



## Online Sales – Opportunities and Risks for African Airlines AFRAA AGA 41 in Maputo, Mozambique



Maputo, November 24<sup>th</sup>, 2009

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- 1. Opportunities and risks of online sales**
2. Special challenges for airlines in the African market
3. Establishing a consistent online sales strategy

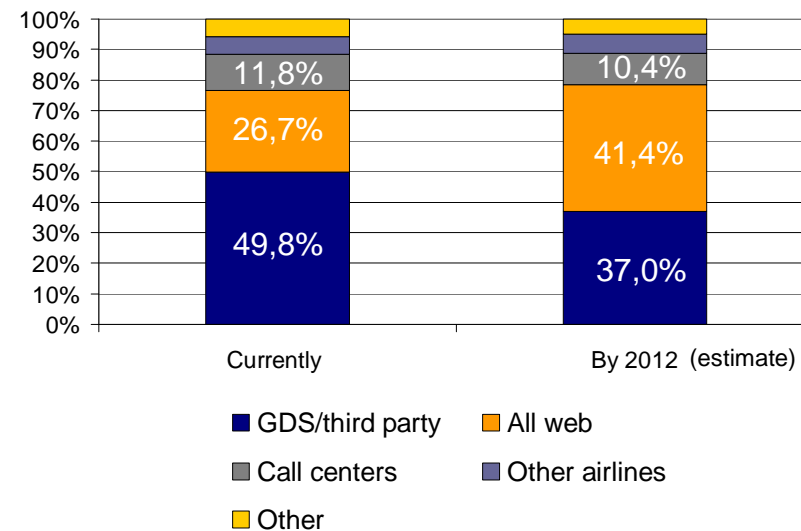
# The share of airline tickets sold online is estimated to reach more than 40% of all tickets sold world-wide in 2012

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## Share of online sales as a percentage of total seat sales (\*estimate)

- Airlines worldwide continue to develop the internet as a sales channel
- The online sales of airline tickets is expected to reach 41% of overall sales by 2012
- Nevertheless, GDS will continue to play a major role as a distribution, unlike originally predicted
- Core reason for this is the lack of a stringent online sales strategy and planning

