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Surfing Aloft: Airline Passengers Want In-Flight Internet Access

by Henry H. Harteveldt

for eBusiness, Channel & Product Management Professionals



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by **Henry H. Harteveldt**
with Carrie Johnson and Scott Wright

EXECUTIVE SUMMARY

JetBlue Airways' launch of in-flight email and instant messaging (IM) access inaugurates a new area of in-flight connectivity among US airlines. Alaska Airlines, American Airlines, Virgin America, and US Airways have announced their plans to test airborne Internet access, yet 12 other scheduled US airlines have not, leaving them vulnerable to poaching from competitors. US leisure airline passengers — for whom in-flight Internet access is discretionary and self-funded — show strong interest in going online, even on flights as short as an hour. Passengers who want to use the Internet aloft have first-class demographics, are more brand-loyal than the typical passenger, and are more willing to trade up for a better experience. Airlines need to start catering to these travelers by installing in-seat power, and they shouldn't feel compelled to offer this amenity for free: Passengers will pay for it.

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NOTES & RESOURCES

Forrester analyzed data from Forrester's North American Technographics® Benchmark Survey, 2007, in the development of this report.

Related Research Documents

["Who Creates Travel Web Site Profiles Online?"](#)
December 5, 2007

["Are Online Travelers Saying 'Buh-Bye' To The Web?"](#)
October 5, 2007

["How Travel Marketers Are Serving 'The New Boss'"](#)
July 13, 2007

AIRLINES: FULFILL PASSENGER EXPECTATIONS AND OFFER THE INTERNET ON YOUR FLIGHTS

On December 11, 2007, JetBlue Airways operated the first commercial US airline flight with high-speed in-flight email access. Alaska, American, and Virgin America are the only other US airlines to have publicly announced their plans to offer in-flight Internet access. The JetBlue service, which is complimentary, supports only email on two Blackberry devices and Yahoo! Mail and Messenger, using technology developed through the airline's LiveTV subsidiary. American Airlines and Virgin America plan to offer full Web access using Aircell's air-to-ground system. Alaska Airlines will offer full Internet access using ROW 44's satellite-based technology, and US Airways will test in-flight Internet access, although it has not stated which vendor it will use. Outside the US, airlines such as Air France, British Midland Airways (BMI), Royal Jordanian, and Qantas Airways have also announced plans to offer the Internet to the passengers.

Passengers Want To Stay Connected On Even The Shortest Flights

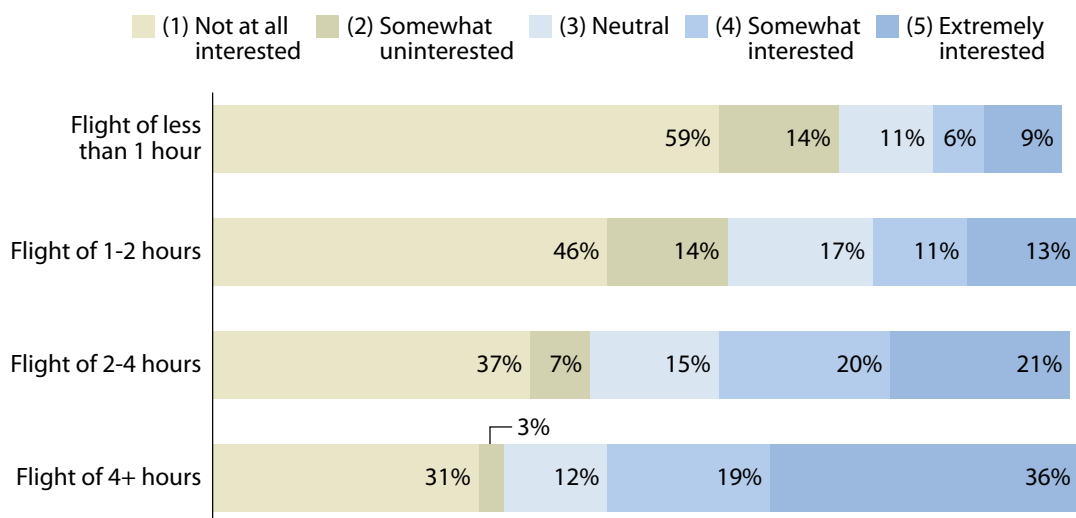
Seven in 10 US online leisure airline passengers are technology optimists — travelers who embrace technology. Most passengers cite either entertainment or career as the primary motivation within their lives, meaning that they value technologies that provide greater control, an engaging sense of diversion, or both.¹ And laptop ownership by US leisure passengers has increased from 39% in 2005 to 54% in 2007. Yet more than three years after the Connexion by Boeing in-flight Internet service was first launched, at least 12 other US scheduled airlines have yet to announce how they intend to bring the Web to their customers while in flight.² In 2007, this kind of product foot-dragging is equivalent to an airline hanging a banner on a hangar blaring “Please steal my customers!” Why? Among US leisure airlines passengers — for whom Internet access is a discretionary, self-funded form of entertainment and communication — there is considerable interest in staying connected aloft.³

