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Airlines and Hotels need to focus on current customers to reap the rewards

14 December 2009 – Global airlines and hotels are struggling to strike a balance between maximising revenue and ensuring long-term customer loyalty, research by global loyalty marketing agency ICLP has found.

Almost a quarter (24%) of those surveyed revealed that increasing the profit of their loyalty programme was their main objective for the next 12 months, yet 70% of respondents are potentially focusing their efforts on the wrong customer group.

Programme managers need to be clear on their goals. Those seeking to increase revenue from the loyalty programme were split between increasing membership numbers (31%) and increasing spend from existing members (36%).

A surprising 21% of respondents quoted new acquisition of members as being their top objective, demonstrating the strategic value of creating a direct and ongoing customer relationship and communications channel. Only 13% of the responses highlighted improving programme ROI as the overarching goal, showing that the value of a loyalty programme cannot be measured in profitability alone.

Stuart Evans, general manager, ICLP, said: "Airline and hotel loyalty programmes need to strike the right balance between maximising revenue and retaining their customers, but more important is to understand their overall contribution to company success."

The survey reveals that 52% of respondents are wrongly focusing their efforts, either on top-tier customers (31%) or base-tier members (21%). Neither of these sets of customers provide a significant opportunity to increase revenue – middle-tier members or non-loyalty programme members provide much greater opportunity to increase revenue and it is these who should be the key targets.

Says Evans: "Top-tier customers are the most valuable but it is difficult to provide new incentives to them which will drive more revenue due to their saturation with rewards. The focus should be on



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less committed customers further down the programme who present a real opportunity to generate significant incremental revenues.”

Evans admits that while maximising short-term revenue is essential to the survival of many travel businesses, it is difficult to know through which streams revenue can come without risking customer loyalty.

“For example, airlines could easily sell lounge-access as an add-on to travellers, but this would run the serious risk of alienating loyalty programme members who in many cases have travelled the world for the privilege of using an airport lounge,” he said.

“Airlines and hotels need to ensure their loyalty programme is well-managed and is aimed at generating long-term benefits to businesses, not just short-term profits. Customer behaviour needs to be evaluated to gain invaluable insight, which can in turn be used to create relevant propositions which address individual needs without the risk of alienating other customer groups.

About ICLP:

ICLP is the world's NO 1 specialist loyalty marketing agency - we 'manage' (create, retain & grow) profitable relationships on behalf of our clients and deliver world-class loyalty marketing solutions via 3-core competencies: Consulting. Creative. Client Services.

ICLP currently has offices in Dallas, Dubai, Hong Kong, Kuala Lumpur, London, Madrid, Mumbai, San Francisco, Sao Paulo, Shanghai, Singapore, Sydney, Tokyo, and Zurich.

ICLP effectively manages profitable relationships by leveraging their commercial experience, creativity & customer insight. This enables them to define profitable behavior and identify best customers, design marketing initiatives to maintain & influence profitable behavior (create, retain and grow profitable relationships) and deliver incremental yield and maximise customer lifetime value. Their list of clients includes airlines and airline networks; automotive brands; financial services companies; hotels; technology companies; luxury brands and retailers. www.iclployalty.com



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