

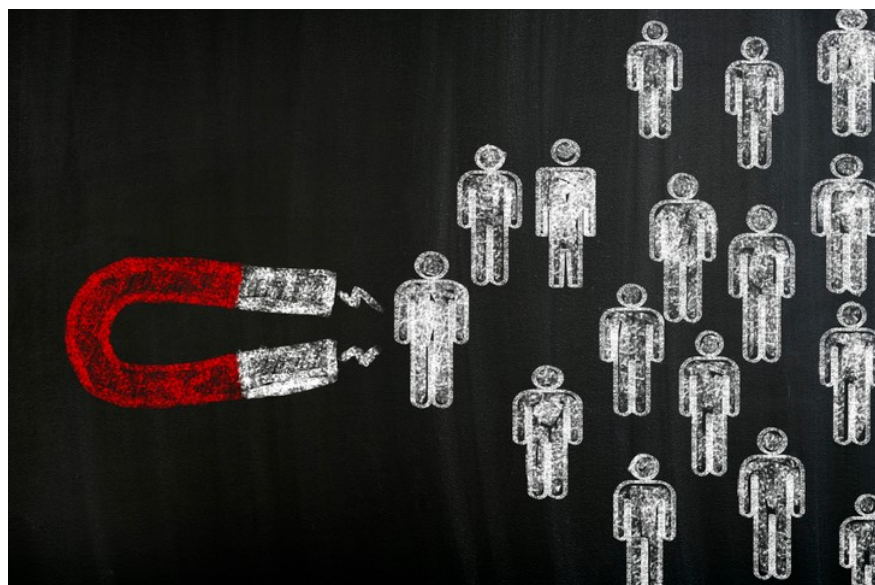
ANALYSIS

Lufthansa Just the Latest to Refine Its Loyalty Scheme

Will changes impact loyalty affiliations in Europe?
More importantly, will they impact loyalty to your corporate travel program?

By Mark Frary / 21 November 2019

Lufthansa announced changes to its Miles & More programme last week. These changes, which come into effect on 1 January 2021, alter how members gain status.



One key change is that members will be able to earn Frequent Traveller Lifetime and Senator Lifetime status on achieving a certain number of status points over the years.

At a more basic level, only two criteria will be counted in the number of status points travellers earn: the travel class and whether it is a continental or intercontinental flight. Another change is that Miles & More members travelling on Lufthansa Group airlines will get better onboard benefits than they will if they on other Star Alliance carriers.

Managing director of loyalty programme consultancy Global Flight Ravindra Bhagwanani helped BTiQ dig deeper.

"The biggest restriction introduced will be that half of the status points required [to achieve] a tier level need to be collected on Miles & More core airlines, which are composed of the member airlines of the Lufthansa Group plus LOT, Croatia Airlines and Luxair," he said. This is a restriction, however, that might prove tricky for customers outside Lufthansa's home markets.

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Global Flight's Ravindra Bhagwanani

"Many customers in European markets—such as the UK, France or Spain—without a dominant home Star carrier view Miles & More as their logical [loyalty programme] choice within the Star Alliance," Bhagwanani continued. "But they predominantly use other carriers such as United or Singapore Airlines. They will need to change their behaviour—or better, their programme—if they want to continue to benefit."

More fundamental changes were made in 2018 which saw a move away from using miles flown as the basis for earning miles and, instead, towards a system largely based on the fare paid. This system takes the amount of euros paid for the fare (including taxes)

and multiplies it by a factor that depends on your status, the booking channel used and the operating airline. At the time, no changes were made to how members of the programme gain higher status.

"Lufthansa moved in a rush to a revenue basis in spring 2018; they 'forgot' to look at the status side," said Bhagwanani. "This will now be addressed with the introduction of a much simpler points scheme. This mirrors pretty much the approach adopted by Air France-KLM with its Flying Blue programme."

Bhagwanani believes that travellers will require "more or less the same effort" to achieve different tier levels for Miles & More. That's actually the problem, particularly for those fliers outside Lufthansa's home market, according to Bhagwanani. Miles & More demands more loyalty from its customers than most other airline schemes and will continue to offer narrow appeal to travellers who tend to use other Star Alliance carriers.

"The Miles & More qualification thresholds are among the highest in the industry... [attaining status is] significantly more difficult with Miles & More than with other Star programmes," he said. "For instance, a Miles & More member will require five business class roundtrips on long-haul flights to qualify for the Senator level while the equivalent Star Alliance Gold status can usually be achieved with two or three roundtrips in other programmes. Miles & More has missed an opportunity here to make itself more relevant."

What Loyalty Scheme Changes Mean for Travel Managers

Behavioural economics in the market may mean more headaches for travel managers, who also must work to influence traveller choices and drive compliance to policy and corporate purchasing strategies.

"After having been motivated to buy more expensive tickets with the revenue-based accrual scheme, [travellers] are now also pushed to be more selective in terms of airlines used—with corresponding additional costs incurred by companies," said Bhagwanani.

"As history has shown and what is now demonstrated again with this latest move by Lufthansa, but certainly also by other airlines, airlines tend to be three steps ahead of corporate travel

management practices in the loyalty field. The only really efficient solution to resolve that issue for companies is to use all miles earned on business travels at a corporate level.”

He added: “Airlines do a great job to ensure their profitability on the back of their corporate clients, with influencing corporate travellers in their behaviour, making them actually work against their own employer. It is up to corporations to start to look at their own rights and benefits, too—such as finding the right reply to the airlines' powerful and highly successful loyalty programmes.”

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