

MASTER THESIS

Strategic Product Design

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FLEXIBILITY

A relevant ancillary for both
KLM and its passengers



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Flexibility: a relevant ancillary both for KLM and its passengers

Master thesis
by Paula García Solaun
in collaboration with KLM



Preface

After 2 years in Netherlands, it is time to come back home (hopefully) with a diploma. In these years I have learnt so much about design and about myself. I've learnt the importance of always keeping an eye on the bigger picture both when designing and in life.

This personal achievement would not have been possible without the constant support of my family and of M'hammed. Also, to all my friends in Delft, thank you for the good times together.

Thanks also to the ancillaries team who adopted me for these months. You have been great, have greatly supported me and I have learnt a lot from you. Special thanks to Caroline to give me the opportunity to carry out such an interesting project and the confidence you put on me, and to Clara for the weekly meetings and daily dramas. Thanks Pieter and Linde to always lending me a hand when I needed it.

Grateful also with my graduation team, Pinar and Sicco, for your wisdom and time. Thanks Pinar for the last minute meetings that I needed so much. Thanks Sicco for reminding me the importance of breaking down complexity in order to be able to manage it.

All in all, this has been an essential experience in my life and it was only possible thanks to the people around me.

A handwritten signature in black ink, appearing to be 'Anita', written in a cursive style.

Delft, 4th October 2019

Executive summary

Analysis

KLM aims to become the most customer centric carrier in Europe. The strategy they follow to reach this goal is customer intimacy. However, the flexibility landscape of the airline is not aligned with its strategy. A reason of this flexibility approach is that as most airlines, KLM is conservative in their ticket changing approach: their policies discourage passengers from doing it. Nevertheless, literature, as well as the competitors analysis shows that a fine change strategy can create a revenue gain that overcomes the lost demand and unsold capacity. When it comes to risks is travelling, literature shows a wide range of adverse effects that can be aimed to relieve. Two of these have been identified as relevant for KLM: economical and opportunity loss. The following research indicate that the most valuable risk reliever for customer is an economical one. Also, a trends research has been carried out. This has uncovered the upcoming change in passengers behaviour which will change from doing it when “I have to” to “I want to”.

Customer research

A thorough field research, both qualitative and quantitative has been carried out around KLM’s customers. This research also identified the main attributes passengers wish to have in their flexibility solution – fair, transparent, relevant and affordable.

Conceptualization

A creative session was performed with the main stakeholders of the project. The outcomes of the session were a validation of the research as well as new design drivers – simplicity, effectiveness, transparency, value for money and appealing experience.

Design proposal

The concept resulting from this project is a complete update of the flexibility landscape of KLM. A more robust customer journey in terms of flexibility is to be developed. An outcome of this upgrading is a broader portfolio of flexibility products, which is aligned with the personalization tactic within the customer intimate strategy of KLM. The new products introduction turns around the current view on ticket changes KLM has, by fostering win-win situations. 3 of the new products focus on the changes around departure. Fixed fares will be introduced to replace the current situation, where passengers have to pay both the change fee and the fare difference. These products will be the ahead product “Flight guarantee”, and the immediate products “Take an earlier or later flight” and “Passenger rescue”.

Conclusion

A new flexibility landscape for KLM urges. Changes are sought by KLM customers and it is expected that this desire will grow in time. The solution proposed by this project seems promising. The next step to validate consists on PRM to check viability, as well as pricing a general conditions.

Glossary and abbreviations

Markets

MH - Medium Haul, referring to flights within Europe.

ICA - Intercontinental, referring to flights between continents, excluding North America.

NAT - North-Atlantic, referring to flights to North America.

Stakeholders

CX - Customer Experience department.

PRM - Price Revenue Management department.

Technical concepts

PNR - Passenger name record, referring to booking references.

FB - Flying Blue, frequent flyer program of KLM and its partners.

Rebooking - Change of flight details, meaning giving up the ticket of one flight to acquire a ticket of another one.

Phases of a trip

Booking - Task consisting of the passenger booking his flight.

Preparation - Time between booking and ICI.

Check-in (ICI) - Time span when passengers can make the check-in of their flights (30h before departure).

Airport - Time around departure, both before and after departure. Around 4h before and after departure. This time can be spent in the airport, commuting there or in any other place.

Flexibility concepts

Flexibility - Ability to make a rebooking.

Flexibility ancillary - A paid option to add flexibility to a plane ticket. Object of design of this project.

Flexibility EMD - Current flexibility ancillary offered by KLM.

Flex fare - Branded fare (package) by KLM which includes ticket flexibility.

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Setting the scene

Air transportation is a service which consists on transporting people from A to B in a specific timeframe. As a service, it can be defined as a performance, in contrast with products, which are objects (Berry, 1980, as cited in Moeller, 2010). Services are generally considered different from products in four characteristics: intangibility, inseparability, perishability and heterogeneity (Edgett & Parkinson, 1993). These attributes imply some challenges both to consumers and providers.

From a consumer perspective, intangibility and heterogeneity complicate the assessment of a service:

- Intangibility means that the service cannot be seen, touched, smelt or tasted (Bateson, 1977, as cited in Edgett & Parkinson, 1993).
- Heterogeneity involves variability in the performance of a service. “The quality and essence of a service can vary from producer to producer, from customer to customer, and from day to day” (Zeithaml *et al.*, 1985, as cited in Edgett & Parkinson, 1993).

Consumers do perceive the purchase of a service riskier than the purchase of a product, due to the uncertainty created from their very nature (Mitchell & Greatorex, 1993). Moreover, air travel is perceived as an especially risky service by consumers (Decrop, 1999, as cited in Bokserberg *et al.* 2006).

As for a producer, the aspects of perishability and inseparability intimately affect the company’s operations:

- Inseparability implicates that the service is produced and consumed simultaneously (Kotler, 1982, as cited in Edgett & Parkinson, 1993).
- Perishability implies that a service, unlike a product, cannot be stored. If a service is not

consumed when available, then the capacity is lost (Boom & Bitner, 1981, as cited in Edgett & Parkinson, 1993).

The way provider deal with these challenges affect the delivery of services to consumers, who ultimately have to add this new uncertainty on top of the one created by the intangible and heterogeneous nature of services. An extreme example of this is the pricing of airplane tickets.

The escalating along time pricing system that applies to plane tickets push passengers to buy their tickets as soon as possible. This reality has two effects on passengers’ uncertainty. Firstly, the longer the time between the purchase and the use of a flight ticket, the higher the risk of events that force a change of plans arising (Park & Jang, 2014). Secondly, this rush can make the passenger to compromise to a trip whose details are not completely defined yet.

Yet, air transportation has another characteristic relevant for this project: it is an enabler for an objective, rather than an objective itself. This means that the objective of the journey is the stay. Both the journey and the stay are sources of risks, this is, situations where adverse events may happen. Yet, the risks from the stay are relevant because they potentially affect the planning of the journey.

All in all, when booking a plane ticket, consumers perceive different and abundant risks: the risk created by the uncertainty of making a good purchase, and the risk from the adverse effects that can happen during the transportation and performing the object activity of the trip. Moreover, the pricing system of plane tickets, is also be a cause of uncertainty to add up to the sum.

For all the aforementioned, risk reliever services for travelling, such as a ticket flexibility product, are, in theory, highly

pertinent for air passengers. This report will continue exploring the relevance of this product category both for KLM passengers and the company, to finally provide a solution proposal.

1. Introduction

1.1 KLM

KLM is the Royal Dutch Airlines, which being the oldest carries in the world, is turning 100 years old in the year and month this thesis is published. In 2004, KLM joined forces with Air France, and since then, most of their strategic moves are done together. In addition to this partnership, KLM enjoys a strong network of joint ventures. Supported by this alliances, KLM can practically carry someone from Amsterdam to any other airport in the world. As for KLM's image, it is a reputable air transportation provider that delivers a high quality service but keeping a casual and joyful attitude.

1.2 Ancillaries

In the last years, the air transport industry has suffered a transformation, where carriers, mainly due to the raise of competitors (many low-cost ones) were pushed to democratize their prices. Since then, most airlines have adopted a build-up approach, where they offer to those passengers who want them, extra services for a more exclusive journey experience - the ancillaries (Accenture-Amadeus, 2017).

An ancillary is an extra product, or perk, that passengers can chose to purchase in order to get a more enjoyable trip.

For some time now, ancillaries are in the spotlight. The main reasons are their power to deliver value to the passengers, and the fact that the revenue they create is almost in every case, practically all profit. It is estimated that the global ancillaries revenue of 2018 (applied to 175 airlines worldwide from actual data from 73 airlines) was close to \$100 billion, and it has constantly raised both in volume and in percentage of the global revenue of airlines in the last years (IdeaWorksCompany, 2017).For the aforementioned reasons, all airlines, KLM included, are heavily investing in these products and services.

1.3 Flexibility EMD

The current flexibility ancillary offered by KLM is a fee waiver to be purchased during booking. It costs EUR14 per return and can waive up to EUR70 of the change fee. It is a special product because it may end up used or not. Its value though, does not limit to its use, but just holding it, provides tha passenger of peace of mind during the preparation phase of the trip.

1.4 Assignment

The aim of this project is to design a new service(s) which satisfies the flexibility needs of different customers and creates incremental revenue.

The solution targets the Dutch market for MH flights, and is to be implemented in 2020.

The goal of the solution is to support the ancillary team's 2019 objectives: increasing customer satisfaction, the number of customers who buy at least one ancillary, and the average order value of ancillaries. These goals are aligned with the ambitions of the different stakeholders: enhancing the customer experience (CX) and creating incremental revenue (PRM).

1.5 Approach

The design approach was customer-centric and followed the triple diamond approach, a combination of CPS revisited model (Tassoul & Buijs, 2007), based on the Alex Osborne's worldwide used Creative Problem Solving model, and the X-way of working of KLM CX (see image 1). This CPS approach, consists on three diamonds for divergence and convergence: the first one ('hear') to explore the subject and determine the problem to tackle, the second one ('create') for idea generation and the third one ('deliver') for concept development. It is considered appropriate for this project because it is part

of the Delft approach, so it is trusted in the industry and the project owner is familiar with it, and it is suitable for design processes with ill-defined problems (Tassoul, 2005).

A key step of the process was the creative session with stakeholders. It was located at the end of the 'Hear' diamond and beginning of the 'Create' one. Indeed this session worked as a validation of the research and analysis phases, where stakeholders added their expertise. Also, it worked as an inspirational session, where many interesting ideas were proposed, for the final individual conceptualization.

Throughout the whole project, stakeholders representing CX and PRM were involved.

They provided the project of their point of view and checked the desirability (CX) and viability (PRM). This strategy will hopefully contribute to the final concept to be implemented as quickly as possible.