- **Even on shuttle-like flights, 15% of leisure passengers want to surf the Net.** On the shortest of flights — an hour or less, equal to Boston to New York or Dallas to Houston — 15% of leisure passengers are interested in going online (see Figure 1). This soars to 55% on long-haul flights of four hours or more, which includes transcontinental flights, plus flights from hubs such as Phoenix, Salt Lake City, or Las Vegas to the East Coast and flights from cities like Chicago, Cleveland, or Atlanta to the West Coast. And while most passengers want access for free, 45% say that they would pay \$10 to go online on flights of four or more hours (see Figure 2).
- **Generation X and men show the most interest in surfing in the skies.** Among different age groups, it's Generation X — consumers ages 27 to 41 — who consistently express the strongest interest in using the Internet while on a commercial flight (see Figure 3-1). Gen Y travelers (ages 18 to 26) follow closely behind. Message to airlines: Your future generations of customers want this service. And although men are more interested than women in in-flight Internet access, the lead is fairly narrow — between five and seven percentage points, depending on the flight (see Figure 3-2).

- **Only on medium- and long-haul flights does trip frequency affect interest.** Don't build your business case by thinking that your frequent fliers will consistently show more interest than those who travel less frequently. On flights that last less than two hours — think New Orleans to St. Louis — trip frequency doesn't really affect interest (see Figure 4). But on flights of two or more hours, where the need to stay in touch increases among travelers, you can expect to see many more frequent travelers express interest in airborne Internet access.

Figure 1 The Longer The Flight, The Greater The Interest In In-Flight Internet Access

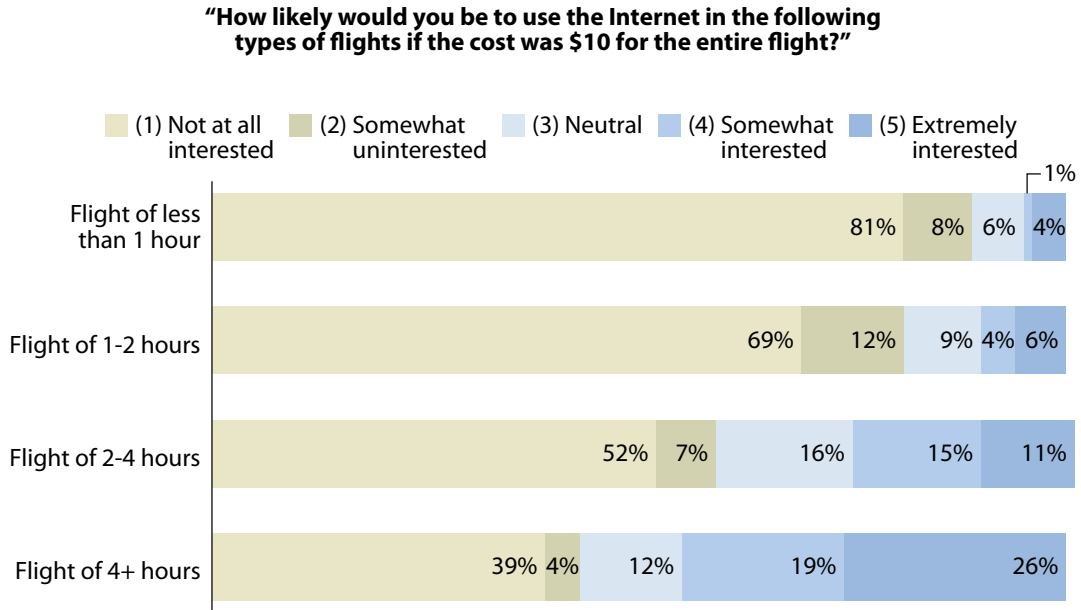
“How interested would you be in accessing the Internet while on the following types of flights?”



