



# HOW ADVANCED ORDERING OF IN-FLIGHT ANCILLARY SERVICES LIFTS REVENUE

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# Topics

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- Advanced Ordering Defined
- Opportunity Robustness
- Design Principals - Offering Strategy
- Design Principals - Order Fulfillment
- Core Competencies
- The Takeaways

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## Advanced Ordering Defined

A full perspective on a straightforward idea.

Passengers purchase in-flight services and products before departure that are delivered directly to their seats.

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The screenshot shows a Windows Internet Explorer browser window displaying the Expedia website. The address bar shows the URL <http://www.msante.com/expedia/mealsmenu.php>. The page title is "Flight Details". The Expedia logo is visible in the top left corner. The navigation menu includes "Home", "Flights", "Hotels", "Cars", "Vacation Packages", "Cruises", "Activities", "Deals & Destinations", "Maps", and "Business Tra".

The main content area is titled "Buy a meal for your trip". It features two radio buttons: "No thanks, I don't need a meals." (unselected) and "Yes, I would like to see available meals." (selected). Below this, there are three meal options, each with a checkbox and an image:

- Chicken Caesar Salad
- Italian Sandwich
- Cheese Plate

Each meal option has an "Entree Description" and a "Price":

- Chicken Caesar Salad:** Price: \$15. Description: Chicken breast sliced into 1/2" strips mixed with Romaine lettuce, tomatoes and croutons. Sprinkled with parmesan cheese. Served with Italian dressing.
- Italian Sandwich:** Price: \$10. Description: A 6 inch Italian salami sandwich with Roma tomato, green leaf lettuce, and Balsamic vinaigrette.
- Cheese Plate:** Price: \$5. Description: A plate of cheese and grapes. include American cheddar, Cambozola, and Munster, which are serviced with bunches of red and green grapes.

At the bottom of the meal selection area, there is an "Add Meal" button and a green "Continue with booking" button.

On the left side of the page, there is a "Summary" section:

**Summary**  
1 Ticket / Roundtrip  
OMA Omaha to  
ORD Chicago

Leave: Fri 6-Jun  
Return: Wed 11-Jun

1 adult	\$181.00
Taxes & Fees	\$23.50
<b>Total</b>	<b>\$204.50</b>

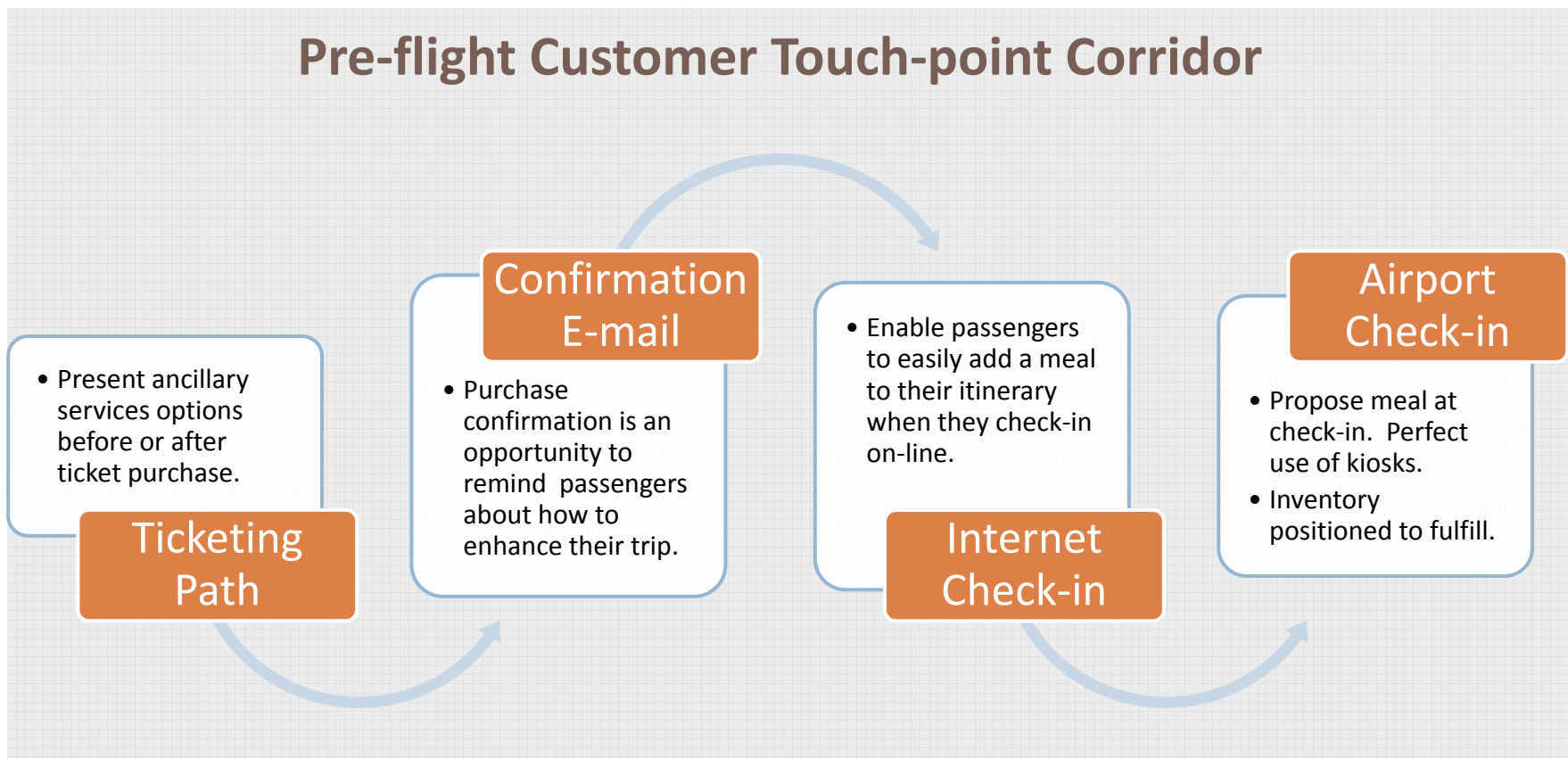
Below the summary, there is a "QUESTIONS?" section with several links:

