

# ascend

Taking your airline to new heights

## *JET STREAM*

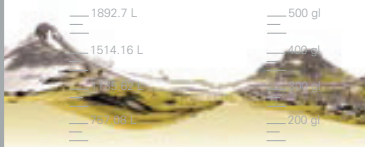
A conversation with Wolfgang Prock-Schauer, the chief executive officer of Jet Airways.



### Special Section

#### FUELING UP

A look at the rising cost of fuel and its effect on the industry.



#### INSIDE

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# Winning Customer Relationships

*Through an effective customer relationship management program, airlines can provide the highest levels of service and retain their most valued passengers.*

■ By Ronald S. Swift | *Ascend* Contributor

Most all how-to books, executive seminars and universities continue to teach that success in business is a result of being able to quickly adapt to change. Success comes from one longstanding rule: whoever can make solid decisions and execute those decisions in the quickest and most efficient way wins. Doesn't this apply to almost everything in life such as sports, exams, raising children, personal safety, financial portfolios and even filling planes?

Precise decision making has been a key to survival for centuries and, when examining today's corporate cultures, should be a trait that is resident in every executive's personality portfolio. While an executive's personality, education and instinct continue to be the foundation for success, the introduction of technology into the inherited capability of quickly adapting to change and making precise decisions has created a new science

during the past few years and a must have in the successful corporation playbook.

As a result, corporations quickly drafted teams of savvy executives who purchased the latest technology toys ready to solve any customer challenge that anyone could imagine. But in which game were they going to participate? Customer relationship management, customer data management, customer information management, customer experience management? It did not take long for the eyebrows of chief executive officers and chief financial officers to rise, resulting in somewhat painful and pointed discussions about when to expect the return on investment and how to justify the mammoth architectures that had already been purchased.

Some tough questions had to be asked, answered and acted upon quickly to take advantage of the CRM capabilities that were already sitting in house. Many of the original assumptions

about the corporation's culture and about its customers had been proven incorrect and, in some cases, completely off base. The new science of quickly adapting to change and making precise decisions had to evolve into an art, which is much easier said than done. Before a business can realize the value of CRM, companies must honestly assess their current culture and institute changes to provide an enterprise view of their customers. In a sense, the old school that used experience, gut feel and intuition to make decisions had to merge with the new school of powerful data warehouses and sophisticated business intelligence tools.

So, are investments in CRM paying off? Companies with deep commitments to their customers and their business continue to make significant investments in CRM. Regardless of a strong business case, business leaders must be able to see quantifiable value demonstrated

## Saving the Relationship

*An ongoing, "living" customer relationship management strategy can provide the basis to meet customers' expectations or help rebuild the relationship after a less-than-satisfactory experience.*

■ By Amy Moss | *Ascend* Contributor

Time has not altered the definition of a customer as being one who possesses a true or perceived need of a product prior to purchase. And still today, prior to purchasing a product or consuming a service, a customer has a near-perfect picture of what to expect.

What has changed over time is the personality of the customer. Customers still have a need to be fulfilled by a product or a service, but they have created their own expectations and metrics for customer satisfaction. These mysterious expectations are why the benefits and success measurements that companies tout in their marketing collateral must hold up

under customer scrutiny and be easily recognizable. Assuming the best-case scenario when customers actually voice their dissatisfaction, triage plans need to kick into gear immediately to clearly communicate and demonstrate to customers the value they bring to the corporation. Also, it is important that customers see and feel corporate authenticity while their dis-



along the way, with hard numbers at every stage. Learning from those not-so-pleasant memories of prior conversations with business leaders and less-than-stellar CRM implementations, customer relationship managers are now using proven processes that implement CRM initiatives through a phased approach. These processes help companies find the quick hits that show immediate benefits, keep the executive sponsorship solid and build to the longer-term CRM objectives and strategy. At the end of each short-term phase, the actual ROI is measured against the projected ROI. With this approach, the actual return frequently exceeds the projected or estimated goals.

