

the IFE system and what programming is being carried, drive ticket sales to destinations, promote the services of travel partners, raise awareness of frequent flier programmes, and help sell duty free products.

- **Passengers** read them because the content is (hopefully) relevant to their interests and their journey (and also because they are locked in an aluminium tube with not much else to do).
- **Advertisers** support them because they understand magazines and display advertising as a medium. It fits into a traditional advertising category (print), and there's nothing that they like more than a quantifiable, targeted, affluent, and captive audience.
- **Inflight publishers** can produce them profitably at no cost to airlines because the airlines give them a brand and distribution platform on which to hang their hat, because it's relatively easy to create content for a pre-defined audience, and because companies are willing to buy advertising in them.



Why Most Other Ambient Media Doesn't Work As Well As Inflight Magazines

It's only recently that I fully realised that there's no pot of gold waiting to be found in ambient media (by ambient media I mean things like advertising on headrests, napkins, overhead lockers, airline lounges, aircraft fuselages, etc.).

Before I explain why I think ambient media will not generate significant revenues for airlines, it would be useful to consider why the perceived potential of ambient media has captivated the imagination of many of our airline clients.

Although airlines have been selling various forms of sponsorship and ambient advertising for years, the airlines with the most open-minded approach to ambient media have been low-cost carriers (LCC). This is the result of a general focus on increasing revenues and decreasing costs wherever possible, but has been accentuated by the carriers' focus on maintaining high growth rates.

The LCC need a growth story to maintain their valuation premiums over legacy carriers. So as it has become clear that the deregulation and cheap-credit-fuelled growth of LCC were levelling off in many parts of the world, many chief executives of LCC started promoting the untapped potential of ancillary revenues. This catch-all revenue category includes everything from consumables to inflight retail to baggage charges, insurance, portable IFE players, ambient advertising and a host of other revenue-generating ideas.

On the media side, this meant that everything was for sale: bags, cups, trays, napkins, aircraft fuselages, menu cards, boarding passes, passenger tags, headrest covers, meal boxes, in-lounge advertising, email newsletters, display advertising on

websites, contextual/text-based advertising on websites, PA announcements ... even putting ads on cabin crew uniforms and charging to use the toilet.

Soon previously prudish flag carriers (who would never have considered this sort of onboard brand dilution/media invasion before) jumped onboard. This was an about-face that can only be explained by a fear that rapidly growing LCC were on to some secret sauce, and they didn't want to be left behind. Simultaneously, the dramatic rise in fuel prices last year caused general panic among airline executives and managers, who were suddenly scrambling for any and all incremental revenue. Damn the torpedoes!

Aside from the brand issues (do you want to have your onboard environment taken over by a brand of bank or telecom company?), in this rush to develop new advertising opportunities, we ourselves got excited and forgot the basic reasons why print magazines work. A few companies have had limited success with ambient, but there are problems with many of these advertising vehicles:

- **No side benefit to the airlines or passengers:** The media being sold often doesn't help to promote the airlines' partners or products like a magazine, or to entertain passengers, and the revenues realised are relatively small.
- **Logistical and fulfilment complexity:** Delivering a regular monthly magazine to a seatback meshes nicely with an airlines' existing ground services and cleaning routines. Arranging for headrest covers to be changed or swapping out all your existing napkins or tray tables is a time consuming and logistically challenging process. Furthermore, we find that anything that involves multiple departments in airlines is remarkably difficult to arrange.
- **Erratic distribution and/or limited visibility:** For advertisers this is a killer issue. Given the complexity of many airlines' base and route structure, it can be difficult to consistently fulfil the media (and thereby deliver on what you've promised). Often the media being sold is not visible to all passengers or advertisers, so it becomes difficult to explain and sell. It's difficult and expensive to place and police media being put in lounges and ticketing desks around the world. Bags, cups, trays, napkins, refreshment packs, meal boxes, menu cards, luggage tags, and headrest covers all have limited visibility and often suffer from erratic distribution. Sampling involves too many airline departments and operational complexity.
- **Misalignment with traditional advertising categories:** Media agencies have budgets for TV, radio, print, direct mail, and now internet (more on the potential of the internet later). If your media doesn't fit into one of these pigeonholes, you're in for a long, hard slog. I often get in trouble by saying that the problem with selling clever new media ideas is that we are selling advertising to 23-year-old media experts straight out of college (I do mean this affectionately, though!). Advertising agencies have a great deal of experience with traditional media categories and can compare the effectiveness of, say, an ad in an inflight magazine with an ad in a newsstand magazine or newspaper. Buying ambient media often involves a leap of faith on the part of the advertisers and a lot of selling by the marketing or agency staff charged with convincing the client or the ultimate decision-maker that they should do this rather than just book another ad into the *Straits Times*, *Times of London*, or *New York Times* like they did last year. Think about it from the agency's point of view – why beat yourself up trying to sell a concept to a client when it takes you a tenth of the time to book another insertion into a proven media channel.



