

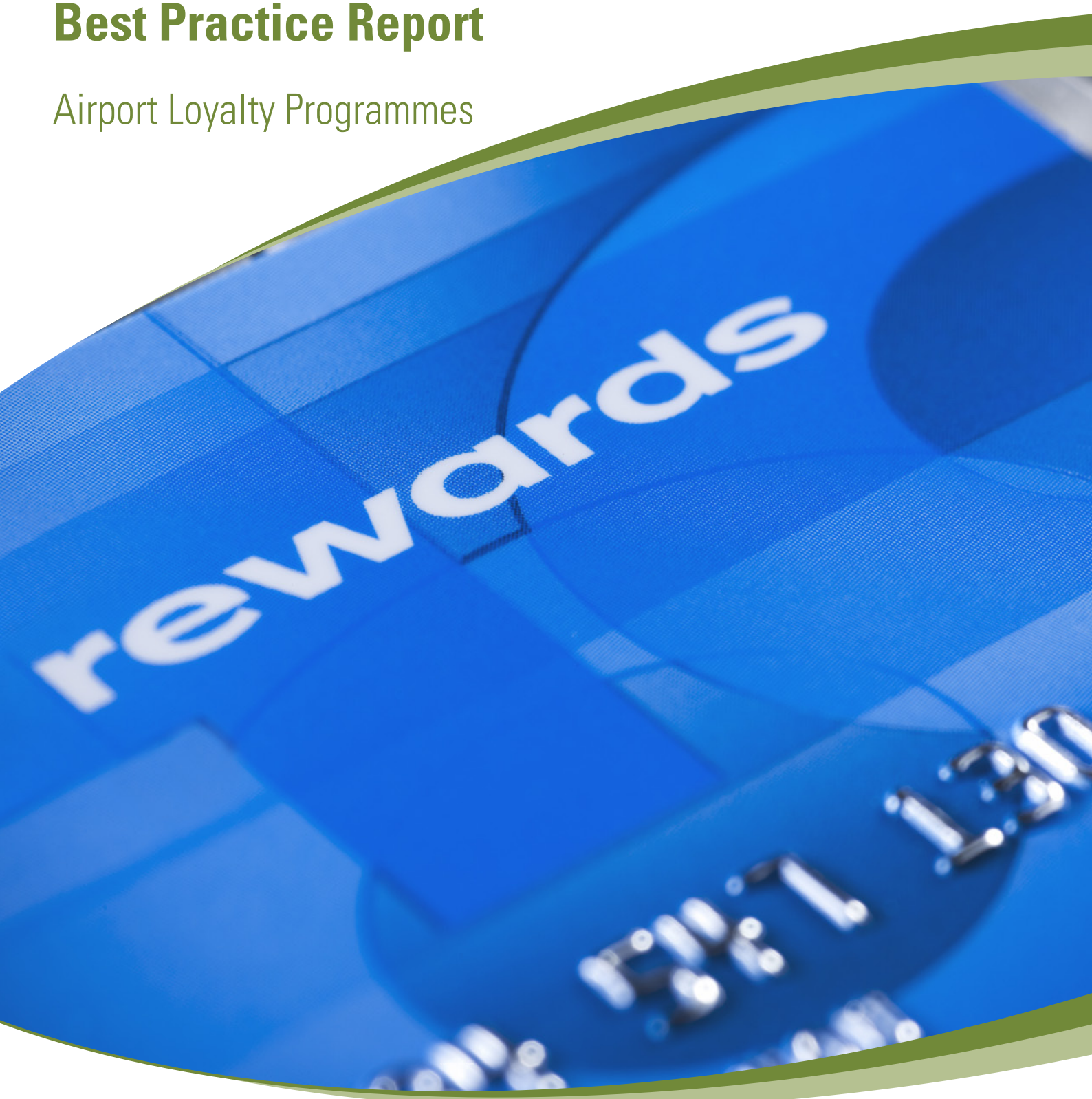


# AIRPORT SERVICE QUALITY

BENCHMARKING THE GLOBAL AIRPORT INDUSTRY

## Best Practice Report

Airport Loyalty Programmes



# Introduction

The Best Practice Reports are an additional service offered as part of the ASQ Survey Programme. The reports focus on a specific topic, identifying and analysing best practice at airports around the world.

