

By: Michael Smith

A developing market

British Airways is known for many things. Aside from striking staff, their approach to innovation is one area that they can rightly be proud of. They turned the customer insight of “I want a good night’s sleep” into flat beds in First Class. Then with great ingenuity they worked out a way to have lie flat seats in Business Class in a move that was copied and imitated by most of their competition. Millions of First and Business Class customers have had considerably more pleasant travel experiences as a result of BA’s forward thinking.

There is another area that BA was a pioneer in and it might not be the first one that immediately springs to mind. It was the first airline to introduce travel insurance “in path” on its own direct booking website, ba.com. This was way back in 1998/99, long before the term “in path” was coined or any other airline had woken up to the opportunities that selling travel insurance direct to airline passengers offered. BA was, like a few other airlines at that time, already selling travel insurance to customers who were using their call centers in a program that was not just limited to the UK operation, but also was also sold in the US and Canada.

It was not just in the area of travel insurance sales that BA was innovating and leading the market at that time. It was also well ahead with the two other products that account for the significant amount of ancillary commission income that airlines now generate – hotel and car rental commissions. However, it wasn’t to last as both the travel insurance industry and other airlines realized that getting to customers at the point they are making a booking is a great time to cross sell them other products and BA didn’t keep its lead in selling these products.

The driving forces behind selling via airlines

Jay Sorensen from IdeaWorks, who has written the definitive guide to Airline Ancillary Revenue, defines three areas of income. The first is from commission based products – of which the big three are travel insurance, car hire and hotel. The second area is income from a-la-carte fees, essentially unbundling the product and charging for items like baggage and seat assignments. The last product line is income from mileage sales for c-brand credit cards and other partners of the Frequent Flyer Program.

In the last 5 years the income from all these areas for airlines has mushroomed and travel insurance has gone from being a Cinderella type product to one that is now front and center of most airlines ancillary revenue portfolio. So what has driven this growth?

There have been a number of factors behind travel insurance taking off in this channel of distribution. The first has been the rise of the internet and direct bookings. As airlines sought to lower their cost of selling, they encouraged people to book direct via their own internet sites which made cross selling of products considerably easier.

On top of that, many of the low cost carriers, like EasyJet and Ryanair in Europe adopted sales strategies that put travel insurance prominently in the ticket booking path. In the past, many airlines had hidden the product away as they were frightened of losing the flight booking. However, Mondial and Acumus (two of the insurance providers for these carriers) worked hard at explaining benefits to both the end customer as well as the financial benefits to the airlines. They also tailored the products for the different markets – with “comprehensive” products (medical, delayed departure, cancellation cover and so on) for the UK and Ireland and “cancellation” only covers for mainland Europe.



The adoption of travel insurance by the low cost carriers woke many in the rest of the airline industry up to the potential opportunities. Where EasyJet and Ryanair tread, the rest of the industry tends to follow – albeit some time later! There was also an additional impact as the insurers learnt how to effectively market via these carriers as well as understanding the claims experience they then went looking for other airlines.

This trend was not just confined to Europe. It even extended across the Atlantic to North America. BA already had established programs in the likes of Canada which were considerably more active than the local carriers offered at that time, although they have now all caught up. In the US, AIG (as it was then) was active in securing a number of airline accounts – in fact the senior management of Chartis Travel Guard are all ex-airline people! Hot on their heels before the market really took off was Access America as it was and now Mondial USA who snapped up a lot of the market.

Generally, Americans had not bought travel insurance in the same numbers or way as Europeans. Covers like Medex tended to be included with private health insurance and many consumers felt there was no need to buy additional coverage. Market estimates of the size of the US market, with over 300 million consumers was on par with the travel insurance market in the UK. The UK, however, has only 60 million consumers! However, the US industry has worked hard at marketing the relevant benefits to consumers and sales have developed considerably as a result.

Managing the back end

Deciding to sell via an airline and acquiring the right to do so are almost the easy part of distributing in this market. Almost every airline has a unique set of challenges to integrate into their systems. Many traditional “legacy” carriers, like Air Canada, Delta or British Airways have large complex distribution systems. Being able to offer a product across different sales channels (web and call centre) poses a number of challenges.

In Canada, TU Group, found a simple and easy way around this. It sold the travel insurance product to Canadians via its own system and BA referred/marketed the product to passengers booking. It also provided a stand-alone website as another way of encouraging take up. However, that does provide the product “in path” which presents the product to the potential customer as part of the booking process. It was, however, at the time an elegant and very simple solution.

With the development of the web, many insurers have developed a range of, for example, XML interfaces. These integrate into the web platforms of most airlines. One very innovative technical solution is provided by Air Savings which not only has a short implementation lead time, but also allows a number of innovations in the sales process such as dynamically offering a more appropriate product (eg ski cover for people booking to a ski destination during the winter season.) It also can flex the price allowing an airline to test a number of pricing scenarios.

Not only have the insurers been busy offering technical solutions, the GDS’s have also been developing solutions. Amadeus, who provide the booking system for the likes of British Airways and numerous other airlines, have a specific dedicated system that allows the integration of travel insurance. In a neat bit of lateral thinking, Amadeus created a stand-alone system that sits outwith their core booking platform. This allows the insurer to interact directly with the system for items like policy wording/production and pricing. This makes it extremely easy for them to control the items they need to. The airline, in turn, can easily turn travel insurance sales on and off depending on who and where they want to sell.

All of these options (as well as in-house development) means that once an airline has decided to sell travel insurance it becomes relatively straightforward to begin selling to customers.



The future

In several markets in Europe, negative option or plain “opt-out” is all but illegal and certainly not great marketing practice. So, the days of large and easy commission cheques for airlines is probably over. Every sale will have to be worked harder for and, the likes of EasyJet have put considerable effort into their efforts to sell the consumer benefits. This has included making the benefits clearer in the booking path as well as a slick “look and feel” when the offer is made.

Airlines are still being courted by travel insurance companies. The large signing on bonuses of the boom years are not as prominent, but, in certain markets and for certain airlines, there are incentives still on offer. This trend has been helped not just by the intense industry competition amongst travel insurance suppliers but also by the consolidation that is taking place. CSA Travel Protection in the US, who was a pioneer in the North American market by providing travel insurance to BA’s call centre bookers, has been acquired by Europ-Assistance. Access America has been rebranded MondialUSA and this reflects the trend of airlines wanting to work with one or two global suppliers. Companies such as Chartis Travel Guard, Europ Assist, Mondial and AXA are well equipped to fulfil this role as well as pan European specialists like Acumus.

The future still looks good for airlines as a means of reaching potential travel insurance buyers. However, the easy wins – both for the airlines and for the travel insurance companies are, in most major markets, been taken. The next phase will require more innovative marketing, such as that being undertaken by the likes of Ryanair (“Click, tick for a safer trip” on the home page of Ryanair.com) as well as EasyJet to keep sales, and commission, at current levels. To increase take up is going to need more tailoring of the product to deliver real customer benefits and to make it a positive choice on the part of consumers to purchase via airlines. Perhaps time for BA’s innovation to be applied again to bring them back to market leadership!

