

MASTER THESIS

Strategic Product Design

Paula Garcia Solaun

FLEXIBILITY

A relevant ancillary for both
KLM and its passengers

Appendix



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Master Thesis

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Flexibility: a relevant ancillary both for KLM and its passengers

Appendix

Master thesis
by Paula García Solaun
in collaboration with KLM



Appendix A. ICA Lounge passengers interview guide

Approach

Hello! I am Paula and I am graduating within KLM. My MSc graduation project consisting of enhancing the KLM journey experience. Would you be willing to chat for a bit with me to help me gather customers' inputs? Any time you are willing to invest will be highly valuable for me.

Intro

Thanks for your time! I'm interested on your flexibility needs. Air transport, or transport in general, is a special industry since the trade is not a product but a service, and moreover is consumed a long time after it is purchased. Also, it is perishable, since the right to flight is bought for a specific route and specific time for a specific person. Thus, we understand that changing or canceling options are considered by our passengers. We would like to enhance the flexibility of our service.

Warm up question

- Do you agree with this reflection about the stiffness of transportation services? How do you feel about it?

Actual questions

Needs

- What are your flexibility needs when buying a flight?
- If you are a frequent flyer, you can think of situations where you have used flexibility options, or would have liked them to exist. How did you use them/would have liked to use them?
- If you are business traveler, you can also think of leisure situations. How do they differ from each other?
- How much in advance do you usually buy a flight? How does this change from a business to a leisure trip?

Behavior

- What is your changing behavior?
- Have you ever bought any flexibility product? Which one? In which situation (tripcontext

i.e. event to attend/Trip features i.e. ICA, expensive trip, etc/ change name??)?

- Have you ever made use of a flexibility product? How? Use ratio?
- Were you satisfied by the conditions?
- Did you ever buy a trip with a big uncertainty (not 100% sure an event will take place, not sure about dates, etc)? Did you consider then buying any flexibility product? Why did/didn't you buy it?
- Motivations to buy a flight early in time, even if assuming uncertainties?

Feedback on current products

- What do you think of the flexibility products of KLM?

Change fee:

Paid change:

Destination

Dates

Time

EUR70 per trip per person (no matter the number of flights) per change

Flexibility ancillary:

Free changes (provided that fare difference paid)

Destination

Dates

Times

Up to 3 changes

Up to 48h before departure

EUR7 per flight per person

FLEX branded fare:

Refund when canceling

Free changes (provided that fare difference paid)

Route (origin and destination)

Dates

Times

Take an earlier or later flight free of any charge

Free rebooking/full refund if flight missed

Unlimited changes

Any time before departure

EUR139 per trip per person (no matter the number of flights)

- Do you think they cover your needs?
- Would you buy any? In which situation?

Context

Gender

Age

Nationality

Trip purpose

Flying blue tier level

Corporate flag

Flying frequency (times per year)

Type of ticket

Trip (O-D, transfers?)

Closure

Thanks a lot for your time. Your input will be taken into account in my project. Enjoy your trip!



Appendix B. ICA Lounge interviews insights

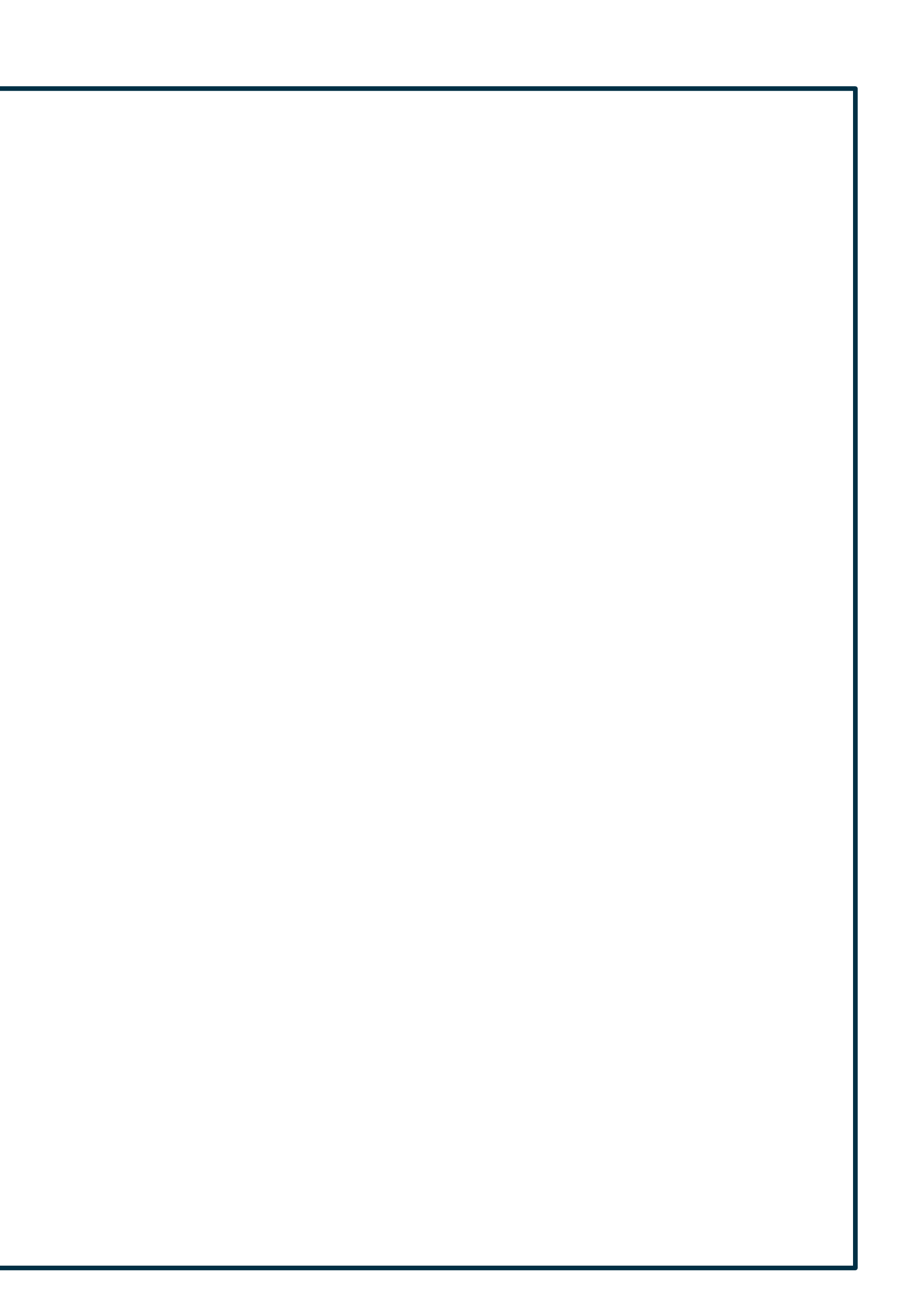
4 interviews with customers and one with an Appy2Help employee:

- American business man 35-45 years old travelling for leisure:
 - Would like flexible tickets to be cheaper
 - Never needed to change his name on a ticket. He sees no value in that flexibility option
 - Frequently travels long haul with transfers. He makes sure the transfer is at least 2h long, as measure to not miss his connection
 - Once took an earlier flight (go-show). He had bought the ticket short in advance so he bought a high subclass that included flexibility, so he could do it for free.
 - When booking for leisure he is price-driven
 - He puts South west as an example of great flexibility value: no change fees.
 - Books leisure tickets more in advance than business tickets (at least 6 months vs 4-6 weeks)
 - His main flexibility need is time
- Irish business man in his 60s travelling for work:
 - Buys tickets only when events are confirmed, so no need of either origin/destination nor dates flexibility.
 - Always stays over the night after the event, because meetings can run late and he doesn't want to miss his flight nor the afterwork
 - He would love to be able to bring the flight forward or backward the same day (time flexibility, go show)
 - He always takes the flight before the one that would theoretically do in time for the vent he is attending, to avoid making it late due to a delay
 - He has never changed a name on a ticket
 - He finds the current change policy unfair. He thinks the fare difference should not have to be paid

-
- American business woman between 35-45 years old travelling for work:
 - She frequently changes her business flights
 - The reason of the changes are usually business related
 - She mostly changes dates
 - She always pays the change fee
 - She was not aware of flexibility EMD by KLM. She would by it if she was eligible.

 - American business woman between 35-45 years old travelling for work:
 - He frequently changes her business flights
 - The reason of the changes are usually business related (clients)
 - She mostly moves the flight along the day (time change)
 - She sometimes change destination because the meeting's venue changes
 - She pays the change fee
 - She is aware of the flexibility options airlines usually offer but she doesn't buy them since she prefers paying the change fee, because she sees flexibility products "as a bet"

 - Dutch female appy2help agent:
 - She often helps passengers who want to change their tickets
 - The tickets she helps to change are usually flex fare
 - The change customers usually want to make is moving it forwards or backwards
 - The trigger is sometimes a missed plane or a delay on the flight
-





Appendix C. Ticket office observations interactions

- Dutch couple in their 50s who wanted a rebooking after missing an ICA flight.
 - Reason: 5h traffic jam
 - Solution: change fee + fare difference.
- American man in his 40s wishing to arrange an unaccompanied minor's ticket and something else. AMS-USA

He was told that doing part of the reservation online would save him EUR105 on administration fees, so he decided to do part of the reservation online. Unaware he could do it online. He was grateful about the tip and apologized for the inconvenient of arranging the whole booking to later turn it down.