Best Practice Reports are based on information collected from ASQ participants all over the world. The full results of the research are only available to airports who have completed the survey and contributed to the report.

The topic of this Best Practice Report is airport loyalty programmes. The research focused on the two main types of programmes: those which are free of charge and those in which passengers must pay a membership fee to join. The following aspects of both types are covered in the report:

- ➔ Conditions / membership fees
- ➔ Benefits for the passengers
- ➔ Benefits for the airport

## Survey Participants - 110 in total

### Africa - Middle East - Asia (28)

Abu Dhabi, Auckland, Bangalore, Bangkok BKK, Beijing, Chiang Mai, Christchurch, Dammam, Doha, Dubai, Gold Coast, Haikou, Kuala Lumpur, Macau, Mauritius, Mumbai, Muscat, Nairobi, Nanjing, Newcastle NTL, Phnom Penh, Seoul GMP, Seoul ICN, Singapore, Tokyo NRT, Wellington, Wuhan, Yaounde

### Americas (39)

Atlanta, Austin, Baltimore, Bermuda, Boise, Calgary, Cincinnati, Denver, Detroit, Fort Lauderdale, Guayaquil, Halifax, Houston HOU, Houston IAH, Indianapolis, Jackson Evers, Jacksonville, Kelowna, Mazatlan, Memphis, Mexico City, Minneapolis, Montreal, Nashville, Nassau, Ottawa, Port Columbus, Port of Spain, Portland PWM, Regina, Sacramento, San Antonio, San Diego, San Francisco, San José SJO, Saskatoon, Seattle, Toronto, Winnipeg

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### Europe (43)

Aberdeen, Amsterdam, Athens, Bristol, Brussels, Bucharest OTP, Budapest, Copenhagen, Dublin, Dusseldorf, East Midlands, Edinburgh, Faro, Frankfurt, Geneva, Glasgow, Gothenborg, Hamburg, Helsinki, Istanbul IST, Keflavik, Krakow, Lisbon, London LGW, London LHR, London STN, Lyon, Madeira, Madrid, Malta, Manchester, Milan LIN, Milan MPX, Moscow SVO, Munich, Oslo, Ponta Delgada, Porto, Rome FCO, Southampton, Stockholm NYO, Vienna, Zurich



# Overview

It is a well known fact that it is much harder for companies to acquire new customers than it is to retain current ones. Therefore, companies in many industries have implemented loyalty programmes in order to attempt to retain their most profitable customers: airlines, supermarkets, hotels, restaurants or rental car companies are some examples of industries where this is common.

Loyal customers are more profitable for the following reasons:

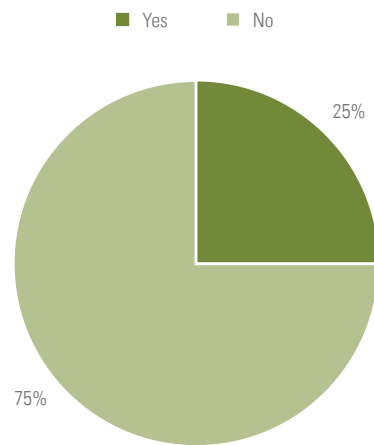
- ➔ **Reduced servicing costs**  
Customers who are more familiar with the product / service require less assistance.
- ➔ **Less price sensitive**  
Customers who have already purchased a product are more aware of its benefits and tend to be less price sensitive.
- ➔ **Increased spending**  
Customers who are satisfied with a product / service are likely to buy other products from the same company.
- ➔ **Positive word of mouth**  
Loyal customers are more likely to recommend a product or service to others.

