



ANCILLARY REVENUE REPORT SERIES FOR 2015

## Boost Ancillary Revenue Through Empathy, Competence, and Kindness

Greed is no longer a healthy objective;  
airlines need better goals for business success

Researched and written by Jay Sorensen  
Edited by Eric Lucas



Sponsored by



Issued 02 February 2015

# Boost Ancillary Revenue Through Empathy, Competence, and Kindness

*Greed is no longer a healthy objective; airlines need better goals for business success.*

## Contents

Understand another person's condition from their perspective .....	4
Policies prevent employees from being empathetic .....	5
Competence is the ability of an individual to do a job properly .....	6
Empathy helps prevent unintended consequences.....	8
Matching empathy with competence creates great product design.....	9
Ryanair embraces kindness as a path to new customers .....	11
Kindness is an objective that can serve everyone well .....	12
What happens when you combine empathy, competence, and kindness? .....	13

The free distribution of this report is made possible through the sponsorship of CarTrawler.



Established in 2004 and headquartered in Dublin, CarTrawler provides aviation, travel, hospitality, leisure and consumer brands with a direct connection to over 1,300 leading and independent car rental agents, shuttle bus companies, limousine and chauffeur driven services in over 30,000 airport and city locations across different 174 countries in the language and currency of their choice. By satisfying customer demand for choice and convenience, CarTrawler consistently delivers profitable growth for its partners. For more information, visit [www.cartrawler.com](http://www.cartrawler.com).

Issued by IdeaWorksCompany.com LLC  
Shorewood, Wisconsin, USA  
[www.IdeaWorksCompany.com](http://www.IdeaWorksCompany.com)



cartrawler  
with you **all the way**

## Ground-based airline revenue is taking off

For the past ten years, CarTrawler has been enabling airlines and other online travel retailers to proactively service the growing customer appetite for goods and services that previously may not have been considered core to their business. As customer expectations extend beyond car rental, one of the top ancillary earners, CarTrawler has anticipated the need for a more comprehensive range of ground transportation solutions that can be personalised by customer, by country and by continent. From early 2015, over 500 million airline passengers will be able to choose the car, limousine with driver, taxi, shuttle service or GPS located product that best suits their needs, their location and their budget, all delivered through the CarTrawler online marketplace.

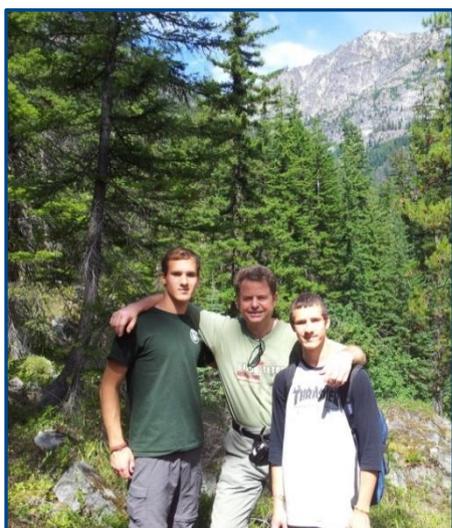
CarTrawler's partners leverage their own brand strength and generate revenue and loyalty by providing their customers with an enhanced range of ground transportation services. Most importantly, we help them to make it easy for their customers by anticipating their needs and helping them to find the right mode of transport, not just the right price. As customers demand an increasingly personalised experience, CarTrawler's Data Scientists work to deliver what the customer wants, sometimes before they know they want it.

**For further information about the full range of ground transportation options, please email [hello@cartrawler.com](mailto:hello@cartrawler.com)**

Technology **driven** by people

[www.cartrawler.com](http://www.cartrawler.com)

## About Jay Sorensen, Writer of the Report



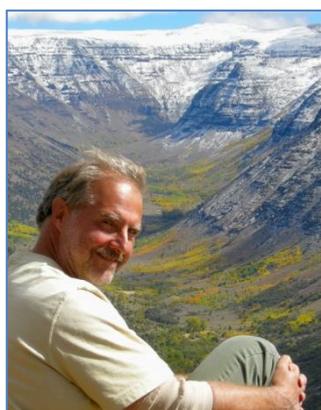
*Jay, with sons Anton and Aleksei, on the North Fork Trail in North Cascades National Park in Washington.*

Jay Sorensen's research and reports have made him a leading authority on frequent flier programs and the ancillary revenue movement. He is a regular keynote speaker at the annual MEGA Event, spoke at IATA Passenger Services Symposiums in Abu Dhabi and Singapore, and has testified to the US Congress on ancillary revenue issues. His published works are relied upon by airline executives throughout the world and include first-ever guides on the topics of ancillary revenue and loyalty marketing. He was acknowledged by his peers when he received the Airline Industry Achievement Award at the MEGA Event in 2011.