Sales per distribution channel as a percentage of total sales

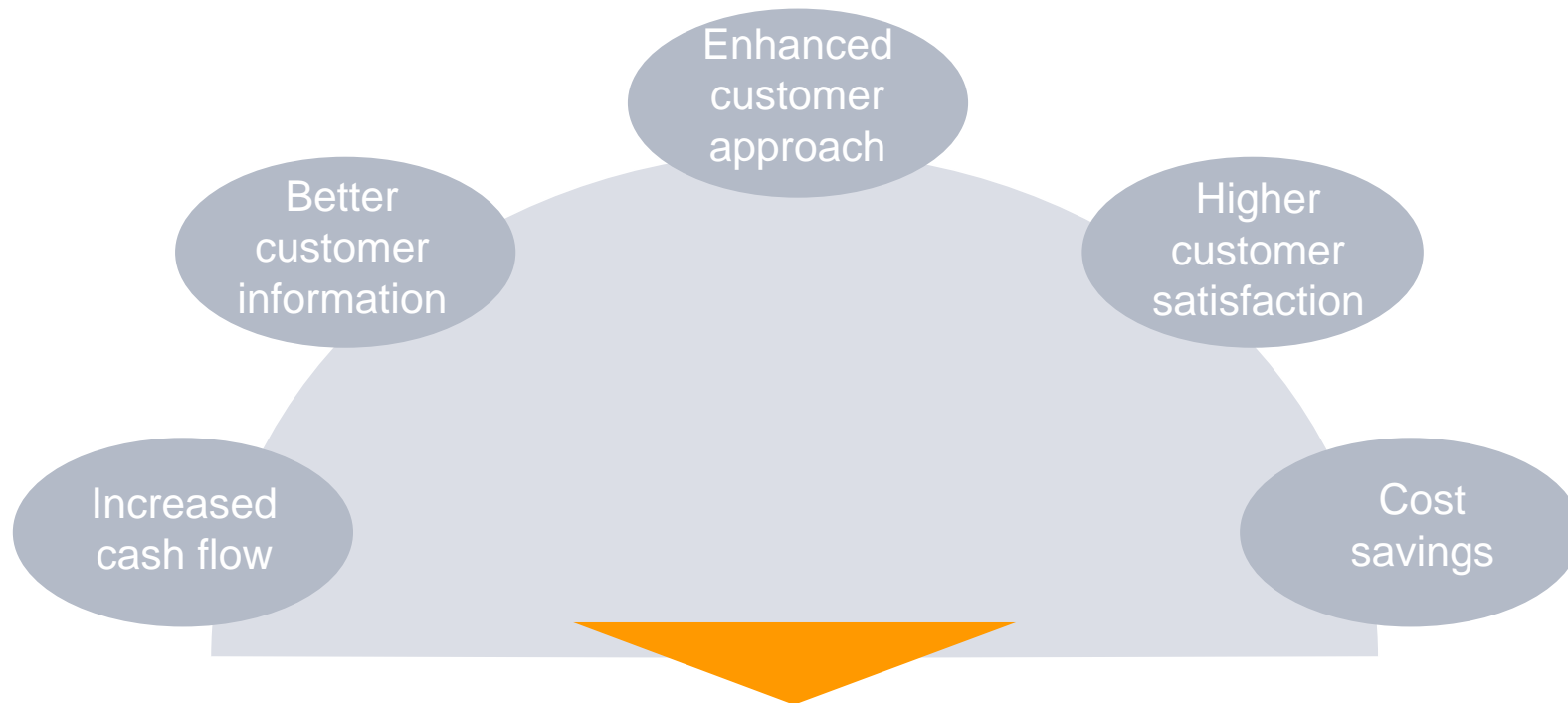


Source: Airline Business/SITA: The Airline IT Trends survey 2008

# Online sales offer significant financial benefits for airlines, if consistently applied and managed on a market-specific level

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## Advantages of online sales vs. traditional channels