Base: US leisure airline passengers
 (percentages may not total 100 due to rounding)

Source: North American Technographics® Benchmark Survey, 2007

Figure 2 Most Passengers Want Free Internet Access, But 45% Will Pay \$10 For Long-Haul Flights



Base: US leisure airline passengers
 (percentages may not total 100 due to rounding)

Source: North American Technographics® Benchmark Survey, 2007

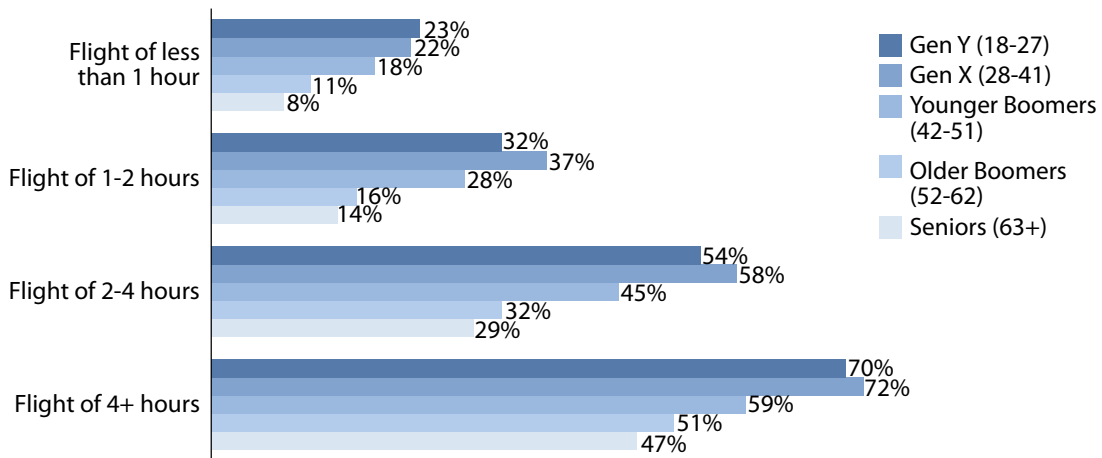
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Source: Forrester Research, Inc.

Figure 3 Young Men Are Most Interested In Using The Internet In-Flight

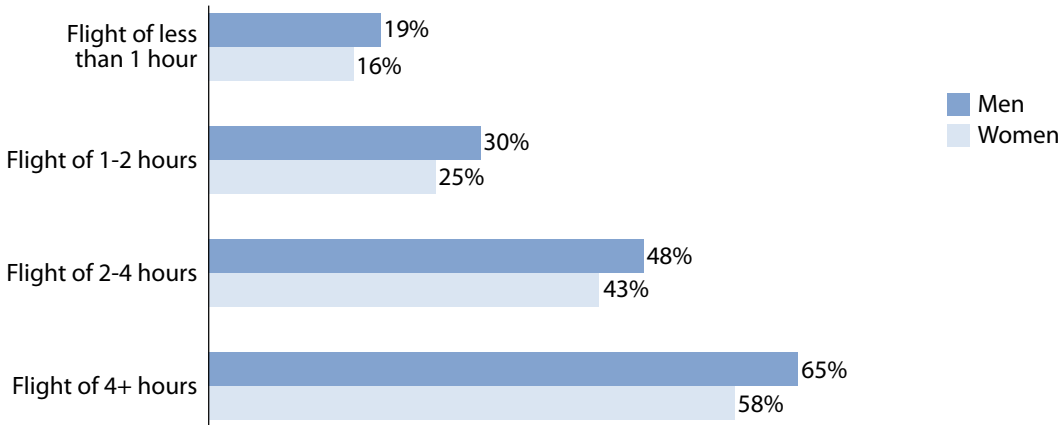
3-1 Gen X and Gen Y passengers are the most interested in going online at 35,000 feet

Percent interested in accessing the Internet on the following types of flights:



3-2 Men are only slightly more interested than women in using the Internet on a flight

