Estimating Occupancy Rates at Delta Sky Clubs

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Turn Sky Clubs into a key element of the premium travel experience

- About 50 locations, almost all of them domestic

- Significant investment over the last few years (new locations, renovations, furniture, food…)

- Turn Sky Clubs into a key step of the premium travel experience and a differentiator with competitors

Access Policies

- Subscription and Inclusive
  - Sky Club Membership
    - Paid
    - Complimentary: Choice benefit for Diamond Medallion members
  - Ticket
    - International Business Class on DL and partners
    - Delta One in transcon markets
  - Loyalty Benefits
    - Skyteam Elite Plus on international itineraries (including in coach)

- Stand-alone Transaction
  - Single-Entry Pass ($59)
  - Credit Card Partnerships
    - Complimentary: Delta Reserve, Amex Platinum & Centurion
    - Reduced Fee ($29): Delta Platinum & Gold

Opportunity to increase both customer satisfaction and revenues

- Overcrowding is one of the top complaints in customer surveys
  - Observed/Perceived occupancy is higher than actual occupancy
  - Airports with multiple clubs represent 66% of Sky Club entries
  - Need approach to manage demand across clubs
  - Mitigating overcrowding should improve customer satisfaction and increase NPS

- Opportunity to increase revenues
  - Single-entry pricing set at $59 to discourage demand
  - It works: only 5 daily entries per club
  - Occupancy varies widely across locations and TOW

Estimating Occupancy Rates

- Need to estimate when customers leave the Sky Club
    - Very accurate recording of Sky Club entries
    - Exits from Sky Club are currently not recorded
    - Hardware solutions somewhat immature and expensive to deploy (employees, luggage…)
    - Current estimates of dwell time are based on scheduled flight departure times and might be inaccurate
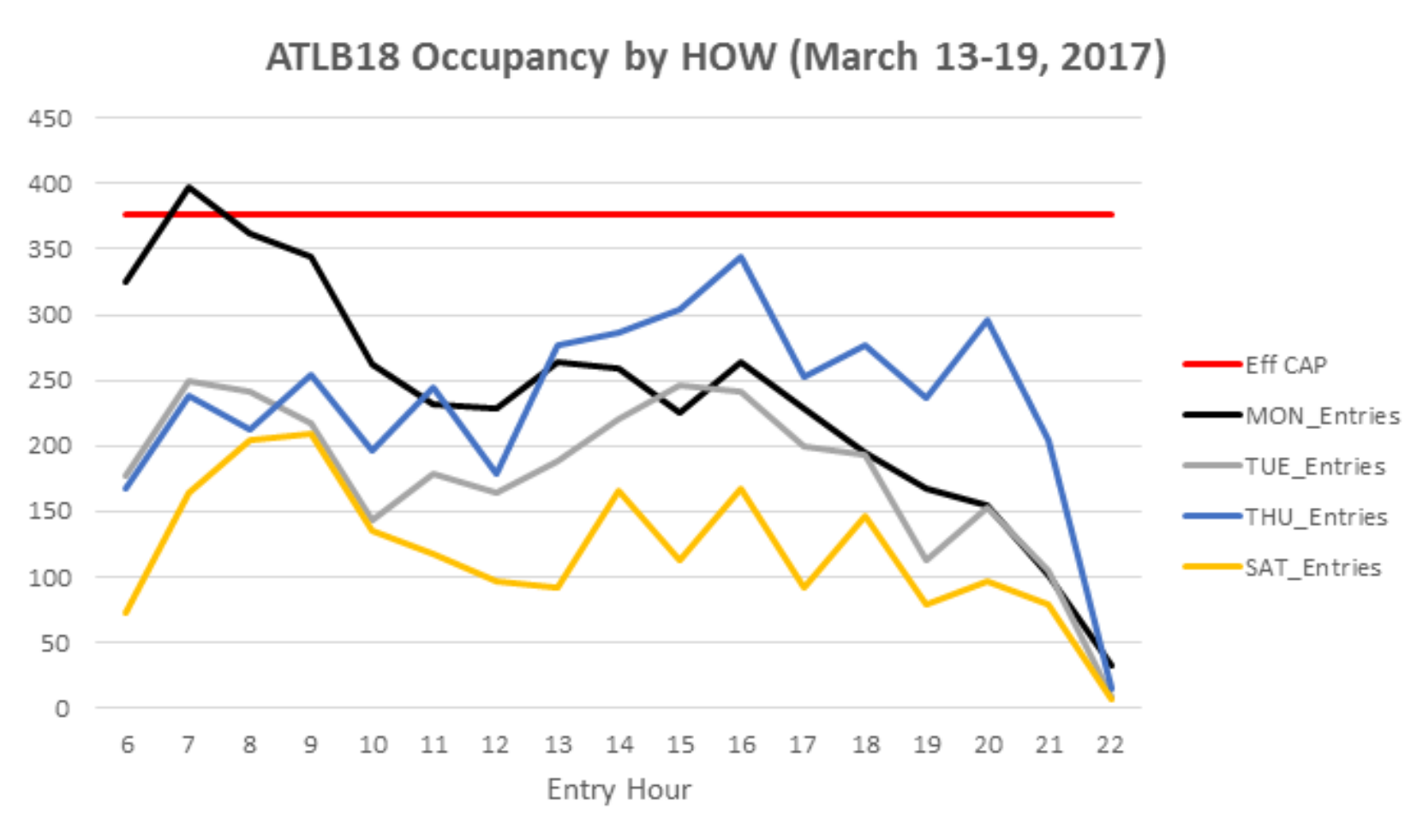   - Opportunity to improve by leveraging available data sources