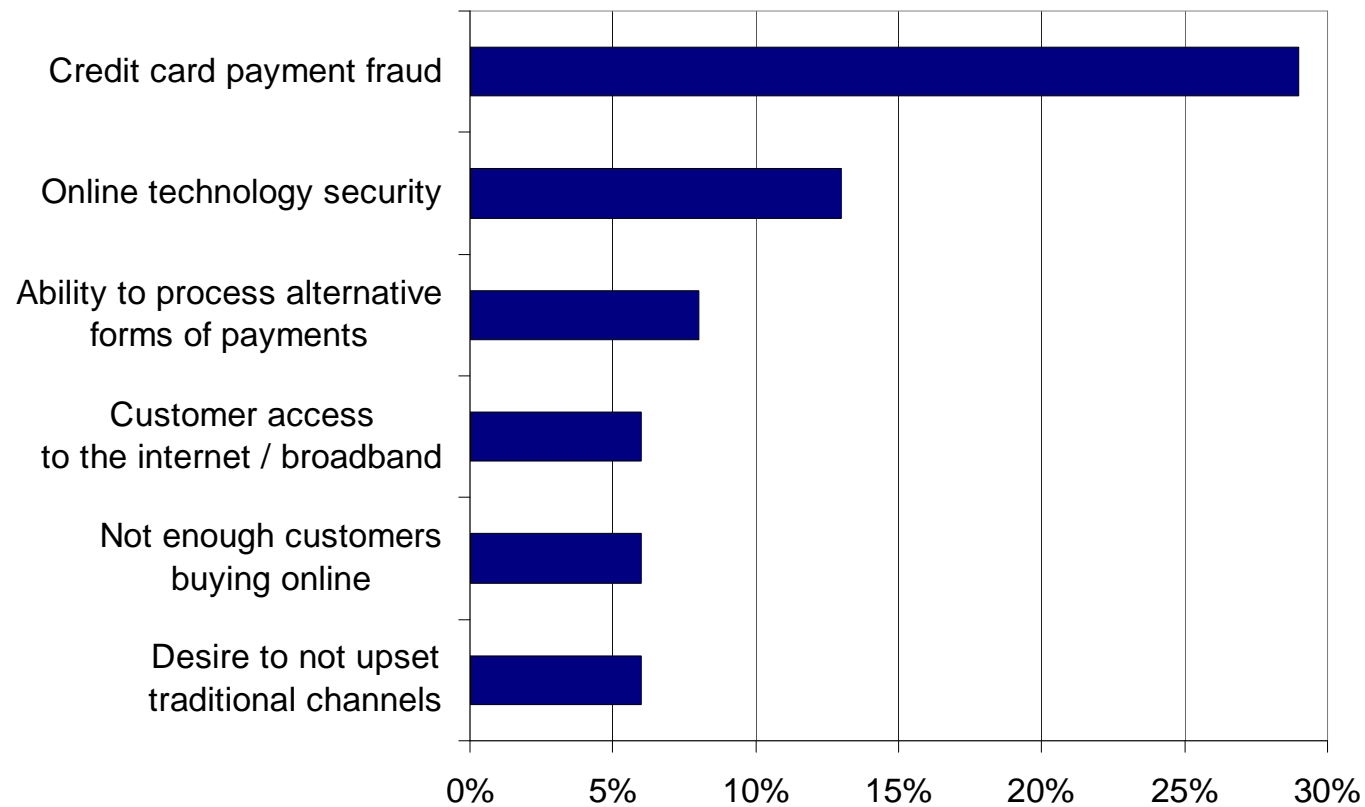
**Improved financial performance**  
(if consistently applied and managed on a market-specific level)

Source: Lufthansa Consulting

# However, online sales also bears a number of challenges that airlines need to integrate into their commercial strategy

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## Selected most important business issues associated with online sales



