

Air Canada is an early arrival in providing the next generation of self-service solutions.

Overview

■ **Business Challenge**

Forced to restructure, Air Canada realized it needed to change some of the most fundamental parts of its business. The guiding principle of this transformation was the need for maximum customer choice. Air Canada saw self-service as the linchpin of its new business strategy.

■ **Solution**

Air Canada teamed with IBM to put in place a series of industry firsts in the area of self-service. Underlying these developments is a forward-thinking infrastructure and kiosk strategy that gives unparalleled operational flexibility and lower operational costs.

■ **Key Benefits**

- *Improved customer satisfaction by giving more options and control to the customer*
- *Lower customer service costs through process automation*
- *Higher customer retention rates*
- *Faster time to market with new services through a more flexible self-service platform*
- *Lower IT and support costs by virtue of thin client kiosks and standardized backend across all channels*



Air Canada is Canada's largest airline, and the world's 14th largest airline, serving 29 million passengers yearly. Headquartered in Montréal, Air Canada and its regional airline subsidiary, Air Canada Jazz, provide scheduled and charter air transportation for passengers and cargo to more than 150 destinations, as well as maintenance, ground handling and training services to other airlines. The airline operates an average of 1,300 scheduled flights daily and employs approximately 30,000 people worldwide.

Airlines in both the United States and Canada have long been buffeted by the winds of change, including the competitive effects of deregulation, the ups and downs of the business cycle, rising fuel prices and labor issues, just to name a few. The measures they've taken to adapt—such as cuts, consolidation and streamlining—have for the most part been more incremental than fundamental in nature. While airlines have also introduced genuinely new facets into their business—with customer self-service at the top of the list—by and large they have clung to a core of deeply entrenched practices related to the options they give

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— Patrice Ouellette, director, Customer Service Platform, Air Canada

Business Benefits

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“Cost reduction was only a fraction of our motivation. Customer service is the differentiator in this industry. A recent survey showed that 93 percent of our passengers say the kiosks have improved the flight experience; the IBM kiosk solution has proven itself over and over.”

– Yvan Corriveau, program director,
Air Canada

their customers. This is most evident in the tendency for airlines to lump their customers into a “one-size-fits-all” model, in which customers are charged a lump fee for services (such as baggage check-in) even if they don’t use them. Airlines have been slow to relinquish these practices largely because of the financial risks inherent in changing such a core part of their business model. This was especially true in the wake of 9/11, when the financial fortunes of the airline industry reached their nadir. Thus, while the major airlines have taken drastic steps to turn their businesses around, most have followed the traditional formula—focusing on cost reduction in the context of their existing business models. Air Canada, the largest airline in Canada and the 14th largest in the world, took a dramatically different tack.

Stepping out of the box

Like the major U.S. airlines, Air Canada faced not only lingering fallout of 9/11, but also a keen threat from discount airlines in its domestic market. In 2003, these troubles were compounded by the sharp drop-off in travel caused by the SARS outbreak. Faced with steep losses and threatened with insolvency, Air Canada opted to retrench under bankruptcy protection. While inherently traumatic, the experience also enabled Air Canada to free itself of the strategic inertia that kept most other major airlines from making fundamental changes to their business models. Realizing that the company’s old ways of doing business were not working, Air Canada’s leaders proposed to stake the company’s future on a completely new way of interacting with customers, based on the idea that customers want more choice, flexibility and control in the way they interact with their airline. In effect liberated by the dire need to act, Air Canada had articulated a vision of bold and comprehensive change that would impact nearly every part of its operations—and mark Air Canada as one of industry’s clear innovators. It turned to longtime partner IBM to help meet the challenge.

Air Canada’s new strategy was to align its systems and processes in a way that would give customers more flexibility and control over their travel experience. While other airlines have stated similar goals, Air Canada was far ahead of the pack in its willingness to make deep, fundamental changes in its business model. This was best exemplified by the decision to break from the standard industry practice of bundling services and instead offer them on an à la carte basis, with customers given the freedom to assemble and customize the services they choose to employ. The success of this new product strategy required equally significant changes to its channel strategy—specifically, a dramatic enhancement and expansion of its self-service capabilities. Kiosks were to play an important role in this plan.