- [Can I use a credit card with a billing address outside the U.S.?](#)
- [Is it safe to buy online?](#)
- [Need help with this page?](#)
- [Other FAQs](#)

- ❑ Champagne and Wine
- ❑ Children's Activity Kits
- ❑ Comfort Amenities
- ❑ IFE and Headsets
- ❑ Premium Meals
- ❑ Top Magazines

Advanced ordering affords multiple opportunities to present services to passengers – lifting take rates when done right.

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Advanced ordering is very powerful shopping/purchase model for airlines.

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## The five key principals of advanced ordering.

- 1. Unbundle premium services from premium seat pitch/width to offer ancillary services at level of individual passenger and in any cabin.**
- 2. Broad and deep menu of offerings unmatched on space-constrained planes and without waste.**
  - ▣ When passengers have more choices, they are more likely to find a product that fits their preference.
- 3. Ability to target offerings to a traveler's likely wants and needs.**
- 4. Propose and transact services at multiple customer touch-point – right up to check-in.**
- 5. Positive impact upon on-board programs.**
  - ▣ Consistent presentation of offerings or even an entirely new context.

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# Opportunity Robustness

Size of the potential.

# Example: International Long Haul

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**Increases revenue by USD \$38M annually at 75% gross margin.**

**Airline pursues a premium meal upgrade strategy – it offers complementary meals in coach with option to purchase premium meals priced at USD \$10 and \$15.**

- Over 500 +7 hours flights per day, 250 seats, and 79% load factor.
- Complementary meals boarded at 100% of PAX at USD \$2.50 cost per meal.
- Sixty percent (60%) book tickets on-line and 30% check-in via web or kiosk.
- Average purchase price of USD \$12 and \$4.50 in cost.
- About 10% of PAX pre-order a premium meal.

Coach Class	Summary			Pre-Ordered Meals				Complementary Meals		
	PAX	Meals	Margin	Meals	Revenue	Cost	Margin	Meals	Cost	Margin
w/o Pre-ordering	35,945	35,945	\$ (89,863)	-	\$ -	\$ -	\$ -	35,945	\$ (89,863)	\$ (89,863)
With Pre-ordering	35,945	35,945	\$ (60,748)	3,235	\$ 38,820	\$ (17,793)	\$ 21,028	32,710	\$ (81,775)	\$ (81,775)
Difference		-	\$ 29,115	3,235	\$ 38,820	\$ (17,793)	\$ 21,028	(3,235)	\$ 8,088	\$ 8,088

1: Twin benefit of higher revenue and higher gross profit from premium meal sales.

2: Savings from complementary meals supplanted by premium meals.

# Example: Medium Haul Buy-on-Board

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**Increases revenue by USD \$27M annually at 60% gross margin.**

**Airline offers sandwiches and hot meals at USD \$6, \$10 and \$12. All available pre-order and on-board.**

- Over 500 +5 hours flights per day, 200 seats, and 79% load factor.
- Catering boarded at 30% of PAX without pre-orders at USD \$2.50 cost per meal.
- Sixty percent (60%) book tickets on-line and 30% check-in via web or kiosk.
- Average purchase price of USD \$9 and \$3.50 in cost.
- Pre-order take rate of 10% and slight lift in on-board take rate.

Coach Class	Summary			Pre-Ordered Meals				BoB Meals			
	PAX	Meals	Margin	Meals	Revenue	Cost	Margin	Meals	Revenue	Cost	Margin
w/o Pre-ordering	28,756	8,627	\$ 24,155	-	\$ -	\$ -	\$ -	6,901	\$ 41,409	\$ (17,254)	\$ 24,155
With Pre-ordering	28,756	11,474	\$ 41,020	2,847	\$ 25,623	\$ (9,965)	\$15,659	7,246	\$ 43,476	\$ (18,115)	\$ 25,361
Difference		2,847	\$ 16,864	2,847	\$ 25,623	\$ (9,965)	\$15,659	345	\$ 2,067	\$ (861)	\$ 1,206

1: Twin benefit of higher revenue and higher gross profit from premium meal sales.

