How low-cost airlines can unlock the value of loyalty programmes

By Nic Vlok

23 Oct 2018

Loyalty programmes. Your hairdresser has one, your favourite coffee spot has one, and so does your local pet shop - these programmes continue to rise in popularity because today's consumer is always on the hunt for more bang for their buck. Collecting points, receiving discounts, or even teasing shoppers with the opportunity of being part of a top-tier group (with rewards), are all ways that retailers are trying to tap into growing their customer loyalty.

©HONGQI ZHANG via 123RF

In what started out as a simple programme to encourage loyalty, resulted in repeat customers and increased sales for many businesses across the globe – it remains a basic, but powerful marketing strategy.

Loyalty programmes are not for everyone

Even though they are powerful, not every brand needs to implement a loyalty programme. There are some iconic brands, such as Apple and Nike that have no need for a loyalty programme, but still, have a cult-like following due to their brand status and product offerings.

This has, however, not been the case for many brands who have had to work hard at consistently driving brand loyalty through the offering of a reward programme.

How do airlines reward loyalty?

When it comes to airlines, if used correctly, frequent flyer programmes can significantly drive value in two very distinct ways: helping to solidify passenger loyalty and growing their revenue and profits, which in turn will help to grow the airline.

The history of loyalty programmes dates back to the early 80s when American Airlines launched a tiered system to reward passenger loyalty. The mechanics were simple - the more you flew, the higher you were in the tier system; and the higher your tier, the more points you earned per flight. Today, cleverly positioned loyalty programmes even extend to earning points using the airline's preferred partners, such as car hire and hotels, and more recently, loyalty programmes affiliated with each partner.

Partnering up to reward more

For Mango's partners, they already have robust loyalty programmes for their members or clients in place. For example, Momentum's Multiply offering, and Sanlam's Reality reward programme offer their members or clients discounts when purchasing Mango tickets. So by not carrying the cost of a hefty branded frequent flyer programme, Mango has strategically managed to reach beyond its own customer base through all its various extended partners' customer bases and unlock value to these potential flyers.

In a recent survey conducted by Answered, 53% of travellers indicated that a loyalty programme played no role in their decision-making process when choosing which low-cost carrier to fly with. This shows that travellers are placing more value on low costs instead of loyalty programmes.

A 2015 report published by Deloitte, Living the dream or just dreaming, cautions that if the strategic decision and investments in loyalty programmes are not aligned with the overall business strategy of an airline, it could result in a wasted investment and a significant loss in customer loyalty. We agree, and in turn, have been driven to find other ways to offer value to customers. This is where low-cost carriers have the upper hand - by making their products available to a multitude of other programmes.

The customer can extract more value from their participation in a loyalty programme by using available points or credits to purchase air travel. Mango accepts loyalty points as a form of payment from a number of loyalty programmes run by our partners. For example, SAA Voyager rewards can be redeemed on Mango flights.

Exploring the 'un-flown'

By partnering up with other brands, airlines can reach new markets, one of which is the 'un-flown' market. By keeping ticket prices at a minimum, South Africans who have not flown will be able to have the opportunity to travel across the country.

ABOUT THE AUTHOR

Vlok is acting CEO at Mango Airlines.