- Woman in her 50s who wanted to make a booking. AMS-Surinam.

She wanted a specific day and destination and agreed on the price. One month in advance. She paid by credit card. She was happy about the service.

- American man in his thirties wanted to change his to be more comfortable (first row) and if not available, an upgrade. AMS-Dubai.

He was shown the seatmap with the available seats. The agent proposed the extra leg room seats. He asked about the price of one in the front row (EUR90). Then he asked about the price of a business seat (EUR499). He asked about the model of the plane. It was the last business class seat available so the agent had to call the check-in line to make sure it was still unsold. He got it. He understood the situation and accepted it.

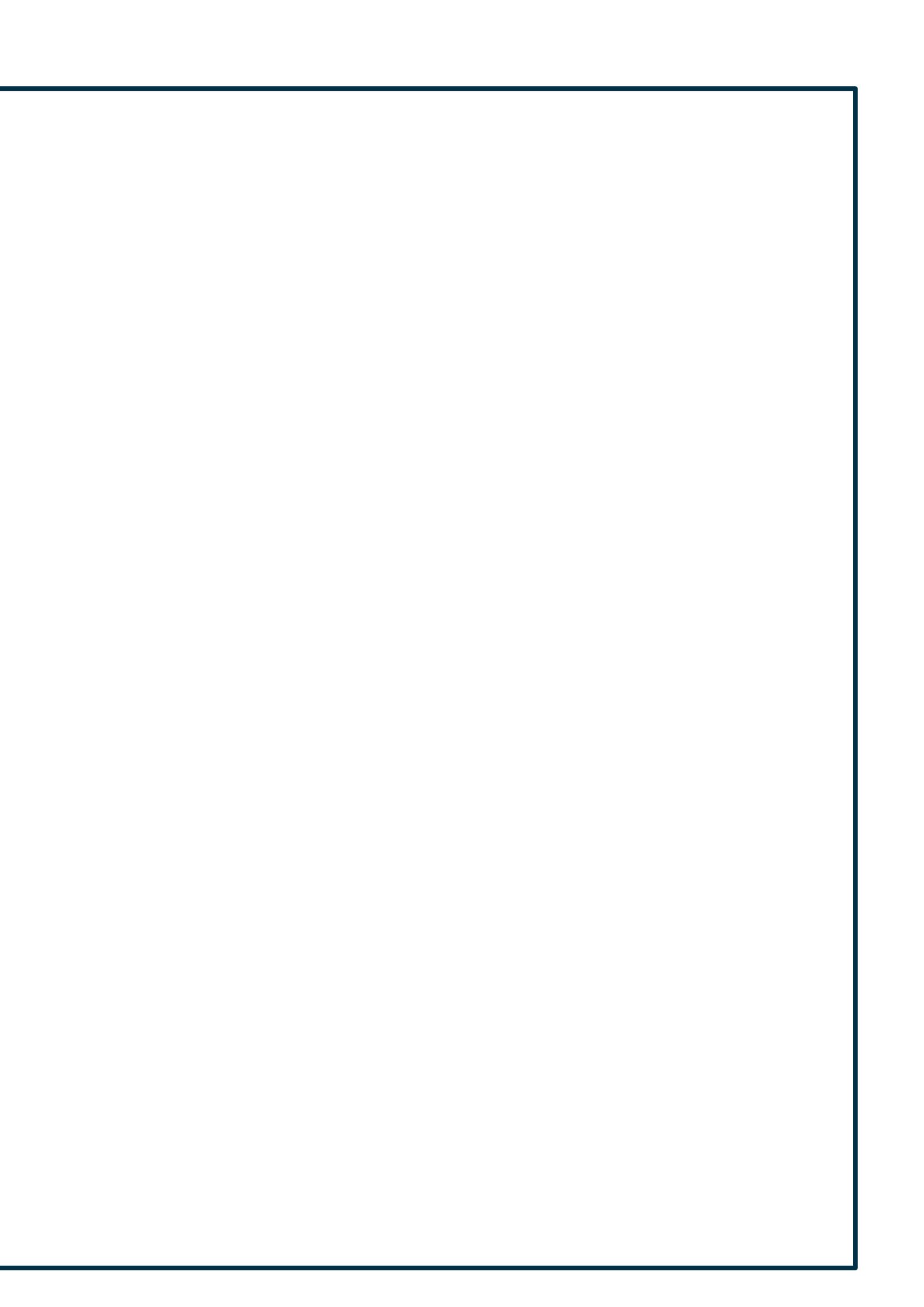
- Australian business motive traveler whose ticket would not pass the check in. AMS-BCN.

He got an email with the flight details but missing the ticket number. Actually his ticket had not been paid so he had to buy a new one. He was recommended to call his travel agency to sort the mistake out (the agents always do this in these situations) but it was in Australia so out of office time. The economy class of the flight he had planned to take was full so he could only be offered business class. He rejected it for being too expensive (EUR949) and asked for options in later flights. He accepted the next flight (2,5h later than the original flight, 3,5h after the rebooking moment) for half the price of the first option (EUR500). He claimed his company

would pay for it. He had check-in luggage so that would have to be paid besides the ticket in the check in desks. He also tried to arrange the flight of a colleague who he assumed was going to face the same situation but he was not flying with KLM so he could not be helped. He got the Iberia desks location indicated. He understood the situation and accepted it. He was grateful about the service.

- Man in his 40s wanted to take an earlier flight.

He had checked upfront the available time slots online. The agent mentioned that his ticket fare was a bargain (R) and that there were no more available for the same fare (only from W). She also told him that the actual money KLM made out of her ticket to make him see the reason why he could not make a free change. When he was told about the change fee (EUR85) and the fare difference (EUR173), he decided it was not worth it and he would wait for his original flight. He understood the situation and accepted it.





Appendix D. Ticket office passengers interview guide

Approach and intro

Hello! I am Paula, and I'm graduating within KLM. I'm working on a new flexibility product so I'm here today to gather some customer insights. Would you be willing to answer some questions about your change behaviour and flexibility needs?

Warm up question

Thanks for your time! I would like to start by asking you what brought you here today?

Questions

Experience

- Have you ever faced a situation when you wanted to change your tickets?
- Can you describe it?
- How frequently does this happen?
- What did you do?
- How did you feel?

Uncertainty

- Have you ever faced uncertainty when buying a plane ticket?
- How was the situation?
- How frequently does this happen?
- What did you do?
- Did you buy an uncertainty management tool?
- If yes: Which one? Why?
- If no: Why?
- How did you feel about it?

-
- Does uncertainty change depending on the travel purpose (leisure/business)?
 - Which are the differences?
 - How much time in advance do you usually buy your tickets in each situation?
 - Would you see value in a paid option that provides you of peace of mind that allows you to buy a trip earlier (so cheaper) before you are sure of all the details of your trip?