Mr. Sorensen is a veteran management professional with 30 years experience in product, partnership, and marketing development. As president of the IdeaWorksCompany consulting firm, he has enhanced the generation of airline revenue, started loyalty

programs and co-branded credit cards, developed products in the service sector, and helped start airlines and other travel companies. His career includes 13 years at Midwest Airlines where he was responsible for marketing, sales, customer service, product development, operations, planning, financial analysis and budgeting. His favorite activities are hiking, exploring and camping in US national parks with his family.

## About Eric Lucas, Editor of the Report



Eric Lucas is an international travel, natural history and business writer and editor whose work appears in Michelin travel guides, *Alaska Airlines Magazine*, *Westways Magazine* and numerous other publications. Founding editor of *Midwest Airlines Magazine*, he is the author of eight books, including the 2013 *Michelin Alaska* guide. Eric has followed and written about the travel industry for more than 20 years. He lives in Seattle, Washington, where he grows and sells organic garlic; visit him online at [www.TrailNot4Sissies.com](http://www.TrailNot4Sissies.com).

*Eric, at his favorite summer retreat, Steens Mountain, Oregon.*

## Disclosure to Readers of this Report

IdeaWorksCompany makes every effort to ensure the quality of the information in this report. Before relying on the information, you should obtain any appropriate professional advice relevant to your particular circumstances. IdeaWorksCompany cannot guarantee, and assumes no legal liability or responsibility for, the accuracy, currency or completeness of the information. The views expressed in the report are the views of the author, and do not represent the official view of CarTrawler.



## Boost Ancillary Revenue Through Empathy, Competence, and Kindness

This report could also be called, “The Epiphany of St. Michael of Ryanair” in recognition of the change of culture that has been wrought at the self-proclaimed “World’s Favourite Airline.” Michael O’Leary, the CEO of Ryanair, admitted “If I had known being nicer to our customers was going to work so well, I would have done it years ago.”<sup>1</sup>

During a recent earnings call, Mr. O’Leary compared his changed philosophy to the religious conversion of St. Paul to Christianity.<sup>2</sup> As notable as O’Leary’s epiphany is to the airline industry, it’s worth pointing out that the proven value of empathy, competency, and kindness precedes his recent directives to be nice to customers.

This report explores how airline management teams can work together for the greater good of their customers, employees, and investors. Inter-departmental relations can be improved through empathy, or placing yourself in the shoes of another person. Customer service can be enhanced through the timeless quality of having the necessary skill to do something successfully. And yes, your mother was correct; it does pay to be nice to others. Call it a back-to-basics mantra, but sometimes in a technology riddled world, we all can benefit from a few therapeutic reminders to reset our moral compasses.



*Michael O’Leary – the converted – who has forgiven himself of the deadly sins of pride, greed and gluttony.  
Image: Ryanair.com*

### Understand another person’s condition from their perspective

That’s the definition of empathy and it’s become a popular topic. It’s been recently mentioned by Presidents Barack Obama and Xi Jinping, and Pope Francis. Empathy is not sympathy. When best practiced, empathy is a “deliberate and conscious intellectual process whereby we observe others and use our imagination and logic to discern what they must be thinking and feeling.”<sup>3</sup> In practice, empathy helps prevent ancillary revenue managers from adding a la carte services onboard aircraft and at airports before knowing how operations, staffing, and culture are affected. It also requires a pause to any new fee added to the travel expenses of pensioners and parents . . . especially when the service was previously included in the price of a ticket.

<sup>1</sup> “No more Mr. Meanie!” article in the *Daily Mail*, 30 October 2014.

<sup>2</sup> Ryanair Holdings, Half Year 2015 Results, Earnings Call, 03 November 2014.

<sup>3</sup> “Don Follis: Showing true empathy is the best gift” article in the *News-Gazette* dated 07 December 2014.

Empathy injects the human element into the planning and decision-making process. Orchestrating ancillary revenue initiatives throughout an organization was once done by fiat and directive. In the early days of any revolution, certain protocols are abandoned as the leadership rushes to control the damage. Within the ancillary revenue profession, this has thankfully evolved into a collaborative effort. Empathy is a crucial tool of diplomacy, and ancillary revenue leadership requires diplomatic skills.

Flight attendants provide a vital source of intelligence for the implementation of a la carte



*Go figure. Just across the concourse at Chicago O'Hare, the flight to London offers a full meal -- but the longer "domestic" flight to Hawaii does not.*

services. Front line employees tolerate the results of management's mistakes, experiments, and dreams. A while back, a United Airlines flight attendant was watched as she whispered instructions into the ear of the agent at gate B17 at Chicago's O'Hare International. The agent nodded in agreement and picked up a microphone, "Ladies and gentlemen, you are about to board United flight one to Honolulu. This is a nearly 9-hour flight with food available for purchase in economy. However, if you want to be certain of having a meal, I suggest you buy one on the concourse before you board."