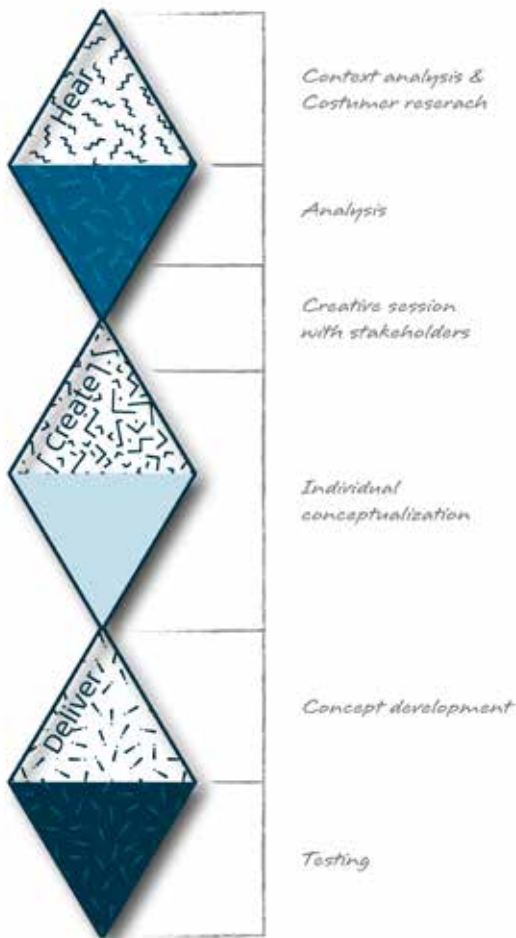


Image 1: Approach applied in the project.

2. Analysis

2.1 KLM Strategy

KLM’s strategic ambition is to become “the most customer centric, innovative and efficient carrier in Europe”, and the way they chose to get there is investing in customer intimacy (KLM annual report, 2016). Customer intimacy is one of three strategies to become a market leader, that Treacy and Wiersema introduced (1993). This approach, unlike aiming to deliver value to the customer in the shape of the best product or the cheapest one, consists on offering the customer exactly what he wants.

2.1.1 Customer intimacy

The way these researchers propose to be customer intimate is by constantly investing in him. Customer intimate companies are characteristic of having a fine market segmentation and a broad portfolio, to be able to offer solutions to each customer’s specific needs. To properly deliver this fitting products, they usually work closely with

data, to accurately target their offers. They also need to be flexible, to be able to quickly respond to changing customer demands. In the most direct level, the empowerment of the people who work close to the customer, to adapt to his needs even if outside of the company’s guidelines, is typical of these businesses (Treacy & Wiersema, 1993). Image 2 shows how does KLM apply the customer intimate strategy.

Broad portfolio

One of the pillars KLM uses to offer a personalized service to its customers, is having a broad portfolio of ancillaries (see chapter 2.2). They currently offer 18 different ancillaries.

Flexibility

KLM is aware of the power of flexibility in their process in order to be responsive towards the customers’ needs. Having in-house technical teams and a strong CX department, with a team dedicated to represent the

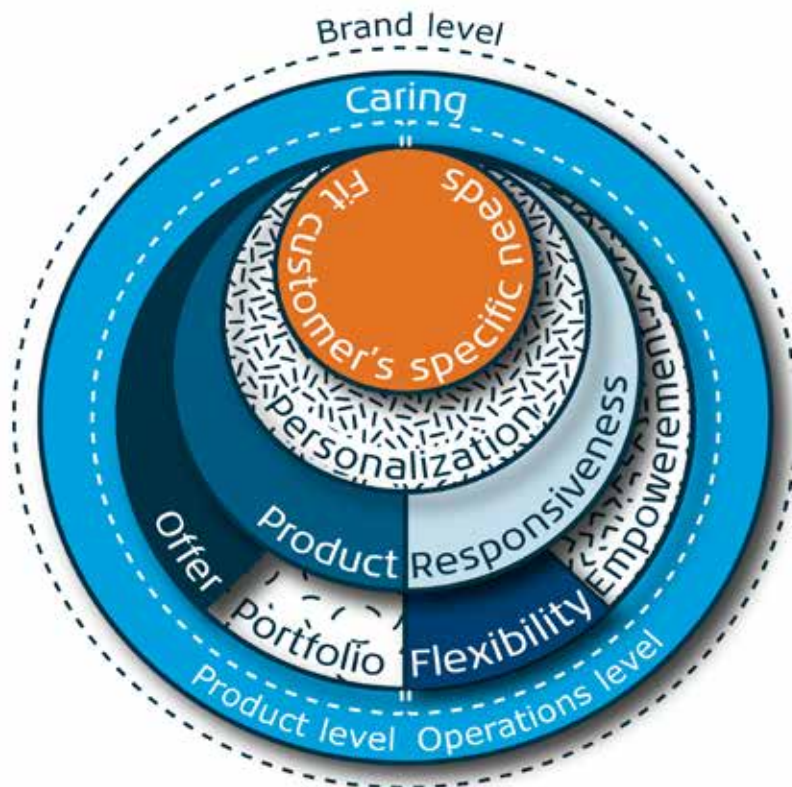


Image 2: Customer intimacy strategy within KLM.

Flexibility: a relevant ancillary both for KLM and its passengers

customer within the company to bring his view to different projects, are proof of it. However, in practice, the complexity of such a large corporation causes that ideas implementation takes an extremely long time.

Branding

KLM supports this customer intimate strategy by its branding, which consists on being perceived as caring. An excellent customer service as well as customer-centric innovations work towards this goal. In addition, KLM supports these actions by launching different campaigns.

A recent customer centric innovation is *Care-e*¹. It is presented as a “self-driving luggage trolley with a motherboard of gold”. It carries the passenger’s luggage across the airport, as well as it guides her. It also interacts with her through a pair of highly expressive eyes.

An example of a caring campaign is *Care Tag*², which consisted on offering this singular gift to passengers who arrived to Schiphol in 2017. The luggage tag was equipped with a GPS and a speaker, which would offer the visitor tips in the city of Amsterdam.

Conclusion

KLM aims to become the most customer-centric airline in Europe, and to make it, applies a customer intimate strategy. This strategy is supported by the structure they follow to deliver value.

The new flexibility ancillary will be aligned with KLM’s customer intimate strategy and will be supported on the existing drivers created with that purpose.

2.2 Ancillaries

2.2.1 Flexibility ancillaries

KLM offers 4 flexibility ancillaries, two insurances and a flights bundle deal. The insurances and bundle are left out this analysis for being considered trip risk relievers but not flexibility products, so outside the scope of this design goal of this project (see section 2.4.1). The following are the different flexibility ancillaries currently available to KLM customers.

Change fee³:

A KLM changeable flight ticket is possible to be changed if a change fee and the fare difference between the original and the new ticket are paid. Changeable markets depend on haul, fare and market. In the scope of this project, changeable are all flex and standard tickets, and light tickets of specific markets. The features possible to change are times, dates and destination. The change fee can be purchased any time between the booking and the departure of the flight, through KLM.com, KLM mobile app or the different customer service channels.

Flexibility EMD⁴:

This ancillary allows the passenger to waive the change fee if decides to change his ticket,

but he still will have to pay the possible fare difference between the original and the new ticket. It costs EUR 14 for a return ticket, EUR7 for a one-way one. It lets the holder make up to 3 changes anytime earlier than 48h before departure. It can only be bought during the booking window at klm.com and for changeable markets.

Flex fare⁵:

The flex fare is the most flexible ticket deal. It contemplates free ticket changes (no change fee, but fare difference to be paid), ability to take an earlier or later flight than the original one for free, and full refund if cancelled or if missed. Besides the flexibility conditions, it includes one piece of checked-in baggage, standard seat selection and SkyPriority (priority in different steps of the customer journey). It costs EUR 139 to be added to the light ticket price.

Time to think⁶:

Time to Think is a paid option to be purchased on the booking window. It 'freezes' the prices of the selected flights for different time spans (48h to 14 days), so 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. The price starts at EUR10.

Both KLM's and competitors' flexibility portfolio analysis, indicates that air transport flexibility products are defined by 3 main dimensions: action to provide (change or cancellation), the moment of use (preparation or trip) and the moment of purchase (ahead or when needed) (see image 3).

2.2.3 Flexibility andscape

Image 4 shows the distribution of the different KLM's flexibility products across the 3 defining dimensions of every flexibility product.

Most flexibility products KLM offers are to be bought ahead, only the change fee can be requested when needed. Also, the opportunity for a cancellation when needed product is not used.

The usability of the different flexibility products throughout the customer journey are shown in visuals 5 and 6.

Only the Flex fare covers a rebooking after the flight departure, and a free change within the 48h before departure, this is, last minute bookings, so when flights are the most expensive.

In conclusion, there are 3 main takeaways from KLM's flexibility landscape analysis.

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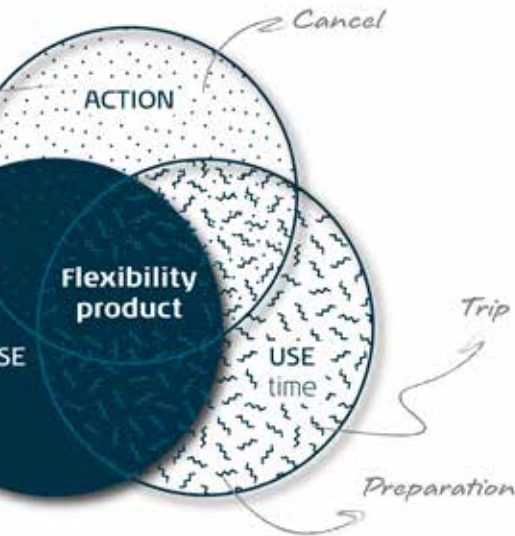


Image 3: Summary of the composition of every flexibility product.



Image 4: KLM's flexibility landscape. All flexibility options mapped across the 3 dimensions that define them.

Change

Flex fare
Flexibility EMD
Change fee



Image 5: Use window of the different flexibility products for change throughout the customer journey.

Cancellation

Flex fare
Time to Think



Image 6: Use window of the different flexibility products for cancellation throughout the customer journey.

Firstly, the “when needed” flexibility products offered by KLM is limited only to the change fee.

Secondly, the cancellation options offered by KLM consists of just one: purchasing a flex fare ticket during booking. This means two things: that a KLM passenger will have no way to cancel her ticket if she hasn’t foreseen this possibility during booking, and that in the case that she has, she has had to buy a whole bundle including services she may not want.

Lastly, last minute changes are uncovered, unless the passenger holds a flex fare ticket. Thus, in the scenario where the passenger has to pay the most for a ticket, he is abandoned by KLM. These situations are often the most stressful ones (e.g. missed flight), or win-win ones (eg. bring your flight forward – KLM reallocates the passenger in an earlier plane, resulting in more time to resell his original ticket).

All in all, KLM’s flexibility landscape is extremely business-centric instead of customer-centric. All the aforementioned pain-points are opportunities to give a step forward to become “the most customer centric carrier in Europe”.

2.2.4 Competitors

Different airlines have be analyzed in flexibility matter, because they are direct competitors of KLM (e.g. Lufthansa), they provide an excellent service (e.g. Qatar airlines), they are innovative (e.g. Wizzair), they are representative of other markets (e.g. EasyJet) or because they were found during the research phase to offer original flexibility products (e.g. Vueling). Other interesting flexibility options have been found from sources such as articles or newsletters.