Source: Airline Business/SITA: The Airline IT Trends survey 2008

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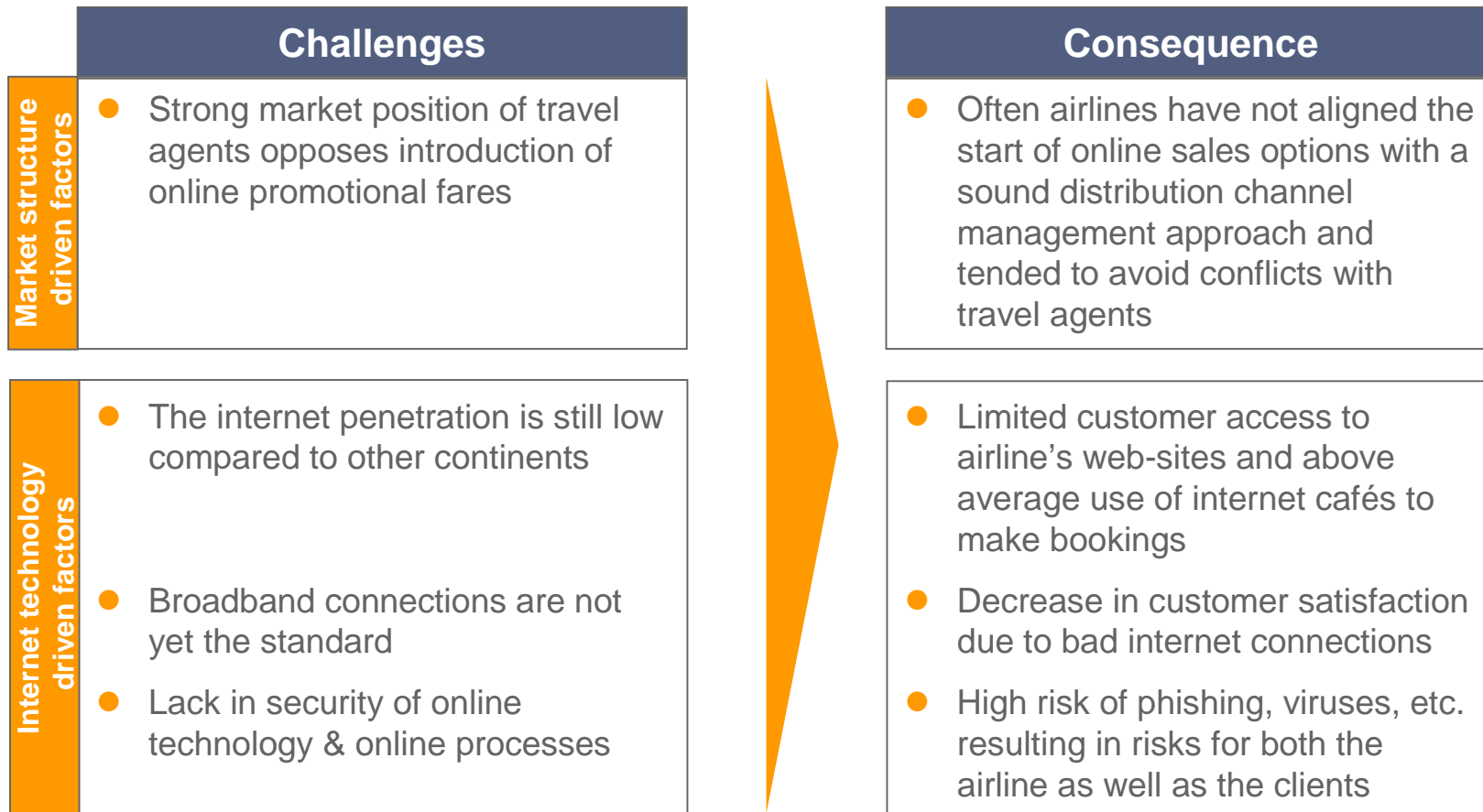
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1. Opportunities and risks of online sales