This is an amusing yet illuminating story where a dose of management empathy would help. The flight attendant demonstrated empathy for the plight of passengers when

the quantity of customers projected to purchase food exceeds the amount of items available for sale. Imagine being the company's living and breathing representative on an 8 hour and 45 minute flight with more than 300 souls expecting refreshment. Then imagine running out of sandwiches for sale on a Boeing 777 at row 43 with 10 more rows to go. That's the unpleasant scenario this flight attendant sought to prevent. There are ways to avoid this dilemma in a buy-on-board environment. If these methods are not implemented, the airline shouldn't place its flight crew (and passengers) in this situation by switching to a la carte.

The cabin crew was approached during the flight to inquire about the announcement made before departure. Their first reaction was confused as they queried back, "You're not from management, are you? Because they never talk to us." Empathy works to prevent these disconnects in the business of our relationships and the delivery of service to consumers.

### **Policies prevent employees from being empathetic**

It's strange but true: Airline employees are discouraged from buying tickets at the website and often prevented from enrolling in the frequent flier program. While consumers are busy clicking, buying, and boarding, airline employees take a different path to get on a flight. Most travel "space available" and can be bumped if a consumer takes their seat. This practice was born when fares were high and flights were far less full. It's a troubling reality for employees who never get to experience flying from the customer perspective. Employees are boarded last (and sometimes not at all) and sometimes aren't fed if the airline didn't board a meal for them. Yes, the person checking you in probably never had the chance to experience early boarding, to select a seat, and contend with the financial pain of rebooking a flight.

The travel experience is stunningly disconnected from reality for airline executives. Business travel might be standby or booked “positive space” which in theory prevents the employee being bumped from a flight. But all of this is done without establishing a cash-based travel budget and buying tickets at prevailing fares. Once again, the person negotiating a corporate contract has never purchased a business class ticket at the airline website or through a travel agency. Enlightened airlines should have employees book and buy tickets like their clients.

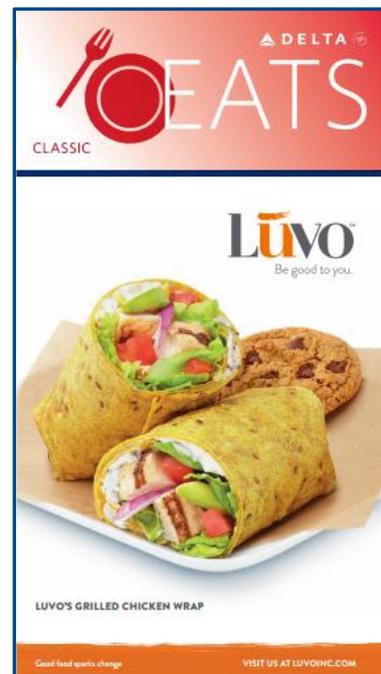
Frequent flier programs usually incur even greater scrutiny of employee participation. There has always been a concern employees will “game the system” to fraudulently accrue miles or points. Many employees surreptitiously join because the free travel offered by the co-branded credit card program is more valuable than their travel perks. But this underground economy places a wall between employees and a working awareness of a carrier’s most vital marketing program.

These policies create a parallel and unproductive universe for airline employees. Some airlines even embargo all company travel when economic times are tough. Concurrent with this, they beg businesses to keep economies lubricated with travel spending when a recession hits. It’s a hypocritical secret of the industry. Instead of erecting these barriers, airline management should make every attempt to model the buying behaviors of their customers; empathy begins at home.

### **Competence is the ability of an individual to do a job properly**

Other descriptions of this human quality include proficiency, expertise, adeptness, skill, prowess, and talent. When Disney hires “cast members” for its theme parks, the process is called “talent casting.” The quality of being competent is sometimes poorly regarded as being “just good enough” for the task. Au contraire, as antonyms of the word include the very dire employee sins of incompetence and ineptitude. Competence is sometimes lacking in the airline business and the service industry overall. Mastery of work requires a massive amount of repetitive motion interspersed with moments when a decision calls for a unique solution. This is the magic of great customer service – the timeless delivery of consistency with just enough pause to provide the consumer exactly what they seek. Observations from a flight on Delta Air Lines illustrate competence in action.

The cabin attendant on the flight from Detroit to San Francisco was abundantly skilled in the role required by today’s airline economics. The core requirement of her profession is the safe passage of the passengers in her care. She has been fully trained for the situational awareness, conflict resolution, and decision-making tasks related to the operation of a flight. The employee observed was also a very competent salesperson. That’s an important distinction for revenue-hungry airlines.



