

T2RL'S First View is our rapid analysis of breaking news. It helps provide perspective, putting the facts in the context of our wider and deeper knowledge of the market.

Knowing Me, Knowing You - AhHa?

T2R Staff

The Facts

British Airways has introduced a new program for gathering information about its premium customers. The initiative, called "Know Me" has attracted adverse comment from privacy advocates in the technology media.

The Analysis

One of the most significant developments in information technology over the last decade is the rise of so-called "Big Data". The fundamental premise is that enterprises collect enormous amounts of data in the course of their operations but that most of it has traditionally been discarded after its initial purpose has been delivered. The promise of "Big Data" is that valuable information may be extracted from the mass of data provided it is stored in an organised manner and is available to data mining software. One of the best known applications of this approach is in the retail business where hundreds of millions of transactions are captured from Electronic Point of Sale devices and used for analysis and marketing purposes by the major supermarkets.

Airline Passenger Services Systems may be compared to supermarket EPOS systems. They are primarily operational systems that record all of the booking and boarding activity, but historically have discarded that information very soon after the operation of the flight. Some systems based on modern relational database platforms such as AirRes from IBS, Unisys Aircore and Radixx Air Enterprise do not purge data but rather maintain its availability indefinitely. Airlines using older systems have to take daily extracts and load them to a dedicated data warehouse. Once the transactional data is available and organised it may be used for market research purposes. It may also form the basis for a much deeper set of customer knowledge that can be used to provide an enhanced level of service. Teradata is a key supplier of data warehouse technology to top tier airlines. It has transformed airlines' knowledge of their customers' attitudes and behaviour. Companies like Continental (and now United) have spent million of dollars not only building data warehouses but also making their outputs available to all front-line employees.

Another mantra of technology vendors is that information is the key to "owning the customer". The premise is that with enough information, extracted from a variety of data sources companies may come to anticipate the needs of customers to such an extent that they can make targeted offers that dissuade the customer from even considering a competitor. This is the type of information that is being gathered in the British Airways "Know Me" program. The intent is to combine the data that customers are required to submit in order to make a reservation - which may include name, address, phone number, email address, name of next of kin, passport number and credit card number with long term data such as countries visited, frequency of travel and class of service used. Then the airline is combing publicly available sources such as Google images and social networking sites to

find additional data to enrich the dossiers they hold, especially on the high-value customers who populate the premium cabins.

It is important to stress that the airline is doing nothing illegal. All of the information is either supplied voluntarily or is available in the public domain. The real questions that need to be addressed are whether the cost of establishing and disseminating these customer dossiers will be returned in the form of greater customer loyalty and hence higher revenues.

On that the jury is decidedly out.

The Speculation

Online privacy is one of the most discussed issues of the modern era. Concerns about it extend far beyond the travel industry. The UK is currently running a full-scale judicial inquiry about the conduct of some sectors of the press in "hacking" mobile phone messages in the pursuit of stories. A survey by Harris Interactive¹, published today shows that consumers engage less with companies they do not trust - leading to lower purchases (29 percent), app downloads (68 percent) and sharing of information (86 percent). And concern about online privacy is growing, with 94 percent of consumers worried about it and 54 percent more concerned than a year ago.

In this context the experience of Starwood Hotels with its "Global Personalization at Starwood (GPS)" program is leading the way for British Airways. The Starwood program was introduced quietly at the end of 2011 but only came to prominence in the spring of this year when customers began to complain that the hotel company was accessing their LinkedIn accounts to augment the information given in their reservations. Online bulletin board reaction was explosive but it is not yet apparent whether the use of social networks in this way was part of the program directed from the centre or indeed will be continued.

So British Airways is caught between two conflicting trends. On the one hand it is following industry wisdom in using big data to enhance the personalisation of its services. On the other it risks falling foul of the growing public unease about privacy and data protection. In the long run BA and others will find an acceptable way through the minefield. Any company that strays too far from conduct that its customers find acceptable will feel the effects on the bottom line. And that is a calculation that British Airways understands all too well.

¹ TRUSTe 2012 UK Consumer Data Privacy Study