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# The African market environment has prevented many airlines from taking the benefits of online sales so far (1)

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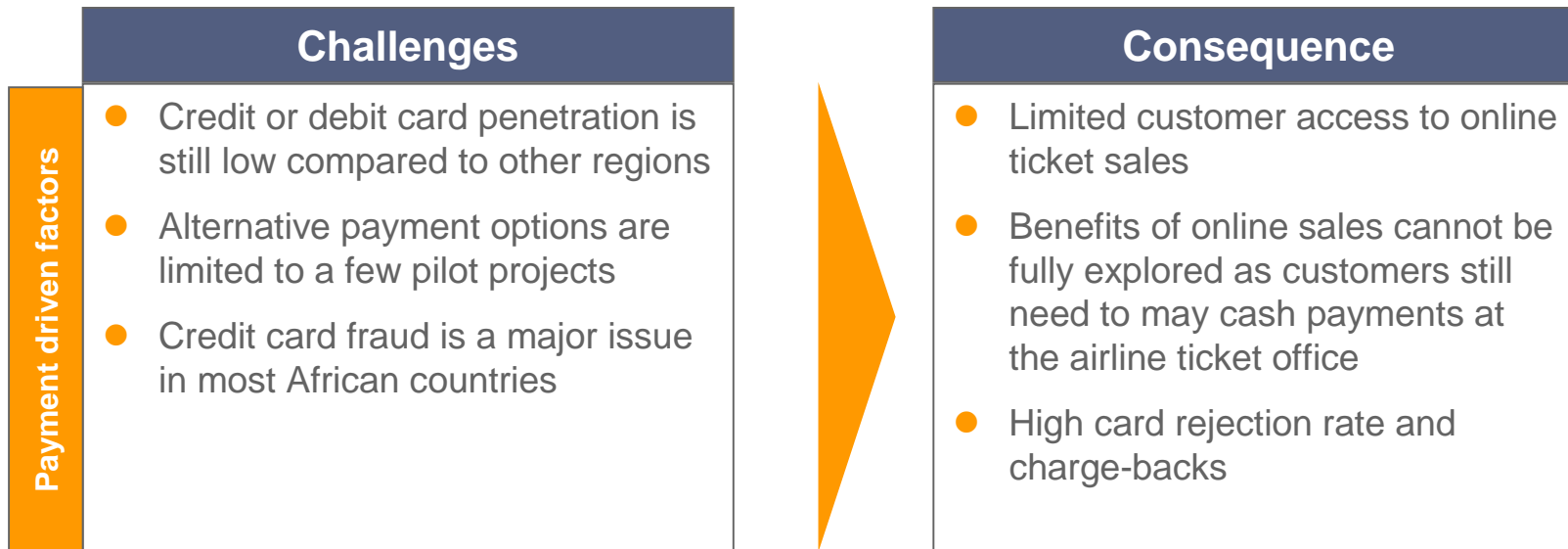
## Barriers of Online sales for African carriers