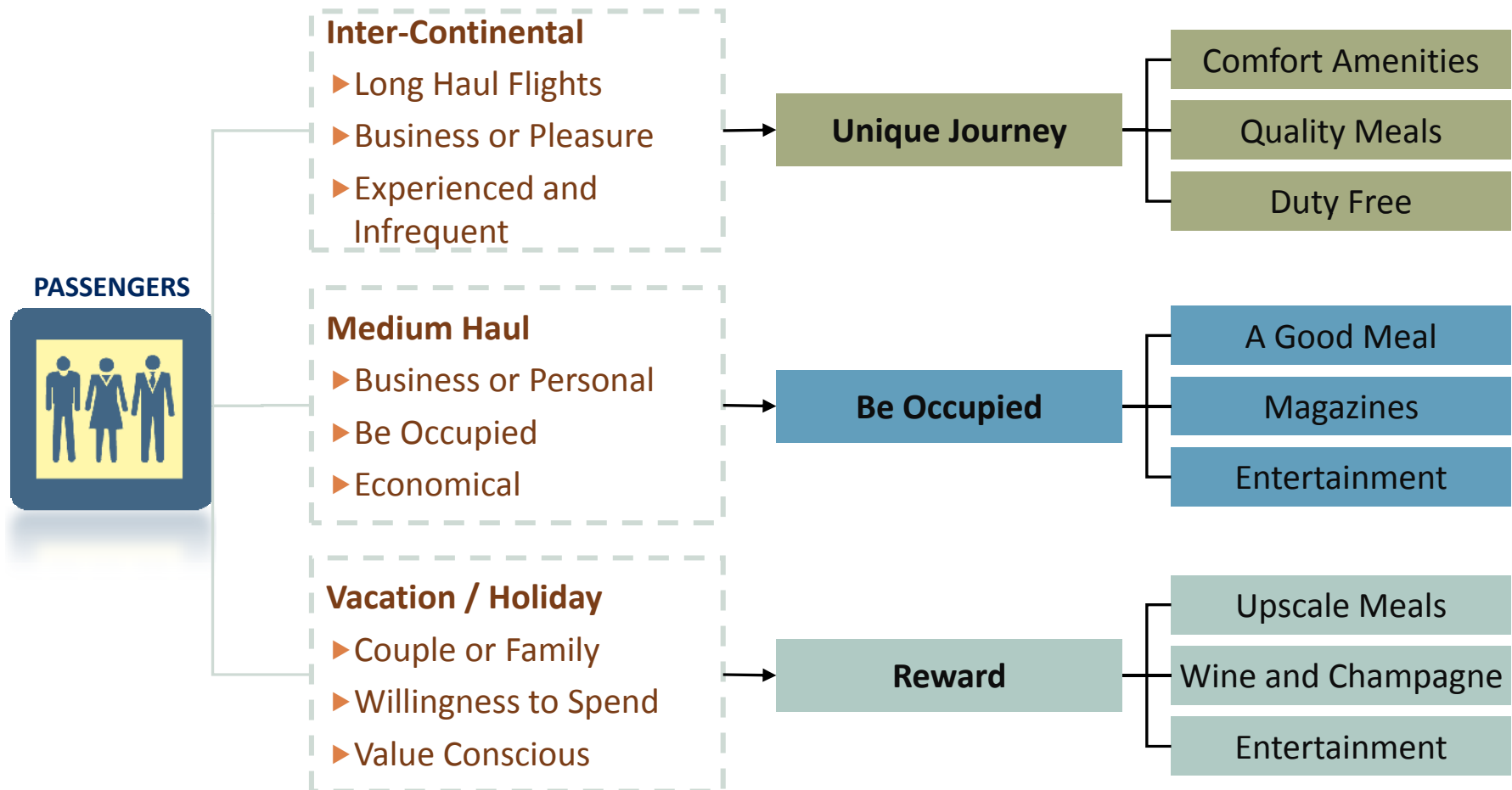
2: Consistent presentation lifts on-board take rates by 5%.

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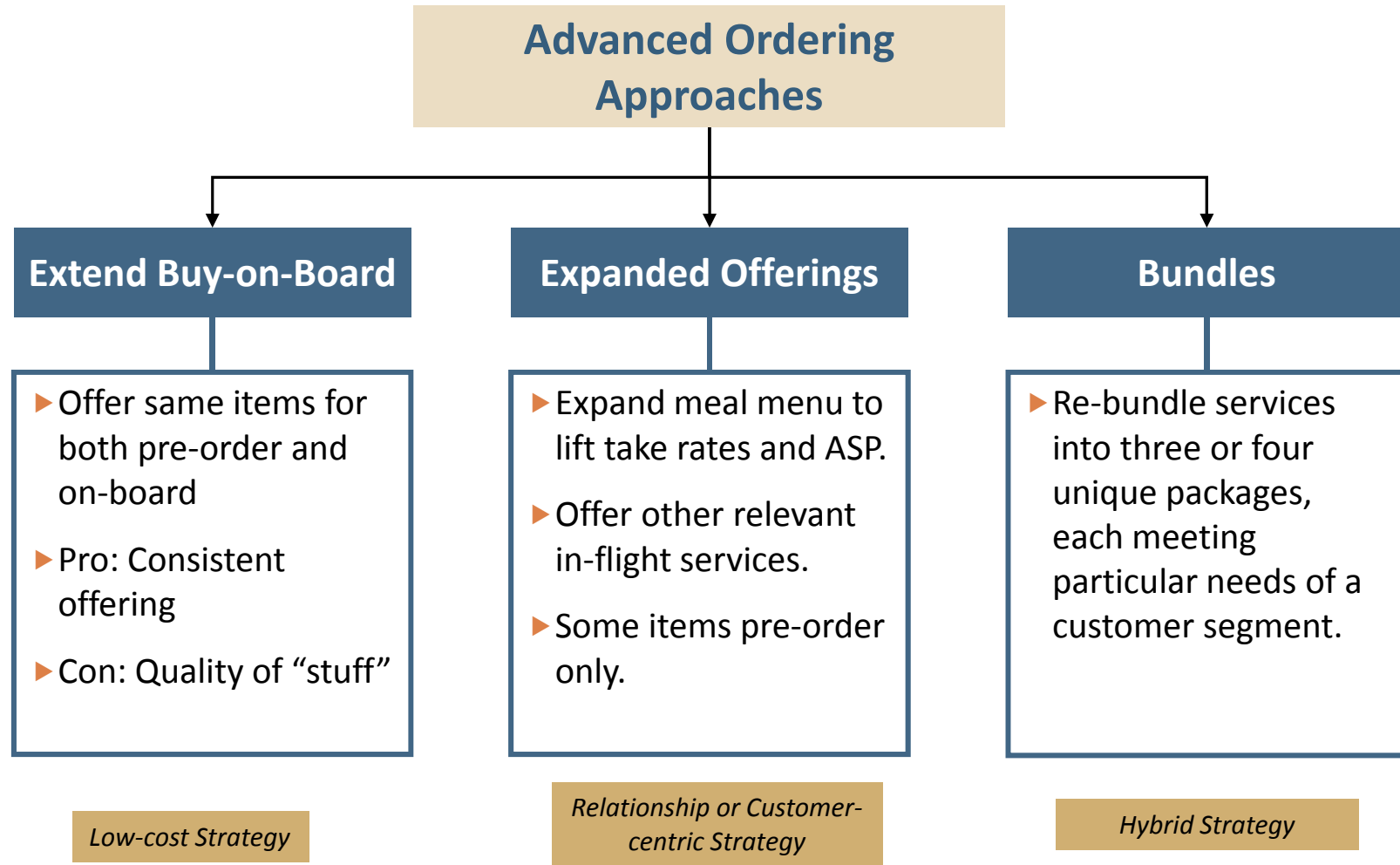
# Offering Strategies

