



11 December 2007

Communicating with Frequent Flyers in the Digital Channel

Introduction

Customer Growth LLC, a US based consultancy specializing in developing "Custom measurable marketing programs that create profitability" ©, has released the results of a research study analyzing the use and impact of the email channel by airlines to communicate with members of their frequent flyer programs.

This study of digital communications in airline rewards programs is part of a more comprehensive study underway by the company reviewing use of the email channel across key industry segments which routinely employ reward and recognition programs to retain and grow relationships with their customer base. Results of the study for the hospitality, retail, and online business segments will be released during Q1 2008.

Background

Over the course of its 25 year history, the loyalty marketing industry has seen its share of success and failure. Industry consensus validates the need to build an integrated strategy grounded in transactional data in order that the sponsoring company reach its desired objectives. To engage and maintain the interest of modern consumers, sponsors must set clear and measureable objectives, create a value proposition that includes both tangible reward and recognition benefit, and structure a vibrant mix of reward options.

Once a rewards program is launched, continuing success is anchored principally in two areas: the effectiveness of communication between sponsor and member, and the willingness of the sponsor to maintain a disciplined measurement and reporting system.

As an increasing percentage of loyalty program members become internet enabled, the attraction of using this channel as a prime means of communication has grown. The obvious cost advantages rendered by email communication are a temptation for any marketer and when combined with the level of data collected by most program sponsors, the potential for personalization of messages and offers is tremendous.

This report documents how US airlines are executing digital program communications within their frequent flyer programs, and draws conclusions pertinent to any organization wishing to improve the effectiveness of its email communication to rewards program members.

Project Scope

Email communications from 5 major US airlines were catalogued over a 6 month period during 2007. Both legacy carriers and newer discount airlines were included in hopes of identifying tactical differences between competitors.

All communications catalogued were issued by the airline in the context of its rewards program, i.e. membership in the associated frequent flyer program and configuration of online preferences influenced the generation of messages.

Communications from American Airlines, Delta Airlines, US Air, JetBlue and Spirit were used for this study. The emails collected were analyzed from several perspectives as outlined.

**Volume:**

What is the gross volume of email generated and is there a consistent pattern of mail distribution? Is there a discernable flow by time of month or day of week? If a pattern exists, do program members have any control over these factors?

Purpose:

What is the distribution of emails by purpose and content? Can emails be categorized in distinct buckets and are the groups complementary to one another?

Relevance:

Was the value proposition transmitted by the email worth the time needed to read and understand it? Was the offer made significant enough to change member behavior?

Personalization:

What element of personalization exists in the email? Is there evidence that the data collected by the airline is being used in salutation, copy, or tailoring of offers made?

Findings

On average, frequent flyer members received just shy of 5 emails per month (to be exact - 4.75). The volume varied greatly by airline with both discount carriers joining American Airlines as the most prolific "e-pen pals".

This volume was slightly lower than the hospitality segment studied, and significantly lower (less than half) than the amount generated by retailers. Specifics for these industries will be released in Q1 2008, but are mentioned here to establish perspective of airline volume versus others communicating with rewards member populations.

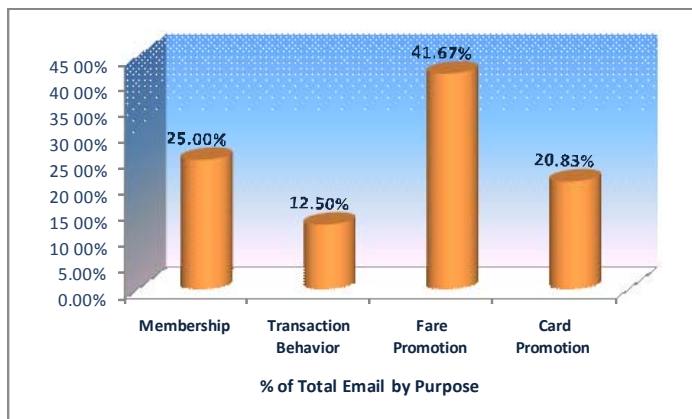
Email seems to be issued on a consistent basis month to month. During individual weeks, we observed skewing towards the latter days of the work week, possibly with the goal of capturing the mind of persons day-dreaming about their weekend travel plans.