Image 7 shows the different flexibility products found to be offered by competitors, plot across the dimensions of the flexibility products, together with KLM’s.

Most airlines offer a flexible ticket deal, similar to KLM’s Flex fare. Also, most offer the ability to change one’s ticket, provided a fee change and fare difference are paid. Some reserve this option for the medium priced ticket bundle (as KLM does in non-changeable markets), using it as a pull factor to make passengers pass from buying the cheapest option to the medium-prices one. Only a few offer a change fee waiver. This option is usually looser in time constrains than that from KLM (e.g. Wizz Air’s is useful

up to 2h before departure and includes a cancellation option⁷).

An original flexibility landscape is presented by Vueling: they offer three different paid products to be purchased ahead, that can be bundled for a lower price (fee waiver, missed flight cover and earlier or later flight⁸).

Another outcome from this analysis is that most flexibility products are branded to be used in specific ways, e.g. passenger rescue seems to be only valid in case of arriving late to the airport, whereas a same day change is a voluntary change. For the regular change option, all checked airlines categorize the option to buy it as “fee”. This way of calling the option of ‘flexitizing’ a non-flexible ticket, feels like a punishment, rather than an opportunity.

Some full service carriers offer a cancellation fee which consists on a refund of ticket cost (e.g. Etihad). And some low-cost airlines offer a cancellation option that refunds the price of the ticket in the shape of credit to be used with their airline (e.g. Wizzair⁷).

Some airlines, such as British Airways do have the policy to always provide a last-minute change to a an earlier flight (subject to availability) when requested in (selected) airport desks, free of charge. Others offer to their passengers to take an earlier flight for a fixed price. Some do it in the shape of an *ahead* product (e.g. Vueling⁸) and others *when needed* (e.g. Easyjet⁹).

As for innovation within change fees, Southwest offers changes anytime and within any fare free of penalty¹⁰. Transavia offers free changes (provided fare difference is to be paid), when requested earlier than 14 days before departure, in their medium-priced fare¹¹. Other airlines such as Frontier have similar policies, which consists on the change fee increasing in price the closer it gets to departure time¹².

As a final insight from this analysis, low-cost carriers have a rich flexibility landscape compared to that from most full-service ones. This can be interpreted as a proof of the profitability of flexibility products. Also, it can be argued that the reason of this is

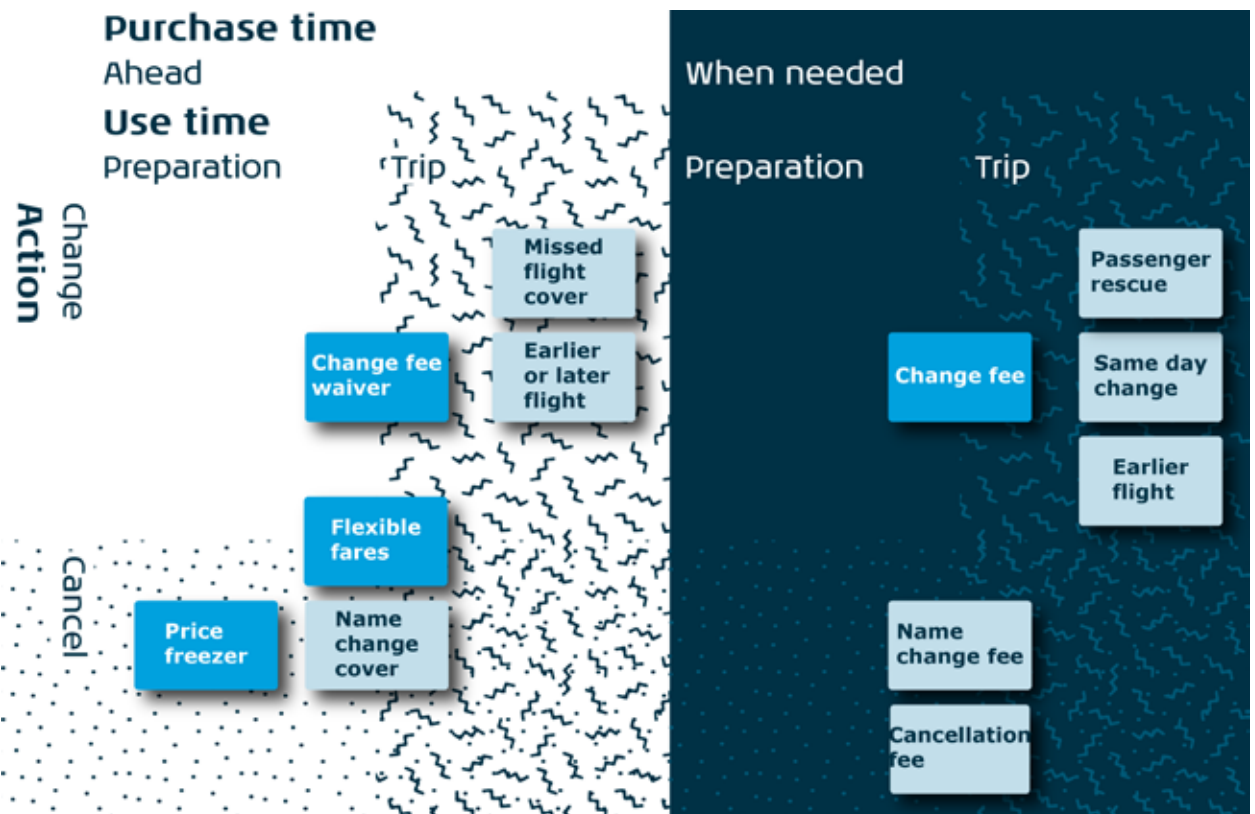


Image 7: Comprison between KLM’s and competitors’ flexibility landscape.

low-cost carriers' practice of monetizing every service they offer, unlike full-cost ones, who are expected to have looser conditions and a satisfactory service. However, as explained in section 1.2, the airline industry is currently living a transformation, where old full-service carriers are adopting practices from low-cost ones to adapt to the decrease of ticket prices. Thus, an poor flexibility landscape from a full-service carrier does not necessarily mean that this service is offered for free, but it very well can be the case that it is completely neglected.

In conclusion, ticket flexibility in the airline industry is a rich field in variety and innovation. KLM offers a poor portfolio compared to what competitors deliver. This situation is not completely covered by the ticket conditions (see Customer research chapter). The result is a non-caring customer journey in this key matter. In addition, it seems that flexibility products can be highly profitable.

2.3 Revenue from changes

During this project, it has been perceived that airlines take ticket changes as a threat. Indeed, ticket changes intimately affect demand and consequently, unsold capacity. If a ticket is rebooked close to the departure time of the original ticket, it can create a sale dilution effect, meaning that the original ticket cannot be resold to another passenger – one passenger would end up “occupying” two seats, but only paying for the latter (see image 8). This effect is hard to estimate due to the nature of plane tickets pricing -

which depends both on demand and on closeness to departure - and the fierce competition within the industry. Thus, it is not straightforward to estimate the effect a ticket back in sale has on the overall sale of a flight – if the ticket had come back one week before, so EUR20 cheaper, would KLM have ended up selling one more seat? What can be stated is that the earlier, so the cheaper and the longer exposed to sale, the more likely a ticket can be sold.

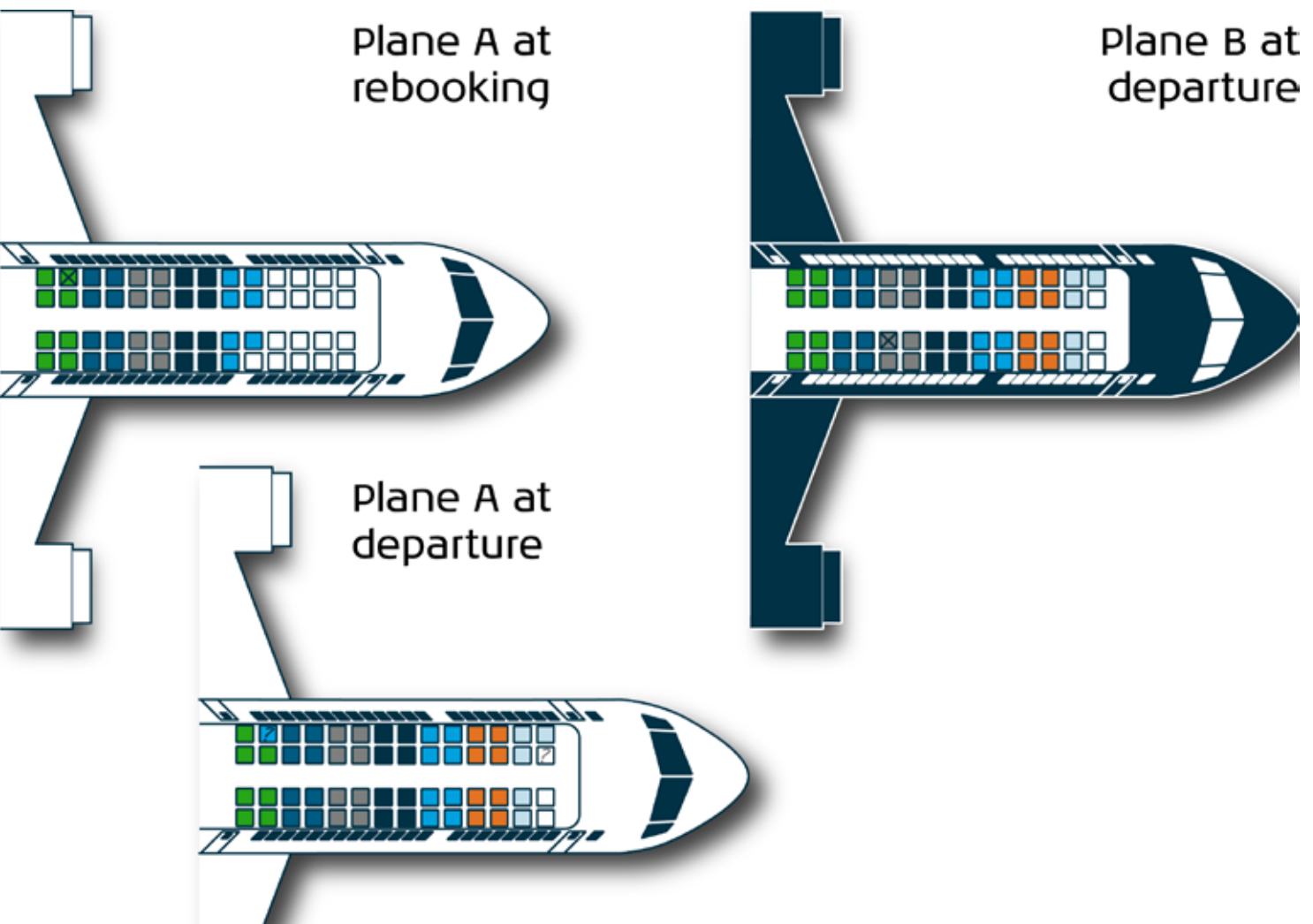


Image 8: If a passenger rebooks a flight (A for B), she will end up paying the price of ticket in plane B (and change fees if applicable), however, her change will affect the unsold capacity of plane A.