*Onboard sales are also helped by having access to fresh food and cabin crew feedback on which items are most popular.*

She had a system born of her own experience that mirrored suggestions that could have come from top retail experts. Menu cards did not rest ignored in seat pockets. No, she made certain everyone had a menu in her restaurant. A few rows ahead of the service cart, passengers were each offered a menu card to view before an order was taken. When she arrived at your row, suggestive sales tactics were used, “Would you like a sandwich today?” After hearing an affirmative answer, she added, “And would you like something to drink and chips with that?” In identical manner, sales were racked up row by row courtesy of the basic implements of a service cart, menu card, and personal engagement. One imagines her sales strategy shifted to shelf-stable items as sandwiches began to sell out.

Proficiency should also be applied to the work required to support onboard sales efforts. Pre-order meals help remove the risk of hungry passengers. Managing the onboard offer goes beyond tracking sales by flight. Cabin crew should be regularly queried to detect sales trends as any retailer would with staff on the sales floor. SKUs should be rigorously monitored to select those with the best attributes for these six onboard retail qualities:

- Take rate – the number of passengers buying the product per 100 flown.
- Gross margin – percent markup above cost.
- Retail premium – the price charged onboard versus the price paid on the ground.
- Package size – storage volume required in the galley and on the cart.
- Handling ease – heated, chilled, or served off the cart.
- Cabin crew ranking – the “must have” products as observed by your salespeople.

Competence does have a natural enemy, and that’s complexity. The barista at a Starbucks on the ground might be able to create more than 87,000 drink combinations,<sup>4</sup> but cabin crew in the air should lead far less complex work lives. “More isn’t always better” is a mantra that applies onboard aircraft, at boarding gates, and in booking websites. Management should practice caution here. Ancillary revenue managers should ensure existing services are consistently delivered by employees before adding new ones. This is not an easy task for a work group that is rewarded for adding and selling more items.

One only need consider the delivery issues for airlines that sell priority boarding. Consumers click to buy an extra leg room seat that includes the privilege of being among the first to board. It’s a good perk for those having a larger carry-on to stow. But there are plenty of occasions when the service promised isn’t actually delivered. The priority boarding purchased by a few becomes a stampede for everyone. This happens too often at airport locations whether staffed by contract staff or company employees. Competence also extends from individual employees to the entire airline. This challenge requires management to ask these four questions when considering something new:

- Do employees have the resources and training to deliver the a la carte service?
- Can the employees deliver the service with competence and proficiency?
- Does the airline have competence to deliver services across the entire network?
- What is the method to measure competence (and delivery) on an ongoing basis?

---

<sup>4</sup> Claim reviewed January 2015 on the Espresso Beverages page at the Starbucks website.

Oftentimes, the answer to the first three questions is “no” . . . and all too often ancillary revenue managers are unaware of these service failures. Of course, complexity is added when an airline introduces another convenience bundle that combines early boarding and an extra leg room seat . . . with priority screening. The future of the new product is doomed by the delivery failures of the existing bundle. Front line employees criticize management for not listening and managers lose confidence in operations to deliver the goods. This cycle sadly repeats until management diagnoses the issue and turns to corporate therapy to create productive interdepartmental relationships. Rather than add services, airlines might improve the delivery and promotion of existing a la carte items.

### **Empathy helps prevent unintended consequences**

Parents know the routine of brothers and sisters fighting between themselves. One way parents respond is by saying, “You will be better served if you find a solution on your own, because you probably won’t like my solution.” Of course, the sibling acrimony continues, mom or dad intervenes, and the outcome makes no one happy. In a similar way, airlines often fail to fix service problems and this behavior often invites regulators to become involved in the air travel business. This happened in the US with the treatment of disabled passengers and tarmac delays.

Let’s examine how the US airline industry’s lack of empathy eventually led to a Supreme Court case in 1986. The case was called “Department of Transportation v. Paralyzed Veterans of America,” and was originally brought to prevent discriminatory practices by some airlines. Per airline policy (which seemed designed to humiliate) blind passengers were required to sit on blankets in case they were incontinent. In addition, passengers with wheelchairs were required to sign a waiver to release an airline from being responsible for damage to wheelchairs.<sup>5</sup> These passengers no longer had protection against discriminatory practices, which were effectively repealed by the Airline Deregulation Act of 1978.

The concept of empathy (and good sense) appears to be missing when an industry (along with the government) aligns against a group representing . . . disabled veterans. The Supreme Court did rule against the paralyzed veterans (and other plaintiffs) and this allowed airlines to continue their discriminatory practices. It was hardly surprising when Congress stepped in to the fray and created the Air Carrier Access Act of 1986. The law identifies a broad array of disabilities and seeks to end discriminatory behavior by airlines in virtually every area of passenger operations.

