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How Will Social Networking Change Air Transportation?

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Social networking is the dynamic and almost constant exchange of real-time status data between individuals who have organized themselves into groups by "friending" or "linking" with each other. For the most part, there is not much value in knowing that your old high school classmate is eating a pepperoni calzone in downtown Rochester. However, air transportation businesses are beginning to explore the commercial opportunities associated with social networking, and it may change the industry.

Delta Airlines recently rolled out a Facebook-based system that allows travel booking, with the added ability to invite or join others in a given itinerary or permit "friends" to select proximate seating. Time will tell whether this function has positive revenue impact; however, as with any new method, it may create a meaningful distinction between services that are otherwise purchased largely on price. Consistent with current airline business models, it may also create an opportunity to attach a fee to a valued service. For commercial airlines, social networking enhances the way that things are currently done.

In the on-demand air charter world, social networking may have a much greater impact and may change the way flights are chartered. The most meaningful distinction between an airline and a charter carrier is that only an airline (holding economic authority from the Department of Transportation (DOT)) can sell seats on a pre-scheduled flight. Charters are restricted to on-demand service (meaning service responding to the requested itinerary of the charter customer). Once a charter is sold, any effort to sell empty seats or the positioning or return flights runs afoul of the prohibition on selling prescheduled air transportation. The inability to sell seats and empty legs keeps charter travel very expensive and is an inefficient use of equipment.

Before the growth of social networking, the most creative efforts to spur the sale of charter "seats" and empty legs focused on the Federal Aviation Administration (FAA) and DOT rulings distinguishing between on-demand and scheduled operations. The FAA offers some wiggle room by allowing seats and flights to be sold provided a key element (*i.e.*, origin, destination or timing) is not specified. But that limitation severely inhibits the ability to fill aircraft.

Social networking and smart phones have introduced an entirely new capability, leveraging real-time status, GPS location and special-purpose applications (apps). At this point (and things move quickly), these functionalities have created two new ways to generate charter bookings.

First is the ability for groups to easily and automatically form up before securing charter service (the "group-then-go" model). The group-then-go model skirts a major regulatory impediment to selling charter travel by the seat. If an individual charters an aircraft, and then attempts to sell the extra seats, that individual is unlawfully selling scheduled air transportation without DOT authority to do so; and the charter operator would be engaged in scheduled transportation without FAA authority. However, if a group of people find each other, and collectively decide to charter an aircraft (group first, then go charter), then nobody is engaging in the sale of scheduled service, and it is a legitimate, on-demand service. Social networking (and charter-specific apps) will allow people with similar travel needs to find each other, and, if so inclined, book a charter-all in compliance with applicable law. Smart phone apps referencing current location, home location and itinerary may take the first step in helping travelers find others who may want to share a charter.

Second, smart phones and social networking are capable of redefining the form of bidding and booking that fits within the definition of "on-demand" air charter. If my phone knows where it is (and therefore where I am), and it knows where "home" is, then any time I am a certain distance from home, I can program my phone, via an app, to send out a request for a charter quote to get me back home. This becomes even more robust if it can draw scheduling data from my calendar. Although there is no clear law on this point yet, if the "demand" for a charter quote is generated by my phone based on my instructions to do so-even if automated-it is likely that the responsive charter service would be "on-demand." Moreover, if my "demand" gets aggregated with those of others prior to requesting a quote for charter service (employing the "group-then-go" method described above), then the cost of charter can be fractionalized.

As with Delta's foray into Facebook-booking, there are a handful of players launching the social networking era of air charter. Victory will go to the venture that develops the best app, and gets it onto the right smart phones and the most smart phones. Early efforts to sell charter online (circumventing the traditional charter broker model) have enjoyed limited success. Time will tell if this initiative gains momentum. Today, regular users of air charter service are a small fraction of all air travelers, but if social networking succeeds in fractionalizing the cost of charter, that pool of regular charter customers could be several times larger than the current pool-still a small number of elite travelers, but a boon to the air charter industry. All of the added charter customers will be recruited from the ranks of first-class airline passengers. The battle is joined. For additional information see Group-Then-Go Sites at: www.wannajet.com, www.socialflights.com, www.flygreenjets.com and www.cogojet.com.