Loyalty programmes are a way to reward those who purchase a lot and to identify the most profitable customer groups and maintain / increase their purchases through a long term relationship. In order to increase customer loyalty companies have two main incentives at their disposal: rewards and recognition.

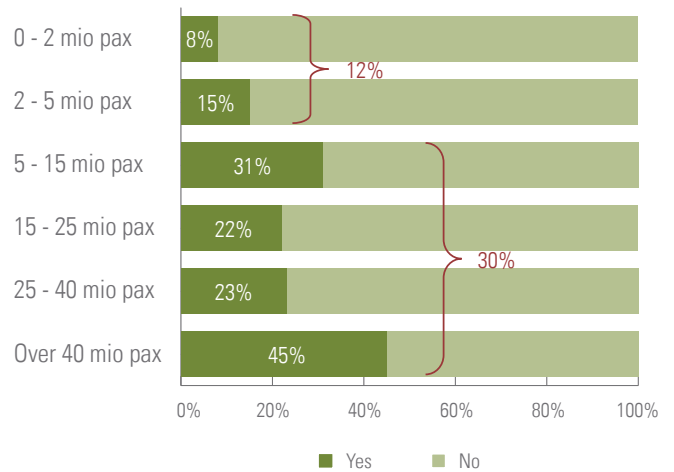
What about airports? Only one quarter of the ASQ participants offers loyalty programmes. These are more frequent at airports with over 5 million passengers per year (30% vs. 12%).

A possible explanation may be that larger airports are

## Does your airport provide a loyalty programme?



## By airport size category...



usually hubs for which the importance of passenger loyalty is higher since they face more competition.

Another possible reason is that larger airports tend to have bigger retail, food & beverage offerings and use their loyalty programme to drive passenger spending in their commercial outlets. Indeed, as this report shows, this is one of the key aims of free airport loyalty programmes.

# Free loyalty programmes

There are two main types of loyalty programme:

## ➔ Free loyalty programmes

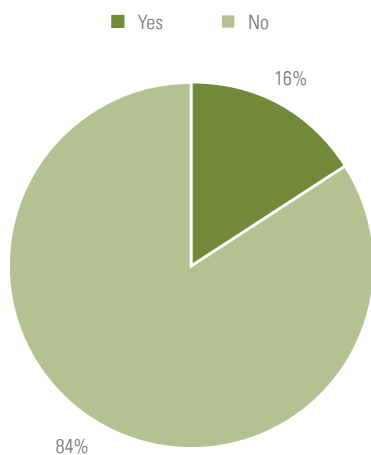
Passengers join the programme free of charge, and the more they travel or spend at the airport, the more benefits / rewards they receive.

## ➔ Paid membership based frequent flyer programmes and VIP clubs

Frequent flyers pay to join a programme or a VIP club in order to travel more comfortably through the airport.

This section provides a detailed picture of the first type of loyalty programme.

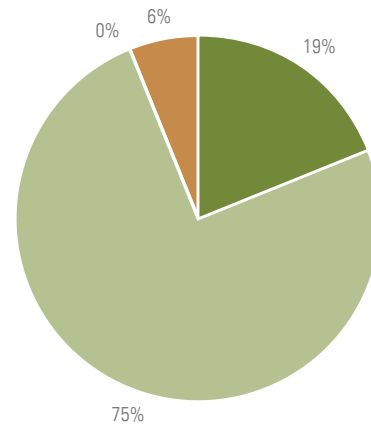
## Does your airport provide a free loyalty programme?



Only 16% of survey respondents provide a free loyalty programme. It is interesting to note that there are some regional differences: free programmes are available at about 20% of the airports in Europe (21%), Asia Pacific (20%) and North America (16%), whereas they are not currently offered by any respondents in the Middle East, Latin America or Africa.

## How does your loyalty programme work??

- Members receive benefits as soon as they join
- Benefits depend on the amount spent at the airport
- Benefits depend on the number of trips
- Other scheme



For nearly 20% of the airports, members receive benefits such as discount vouchers for retail, food and beverage facilities, as soon as they join the programme. For instance an airport in the UK provides a loyalty programme in which by simply subscribing to a newsletter, passengers are immediately entitled to discounts on parking, deals on flights, money off vouchers or participation in prize draws.