# The African market environment has prevented many airlines from taking the benefits of online sales so far (2)

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## Barriers of Online sales for African carriers





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To benefit from online sales, several questions need to be answered and your online strategy should be in place

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How can we use Search Engine Marketing and Optimization

How shall we promote online bookings without credit card penetration in our market?

Do we need a shopping functionality on my web-site?

How do we identify and realize cross-selling opportunities?



What is the right IBE for us?

Are online bookings really cheaper than traditional booking?

How can we prevent abuse of internet bookings?

Why do our revenues decrease, since we introduced online booking?

How can we introduce alternative payments?

How do we convince my clients to shop online?

# By applying a stringent online sales strategy, African carriers can ensure the success of their web sales

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## Crucial steps to implement a successful online sales strategy

### Determination of requirements

- Definition targets
- Comprehensive market research for each potential online market
- Evaluation of the own Passenger Service System (PSS) and their potential constrains
- Assessment of processes and standards
- Translation of findings into IT and process requirements

### Selection of potential solutions

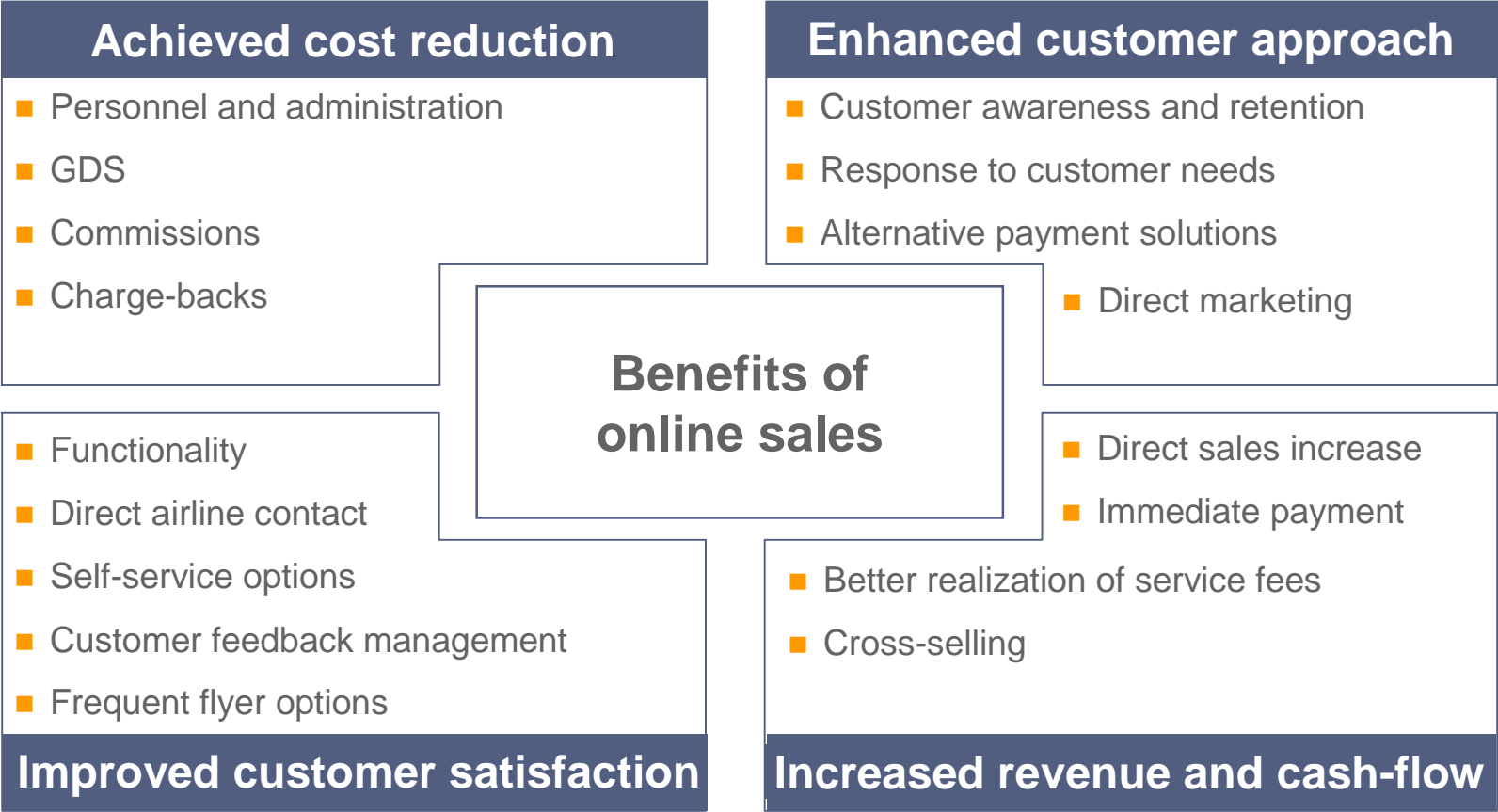
- Evaluation of different Internet Booking Engines (IBE), their functionality and restrictions
- Identification of additional investments
- Evaluation of on- and offline payment providers
- Development of process adaptations
- Translation into a detailed online sales strategy and KPIs

### Implementation

- Adaptation of processes and – if required – the organization
- Creation/updating of web-site
- Implementation of IT solution
- Introduction of fraud prevention measures
- Activation of marketing activities
- Constant monitoring and controlling

# The online sales strategy allows African airlines to fully benefit from the advantages of eDistribution

## Options to fully benefit from online sales



## Advantages of IT and internet security measures

- Adequate security concepts incl. state-of-the-art firewalls and anti-virus solution protect the airline's IT infrastructure and data
- Implementing secure data transmission mechanisms and intrusion detection system, reduces the risk of thus of data theft and abuse
- Real-time verification of obligatory passenger data and credit card information limits the possibility for fraudulent bookings
- Back-up concept including disaster recovery procedures prevent the inaccessibility of the IBE and the loss of data



## Mobile technology helps to overcome current internet limitations

- The users of smart phones and PDAs (Personal digital assistants) will continuously increase
- Consequently, internet access through and online sales through mobile devices will continue to grow
- By introducing smart phone applications, airlines can reach also customers without standard internet access
- Customer satisfaction can be increased as clients can benefit from online services (e.g. online check-in), even without standard access to the internet



# Another component of the strategy is a professional payment strategy: increase online sales by reducing the risk of fraud

