

Ticketless Travel: The secret behind some of the industry's biggest success stories

Many high-profile airlines navigated the treacherous airline industry environment during the last decade to progress from launch (or re-launch) to rapid growth to a successful public float

These airlines spanned the globe — AirAsia in Southeast Asia, Cebu Pacific in the Philippines, Ryanair in Ireland, Vueling in Spain, Wizz Air in Hungary, SpiceJet and IndiGo in India, Jazeera in Kuwait, Spirit Airlines in the United States, Tigerair in Singapore and GOL in Brazil. How did these airlines not only survive but thrive in an industry known for its cut-throat competition, unpredictable revenues and unfriendly environment for newcomers?

All of these airlines specialize in what has been dubbed the “low-cost model,” pioneered by Southwest Airlines. They all stand for a clear value proposition that includes reasonable fares and consistent service.

There was at least one other “secret ingredient” in the recipe for success. Each of these airlines adopted a radical new approach to the critical process of selling their inventory and maintaining customer reservation records — “ticketless travel,” a step well beyond electronic tickets. By using ticketless travel pioneered by Navitaire’s Open Skies reservations system, these airlines managed to grow their business. They did this by operating with very low distribution costs, developing keen insight into customer buying behavior, running highly efficient call center operations, taking advantage of streamlined self-service airport check-in process and requiring lower up-front investments in information technology.

Ticketless travel was invented by Navitaire’s David Evans during his tenure at Morris Air. He questioned the need for a ticket and, as a result, Morris Air pioneered the concept of treating a customer’s interactions as a continuous account of activity — similar to a bank account — rather than handling them on a transaction-by-transaction (ticket-by-ticket) basis.

Later, when Evans and his team established a new company to develop a revolutionary airline reservation system, they used this expertise to embed the ticketless concept into Navitaire’s Open Skies reservations software. Navitaire built a steady series of enhancements to its original ticketless product and uses it in the New Skies® system. This has enabled ticketless processing to be extended to a customer base of over 50 airlines which booked more than 500 million passengers during 2014.

How it Works

In a ticketless model, funds are associated with a customer account, not with an individual ticket. Settlement is done directly with a customer, bypassing the industry settlement plans. All transactions are electronic, allowing for a completely automated (and thus very low cost) revenue accounting process. All of these functions are integrated in one database, eliminating the cost and complexity associated with passing data from one system to another, storing it multiple times and maintaining synchronization.

Why it Matters

Electronic tickets have helped airlines reduce some costs, but they haven't fundamentally transformed underlying business processes and the associated technology infrastructure. Today, electronic tickets still require multiple systems and databases to process ticket data for each airline service area; ticketless eliminates the need for these redundant systems. As an example, one major airline spent 10 times more to process each e-ticket than its low-fare ticketless subsidiary. The subsidiary needed only a handful of revenue accounting staff, compared to the hundreds required to manage this function at the parent company.

New Skies supports clients that establishes interline or codeshare relationships with network carriers which rely on traditional e-ticketing. New Skies clients can accept and issue an e-ticket for those transactions which require it. Furthermore, Navitaire clients can realize cost savings by limiting e-ticketing solely to those transactions which truly require e-ticketing.

The ticketless process included in Navitaire's software also allows airlines to take advantage of a wide variety of ancillary revenue opportunities including car hire, hotel rooms, trip insurance, and more through its Travel Commerce suite, while still retaining a streamlined distribution and back-office processes. This enables airlines to enhance profitability both by growing the top line and maintaining a very slender cost base.

For more information on Navitaire's industry-leading services, please visit our website at www.navitaire.com or contact us via email at navitaire.contactus@navitaire.com