Putting a great idea into practice.

# Primary markets for advanced ordering and passenger utility and experience upgrade.



# Basic strategies that a carrier can pursue.



**Note: a carrier executes best strategy for a given flight and cabin.**

# Adding Height and Breadth

**In this catering example, synergies created by combining pre-order and buy-on-board into a single, integrated in-flight food**

Price Point	Option 1	Option 2	Option 3	Fresh/Stable	Web Order	Pre-flight Email	Kiosk Order	Buy-on-board
\$12.50	Boxed Meal 01	Boxed Meal A1	Boxed Meal A2	Mixed	Yes	Yes	No	No
\$9.00	Boxed Meal V1	Boxed Meal B1	Boxed Meal B2	Mixed	Yes	Yes	No	No
\$6.00	Deli Turkey Sandwich	Cheeseburger	--	Semi-Stable	No	No	Yes	Yes
\$6.00	Tuna Picnic Pak	Deli Picnic Pak	--	Stable	No	No	No	Yes

- ▣ Broad and deep menu without waste elevates both revenue and gross margin.
- ▣ Provides a back-up meal in event of missed pre-order or sudden flight changes.
- ▣ Offering food at touch points before a flight should positively impact in-flight sales.

# Profit Modeling

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**Route:** SEA - HNL  
**Flight Duration:** 6 Hours  
**Time of Day Departure:** 1:00 PM PST (Lunch/Dinner Menu)  
**Key Customer Segments:** Vacationers

MENU						FLIGHT PROFITABILITY								
Option 1	Option 2	Option 3	Fresh / Stable	Sale Price	Unit Cost	Units Board	Unit Sales	Unit Waste	Sales-to-Board	Revenue	Cost	CC Trans Fee	AM-1 Fee	Margin
Boxed Meal O1	Boxed Meal A1	Boxed Meal A2	Fresh	\$ 12.50	\$ 6.50	5	5	0	100%	\$ 63	\$ 33	\$ 2	\$ 5	\$ 23
Boxed Meal V1	Boxed Meal B1	Boxed Meal B2	Fresh	\$ 9.00	\$ 4.50	7	7	0	100%	\$ 63	\$ 32	\$ 2	\$ 7	\$ 23
Deli Turkey Sandwch	Cheeseburger	n/a	Semi-Stable	\$ 6.00	\$ 3.00	11	8	4	73%	\$ 48	\$ 36	\$ 1	\$ 4	\$ 7
Tuna Picnic Pak	Deli Picnic Pak	n/a	Stable	\$ 6.00	\$ 2.50	10	5	0	50%	\$ 30	\$ 13	\$ 1	\$ -	\$ 17
						\$ 204 \$ 113 \$ 6 \$ 16 \$ 69								

- Revenue and profit should rise in just about any reasonable scenario.
- Offering food at touch points before a flight, should positively impact in-flight sales. Even if pre-ordering supplants on-board unit sales 1 to 1, there will be a revenue (higher ASP) and profit increase (high margin and no waste).
- An option to consider is boxed meals sold on-board; however, waste must be factored in. If using boxed meal concept, waste would be somewhat mitigate assuming reuse.
- Extrapolated to 50 medium-haul flights per day, revenue is \$3.7M at 34% margin (\$1.3M).