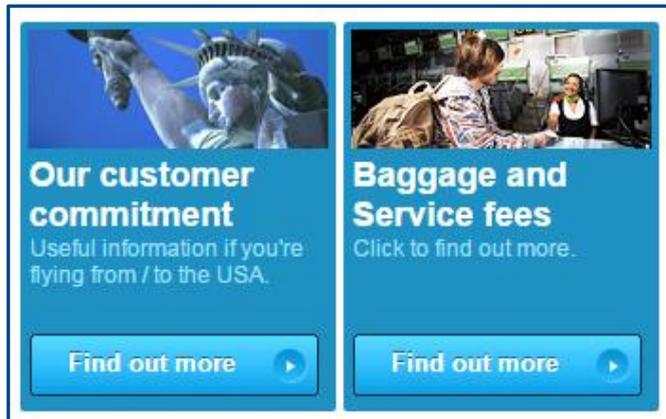
The law requires airlines operating in the US to designate a Complaint Resolution Official (CRO) at each US airport. The inclusion of “complaint” in the name assigned to the position suggests how contentious relationships had become between airlines and their disabled customers. Imagine any other industry in which regulators issue a mandate for an employee to be available at all times to receive customer complaints. History repeated itself in 2010 when the US DOT implemented rules protecting passengers from significant ground-based delays.<sup>6</sup> The rule requires common-sense protections such as the provision of drinking water and functional toilets during delays.

---

<sup>5</sup> “Equal Access Sought for Disabled on Airlines” of the *Civil Rights Monitor* dated August 1986 at [CivilRights.org](http://CivilRights.org).

<sup>6</sup> “New DOT Consumer Rule Limits Airline Tarmac Delays, Provides Other Passenger Protections” online announcement at the US DOT Briefing Room dated 21 December 2009.

Not surprisingly, airline-inspired abuses crept into the ever evolving world of ancillary revenue. Some airlines sneaked small items into the purchase path through opt out methods or hid fees related to payment by credit cards from consumers. Regulators around the world addressed these unsavory practices with new consumer protections. For example, the US DOT implemented new consumer rules (14 CFR Part 399) during 2011 that apply to US and foreign airlines operating websites accessible to US consumers.



TAP Portugal follows the letter of the law with this prominent disclosure on the home page of its US website.

Carriers are required to “disclose all fees for optional services to consumers through a prominent link on their homepage.” Compliance with this rule had been good . . . but recent observations indicate a number of carriers no longer offer a link or have assigned the link less conspicuous placement.

Empathy allows airline management to understand how fee transparency during the booking process is good for consumers. Good business practice

requires companies to follow consumer protection regulations and to continuously improve customer-facing processes. Perhaps the industry has forgotten it once spent millions on the commissions paid to travel agencies. They operated as sales agents for the airlines and represented the initial point of contact to describe (and defend) airline policies. The switch to self-service methods requires a dramatic process change; this change is incomplete. Airlines should add resources here as the industry moves towards a pervasive all self-service environment from booking to boarding.

### **Matching empathy with competence creates great product design**

Pity the poor traveler who is forced to make sense of carry-on limits, checked bag fees, codeshare flights, and global alliances. Industry insiders know how to navigate this labyrinth or are forgiven a transgression at the airport when an agent notes the traveler is an airline employee. The same confusion and poor standards that invited regulators to engage in the topics of accessible travel, tarmac delays, and fee disclosures are conspiring to create new scrutiny for bags, codeshares, and alliances.

Reviewing a recent AAdvantage frequent flier reward booking for an Edinburgh – London – Chicago trip reveals the confusing complexity faced by consumers. In an era in which airlines, vendors, and the media excitedly create stories about “personalized travel” the email confirmation associated with this actual itinerary falls flat. Because the trip begins on British Airways (and connects to American) the email appropriately discloses “Baggage charges for your itinerary will be governed by British Airways.” That lone statement of clarity is followed by undecipherable abbreviations, a reference to American’s carry-on bag policy (but not BA’s), and a complete listing of American’s bag fee schedule for all global travel zones. The result doesn’t competently communicate what the traveler needs to know for their specific itinerary.

The difficulty continues for this particular Chicago-bound traveler as the links embedded in the email don't work or lead to expired pages. American's general baggage page reveals no information about travel on partner airlines. Pages of information do indeed provide information about American's checked bag and carry-on policies. But only after clicking on the "oneworld travel information" link does the consumer encounter the policies for British Airways. For travelers who have reached this point, one mystery remains unanswered: "Will the BA carry-on policy apply for my connecting flight on American?" Thousands of words, endless online pages, and broken links fail in a mission to inform. American Airlines merely represents a convenient example, as the majority of carriers are guilty of these problems.