More accurate estimates of occupancy rates

- Current approach is uniform and simplistic
  - Scheduled flight departure time – 15 minutes

- Our approach is to leverage multiple existing data sources
  - Sky Club entry scans
  - Boarding time scans
  - 95+% match rate
    - Codeshare partner entries
    - Entries on arrival
  - Boarding time – 15 minutes

# Current approach over-estimates dwell time and occupancy rates

2016 SKY CLUB MEDIAN DWELL TIME (min)

2016 SKY CLUB OCCUPANCY RATES
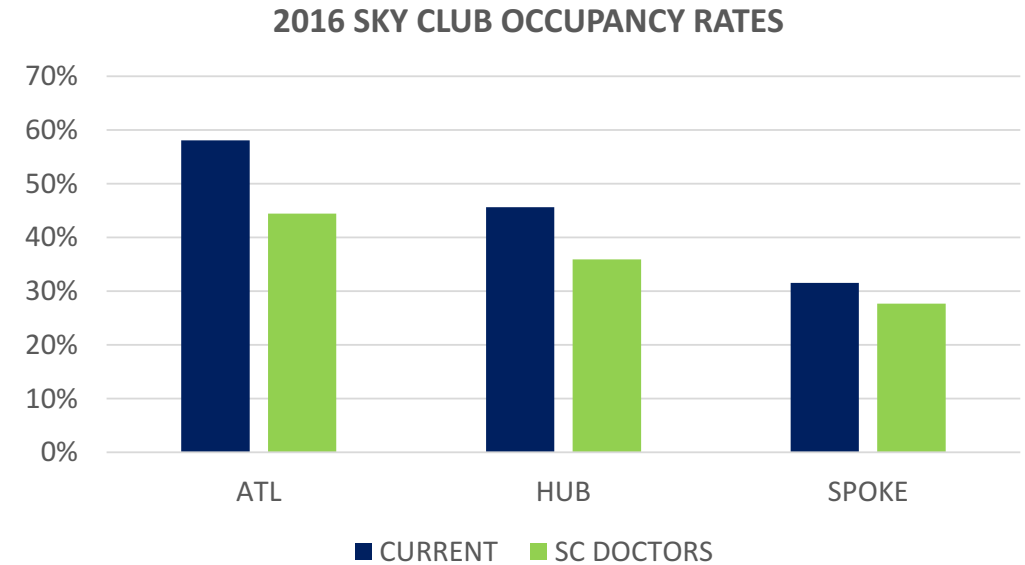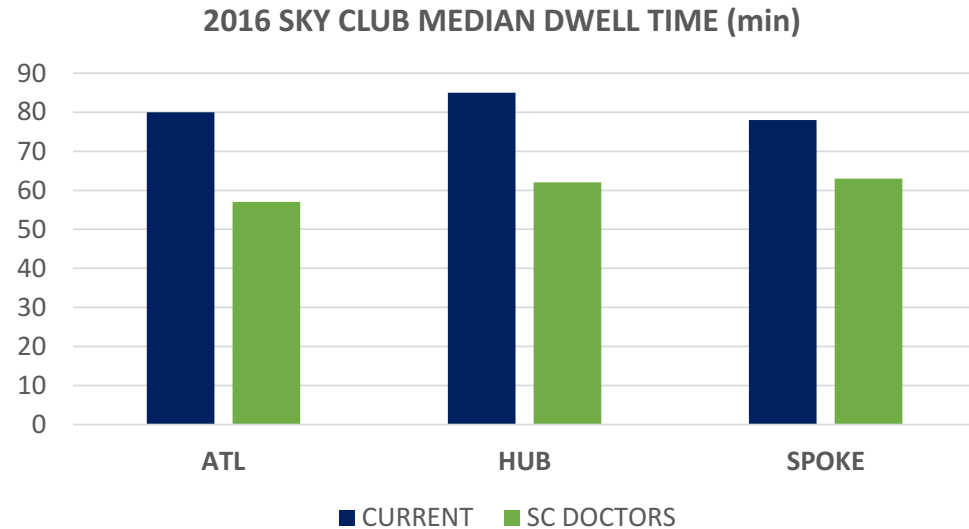
Demand varies a lot by TOW