Context

Gender

Age

Nationality

Trip purpose

Flying blue tier level

Corporate flag

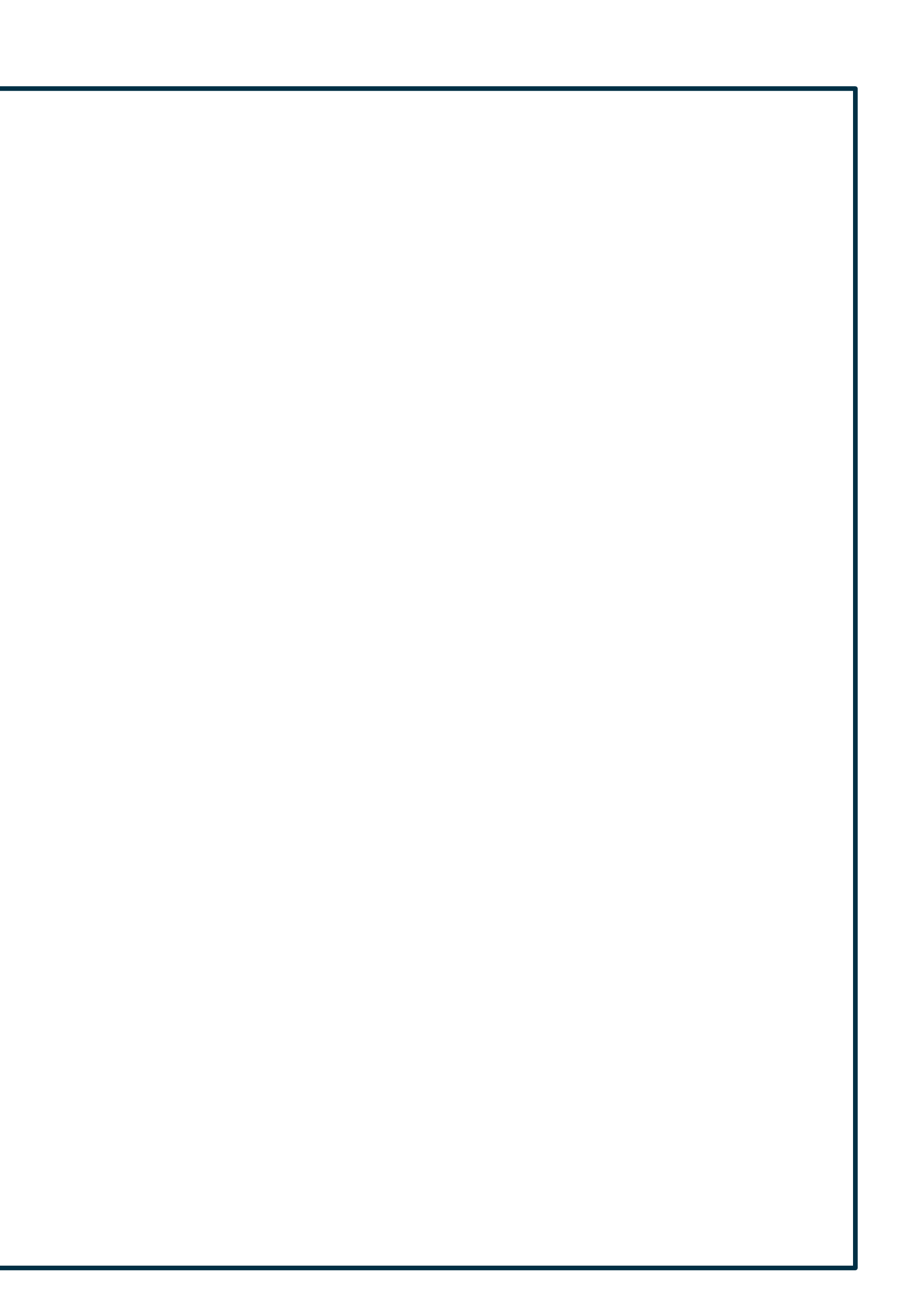
Flying frequency (times per year)

Type of ticket

Trip (O-D, transfers?)

Closure

Thanks a lot for your time. Your input will be taken into account in my project. Enjoy your trip!





Appendix E. Ticket office passengers interviews insights

- Two Australian women in their 20s travelling for leisure
 - Have sometimes wished to change their tickets but they find it too expensive, so they end up not doing it (“When you see final amount to pay, it stops you from doing it”)
 - They find that paying the fare difference is fair but too expensive when close to departure
 - They find change fee and service fee unfair
 - They have faced the situation when booking a ticket of not being sure of the exact dates
 - They book long haul tickets 3-6 months in advance
 - They would be willing to buy an ahead flexibility product to avoid paying so much afterwards in case of wanting to change it
- Nigerian man in his 40s travelling for leisure
 - Goes often to Nigeria for leisure and buys the tickets one year in advance
 - Does not like flexible tickets because he thinks that as a passenger he has a compromise with the airline
 - Dutch man in his 60s accompanying someone
 - Never needed to change his ticket
 - Never faced uncertainty when booking his ticket
 - His partner’s son (in his 30s) did learn the day of departure that he needs a visa for USA and he could not get on the plane. He tries to postpone his flight to get a visa
- British man in his 50s travelling for business
 - He often changes his flight to take an earlier one to spend time with his family
 - He finds both the change fee and the fare difference unfair to pay because it is a win-win situation (“The airline can resell the ticket I’ve left free”)
 - Even if he finds it unfair, he pays it.

-
- British man in his 30s travelling for business (self-employed)
 - First time he changes his ticket
 - He wants to bring his flight forward to be home earlier
 - His company pays for the ticket but the voluntary changes are on him
 - He usually buy last-minute flights to find good deals and to be certain about the trip details

 - Dutch man in his 60s accompanying someone
 - He usually buys the cancellation insurance in case something happens to his family
 - He wouldn't be interested on a flexibility product because he doesn't travel that much
 - He looks for bargain tickets because he has visibility in dates
 - He usually buys long haul tickets 6 months in advance

 - British man in his 20s travelling for leisure
 - He has never changed his ticket
 - He has never faced an uncertainty when purchasing a ticket

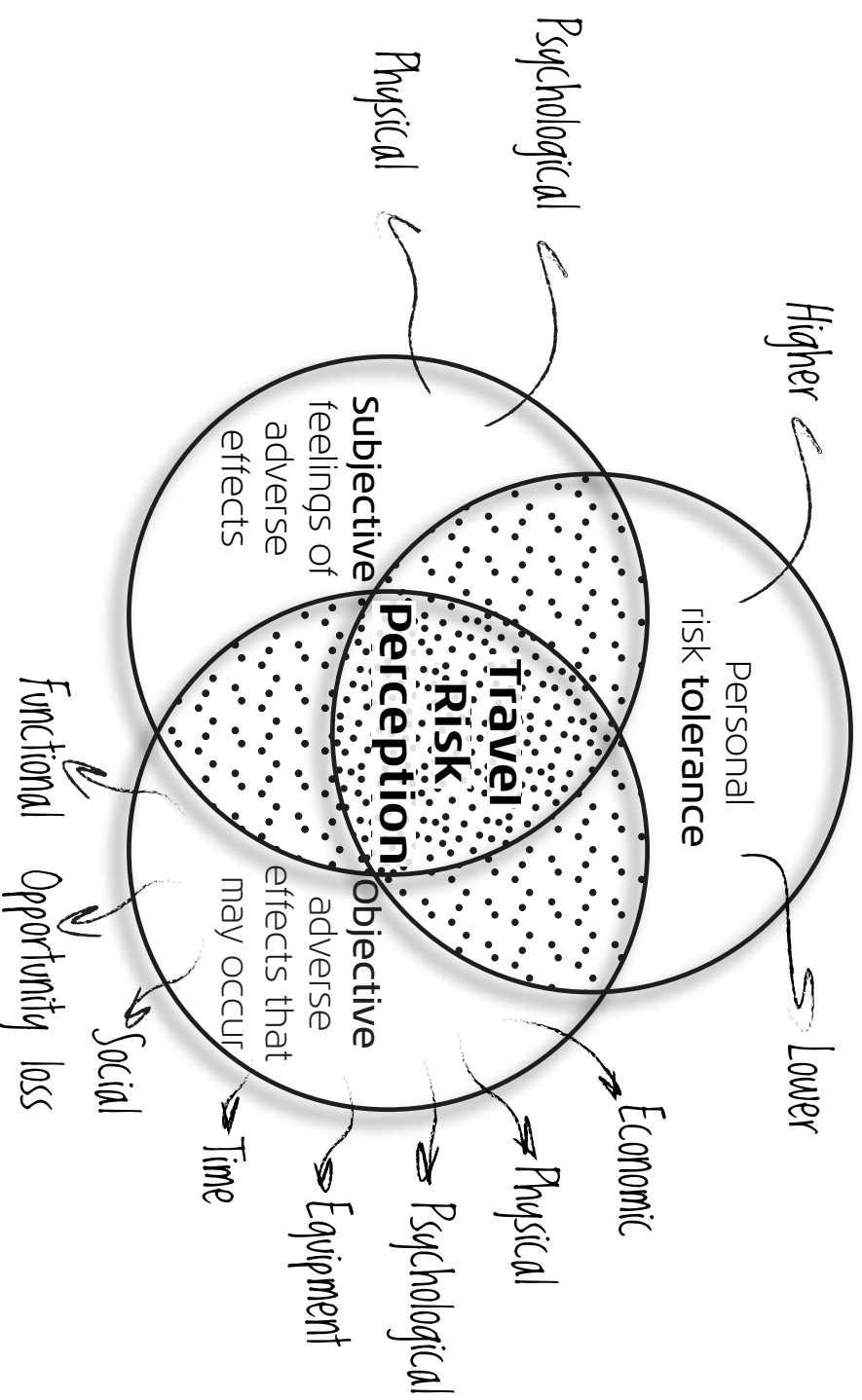
 - 3 Spanish people in their 40s travelling for business
 - They want to bring their trip forward
 - They have never changed their tickets for leisure
 - The woman has never changed her ticket for leisure
 - She plans her holidays with a high level of certainty, since she knows her holidays beforehand
 - She does not see value in a risk reliever tool for people who does not travel that often
 - They don't buy flexible tickets either for leisure nor for business
 - Their corporation would assume the expenses of a voluntary change, up to a limit (they would have to pay the rest)
-

- They finally weren't able to change their tickets because it wasn't enough time in advance (not possible within 1,5h before departure)
- They feel they made the wrong choice by trying it out through the ticketing office ("If only we had called by the phone!")



