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## **Is Frequent Flyer Program Missing the Point?** **Why Most Frequent Flyer Programs Are Missing Out ?**



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Hospitality and Services industries often use frequency marketing programs as a strategy for retaining customer loyalty. In the form of points, miles, dollars, beans and so on, they all work on the basis of rewarding you with some form of ‘currencies’ when you buy from them. Accumulate these ‘currencies’ and you could be on your way to exchange them for something of high perceived value - from merchandise and food vouchers to air tickets and hotel stays. Airlines are a big fan of this – American Airlines AAdvantage, Qantas Frequent Flyer, Asia Miles, Japan Airlines Mileage Bank, KrisFlyer Miles etc. – they all seemed to have carved their own identities.

Frequent flyer programs used to provide incremental income to carriers and contribute stability to airlines especially during rough times as customers are more committed to a carrier with whom they have frequent flyer incentives. We also saw how such programs had resulted in profitable partnerships that contribute to airline revenues as they expand outside the airline industry to include complimentary offerings such as hotels and car rentals for a more complete solution to a customer’s needs. But as more carriers launch similar programs, more partners introduce their private label initiatives (like HiltonHonors, Marriott Rewards and Hyatt Gold Passport), and competition heats up from budget carriers, frequent flyer programs soon become more costly and less effective. What prevents frequent flyer programs from growing from strength to strength? Is frequent flyer program missing the point?

Yes, if their intention is to purchase loyalty instead of instilling it. Yes, if they are not capable of building upon the fundamentals to create more meaningful values. Yes, if they

think that the program is more mechanical than relational.

So what value can a frequency marketing program bring?

To enjoy sustainable success, carriers must have a rigorous cycle of knowing their customers individually, differentiating them by their values and their needs so that the enterprises can offer more personalized and customized treatment at every customer interaction, and changing the enterprises' behavior to fit the long term strategy of meeting these strategic customers' needs.

In my opinion, most Frequent Flyer Programs are missing out on two important points:

### **1. Customer Information**

Most carriers stop short of building real time relationships with their frequent flyers because they have dated information about them. Some captured basic demographic information at recruitment stage which they depended upon for the next few years before they decide that it is time to update. Well, there are others who do capture more explicit information by sending customers questionnaires, conducting dip-sticks, focus groups and market researches. However, while these information do give you an idea of your customers' satisfaction, top readings on their expectations and forecasting of trends, they are hardly actionable at personal level.

Frequent Flyer Program presents an invaluable opportunity to gather customer information. Sources of information can be explicit and implicit, the latter is increasingly becoming more important as they tend to reveal unarticulated needs and customer opportunities. Data mining to understand behavioral patterns and unveil new opportunities only caught marketers in recent times as a means to gathering implicit information. Yet, there are other challenges of turning these information into customer insights and managing the knowledge that came out of it so that the whole organization can benefit from it. This is so because most companies treat programs like these as pure marketing programs. Most do not have any ideas how a program like this can potentially shape the organization's direction. They cannot visualize how it can be a business driving force in the organization besides using it to acquire and retain customer loyalty. As such, there are normally no further plans for IT, Database or Knowledge Management strategies. Most likely, the lack of dynamic customer intelligence has resulted in the inability to create more meaningful values.

British Airways is one of the earliest airlines who provide lap-top computers onboard so that flight attendants can enter information which they think is significant about individual frequent flyer member during the flight. This makes feedback simple to record and the next immediate interaction more relevant and actionable.

