

Staying on point with loyalty effort

Ravindra Bhagwanani, the managing director of Global Flight, examines the challenges faced by the airline sector as it looks for new ways to engage with and reward customers as their expectations change beyond traditional assumptions

The annual FlightGlobal/Global Flight Loyalty events are a good indicator of where the airline and travel loyalty industry is heading. It is clear that some recent trends, which have tended to focus on short-term profits, are becoming subject to a paradigm shift towards a more holistic understanding of loyalty.

Many frequent flyer programme managers would still view the sale of points to partners as their primary *raison d'être*, and there is no doubt continued opportunities exist in this area. This has been demonstrated by the increases in shopping platforms and in partnerships with new hotel and car rental reservation systems.

Such activity to transform programmes into revenue- and profit-generators has even helped to get some second-tier programmes, such as those of Avianca (LifeMiles) or Air Baltic (PINS), on the loyalty map.

But increasingly airlines are waking up to the fact that their loyalty currency on its own is no longer sufficient to create sustainable loyalty. Each devaluation of the currency, which is inevitable given its inflation rate above the capacity growth of the airline industry, puts such models at risk. Customer feedback is also very clear in that sense, although loyalty managers might not always acknowledge that fact.

PUNITIVE MEASURES

In a first attempt to survive, some programmes have moved to become “punitive”, as JetBlue’s director of loyalty marketing, Scott Resnick, put it at the recent Loyalty@Freddie Awards conference in New York. This describes the situation where you need to be a member of the programme or holder of a co-branded credit card to continue to be able to make use of certain services,



Bhagwanani: currency on its own is no longer sufficient to create sustainable customer loyalty

such as a free baggage allowance or seat reservation without charge. However, there is big doubt that this creates loyalty.

Programmes need to be able to contribute to true customer engagement, bringing the whole loyalty exercise much closer to the core airline business. This puts FFPs at the heart of intelligent usage of data at a microscopic level, and makes them the basis of customer relationship management (CRM) applications.

Ultimately, the challenge is to redefine the individually perceived value of loyalty memberships. Using the programme, for instance, simply as a vehicle to grant early access to promotions, as practised by many retail loyalty programmes, seems to be missing a trick in terms of revenue generation. For some customers, “gamification” elements might be sufficient, but others expect tailor-made propositions adapted to their needs, where the content can be much more relevant than price. Everybody agrees that a retired executive has different needs to a millennial starting their career or a child travelling with their parents – but

too often, all are targeted in the same manner.

While most airlines have built customer databases for 20 years or more now, it seems that newcomers adopting a retail-style approach to data usage gain a competitive edge in that regard. In an industry with increasingly harmonised products and with

Programmes must contribute to true customer engagement

air travel becoming a commodity as such, players need to adjust to this reality and can probably learn lessons from other sectors.

That said, this industry still brings the opportunity and potentially considerable advantage of being able to leverage the natural attraction of air travel. This also means there is indeed a continued justification for having a strong loyalty currency; but airlines should no longer solely rely on it.

As a holistic approach beyond the loyalty programme operation itself embraces a range of functions, successful redefinitions of what should be done are a top management responsibility and should be led and co-ordinated at that level.

It is clear that there is no one-size-fits-all solution here. The appropriate measures depend on your customer structure, cultural context, airline profile and much more. But it is obvious that just issuing a currency in an ever-accelerated manner will ultimately backfire on an airline. Chances are that this process already started quite a while ago, but boardrooms might simply not have become aware of it through not monitoring the true loyalty indicators. It is time for pragmatic steps towards the future. ■

Are you interested in loyalty programmes? Look out for more details on the Loyalty 2018 conference, which will be taking place on 5-7 February 2018 in Bangkok. In the meantime, see what happened during this year’s event by visiting the website: flightglobalevents.com/Loyalty2017