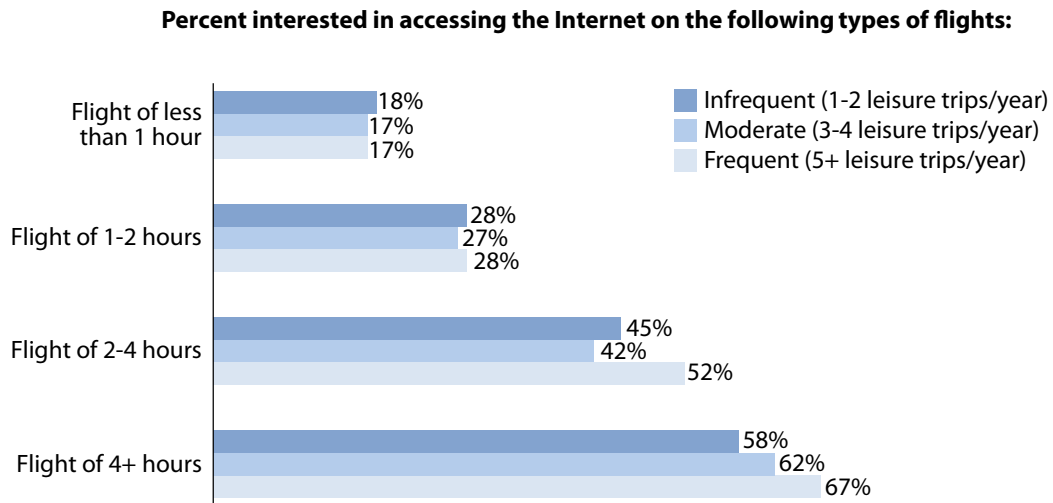
Percent interested in accessing the Internet on the following types of flights:



Base: US leisure airline passengers

Source: North American Technographics® Benchmark Survey, 2007

Figure 4 Only On Flights Of Two Or More Hours Will Trip Frequency Affect Internet Access Interest



Base: US leisure airline passengers

Source: North American® Technographics Benchmark Survey, 2007

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Source: Forrester Research, Inc.

In-Flight Internet Access Appeals To Airlines' Best Customers

US leisure passengers who show interest in going online on any flight account for 57% of all leisure passengers. Collectively, these passengers represent some of the most desirable travelers that an airline now has:

- **They have first-class demographics.** The demographics of US leisure passengers who want in-flight Internet access will cause even the most buttoned-up product manager to drool (see Figure 5-1). Their average age is 42, they have an average household income just shy of \$100,000 per year, and they're extremely well educated, with almost three in five holding college degrees.
- **They're more likely to be brand-loyal.** In an age where brand loyalty is as rare as a clean economy-class seat, leisure passengers who want to go online are noticeably more likely to be brand-loyal. Forty-one percent of US leisure passengers who want to go online view themselves as brand-loyal, versus 37% of all US leisure passengers. And they walk the walk: Seven in 10 belong to an airline loyalty program. If you think this lets you off the hook to not offer in-flight Internet access, you probably shouldn't work in the airline industry. Why? Thirty-one percent of Internet-seeking leisure passengers are actively brand-disloyal, and 46% belong to two or more airline loyalty programs. So if you don't offer Internet service on your flights, expect to lose a significant portion of your customers to airlines that do.
- **They're not bottom-feeders.** Airline product and pricing managers constantly bemoan how travelers appear to be unwilling to pay more for airline tickets. While offering in-flight Internet access won't eradicate this challenge, it will provide a way to engage passengers beyond just price — provided that marketing does its job well. Thirty-nine percent will pay a premium for better service, and 33% are willing to pay more for flights that offer a better experience (see Figure 5-2). And in what may be a somewhat sad reflection of how we live our lives, while 19% agree that not having the Internet on a plane allows them to relax, nearly 38% *disagree* with that statement. People may accept the fact that they can't smoke on a plane, but the addiction that consumers have with the Internet clearly won't be left on terra firma any more.

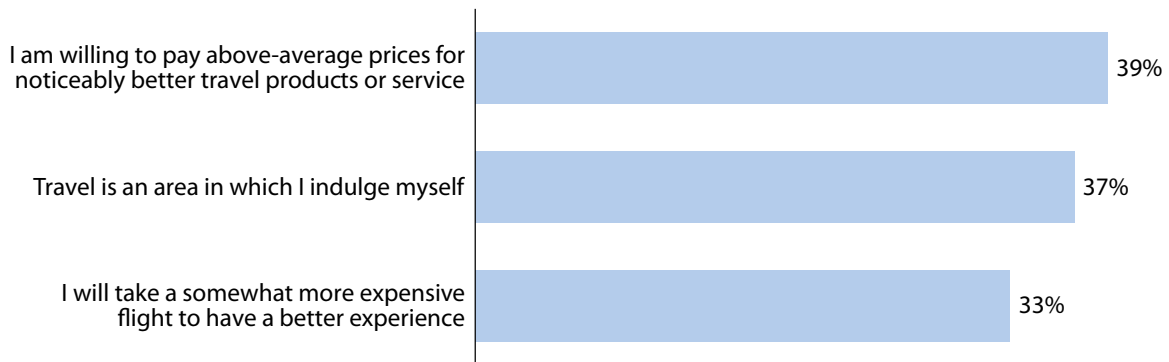
Figure 5 In-Flight Internet Access Attracts Premium Customers, Will Help Reduce Price-Shopping

