



TODAY'S FOCUS:

# PRESSURES TO INNOVATE IN AIRPORT LOYALTY

Mignon Buckingham, Director of The Collinson Group

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Dedicated to helping clients  
manage their customers  
more effectively.

Delivering products and services that increase  
customer acquisition, optimisation and retention.



**28** locations



**20** countries



**760** clients



**+13 million**  
end customers managed



**+1,170** employees

## Unique skills in..

- Free/paid membership programmes across travel and the airport experience
- Loyalty programmes for global clients across airline, hotel and retail sectors

*Priority Pass*



Hotel	Airlines	Luxury	IT	Finance	Retail FMCG
					
					
					
					
					
					

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COMMERCIAL PRESSURES FACING THE INDUSTRY

# Airline Profitability

Are the days of airlines contributing the majority of airport revenue numbered?



## Non-aviation revenue now significant

- ▣ '48% of European airports' revenue is derived from non-aeronautical activities'

### driven by:-

- Increased passenger numbers - yet growth will be from developing countries
- Increased spend per passenger - yet airlines/retailers do not have the marketing strategies in place to drive footfall or spend

- ▣ Airports need to innovate to influence numbers, dwell time and spend

## Intense competition for share of travel wallet

- ▶ **Airlines** (early in-buying chain) heavily focussing on unbundling and ancillary revenue (66% in last 2 years)
- ▶ **Technology disruptors** now owned by larger corporations e.g. TripIt (Concur) & Worldmate (CWT) seeking advertising/subscription models
- ▶ **Banks and card issuers** increasing travel benefits provided as value-adds
- ▶ **TMCs and GDS** developing travel products for business/corp travellers seeking to own the customer journey
- ▶ **Airports** competition increasing and implementing consumer marketing strategies

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**A UNIQUE OPPORTUNITY TO INNOVATE?**



## Airports have a unique opportunity

- ▶ Airlines 'unbundling' offers neither transparency nor promotes the 'airport experience'
- ▶ Merchants need solutions to increase footfall for domestic *and* int'l passengers
- ▶ Passengers crave an 'airport experience' that reduces travel stress (#1 pain point)
- ▶ **Satisfied and loyal passengers tend to spend, eat and drink more!**

## Airports have a unique opportunity

▣ The ACI backed ASQ Survey found only 1 in 4 airports of 110 airports had a loyalty programme (16% free and 10% paid)

- **Free to join** – developed to leverage customer insight and transactional data to increase retail and F&B spend/footfall
- **Paid-for / subscription** programmes – leveraging airport assets to generate direct ancillary revenue i.e. frequent traveller or VIP programmes

## e.g. Copenhagen - CPH Advantage

- ▣ Uses insight to improve customer communication and offer content
- ▣ Recruited 250k members in just 13 months – biased towards business travel
- ▣ Online duty free stimulates brand awareness before the journey

Benefit	Influence
Free wifi at airport	Simple value exchange to capture data and provide a <i>member benefit</i> for every visit to airport
Discounted airport lounge access	Leverage existing airport asset and influence yield management
Rewards through points spend/rewards and different level of membership	Incentivise spend online (and in-store) driving web traffic and concourse footfall

## e.g. NICE - Airport Premier Club

- ▣ Not typical as frequency of visits to airport unlocks benefits
- ▣ Aimed at the frequent traveller but middle/tail of plane rather than the premium ticket traveller

Benefit	Influence
Benefits available once 10 trips reached - Dedicated parking - Fast track	Frequency to airport is key to achieve the benefits available - few programmes incentivise in this way
Discounted airport lounge access and business lounge	Leverage existing airport asset and influence yield management
Discounts and offers shops, restaurants and car-rental	Incentivise further spend at airport

## Some perspectives on loyalty

▀ What insight is there from a wider loyalty perspective:-

1. Best practices in developing a loyalty offering
2. Generating revenue through leveraging in-house and 3<sup>rd</sup> party content in the 'Added Value Account' market
3. Priority Pass™ - a view on a 'global' airport programme

## Loyalty best practice

- '90% of best-in-class retailers have loyalty schemes'
  - Acquire data – as customer knowledge and insight must drive loyalty (no punch cards please!)
  - Analyse and segment data to form customer groups (and the groups within)
  - Communicate the program benefits and relevant/targeted offers
  - Continually assess campaign success for greater insight and targeting
  - Understand the reward strategy from the start – what rewards and how soon can they be redeemed by customers