2.3.1 Fare difference

The current change system, where the fare difference must be paid together with the change fee, provided that flexibility or flex fare have not been purchased, can create a positive revenue, a neutral one, or an opportunity loss (scenario 3). The different scenarios will depend on the time the change is requested and the date of the new flight (see image 9).



Image 9: Revenue scenarios of ticket changes by KLM MTC (2013).

- **Scenario 1:** the ticket is changed close to the original booking time, thus it will be resold for the same price (neutral revenue).
- **Scenario 2:** the ticket is changed long enough after the original booking time so the it can be sold for a higher price, but long enough from the departure time so the chances to sell it are high (positive revenue).
- **Scenario 3:** the ticket is changed close enough to the departure time so the chances to resell it are low, so the value of the ticket is lost (dilution effect).
- **Scenario 4:** the ticket is changed for a flight close to the original departure date, so provided that some time has passed from the original booking time, the fare is likely to have raised (positive revenue)
- **Scenario 5:** the ticket is changed for a flight far after the original departure date, so a low sub-class is purchased that would have been sold anyway (neutral revenue).

The timing of the change request as well as the new departure date are vital for KLM to avoid losing a sale opportunity. Also, a change can be an opportunity to create a positive revenue, and to sort out overbooked flights. Thus, a concept that promotes an early change when possible, as well as to change when an overbooking happens, is of the interest of the corporation.

The current flexibility product already considers contingent conditions so the dilution effect of a change is avoided, such as not waiving the change fee if requested within 48h before departure and not offering it for purchase within 10 days before departure.

2.3.2 Change fees

Change fees are highly strategic products for an airline, since they are a source of revenue, and intimately affect demand. As Mirzaei et al show in their research (2016), “airlines can generate a significant revenue gain from well thought-out switching fees”, even though, many companies are not using fees in a strategical and optimal manner (Galego and Sahin, 2010, as cited in Mirzaei et al, 2016). They explain that the trade-off between the cost of lost demand and unsold capacity and the direct – change fees – and indirect - filling in both flights and managing overbookings – consequences of switching can increase the overall revenue of the airline.

Some carriers are pioneers in rethinking the effect of change fees on revenue. Southwest is the only airline found across this research who does not charge change fees, and uses it as a competitors advantage (Southwest Airlines Co., as stated in an article by the Wall Street Journal, 2018) - concept of “Transparency” as part of their brand image¹⁰. One of the interviewees during the research phase of this project raised it as an example of great service with regards to flexibility (see section 3.2.1).

Frontier Airlines Inc. recently implemented a new changes system that rewards the early rebookers by lowering or even eliminating fees when occurring earlier than 2 weeks before departure¹². The airlines’ changes policy, especially with regard to the change fees has arisen a debate in the US in the recent times. The senate considered to regulate them, because they believed them as abusive practices¹³. This initiative finally did not materialize, yet, the most mature passengers air transport market considering to rethink the change fees is indicative of how urgent the matter is.

2.4 Risks when travelling

Perceived risk is a tradeoff between likelihood and effect (Mitchell and Greatorex, 1993, and Mitchell, 1999, as cited in Boksberger *et al.*, 2007). The theory of perceived risk states that when a consumer perceives a risk, he takes actions to try to reduce it (Fuchs and Reichel, 2011, p.267). The risk tolerance of an individual is personal, so his threshold of acceptable risk taking, will determine his motivation to take strategies to reduce it (Mitchell, 1999 as cited in Fuchs and Reichel, 2011, p.268).

As stated at the beginning of this report, three different kinds of risks related to air travelling have been identified along this project.

2.4.1 Risks from travelling

Cui *et al.* (2016) state in their literature review of tourism risk perception that this “can be summarized as cognitive psychology, consumer behavior discipline and travel safety discipline”. They also conclude that the risk perception in travelling is built on 2 factors: the objective evaluation of possible negative outcomes, or losses (e.g. unfriendly locals, a volcano eruption, bad weather),

the subjective feelings of the customer towards these possible negative outcomes, or uncertainties perceptions, which is related to his demographic variables and individual cognitive abilities (e.g. women have a slightly higher perception of travel risk, the higher the education level, access to media and class status, the stronger perception of risk is for a person, urban residents have a stronger risk perception than rural residents). The objective possible outcomes from travelling are usually categorized in 5-7 groups, and combines risks during both steps of the travel: the journey (flight) and the stay. These all correspond to those presented by Boksberger *et al.* (2007), this time focused on the phase of the flight, with the addition by Cui *et al.* of equipment adverse effect, and the lack of functional. It should be noted that some of these adverse effect can also happen during the preparation phase of the trip, due to the special characteristic from air transportation services where a ticket is purchased long time in advance before it is enjoyed.

In order to determine the value of risk reliever in travelling for the consumer, both aforementioned concepts have been combined, as shown in image 10.

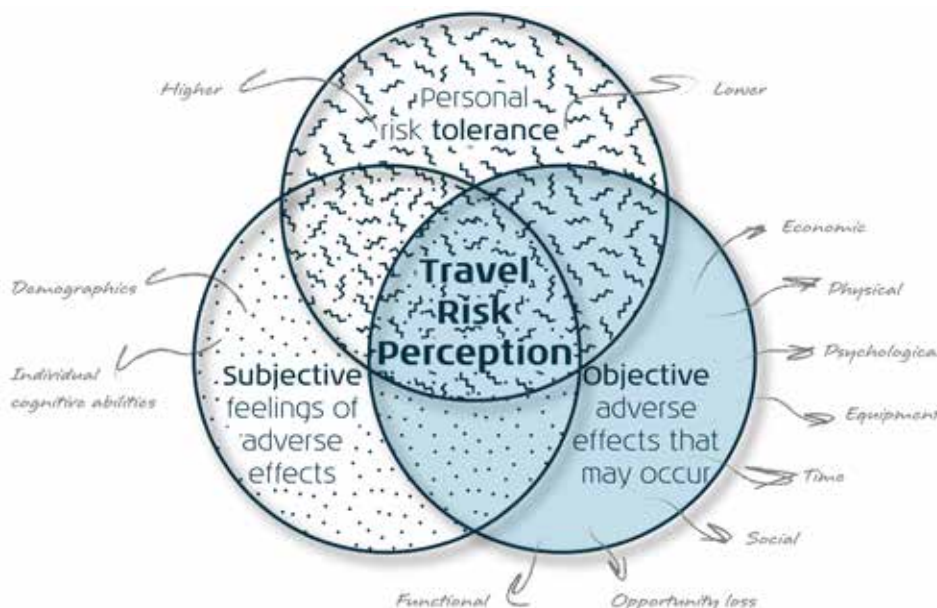


Image 10: Interpretation by the project owner of travel risk perception based on Cui *et al.* (2016), Boksberger *et al.* (2007) and the theory of perceived risk.

As a passengers air transportation firm, the risk reliever KLM wants to deliver is a new flight. This new flight would be a solution of the adverse effects gathered in the inner circle of image 11.

However, a new flight as a solution arises new potential adverse effects, which are the ones in the outter circle: opportunity loss and economical. An opportunity loss would happen if there are no available flights to fulfill the passengers' needs. An economical one, if the available flight involves a large amount of money to get. An opportunity loss can be also an adverse effect to tackle that can face an economical or opportunity loss adverse effect if, for instance, a passenger wishes to change the dates of her flights to the following weekend because an attractive activity arises for the weekend the original flights were taking place. She might not be able to change them both because there are no available flights for the desired timeslot or because they are too expensive. All in all, the risks from travelling that the new flexibility product will aim to relieve are economical and opportunity loss.

An opportunity loss product could be a guarantee of seats in any flight even if full, as Optiontown.com offers. They propose a system where passenger A buys a plane ticket but has a loose schedule, so is willing to take a different flight, can state it, so if passenger B wants to take the flight passenger A holds a ticket of, but there are no more available tickets, passenger A is relocated in another flight he is satisfied by to yield his seat to passenger B. Passenger A gets a economical reward¹⁴ and passenger B pays a fee for the service¹⁵ - both only in case of the change finally happening. Another example of an opportunity loss risk reliever is

offered by Wizz Air. They propose a booking for several passengers whose name does not have to be communicated until 3h before departure¹⁶. This way, someone can buy flight tickets in advance, so assure a seat as well as a cheaper price, before being certain about her trip companions.

2.4.2 Risks from ticket pricing

As for the risk assumed when making a ticket purchase in a rush, before being certain of all the trip details, in order to assure both a seat in the plane (opportunity loss) and an affordable price (economical), flexible tickets are a common practice among airlines.

2.4.3 Risk from service purchasing

The uncertainty from the purchase of a flight ticket as for its price, is already tackled both by search engines, which compare prices and timetables among airlines for a specific route and time in a matter of seconds, as well as by fare guarantees offered by airlines. The latter is a service whose conditions differs among airlines¹⁷, but all intend to reassure the passenger to get a ticket, by offering a refund of the difference of prices between tickets in case a seat in the same flight gets any cheaper. This refund is usually in the shape of credit to be used within the airline.

As for the evaluation of the service, passengers can use cues, such as brands or reach the large amount and highly accessible online reviews.



Image 11: Risk relievers field of action for KLM

2.4.3 Conclusions

The most interesting risks when travelling to relieve for KLM are economical and opportunity loss. These two are derived from using flights as solutions to other risks when travelling.

2.6 Creative trends research

The following trends are related to the customers' general and travel behaviour. They grasp how the passenger is transforming, and will be used in the design to bring something relevant not only now, but in the (close) future.

The trend patterns technique was applied to underlay the following patterns, or emerging trends. This consist on immersing into the context of the subject at issue and synthesize the research by linking pieces into clusters to discover a trend (Simonse, 2018)

2.6.1 Breaking chains

People (passengers) are less willing to commit, and more seeking of freedom.

- Balance between personal life-working life
- House rentals are becoming more popular than owning a home
- Marriage is less popular than ever
- People have less children than ever

2.6.2 Servitization

Customers do not anymore wish to own material articles, but want to take advantage of material articles in the most convenient way. When transposed to services, these are expected to be convenient by being flawless in their delivery.

- Creating a service from what used to be a product (e.g. Swapfiets, elevators producers).
- Adding value to already existing services to exceed customers' satisfaction (e.g. Uber).
- Use instead of own: people do not

wish to own things but to have the right to use them when needed. This mindset facilitates logistics enormously, which at the end are constrains. Very present in last mile transportation (e.g. Mobike, Swapfiets, Peerby).

- Elimination of hidden fees as competitive advantage: Southwest bases its branding in transparency, no 'hidden' fees, no change fees.
- Passengers are getting used to flawless customer journeys

2.6.3 Change of plans

Customers are more daring than they used to in changing their hearts in plans and purchases. They expect their providers to understand it and offer them solutions.

