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The good, the bad and the ugly

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Companies across the world have devised various ways to win repeat customers. GN Focus takes a closer look at the incentives as well as rewards to give you a low-down on what works and what doesn't

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As we bring you a rundown of ten innovative ideas in loyalty programmes, expert Ravindra Bhagwanani, Managing Director, Global Flight, tells us why they are special.

Global Flight, an independent management company in the area of frequent flyer programmes based in Europe, is a partner with Loyalty Conference.

AAdvantage programme: American Airlines CEO Robert Randall implemented it in 1981 on the premise that the airline business is a perfect example of the 80/20 rule (that 80 per cent of profits come from 20 per cent of customers). The airline started selling a relationship to the top five per cent, price-insensitive frequent business flyers, turning schedule inconvenience into a minor detail compared to free miles.

Ravindra Bhagwanani (RB) says: It will always be remembered as the first frequent flyer programme out there — although rumours in the industry are that the idea was actually born at United, which launched its programme one day after American. As all US programmes, AAdvantage focuses much on the needs of travellers in North America and even more on its elite members.

Good thing for customers in the Middle East is that both Etihad and Gulf Air are partners in the programme.

Bank of America: The WorldPoints Rewards through Bank of America gives members points every time they shop with their card. Points can be redeemed for donations to a charity of your choice, air mileage, or even cash that can be put right back into the customer's account.

RB says: Bank of America belongs to the increasing number of banks around the world that do not rely entirely on partner frequent flyer programmes (FFPs) to issue co-branded credit cards and let cardholders face all the issues afterwards when it comes to redeeming miles. Their clever solution is to run their own rewards programme and then use the accumulated points to buy air travel on the marketplace. And since these are regular revenue tickets, customers even earn miles on these award flights.

Dividend Miles Shopping Mall: In this case, the mall provides deals on practically every shopping necessity and each dollar spent goes towards air mileage with US Airways.

RB says: We love those US programmes when it comes to earning miles with so many things, as with everyday shopping. Isn't it a shame that other parts of the world are less developed in that area?

Yes, and no. US Airways is reputed for having one of the worst award availability ratios in the industry since it simply gives out too many miles to non-frequent flyers and can't satisfy the resulting demand for award travel. Maximising profits through the sale of miles can also be a short-sighted strategy for FFPs. It is all about finding the right balance.

Emirates Airline: Skywards Miles Accelerator has moved away from the traditional pattern of awarding bonus miles over a given time period to allocate bonus miles on specific flights and cabins only, closely aligned to yield management.

RB says: When Emirates Airline changed its programme in 2010, which resulted in a downgrade for

most customers, it introduced a very creative way to award bonus points on specific flights. This works well for Emirates as it indeed makes no sense to reward people over the standard norm on flights, which run full anyway. But without those Miles Accelerator bonuses (i.e. on the majority of flights at all given times), the programme remains far away from its former generosity. Flexibility by the travellers to get on the promoted Miles Accelerator flights doesn't only pay off but is also almost required in order to generate some decent value out of the programme.

Hertz #1 Club Gold: This status for the more frequent renters means they never wait in line at an airport counter. A Hertz shuttle takes them to the rental depot where the choice of car is kept ready, with keys in ignition in anticipation of the customer's arrival.

RB says: The last thing most frequent travellers want after a long flight is to wait in line behind an American family trying to explain to some local agent that they can only drive in a specific car model they've requested upon reservation (but which doesn't exist in that country at all). Hertz has recognised that and speeded up the pickup process for its most frequent guests.

Marriott: Marriott allows you to earn rewards points doing just about anything — booking a conference room, renting a car, or even referring a friend. The rewards are sumptuous too — a \$1,000 (Dh3,670) certificate towards a cruise at a destination and date of choice, or a \$250 Marriott Spa Experience Award certificate.

RB says: As most major hotel programmes, you need to enrol in the programme even if you opt to earn frequent flyer miles. Miles or hotel points? It all depends on what you want to do with your points. But if you are

actually more interested in miles than in points, Marriott Rewards is one of the most generous options among the major hotel programmes. If you have enough points, the most rewarding option is by the way the Hotel plus Air packages: You get a seven-night hotel stay plus frequent flyer miles in any of the associated programmes in order to get you there.

Milan Airport: At Italy SEA-run airports, Linate and Malpensa in Milan, customers get points for parking, for eating at restaurants, for buying from duty-free shops and even by using the speed check-in service. The points can be redeemed for lounges, phone check-in and free wireless internet.

RB says: It is one of the biggest mysteries in the travel loyalty industry why airports do so little to have loyal customers. Most of them simply seem not to care and leave all the hard work to their incumbent airlines, which risks being a bit short-sighted. Milan is one of the few airports already engaged in this area, but definitely much more could be done. A strong development should be anticipated in that sector in the coming years.

Air Berlin's MyRoute: The most flown routes are the most competitive with many airlines vying for the same customers. Air Berlin solved this in 2009 via MyRoute where members selected their favourite or most frequently travelled route within Europe and earned double the miles on that route.

RB says: Air Berlin won the main award for this innovation at the annual Loyalty Conference last year, the largest annual gathering in the travel loyalty industry. It was a good example of how a fairly small airline with limited possibilities can make a difference with some creative thinking. The biggest compliment

came probably from Lufthansa, which copied this idea and launched MyChoice this year.

Neiman Marcus: The high-end store starts its rewards programme once the customer has spent a good \$3,000. Once he/she touches that level, the customer receives invitations to members-only shopping events, advance notices for sales, double points on a day of choice, free gift packaging and various literature. The more loyal spenders (those who spend from \$75,000 to about \$600,000 a year) earn access to a concierge service, private off-hours shopping events, custom travel and five points per dollar spent. For Chairman's Circle members who spend more than \$600,000 a year at Neiman's or Bergdorf Goodman, the access is said to be as good as a five-star hotel.

RB says: Moving at the upper end of the market, some players talk about loyalty programmes (and indeed often operate such a programme), but it is actually more about recognition. This is usually what is much more relevant to these customer segments and also something that can be more adapted to certain cultural contexts, like in the Middle East. Many operators of such pure recognition programmes, however, often move over time more into the traditional loyalty sphere in order to make them more relevant for new customer groups.

Tesco: There is no real reason one would visit one grocery store over another. Tesco has an edge over competitors such as Sainsbury's in their loyalty programme. Whereas other stores might offer limited rewards at check out, Tesco provided a reason to shop by integrating its reward card into its customer relationship management system, targeting them based on their buying behaviour. The coupons, especially

targeted to the customer, reach you before you shop. These promotions encourage customers to try high-margin products.

RB says: Competition is always good — the result is probably the two most interesting loyalty programmes in the retail sector. If you ever thought that you would not care where you bought your groceries, you would risk changing your mind as a member of the Tesco programme.