Customer Growth categorized email into these 3 buckets of "Purpose":

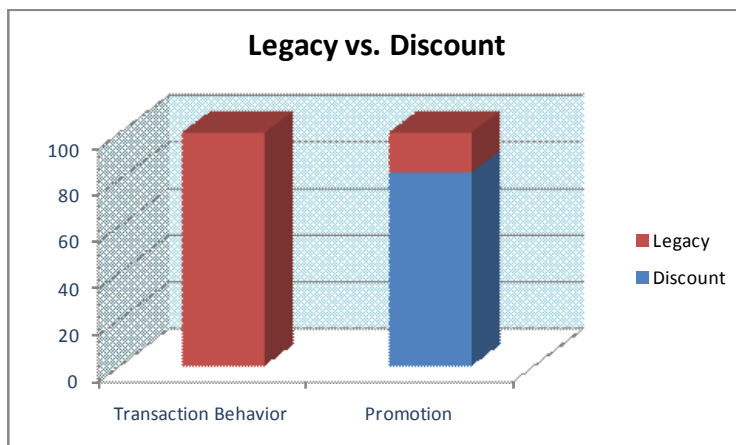
- Membership requirements (statement & rules)
- Promotions (fares & partners)
- Transaction & Behavior (promotions or other communications triggered by purchase or other interaction with the airline)

The chart below illustrates the distribution of emails by Purpose. Two types of **Promotional** emails are shown in the chart and, when combined, represent the majority of emails by type.

- Promotion - 62.5%
- Membership issues - 25%
- Transaction behavior - 12.5%



The composition of email by purpose varied more significantly by the type of airline surveyed as 83% of the total promotional emails generated by all airlines were sent by the discount carriers and 100% of the Transaction Behavior emails were sent by the legacy carriers.



Fare promotions were the subject of approximately 75% of Spirit emails, while JetBlue heavily emphasized its cobrand card relationship with American Express. In addition to fare and card promotions, we observed a variety of partner promotions including contests, online malls and experiential rewards.



Cobrand credit card promotions were at once creative and attention-getting while sometimes bordering on “bait and switch”, presumably in an attempt to gain eyeballs. At least one attempt at creativity crossed the line of good taste, depending on the reader’s interpretation of the acronym used.

Spirit was the most prolific and creative purveyor of promotional emails and apparently works hard to capture the attention of web surfers with diminishing tolerance for generic communications. Headlines that caught our eye included “We’ll pay you to Fly” and “Fares from \$9 each way”.

Spirit entered into treacherous communication territory when the eye-catching headline disconnects from the message. For examples:

- “Give to others this holiday season, and get something back”. This wholesome message would thaw the heart of most email scrooges around the holidays. Further reading revealed however that the message was about credit cards, not charity, as members were pitched an application for a FreeSpirit MasterCard.
- MILF – It may be strictly an acronym known in America, but “Many Islands, Low Fares” was not the first thing that came to mind upon opening this email. Clever is good, but borrowing from pop culture and potentially offending your best customers should be carefully weighed.

American Airlines led the way in offering sweepstakes and contests, a tactic not used by competing carriers, legacy or discount. One engaging holiday themed contest - “Depart from the HO-HO-HUM” sweepstakes – is worth a mention. Highlighting the aspirational nature of travel, American headlined one of its monthly e-statements with encouragement to “Win 1 of 5 Unforgettable Experiences”. Members could click through to enjoy a colorful and engaging micro-site while signing up for the contest.

Membership emails are synonymous with monthly statements and program rule changes. Monthly statements were structured in a nearly universal fashion with three components; communication of account standing and membership tier, presentation of a variety of fare promotions, and reinforcement of any ongoing contests or expiring promotions. Statements were the only format which carried a level of personalization, normally limited to a salutation including the member’s first name.

Transaction & Behavior emails may have represented the smallest percentage of the whole, but, in our opinion, are most powerful for members. By definition, the emails in this category are “triggered” by a purchase, flight, or change in preference to an online profile. Several types of behavioral triggers were observed during the period:

- Purchase of a day pass to the Crown Room generated a series of emails from Delta offering trial membership and ability to apply the price of the day pass to the cost of annual membership.
- Booking a ticket on an airline not recently patronized triggered an offer to recover miles frozen due to inactivity or to purchase one’s way to a higher priority tier in the frequent flyer program (USAir).