5-1 Passengers who want to use the Internet on planes have first-class demographics

Average age	43
Annual household income (US\$)	\$99,696
Women	48%
College graduates	59%
Go online at least once a month	95%
Believe that they will be financially better off 12 months from now than today	41%
Average number of leisure trips/year	3.6
Annual leisure travel spending	\$4,000
Use mobile phone for travel-related data services	13%

5-2 Offering in-flight Internet access will help reduce passengers' price-shopping focus

**Percent who agree with the following statements:
 (4 or 5 on a scale of 1 [strongly disagree] to 5 [strongly agree])**



Base: US leisure airline passengers interested in using the Internet on any flight

Source: North American Technographics® Benchmark Survey, 2007

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Source: Forrester Research, Inc.

RECOMMENDATIONS

HOW TO MAKE IN-FLIGHT INTERNET ACCESS WORK FOR YOUR TRAVELERS AND YOUR CFO

Airline product managers who are building their business case to offer in-flight Internet access should bear the following points in mind.

- **Start by installing in-seat power on all your planes — in all your cabins.** It's 2007. With the majority of your leisure passengers toting laptops, depriving them of in-seat power is a short-sighted move — you will become more reliant on these passengers as older baby boomers start to retire and technologies such as virtual conferencing reduce business travel demand. Don't allow finance, maintenance, or other departments to dissuade you from this decision.
- **Don't feel compelled to offer Internet access for free.** Airline product managers need not wonder if they need to give away in-flight Internet access. Sure, passengers would like this for free, but intuitively, many will understand that this amenity isn't cheap to procure or maintain. Plus, if Starbucks can charge for Internet access on the ground, you can do so at 35,000 feet. Here's some advice on how to make it work. Be sure to give yourself some leeway to engage the traveler to generate both trial and ongoing usage. Offer a free trial to get passengers hooked. Consider allowing limited access to a "walled garden" of sponsored or partner content where you can benefit from advertising, revenue shares, or commissions. Consider a sliding payment scale tied to the flight's duration, customer loyalty status, or the fare booked. Sell a 12- or 24-hour access "package" that will cover time for connecting or return flights. Allow your crews to offer it for free as a customer service when a lengthy delay occurs. Accept alternative forms of payment, such as Bill Me Later, PayPal, or online bank transfers, to entice higher participation than relying solely on credit and debit cards.
- **Look at the Internet as the beginning of the end of "traditional" IFE.** Airline in-flight entertainment (IFE) equipment is heavy, and content licensing fees are expensive. So it's natural for airline product managers to wonder if in-flight Internet access will allow them to jettison their IFE equipment or avoid installing it on new aircraft. The answer? Not now — but it will be within three years. Nearly 64% of leisure passengers bring their own entertainment with them when they fly now. That's great, but if you turn off your IFE, you leave more than one-third of your passengers twiddling their thumbs — not cool. Plus, it is not currently either economically or technologically viable to use Internet access for TV or movie programming, and people want to do more than just look at Web sites. Even so, airline product managers have an opportunity to think creatively by testing some options once in-flight Internet access is available on your fleet. Test renting Wi-Fi-enabled laptops or other relevant digital devices with prepaid in-flight Internet access on specific city pairs, and measure response. If you see enough passengers either bringing their own devices or renting yours, then you'll know that you have reached the point where you can turn off your hard-wired IFE systems for good.

ENDNOTES

- ¹ Forrester's Consumer Technographics® segmentation groups consumers on three dimensions: income, technology optimism, and primary motivation. Technology optimism and primary motivation are based on attitudinal statements that we include in all of our syndicated consumer research. Optimism captures a consumer's eagerness, curiosity, and comfort with technology; we classify consumers as either "technology optimists" or "technology pessimists." Primary motivation reflects the leading driver of a consumer's behavior; we classify consumers as career-, family-, or entertainment-motivated, with the understanding that most people are driven by two or even all three of these motivations. See the August 26, 2005, "[Demystifying Segmentation](#)" report.
- ² US airlines that have not yet announced their in-flight Internet strategies include Aloha Airlines, AirTran Airways, Continental Airlines, Delta Air Lines, Frontier Airlines, Hawaiian Airlines, Midwest Airlines, Northwest Airlines, Skybus Airlines, Southwest Airlines, Spirit Airlines and United Air Lines.
- ³ Source: North American Technographics Benchmark Survey, 2007.

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