- Customers more than ever expect companies to be accepting of their change of hearts. This circumstance makes them more daring in their demands in this issue and third parties to support this need when first-hand providers cannot overtake it.
- Successful market places such as ticketswap.
- Leader companies in their field such as Amazon, Toys 'R Us and Zara, with a 100% refund policy.
- E-commerce looser return policy: most e-retailers have looser return policies than off-line retailers. Customers often take advantage of this by purchasing several items to try them on at home and return those who do not fit them (Navar, 2017). This looser policies are used by customers as risk relievers in high uncertain scenarios and work as a competitive advantage.

2.6.4 Shorter and more numerous trips

Passengers are expected to travel more often and for weekend plans.

- Micro travelling – Weekend length trips, more often, all year long¹⁸.
- Bleisure travel: more and more often, business motive travelers take advantage of a trip to enjoy some leisure time at the destination¹⁹.

2.6.5 Taking the most value from your money when travelling

Passengers have limited time and money to travel, but they love doing it. Therefore, they squeeze both resources to get the best experience.

- Startups which monetize passengers saving money when travelling:
 - TravelPerk: by costumers who book trip packages through them paying 10% extra of the cost of the whole trip, the secure their trip, so cancellation of 90% of the overall cost is possible anytime for any reason.
 - Airhopping: flights search engine which arranges transfers so people can visit several destinations in Europe for a cheaper price than one direct return flight.
- Level Skies: cancellation coverage

for 5% of the ticket price for one month. If cancelled, full refund.

- Subscriptions (e.g. Air France’s Flex fare abonnement, Wideroe’s unlimited flying passes within Norway, Volaris’ monthly deal to catch as many flights as wished for a fixed price).

All in all, trends show how people (passengers) are seeking for experiences and trying to get rid of commitments. When it comes to services, they are demanding flawless services: the value is not only in the solution but also on the delivery (right when needed). Customer-centric solutions for uncertainty are also common in many industries. In the context of travelling, customers are expected to make more numerous and shorter trips. This behaviour will have an impact in flexibility needs: more trips mean more uncertainty of plans popping up, so more willingness to change. Shorter is related to cheaper, so less economical risk both in the journey and is the stay. This is supported by the trend of taking the best of one’s money.

Research shows that the main reasons to change one’s tickets are business meeting rearrangements and health related issues, so situations where there is no other chance (‘I have to’). However, trends point towards a new scenario where passengers would be more keen to change flights because they changed their mind and rather do something else, so ‘I want to’, as represented in image 16.

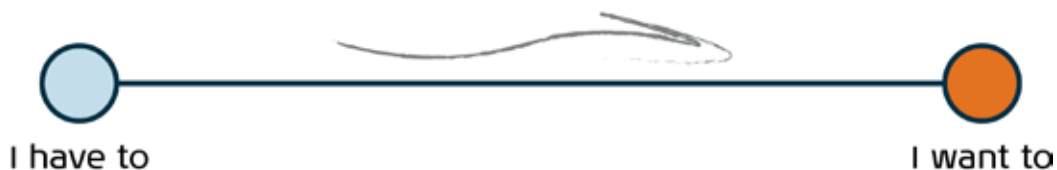


Image 16: Passengers are expected to switch from chaging tickets when they ‘have to’ to do it when they ‘want to’.

3. Customer research

3.1 Approach

KLM customers and employees have been reached in varying ways to gather different information regarding KLM’s passengers’ flexibility needs. The two main research questions in this phase were: what flexibility do KLM passengers want? And how do KLM passengers use the current flexibility options? These two questions were expected to lead this project to a flexibility product which meets the brief: the former should help the result to “satisfy the flexibility needs of different customers”, whereas the latter would contribute to the outcome to “create incremental revenue”. In order to get this, qualitative, quantitative and hybrid research was carried out (see image 17).

Qualitative data was collected through different techniques and from different sources, in order to uncover information about customers’ needs and check early assumptions. The sources were: interviews

with customers at the ICA lounge and the Schiphol ticket office, interviews with agents from the ticket office and appy2help from the lounge, observations of interactions between customers and agents at the ticket office, and an open-ended questionnaire sent to the agents from the customer service call center, Cygnific.

Quantitative data was gathered from analysing the rebooking transactions of 2018, of trips booked through direct online channels and rebooked also direct online.

Hybrid research techniques were applied to analyse the information from both a questionnaire by KLM CX department, which contained both close and open-ended questions, and conversations between passengers and customer service agents from social media channels.

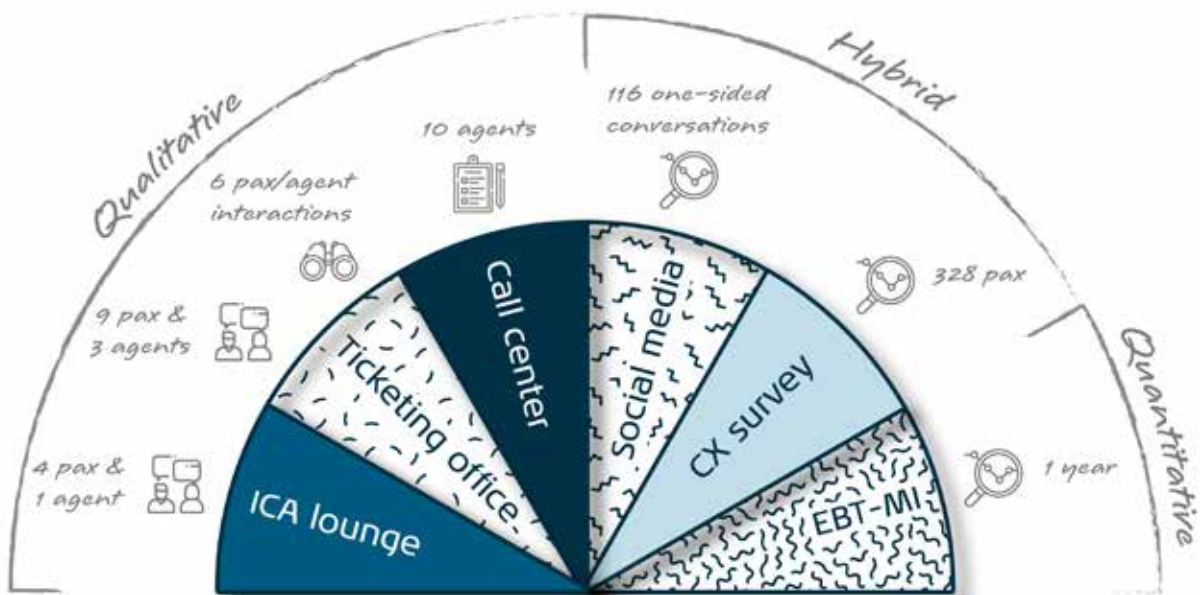


Image 17: Touchpoints analyzed and research methodologies used.

3.2 What do KLM customers want?

In order to find out what are the customer needs in flexibility, passengers and workers in direct contact with them were reached. After information from all touchpoints was gathered, this was clustered and mapped in order to draw conclusions (see section 3.4).

3.2.1 Lounge

The Intercontinental lounge at Schiphol airport was visited. Passengers spend some in-between-flights time there, resting or working. Most passengers who make use of this space are flying for business and are high tier members of the Flying Blue program – since for them, the access is free of charge. However, some families or leisure travellers can also be found there, as well as low tier level members or outsiders to flying blue program,



Image 18: KLM Crown Lounge for ICA flights.

since access to lounge is an ancillary offered by KLM. The lounge, as well as other areas of Schiphol airport, is equipped with the Appy2Help system. Appy2help supports KLM passengers in their journey, and part of the system consists on agents who personally help the passengers. They can give them information regarding their booking, arrange ancillaries and other services or support them in rebookings.

The objective of this interview session was to make a first contact with KLM passengers, and explore what their flexibility needs and thoughts regarding the current flexibility options are. The interview guide used with passengers can be found in appendix A.

4 passengers and one Appy2Help agent were interviewed. 3 of the passenger interviews took 20 min in average. The interview with the agent and the passenger left were 5 min long.

The interviewed passengers were 2 men and 2 women. 3 were travelling for work, and one for leisure, even though he highly frequently flies for work. One man was in his 60s, and the other respondents were in an age range of 35-45 years old. The nationalities were: Irish and American and all were frequent fliers of Intercontinental (ICA) and North-Atlantic (NAT) trips. The appy2help agent was a Dutch woman between 35 and 45 years old.

The following are the main conclusions from the interviews. All insights from the interviews can be found in appendix B.

- Business passengers find the ability to change times valuable (take an earlier or later flight 2/4, some other time within the day 1/4).

- Some business passengers see value on the ability of changing destination (1/4) or dates (1/4)
- Business passengers don't see value on the ability of changing names (4/4)
- Some business travelers invest time and money – in other than flexibility products - to relieve the risk of missing a plane (2/4)
- Some business travelers rather paying more money for a flexibility product when needed, rather than purchasing an ahead risk reliever (1/4)
- Flexibility options don't effectively reach their potential buyers (3/4)
- Business passengers are interested in flexibility products (3/4)
- Business passengers see value in a change fee waiver product (1/4)
- Passengers find having to pay the fare difference when changing unfair (1/4)
- The reasons to change business trip are usually business related (2/2)
- Some passengers like taking risk relieving measures (2/4) whereas others rather pay for a change when needed (1/4)
- Passengers do often make use of the "take an earlier or later flight" option of the FLEX fare tickets (1/1 appy2help agent)
- Among the motives why passengers make use of the "take an earlier or later flight" are flight delays, and missed flights.

3.2.2 Ticket office

The ticket office at Schiphol airport is one of the touchpoints KLM has with its passengers at its hub airport. It consists on an office at the departures hall, before the security control, where agents help KLM passengers to manage their trips. Some of the support activities they offer are bookings of new tickets, rebookings, all three voluntary, involuntary or for missed planes, arrangement of services (e.g. special meal, unaccompanied minor, upgrades...), or sort out problems with tickets (e.g. check-in not working, invalid tickets...).

The ticket office was visited twice to carry out 3 research activities. The first time, observations of the interactions between customers and agents were done, as well as interviews to some agents. The second time, some passengers were interviewed while waiting to be helped.

The objective of this first visit was to analyze the reactions of passengers during a change and their interactions with agents, and learn from the agents what are the most common requests and their techniques to make guarantee customer's satisfaction in suchcomplicated situations as voluntary and involuntary changes are.

6 interactions from passengers with agents were observed. The passengers were: one couple, one woman and 4 men. The couple and the woman were 55-65 years old, 3 men were 35-45 years old and one was 45-55 years old. Their nationalities were Dutch, Australian and American. All men were travelling for business and the rest were doing it for leisure. In addition, 3 female agents were interviewed. One was 35-45 years old, another one 45-55 years old and the last one 55-65 years old. Two of them were Dutch and one was French.

During the observations, no interaction between the observer and the passenger was made. The interviews with the agents

were based on the interactions and around the flexibility EMD and the change behaviour of passengers.

The following are the main findings of the session, a thorough description of the observations and insights from the interviews can be found in appendix C.

- Agents use techniques in order to make people understand the conditions of the tickets and accept them. These techniques are based on transparency and when doing this, they are clear, patient and kind.