It's very true – the presentation of customer policies for codeshare and alliance flights poses a significant challenge. It must be complicated because many airline employees are unable to decipher the information too. However, some carriers marry all this data with a user-friendly online interface to cut through the clutter. Compare the travails described above to the spot-on display of information provided by United for travel on its flights and those of its partners. The example below uses an itinerary sold by Lufthansa Airlines.

How much are my checked baggage service charges?

My flight(s) Any flights

From: Copenhagen, Denmark (CPH) To: Chicago, IL (ORD - O'Hare) Depart Date: mm/dd/yyyy Cabin: Economy

Status or memberships?

Add marketing carrier or ticketing date

Ticketing Date:\* 12/8/2014 Marketing carrier: Lufthansa

\*Baggage fees are set on the ticketing date



✓ Check one bag at no charge

1st bag	2nd bag
0 EUR	75 EUR

Up to 62.0 linear inches (157cm) L + W + H and 50.0 lbs (23 kg) per bag  
[Baggage size and weight restrictions](#)  
 In compliance with U.S. Department of Transportation regulations, checked baggage policies for your entire itinerary are determined by Deutsche Lufthansa AG. Visit [united.com/baggage](http://united.com/baggage) for more information.

**Check Your First Bag for Free**  
 Save up to \$100 per roundtrip. Primary Cardmembers and a companion on the same reservation can check their first bag free on United-operated flights when purchasing tickets with their Explorer Card.  
[Learn more](#)

With a few quick clicks, consumers can retrieve the checked bag rules for United or any partner carrier. It's not a perfect solution because the "Check Your First Bag for Free" displayed in the lower right corner has no application for this itinerary. And a similar online system does not exist to reveal carry-on policies for partner airlines. But it's a vast improvement compared to a seemingly endless supply of confusing text provided by most airlines.

Emirates has a similar approach and provides an online baggage calculator for its flights. This feature is not duplicated for its interline partners. Instead, the carrier provides a web page with an overwhelming array of 150+ links to partner website pages to direct passengers elsewhere. More work to develop online tools is needed for this category.

Empathy compels us to create solutions that are competent because they are based upon the capabilities of everyday consumers. Airlines should invest some of their newfound profits from checked bags to untangle consumer confusion about bag fees.

### **Ryanair embraces kindness as a path to new customers**

Let's return to an improbable combination of topics: Michael O'Leary, Ryanair, and being nice to customers. Ryanair announced various customer service improvements during the second half of 2013.<sup>7</sup> These included fewer annoying sales activities during flights, relaxed carry-on policy, and lower bag fees at the airport. During March 2014 the message was finessed with a London media event to announce the "Always Getting Better Plan."<sup>8</sup> Posing in a picture with a puppy, the CEO crooned the plan is aimed at "*fixing the things our customers don't like*" and stated the airline will end conflict between front line staff and passengers. London's media gave the story big coverage, which undoubtedly pleased Mr. O'Leary and his investors.

Headlines and analyst coverage during the year generally supported the theme that Ryanair's friendlier approach has paid big dividends. The *Guardian's* recent 03 November 2014 headline is typical of the love fest that is occurring, "Ryanair puts 32% jump in profits down to being nicer . . . Business booming since decision in 2013 to change image and stop 'unnecessarily pissing people off', says boss O'Leary." Kindness is indeed important, and it can contribute better profits, but the Ryanair story is a little more complicated.

The carrier's half year results announced on 03 November 2014 reveal a stunning profit increase of 32 percent accompanied by higher average fares and load factors. But a careful reading of the conference call text largely links the improvements to better management of future bookings and pricing.<sup>9</sup> But concurrent with this news, Mr. O'Leary jumps into a most amazing description of how Ryanair changed its customer approach during the year:

*"The customers who are flying with us are also enjoying the improvements that we've headed with our group together, under the Always Getting Better program. That seemed to significantly improve almost every aspect of the customer experience at Ryanair from every touch point . . . The boarding gate is a much more relaxed environment now because of the allocated seating. We're no longer fighting with passengers over the size of their bags. And onboard, our crews and passengers are enjoying that better experience. So we've seen a lot of positive developments."*

Happier customers and employees are always a good thing, and this will create benefits for any business. But Mr. O'Reilly is ultimately motivated by something else . . . a broader customer base for his airline. He is seeking "10 to 15 million" more people who will find the kinder approach more attractive.<sup>10</sup>

---

<sup>7</sup> "Ryanair Announced Customer Service Improvements Over Next 6 Months" press release dated 25 October 2013 at Ryanair.com (see Regulatory News page).

<sup>8</sup> "Michael O'Leary launches Ryanair's 'Always Getting Better' plan" article dated 26 March 2014 at the *Independent*.

