

DISRUPTING THE AIRLINE MARKET: FREE PASSENGER WI-FI

BRING IT ON 


inmarsat
aviation



“ Customers are accustomed to having access to free Wi-Fi during nearly every other aspect of their journey, and Delta believes it should be free when flying, too.

**Ekrem Dimbiloglu,
Director of Onboard Product, Delta**

[www.business traveller.com]

WHERE WE ARE TODAY

Inflight connectivity (IFC) on aircraft has become a hygiene factor. Airlines that don't invest in IFC – when all else is equal (ticket prices, schedules, corporate agreements, loyalty schemes) – put themselves at risk of considerable competitive disadvantage. Passenger demand is now well proven. What's more, our experience and research with airlines that provide free Wi-Fi can see take-up rates of 30%-40%. This often compares to less than 10% when passengers are charged for access.

Most airlines that provide IFC services today offer a basic palette of access and pricing features. These options enable passengers to use the service through a range of paths and at differentiated price points and plans, such as:

- Automatic direction to the portal (AutoCapture)
- Portal UX design and connectivity portal latency optimisation
- Airline loyalty points
- Voucher functionality
- Easy payment flow (credit cards, e-wallet)
- User accounts / subscriptions
- Dynamic pricing and upsell
- Ongoing retail price planning
- Marketing and communications
- Ticket purchase flow
- Integrating the IFC portal and IFC sales into the airline app

If take-up rates are to reach the 30%-40% mark, however, these features alone may not suffice. Over the last 15 years, the market has consistently suggested that passenger access should be instant, seamless and above all free in order to hit that 30% take-up threshold.

Lower bandwidth and equipment costs are the key to making Wi-Fi more readily available and sustainable for airlines. Costs have been trending down for years and this has enabled dozens of airlines to begin offering Wi-Fi across their fleets.

Jason Rabinowitz, Analyst, Routehappy

<https://www.phocuswire.com/10-years-on-airlines-begin-to-see-the-benefits-of-inflight-wifi>

We have surveyed approximately 30 airlines that offer free IFC access and found a clear trend: over the last two years, the use of free-of-charge IFC has accelerated steeply.

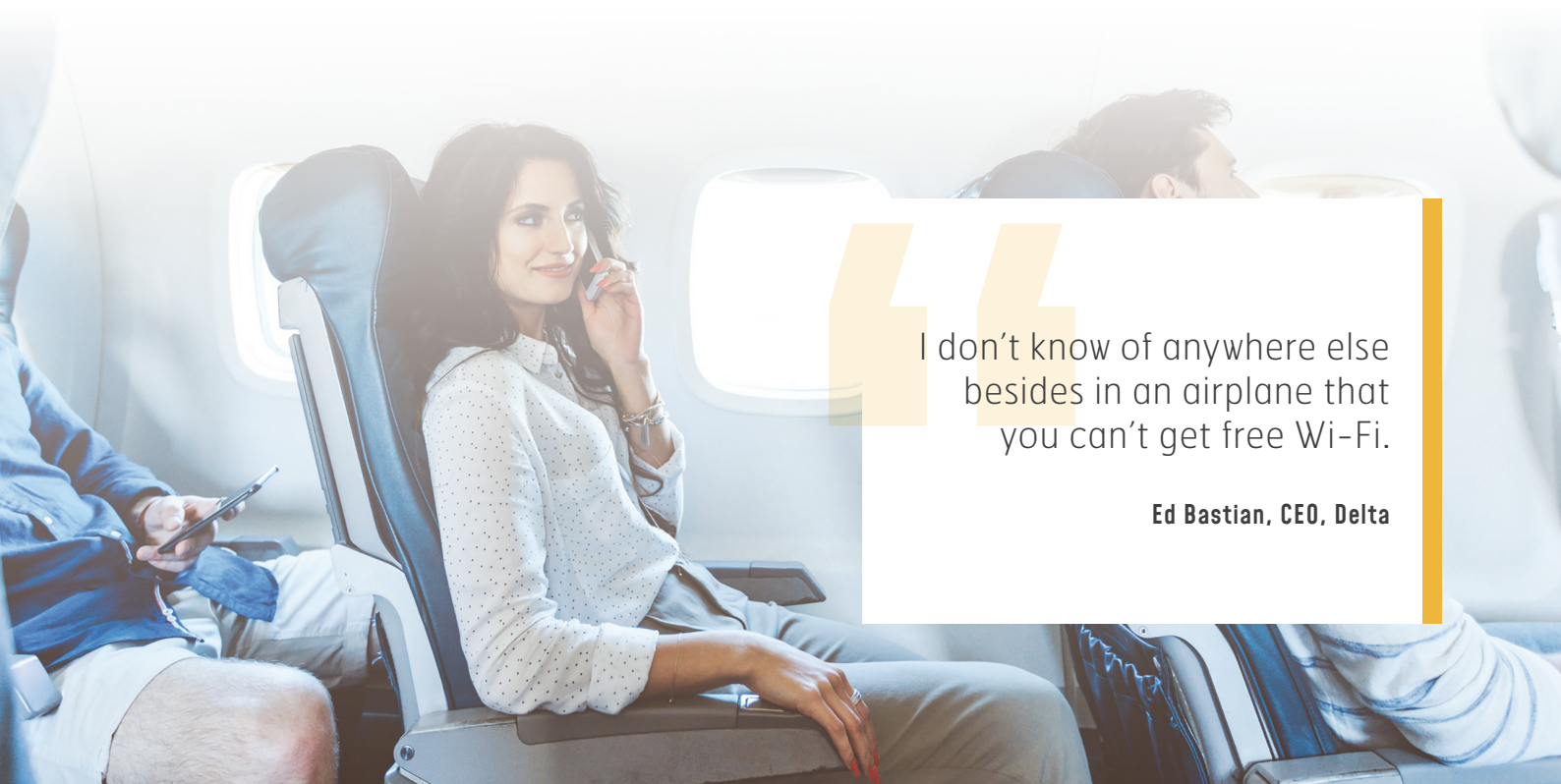
There are several factors contributing to the free-of-charge trend:

- **More than 80% of passengers in advanced economies have a smartphone** and are used to being always connected on the ground via cellular networks, at no incremental cost (over and above their monthly cellular subscription fee).¹
- **Competitive pressure between airlines is mounting.** Industry analysts estimate that the number of aircraft offering IFC will more than double over the next 10 years - from 7,400 aircraft in 2017 to 23,000 in 2027². Offering IFC will no longer be a differentiator in itself. Rather, airlines will need to use it in a way that differentiates their offer from the rest of the market, and free-of-charge IFC access is often at the top of passenger expectations.
- **Bandwidth available to the passenger is growing rapidly** with overall VSAT bandwidth growth expected to reach 120 Gbps in 2025³, thereby increasing the bandwidth available per aircraft. Higher bandwidth enables a richer and more compelling IFC 'as-at-home' experience.
- **HTS capacity price is decreasing** and the sponsorship of IFC is becoming more affordable for airlines and their partners. Analysts have noticed a consistent reduction in airtime wholesale pricing over recent years. This trend is predicted to continue towards 2027.

¹ <https://www.oberlo.co.uk/statistics/how-many-people-have-smartphones>

² <http://satellitemarkets.com/innovations-flight-connectivity>

³ http://www.euroconsult-ec.com/4_February_2016



I don't know of anywhere else besides in an airplane that you can't get free Wi-Fi.

Ed Bastian, CEO, Delta

A selection of airlines offering free-of-charge IFC - highlighting the trend of free-of-charge IFC that has accelerated steeply:

Airline	Free W-IFC proposition
AER LINGUS	Business class – free (up to 270MB allowed on paid plans)
AEROMEXICO	Free messaging
AIRASIA	BIG members – free up to 10MB with advertising/sponsorships/partnerships on portal
AIR CANADA	Super Elite 100K / Altitude Elite 75K – free with 12 month unlimited passes
AIR CHINA	Free 20-30 Mbps on domestic flights but not allowed on smartphones
AIR FRANCE	Free messaging
AIR NEW ZEALAND	Free messaging, browsing, streaming
ALASKA	Free messaging Free messaging and 1 hour free browsing for T-Mobile customers on Gogo-enabled flights
ALITALIA	Magnifica class – 50MB free messaging & email Premium Economy – 10MB free messaging
AMERICAN AIRLINES	Apple Music free streaming Free messaging and 1 hour free browsing for T-Mobile customers on Gogo-enabled flights
ANA	First Class – free messaging, browsing, streaming via vouchers distributed onboard Domestic Japan – free messaging, browsing via ANA app and email sign up
CHINA EASTERN	Selected domestic and international flights - free 258 ¥ (£30) worth of Wi-Fi on a trial basis
CITILINK	Free messaging, browsing, streaming
DELTA	Free messaging Free messaging and 1 hour free browsing for T-Mobile customers on Gogo-enabled flights Plans to expand to free Wi-Fi on all flights in next 2 years
EMIRATES	2 hours free messaging or 20MB of data First/Business and Skywards Blue/Silver/Gold/Platinum – free messaging, browsing Economy and Skywards Gold/Platinum - free messaging, browsing Economy and Skywards Blue/Silver – discount on paid plans
ETIHAD	90MB free
FINNAIR	Finnair Plus Platinum – whole flight free messaging, browsing on intercontinental flights / 30 mins free messaging, browsing, streaming on EU/ME flights Business Class / Finnair Plus Gold – 1 hour free messaging, browsing on Intercontinental flights / 30 mins free messaging, browsing, streaming on EU/ME flights Free portal access for newspapers, duty free, destination guides

FIGURE 1: A SELECTION OF AIRLINES OFFERING FREE-OF-CHARGE IFC

Airline	Free W-IFC proposition
GARUDA	First Class – free messaging, browsing using voucher Airbus – 15 mins free (up to 30 MB)
HAINAN AIRLINES	130MB free
HONG KONG AIRLINES	15 mins free with no data limit but speeds capped at 64kbps, unlocked after a short video
ICELANDAIR	Saga Premium / Saga Premium Flex / Economy Flex / Saga Gold – free messaging, browsing for 2 devices
JAPAN AIRLINES	International – First Class free unlimited data and limited promotion for JMB Diamond and JGC Premier members Domestic – free messaging, browsing
JETBLUE	Free messaging, browsing, streaming for all in partnership with Amazon
KLM	Free messaging
LUFTHANSA	First Class on long-haul – free messaging, browsing using voucher
NOK AIR	Free on 2 aircraft – download 8Mbps / upload 768 kbps
NORWEGIAN	Free messaging, browsing, streaming
PHILIPPINE AIRLINES	Business class – 115MB free All – 15MB free
QANTAS	Domestic flights – free messaging, browsing, streaming with advertising/sponsorships/partners on portal
QATAR AIRWAYS	Premium on selected routes - free 1 hour messaging, browsing when booking via qatarairways.com only
SAS	SAS Business / SAS Plus / EuroBonus Diamond and Gold – free messaging, browsing (+ streaming on international flights)
SAUDIA	Free messaging First/Business and Al-Fursan Gold/Silver members – 10MB free Discounted prices if purchase W-IFC through saudia.com
SINGAPORE AIRLINES	Suite/First Class - 200MB free (100MB on older system) Business Class / PPS Club members / supplementary card holders – 100MB free (30MB on older system) Free messaging, browsing for roaming customers via SITAONAIR and Panasonic
SOUTHWEST AIRLINES	Free IFE and live TV
TAP PORTUGAL	Long-haul flights – free messaging
TURKISH AIRLINES	Business class and Miles&Smiles Elite/Elite Plus members – free messaging, browsing Miles&Smiles Classic/Classic Plus members – 10MB free
UNITED AIRLINES	Free messaging and 1 hour free browsing for T-Mobile customers on Gogo-enabled flights
VIETNAM AIRLINES	Free messaging for 30 minutes
VIRGIN AUSTRALIA	Domestic flights – free messaging, browsing
XIAMEN AIR	Free messaging, browsing for all by applying for verification code via website or app pre-flight; capped to 50 applicants per flight

FIGURE 1: A SELECTION OF AIRLINES OFFERING FREE-OF-CHARGE IFC



While some airlines have moved into offering limited free IFC or free messaging on flights, JetBlue is currently the only US airline that offers free unlimited IFC to all its customers. Delta's intention is to offer it too, with their CEO, Ed Bastian, recently quoted as saying "I don't know of anywhere else besides in an airplane that you can't get free Wi-Fi".

However, it's JetBlue's innovative partnership with Amazon – JetBlue's TrueBlue reward members earn points for shopping on Amazon and in turn receive free Wi-Fi – that enabled JetBlue to lead the way in free sponsored IFC across the industry.