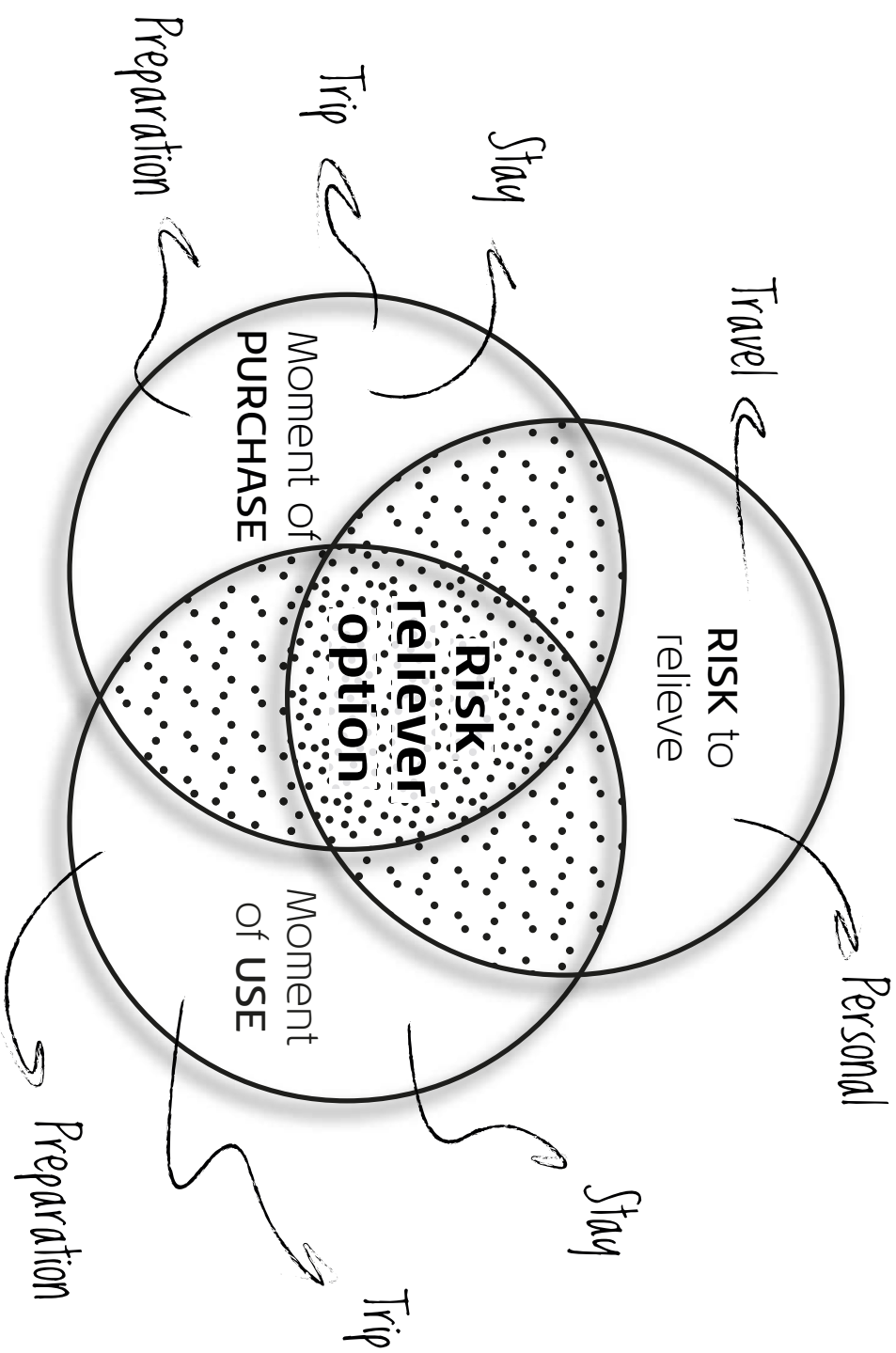
Risk Perception in traveling

Source: Adapted from Cui et al. (2016),
Bocksberger et al. (2007) [Mitchell and Grotorex (1993)]



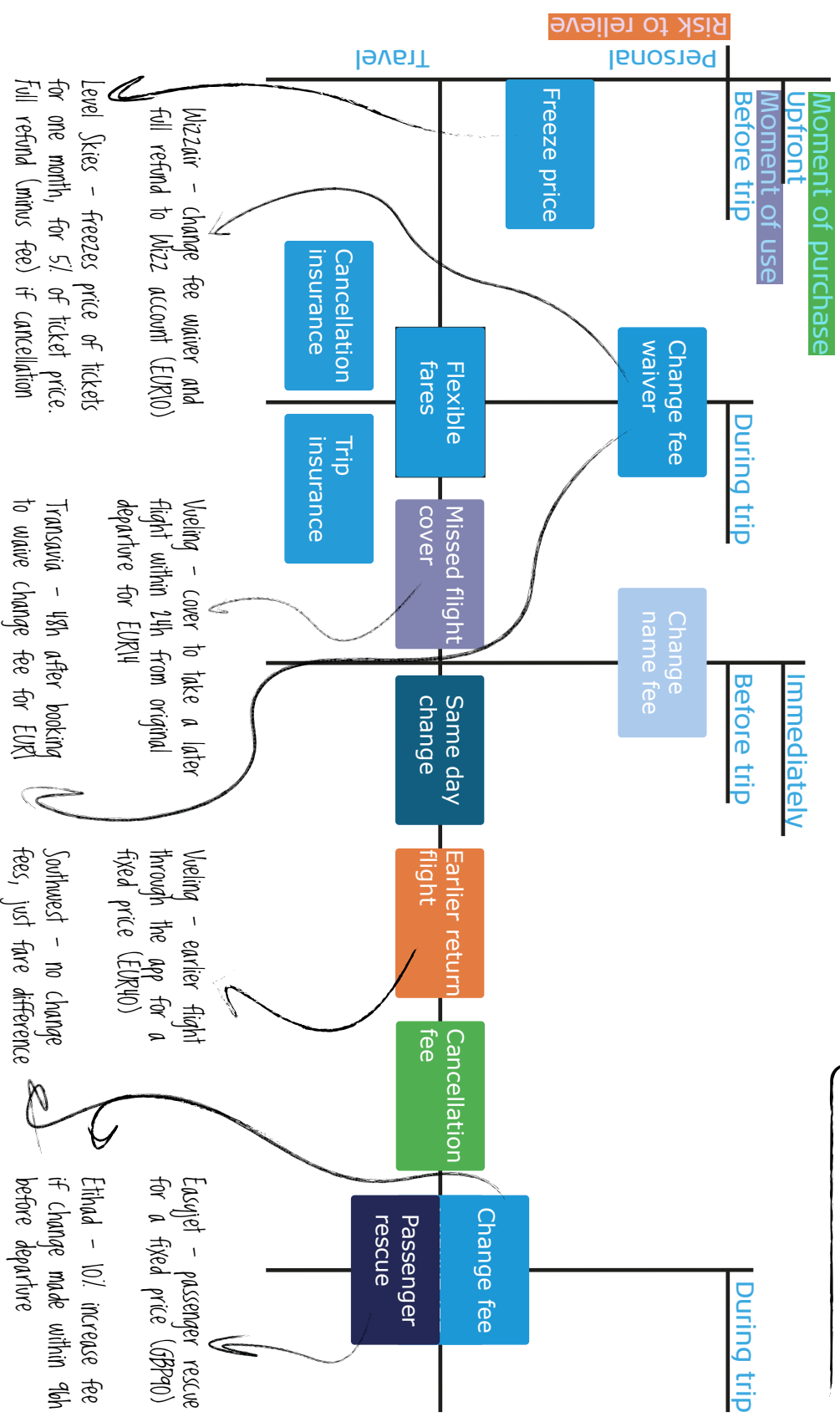
Appendix F. Creative session support material