- Passengers do not get as angry as it could be expected when asking for an amount of money. It should be noted that only two situations where the passengers had no more choice than go for it were observed (Dutch couple in their 50s for leisure and Australian business man). The others rebooking simply consulted the prices and decided not to go for it.

- The changes that passengers make in the ticket office are last minute, so mostly “bring your flight forward” or missed flights.

- Often passengers wish to bring their flight forward without holding a flex fare ticket.

- Often passengers decide not to bring their flight forward because of the high price of the ticket

- Some passengers know that agents can forgive change fees and act upon, by innocently asking whether bringing his flight forward is an option for him

- Passengers do not reflect on the situation and do not ask for an advice to not spending as much money for a change again in the future (buying flexibility/Flex fare)

- Agents do not explicitly promote the extra products to avoid the payment of a change fee in the future

- Passengers sometimes don't agree with it

because they have already paid the change fee

- Passengers sometimes when asking for an earlier/later flight they want it for free.

- Often passengers wish to change their tickets but when they get explained the ticket change conditions and derived costs, they decide it is not worth it.



Image 19: Woman at KLM's Ticket Office.

3.2.3 Ticket office interviews with customers

The ticket office of KLM in Schiphol was visited a second time. This time the objective was to talk to customers and listen what their impressions towards the change policies of KLM were, as well as their habits (see interview guide in annex D).

8 groups of passengers were interviewed at the ticket office. 1 of them was composed by women, 6 were all men and one was mixed. Their nationalities were Australian, Nigerian, British, Dutch, and Spanish. The age range of interviewees went from people in their 20s to people in their 60s and they were mostly flying for leisure.

The following are the main findings from these interviews (see all insights in annex E).

- Passengers identify win-win situations which KLM completely benefits of, going against their interest (e.g. “take an earlier flight”) - “If I get a seat in an earlier flight, KLM can resell my seat to another customer” - British man in his 40s (1/8)
- Some business travelers have to pay for the voluntary changes they make (1/8), whereas some companies fund their employees’ voluntary changes up to a limit (1/8)
- Touchpoints limitations can cause passengers not getting what they want (1/8) - “If only we had reached to the call center instead of waiting the queue at the ticket office, we could have brought our flight forward!” - Spanish woman in her 40s
- Travelers are discouraged to change their tickets because of the change fee (1/8) - “When you are arrange the change and you see the due amount, the change fee can make you change your mind” - Australian woman in her 20s
- Some passengers don’t see value in flexibility products because they are certain about their trips, whereas others do consider also their context when evaluating risks, and find in ticket flexibility a reliever - “I always buy the cancellation insurance, because my family may need me” - Dutch man in his 60s
- Some passengers leisure never feel any uncertainty when travelling (4/8)
- Leisure travelers seem to face less uncertainty when booking flights than business travelers
- Some cautious travelers see value in risk relievers for adverse events, rather than uncertainty on the trip details

3.4 Conclusions

The different insights from the customer research were clustered and mapped, in order to apply them to the design (see images 30).

The insights describing the customer's needs were categorized as jobs, gains and pains, inspired by the customer values proposition canvas. Once categorized, the different concepts were clustered, identifying 2 main ones: change conditions and customer intimacy strategies.

The ticket conditions identified as relevant for customers fall within 4 categories: fitness, transparency, fairness and price. These attributes will be included in the final concept design.

The third cluster gathers customer intimate strategies to fulfill the flexibility needs of KLM customers, since they relate jobs and gains. This includes a broad portfolio, since different passengers have different needs, and responsiveness, by providing convenient and effective flexibility options. These strategies will lead the conceptualization phase of the project.

Another insight is that KLM customers seem to be more interested in an economical risk reliever when changing their flights rather than an opportunity loss one.

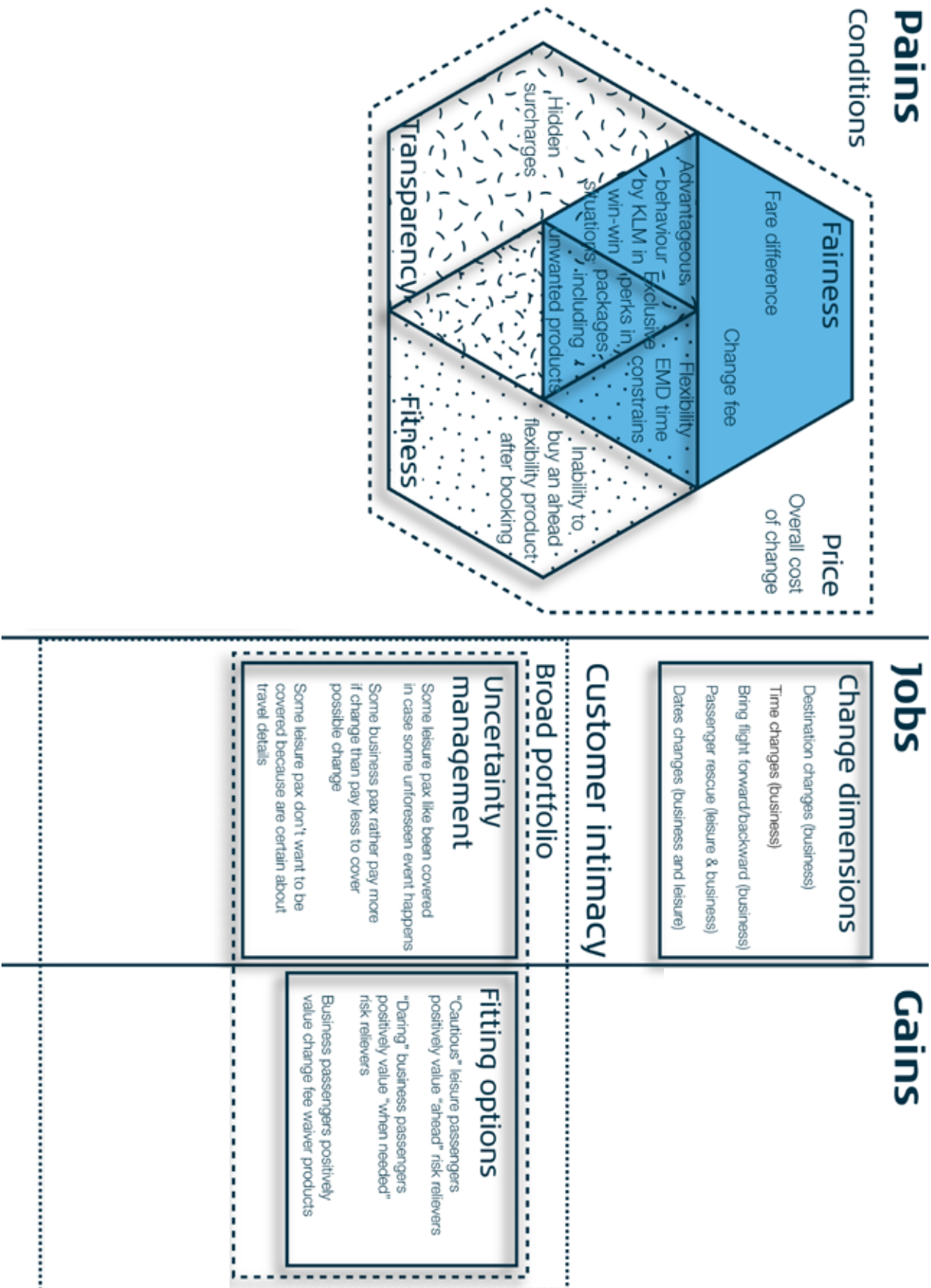


Image 30: Insights from customer research.

4. Conceptualization

4.1. Creative session

The conceptualization phase of the project consisted of a creative session with stakeholders. This would partially work as a qualitative research, by bringing to the table different KLM colleagues somehow involved with ticket changing, as inspiration for the final ideation and as a verification of the analysis and research phases of the project, since all participants were experts in different essential aspects of them.

The creative session with the main stakeholders had as objective to support the convergence phase of the diamond of ‘Hear’ or Sherlock, in X way of working, and to start the divergence of the ‘Create’ diamond, or Mickey KLM’s X way of working is inspired on the Delft design approach (see the creative session support material on appendix F).

4.1.1 Challenge

Every creative session starts by setting a challenge or ambition participants will work together to solve or achieve. The ambition we set for this session was the brief of the project: designing a paid product to fulfill the flexibility needs of KLM passengers and create sustainable revenue.

4.1.2 Planning

The planning was discussed with Robin and Eva, who were also the facilitators of the session (see image 32). As a support activity for the session, some homework was assigned to the participants. This homework would have two objectives: be used as material for the session, and prepare participants’ mindsets.

The session consisted of a first divergence phase, when the project owner introduced her research. This was done by only presenting facts, instead of conclusions. The aim of this approach was to converge as a

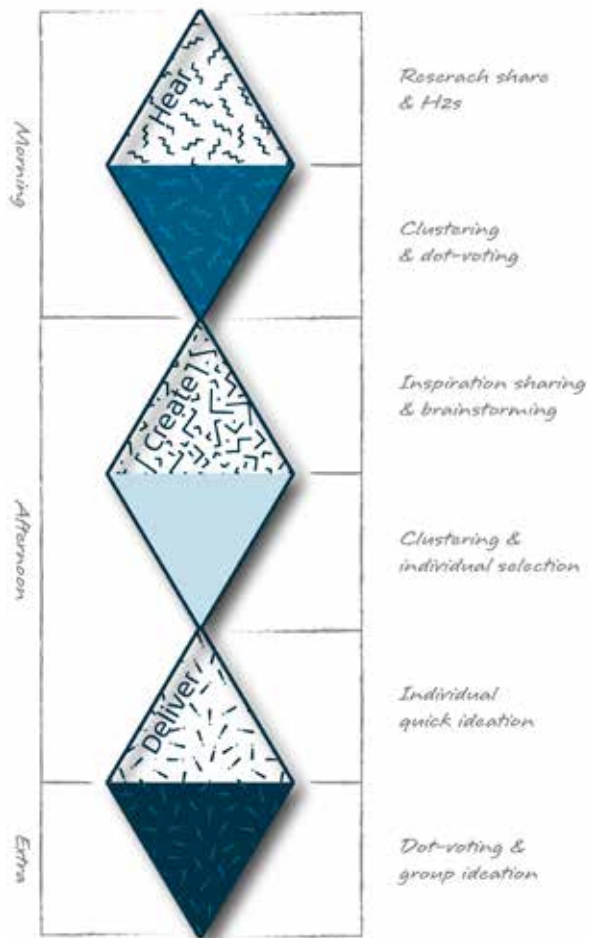


Image 32: Creative session planning

with each expert adding their part of knowledge, in order to draw some insightful conclusions from the session to add to the analysis of the previous phases of the research. The converging discussion was enriched with the participants’ homework. Based on this, an initial brainstorming of opportunities and challenges that came to mind to the participants during the discussion of the research. Afterwards, these were clustered and voted. Then, the creation phase started, where the inspiration homework was put in common and another brainstorm took place, this time directed to solutions. These were again clustered. Later participants would individually choose among these early-stage solutions, to further develop them. The development exercise was a quick ideation, where each person

came up with 8 solutions, one each 2 minutes. This rush serves to foster out-of-the-box thinking. Afterwards, a long individual ideation took place, when each participant chose one of the previous concepts they had created to develop it even further. All these were later shared and voted. Finally, some participants were able to stay for half an hour longer, when 2 groups were formed to develop the most voted individual concepts. The result were two concepts, iterated and group designed.

