

# LINKING LOYALTY

For revised frequent flyer offerings to be successful, airlines must tie them to overall business strategies, says Ravindra Bhagwanani, managing director of Global Flight

“Recent developments in frequent flyer programmes show that they are going through a process of transition, with a variety of trends identifiable.

Delta Air Lines, United Airlines and South African Airways have made headlines by moving their programmes to a revenue basis, although several low-cost carriers were actually first to adopt that concept. SAA has also switched the redemption side entirely to a revenue basis, something most other carriers have typically refrained from.

The no-frills sector is engaged in a drive to launch loyalty programmes. Cebu Pacific Air is one of the latest examples and more are in the pipeline. This puts EasyJet, with its awkward loyalty approach – basically consisting of a dedicated reservation phone number, but no earn/burn component – even further into isolation.

Other existing low-cost carrier programmes are meanwhile becoming forces for innovation in the market, a move reflected by JetBlue and Azul being two of the four winners at the recent *Airline Business*/Global Flight Loyalty Awards, with Southwest and Germanwings close runners-up.

## COMMON CURRENCY

Another trend, followed by two programmes, is a move to persuade others to adopt their loyalty currency. Avios has convinced Italian carrier Meridiana, not part of Avios operating airline group IAG, to adopt the currency. Etihad has similar ambitions, but has not yet moved further, in spite of its stakes in the spin-off programmes of its equity partners Air Berlin, Jet Airways and Alitalia.

The corporate set-up of FFPs also continues to be an issue at many carriers. Nobody is still expecting a big wave of full spin-offs as some wrongly predicted a few years ago, and the Air Can-



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Managing director, Global Flight

ada programme Aeroplan risks remaining the only example with a full spin-off programme for some time. But while some airlines such as Virgin Australia or Gol have recently pursued opportunities for a partial spin-off of their programmes, Qantas has, to general surprise, declared that corresponding plans were shelved.

Then there is a move towards coalition programmes, probably the most fashionable term in the industry these days. Without necessarily making a distinction between the true concept of a coalition programme – the sharing of data between different businesses – and the simple extension of partner networks, several medium-sized FFPs are now aiming to become “coalition programmes” in their own words, including those belonging to SAS, El Al, Air India and Garuda Indonesia.

The concept of co-branded programmes has never really gained momentum, in spite of some prominent players praising the corresponding benefits. The price to pay in terms of giving

away core customer data and forging future financial opportunities is simply too high to make it a first choice, even for small independent carriers. Two airlines that previously opted for that model are now working on an exit strategy by launching their own programmes, in what might be the beginning of the end for that concept. Copa is one of these. But even fellow Star Alliance partner Brussels Airlines is heading down that road despite being owned by Lufthansa, whose Miles & More programme it currently uses on a co-branded basis.

## ELITE STATUS

Finally, some larger programmes work on a completely different, more traditional partner front: United has streamlined its car rental partner portfolio to channel as much business as possible to its newly designated preferred car rental partner, Hertz. Emirates has recently copied Delta’s idea to deepen its relationship with Starwood Hotels and Resorts by recognising mutually the elite status of members of the partner’s programme to a certain degree.

The conclusion from these developments is that there are not simply two or three global trends. More than ever, successful loyalty programmes reflect individual strategies. It may sound like a page from a boring history book, but it is still true: a loyalty programme not aligned to a company’s overall strategy is poised to fail. As such, some programmes are well advised to stick to their traditional roots. There is nothing bad in that if such an approach delivers results. ■

**Ravindra Bhagwanani** is managing director of FFP consultancy Global Flight ([globalflight.net](http://globalflight.net)), which in partnership with *Airline Business* and Flightglobal organises our annual loyalty conference programme. [Loyalty@FreddieAwards.com](mailto:Loyalty@FreddieAwards.com) 2015 takes place on 29-30 April in Atlanta, showcasing best-practice examples of previous and potential winners of the Freddie Awards [loyalty-conference.com](http://loyalty-conference.com)



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