

BRAND DEVOTION

– linking customers with airlines and hotels profitably

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introduction

Suddenly everything has changed. Customers are in control like never before and airlines and hotels are finding it harder than ever to keep them engaged. They have many choices and a myriad ways to communicate with each other and with companies. These new powers can make customers less responsive and therefore less profitable. The operating environment for hotels and airlines is demanding new ways of driving incremental revenue from customers in order to survive. Whilst loyalty programmes have become increasingly important to customers, keeping them loyal is harder than ever.

Yet, in this era of promiscuous buying behaviour the airlines and hotels who fully understand the customer with whom they want to interact, what prompts them to purchase, and how to create a relevant value proposition for them, have a greater chance to succeed. To this end ICLP has developed a new strategic model called Brand Devotion™ which evolves the loyalty concept to meet today's customer needs and the commercial environment.

Brand Devotion™ is a new method of measuring and increasing customer loyalty for the 21st Century. It is borne out of 20 years' experience in loyalty marketing, working with hundreds of companies locally and globally to differentiate their brands and propositions in order to forge closer and more meaningful relationships with their customers

The result, Brand Devotion™, is a robust, workable and profit-focused model that, for the first time, can link a company's brand relationships to its customers' commercial performance on an emotional engagement level as well as a pragmatic reward level. Therefore it can be used to attract customers into a relationship with short term tactical incentives to drive attention, action and immediate results and also offer customers longer term engagement using softer methods that align with their intrinsic values.

The model can be applied to both airlines and hotels with or without a Frequent Flyer programme (FFP) or Frequent Guest programme (FGP) to help evaluate and measure the success of customer relationships and loyalty strategies. It will help identify new ways of improving loyalty and profitability quickly and for the long-term.

the science of relationships

The Gallup Management Journal (GMJ) demonstrated that customers can develop emotional, even passionate, ties to an extremely broad range of products and services; suggesting that almost any industry can build deeper and therefore more profitable customer relationships.

The study found that a customer's 'emotional attachment' was remarkably consistent across five of the industries studied ranging from 27% for mass retailing, 37% for consumer banking, 29% for consumer electronics and 33% for the car industry. Indeed, John Flemming, Ph.D. who directed the research believes that Passion can be sparked by goods as everyday as hiking boots and crisps.

"Brands that deliver both functionally and emotionally for customers result in indexed loyalty scores *three times* higher."

Yale Professor and psychologist Robert Sternberg has undertaken significant research into the balance between the three ingredients for 'love'. Based on this research, ICLP has mapped its experience of loyalty to create a marketing tool built on the science of emotion in customer relationships.

The Brand Devotion™ model, shown in Figure 1, consists of the 3 key dimensions necessary for profitable and successful customer relationships, with the ultimate goal of Brand Devotion sitting at the heart of the model.

- **Intimacy** – the intelligent use of data and analysis to build knowledge and develop an in-depth understanding of customers. This insight provides the ability to derive a personalised approach to relationships and communication
- **Commitment** – the development of a mutually beneficial and more structured relationship between an organisation and its customers. This creates a greater shared connection providing continual recognition, respect and support
- **Passion** – the achievement of a greater emotional connection with customers by fostering enthusiasm, encouraging interaction and providing them with a differentiated experience beyond their expectations.

Figure 1: ICLP Brand Devotion Model



These three dimensions can therefore be used to map, monitor and motivate the degree to which customers believe they have with a relationship with a brand or vice versa. The combination of the science of relationships and the art of loyalty marketing is captured in a detailed methodology developed by, and unique to, ICLP.

The resulting scores incorporate weightings devised from ICLP's 20 years of global experience in customer relationships. The scores for each dimension are then totalled to give the consumer's level of engagement and loyalty

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to the relevant brand or company. The key however is not just establishing the Brand Devotion™ score but in understanding how that brand or company compares against benchmarks for other brands, against brands in their industry sector and even against any companies who are deemed examples of best practice in interactive customer engagement.