Japan Airlines (JAL) is also a pioneer in this field. Since 2017, it has offered free Wi-Fi onboard its domestic flights, allowing it to increase customer satisfaction and stand out from airline competitors and public transportation. Having recognised that free Wi-Fi was an expectation of its passengers, JAL has also replicated this approach on international flights, where First Class passengers are now entitled to complimentary internet access onboard. In addition, it has partnered with Wire and Wireless Co Ltd. (Wi2) to offer free Wi-Fi access throughout Japan to their overseas passengers visiting the country, ensuring seamless connectivity in the air and on the ground during their trips.

“Our [JetBlue's] partnership with Amazon has been very successful. We started with content streaming and extended into shopping. I think it's a great opportunity. It's not so much about charging but about finding a way to fund [Wi-Fi] but keep it as part of the passenger experience.

**Eash Sundaram,
CIO, JetBlue**

<https://www.phocuswire.com/10-years-on-airlines-begin-to-see-the-benefits-of-inflight-wifi>

HOW AIRLINES CAN MONETISE FREE-OF-CHARGE IFC

Providing free-of-charge IFC to passengers does not mean that airlines cannot monetise IFC. The simplest way to monetise IFC is indirectly through sponsorships.

Since passengers' choice of airline will be somewhat influenced by the availability of free-of-charge IFC, airlines will see an upside from sponsored IFC through overall improved retention and acquisition rates of passengers. The financial upside will be captured through increased revenues generated from improved ticket sales and load factors as well as improved Net Promoter Scores (NPS).

Today, most connected domestic flights within the US offer some degree of sponsored IFC, mostly free-of-charge messaging, and the trajectory is towards airlines offering more free connectivity and bandwidth for free.

It should be noted that a growing number of airlines across the world pursue this business model. JetBlue, JAL, Norwegian, Air New Zealand, Emirates and Virgin Australia all offer comprehensive free-of-charge IFC plans to all of their passengers. Some airlines, such as Finnair and SAS, choose a variation of this model, offering free Wi-Fi to a select number of their passengers such as high-value customers.

There are also new free-of-charge business models that offer the promise of generating ancillary revenues. These business models are more complex though and largely rely on which enabling retail features and services are offered by the IFC provider.

They are based on the fundamental premise that capacity cost is dropping, bandwidth is increasing, and new in-cabin features are making IFC both more affordable and attractive to sponsors, affiliate partners, advertisers, and roaming partners. These new ancillary revenue models may be outlined around a hierarchy of IFC needs and monetisation opportunities, see Figure 2.

“Our customers expect to be connected everywhere, whether that be from the comfort of their sofa or 35,000 feet above it. That’s why we’re so proud that JetBlue is now the only airline [in the US] to offer free, high-speed Wi-Fi, live TV and movies for all customers on every plane.