Fundamental customer relationship capabilities at leadership firms now include:

- An understanding of the real profitability of each customer — Providing a basis for ongoing decisions affecting customer satisfaction and corporate profitability,
- The ability to quickly identify at-risk customers for retention and when to deliver win-back communications following a customer's negative experience,
- True empowerment of customer-facing staff with efficient decision-making capabilities to relevantly interact with customers, based on the individual customer's historic and most recent experiences — even today's experience,
- The capability to continually identify high-value customers who deserve special attention and be able to act upon their changing needs,
- The ability to leverage customer profiles, shopping and sales data to provide personalized and timely communications throughout a customer's life cycle with the company.

Best practices in CRM are evolving at a rapid pace now, business strategies have been revised, and the philosophical shift from product to customer focus is visible across the company. Various types of industries continue to discover measurable results from developing real-time customer dialogue using customer event-based marketing and authentic recognition of the customer's value — "return on customer."

For example, in the global banking industry, complex customer "event-detective" systems have become common. One bank is executing approximately 50 complex rules each day to detect events to respond with timely, relevant and personalized messages.

In another case, a leading online retailer implemented a data warehouse-driven CRM program that transitioned the business from a product-centric discount house to a customer-centric shopping service. The retailer used a number of analytical tools and unique CRM techniques, including a customer "propensity-to-buy" model, integrated with e-mail marketing messages. The retailer also established guidelines through analyzing data for delivering customer messages at the most optimal time of day to obtain the best response rate, managed offer frequency based on individual response behaviors and launched event-based campaigns that were easily monitored for

effectiveness and positive impact to the marketing ROI.

The early stages of CRM within the airline industry were somewhat costly due to a few wrong turns and assumptions. But the journey has proven successful, showing that CRM strongly supported growth in customer loyalty. More importantly, airlines realized that technology alone could not solve the CRM challenge. Measurable improvements in customer interaction and gaining competitive advantage could be obtained by merging the old school of experience, gut feel and intuition with the new school of technology.

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## HIGH light

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past. Airlines that have chosen to integrate CRM into their business strategies have realized more efficient marketing, experienced revenue increases from effective cross-selling and have been recognized in the industry as customer service leaders. It is clear that integrated customer focus across the airline assists in providing the best travel experience for frequent and infrequent customers to retain their business.

Airline passengers, even the most loyal, aren't always loyal to the lowest-cost provider. The key to successful long-term relationships has proven to be good and fast decisions, made with the customer in mind, to create a best or better

experience. The positive or negative experience is what people remember long after a flight.

With a centralized information repository that captures customer and operational data combined with historical information, accurate analytical intelligence for immediate decisions making can be delivered to the exact point in the travel chain precisely when it is needed to produce the best customer experience. If airlines are really commodities, a positive travel experience can be the key determining factor for retaining customers. Furthermore, many valuable, repeat and profitable customers are returning to the same airline and paying a premium solely on the experience the airline provides.

Airlines are enabling their customer-facing staffs with the enterprise intelligence to offer personalized and relevant services to the most profitable customers to drive loyalty and retention. This means customer service personnel can have actionable analyses at their fingertips to make quick and correct decisions about how to delight customers — and drive profitable growth. However, technology only provides the necessary data and tools. The delivery of the customer experience still falls on the shoulders of front-line customer-contact personnel.