## Packaged Content driving revenues

■ In the UK, 1 in 5 people have upgraded to an Added Value Account (AVA):-

- Packages based on bank plus 3<sup>rd</sup> party products i.e. travel/gadget insurance, card protection, lounge access

Compare Added Value Account

Account	Silver	Gold	Platinum	Premier
Account				
Monthly Fee	£9.95	£12.95	£17	£25
<a href="#">AXA Travel Insurance*</a>	✓ European Couple.	✓ Worldwide Couple.	✓ Worldwide Family or Winter sports.	✓ Worldwide Family & Winter sports.
<a href="#">AA Breakdown Cover*</a>	✓ With Roadside Assistance.	✓ With Roadside Assistance.	✓ With Roadside Assistance, Relay and Home Start.	✓ With Roadside Assistance, Relay, Home Start and Stay Mobile.
<a href="#">Mobile Phone Insurance*</a>	✓	✓	✓	✓
<a href="#">Sentinel® Card Protection*</a>	✓	✓	✓	✓
Interest and fee-free Planned Overdraft‡	✓# Up to £50.	✓# Up to £150.	✓# Up to £300.	✓# Up to £500.
<a href="#">AA Home Emergency Cover*</a>	✗	✗	✗	✓
<a href="#">ID Aware*</a>	✗	✗	✗	✓
<a href="#">Save What Matters™</a>	✗	✓	✓	✓
	<a href="#">More</a>	<a href="#">More</a>	<a href="#">More</a>	<a href="#">More</a>

If an Added Value Account doesn't meet your needs, why not consider our [Classic Account?](#)

**Upgrade Online - Existing customers**

If you already have an account with Lloyds TSB and you're registered for [Internet Banking](#), upgrading your account or adding Vantage is easy and hassle free - just [Log on to Internet Banking](#)

[Upgrade](#)

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- Further revenue generated from upgrades and product extensions
- Evolution from fixed packages to customer selection from a wide choice to fit personal needs

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The screenshot displays the 'Features Store' interface. At the top right is the 'theCollinson Group' logo. Below it, the 'Features Store' header is visible. The main content area is a grid of product tiles, each with an icon, a title, and a price. The products include:

- ISAs from Barclays
- Manage statements
- Tech Pack (£7.50 per month)
- Travel Plus Pack (£13.50 per month)
- Premier Travel Plus Pack (£11.50 per month)
- Barclays Travel Insurance
- Kaspersky security software
- Credit Manager (£5 per month)
- Personal loan
- Barclays Text Alerts
- Home Pack (£6 per month)
- Travel Pack (£8.50 per month)
- Premier Tech Pack (£7.50 per month)
- Foreign currency
- Barclays Pingit
- Barclays Personalised Card
- Personal overdraft
- Barclaycard

On the right side, there is a 'My Choices' section with a 'Barclays Mobile Banking' option selected, indicated by a blue checkmark icon.

## A Global Programme - Priority Pass™

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■ Launched in 1992 with the aim of providing frequent travellers VIP airport lounge access regardless of class of ticket

■ Now largest independent programme of its kind – over 600 lounges worldwide and over 7 million members

### ■ Key Success Factors

- Consistent product at each airport location
- Global – not limited to domestic or regional
- Compliments NOT substitutes an airline's FFP
- Multi-channel approach to marketing i.e. direct B2C (in flight) to B2B2C via banks and travel partners