Jamie Perry,
VP of marketing, JetBlue



CONNECTIVITY HIERARCHY OF NEEDS

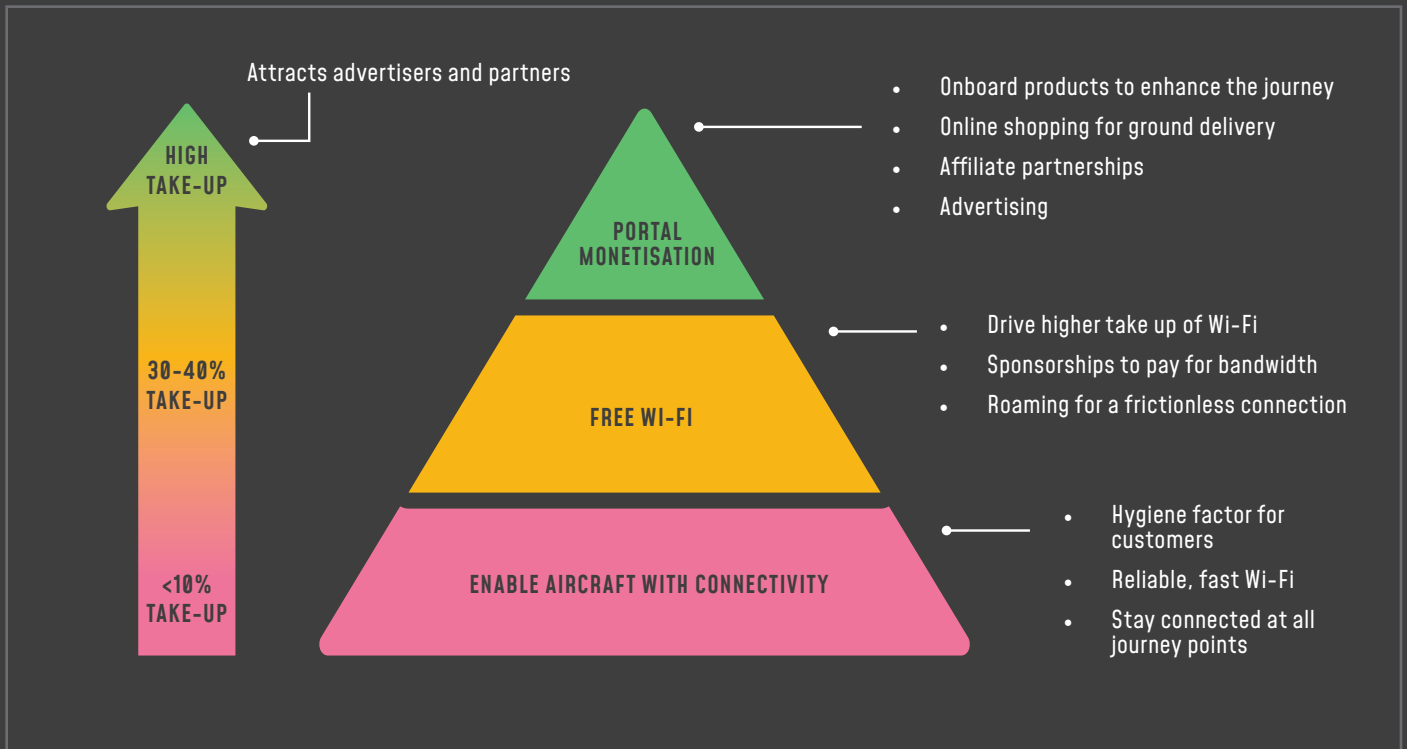


FIGURE 2 - HEIRARCHY OF IFC NEEDS

Another model is offered by those mobile network operators that wish to 'extend' their mobile coverage into the aircraft cabin through a roaming distribution agreement. Under this agreement the airline sells IFC airtime on a wholesale basis to the mobile network operator, which then in turn provides the IFC to its subscriber base.

Until recently, airtime pricing was too high to persuade roaming partners to include inflight roaming in their retail subscription plans. This has changed, however, and airtime pricing can now be sold to roaming partners at mass market wholesale rates and still allow for a margin for the airline.

Just as importantly, a new Wi-Fi roaming technology – Passpoint – is now being pioneered by Inmarsat, which will allow passengers seamless roaming access to IFC, in a manner similar to what users experience through regular terrestrial roaming services. Passpoint roaming is already being offered to mobile users at many Wi-Fi hotspots, such as the London Underground.

Other IFC sponsor prospects are the existing affiliate network partners of airlines – credit card providers, car rentals, tour operators, etc. – as well as consumer-oriented businesses in the digital space.

These already deliver most digital advertising and affiliate partner revenues on regular internet sites. They will have a high propensity to sponsor IFC and deliver other IFC revenues through advertising and affiliate partner agreements in return for engaging with passengers.



For the past year or so, we've been working towards a goal to get the system to a high enough level of reliability and bandwidth that we can make Wi-Fi free for our customers. We're excited at the progress we're making towards that goal.

Scott Kirby
President, United Airlines

...industry experts expect Delta will continue down the full-time free Wi-Fi path ... and that other airlines will have no choice but to follow.

<https://cnb.cx/2MPPNGI>

We're delighted with the uptake of our free inflight Wi-Fi and have had great customer interest since its introduction with travellers from around the world finding it a fantastic way to be able to stay connected with their friends and family.

Mike Tod,
Chief Marketing and Customer Officer,
Air New Zealand



Inmarsat recommends an enhanced media portal with agency, billing and back-end integration features to drive portal monetisation. This provides sponsors, affiliates and advertisers with the targeting, reporting and media inventory that is required to provide them with a positive return on investment.



Our Global representatives are ready to help. For further information on Inmarsat's innovation, please visit our website or get in touch with our team.

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