47th AFRAA ANNUAL GENERAL ASSEMBLY
Brazzaville 8 - 10 November 2015
MAXIMISING GROWTH IN A LIBERALISED AFRICAN AVIATION MARKET

The importance of knowing your customer

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Seabury Group
Liberalisation progress

- All freedoms including cabotage
- Tariffs are liberalised
- First through fifth freedoms have been granted
- Capacity and frequency are open
- First through fifth freedoms have been granted
- Capacity and frequency are open
- Maximum of two carriers per state may participate
- Liberalisation in progress; amendments to bilaterals are pending
- Liberalisation pending
- No liberalisation been initiated; some 5th freedom routes exist
- No liberalisation been initiated

Notes: Based on latest available data from 2010; current status mostly unchanged
Source: African Development Bank; Schlumberger 2010
At the 2015 African Union meeting in Addis Ababa, **11 states agreed**: “their solemn commitment to the immediate implementation of the Yamoussoukro Decision towards the establishment of a single African Air Transport market by 2017”

- Effective implementation of the Yamoussoukro Decision is likely to first occur at the **REC level** before continent-wide implementation.

- Do the committed countries have enough influence to drive implementation across their respective REC’s?
The changing traveller

Africa’s emerging middle class

Population (million)

Source: World Bank; IMF; Silk Invest

Historic flyers: VFR, business travellers, traders, government

New Flyers:

Below poverty line
Middle Class
Above 5k GDP per capita

35 264 194
35 291 243
43 340 272
46 379 318
63 456 322
85 545 312
105 654 293
129 775 267
152 911 230
185 1,051 181
What is customer segmentation?

The segmentation of customers into meaningful segments based on common travel behaviours and characteristics.

Data sources:
- Booking data
- Operational data
- Sales data

Segmentation metrics:
- Booking lead time
- Trip duration
- Booking class
- Gender
- Travel party size
- Nationality
- Age
- Trip frequency
- Day / time of departure
- FFP partnership
Illustrative booking curve for African airlines

Lengthening booking curve as markets mature and customer behaviour evolves

- Price-sensitive leisure customers
- Business customers
- Premium leisure customers
- Economic migrants
## Traditional CRM vs. Customer segmentation

<table>
<thead>
<tr>
<th><strong>Data sources</strong></th>
<th><strong>Traditional CRM</strong></th>
<th><strong>Customer segmentation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motivation-based:</strong></td>
<td>Summary level from sub-databases (FFP, surveys, social media etc.), not directly linked to specifics of the business (routes, channels, agents, POS)</td>
<td><strong>Behaviour based:</strong> Detailed coverage from all coupons with links between sales, flown data and ops data</td>
</tr>
</tbody>
</table>

| **Methodology** | **Qualitative based on survey/sample approach** | **Quantitative based on integrated data sources** |

<table>
<thead>
<tr>
<th><strong>Outputs</strong></th>
<th><strong>Detailed and nuanced insight on preferred travel habits on a wide range of subjects</strong></th>
<th><strong>Robust and standardised views across a number of core aspects of travel behaviour and inferred sensitivities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Answers what, why</strong></td>
<td><strong>Answers who, where, when, how</strong></td>
</tr>
</tbody>
</table>
What does today’s segmentation look like?

ILLUSTRATIVE

- Business
- Leisure
What does today’s segmentation look like?
What does today’s segmentation look like?

- Premium leisure
- Business traveller
- Economic migrant / labour
- Price-sensitive leisure

ILLUSTRATIVE
What does today’s segmentation look like?

- VFR / going-home
- Longer stay
- Tour
- Irregular short-stay
- Shopping travel
- Weekend trip
- Hard business
- Soft business
- Government officials
- Traders
- Economic migrants
  - Group business
  - Special event

ILLUSTRATIVE
What’s the value?

- How do different customers use different products/routes?
- What premium are they prepared to pay?
- How do my segments differ by sales channel and what is their associated yield?
- What markets are attractive, through the lense of customer segmentation?
- How can campaigns be tailored to address particular segments and how do they respond?
- What products make sense in certain markets given the relevant segments?
- How do customers overlap with those of any partners and how can approaches be harmonised?
- What do my segments differ by sales channel and what is their associated yield?
- Who are the most valuable customers?
- For whom should the airline design and plan?
Example: Promotions

Promotion impact on segments
Number of bookings (O&D legs)

- Price-sensitive leisure
- Premium leisure
- Soft business
- Hard business

Booking week
### Illustrative directional O&D level segmentation

**Number of passengers**

<table>
<thead>
<tr>
<th>Day</th>
<th>Hard business</th>
<th>Soft business</th>
<th>Price-sensitive leisure</th>
<th>Premium leisure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>30%</td>
<td>20%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Tuesday</td>
<td>20%</td>
<td>10%</td>
<td>50%</td>
<td>20%</td>
</tr>
<tr>
<td>Wednesday</td>
<td>10%</td>
<td>10%</td>
<td>60%</td>
<td>20%</td>
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<tr>
<td>Thursday</td>
<td>20%</td>
<td>10%</td>
<td>60%</td>
<td>10%</td>
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<tr>
<td>Friday</td>
<td>30%</td>
<td>20%</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td>Saturday</td>
<td>10%</td>
<td>20%</td>
<td>50%</td>
<td>20%</td>
</tr>
<tr>
<td>Sunday</td>
<td>10%</td>
<td>20%</td>
<td>50%</td>
<td>20%</td>
</tr>
</tbody>
</table>

- Hard business
- Soft business
- Price-sensitive leisure
- Premium leisure
Example: Segment value

Segment value
Yield, number of passengers

Average yield
- Business traveller
- Quality focused leisure
- Labour
- Price-focused leisure

Volume (%)

ILLUSTRATIVE
Going beyond “your airline”…

Your airline
- Coupon data
- DCS data
- Sales data
  - What do our segments look like?
  - What is the purchasing behaviour of our segments?
  - What is the value of our segments?

The market
- MIDT data
- DDS data
  - What do our competitors’ segments look like?
  - How do our competitors’ segments shares compare to ours?
  - How does our competitors’ segments purchasing behaviour compare?
  - What is the value of our competitors segments?
  - Are we capturing our fair share of particular segments?
THANK YOU

Any questions?