



China Civil Aviation Magazine – interview about airline customer management

During his stay in Beijing 2009, Carsten Friedrichsen, The Airline Loyalty Company, gave an interview for the China Civil Aviation Magazine.

1. What are the main problems in current airline customer management? What do you think are the right practices in successful airline customer management?

Traditionally travel agencies were the main point of contact between travellers booking flights and the airline. In the so called 'good old days' and before the introduction of the worldwide web, the choice of airline was not considered such a big issue, as the agency would usually handle the booking. Most city-pairs, for example, London - Hong Kong, were served by the two home carriers – therefore, one carrier in each city, and you could fly with the one or the other carrier. So there being, minimal airline choice available, and no need for too much customer management focus. Those passengers who wanted to fly would more often than not come to your airline anyway. Even today many airlines work on the same principle and could still be better organised when it comes to managing customers. We 'The Airline Loyalty Company' recently conducted a survey to monitor the use of CRM systems amongst a number of airlines, and the results revealed that only about 30% of the airlines had a structured customer relationship management system they were satisfied with. Airlines are becoming increasingly aware of the need for focussing on customer satisfaction and management and are starting to realise that it can be much bigger task than expected to implement and maintain successfully.

A key issue with airline customer management is that it can be so easy to purchase the technical promises of the software companies, but only a few suppliers take on board the complexity of changing and aligning large organisations in a way that can effectively handle their customer base and continued management of it.

The reality is, there is definitely no one way of tackling the issue of customer management, nor is there one right practice. However, there are some pit falls to avoid when it comes to implementing the right Customer Management system:

- Underestimating the importance of the organization's approval and backup strategy.
- Being too ambitious, which may result in the project turning into an arduous and prolonged project that everybody involved views as problematic.
- The strategy and processes lack sufficient buy-in and visible involvement from relevant management.
- The project evolves into a more IT focussed project, not the intended Customer Management route – therefore, not having the potential or ability to be the success it could have been.

Some of the best practices I have seen is when a project has a clear and well defined approved strategy. The project is then split into smaller collaborative planning units, which have been fully endorsed by senior management, then rolled out one by one using a robust plan and timing schedule. This way you can measure results more effectively and successfully ensuring your colleagues buy-in throughout the planning and implementation process.

2. How do you think a Chinese carrier can improve its customer loyalty in a situation where most of its domestic competitors provide very similar products and services?

Chinese carriers hold a unique opportunity not only to improve their customer loyalty, but also to grow a very healthy business that can be even more beneficial for the traveller, and so, more profitable for the Airline. It is important to remember that loyalty in the Chinese market is very different from the loyalty experience you will find in Western Europe or USA. Chinese travellers appear to be much more open to innovation and keen to try out new concepts than some other markets and their customers. The growth figures in both Chinese aviation and consumer goods speak for themselves – therefore, when people have higher earning power and more disposable income, they may find themselves spending more on travel.

Similar products and services in the aviation industry is an ongoing global challenge, and many passengers will not be able to tell you whether they flew on an Airbus or a Boeing, but they will always remember the airline name. There can be significant differences between the airlines, but on average, about 30% of all passengers choose an airline based on ticket price, approximately 25% will choose an airline based on convenient departure times, and 10 % will be linked to convenient location, alliance and network etc. These are all parameters that network planning and revenue management have great experience in tackling, therefore, it's a number crunching challenge to win the loyalty of passengers.

The interesting part is the remaining 35% of the passengers. They may be influenced to choose based on loyalty related decision, for example, frequent flyer programme, airline in-flight service, previous experience and the overall interaction and professionalism offered by the airline's cabin crew – these all being key drivers in the passenger's decision making process.