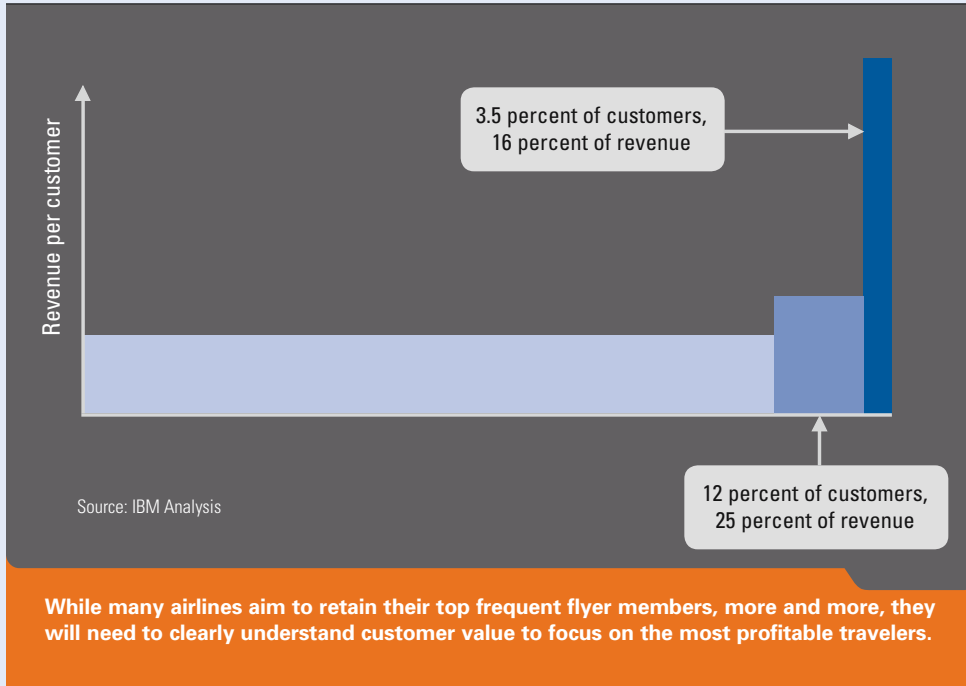
Airlines, big and small, operating in all types of business models, that have chosen to incorporate customer recognition back into their customer touch points are seeing positive impacts directly to the bottom line. Strategic and tactical decision-making analytics enable airlines to continually refine customer engagement processes.

Some airlines have led the way. Continental Airlines continues to report rising revenue passenger miles, increasing profits and having planes take off without empty seats. Similarly, Southwest Airlines continues its legendary customer-oriented business approach, posting numerous gains, including profit, at a time when airline industry challenges are clearly more complex. British Airways also has seen major improvement as a result of its customer relationship management initiatives.

The documented results are positive, and the underlying story in each of these cases is the marriage of customer commitment and enterprise intelligence, which, time after time, results in better decisions as well as better business performance. In a world of high competition, excess capacities, growth in passenger volumes, pricing commoditization, and high fixed (and now) variable costs, airlines are realizing success by making solid decisions and executing change in the quickest and most efficient way. ■

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## Airline Customer Value Segmentation (by revenue)