The homework consisted of three different activities. For the 'Hear' phase, facts from tickets flexibility in KLM (e.g. number of changes, insights from customers, former products...). For the 'Create' phase, participants were asked to bring as inspiration any highly flexible service or product they know. As a cue to support this exercise, a second question was formulated: 'What product or service comes to your mind when you think of flexibility?'

13 people participated in the session. Some attended the whole of it, whereas other only did half, so either for the inspiration or the conceptualization part of it (see images 33 and 34).

Whole day:

- Clara, ancillaries manager
- Linde, ancillaries manager
- Caroline, manager ancillaries
- Maria-Elena, call center agent
- Robin, service designer, facilitator
- Eva, service designer, facilitator
- Paula, Project owner

Morning:

- Max, pricing team for Dutch market
- Ramona, ticket office shift leader
- Sandra, ticket office agent

Afternoon:

- Rosanne, CX designer
- Vincent, pricing team ancillaries
- Sicco, TU Delft professor, chair of the project

4.1.3 Participants

A heterogenous group of participants was gathered: from pricing strategists, who think of the passenger as an abstract being, and have a revenue increase interest, to agents from the customer service, who daily work to help passengers, and know first-hand all the different situations where they may need flexibility.



Image 33: Morning participants of creative session.



Image 34: Afternoon participants of creative session.

4.1.4 Results

The final concepts differed in opportunities tackled, from new ticketing models, to subscriptions (see all concepts in annex G). Figure 35 show the directions grouped by “when needed” and “ahead” products. However, more than the results, the different insights gathered are the most valuable take-away from the session. These can be summarized in alignment with strategy (customer intimacy), means and value to be offered to the customer (see figure 36).

Customer intimacy:

The customer intimacy drivers identified are either KLM practices, or possible directions to take to design the new ancillary. These have been split in caring and personalization.

Caring:

KLM works to be perceived as caring. This is a step towards their ambition to become the most customer centric carrier in Europe (see chapter 2.1). One of the assets KLM is proud of is the quality of their customer service. However, having an excellent customer service is not more caring than acknowledging that life happens and offering fitting solutions for different situations in every step of the trip.

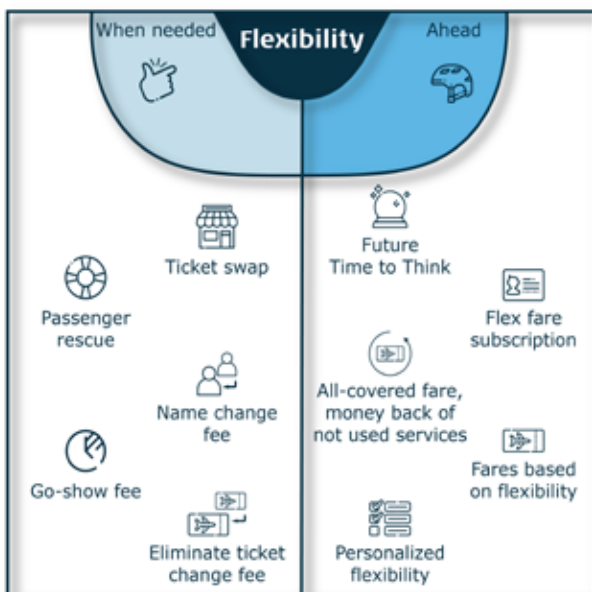


Image 35: Concepts from creative session

This will deliver value to the customer not only in the shape of a technical solution, but also in the convenience of being able to do it whenever he wants and without having to contact any customer service. The peace of mind of knowing these solutions exist is another desirable effect this direction would bring.

Personalization:

This is also aligned with the personalization strategy that the corporation is following in offering, where more products would enrich the portfolio customers are to use to tailor their travel experience.

In addition, these exceptions made by the agents are a revenue leakage for the company. Even though, an extremely monetized flexibility landscape can have the contrary effect of a customer intimate strategy but being perceived as an operational excellence-seeking carrier.

In conclusion, a more robust customer journey in the matter of flexibility is the most caring and revenue creating option.

Value:

- Peace of mind: the singular value transmitted by a risk reliever, both an ahead one when purchased, and a “when needed” one, when being aware of its availability.

- Fitting solutions: the solution offered to the customer has to precisely cover his needs.

Means:

- Transparency: clear conditions, to transmit the customer the actual value of the product, are a must.

- Complexity reduction: related with transparency and fitting solutions, communicating the product characteristics, so she is fully aware of what she is buying, to avoid disappointments

- Experience: related to branding, communicate the service in an appealing way, transmitting the actual value, and

avoiding terms as “fee”.

- Effectiveness: the product must be useful.
- Value for money: airlines’ complicated rules and hidden fees, and always winning the little battles against the customers, have granted them the tag of abusive providers. KLM, as a customer intimate carrier, wants to get as far as possible from that image. Thus, the new flexibility product, has to be affordable for the customer and strikes him as fair.

4.1.5 Conclusions from the creative session

KLM should transmit its caring image through acknowledging that ‘life happens’, by offering different products to cover all customer’s flexibility needs along the customer journey.

The new product(s) has to be effective, simple, transparent, and appealingly branded. Also, it has to reassure its buyer about the value it brings him, has to be affordable and perceived as fair.

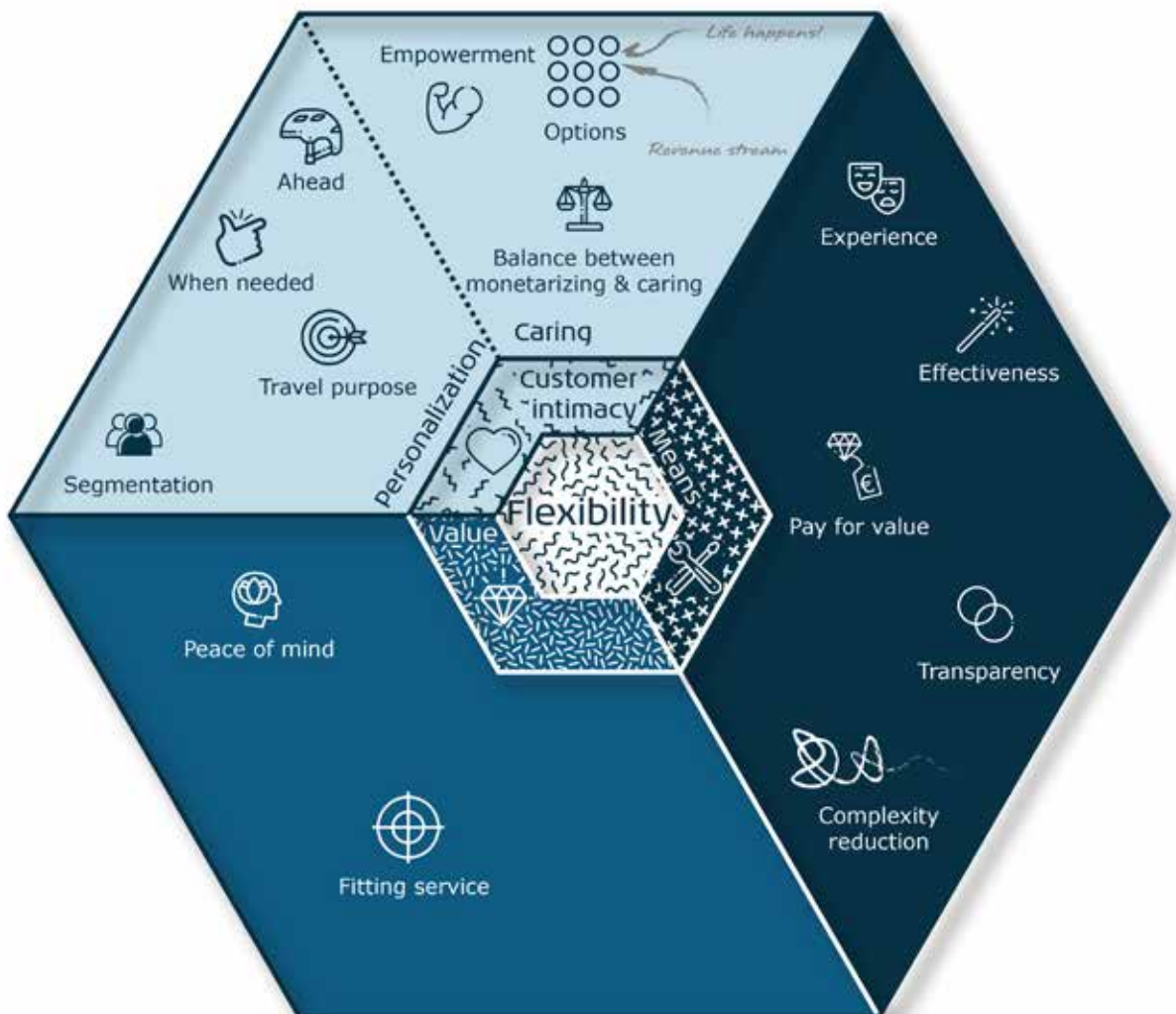


Image 37: Insights from creative session

5. Proposal design

5.1. Design context

Research shows that KLM's passengers find ticket flexibility valuable. The use passengers make of the flexibility ancillaries is mostly limited to force majeure situations, instead of changing for pleasure. However, trends show how leisure travelers change habits are moving from "I have to" to "I want to". Nonetheless, currently the high cost of changes discourage passengers from doing these changes. As an airline that ambitions to become "the most customer-centric in Europe", KLM wants to accompany their passengers in this transition.

There are very different needs among KLM passengers. Also, the fact that the current KLM flexibility ancillaries portfolio is poor, and some desired flexibility options are exclusive from packages, work against the customers' interest. Research shows that a broad portfolio of flexibility products would bring value to KLM customers.

Another missed opportunity by KLM to be a step closer to its ambition of becoming "the most customer-centric carrier in Europe" is the management of changes in win-win situations. In this context, the company chooses to charge a large amount of money to a few customers, rather than offering a relevant and affordable solution to a big volume of passengers. This is especially relevant for business passengers doing last-minute changes, because very often they incur the costs from volunteer changes, instead of their employers.

All in all, a robust customer journey in the context of flexibility is both the most valuable option for customers as well as the best aligned one with KLM's strategy of customer intimacy. This solution will bring peace of mind not only to the passengers who buy an ahead product but also to all passengers who are aware that when needed products are available in case they need them.

The new flexibility landscape will enhance care perception and personalization, to be aligned with KLM's strategy. As for the design drivers to deliver value to the customer, the solution will be relevant, affordable, fair, transparent, effective, experience focused, simple, and deliver value for money.