In most of the cases (75%), benefits depend on the amount spent at the airport. Members usually earn a certain amount of points for every dollar spent in shops, restaurants, car parks and other commercial services and can redeem these points for rewards such as discounts or gift cards.

Although no airports participating in ASQ currently have a loyalty programme which rewards passengers based on the number of trips made from the airport, we have found some examples of this type of programme in other airports.

At Nice Airport for instance, when members join the Club Airport Premier programme the only benefit they receive is the possibility of earning points (100 points per trip). When they reach 1,000 points they receive benefits such as dedicated lanes at security control, dedicated parking spaces, preferential rates to access the club lounges, SMS information on their flights and discounts from partners.

Finally, the last type of free loyalty programmes are those which are based on the commercial importance of passengers. At a large Asian airport for instance a commercially important person (CIP) is someone with a business with over 100 employees in the country or with a local business in the province near the airport. At this airport, CIP's enjoy the following benefits: access to the CIP lounge, check-in at business counters, priority lane at security and immigration controls and dedicated parking lot.

These examples highlight the fact that the main focus of free loyalty programmes is to drive commercial activities at the airport. Compared to other industries, airports' customers tend to spend a lot of time within the facilities and loyalty programmes are a good way of maximising their spend during this time:

- ➔ Passengers have to arrive at the airport well before the scheduled departure time of their flight.
- ➔ Airport and third party employees spend most of their day inside the airport area.
- ➔ Meeters and greeters are sometimes forced to wait at the airport for a long time in case of flight delays.

Most airports (62%) provide several membership levels. This allows them:

➔ **To segment their customers on the basis of their purchasing pattern**

For instance a medium sized US airport provides two types of programmes.

A basic programem which focuses on the amount spent at the airport. Members get one mile from their favourite airlines for each dollar spent in the airport parking facilities (minimum spend of USD 25).

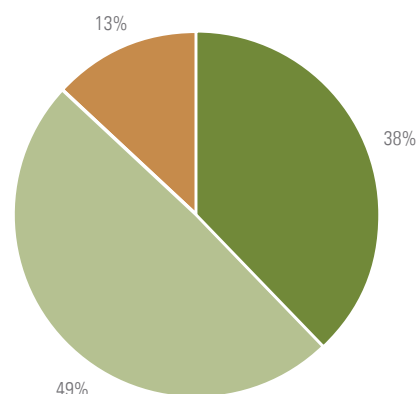
A premium programme which gives VIP parking privileges for a one-time fee of USD 15. These include free parking against earned points, a VIP access card to enter and exit the car parks or dedicated parking spaces.

➔ **To increase the customer's desire to greach the next level and status of awards**

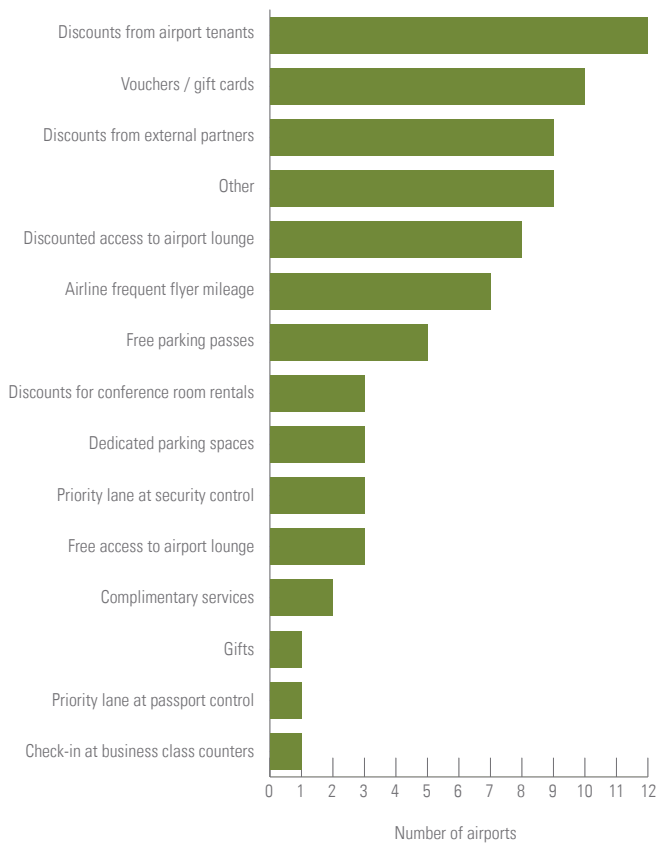
The largest number of membership levels among survey respondents is 5: 0 - 2,500 - 6,000 - 10,000 - 14,000 points. Members earn points according to the amount spent at the airport, and the higher level they reach, the more advantages they get (for instance greater discounts or more free passes for priority lanes at security).