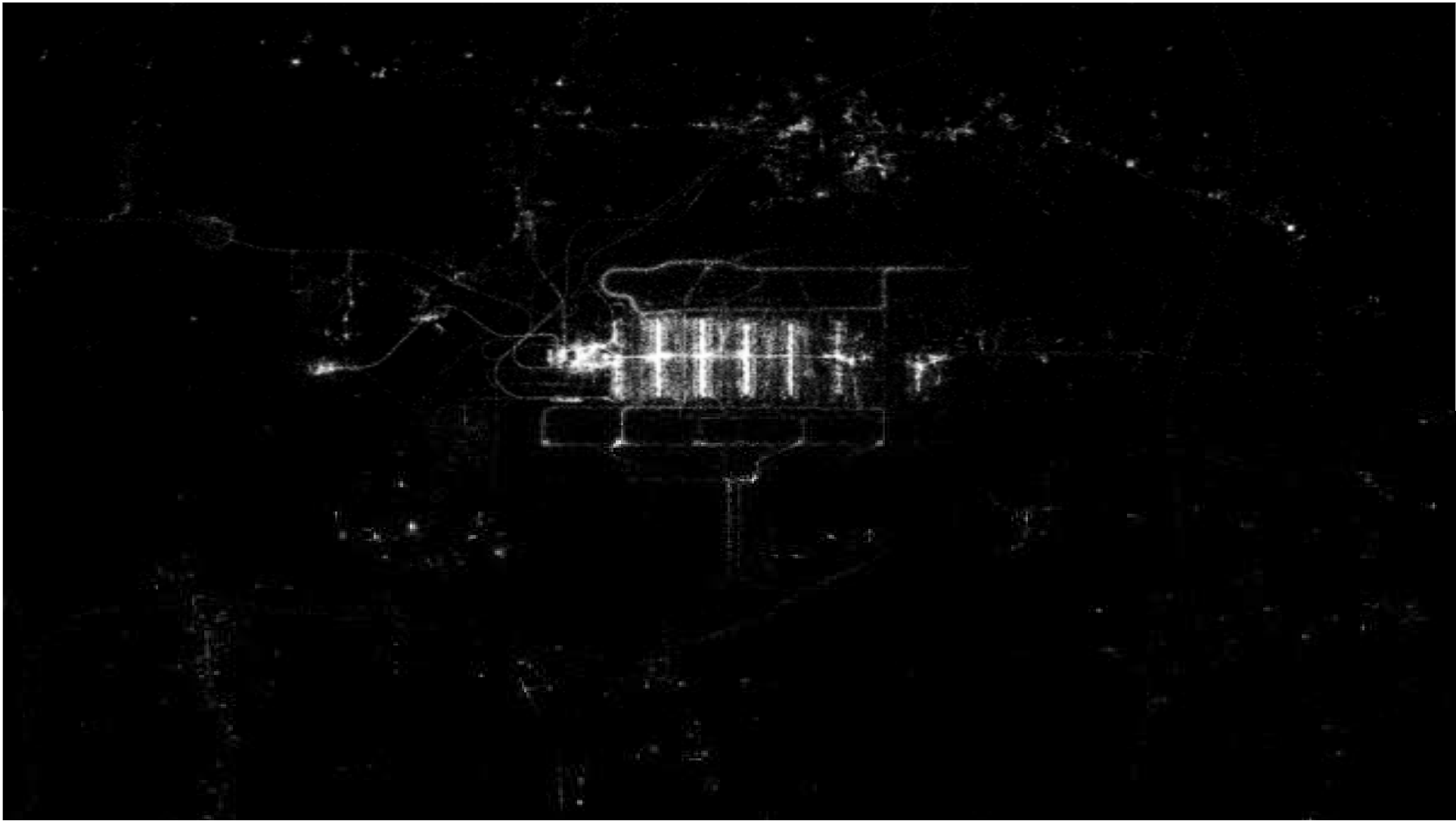


## Key Insights

- ▶ Loyalty schemes are almost a pre-requisite for a retail offering
- ▶ Even the smallest scheme should be data-centric and continually analyse the data
- ▶ There are many airport assets that can be used to develop paid programmes – but 3<sup>rd</sup> party partnerships also add strategic value
- ▶ Subscription programmes need additional revenue generating mechanics e.g. upgrades, etc
- ▶ There is no '*airline neutral*' programme spanning routes – but it is possible!
- ▶ Seek alternative sales channels i.e. Banks and Telcos not just travel partners

## Becoming customer-centric

- Commit to the long-term
- Understand that data is KEY to the customer relationship and success of programme
- Either own your own data or negotiate to receive/share with your partners (whether airlines, retailers, technology vendors or other)
- Customers will hold high value exchange (in return) for their data
- Understanding data is a skill – real-time and through data analysis
- Location awareness and social marketing will become a key marketing tools.....



It's Foursquare's view of Atlanta Airport

Nearly 1m check-ins

United customers can receive 50 miles for every Foursquare airport check-in

At DFW passengers can redeem offers at 85 different concessions locations with Foursquare and Facebook Places

Time to embrace technology and social media?