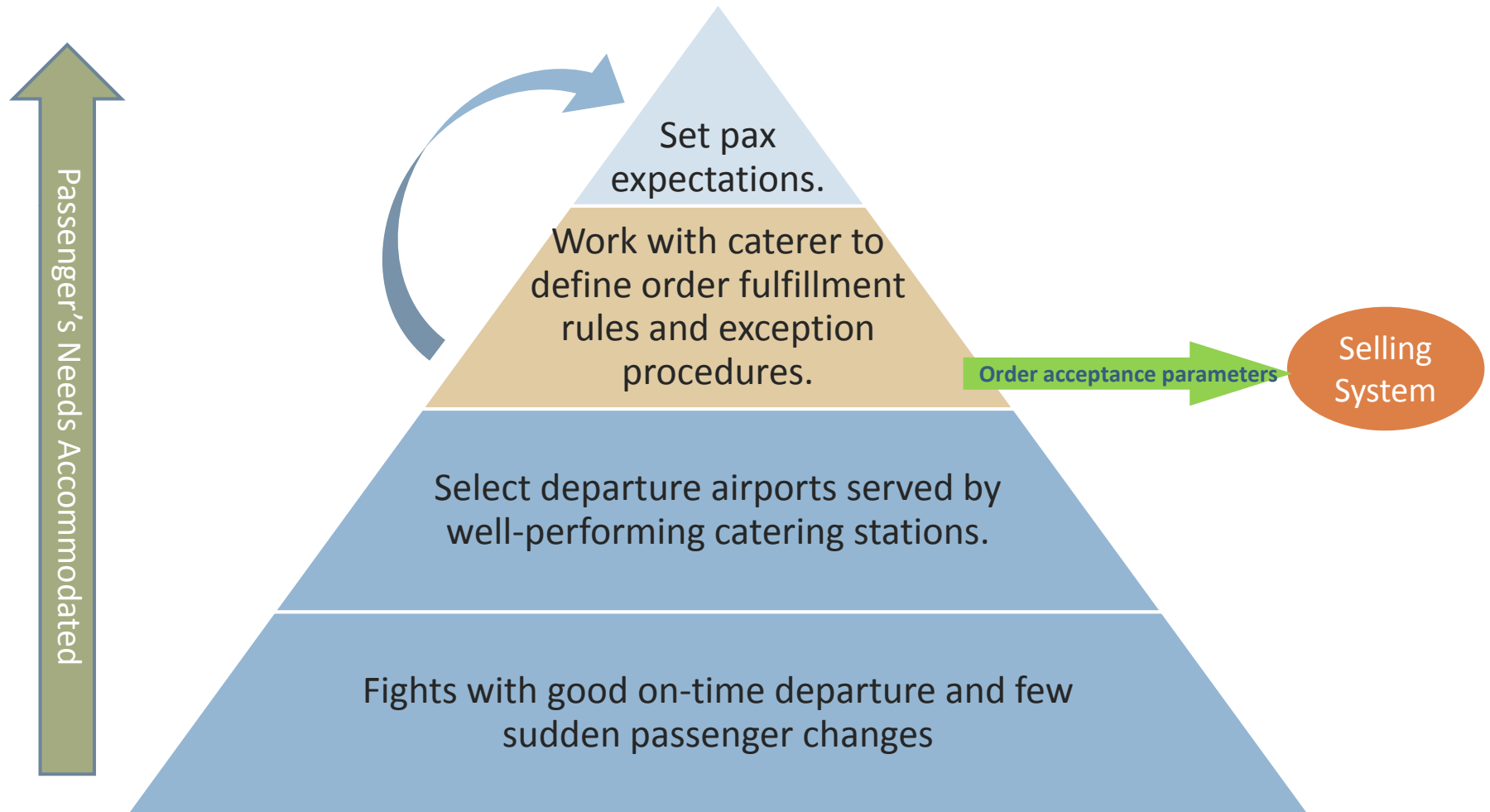
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## Order Fulfillment and Operations

How can a carrier reliably and consistently meet passengers' expectations, which are elevated?

# Design your pre-ordering program for reliability.

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# Set customer expectations with straightforward promises.

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Changes and refunds are available at any time up to 6 hours before scheduled departure time. No cancellations or refunds granted after this cut-off time.

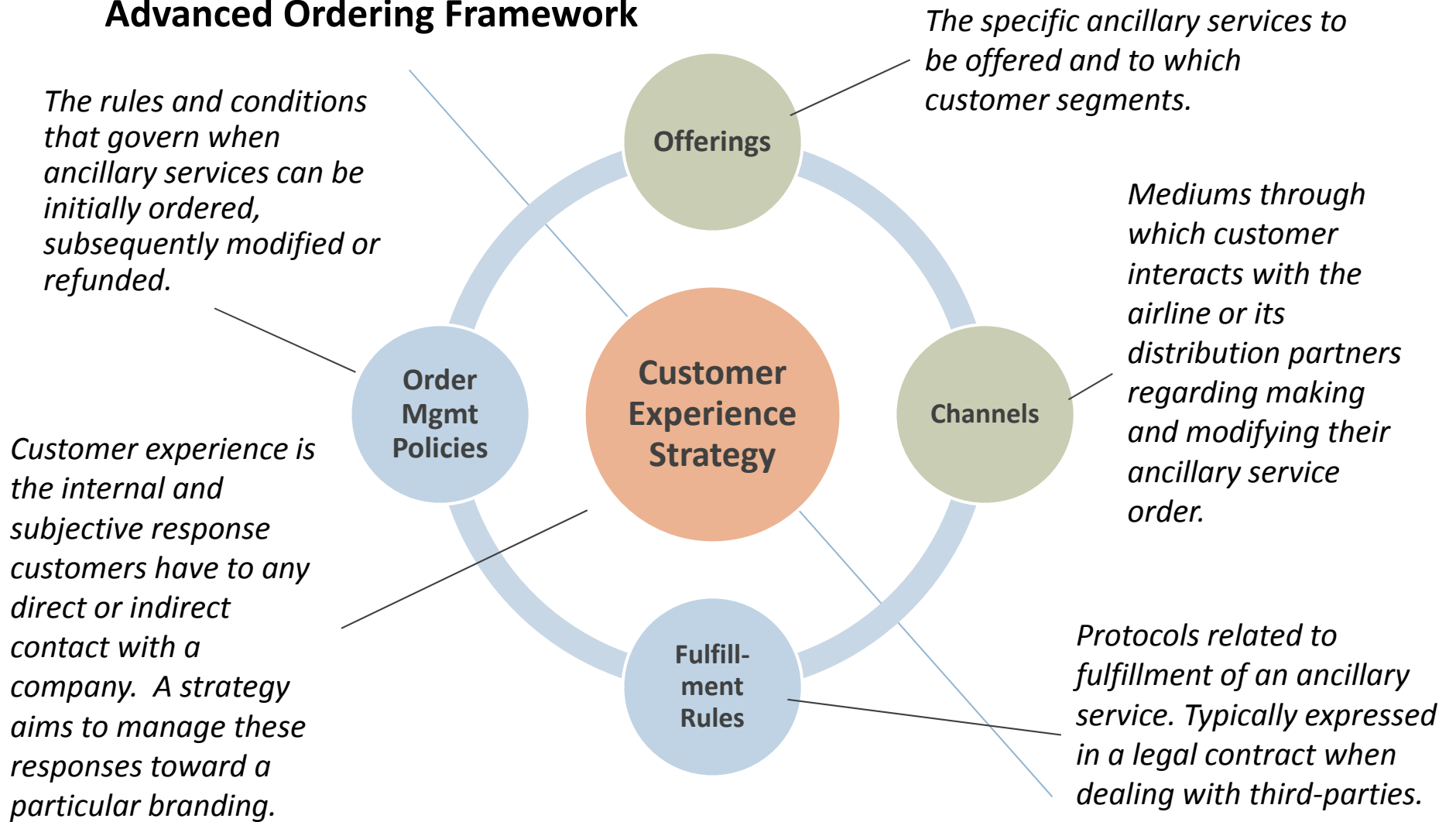
In the event you miss a flight as a result of delay caused by us, a refund will be issued .