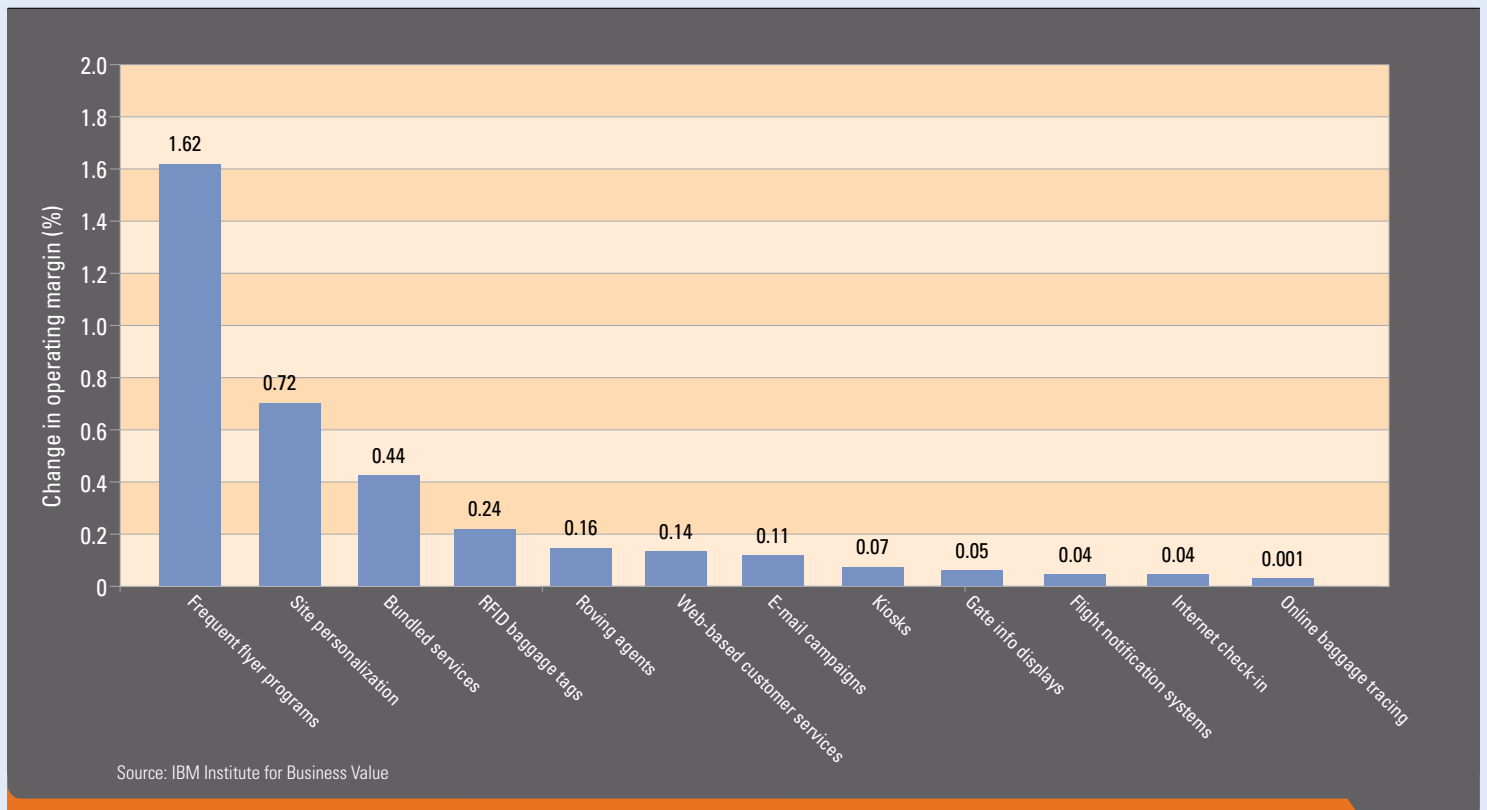


satisfaction is being addressed. Unfortunately, it is more common to not hear from unhappy customers. These types of customers quietly take their business to the competitor and along the way share their war stories with anyone who will listen.

Another change that has occurred over time is the personality of the corporation. High-tech environments are progressing at such a quick pace, making it more difficult to stay committed to any business strategy, much less an enterprise-wide customer relationship management strategy that seems to go on forever. Executives wince at the liability risks associated with the CRM price tags while simultaneously juggling the traditional performance metrics that scream customers and revenues are declining.

So what? This is business, right? What goes up must come down? What can be said about the customer relationship, the customer experience or transforming into a customer-centric organization that hasn't been said already in a hundred different ways? Are there really any boundaries that can be placed