<sup>9</sup> Ryanair Holdings, CEO Michael O'Leary on H1 2015 Results, 03 November 2014 at SeekingAlpha.com.

<sup>10</sup> Ryanair Holdings, CEO Michael O'Leary on Q3 2014 Results, 03 February 2014 at Seeking Alpha.com.

*“Going forward, we now want to welcome, instead of telling that 10 million or 15 million people to bugger off. We say, Look, come to us, if you want a specific allocated seat, we have an allocated seat for you. You want to carry a second carry-on bag, done. You want a business type product where you get fast access through security, done.”*

These millions of new customers are largely composed of higher yield business travelers who have avoided the carrier because of its reputation. Mr. O’Leary knows a core of business travelers were not satisfied by the carrier’s unfriendly policies and strident approach to passengers. Fear of competition is also a big motivator, and easyJet’s success with the business market suggested the demographic might forever fall from Ryanair’s reach.

### **Kindness is an objective that can serve everyone well**

Aristotle helpfully defined kindness in his writings from the 4<sup>th</sup> century BC: *“Helpfulness towards someone in need, not in return for anything, nor for the advantage of the helper himself, but for that of the person helped.”*<sup>11</sup> It’s an altruistic behavior and one that major corporations eagerly promote through their social responsibility efforts. But it’s more influential when practiced between employees or delivered by employees to customers.

The revenue magic happens when customers return the favor with kindness . . . and of course through their repeat business. Kindness reduces the emotional distance between people. Kindness enhances loyalty when customers believe the entire company has a reputation for kindness. This occurs when kindness becomes a component of a corporate culture and identity.

Ryanair represents the extreme example as an airline that had a combative relationship with its clients. Southwest Airlines is believed by many to operate in the opposite sphere and this has helped create a loyal and solid fan base. The majority of the world’s airlines fall someplace in between with ample opportunity to improve their measure of kindness.

Kindness is one of those rare qualities for which all of us inherently know its value because we all appreciate it being shown to us. Is it necessary to conduct research to demonstrate the commercial value of showing kindness? If airlines truly consider themselves to be in the business of hospitality, kindness should be part of the mandatory equipment list required before takeoff. And yet, all of us treat each other in less than kind ways which includes relations between management and front line employees and between employees.

Cho Hyun-ah, a Korean Air executive and daughter of the Chairman, certainly did not practice kindness to a flight attendant on a December 2014 flight from New York to Seoul.<sup>12</sup> Shortly after the jet left the gate she became upset over how macadamia nuts were served to her as a first class passenger. The nuts were bagged and not plated. When the crew member was unable to find the cabin service manual reference, the executive demanded the flight return to the gate to remove the crew member. The incident became public, was the subject of global media coverage, and even boosted macadamia nut sales in Korea.

---

<sup>11</sup> Aristotle’s *Rhetoric – Book II* (online version of the translation by W. Rhys Roberts)

<sup>12</sup> “Korean Air’s Chairman Removes Daughter From Executive Posts After Nut Incident” article dated 12 December 2014 in the *New York Times*.

The company responded by following the principles defined in its Commitment to Employees.<sup>13</sup> The first sentence of which promises to “Respect the dignity of our employees.” Even though Cho Hyun-ah is the daughter of the Chairman, she was removed as an employee and apologized at a well-photographed media event. This sent a strong message to employees and passengers; Korean Air will not tolerate cruelty in the ranks of top management.



Apparently this is the proper method of serving macadamia nuts on Korean Air. Image: BusinessKorea

Believe it or not, kindness in the airline world is common. Just Google the phrase “airline kindness” to find tales of employees practicing empathy and being nice to passengers. Many are well documented as grateful customers happily tell their tales to the media. There’s the Southwest pilot who held a flight for 15 minutes so a grieving grandfather would not miss the funeral of his grandson. Or a Frontier pilot who bought 50 pizzas for 160 passengers on a severely delayed departure from Cheyenne, Wyoming. There’s also a love letter to Qantas by an Australian writer and social commentator published in the *Guardian*. Ms. Badham recounts the many moments the carrier’s employees have demonstrated kindness during her 20 years of patronage.<sup>14</sup>

In the era of social media, customers can spread stories of happiness and unhappiness very quickly. Airlines know consumers will readily share negative experiences with many people. In a recently-released American Express global survey of customer attitudes, respondents from Australia, Hong Kong, Italy, Singapore, and the United States said they would tell (on average) 18 or more persons about a bad service experience.<sup>15</sup> This bad news is mitigated by consumers who share good experiences. The same survey found good news was shared with eight or more persons for the same geographic areas. Of course, preventing bad service experiences is crucial . . . but reputations can be saved by stories of kindness. In this regard, kindness can be viral and also exhibits the amazing quality of inoculating an organization against the virus that creates cold corporate cultures.

