



# LCCs and Loyalty

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Why LCCs need to take loyalty seriously || How they can track loyal customers || How they can eventually reward loyalty

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## 1 | FIVE REASONS FOR LOW-COST CARRIERS TO TAKE LOYALTY SERIOUSLY

Before you raise your eyebrows, let me declare that yes, I do know why you might be slightly surprised to read the title of this article. You might say that LCCs exist to carry customers cheaply from one point to another without offering peripheral services or caring about customer loyalty because everyone will come if your price is low, right? You might say that LCCs themselves couldn't care less about cultivating loyalty or building loyalty programs because that would be an unnecessary investment of time and resources. Right? Wrong! This article will build on the premise that while LCCs have been doing one L (low-cost) well, they need to start thinking about an equally important L – loyalty!

Before I go on to my thesis, let me state upfront that I am not talking about creating loyalty programs. I'm only concerned with creating loyal customers or, to put it in the simplest and most compelling terms: driving repeat business for LCCs. There are some compelling reasons for LCCs to start thinking about building a loyal flyerbase. Five of them are listed below.

1. First, and perhaps the most easily identifiable reason: it has been known since long that getting a new customer is much more difficult and resource-consuming than keeping a customer loyal.
2. Second, with the growth in the number of LCCs in markets, a number of carriers are fighting for their share of the pie. With fuel costs (and consequently, operating costs) rising much faster than passenger numbers, carriers that have the highest load factors will win the battle for survival.
3. Third, given that fuel costs are hurting all carriers, a battle to fill capacities based on price-cuts will not just hurt the carriers but the industry and wider economy. No example for this can be better than that of the Indian market where the troubled national carrier Air India indulged in heavy price-slashing leading to a domino effect of reduced profits (in fact, heavy losses) industry-wide.
4. Fourth, given that most major markets have multiple LCCs in competing closely (including on prices), there is a need for secondary differentiation factors that would help in customer retention.
5. Fifth, and perhaps incidentally, the present state of the economy has compelled many price cuts within businesses. As a result, many companies have taken to flying LCCs for short-haul travel. Agreed that this might not be a huge population, but a seasoned business traveller flying on a no-frills airline for the first time would definitely look to fly the LCC that offers the most value even at the low-cost.

So what can you, as an LCC do to actually drive repeat business via loyal customers? First, think like a person who's flying you multiple times a year. Even though the frequent-flyer concept is not applied to the LCC market, it is undeniable that there are people who do fly you frequently. (I have a relative who flies the same LCC twice a week just because its on-time performance is impeccable!)

Small things matter. Work on the small ways you can make a difference to your loyal customers. Second, understand from the example I just gave that even though small things make a big difference to customers (eg. on-time performance) they will not be enough to drive repeat business until loyal customers are identified and told specifically that they are being rewarded for being loyal.

So here's my golden tip for today: *Make those who fly you frequently feel special in small ways.*

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## 2 | THREE WAYS FOR LOW-COST CARRIERS TO TRACK LOYAL CUSTOMERS EASILY

Last week, when I presented to you [five reasons why low cost airlines need to take loyalty seriously](#), a couple of thoughts must have crossed your mind. First, you must have thought about how, most importantly, LCCs (low-cost carriers) can track loyal customers before rewarding them. Understandably, you must have thought that effectively “tracking” loyal customers via a dedicated CRM system would incur an IT headache and additional costs that might defeat the business model of an LCC. Second, you might have thought that taking loyalty seriously is no good if one can’t track loyal customers effectively and easily (read: within one’s means). In this article, I will offer three easy ways for socially savvy airlines to track their loyal customers.

### INCIDENTAL LOYALTY

Before I move on to the three solutions, allow me to introduce a particular kind of customer you might not have thought much about. Suppose (and there can be any number of scenarios) a person flies the same LCC twice in 10 days. This could be due to a number of reasons, none of them related to loyalty: the flight timings for that particular LCC were most suitable, prices were lowest, pure coincidence, it’s the secretary’s favourite airline etc. In plain words, let’s simplify to the utmost and say that the person flew twice in that time period due to sheer chance. Now here’s where it gets interesting: To an observer ignorant of the reason why he flew the LCC twice, he would appear to be a (somewhat) loyal customer. In this case, the LCC would be the observer.

Now, even though the actor might not harbour great feelings of loyalty towards the airline, the airline has a brilliant opportunity to turn this Incidental Loyalist into a truly loyal customer. The first way obviously is to offer a consistently good product and service experience. However, in a keenly competitive world that might not be enough. So how can you convert incidental loyalty to loyalty per se? Simple: **offer such customers a small, but significant time-bound incentive to fly the airline again.** And let the cycle be repeated. Watch the magic unfurl!

### TRACKING LOYAL CUSTOMERS

Yes, you really don’t need to fear an IT headache at all. All you need to do (at least for the first two options) is empower your social media team to listen, engage and respond to customers.