- Redemption of miles on American Airlines resulted in an offer to purchase additional miles to “reach that next trip”.
- Bounce back emails acknowledging sweepstakes entry were diligently sent by American.

These Trigger emails represented a bright spot in an otherwise uninterrupted flow of credit card and fare promotions. The link between recent behavior and the offer made was clearly outlined, and despite the absence of significant personalization, these messages strengthened the personal link between airline and member.

Relevancy is the real test of email value. Managers of frequent flyer programs can saturate members in volume and can offer promotions ad infinitum. Eventually, the well-written headlines must signify relevancy if members are going to remain engaged.

Relevancy and **Personalization** are closely related topics and we will not keep the secret that outside of monthly statement emails, there was exactly zero (0) evidence of tombstone, preference, or survey data being used to craft relevant emails. Mentioning surveys, they were scarcely witnessed during the observation period.

Noting this lack of data leverage, it is not surprising that multiple examples of irrelevant promotion can be cited:

- Offering a cobranded credit card to an existing cardholder tops the list of data offenses. Any potential benefit from addressing a monthly statement “Dear Bob” is erased when the top offer on the list is for the credit card that “Bob” already holds.
- A “Board First and Sit in First” campaign by Delta also fell short. Higher-tier Delta flyers can routinely obtain an upgrade to first class seating on domestic flights and achieve both of the benefits mentioned in the headline. Reading the email uncovered that “special fares” ranging between \$335–479 one-way were required for purchase, a high cost for negligible benefit.
- “Free shipping” is normally welcomed by consumers. Why one of the airlines chose to offer this benefit when redeeming a certificate based award is perplexing. Since we are speaking in the context of the digital channel, wouldn’t downloading the certificate make sense?

Conclusions & Insights

The volume and timing of email issued by the airlines surveyed seems reasonable and not invasive.

The positioning of email by the discount airlines is consistent with their strategy to win market share through attractive fares. Continued weighting of emails to fare and credit card promotions however, could have negative impact over time. The ennui created by these messages might obscure a more valuable data driven trigger message offering a relevant promotional offer. The discount airlines should equate the information they possess to a valuable asset, and take an innovative step in the direction of personalized messaging.



Considering the detail of customer information that all the airlines possess, (tombstone data, flight history indicating frequently visited business destinations or favorite travel locales, fares paid) it is shocking that more personalization is not in evidence. Though the legacy carriers surveyed showed more dedication to matching offers with customer behavior, there remains tremendous unrealized potential.

Leadership in the industry is up for the taking. Driving lower fares and eliminating in-flight services to pay for them is a strategy that has a dark future. It is not too late to revive a high level of customer service in the airline business and frequent flyer populations are the logical foundation to build upon.

The airlines which use the data they possess and carefully survey to add personal preferences that don't show up in travel records, will have the clearest path to success. Leveraging data into personalized and relevant offers is the frontier that has beckoned the airlines for at least the past 10 years. Who will answer the call?

Playing in the frequent flyer game should not be about simply matching competition or being content to give away margin as a price of doing business. There is potential for so much more. Some industries struggle just to identify their customer base and to link this basic information with products purchased, They invest heavily to bridge this gap and still they cannot do so with as much confidence as the airlines.

Our survey of frequent flyer email showcased that promotional creativity and good copy writing exists in abundance. The next generation of digital communication strategies however will be achieved only by those airlines that resolve to use the data they possess and enhance it on a regular basis.

We will continue to track progress and hope that airlines evidence this resolve in the future.

Quick Take:

Communicating with Frequent Flyers in the Digital Channel

The Work:

- Customer Growth LLC tracked Frequent Flyer email from 5 major US airlines over 6 months of 2007

What We Found:

- Frequent Flyers received an average of 4.75 emails per month
- Email categorized as: Promotional - 62.5%, Membership – 25%, Behavioral – 12.5%
- Relevance could be vastly improved if existing data were better leveraged
- Outside of monthly statements, Personalization is non-existent

What we Concluded:

- Discount carriers reflect their price strategy in digital communications, but too much promotion could obscure more relevant offers
- Legacy carriers dabble in data but tremendous potential is unrealized
- Leadership in digital communications will be achieved by those airlines which resolve to use the data they possess to drive offer relevancy and personalization