Risk Relievers in traveling

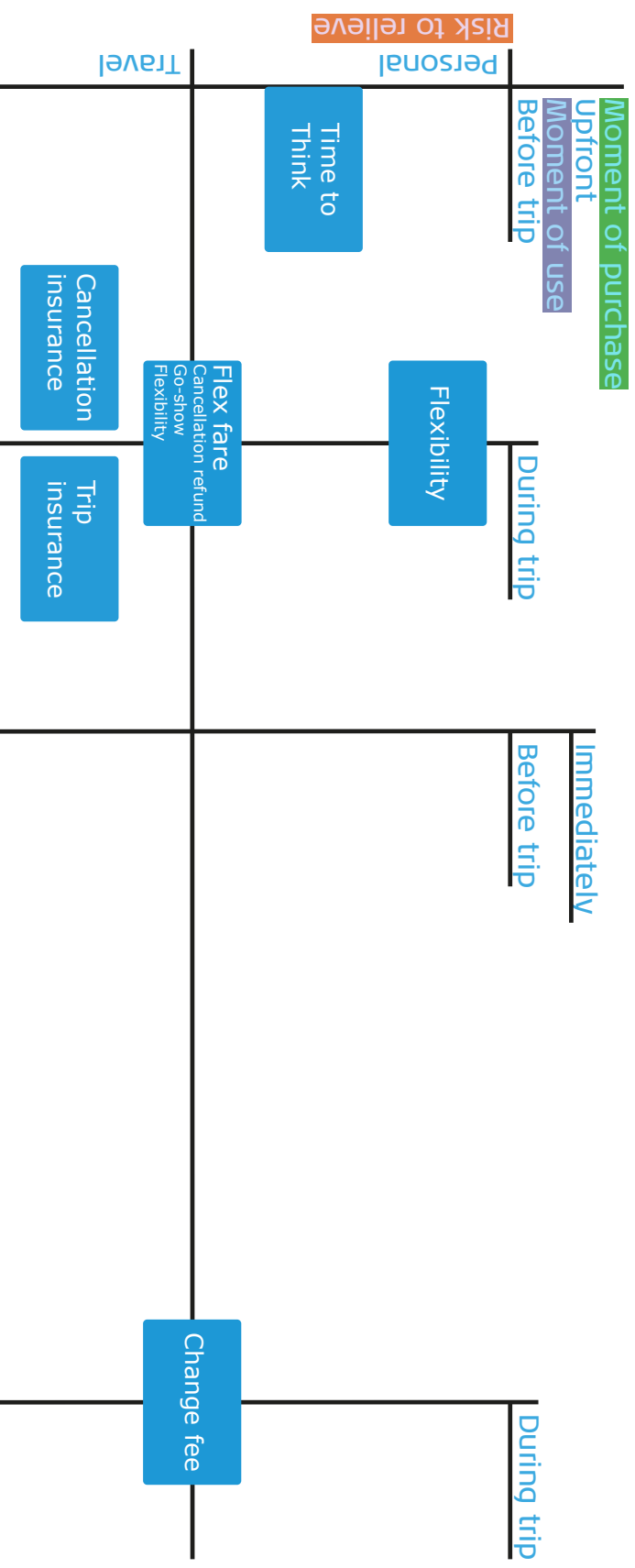


External Risk Relievers

Most change fee waivers from competitors are looser than KLM's as for the time constraints



Internal Risk Relievers



Internal Risk Relievers

Terms & Conditions

Flexibility - Ability to waive the change fee. Fare difference has to be paid. Up to 3 changes up to 48h before departure. Only bought during the booking. For Standard fare in all MH and Light fare in changeable markets. EUR14 for a return ticket, EUR7 for a one-way.

Time to Think - Ability to freeze the price of a flight for 48h - 7 days. The customer's money will not be retrieved from his account until the agreed upon time, giving him the option to cancel the trip without any penalization, other than the TTT cost. From EUR10.

Cancellation Insurance - Right to refund whole ticket price for specific reasons (illness, accident, death of the passenger or direct family member, etc). 7% of ticket price. Provided by Allianz.


Flight bundles - Ability to buy a number of flights for a fixed route, to later use in an agreed timeframe. The bundle can be individual or shared, and conditions such as the time before departure the booking has to be made is preset, all these affecting the final price of the flights. Provided partnered with OptionTown.com.


Change fee - Ability to change ticket times, dates or destination. Fare difference has to be paid. For Standard fare in all markets and Light fare in changeable ones. Same fee for one-way, outbound, multi-leg trips. EUR 70 in MH, and from EUR140 in LH.


Flex branded fare - Ability to waive change fee (fare difference has to be paid), ability to take one earlier or later flight for free, and full refund if cancelled or if missed. One piece of checked-in baggage and Standard Seat Selection. EUR139 for MH and from EUR230 LH.

Trip Insurance - Cover of eventualities that may happen during the stay related to health (both of the passengers and their family) and luggage (thett). 10% of the ticket price. Provided by Allianz.

Change Revenue Flow

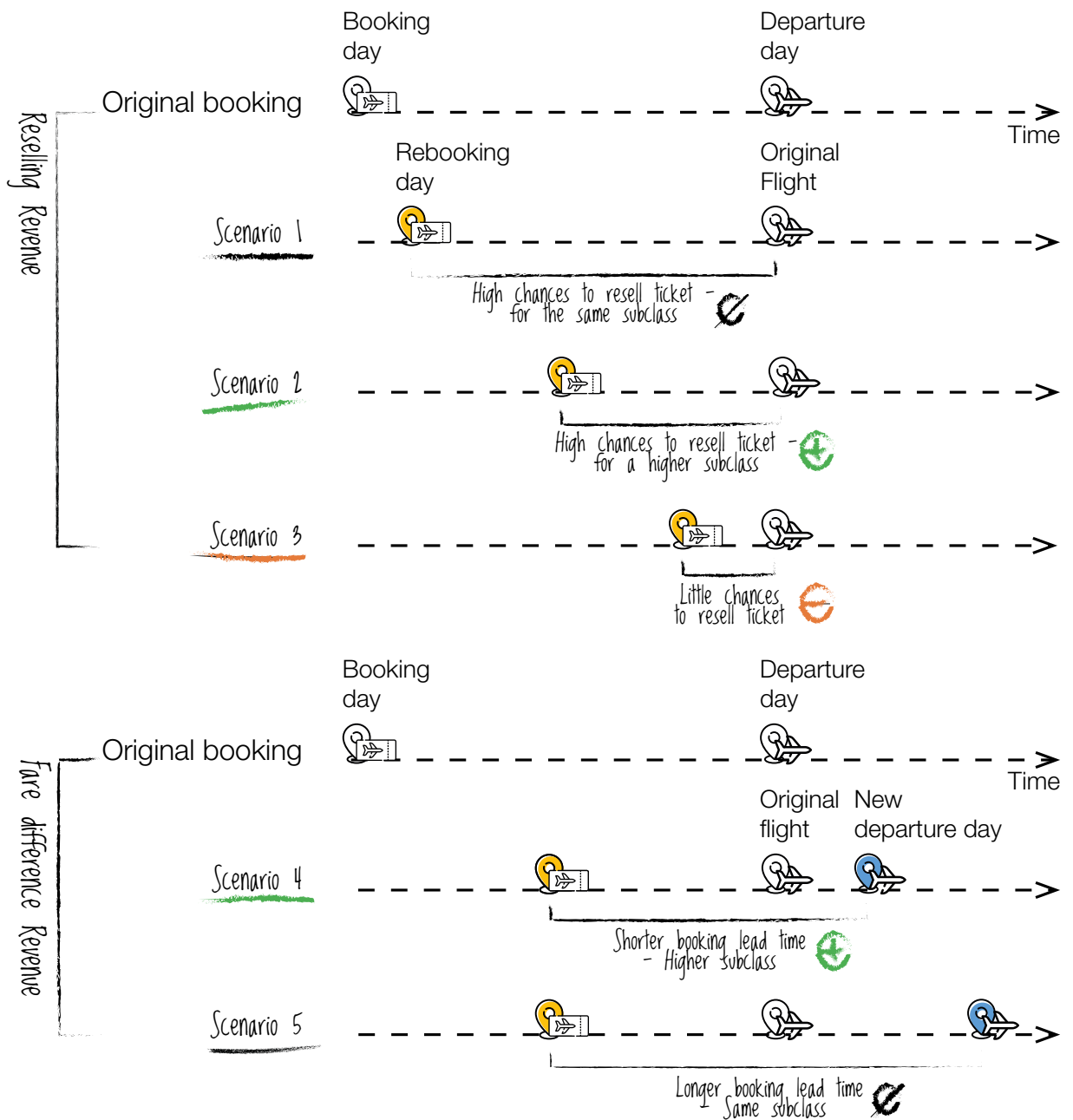
Neutral revenue 

Positive revenue 

Dilution effect 

Reselling Revenue $\left[\begin{array}{l} \text{Reselling chances original ticket X} \\ \text{New subclass original ticket X} \end{array} \right.$

Fare difference Revenue $\left[\begin{array}{l} \text{Subclass new ticket =} \\ \text{Change revenue flow} \end{array} \right.$



Flexibility needs

Source: Interviews with passengers

Business travellers and corporate

Most needed flexibility for business travellers is times changeability, followed by dates



High interest from business travellers on go-show option



'If I had the chance to take an earlier or later flight in a business trip, that would be **fit me greatly**' - Irish business traveler in his 60's, for LH

'In order to make sure that I don't miss a transfer, for the first leg I take the plane before the one proposed by the airline' - American business traveler in his 40's, for LH

Business travellers take time-consuming measures to avoid missing a plane



'As I am well-aware that a meeting can run late, I prefer to spend that night in a hotel so I am sure to catch the plane the next morning' - Irish business traveler in his 60's, for LH