However, this is not entirely a number crunching game, this is about winning the heart and loyalty of the passenger. Imagine if passengers were proud of flying with an airline the same way as owning their dream car, a quality brand item or experiencing a wonderful dinner at their favourite restaurant with family and friends. Customer loyalty can always be improved, and the bottom line impact can be considerable. For some airlines, the direct income generated from their customers' loyalty can be as profitable as the income earned from cargo. Improving customer loyalty is not a short term fix, but hard work, good strategic planning and implementation backed by the whole airline will pay off in the longer term:

- In the first instance, front line ticketing staff, at check in, boarding and onboard should focus on ensuring your customer gets the best flight experience every time with your airline - this is where you create the lasting impression and can create the loyalty required of the passenger.

- Secondly, it is not a question of filling an aircraft with low revenue passengers - airlines such as Air Asia and Ryan air will be there to do that. Your airline's challenge is to focus on those key passengers which can be and that are profitable for your airline and design your product accordingly.
- Thirdly, don't place all your trust in travel agencies to administer and maintain dialog with the passengers. Equally of importance, is the promotion of your brand and service to your customers – the agencies will always promote the airline that is most beneficial to them. Therefore, your airline needs to build direct customer relations via a range of initiatives designed to improve brand recognition and loyalty, such as; events, online activities, media, PR relevant to your key audience.
- Fourthly, and the most challenging issue is to ensure your whole organization is bought into your airline's customer management concept and vision.

The result of successful implementation of a constructive and robust customer management system may result in an overall retention rate growth between 45% to 70%; just imagine what that could mean for your airline in terms of revenue growth and profitability.

4. How important is FFP in airline customer management? How should an airline better manage its frequent flyer program?

FFP is one of the most important elements in customer management today. Up to 30% of all travellers select their airline due to the advantages and benefits of FFP. That said, it is important to remember that brand, service and customer satisfaction are strongly linked to one another - it is their combination that can influence the passenger to make their final loyalty decision 'to fly or not to fly' with an airline. I believe that FFP today is the Airlines' single most important platform to create brand awareness and sustainable customer loyalty. Successful customer management programmes are not the answer to giving away free seats, but a valuable commodity. If a customer management strategy is implemented and run effectively, the airline will have increased its ability to generate more revenue and deliver positive return on investment over time.

5. What are the effective customer loyalty programs other than FFP?

Good question. There are other effective drivers for increased loyalty other than FFP - the service provided by cabin crew for instance can be an extremely effective lever. And, in-flight entertainment is another strong loyalty choice required by certain passenger segments. For instance, you will find airlines' such as Virgin Atlantic and Air Asia that sell what I would call 'the brand experience', therefore, they will use the strength of their brand as a key component for influencing customer loyalty and revenue growth.

6. For some start-up airlines or Low Cost Carriers (LCC's), how should they achieve good customer management?

When South west, Easy jet and Ryan air started up the main focus was to obtain enough market share to establish the best and most competitive price. The real secret behind all three airlines was that they had new, young and dynamic crew at all levels recruited to their organizations'. This new employee dynamic actually paid off due to over performance relative to the low-cost ticket price, which in turn, resulted in customers obtaining value for money satisfaction they could justify. This resulted in further self promotion

of the airline, especially when the customers went on to talk about the value for money experience and cost savings incurred with family, friends and business colleagues.

I would say the key objective for a start-up airline or LCC is to achieve and maintain consistently good customer management, investing in well trained, approachable and amenable frontline staff, both airport based and onboard the aircraft. As most of the start-up airline's or LCC's don't have FFP, their challenge will be to provide good dialogue with their customers. My advice to a new start-up airline or LCC is to build your airline customer base around e-commerce, with a robust integrated CRM model. If executed and managed well, this will give the airline the best potential for customer growth and loyalty return.

7. How can an airline optimize profits by managing its VIP customers?

It is important to recognise that an Airline often has three different types of VIP customer, the individual traveller who spends a significant amount of money on air travel, large companies with corporate travel agent arrangements in place and large travel agents.

