



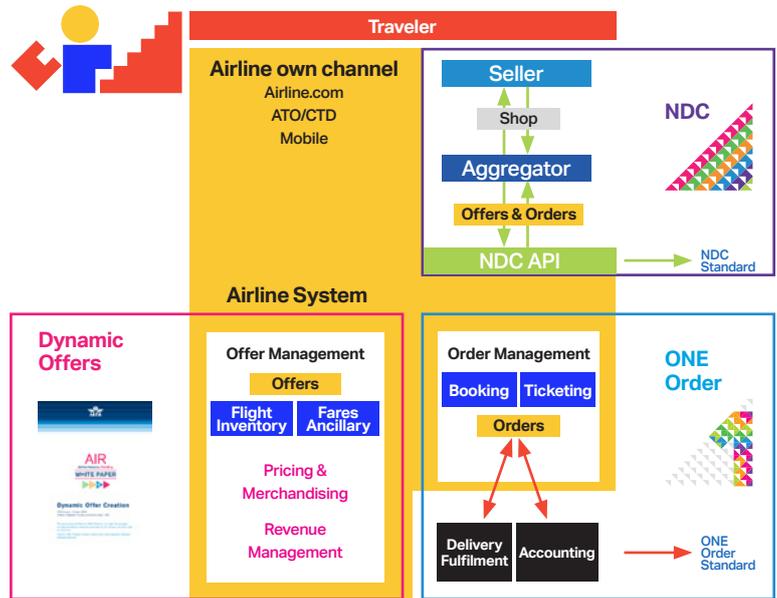
Dynamic Offers

The Road to Customer-Centric
Airline Retailing

Background

In 2019, the airlines' mechanism to create and manage offers continues to rely on traditional fares and ancillaries filing with booking class inventory control. Airlines are slowly maturing to move away from these practices by leveraging the NDC standard enabling airlines to be in control of the offer creation and the ONE Order standard allowing the fulfilment of a much wider variety of retail oriented products. In this context, IATA Dynamic Offers is further enhancing airlines' ability to distribute products to the right customer at the right time across all channels.

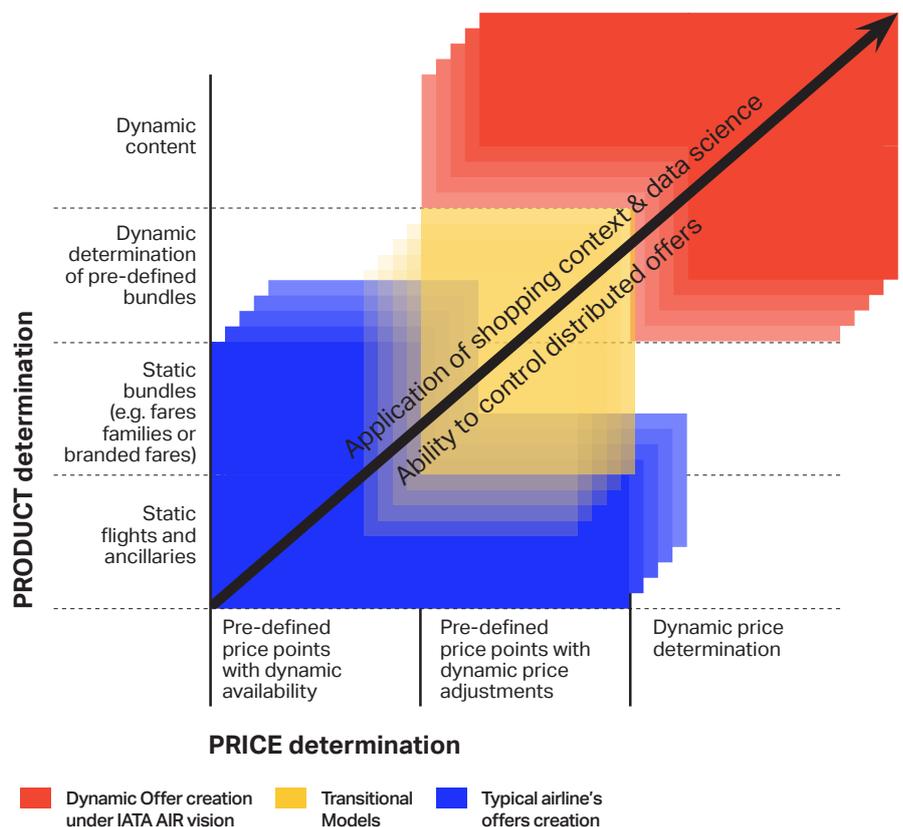
Following the publication of the IATA Dynamic Offer Creation white paper in October 2018, IATA is taking a leading role in driving the transition towards Dynamic Offers. This is one of the top priorities defined by the IATA Board of Governor to enable airlines' product differentiation.



Proper industry definition is critical

There are multiple interpretations of what actually constitutes dynamic pricing/offering. A survey conducted by IATA indicates that there is a considerable difference of perception between airlines and vendors as to where the industry capability currently stands. For that reason, IATA, supported by various airlines and system providers, came up with a clear definition and **Dynamic Offer Maturity Model** to help the industry define the relevant concepts, as well as monitor industry capability in relation to Dynamic Offers.

Dynamic Offers Maturity Model Matrix



Dynamic Offers can have varying levels of complexity. To be qualified as dynamic, the following criteria should be fulfilled:

1. The offer is constructed by the airline; and
2. The offer presents some form of dynamic or real-time construction characteristics in response to a shopping request and its context.