ATLB18 Occupancy by HOW (March 13-19, 2017)

Visualization prototype

– mitigate overcrowding through occupancy display and pricing at peak times

Smart Data Travel Summit
Miami, FL

3/19/18

DELTA AIR LINES, INC.

Increase Revenues through messaging and dynamic pricing at slow times

- Push notifications through the Delta fly app
  - Amex credit card holders
  - Free trial for first-time customers, especially emerging high-value customers and millenials

- Dynamic Pricing for day passes and guest access
  - Vary day pass pricing based on occupancy estimates
  - Special offers such as BOGOs for guest access

- Estimate **$20-30M** revenue potential
  - Increase day pass and paid guest access by 1M
  - High-margin business with low variable costs
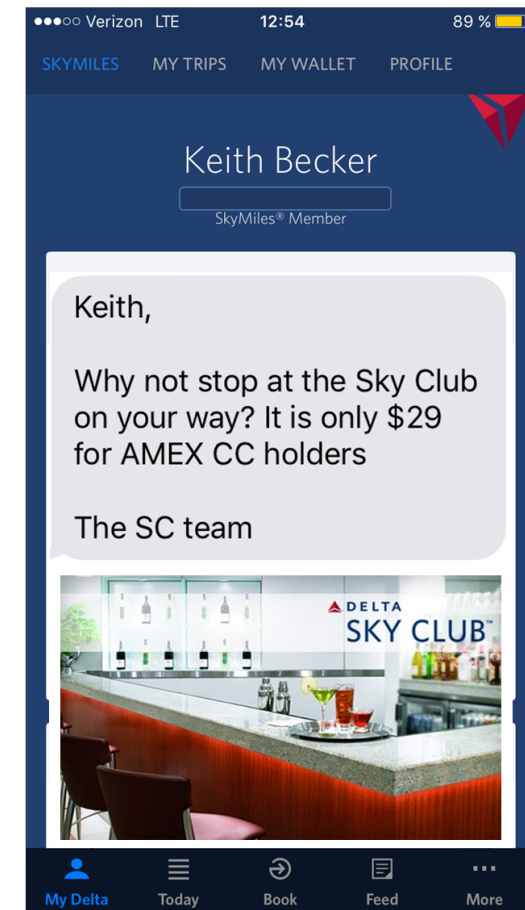
Next Steps

- More granular estimate of club departure time
  - Vary based on club location relative to boarding gate

- Dynamic Pricing for day pass and guest access
  - Vary Pricing by Club and TOW based on historical occupancy: peak, shoulder and off-peak
  - Dynamic Pricing and Offer Generation based on real-time occupancy

Thank you

Questions?