Please note that all changes, cancellations or refund must be handled on the XYZ.com web site.

Okay.

# Design an advanced ordering program around your airline's customer experience strategy.

## Advanced Ordering Framework

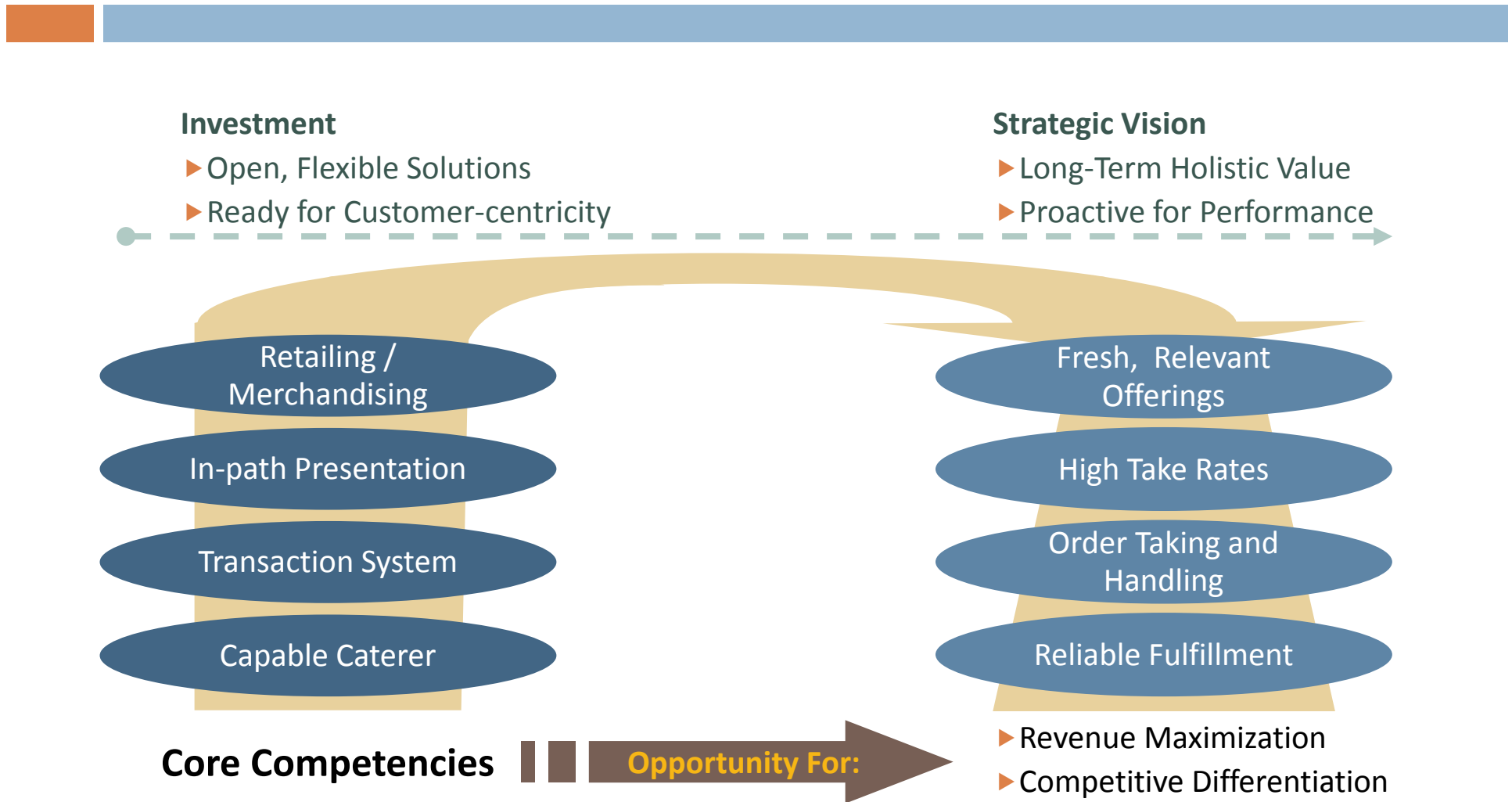


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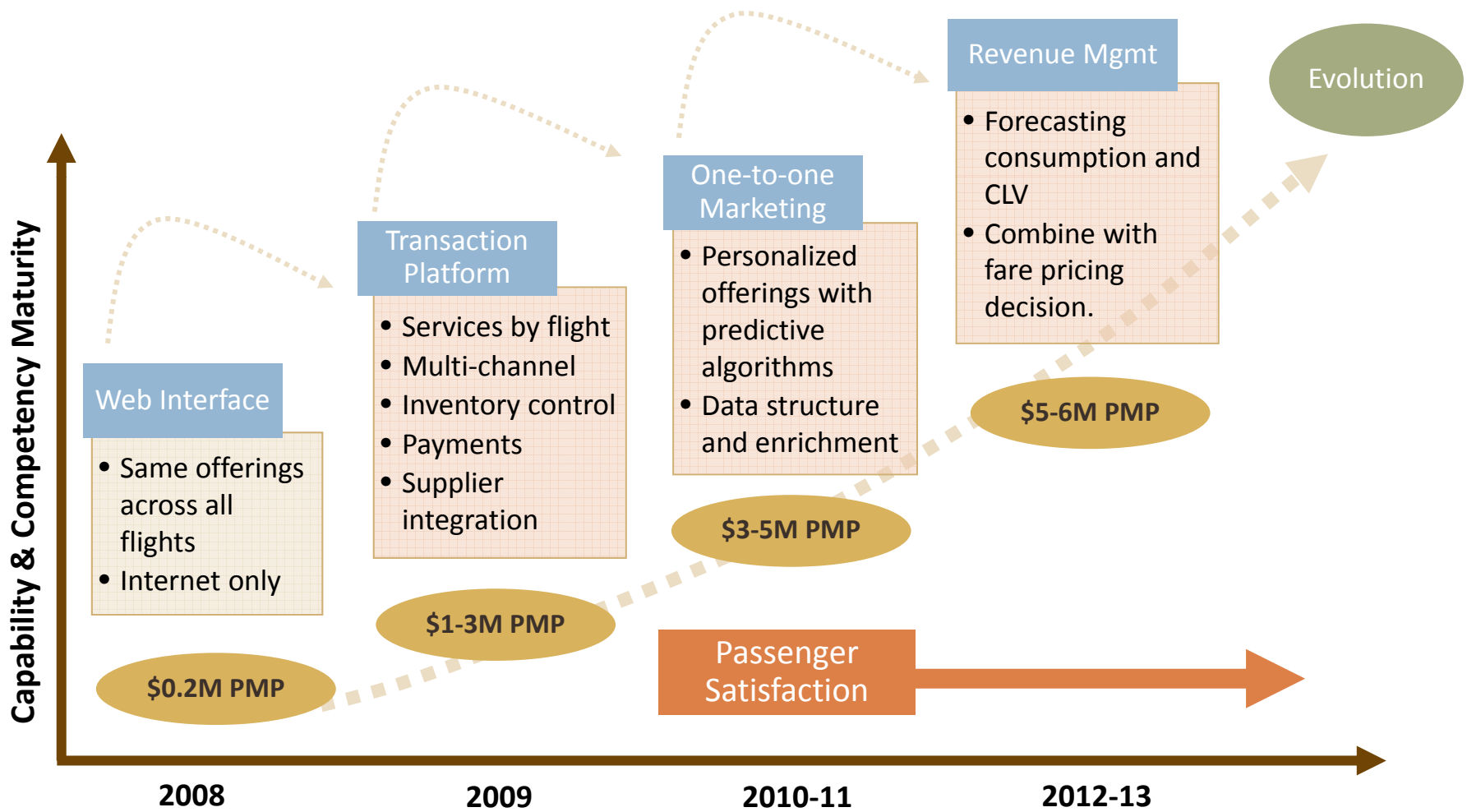
## Core Competencies

What capabilities are needed for an effective in-flight revenue?

# Build smartly over time, be future-proof.



# Looking ahead - IT will be central to reach, take rates, and order size.



# Caterers are ready.

Today's major catering firms are horizontally structured.

### 1 Catering & hospitality services

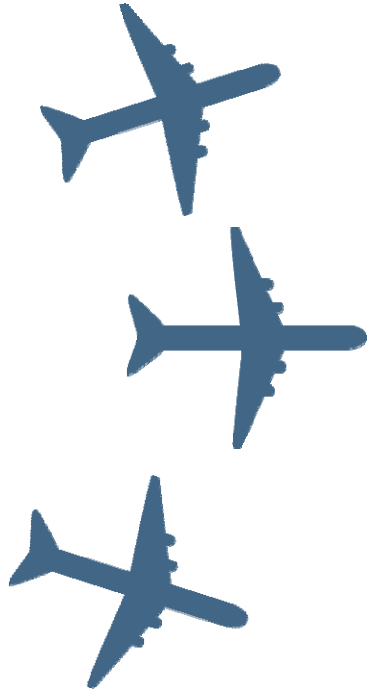
- Menu Design
- Tailor-made food and beverage solutions
- Sourcing and Procurement

### 2 In-flight solutions

- Product and branding design services
- Packaging and industrial design
- Recruiting and training services

### 3 Airport provisioning & logistics

- Pre-flight loading and post-flight unloading
- Inventory management and storage
- Bonded stores



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## Summary Remarks

What are the takeaways?

# The Central Messages

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- ☑ **Lucrative** – *Profitable* revenue of \$1-3M USD per million pax when just 10% pre-order in-flight services.
- ☑ **New IT Capabilities** – software technology is essential but avoid “DIYS” syndrome.
- ☑ **It’s Worth It** – Model and design your program to achieve reliable and consistent order fulfillment.



Thank You!