Corporations very often use indirect channels to hire their flights, making KLM unable to offer their ancillaries



Sometimes voluntary changes have to be paid by the employee



Often companies fund a change ticket, up to a limit. The rest must be paid by the employee



Business travellers don't feel the need of destination or name changeability



Flexibility needs General

Source: Interviews with passengers

Some leisure travellers would like to have flexibility in dates, when booking a flight



'Sometimes my girlfriend and I don't have visibility in our holidays. It would be great if we could book a week when to fly' - Australian woman in her 30's for leisure LH

Some passengers prefer to pay for the change fee when needed, instead of for the flexibility upfront



'I prefer to pay for the change fee when I need it. I see flexibility as a gamble' - American woman in her 40's

Sometimes passengers can't get what they want because of limitations in the touchpoints



'If only we had called instead of come and wait the line of the ticketing office, we would have made it for the earlier flight!' - Spanish woman in her 40's

Some travellers find the change fee unfair



'Sometimes I want to change my ticket but when I check the amount I have to pay, I decide not to. I am OK with the fare difference, but the change fee, which can be twice the ticket price, stops me from doing it' - Australian woman in her 30's

'Why do I have to pay so much money for a seat that will be free anyway? Plus the airline can resell mine' - British man in his 50's

Some travellers find that paying the change fee + fare difference to take an earlier flight unfair



'I have decided to travel with KLM long in advance and I have foreseen the possibility to change my ticket and paid for it. I don't think I should pay the fare difference' - Irish business traveler in his 60's

Some travellers find having to pay the fare difference unfair



Change behaviour

Change behaviour

Time in advance when a change is made varies



Passengers accept best the ticket conditions when explained clearly



'What you bought was a bargain, so a free change is not possible, you have to pay a change fee. At this point, there are no more tickets available in that subclass, only in higher ones' - Ticketing office agent to passenger who wants to make a ticket change

The most usual reasons to change a ticket are meeting rearrangements or medical reasons



Some high FB members believe they should have flexibility privileges



Passengers see value in the ability to make changes themselves via MyTrip



Sometimes passengers appeal to the kindness of the agent to get some extra flexibility in exceptional personal circumstances



Change behaviour Flexibility

Passengers often are not aware of the condition of paying the fare difference



Passengers often are not aware of the condition of changing earlier than 48h before the flight departure



Sometimes passengers misunderstand the flexibility product and believe not-allowed to change a ticket without it



Sometimes passengers who would like to buy it are unaware of the flexibility product existence



Passengers rarely ask about options so next time they change their tickets is not so expensive



Sometimes passengers decide no to make use of flexibility when they learn the fare difference has to be paid



Most flexibility users who reach the call center are business travellers



Sometimes passengers want to buy flexibility but can't (not eligible)



Sometimes passengers wish to buy flexibility outside booking



Some passengers are regular flexibility buyers



*'I only learned about flexibility because I was told, I never saw it in my booking flow. Now I always buy it'
- Belgian business traveller in his 30's, for NH flights*



Trends

Escaping constrains

House rental popularity
is raising (NVM, 2016)

Increasing acceptance of
alternative couple dynamics

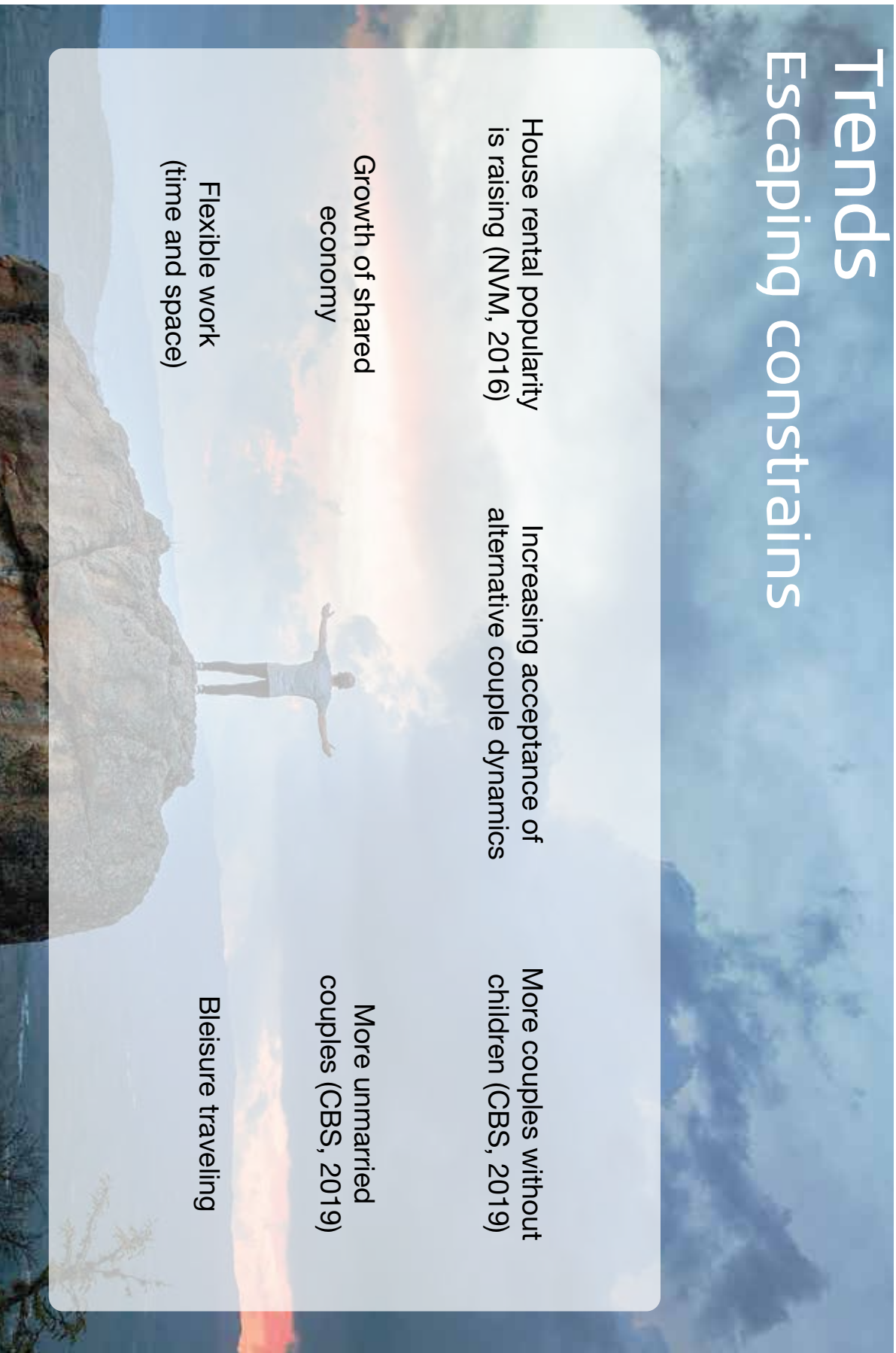
More couples without
children (CBS, 2019)

Growth of shared
economy

More unmarried
couples (CBS, 2019)