1. **Check-ins** – The idea is simple: create specific check-in points for your airline (say, at an airport, for starters) and encourage your customers to check in to them. Social media, quite evidently, is the rage these days and check-in services such as Foursquare, Gowalla and Loopt are all the rage. It shouldn’t be too hard to get customers on board. Just make sure you set a clear reward (ie, something that a customer finds value in) as well as a reward-point (eg. mayor of check-in point) upfront.
2. **Brand Advocates** – If you’re an LCC, empower your social media team to empower customers to speak about your brand. Monitor the strongest brand advocates; ie, those who speak favourably about you a lot. Hold simple weekly contests or initiatives – eg. get the most number of RTs on Twitter, most likes on Facebook, sharing experiences and asking for votes etc. If you want to go to minimal trouble, use and popularise a hashtag (eg. #<LCC name>rocks) on Twitter and track it earnestly to find your most vociferous supporters.

3. **Boarding passes** – This is the simplest of all. Set specific time-bound criteria. Ask customers to present their boarding passes at their check-in counters to redeem their reward once they've fulfilled the criteria (eg. 5 flights flown in the last month). The major advantage of such an initiative is that it can get customers who aren't social media savvy (but fly a lot anyway) on board as well.
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### 3 | FIVE WAYS FOR LOW-COST CARRIERS TO REWARD LOYAL CUSTOMERS AND DRIVE LOYALTY

After last week's article, you now have a fair idea of [where to find your loyal customers](#). Hence, it's time to actually set the virtuous cycle of loyalty in motion. Why cycle? The age of social can no longer bear the burden of two-way traffic not looking each other in the face – it's no longer the age of broadcasts or pure need-based consumerism where a cold, dispassionate relationship develops between the customer and the airline. Instead, social interactions between the airline and customer can evolve into life-long virtuous cycles of buying and selling based on not just mutual needs but mutual respect based on the value each party brings to the other. At its very basic, this can be broken down to a couple of scenarios: “I will reward you because you spread goodwill about me and get me new customers”. And on the obverse, “I will fly you/recommend you because not only is your service excellent but you also understand and acknowledge that I bring value to you.” See the cycle now?

#### The conversation economy

Social media, in many ways has taken us back to the market of yore. Remember the tales your grandma used to regale you with? Of the small corner shop where she always bought her wares from? Where she'd have long chats with the shop-keeper and he'd offer her tea and special discounts on his wares. Social media is bringing back the “market” of the old days. It's futuristic in its technology, tools, presentation and sophistication. But at its heart is the simple, old belief in the “conversation economy”. But care must be taken to understand that the economy functions not because of the “conversations” but the subtle parameters hidden behind those conversations. These parameters would include – you guessed it right – respect, loyalty, admiration, trust etc. And these tie the customer and airline into a closely-knit unit destined to be together for a long time.

The question is: *can your low-cost airline, which might already be strained for resources, offer something to your loyal customers by way of rewards to tie them into such a close knot with you?*

#### Yes, you can

Here's the essential idea broken down into three simple tenets: first, reward the customers in ways that compel them to either fly with you again or recommend you wholeheartedly; second, ensure that the rewards are within your means; third, ensure that the rewards make tangible differences to the travel experience or airline perception of your customer.

So I offer you five really low-cost (closer to zero, I'd say) solutions for your low-cost carrier that will immediately make those who fly you a lot, much happier to not just fly your airline repeatedly but also recommend you to their social circles:

1. **Priority check-in:** For a person who travels a lot, one of the most depressing sights when you enter the airport is looking at a really long check-in queue. I remember actually SMSing [Shashank](#) (CEO of SimpliFlying) while in a long queue once about how nice it would feel if LCCs would start offering priority check-ins to their most frequent customers. To keep the sanity of things intact, you don't even have to offer it to me everytime. You can limit it to, say,

just 3 or 5 priority check-ins per flight and do your brand a world of good. Costs much? I hardly think so.

2. **Priority boarding:** If you're flying an LCC, the chances are you want to be at the front of the boarding line so that you can get arrange all your hand baggage comfortably in the overhead cabins before the crowd comes rushing in and blocks the aisles. Why not allow me (or similar) frequent-flyers of your LCC the opportunity to be one of the first to board? I know some airlines (such as Tiger) earn ancillary revenues by selling "boardmefirst" coupons. Even if you have to forgo \$10-20 per flight (for those who're not Tiger, there's no real opportunity cost), wouldn't such costs be mostly negligible? If you're really afraid of losing the money, why not set parameters? Say, 1 coupon per 2 flights flown in the last month?
3. **Seat-selection:** This is possibly trickier to negotiate. You'd possibly need to set up some sort of coupon code generation system for enabling customers to get the discount during booking. Also, I understand that this is potentially a big ancillary revenue generator for LCCs. But still, after setting more stringent parameters for awarding this (fewer people awarded, more flights to qualify), I'm sure there's much to gain from the pleasure of customers who recommend the airline wholeheartedly. Why does the recommendation of a frequent-flyer matter? Remember when you asked an expert about a certain thing and went against his advice? I don't either.
4. **Baggage vouchers**
5. **Food vouchers:** I'm clubbing the two together because they behave similarly. Both offer things customers value free of cost. But, for the airline, there's often respite in the fact that while frequent-flyers will, in general, be very interested in selecting seats of their choice, I'm rather certain that they will not *always* want to have free food nor will they always have extra baggage that will make them redeem the free baggage vouchers. By making the vouchers time-limited, **airlines can ensure that while they do offer sufficient value by way of loyalty rewards, the cost of these rewards is generally a negligible amount of ancillary revenue compared to earning huge swathes of goodwill and repeat business.**

That brings us to the end of this special series on LCCs and loyalty. I look forward to your views on the points I've put forward.

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