New horizons for self-service

Working with IBM, Air Canada had been one of the first airlines to deploy kiosk-based check-in services within airports. In the scheme of Air Canada's new strategy, this kiosk infrastructure would serve as the critical foundation for a broader array of self-service capabilities. These capabilities were defined not only in terms of which actions they enabled travelers to perform themselves, but also where they were able to do it. As such, Air Canada viewed airport kiosks as only one part of a broader portfolio of self-service options that also included access via the Web and mobile devices. Within kiosks, a further distinction existed between Air Canada's own kiosks and the faster growing category of third-party owned or "common-use" kiosks, which provide travelers access to multiple services. While this range of self-service channels met the criterion of providing maximum choice for travelers, having a strong business case for integrating both environments into a single application was also essential. Air Canada's flexible, backend self-service infrastructure—developed in concert with IBM—made it possible.

For airlines operating both Web and kiosk channels, one of the biggest challenges is managing them efficiently, delivering a common experience to the customer and getting new services out to the marketplace rapidly. That's because airlines have generally evolved completely separate application platforms for each channel—one for dedicated kiosks, one for common-use kiosks and one for the Web—each of which need to be maintained and updated separately. Air Canada's approach was to consider all self-serve channels as a global solution, which enabled it to leverage the flexibility designed into the IBM application underlying the solution, whose core properties include the ability to extend kiosk-based self-service functions to the Web channel with little to no development effort. Air Canada employs the IBM N2 full-service travel kiosks, with IBM Consumer Device Services (CDS) middleware to orchestrate devices such as scanners and printers that are integral to the kiosks function. To provide real-time system management of the kiosks, the solution employs IBM Kiosk Manager, an HTML-based graphical tool for remote monitoring a network of kiosks running CDS.

The biggest impact on Air Canada's flexibility in self-service is seen at the strategic architecture level. With the breadth and diversity of its channels increasing, Air Canada's challenge was to maximize its agility in responding to market opportunities—by getting new services out to all its channels rapidly—while at the same time minimizing the cost of supporting and updating these channels. Air Canada addressed this by deploying a thin client on its kiosks, which enables it to update all of its self-service environments at the same time

Key Components

Software

- IBM Consumer Device Services
- IBM Kiosk Manager

Hardware

- IBM N series full-service travel kiosks

Services

- IBM Global Business Services e-access Solutions Group

Timeframe

- Design: 6 months
- Pilot implementation: 8 months
- Full-scale rollout: 1 year

Why it matters

Air Canada leveraged the flexibility of its industry-leading, self-service infrastructure to fundamentally change its business model, becoming the first airline to offer its services on an à la carte basis. Its unique practice of using thin client technology in all self-service channels—and supporting them with a single backend infrastructure—positions Air Canada to lead the industry's next big trend, deploying "off-site" kiosks in hotels, car rental agencies and other travel sites.

by delivering them through a central server. Air Canada complemented its thin client strategy by creating a separate business layer that sits between the backend transaction server (which processes self-service transactions) and the kiosks. In addition to laying the groundwork for more advanced SOA capabilities in the future, a separate business layer also gives Air Canada the current ability to selectively enable features and services on specific channels without making any changes to the core application. This means not only more flexibility, but faster time to market with new services across all of its channels.

Off-site kiosks take off

A hugely important part of Air Canada's new self-service strategy is an expansion of types of locations where kiosks are deployed. Until now, the fact that airlines have focused their kiosk placement in airports has made sense within the framework of the customer's experience—that is, that air travel services should be conducted within an airport. But it also reflected the airlines' need for dedicated tie-ins between kiosks and backend systems that could only be made on the airport premises. Air Canada's new self-service strategy places self-service solutions in a broader context, that they add value not only within airports, but across the full span of the customer's journey. To support this capability, Air Canada is leading the industry in deploying "off-site" kiosks at different points in the travel ecosystem, beginning with hotels and eventually considering other possibilities such as car rentals, convention centers and airport-bound train stations—in short, any plausible aggregation point for travelers. Air Canada's unmatched ability to pursue the off-site kiosk opportunity is a direct result of its thin client kiosk strategy, which enables it to place a kiosk anywhere there is electricity and a live Internet connection.

In addition to where, Air Canada is also pushing the envelope on what customers are able to do with self-service, while at the same time reshaping its key processes. Beyond check in, customers can also use the kiosk to make same-day changes, change seats and soon pay fees for excess baggage and onboard purchases. If a passenger needs to print out a boarding pass or a bag tag, the IBM N2 kiosk can also scan a machine-readable barcode image from his or her mobile device and print it from the kiosk. Patrice Ouellette, Air Canada's director, Customer Service Platform, sees such capabilities fundamentally changing the way travelers interact with the airline. "By redefining self-service, we're giving our customers more control and—by improving cost and efficiency—we're keeping our fares low and competitive," says Ouellette. "IBM's products and common vision have given us a solid foundation at every step."

For more information

To learn more about how IBM can help transform your business and help you innovate, please contact your IBM sales representative or IBM Business Partner.

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