

Customer Focused Airline: A Vision for Airline CRM

Making the Customer Experience a Competitive Advantage

The airline industry has reached a crossroad. While on one hand fuel and labour costs continue to be key issues, the phenomenal growth in passenger traffic has created new opportunities for growth. In this highly competitive industry, while operational efficiency helps reduce costs, customer satisfaction is the key to market leadership and sustained profitability in the long term.

Airlines have realized the importance of having happy customers and are therefore focusing on customer relationship management (CRM) as a tool for managing customer relationships. Unfortunately, in many cases, they have failed to recognize CRM as a holistic strategy, instead viewing it as synonymous with their frequent flyer programs. In order to manage the customer more effectively across all lines of service, airlines must change their approach to CRM in a number of ways:

- **Customer segmentation**—Airlines need to recognize that mileage-based segmentation is inadequate, whereas value-based and needs-based approaches can help guide investment decisions and drive greater insight into the needs of high-value customers.
- **CRM initiative development**—In order to differentiate themselves from the competition, airlines must abandon a “fast follower” approach to CRM initiative development, in favor of investing in initiatives with a high return, which respond to the needs and desires of their own customers.
- **Organizational design and management**—Airlines need to instill a service mentality in their employees, empowering them with a complete view of the customer and clearly articulating the employee’s role in the CRM strategy.

By taking steps to implement a truly consumer-centric approach to relationship management, an airline will be better positioned to acquire, develop and retain high-value customers. Through the development and implementation of customer analytics and decision-support technologies, airlines can begin to use customer information not only to differentiate service levels based on customer value, but also to drive crucial operational decisions. In the end, an airline’s CRM program becomes a platform for achieving both near-term operational efficiency and long-term relationship management and growth.

From Loyalty to Advocacy

So how does an airline differentiate itself and provide a meaningful customer experience. Customer experience is a journey that a consumer takes along a series of touch points: they become aware of a brand, consider what’s on offer, make enquiries, make a purchase and use the service. Customers can choose to stay or go at any of these touch points.

IBM research confirms that customer experience management (CEM) is the key for companies hoping to maintain if not improve relationships with their customers: successful CEM initiatives have demonstrated significant customer impact according to 68 per cent of respondents in the study, and quantifiable revenue growth in 50 per cent of cases.¹

Based on consumer research, executive decision maker research and leveraging the extensive work done by IBM in the airline industry IBM’s Institute for Business Value (IBV) presented the Point of View (PoV) on the “Customer Focused Enterprise : The next generation of CRM done right” . The PoV states that most companies today have shortcomings in their understanding of the Customer Experience and often base it on operational objectives neglecting the emotive impact which is sometimes most important based on the customer’s investment in the interaction. The route to loyalty is

Case Study: A Leading Scandinavian Airline

Challenges: The airline was confronted with intense global competition and a lower marketing budget and needed to drive a higher ROI, effectively optimize marketing campaigns, and increase response rates.

Solution: Delivered a customer dynamic marketing model to plan the marketing activity. The approaches:
 a) Include the Customer Equity and Lifetime Value Management (CELM) algorithm and application.
 b) Enhance the existing customer segmentation scheme.
 c) Analyze the historical portfolio of various types of marketing actions
 d) Create a prototype for marketing action plans
 e) Allow budget allocation to maximize the customer value/risk ratio

Benefits: a) Reduced marketing costs by 20% while improving overall response rate by 10% b) Improved customer satisfaction rate by 10% c) Achieved average of 80% accuracy rate for predicting future customer value over variable horizons

¹ 20:20 Customer Experience : IBM Study

through building advocacy among customers. Advocacy is re-enforced or undermined over and over again as each interaction is evaluated relative to customer wants and needs. Therefore Companies must understand both the emotive & tactile performance of delivery to drive customer advocacy. ²

Operationalizing the Customer Focused Enterprise

In order to help airlines operationalize their objectives for transformation into a Customer Focused Enterprise IBM leverages its CRM Done Right customer experience framework. The Methodology, as illustrated below, focuses on five key interlinked elements for implementing a successful CRM initiative.

A. CRM Value Case for Change summarizes “Why?” The Value case helps airlines develop a business case around the CRM initiatives that spans across the multiple customer touch points. It develops a metric based approach which becomes critical to tracing strategy through to implementation and back again.

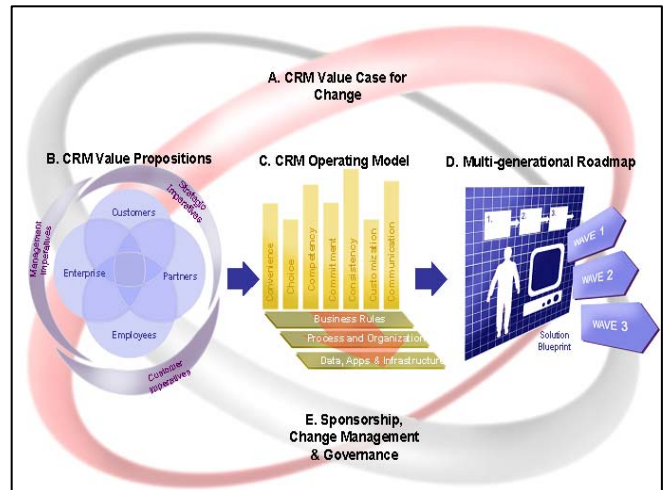
B. CRM Value Proposition helps in defining the specific strategies around the initiatives by doing in depth analysis using proven tools such as moment of truth analysis, touch point mapping that create value for all the stakeholders in the CRM equation including passengers, employees and partners. It also considers the imperatives which are important for business success such as competitive threats, financial pressures or new opportunities.

C. CRM Operating Model is the end-state operational blueprint of the CRM program. This includes determining what will be the specific passenger experiences, how an airline will deploy resources, how new technologies and infrastructure will be built, how new processes will be designed and creating a comprehensive strategy for managing a change.

D. Multi-Generation Roadmap turns the blueprint into a prioritized, sequence of time-fixed work streams that are implemented at a rate that the airline can handle and manage successfully. This defines customer initiatives into projects that contribute value and ROI on their own as well as build toward long term vision.

E. Sponsorship, Change Management and Governance is an ongoing process of managing the program to deliver its objectives and aligning the stakeholders to the process and the outcome. It seeks to build support for CRM initiatives to ensure that projects and transformations are measured and directed towards their goals.

The “CRM Done Right” framework provides a sound, structured and proven path for organizational transformation, from securing agreement on a comprehensive vision to confirming commitment throughout multiple implementation phases. Developing a new vision for better customer experiences is only the beginning. Changing the enterprise requires the transfer of customer experience ideals from the drawing board to real life operations. Using the approach to prioritize resources according to the impact of particular customer interactions, airlines can build achievable operational models that create customer advocates.



Case Study: Major US point-to-point carrier

Challenges: Client seeks to accelerate its penetration of the corporate travel segment and concluded that to meet higher expectations for loyalty programs among those customers, it need to transform its program
As part of that initiative, client embarked on the path of replacing its loyalty platform over the next 6-12 months to meet the new customer needs and business requirements

Solution: IBM GBS has been working with them to help prioritize and finalize business requirements and conduct a software evaluation and selection process

² The Customer Focused Enterprise : IBM Institute for Business Value Study

About IBM

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