This insight provides clear direction for strategies and tactics that will drive enhanced customer engagement and improved profitability.

Virgin as a brand would score highly on Passion with its championing of consumer rights and environmental issues plus Virgin Atlantic have secured the broad Commitment of their customers through their structured relationship programme, Flying Club. Amazon demonstrate a clear focus on Intimacy as their use of customer profile data derived from browsing and shopping habits allows them to provide personalised recommendations that reflect a customer's interests not just their purchasing patterns.

The real challenge however is being able to perform well in all three dimensions in order to maximise the development of lasting, deep and profitable relationships. Traditional brands are often strong in one or even two dimensions and new online brands might also achieve strong scores in one or two areas. There are a very few companies or brands that achieve Passion, Commitment and Intimacy with their customers.

Brand Devotion™ is a unique *quantifiable* measurement of the emotional and practical involvement of customers with a company or brand which gives an indication of the strength of its relationships and where the opportunities lie to increase customer level profitability.

customer interaction and technology

Customers are people not numbers and, as demonstrated by Maslow's Hierarchy of Needs, they want social interaction above and beyond basic physical attainment of benefits. This social function feeds their emotional habit to interact and communicate with other individuals and as part of groups. Customers want to engage with brands in a totally different way to a few years ago and desire different levels of engagement.

The rise of social media and networking sites has unleashed this need in modern consumers as they provide easy access to feeling part of a community. As well as the more obvious Facebook, My Space, Twitter applications, there are also more specialist sites to cater for specific interest needs with TripAdvisor being a key example as the world's largest travel community with 6 million registered members and over 20 million traveller reviews and opinions

Business models are continually evolving to enable a greater degree of direct customer involvement in the development cycle and in some cases allowing customers to share in the rewards of their engagement.

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BMW is using a group of consumer advocates to help inform the design of new beta models and new travel site Simonseeks.com pays you to share your favourite places around the world. Similarly the printed t-shirt company, threadless.com encourages its community to submit designs and rate them. The winning designs are sold on the site and initial payments of \$2000 are made to the winning artists. Threadless.com is currently paying out over \$1.5 million a year to their winning artists. These developments mean that as marketers we need to think and act differently.

This shift towards greater community interactivity is a particularly important component of the Brand Devotion™ model reflected in the Passion dimension. It helps ensure brands are applying relevant marketing practices to their customers in this new interactive space.

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New technologies, mobile devices along with the increasing rate of consumer adoption have all supported this trend with the customers now interacting and accessing information at a time that is convenient to them. For instance, over 7 million people in the UK surf the web on their phone and mobile internet growth is eight times greater than PC-based internet growth. There are now fifty times more Google searches on the iPhone than on any other mobile device – this is revolutionising the way brands and companies engage. More than ever before the consumer can request and receive information in a form of their choosing.

The impact of this new interactive and multi-way communication era is particularly relevant as the use of traditional marketing methods are no longer good enough. Events, personalised direct mail, even email and generic websites can only create a certain level of customer involvement. The old models of Reward and Recognition to encourage loyalty only impact at a lower psychological level but the creation of brand relevant opportunities for sub-segment interaction offers modern customers a new value proposition and marketers a way of building more profitable customer relationships. These brand relationships built into tangible customer programmes are the measurable goal of Brand Devotion™.

the application of Brand Devotion™ for airlines and hotels

Brand Devotion™ takes the social needs of the customer audience and looks at ways of achieving a greater level of interaction between a brand and its customers, something that loyalty has previously achieved with just Reward and Recognition programmes. Brand Devotion™ takes loyalty further by encouraging marketing within the constructs of deeper relationships.

In a more practical sense for airlines and hotels, specific initiatives can be put in place to drive Passion, Intimacy and Commitment to increase the profitability for members in FGPs and FFPs but initiatives can also be applied to a much wider customer audience to encourage and improve overall engagement and interaction.

