessible air travel and has changed traditional airlines business models

Changes in business model

- **Democratization** of air travel
- **Increased** options with new point-to-point **destinations**
- Reduction on **air fares**
- Scheduled and non-scheduled (charter) **airlines had to review their business models** to not lose (additional) market share

From holiday packages to flexible products

- From “pack-holidays” to independent product with separated buying process
- Promoting flexible touristic products
- Controlled by the traveler

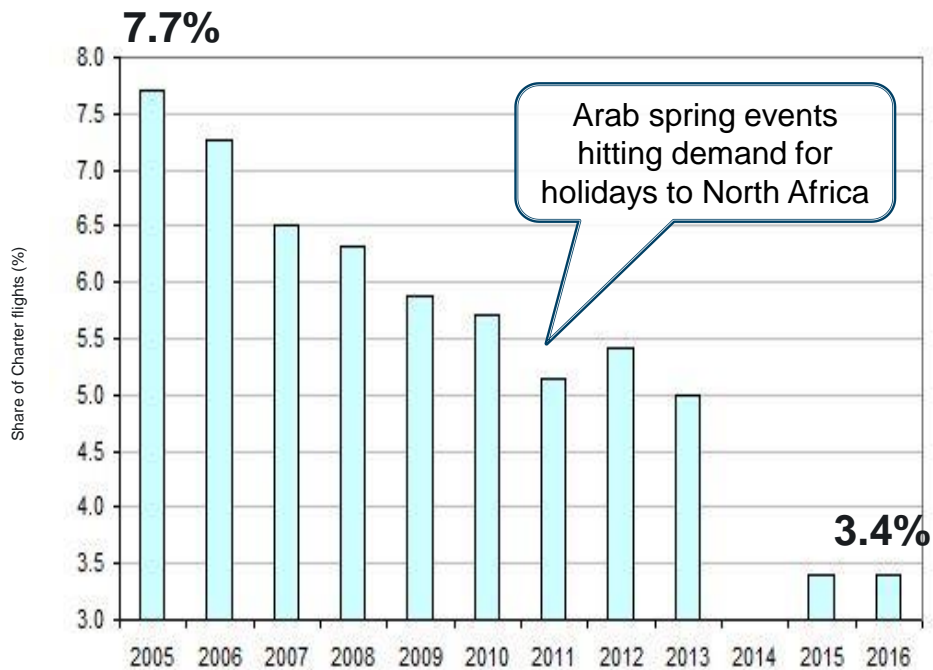
From tour operators and charter operations to low-cost and scheduled flights

- **Tour operators** had tend to **vertical integration**
- **Charter** airlines have started operating **scheduled services** to fill seats through other channels
- However, this reaction **hasn't been enough** to face the growth of low cost and to adapt their products to new travelers behavior
- The **low-cost segment has absorbed part of the tour operators and charter segment** market share in recent years

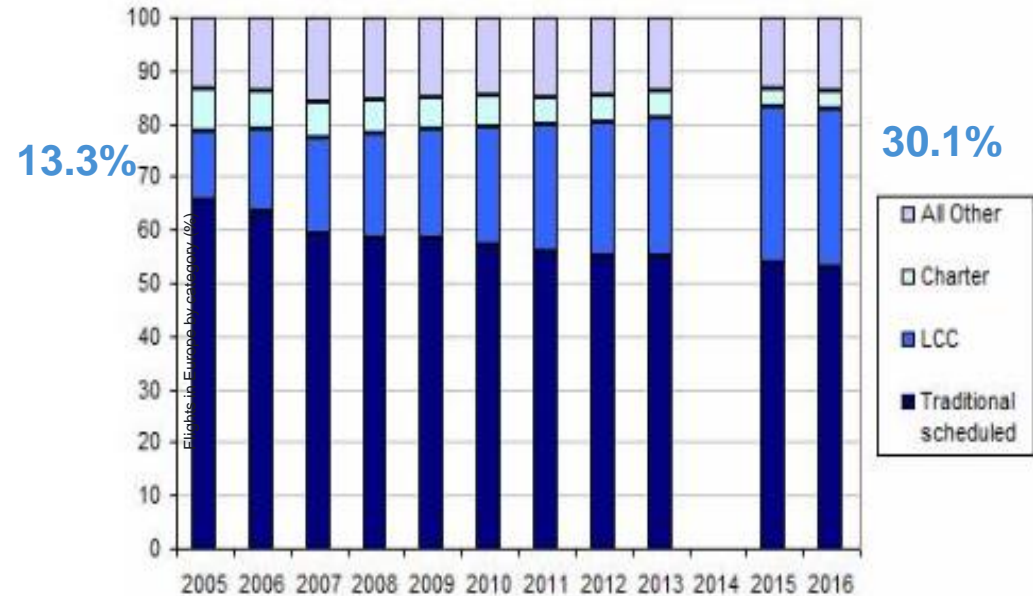
LCC has redrawn the aviation industry

01/ Business case: charter operations in Europe

Europe: strong reduction of charter mkt share on total flights



Europe: LCC share of total flights has more than doubled in the same period



Source: CAPA, Eurocontrol Statfor. 2014 data no available

After years of decline or transition to a low-cost, scheduled model, charter segment represents only a small share of all flights

02/ Living travel experience: travelers want to experience seamless journeys tailored to their habits and preferences



Before

- From tourism service industry offering a flight, a room and some food
- From travelers selecting from a pre-defined list of destinations (selected by agencies)
- From “popular” destinations
- From control in hand of tour operators and agencies



Nowadays

- To offer experiences
- To a wide-open range of possibilities
- To “exclusive” experiences
- To control in hands of travelers (**self tailor-made trip**)

03/ Technology is changing the travel industry

- Booking a trip today, and booking a trip 15 years ago are two completely different processes
- Through technology travelers can control all the trip



The Smartphone

Mobile platforms have become essential, from awareness of a destination to transactional, and client relation and sharing their experience through social-media



Transactional and flexibility

Travelers can book flights, remote check-in, boarding passes, change flights, seats, upgrades, giving the travelers flexibility



Better Communication

Customers can directly contact the airline, and can expect a response in a reasonable amount of time. This ability to engage quickly has helped to retain customers and the reliance on airlines to solve problems



Maps

GPS become accessible giving travelers the confidence to be more spontaneous and make fewer plans



Customer power

Technology has changed the balance of power between business and customer across the travel industry

In conclusion, smart product mix for the tourism segment should consider:



Liberalized environment as the basis for further air market development

Full deployment of LCC services in the Region

Travel is experiencing a fast transition lead by travelers. Airlines, tour operators and other providers have to adapt their product based on new technologies

Thank you!

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