A promising industry case for change

Airlines have clear aspirations for more dynamic methods of offer creation. In parallel, all vendors are engaged – at some level – in moving into a more dynamic offer world. To summarize, the three key industry drivers are:

1. Enhance conversion rate with relevant offers – driving **customer satisfaction**;
2. Improve **customer choice** with relevant offers driven by continuous pricing algorithms;
3. Manage total retailing offers with new partnerships – driving **customer retailing offers**.

Overview of the industry benefits of Dynamic Offers

Enhanced Conversion	Offer Optimization	New Partnerships
Contextual & relevant offers <ul style="list-style-type: none"> Optimal product to the customer Increase sales conversion Customer loyalty 	Continuous price points <ul style="list-style-type: none"> Optimal price determination Improved demand forecast More accurate willingness to pay 	Total offer management <ul style="list-style-type: none"> Holistic revenue management Customer life value Ancillaries, interlining, 3rd party products and services

Cost Benefits

ROI of Offer and Order Management platforms developments and process rationalization

Cost of transition & change management	offset by	Process, organization and system rationalization today vs. tomorrow
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Industry activities to drive adoption

This transformation will not come without challenges. IATA, working together with industry stakeholders is committed to the following:

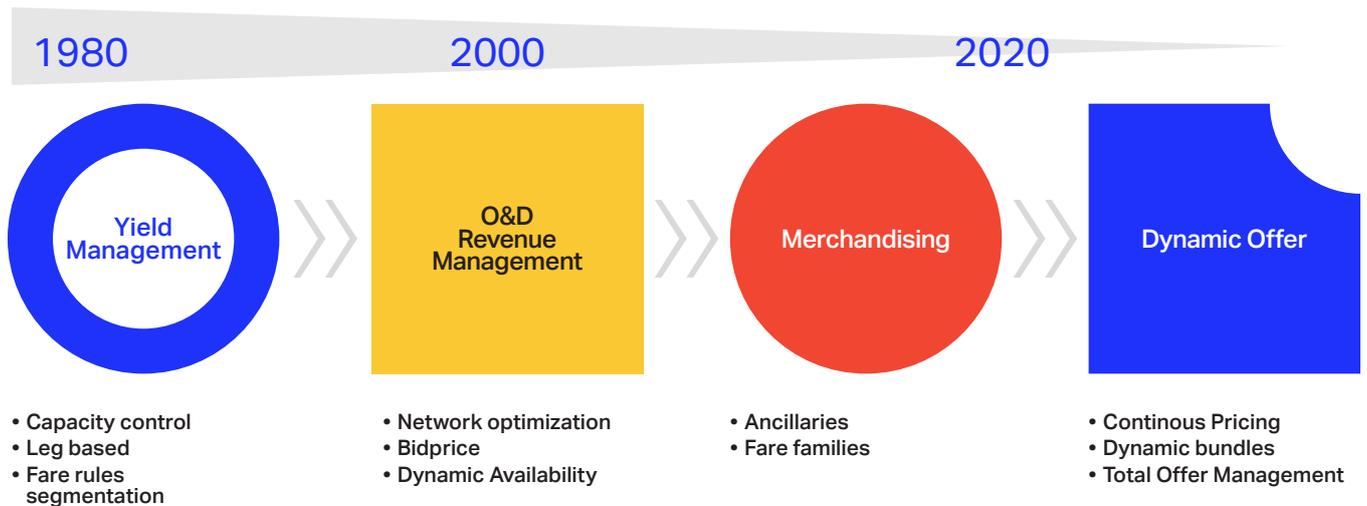
ADVOCATE FOR INDUSTRY TRANSFORMATION	ADDRESS BARRIERS TO ADOPTION THROUGH INDUSTRY STANDARDS	DRIVE TRANSITION WITH INDUSTRY GUIDANCE
<ul style="list-style-type: none"> Build awareness of the “art of the possible” with Dynamic Offers, particularly with total offer management and contextual offer capabilities. 	<ul style="list-style-type: none"> Define consistent offers rules and product categorization. 	<ul style="list-style-type: none"> Define building blocks for the Dynamic Offers architecture.
<ul style="list-style-type: none"> Address regulatory concerns around the provision, retention and use of data with contextualized offers. 	<ul style="list-style-type: none"> Address Dynamic Offer lifecycle with Order fulfilment, Accounting and Settlement leveraging ONE Order standard. 	<ul style="list-style-type: none"> Integrate merchandising, pricing and revenue management and PSS inventories capabilities into Offer Engines.
<ul style="list-style-type: none"> Undertake a review of governments requiring airlines to file fares and rules. 	<ul style="list-style-type: none"> Enable the future framework of industry interlining without booking classes and filed fares. 	<ul style="list-style-type: none"> Adapt organizations and mindsets within the airline.
		<ul style="list-style-type: none"> Monitor vendors’ capability to encourage competition and provide more transparency on the vendor’s capabilities.

Industry Roadmap

While the detailed roadmap for this transformation is still under development, IATA's leadership role will include the following:

1. **Advocate** the move towards the vision.
2. Promote innovation and enable transition through **standard recommendations**.
3. Drive industry **adoption**.

The industry journey of offer creation



2019 Participating Vendors supporting the Dynamic Offers airlines vision