“Moments operated by Starwood Hotels encourages members to use their Starpoints® to bid on exclusive lifestyle experiences, encouraging interaction and fostering greater enthusiasm for the brand”

A great example of encouraging customer Passion is operated by Starwood Hotels. They run Moments, a programme for members where Starpoints® can be transformed into once-in-a-lifetime experiences such as the opportunity to play soccer with a star athlete and VIP tickets to premiers and sporting events. Members are encouraged to use their Starpoints® to bid on these exclusive experiences, encouraging interaction and fostering greater enthusiasm for the Starwood brand.

The site also includes customer testimonials and videos to showcase members who have benefitted from Moments and encourages members to further interact by watching videos, rating videos and adding comments which helps build a sense of belonging to a Starwood community. Whilst Auction sites are not a new concept for FGPs or FFPs, Moments takes it a step further by encouraging interactivity and providing a customer experience which caters for customers wider lifestyle need. Whilst this provides more engaged members, it also helps reduce currency liability by providing a unique way to burn points.

The importance of developing customer Intimacy and using this insight to directly improve profitability can be seen by the case of one airline where sophisticated data analysis revealed that the best predictor of future top tier value was the inclusion of an aisle seat preference in the customer profile. This insight enabled the airline to seek out customers with this preference, ‘recognise’ their interactions earlier than would have been achieved otherwise to accelerate them through the tiers.

The result of this initiative was a more engaged top tier member and an increase in flown revenue as well as a more effective targeting strategy for the airline FFP. Taking the data analysis a step further, the airline could also identify other common variables which would be a predictor of future behaviour to further refine their activities for high or low value customers.

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One initiative for driving customer Commitment may include an airline or hotel introducing policies and procedures that allow front-line staff to break the rules for customers on appropriate occasions. For example, Mr. Evans a top-tier member who experienced a flight delay last time he flew is given a free upgrade when checking into his next flight by front-line customer service staff as compensation.

Whilst clear boundaries need to be set and communicated to front line staff on how to manage this flexibility, the impact of such an experience is likely to increase individual customer advocacy, positive word of mouth and increased loyalty. All which encourage further interaction by the individual or others in the future.

the way forward

ICLP has taken the science of personal relationships and applied it to the discipline of loyalty marketing, being the closest marketers can come to social interaction with customers. Putting a constructed and measureable framework around this concept allows ICLP to help brands and companies build stronger customer relationships, based on insight into customer needs and subsequent creation of customer valued propositions. Airlines and hotels wishing to differentiate and therefore survive in these challenging economic conditions need to understand the role customer relationships can play in their plans for success.

Brand Devotion™ can make an immediate impact on an airline's or hotel's understanding of their customer relationships and help them implement the strategic initiatives to effectively drive the 3 key dimensions of successful customer relationships.

Achieving brand devotion from customers does not happen instantaneously and, like any relationship, it takes time to cultivate, earn trust and requires continual effort to maintain.

But like a true relationship it is rewarding for both parties and in particular the commercial opportunities available include:

- A greater share of wallet through brand differentiation
- Higher margins from brand preference and customer insight
- Greater penetration of cross sell to increase share of customer
- Enhancement of advocacy and recommendations

Brand Devotion™ will support airlines and hotels to nurture a real, scientifically-based and profit-led relationship with their customers now and in the future.

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about ICLP

ICLP is the world's leading specialist loyalty marketing agency with offices in London, Dallas, Dubai, Hong Kong, Kuala Lumpur, Madrid, Mumbai, San Francisco, Sao Paulo, Shanghai, Singapore, Sydney, Tokyo and Zurich.

With over two decades of global experience across a wide range of industry sectors, ICLP specialises in managing profitable relationships by leveraging commercial experience, creativity and insight to create marketing initiatives that maintain and influence profitable behaviour, deliver incremental yield and maximise customer lifetime value.

ICLP is part of The Collinson Group which owns and operates a global portfolio of complementary specialised agencies and marketing services businesses.

To learn more about Brand Devotion™, visit www.iclployalty.com/branddevotion or alternatively contact your local office representative.