**How many membership levels does your airport loyalty programme offer?**

■ 1 level   ■ 2 levels   ■ 3 levels or more



## What are the benefits for the passengers?



As mentioned previously, free airport loyalty programmes tend to focus on commercial activities and aim to increase the passenger expenditure at the airport. As a consequence, the most common benefits offered to passengers are:

- ➔ **Discounts from airport tenants and external partners** (12 airports)
- ➔ **Vouchers or gift cards.** Members can redeem their points for vouchers or gifts cards (10 airports).

- ➔ **Access to the lounge (discounted or free).** At most airports (8) passengers receive a discount for lounge entry. Only 3 airports offer a limited number of free passes to access the lounges.
- ➔ **Airline frequent flyer mileage** (7 airports).
- ➔ **Free parking passes.** Members can redeem their points for free parking passes (3 airports). In some cases members receive a limited number of passes once they join the programme.

Only a few airports offer other benefits:

- ➔ Dedicated parking spaces
- ➔ Priority lane at security control
- ➔ Complimentary services
- ➔ Gifts
- ➔ Priority lane at passport control
- ➔ Check-in at business class counters

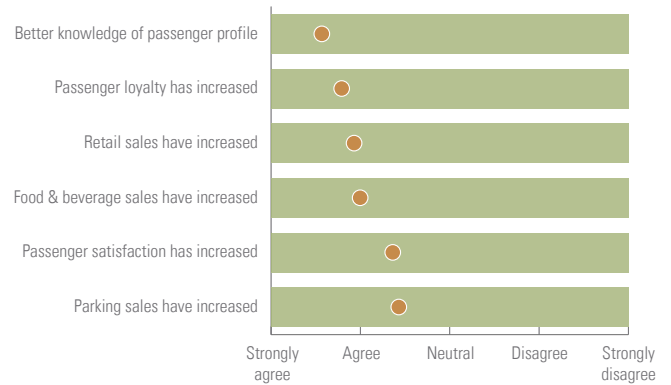
The main benefits for the airport are:

- ➔ **Information about member's purchasing habits**  
This allows the airport to provide customised offers.
- ➔ **Differentiation**  
Loyalty programmes are a means for the airport to differentiate itself and increase its attractiveness within its commercial catchment area.
- ➔ **Increased expenditures of airport passengers**  
Firstly by encouraging members to spend more at the airport in order to collect points which can be redeemed against benefits.  
Secondly, these benefits are usually discounts or vouchers for airport commercial services, which encourage members to spend again.
- ➔ **Better business relations with commercial tenants**  
For loyalty programmes to be successful it is necessary for both the airport and its commercial tenants to work as partners to improve the airport's business.
- ➔ **Integrator of services offered within an airport area**

Survey respondents were asked to rate the airport overall satisfaction with their loyalty programmes, from excellent (5) to poor (1).

On average, airports are satisfied with their free loyalty programme: the overall satisfaction mean score is 3.50 out of 5.