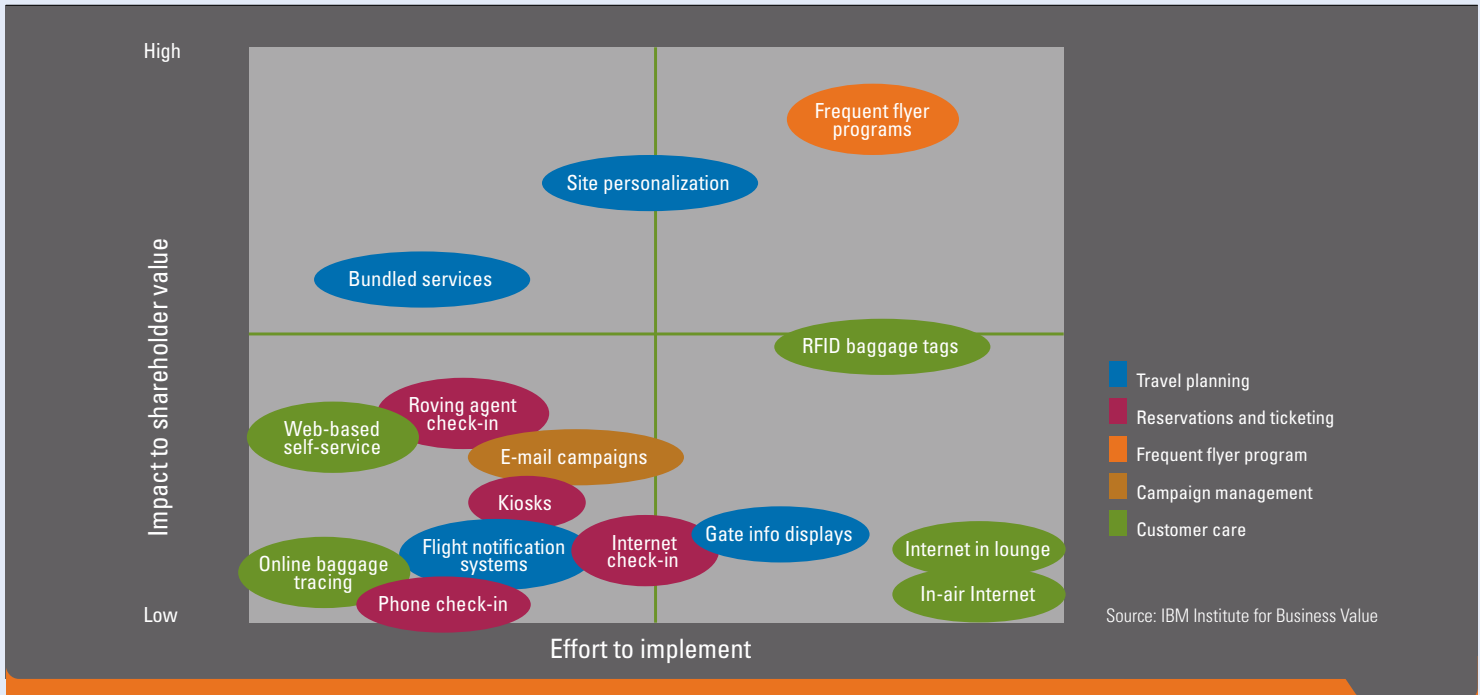
## Return on Investment From Select CRM Initiatives



In addition to determining what customers want and need, an airline must determine which initiatives best drive shareholder value. Executives must prioritize or reject potential investments based on the expected return to the company and the degree of implementation cost and risk.