Take the courier who travels frequently and will be required to deliver important mail and documents in person. They will not select the airline used for travel, their employer will. Your airline can try and influence this passenger's loyalty, but you cannot guarantee the courier will remain loyal to your airline. Therefore, it's important to identify these customers, and whilst it's important to ensure they have a good customer journey, your airline should not invest too much time and energy on trying to influence this type of customer. Instead, it should turn its efforts to focus on more potentially profitable and more loyal segments.

Then you have the business traveller coming to your airline for the first time or occasionally, this type passenger has significant loyalty and profitability potential. Influencing business passengers to fly with your airline and maintaining their loyalty should be a key focus for increased revenue generation and profitability. The same way of thinking should apply to your corporate accounts and travel agencies. For example, when your airline closes a deal with a large bank or electronic manufacturer they should make arrangements to issue a bespoke series of FFP cards to their employees, therefore, an employee benefit. This can be an extremely effective tool for generating more loyal business for your airline, by dedicating your marketing efforts on this customer segment and targeting them in the right way, you will increase your FFP potential. It's about looking for new and innovative ways for generating more customer loyalty for your airline. For example, if the company just used your offer to negotiate a better ticket price for their business travelling employees, you generally won't see any change in profitable activity in your portfolio. Therefore, your airline shouldn't spend too much energy here, unless you have the right offering that will result in growth and increased revenue potential.

The same goes for the travel agent, make the benchmark based on BSP or MIDT data, who sells the larger share of your airline tickets on selected city-pairs. Therefore, this should indicate where your airline should invest more time and energy and where the potential for growth is more obvious.

Let me guess your next question? Do LCC's have VIP passengers? The answer is yes, they definitely do, but they're not necessarily your gold or platinum level members. The LCC - VIP passenger will be more inclined



to pay for extra luggage; buy the ticket at a higher price nearer their departure date, opt for speedy boarding, an assigned seat or for airport lounge access. This passenger has the potential to be charged significantly more for the price of their ticket (possibly 5 -10 times the price) than the passenger that booked a month in advance, and who generally tends not to purchase any other benefits that could potentially create more ancillary revenue for the airline. Identifying and managing the expectations of the LCC – VIP loyal passenger could be extremely lucrative for your airline - just imagine if you could get a few more of these passengers onboard every flight.

It is incredibly important for your airline to be able understand its customer behaviour and loyalty potential in order to sustain customer growth and potential for increased profitability. The more you know about your customer segments and how to manage and market to them effectively, the more potential your airline will have for generating revenue.

8. What are required of airline organization and employees for successful airline customer management?

I have been privileged enough over the years to gain access to the internal workings of many great and hugely successful airlines. However, one issue is very clear, never underestimate the importance and power of your staff's customer facing engagement. I'm sure we can think of one or two case studies when an airline or a large commercial organization changed their name and branding without changing the company culture. If the employee communication isn't aligned with the change and passenger touch points, the re-branding can be a wasted amount of energy and investment. Individual airline culture is like having finger prints, therefore, unique! It's fair to say that when it comes to adopting cultural change we should recognise that what works for one airline might not necessarily work for another, simply because all airline's have different strengths and weaknesses.

What is most important for continued growth of an airline is for the organization to have an open mind when it comes to change and be ready to implement when required, particularly when responding to changes in the market place and customer trends. But, also to recognise that any proposed strategic change will be subject to its own challenges, especially from senior management and those not so accustomed to change. Their endorsement of the process and sign off along the way will be crucial to the successful implementation and roll out of any model which can effect cultural change within the organization.

9. Could you give an example of how an airline improved its customer base and profits by utilizing your management concepts and tools?

I would very much like to be able to answer this 'golden' question, but, we must adhere to strict confidentiality working with our esteemed and very much valued airline partners. However, I am pleased to confirm that we 'The Airline Loyalty Company' currently represent 20 years of experience in the customer loyalty field, with an in-depth understanding of more than 20 global airline networks worldwide.