

CUSTOMER LOYALTY

Global Flight's Ravindra Bhagwanani on why there is growing recognition among airlines that frequent flyer programmes are a means to an end in the customer experience, not the final objective

It is not easy to distinguish one single global trend among airline loyalty programmes. For many their frequent flyer programmes (FFPs) are characterised by their own individual challenges.

This can range from the requirements for joining an alliance, as Xiamen Airlines and Shenzhen Airlines have just done, to merging two programmes as LAN and TAM are about to do, to generating cash for survival by spinning off the FFP, as in the case of Air Berlin.

But aside from such pressing issues, which often push more strategic considerations off the radar, there is a revival of a more customer-centric approach in loyalty departments around the world. The days when airlines thought only about themselves when developing their loyalty programmes seem to be over.

Airlines have lagged behind other sectors in getting the message, but they are starting to understand that loyalty programmes are not an objective in themselves; they are part of the total customer experience management and part of an even wider customer-relationship management. The real role of loyalty programmes can only be understood when looking at things from the customer's point of view.

The use of tablets, with stored passenger and frequent flyer information by cabin crews at British Airways, recognised in the awards at the 2012 Loyalty conference in Berlin, and American Airlines are classic examples in this area. But even without such considerable investments, there is plenty of room for smaller airlines to act in a customer-centric manner.

Middle East Airlines (MEA) is one such niche carrier, with a reputation of deploying total customer experience, resulting in a strongly loyal customer base. However, Chadi Abou Daher, MEA's director of customer services, warns this is not easy: "At MEA we recognise that our passengers' top priorities are recognition and rewards. Yet they may scale them differently, and their expectations keep evolving, which could put some stretched loyalty programmes under a strain."

He cites online tools, airport-priority services and a generous reward programme as key



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Chadi Abou Daher, Middle East Airlines' director of customer services, is among a number of top level industry speakers at the Global Flight/Airline Business-organised

Loyalty 2013. The event will be held on 25-27 February 2013 in Dubai. For details of the programme and how to attend visit: Loyalty-conference.com

elements in MEA's strategy to enhance the customer experience. There are opportunities in these areas to do things in a cleverer way by putting the customer in the heart of things.

Airlines have also started to reconsider some of the basics of loyalty programmes. Most FFPs reach out to only 20-30% of an airline's unique customers. This raises the question how relevant they are in their current form are for the majority of their customers.

Many airlines are working to extend their reach, for example, by introducing new instant-reward options, such as Etihad's conversion of any mileage amount into cash loaded to a virtual credit card.

Increasing the penetration rate of FFPs not only helps to exploit upsell potential, but also helps build a more comprehensive database.

There is also a need to find cost-efficient ways to better serve less frequent travellers. While that investment risks not delivering such a direct return, creating a good reputation has indirect benefits, especially in a world where social media is ever more prominent.

Some low-cost carriers such as JetBlue, AirAsia or Cebu Pacific have built up a strong

reputation for good customer experience, but traditionally do not approach the topic from the FFP angle. These carriers often joined the FFP game late, so their initiatives have their origin in an honest customer orientation. Combining the best of both worlds, using such efforts with a closer strategic link to their loyalty strategy, would yield even better results.

Strengthening such customer focus will obviously be well received by passengers. But customers identifying more with an FFP will also contribute higher revenues to an airline, so any such revised strategic orientation will definitely pay off for airlines.

It is time not to reinvent loyalty, but to recall what the basic element of any successful loyalty strategy consists of – customers accepting it. And thereby, MEA's Abou Daher's advice might be worth more than anything else: "The key is to keep it simple." ■

Ravindra Bhagwanani is managing director at Global Flight, a specialised FFP consultancy. Together with Airline Business, Global Flight organises the annual Loyalty conference