



Loyalty programs during COVID-19 – a silver lining in times of crisis

By Vera Aurbach

After weeks of abandoned airports and grounded aircraft, airlines are starting to slowly increase their flight schedule. Although this is a hopeful sign that the recovery phase is starting, one has to critically evaluate which airlines will be among those succeeding to increase their capacity and generate revenues again.

While it is too early to nominate a winner from the crisis yet, it seems obvious that every airline needs to evaluate their individual assets and apply them for their best. One of these assets is certainly the loyalty of an airline's customers. This article highlights how airlines with a successful loyalty program have an advantage in trying to overcome this crisis and what airlines must do in return for their customers' loyalty in the future.

Customer loyalty – a helping hand out of the crisis

Which aviation businesses will, in the end, succeed in recovering from the crisis will largely depend on which customers will fly again soon. Certainly, airlines that have already invested time and resources into building up a base of delighted and loyal customers through a customer centric approach supported by attractive frequent flyer programs are better positioned to make it out of the crisis.

Besides the general notion, that loyal customers fly more often and more profitably, there are several other reasons that speak for this theory, with the main point being the valuable customer data that has been collected over years. Not only can past travel be analyzed by existing knowledge of the customer base, but also it supports airlines in preparing the operational re-start.

1) Designing the travel of tomorrow

When designing the network plan for the next month, many analysts are currently left guessing. In the situation of a never experienced pandemic such as Covid-19, the processes applied up until now need to be re-thought, leaving much room for wrong decisions. Compiling reliable customer data, can reduce the risks:

- Send out tailored and direct surveys to find out the travel wishes of your frequent flyers
- Keep an eye on the booking behavior of frequent flyers
- Monitor flight searches done on your website

Having decided on the new destinations still leaves another question unanswered: how much capacity does the market require? The available data can be used to re-design forecasting models and to help understand customer requirements.

2) Composing required products with customer data

Customer experience needs to be kept at a continuously positive trend, resulting in strong customer relationships and a reoccurring buying behavior. Most loyalty programs are already in possession of the powerful weapon generating the insight into what their members really want.

The key is big data, collected over the past years, reflecting members' flight behavior, shopping preferences, current concerns and much more.

It can be expected that the current pandemic will result in a change of customer requirements and product expectations. It is crucial, to follow a strictly customer centric approach, while focusing on modular product



bundling and an emphasis on digital services e.g. personalized advertising. Relying on the existing customer basis and the collected data helps to tailor products as requested by the market, guaranteeing a competitive advantage.

Always to be remembered, in good or bad times:

Loyalty can't be bought or sold, only earned and is therefore a precious good that is a two-way street. It is essential that loyalty programs will not only focus on how they can benefit from their customer base but especially what they in turn can now do for their customers.

Time for action: What benefit can the loyalty family bring to the member?

The Covid-19 pandemic is incomparable to anything that happened in the past. While other crises resulted in a mere reduction of flight activity, in times of corona travel has come to a standstill combined with a constant fear of health risks. Besides benefitting from materialistic goods such as the status extension, the member can also gain confidence and satisfaction when looking at the psychological side of things, helping a re-start of airline operations.

1) Listen to members – and respond

Anxiety and confusion about what's coming next reflects to a certain degree the change in customer habits, requirements and expectations. Paying attention to the members' fear by proactively listening, a company can position itself in a way that allows fast adaptation to the new situation, the creation of innovations, and to reply with those to the needs of the members. The re-activation of loyal customers and with them the income streams, which is crucial in times of cash-flow issues, can result in a faster ability of ramping up the business. A way of collecting additional data is by launching surveys about future travel requirements and desires, allowing a high level of customer centricity and the offer of personalized products.

2) Show members that it is safe to travel with you again

Customers who are convinced that their safety is in good hands along the entire journey are more likely to travel again in times of corona. In order to achieve this sensation, keeping customers well informed about the following points is crucial:

- Hygiene on board
- Physical distancing on board and on the ground
- Goodwill/refund policies

3) Give special support

Canceled flights leave the traveler with a set of different options. Most of the time, it is inevitable to contact a call center for consultation. Status members are provided with a dedicated service line, helping them to avoid the flood of requests that is hitting the call centers. This service helps to set them apart from the ordinary crowd, making them feel valued and special. A positive response in times of crisis will strengthen the bond between the customer and the airline. Alternatively, a mature digitalization strategy, allowing the member a high level of self-control, transmits a feeling of being in charge and can have a positive effect on the member during the times of uncertainty.



4) Make temporary adjustments to the program terms to compensate lockdown shortages

A range of different actions can be observed throughout the various frequent flyer programs in the attempt to support their members in keeping well-earned status levels from the past and with this their loyalty.

By doing so, the loyalty program not only shows compassion to its members but also has higher chances of staying in the members mind, resulting in a build up of loyalty and trust.

The following approaches were chosen with a high focus on customer centricity:



Extension of the status validity period

Example: Extension of Gold and Silver status by 6 months (Virgin Atlantic's Flying Club)



Addition of supplement status & award miles to the members' accounts

Example: Automatic accrual of monthly bonus tier miles from 31 March (Etihad Guest)



Lowering the status renewal/upgrade thresholds.

Example: Reduction of required status miles by 30% from April – June (British Airways Executive Club)

A great majority of airlines can benefit from such a pool of loyal frequent flyers that cannot wait to go back chasing status miles and awards. This forces airlines and loyalty programs alike to shift their current focus from a primarily operations driven approach to a more customer centric one. It is the opportunity to launch improved and innovative offerings in the market, to serve customer needs as of today, as well as creating synergies for the future. This allows the customers to feel valued again, potentially resulting in strengthened loyalty and trust.

"Coming together is a beginning. Keeping together is progress. Working together is success." – Henry Ford

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Further insights from Lufthansa Consulting's aviation experts available at <https://www.lhconsulting.com/insights/news/>

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