5.2. Proposal

5.2.1. Changes

Diagnosis

The main flaws in the customer journey regarding changes are around the departure time (see image 38.) These changes are of high value for passengers, all three take an earlier flight, take a later flight requested before the departure of the original flight or take a later flight requested after missing it. The current option to make these changes is to pay both the change fee and the fare difference, which at this state of the journey sums up a large amount of money. From a revenue perspective, last minute changes within the departure day do not create a dilution effect, because the new ticket was highly unlikely to be sold.

Solutions

The proposed solution to cover this flaws are three products (see image 39): flight guarantee, take an earlier or later flight and passenger rescue.

Flight guarantee is an ahead flexibility product to bring your flight forward or backward within the day of departure of the original ticket and to be requested before departure. This product is especially interesting for business travelers, who can foresee that meeting can run late or early and want to be cover correspondingly.

Take an earlier or later flight is this same option but to be purchased “when needed”. Naturally, it should be more expensive than the ahead option.

A passenger rescue, which will be highly valuable for a passenger if he misses his flight, and relevant both for leisure and business travelers, is proposed to close the circle. It will be bought when needed and for a fixed price.

Conditions

For all three products, the seat in the new flight will be subject to availability. Also, prices will be fixed, and studied by PRM. These options will only be available for routes with a frequency of 2 flights or more,

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Change old

- Flex fare
- Flexibility EMD
- Change fee

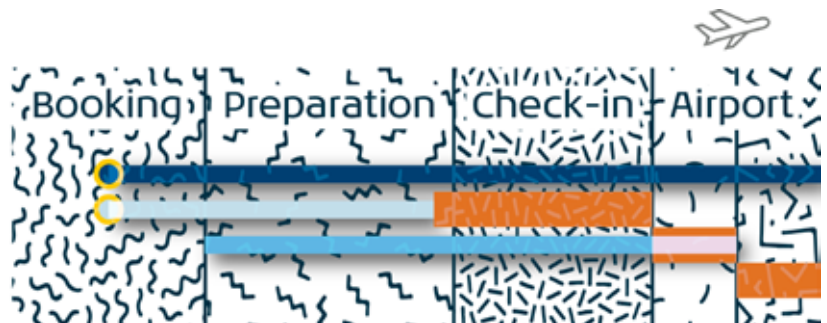


Image 38: Current change flexibility landscape by KLM. In orange the flaws of the system.

Change new

- Flex fare
- Flexibility EMD
- Change fee
- Flight guarantee
- Take an earlier or later flight

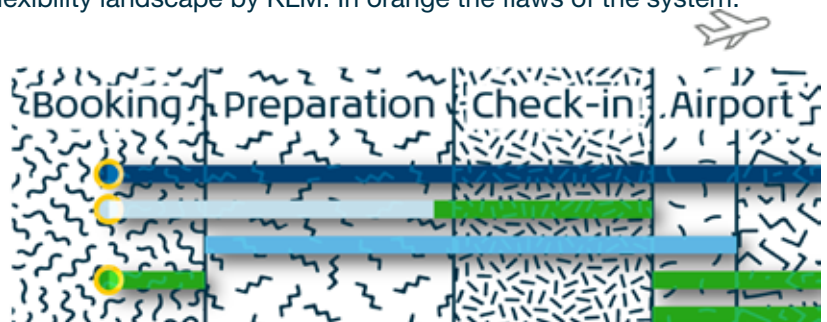


Image 39: Upgraded change flexibility landscape for KLM. In green the proposals.

since they would not work with less.

Value for the customer

The value for the customer of these products is an economical risk reliever to cover an opportunity loss in the case of products that enable changes requested before departure, and simply economical for the passenger rescue. Moreover, all will bring peace of mind to KLM's customers, both the ahead one is purchased and if he is aware of the existence of the when needed one.

As for the design drivers applied, it can be stated that this system is fairer than the current one, and more transparent, since a fixed price will be offered, unlike the untrackable sum of a change fee and a fare difference. Research has proved that these products will be relevant for KLM passengers. Even though this project does not cover a price proposal, the cost of the service must be more affordable than it currently is. The combination of relevance and affordability is expected to transale into value for money for the customer. However, since the new ticket would be subject to availability, it cannot be stated that the new products will be always effective. If a seat was guaranteed, the product would be an opportunity loss reliever rather than an economical one (see section 2.4.1). Research shows that most KLM passengers do not need this kind of product. However, it could be a niche market or a coming trend, so KLM is recommended to explore possibilities in this direction.

Value for KLM

KLM will benefit from these products in getting in the track to reach its aim to become

the most customer-centric carrier in Europe. They will also create a revenue flow, which should not be impacted by unsold capacity, since those last-minute tickets were unlikely to be resold. However, this revenue flow should be compared to the current one from last-minute sales, to check whether larger and cheaper sales are more profitable than fewer but more expensive ones.

5.2.3 Other products

Flexibility EMD

Another pain point of the current customer journey is that flexibility EMD holders cannot make use of it within the last 48h before departure. These are also critical moments both economical and organizational for the passengers. An upgrade of this product would be to loosen this time constraints, as some competitors do. However, within 2 days before departure, a ticket back to market would have a negative effect on sold capacity. All in all, this upgrade would bring value to the flexibility EMD users under some circumstances, but research shows that the flexibility pains of KLM passengers are broader. Therefore, it is a recommendation for KLM to look into the viability of this upgrade but the actual design proposal focuses on relieving different pains.

is suggested. This is considered the most relevant and urgent measure to take by KLM within the flexibility subject, because of the large amount of passengers who do change tickets without holding a flexibility perk, and because passengers especially dislike it.

5.3. Implementation

5.3.1 Timing

Because the design proposal of updating the whole change and cancellation system of KLM is extremely broad, the company should prioritize specific services.

Since flight guarantee is a product already built, it is recommended to be the first one to be introduced.

The second most urging one is, based on research, 'Take an earlier or later flight'.

Finally, because it is believed as the product that will have the least impact on KLM customers, "passenger rescue" should be implemented in the last place.

Research shows that *when needed* products are the most urging implementations..

5.3.2 Channels

A key factor around flexibility are the channels where it can be obtained. Situations where passengers may need ticket flexibility highly differ, but often they are extremely tense. Therefore, a fine touchpoints structure can radically impact the effectiveness, and therefore the relevance, of the proposed flexibility paid options.

A flawless channels offer to arrange changes

should be offer. This is especially relevant for last-minute changes, when time-constrains make smoothness essential to provide the passenger of the solution he seeks.

Therefore, the flexibility products should be accessible through all touchpoints both to purchase them and to use them. When it comes to touchpoints where waiting is needed (e.g. ticket office), passenger who wish to arrange a change should have priority to get attended.

5.3.3 Launch

Getting KLM passengers to be aware of the improvements within the flexibility landscape is vital. It will bring them value not only by allowing them to purchase them but by giving them the peace of mind of knowing they exist in case an unforeseen event happens. In addition, and as a consequence of this, KLM's caring image will be reassured.

The suggestion to get to make people aware is an awareness campaign. It can involve emailing, KLM's inflight magazine and social media.

In addition, a more informative overview of the different fare conditions with regard to changes during bookig is recommended.

Finally, the change possibilities should be easily reachable in MyTrip.

7. Conclusions

7.1 Discussion and limitations

7.1.1 Analysis

This 5 months long project has researched KLM's customer's needs and behaviours, and the company's strategy. It has explored consumer behaviour literature in the context of services and travelling, as well as in the effect of ticket changes in airlines.

A limitation within the analysis phase was that some of the concepts researched, especially those related to operations, have been simplified due to their high complexity. Therefore, it should be noted that reality is quite more complex than what is described and deducted in this report. However, throughout the whole project, an expert in revenue management overviewed the project. Therefore, the simplifications applied are acceptable.

7.1.2 Customer Research

A thorough customer research has been carried out for this project. Many different touchpoints have been explored and different techniques both within qualitative and quantitative research have been applied.

The amount of sources and the variety of the research techniques applied are considered to properly cover the complexity the project.

7.1.3 Conceptualization

A creative session with the main stakeholders was carried out, which validated the customer research and revealed new design drivers for the final solutions. Some of the participants were agents in daily direct contact with customers making changes, as well as ancillary pricing experts.

The broad profile of participants brought a great range of different perspectives to

the session, that derived in many insightful outcomes to later use in the design phase of the project. This seems to have been a properly way of carrying it out.

7.1.4 Final proposal

The final proposal consists on an update of the flexibility landscape of KLM. The flexibility matter has been found both very susceptible of improvement, yet, very stiff. The reason of its stiffness is mainly due to the fact that it affects ticketing. Ticket operations and especially pricing relies on a very rooted way of working, which is extremely complicated. These two reasons makes flexibility ideas hard to communicate and to implement. That is one of the reasons why the solution to this brief, has been incremental instead of radical.

Another reason to go for this design strategy is that passengers research did not show a flexibility need different than affordable changeability.

Finally, in light of the complexitty of a company like KLM, and aligned with the brief objective of the solution to be implemented in 2020, an incremental design seemed the most fitting solution.

7.2 Recommendations

During the design of the flexibility products just introduced, many decisions have been taken in order to scope down and manage complexity. The following are areas that have not been completely tackled but can be promising.

Name change is still a field to explore. Data regarding volume of name change should be gathered in order to draw conclusions and act upon.

This project has tackled economical risk relievers, but risks analysis shows that loss opportunity is a field where KLM could offer solutions.

When it comes to viability, PRM should now take over this project and analyze the viability of the proposals.

For the sake of KLM's operations and decision taking, it should update the data gathering of rebookings.

The creative session showed the large amount of stakeholders to this project and how much information they have to share. It is recommended to identify them and involve them in the coming steps of the project.

7.3 Reflection

Looking back, I really enjoyed this project. I got charmed by the complexity of the subject, as well as I loved being part of the ancillaries team of KLM.

However, I have found many obstacles in the way, mostly set by myself. Others, have been related to the complexity of the subject and the company. These circumstances have been extremely helpful for my development as a professional as well as personally.

When it comes to skills I have developed through these months, I definitely got some hard skills, such as data analysis. And many soft ones, like stakeholders management, corporate life in general and complexity management. I believe I also did a fine job regarding autonomy.

Nevertheless, I feel I suffered more than I should have in the decision making process. In these situations, I still have to remember that in design - as in the vast majority of contexts in life - there is no good or bad, black or white, but it consists on working towards an idea that can bring some value to people. Also, there is still room for improvement with regards to my persuasive skills.

With regards to my strategic designer tool kit management, I think I adapted to the circumstances, were a vast of information could be gathered and analyzed, and act upon the results. That is why this project is very analytical and not many creative tools have been applied.

An important learning within the corporate life context, is to be able to say 'no' to some tasks. I believe I undertook some activities that were too complex for me, neglecting this project and not delivering the best solution to the person I was trying to help. The bright side of this adverse situation is that I learnt quite some data analysis skills.

Also, I still have to work on my reluctance to reach out for help when I need it.

All in all, I think this was a very insightful project, that I carried out very well and that will bring value to KLM. I hope in a short period I can see some of the concepts I proposed in the market, bringing value both to KLM passengers and the company itself.

Notes

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