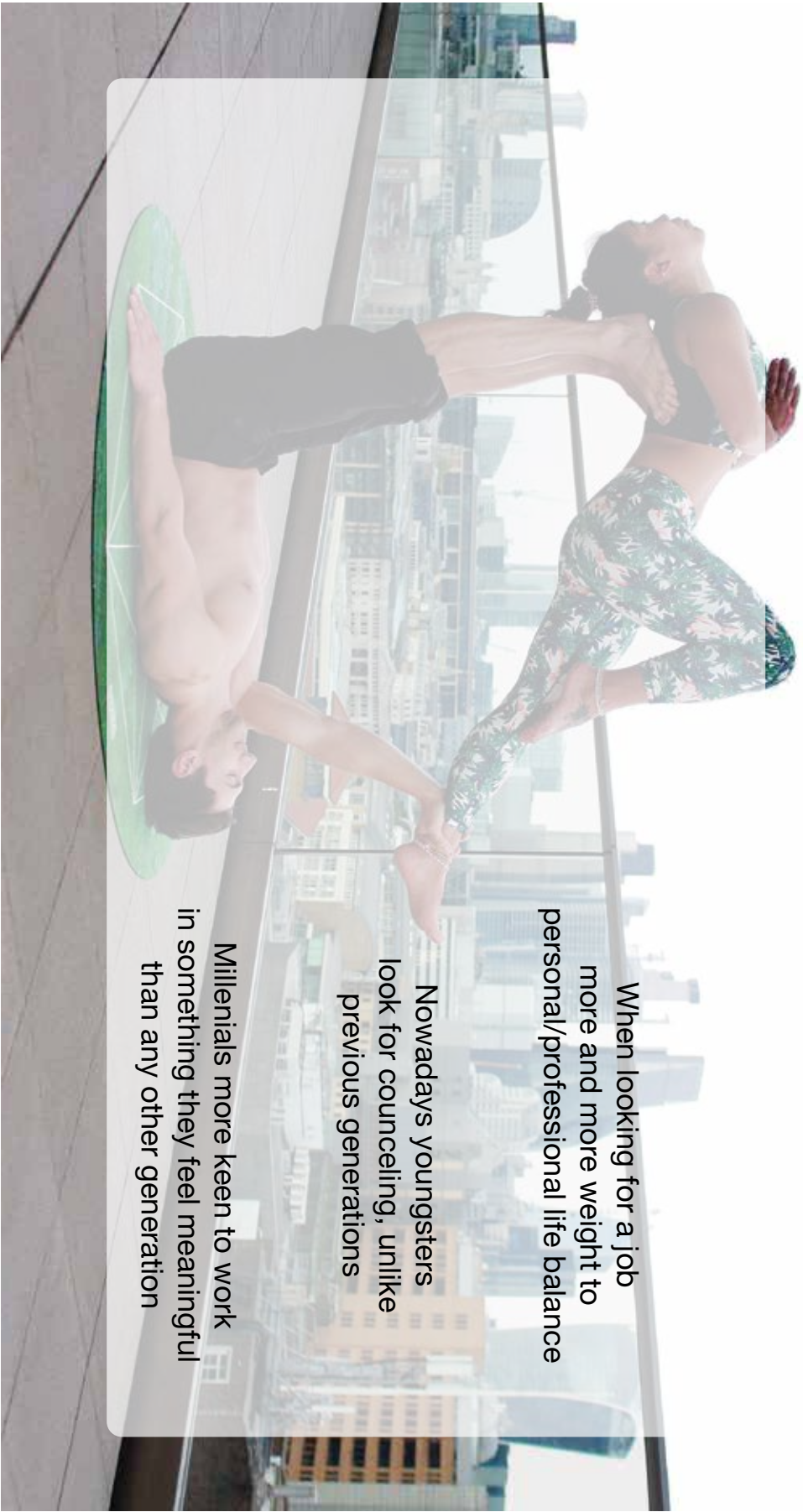
Flexible work
(time and space)

Bleisure traveling



Trends

Searching for balance



When looking for a job
more and more weight to
personal/professional life balance

Nowadays youngsters
look for counseling, unlike
previous generations

Millennials more keen to work
in something they feel meaningful
than any other generation

Trends Polarization

Hate in twitter and other
anonymous platforms

Brexit

Rise of extreme right
in Europe

Decrease of trust
in the System (59%
of the people feel
the system is falling)
(Edelman, 2019)

Bubble of facebook

Rise of nationalist
movements in Europe

Rise of hate towards
the different ones such as
xenophobia or islamofobia

Trends

Servitization

The background image shows the interior of a car from the driver's perspective. A smartphone is mounted on the center console, displaying a navigation app with a map and route. The steering wheel is visible on the left, and the dashboard and rearview mirror are on the right. The car is on a road with other vehicles in the distance.

Adding value to already existing services to exceed customers' satisfaction (e.g. Uber)

Creating a service from what used to be a product (e.g. Swapfiets)

Manufacturers shifting from only producing to aid their products with services

Trends

Flexibility in Airlines

Optiontown is an operational broker which offers added value to the passengers and load efficiency to airlines

Southwest offers changes without change fee

Wideroe offers unlimited flying passes within Norway for 2 weeks

Share jets give the co-owners the right to use it an amount of time a year

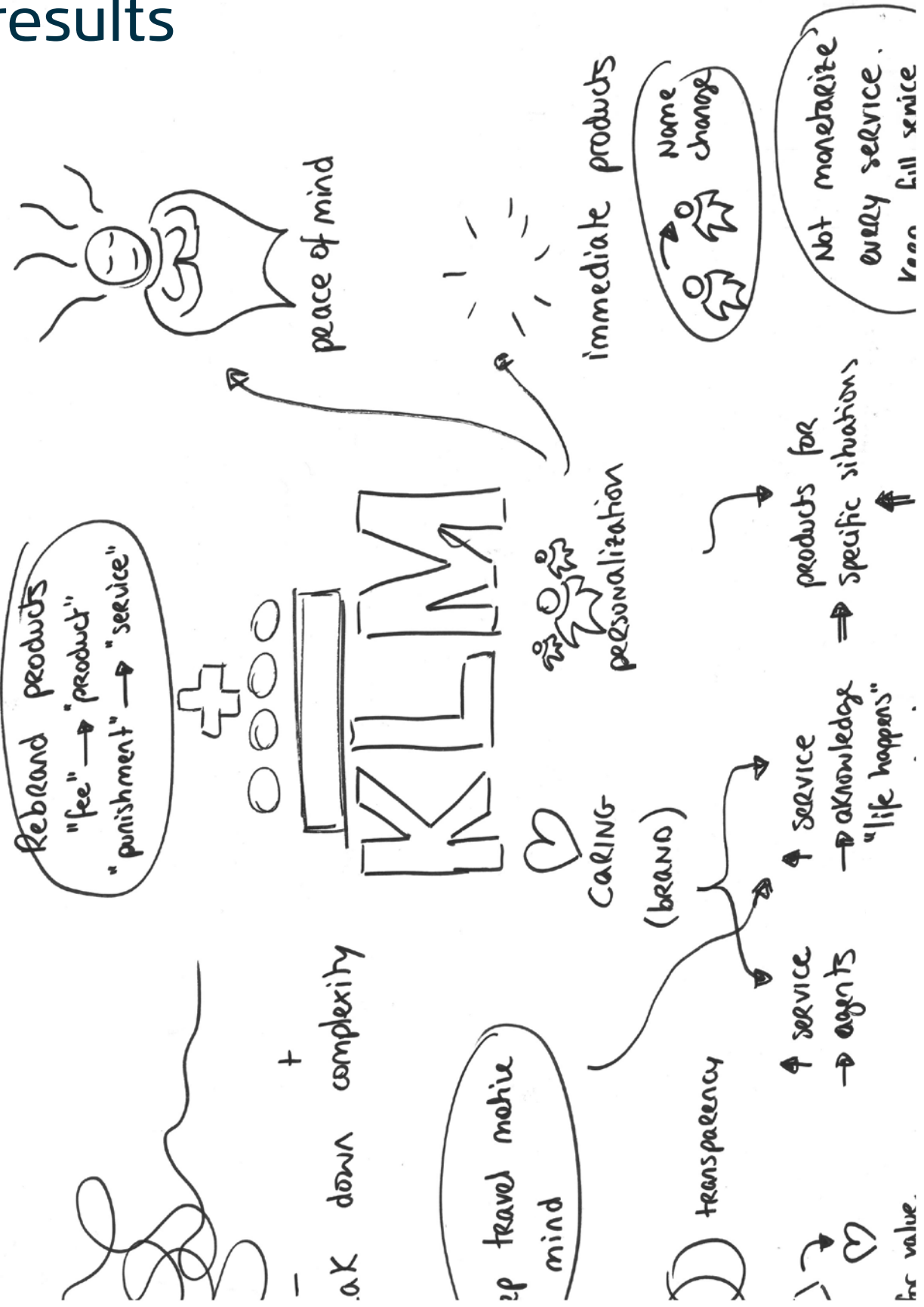
Preferred Flight - ability to get a seat in a full plane subject to availability

Flexibility Reward - reward for ability to change your flight for another one

Volaris offers a monthly subscription to catch any flight for a fixed price



Appendix G. Creative session results



Ticket offering



Transparent



Low complexity



Low value

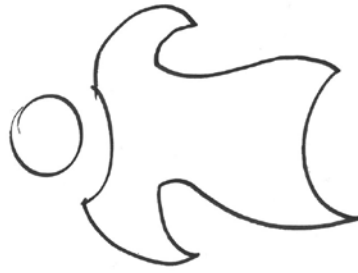


Low flexibility

\$\$\$

IN

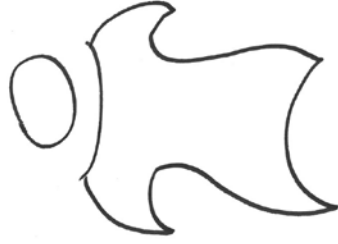
30 JUN



Doesn't need flex.

| KL1443 |

\$\$




Has flexibility



KL 0343
KL 1443
KL 9323
KL 4723

any last
minute

e happens

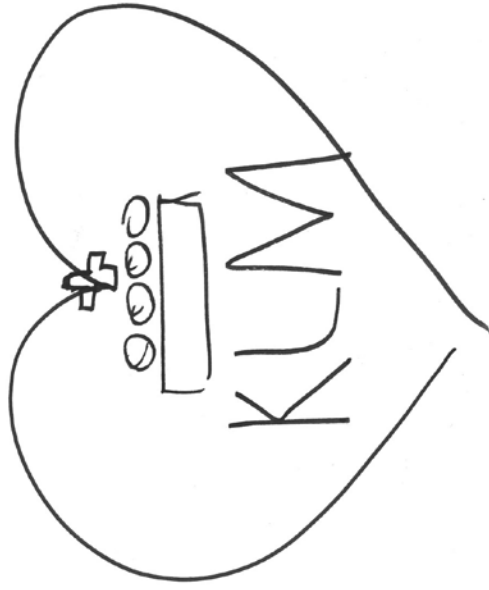


Name change
fee 

Passenger rescue
fee  

Ticket change
[earlier than 48h before departure
↳ No change fee
within 48h before departure
↳ last min. change fee