### **What happens when you combine empathy, competence, and kindness?**

The US airline industry developed a fascinating agreement in 1958 called the “Mutual Aid Pact.”<sup>16</sup> It provided revenue protections for airlines involved in labor actions by requiring payments from other carriers. Such a pact would likely be illegal today. But the concept of mutual aid, when defined as helping fellow employees, seems lost from today’s workplace. Departments, executives, and front line employees often work against each other in the belief that internal competition will ensure survival of the fittest. Any airline manager can easily complete the sentence, “If only department X would help, rather than fight us.”

<sup>13</sup> “A Commitment to Our Employees” page at the KoreanAir.com website viewed January 2015.

<sup>14</sup> “Qantas: A Love Story” article dated 10 March 2014 written by Van Badham at theGuardian.com.

<sup>15</sup> “2014 Global Customer Service Barometer” sponsored by American Express with a sample size of 10,000 within a selection of 10 countries.

<sup>16</sup> “The Mutual Aid Pact of the Airline Industry” by Vernon Briggs, Jr. of Cornell University, published October 1965.

No organism or organization operates at its best and most efficient when it fights with itself. Most animal species, to include humans, are guided by the idea of mutual aid. It's the trait that has musk oxen form a ring around their young to provide protection from attacking wolves.<sup>17</sup> The practice of empathy, competence, and kindness also creates a spirit of cooperation among employees, departments, and even within the board room.

### Tips for Boosting Ancillary Revenue

- Understand the perspective of other departments before adding a la carte services onboard aircraft and at airports.
- Front line employees provide a vital source of intelligence for the implementation of a la carte services; talk to them before adding anything.
- Empathy is a crucial tool of diplomacy, and ancillary revenue leadership requires diplomatic skills.
- Enlightened airlines should have employees book and buy tickets like their clients.
- Design great customer service through the timeless delivery of consistency with just enough pause to provide the consumer exactly what they seek.
- Competence does have a natural enemy, and that's complexity. Rather than add services, airlines might improve the delivery and promotion of existing a la carte items.
- Don't invite regulators to become involved in your business by failing to fix systemic service problems faced by customers.
- Untangle consumer confusion by dedicating more corporate resources to the process of moving to self-service.
- Know this: kindness reduces the emotional distance between people and kindness enhances loyalty when customers believe the entire company has a reputation for kindness. Customers will return the favor with their repeat business.

In closing, consider the practice of "universal design." The term was developed by Ron Mace, who was an early pioneer in the field of accessible housing.<sup>18</sup> It's the concept of designing products and environments to be "aesthetic and usable to the greatest extent possible by everyone, regardless of their age, ability, or status in life." The objective is to create "barrier free" products that work for "all people" and not just the disabled. Combining empathy, competence, and kindness delivers products which create the closest possible connection between a company and its customers.

The practice of empathy, competence, and kindness strives to remove barriers that impede interpersonal relationships and yes, the production of profits. But more importantly, these attributes encourage an organization to move forward together on a firm foundation of ethical behavior. That's a solid brand customers will embrace and buy.

---

<sup>17</sup> "Empathy: Why It Matters, and How to Get It" by Roman Krznaric, Copyright 2014, Published by Penguin Group.

<sup>18</sup> "About the Center for Universal Design" at the website of North Carolina State University reviewed January 2015.



## Airlines all over the world fly here for a revenue boost.

IdeaWorksCompany is a leading consulting resource for ancillary revenue and loyalty marketing. Our client list spans the globe – Europe, Middle East, Americas, South Pacific, and Asia – and every type of carrier. Hainan Airlines benefited from our expertise in the areas of frequent flier programs, ancillary revenue, and a la carte services.

### **“With IdeaWorksCompany, the results are ideal.**

*IdeaWorksCompany provided a workshop for Hainan employees on the topics of ancillary revenue and frequent flier programs. We learned the very latest information on airline industry trends and developments. Jay Sorensen, the workshop leader, readily shared his insight and research. To be certain, his approach not only offers information and innovative ideas, but also wisdom and inspiration. We chose IdeaWorksCompany to present smart ideas and innovative insights to our management team.”*

Huifang Yuan, Product Director | Marketing and Sales Department  
Hainan Airlines | Beijing, China

Hainan Airlines is China's fourth largest airline, headquartered in Haikou. It operates scheduled domestic and international services on 500 routes between China and Europe, North America and Asia Pacific.

**Fly to IdeaWorksCompany for your revenue boost.**

Reach Jay Sorensen direct at  
[Jay@IdeaWorksCompany.com](mailto:Jay@IdeaWorksCompany.com)