What Does and Will Work

Based on our experience selling advertising for airlines in 120 countries around the world, we have come to firmly believe that airlines interested in generating additional ambient revenues should heed the 80:20 rule: 80% of the revenues come from 20% of the products. By focusing their attention and energies on developing the types of media with the most potential, ambient media could generate significant revenues.

In addition to inflight magazines, the products we know have significant potential are:

- **Email advertising** (reservation confirmations, boarding passes, email destination guides, frequent flier programme member emails, email lists)
- **Online advertising** (on both online versions of inflight magazines and on airline websites themselves)
- **Inflight retail catalogues/magazines** (especially when the airline takes control of the placement fees paid by the duty free product suppliers, instead of leaving it to inflight retail concessionaires)
- **IFE advertising** (though given the intermittent nature of the sales process, the best way to sell this is as a package with other more regular media)

We believe that airlines that focus on developing these media channels will see much greater returns than those that adopt a scattergun approach with a large portfolio of media opportunities.

The reasons why these media work are exactly the same reasons inflight magazines work:

- **Airlines:** Email, internet, inflight retail and IFE media provide channels for airlines to build their brands, communicate with their passengers, and promote their products and services. Distribution of these media is easy, comprehensive and inexpensive.
- **Passengers** find email destination guides, online magazines, inflight retail offerings, IFE programming useful, and relevant online advertising of interest. They also represent a captive audience: you need to print your boarding pass to get on the plane, and more likely than not, passengers will watch one of the top movies offered on medium- and long-haul flights.
- **Advertisers** will support these media because they fit neatly into standard media categories (internet, print and television). Publishers are able to quantify and segment who they are going to reach, often even by origination and destination. This is an added attraction to advertisers. Once again, there's nothing advertisers like more than a quantifiable, targeted, affluent, and

captive audience.

- **Inflight publishers** can produce email, internet, and (to the extent that airlines have deployed the latest AVOD systems) IFE content profitably at no cost to airlines. The airlines give them a brand, audience, and distribution platform on which to hang their hat.

It's About Focus ... Not New Technology

The reasons why inflight magazines are here to stay have to do with the nature of media, regardless of developments in technology. More sophisticated IFE platforms and increasing onboard connectivity certainly present new opportunities to develop new revenue streams, but the old rules still apply.

At Ink we have found that by focusing on inflight publishing (at the expense of newsstand, contract, or general travel publishing) we've been able to understand our clients and market better, in the process building a more global reach with scale and competitive advantages. In particular, the strength of our creative and sales teams has enabled us to offer better products and financial terms to our clients.

The products that succeed are (and will be) those that benefit their host airlines, that are relevant to passengers, and that fit neatly into mainstream advertising categories. By focusing on ambient media products that best serve those stakeholders, we believe airlines can realise revenues that dwarf their current earnings. *Jeffrey O'Rourke began his magazine publishing career in San Francisco with local magazine San Francisco Focus. In early 1999 he briefly joined London-based internet startup icollector.com, where he pioneered the development of interactive auction content. Jeffrey left icollector in mid 2000 to found eSubstance, an online-offline publishing company, which then acquired Ink Publishing in 2004 (at the same time taking the name of the acquired company).*

Since then, Ink Publishing has grown from publishing three inflight titles to producing more inflight magazines (37) for more airlines (32) than any other publisher in the world. The company now publishes print and online magazines in 17 languages and in 22 countries, and sells advertising in over 120 countries around the globe.

As Ink's Chief Executive, Jeffrey is responsible for Ink's corporate strategy, global business development, and corporate communications.