### **2. Needs Differentiation**

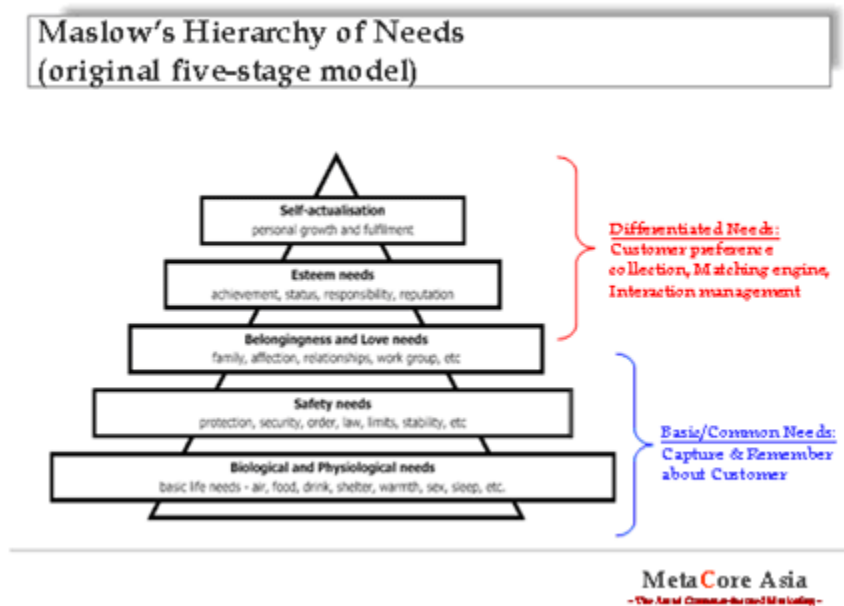
Most people would agree that airlines are very sophisticated in their frequency marketing activities, from cross promotions with destinations and hotels to credit card companies

and more. Indeed, they have done a great job in differentiating customers by value tiers, be it Gold-Silver-Classic; Red Carpet-Blue Carpet-No Carpet...but airlines have yet to demonstrate their agility in adapting to frequent flyers' individual needs. The assumption that similar value tier probably has similar needs is not quite right.

To instill customer loyalty (rather than buy it), carriers should attempt to identify, create and deliver what customer value (rather than what they want to offer). Using the Maslow's hierarchy of needs as a basis, airlines can first establish what is common and differentiated needs of their top tiers frequent flyers, then design differentiated treatment around each unique need. This is where carriers can really create the "Oomph!" in their Frequent Flyer Programs beyond what 'currencies' can buy.

### Basic Needs:

Increasingly, more airlines are paying attention to the basic life needs by offering healthier foods, choices of entertainment, bigger leg rooms, more comfortable 'beds'. In view of recent political threats, they have also stepped up security measures on and off grounds (but I consider these still basic hygiene factors). They have also been capturing passengers' common requests of meal preferences, seat selections, preferred routes, connections, hotels, rental car sizes...but I wonder if they do 'remember' them electronically and use them in the next booking because my well-traveled husband often have to request for his low-salt meal and aisle seat at each flight reservation.



### Differentiated Needs:

Airlines have been trying to address the external esteem needs such as social status and recognition, on a mass segment basis, by showering high value and frequent flyers with respectable attention. But self-actualized people tend to have needs such as Truth, Justice, Wisdom, Meaning and frequent occurrences of peak experiences –described as

‘energized moments of profound happiness and harmony’. Thus to meet these intangible needs, Frequent Flyer Program can start by:

- collecting customer preferences (business versus leisure travel, areas for permission marketing, products/services attributes, wish lists, etc.)
- matching or recommending offerings that would most likely appeal to a customer’s given need
- determining the most appropriate response to a customer interaction - is it content, customer care, convenience, communication, community, connectivity or customization?

(Sometimes the best service you can give your customers is self-service, which empowers and ‘puts’ them in control especially over their choices).

It is when airlines move from meeting basic to differentiated needs, that their value propositions become more distinct. Only when they move from ‘solving’ and ‘serving’ to ‘surprising’ their frequent flyers will they have the opportunity to deliver the peak experiences that self-actualizers seek.

Frequent Flyer Programs must not miss these two points because the results can be translated into Interaction and Customization strategies which pave the way for entrenched customer relationship as well as more sustainable and profitable business.