## What are the benefits for the airport?

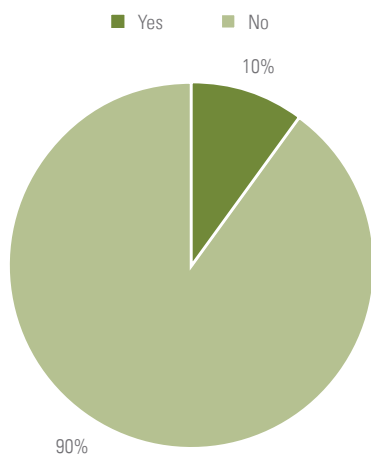


➔ Overall satisfaction of airports with their free loyalty programmes is 3.50  
Score rating on a scale of Excellent (5) to Poor (1)

# Paid membership based frequent flyer programmes

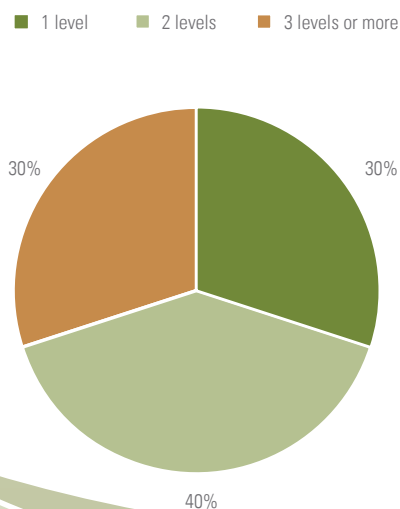
The second type of loyalty programmes are those where passengers have to pay to join the programme or VIP club. In general these are aimed at frequent flyers who are willing to pay to travel more comfortably through the airport.

## Does your airport provide a paid frequent flyer programme?



Only 10% of survey respondents provide a paid frequent flyer programme, which is less than the proportion of airports offering free loyalty programmes (16%).

## How many membership levels does your airport offer?



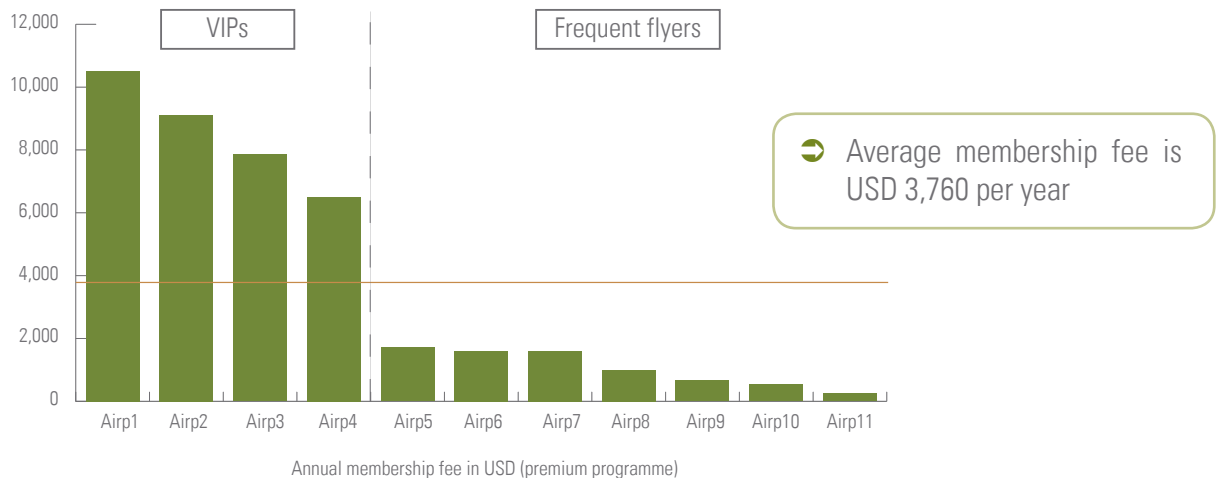
Similarly to free loyalty programmes, most paid programmes (70%) have several membership levels. This enables the airport to segment its loyalty programme members and offer different benefits at different prices.