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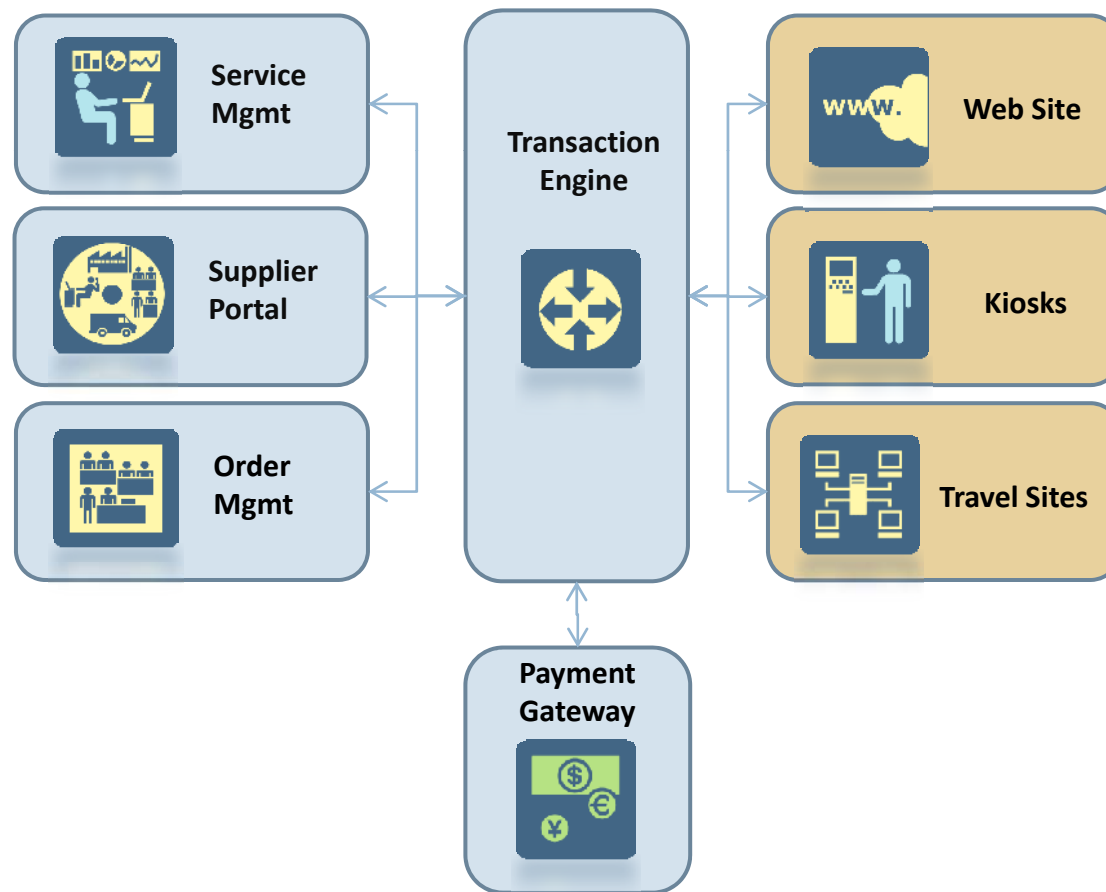
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# A booking platform is central to meaningful revenue.

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## Ancillary Services Booking Platform

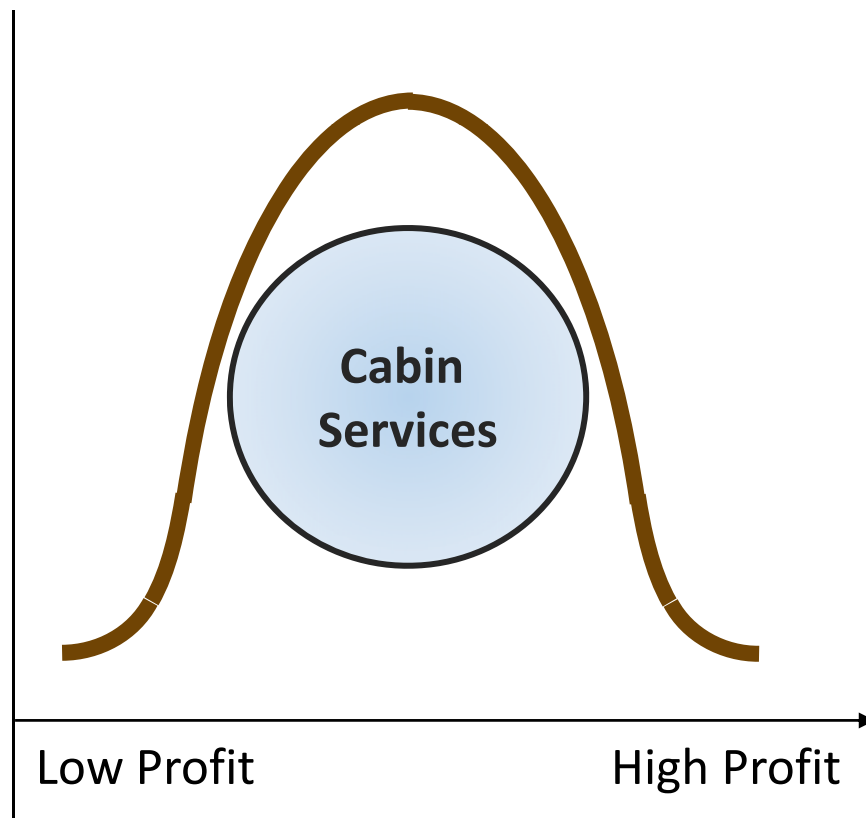


### Key Functionality

- ☑ Define and control service offerings by flight segment.
- ☑ Sell services with real-time inventory control.
- ☑ Take payments and issue refunds.
- ☑ Administer passenger orders.
- ☑ Multi-channel support and direct distribution.
- ☑ Digital linkage to suppliers.
- ☑ Revenue accounting.

Advanced ordering is central to offering different tiers of service for customer segments *within a cabin*.

**Many Airlines Today:  
One Size Fits All Customers**



**Air Meals Customers:  
Multiple Service Tiers within a Cabin**