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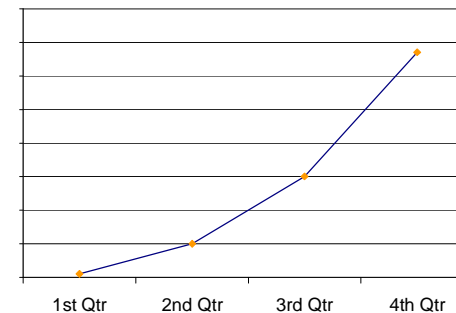
## Advantages of a payments strategy

### Components of a professional online payments strategy

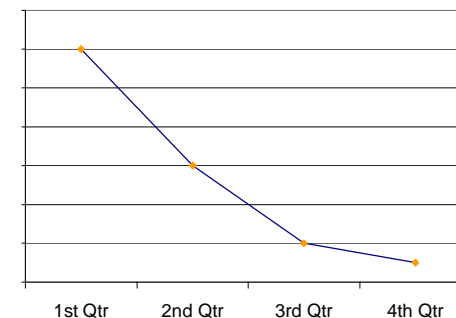
- Setting of key performance metrics
- A robust cost-benefit analysis
- Evaluation of the best practice fraud and risk management tool
- An optimized acceptance policy for web payments
- Development of sustainable best practices to address fraud and risk issues

### Practical and achievable results

Online Sales



Fraud losses / Chargeback losses

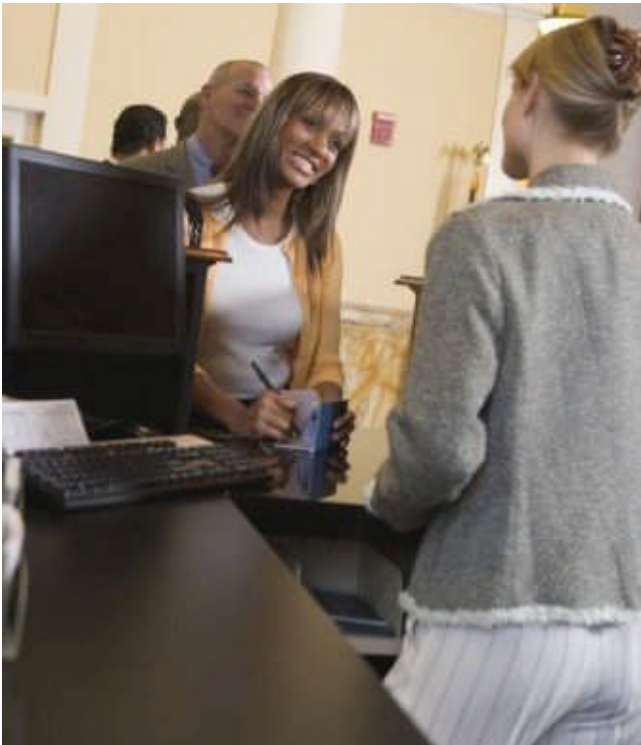


Source: Edgar, Dunn & Company

# Establishing alternative payment options helps to reduce fraud while also gaining a competitive advantage

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## Options of alternative payment methods



- By cooperating with banks, retailers or other partners, African airlines can establish further options for cash payments of online bookings
- The introduction of airline debit cards for regular and known clients allows online payments with a limited risk of fraud
- Using international online payment providers will help to expand the client base
- The cooperation with payment providers also ensures secure online payments



# To better address the challenges of online payments, LCG has teamed up with EDC, an payment consultancy company

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## Lufthansa Consulting (LCG)

- Specialized airline and aviation consultant
- In-depth knowledge of airline distribution strategies, especially in the African market
- Vast experience in distribution channel management in Africa
- Elaboration of numerous online strategies for African carriers



## Edgar, Dunn & Company (EDC)

- Payment specialist with airline experience
- Expert in developing and implementing payments strategies
- Track record in establishing fraud prevention methods
- In-depth knowledge of payment challenges and restrictions in the African market

### Combined expertise to:

- cover the complete airline sales & distribution process chain
- reduce fraud and increase revenue integrity
- establish alternative and innovative payment options customized to the airline industry

# Contact

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