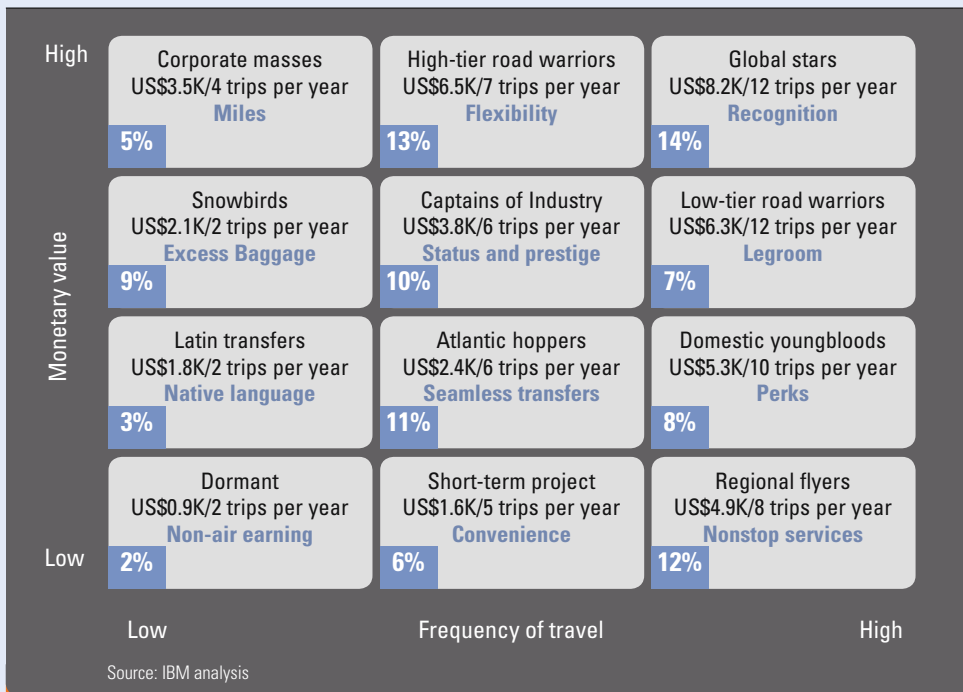


## Financial Assessment of Selected CRM Initiatives



Some initiatives, such as frequent flyer programs, offer high return to an airline in terms of increased customer loyalty. They also give them the ability to sell miles or points to third parties, which extends the loyalty program and creates a new revenue stream.

## Value-Based Customer Segmentation



Value-based customer segmentation enables carriers to manage travelers as an asset. Using this method, they can group customers by monetary value and travel frequency. Current value is useful in gaining an understanding of potential value such as untapped wallet share and likely future spending.

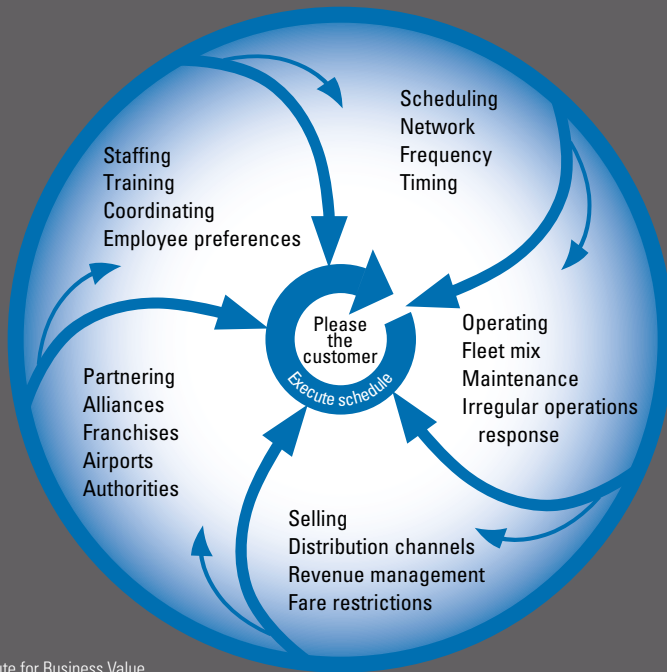
around the customer chaos? Is it possible to renew damaged customer relationships?

The good news is, yes. Boundaries can be put in place to control the CRM chaos, and customer relationships can be repaired. Whether an airline is considering a CRM solution, beginning the CRM journey or is a survivor of CRM burnout, it is never too late to bridge the gap between customers' expectations and what the airline delivers. It is the honest assessment of these gaps that determines the need for customer relationship management.