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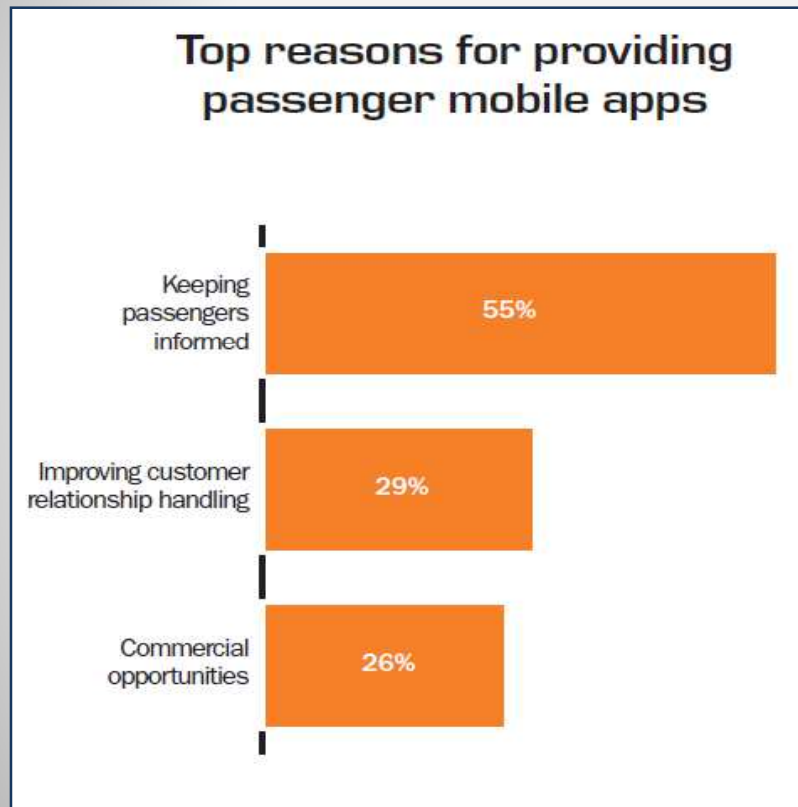
**TECHNOLOGY IS CRUCIAL TO THE FUTURE AIRPORT**

## Technology favours the airport

- ▣ WiFi enables an 'always connected traveller' – rich passenger data
- ▣ Paperless travel / mobile recognition improving the experience and changing the demands on physical space
- ▣ Smartphone/tablet devices transforming passenger experience
  - Real-time advertising/marketing throughout the journey
  - Increasing adoption of mobile payments
- ▣ Advances in merchant POS technology e.g. 'Wave and Pay' for both cash and redemption on cards and e-wallets



## Mobile is a key planned initiative



- According to SITA by 2015, 88% of IT executives at airports plan a mobile app by 2015
- However in their view the commercial opportunity is not leading this strategy
- Only 1 in 4 of respondents see mobile as core to revenue generation

## Barriers to mobile success

- ▣ **Connectivity** – data roaming is a key barrier to international travellers engaging with the airport experience
- ▣ **Mobile Marketing** – there are over 1 billion apps and don't assume people will find yours
- ▣ **Merchants** – acceptance and adoption of expensive mPOS hardware and software by merchants
- ▣ **Customer Engagement** – apps have a very short-shelf life and little stickyness or memorability

## Overcoming barriers to mobile adoption

- ▶ **Connectivity** – offset the revenue opportunity of charging for wifi against the return for loyalty impact adoption if free of charge (if limited)
- ▶ **Mobile Marketing** – consider app marketing within the context of an overall multi-channel approach don't just assume traditional channels will work
- ▶ **Merchants** - The merchant investment will need to be justified by the increased mobile offerings that will increase footfall and spend
- ▶ **Customer Engagement** – provide genuine value for free, communicate with relevancy and timeliness, don't give a reason for someone to delete the app (they will almost never return!)

## Ease of Programme Implementation

- ▶ Start small – don't jump to visionary!
- ▶ One size doesn't fit all – what is right for a small regional airport will not necessarily be right for an international hub
- ▶ Don't be scared of outsourcing if skills aren't available in-house
- ▶ If outsourcing is an option consider carefully especially consider the advantage of a global footprint provides and expertise in both retail and travel loyalty
- ▶ IT integration is not always needed – standalone programmes can be developed

## Conclusion

- ▶ Airports must challenge themselves to make a commitment to customer engagement and loyalty
- ▶ There's too much competition and pressure on revenues not to pursue
- ▶ Moving into non-aviation revenues should be a strategic priority to make a significant contribution to the bottom-line
- ▶ Strategic customer data and knowledge are the foundation of any programme
- ▶ Share data, revenue and mutual success...with your partners



Mignon Buckingham

Director

e: [Mignon.Buckingham@thecollinsongroup.com](mailto:Mignon.Buckingham@thecollinsongroup.com)