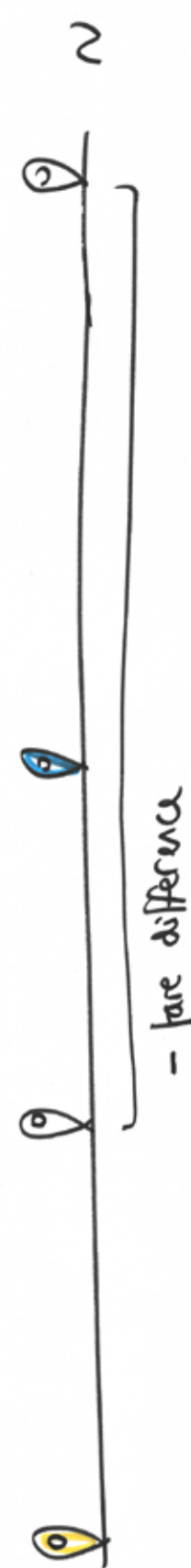
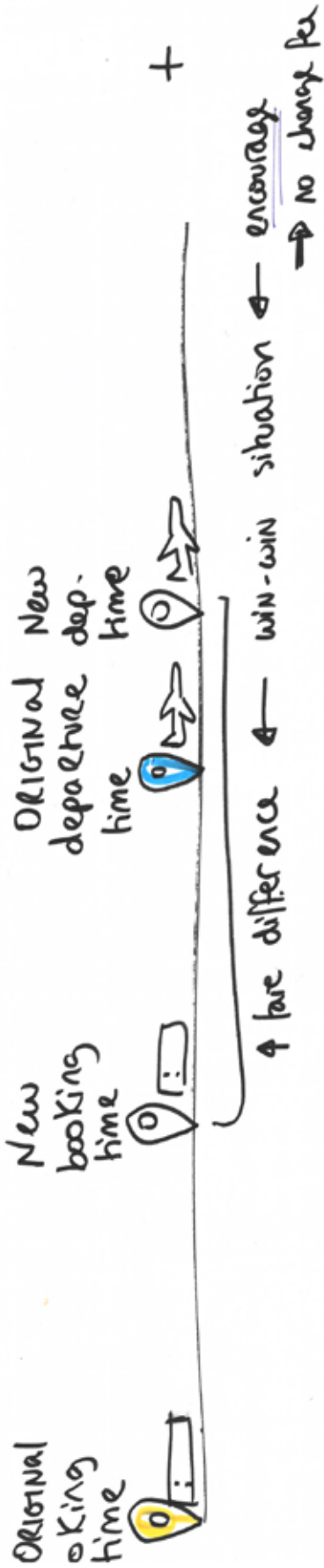
Go-show
↳ fixed price. No fare difference



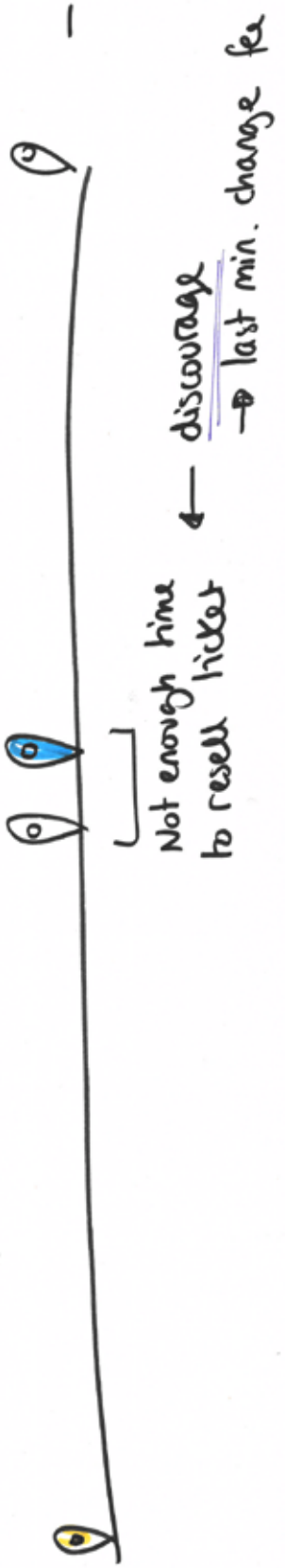
Ticket swap market place



change option



last minute change



I broke up with my boyfriend, can my sister come instead?

Market place

Sell
Get a buyer

Find a buyer

Buy

Specific trip

Surprise me!

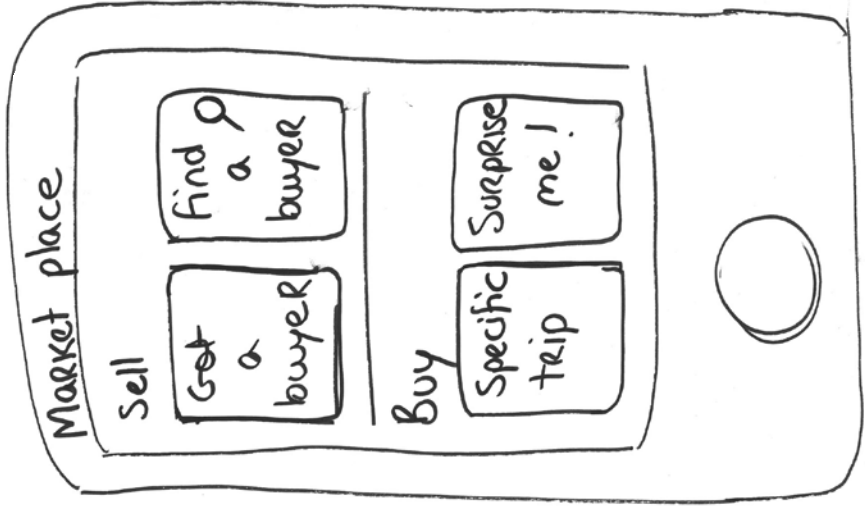
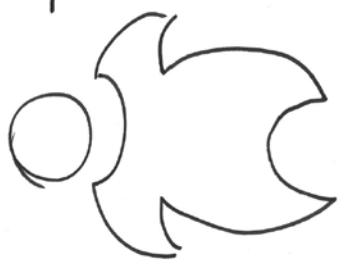
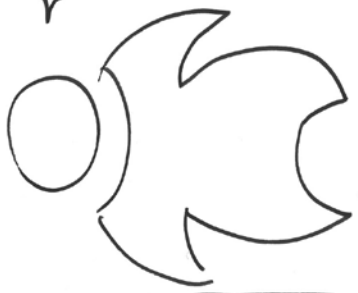
I want to go to Bangkok. I'm searching for bargains

rice hunter

I can't make it to Ibiza. Can I find someone to replace me? \$\$\$

I have some free days. Where can I go for a cheap price?

Adventurous ← Millennials/Gen Z

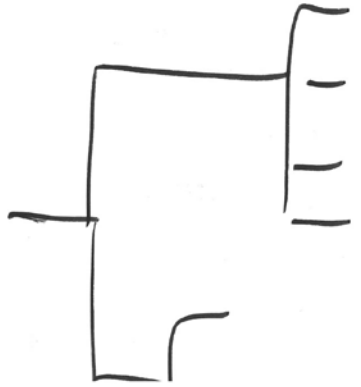


Personalized flexibility

decision tree

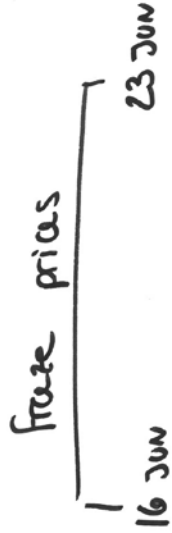
- Go-show
- ^{future} Time to think
- Last min. change
- Name change

Decision tree



Peace of mind

Future time to think



PERSONALIZED flexibility
decision tree



future time to think

last min. change

go.show

name change



travel motive

business

leisure

not all set

all set

not all set

passenger

name change
as show

go.show

future TTT
name change

constrains

weather event

TTT

Time to think

My girlfriend & I
don't have much
visibility on when
we are going to
get holidays. It
would be great
to book a whole
week

27 JUN

freeze prices

23 JUN

30 JUN

- Change times / dates / orig. / dest.
↳ OE + fare difference
- Take an earlier or later flight
- Full refund if cancellation.
- Sky priority
- 1 check-in baggage
- Extra miles
- Standard seat selection.