Luckily, CRM does not come with strict do's and don'ts. Each and every company has its own definition of the business, its challenges, its strengths and acknowledges its weaknesses. Most of these same corporations recognize that customers have similar characteristics but struggle with the numerous opportunities to deepen those customer relationships. Demonstrating the desire to provide customer value by addressing any broken promises made to the customer is the first step in retaining current customers and plays a significant role in acquiring new customers.

To recreate the best customer relationships, personal investments are required. This is not the time to worry about a costly initiative not working well

## Customer-Focused Airline Operations



Source: IBM Institute for Business Value

**The customer is central to improving an airline's key operations — scheduling, operating, selling, partnering and staffing. In turn, all operational improvements must support strengthened customer relationships for airlines to achieve long-term viability.**

- Identify desired short- and long-term benefits.
- Determine how a solid CRM strategy positively impacts the corporation and individual product portfolios.
- Identify the good, the bad and the ugly business processes.
- Evaluate data sources across the enterprise, identify any integration gaps and data repository duplications.
- Determine the CRM priorities for operational, analytical, data collaboration and distribution.

In some areas, aggressive action plans will have to be created for the necessary changes that must occur before the living strategy can commence.

Creating the beginning state is not for the weak hearted, but it is critical for success. With the facts in hand, executive sponsorship will be much more easily obtained. As the living strategy evolves over time, executive sponsorship must stay aligned and on board. The owner of the living strategy must keep a close eye on the executive sponsorship and rekindle the relationship as often as necessary.

The technology assessment and strategy must be closely aligned and intertwined with the business strategy. Past failures in CRM have occurred by not integrating the two driving CRM initiatives solely from the technology perspective. It is imperative that strong executive sponsorship has been secured so strategic decisions can be made quickly on purchasing or building the CRM technologies that support the business today and in the future.

The single most significant factor that will communicate CRM success is how the living strategy will be measured. Clear and concise metrics that support each CRM objective will be the corporate report card for communicating the overall effectiveness of the CRM initiatives. These metrics will identify areas for improvement and uncover new CRM opportunities. Most importantly, each CRM objective should correlate to increased revenues and decreased costs noticeable in the corporation's bottom line.

Customer relationship management does not alter history or change the traditional definition of a customer. What it can do is help a corporation uncover the mysterious expectations of this generation's customer and enjoy a longer and happier life together. **F**

within the organization, but it is time put the CRM strategy under the microscope.

Companies in the midst of the CRM journey or those caught in the CRM time warp can explore the possibility of CRM burnout by asking several questions honestly from the customer's perspective:

- Are you valued or recognized as a customer?
- Do you feel like you make a difference?
- Do you feel you are being treated fairly?
- Do you have anyone you can talk to about your experience?
- Are you experiencing the benefits that you expected?

If the answer to any of these questions is no, the current CRM strategy needs to be discarded and a new living strategy created.

To fully reap the benefits of CRM, a living strategy must be created and have a dedicated owner who provides shelter, nourishment and security. CRM is not another three-to-five-year project that ends with a big party denoting the end of the story. It is a philosophy that spreads throughout the corporation and provides the foundation necessary for the business to change gracefully with the customer. The

strategy should be kept as solid as possible, remodeled as necessary and possess the ability to be passed on from owner to owner.

To create a living strategy, there has to be a beginning state. Several attributes should be examined closely to determine the starting point for the CRM strategy:

- Identify customer-related business challenges across the company.
- Paint accurate pictures of customer types across the company, even if the customers are screamers — Be honest.
- Assess the corporation's culture — Is it product-focused or customer-focused?
- Assess various business units within the corporation and determine if the business model operates as a product-focused portfolio or as a customer-focused portfolio.
- Walk a mile in customers' shoes to get an honest appraisal of the gaps between their expectations and what is being delivered.
- Create the qualifications for executive sponsorship candidates.
- Obtain agreement on the CRM definition and objectives across the organization.