For instance, a large European airport provides two membership levels:

- ➔ **Gold at USD 2,450**  
Benefits: check-in at the Priority Terminal, access to the lounges, dedicated parking spaces, unlimited use of the City - Airport Train, Limousine service (10 times a year) and discounts for VIP services.
- ➔ **Platinum at USD 10,500**  
Members enjoy the same benefits as for Gold, but in addition they are entitled to an exclusive use of the lounge for one hour, their own check-in, passport control and security control lanes, can request an individual limousine transfer from / to the aircraft and VIP staff to take care of all travel formalities.

These two membership levels clearly have different target groups. The first level targets frequent flyers, whereas the second level targets VIPs who can afford such high fees and want exclusive treatment.

## Annual membership fee benchmark



To be able to compare the annual membership fees for the paid programmes, we have only taken into account the most expensive membership level. The average membership fee is USD 3,760 per year.

A benchmark of the membership fees clearly shows that there are two types of paid programmes which differ in terms of the types of benefits offered:

### ➔ VIP clubs

These clubs target passengers who want to be treated as a VIP and are willing to pay a consequent amount to get special privileges (exclusive use of a lounge, limousine transfer or staff to help them to go through the airport). Membership fees range from USD 6,500 to USD 10,500 and usually the number of members is relatively low.

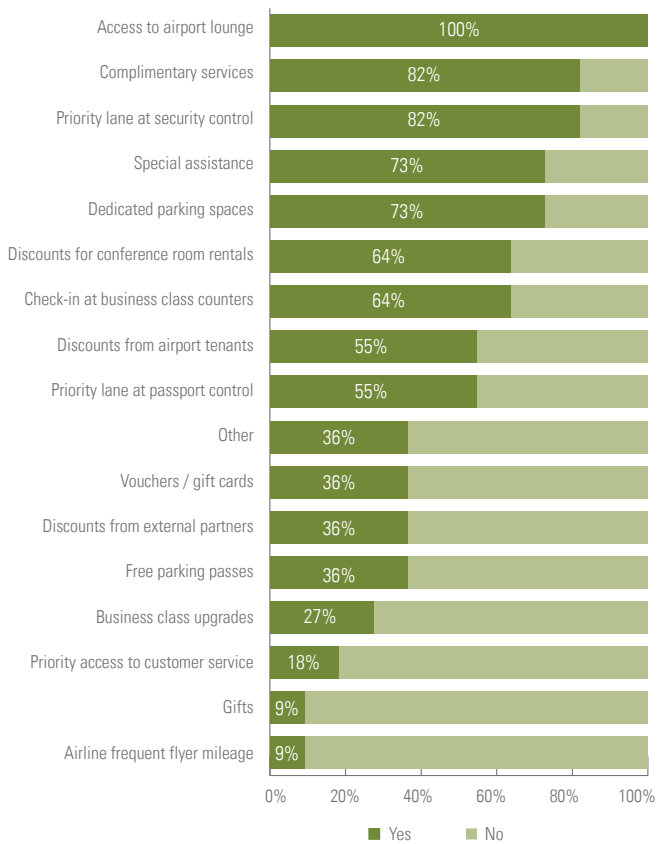
### ➔ Programmes for frequent flyers

These programmes target frequent flyers who are willing to pay to travel more comfortably and quickly through the airport. Benefits are usually focused on airport process such as dedicated lanes at security or passport control. The membership fees are lower than for the VIP clubs and range from USD 250 to 1,700 USD. The number of members is relatively high.

The number of members in each of the different types of paid programmes is also quite different. VIP clubs are exclusive by nature and tend to have a low number of members whereas frequent flyer programmes tend to reach a larger number of travellers.

This is to be expected however, as each type of programme targets a different passenger segment and plays a different role in the airport's marketing strategy.

## What are the benefits for the passengers?



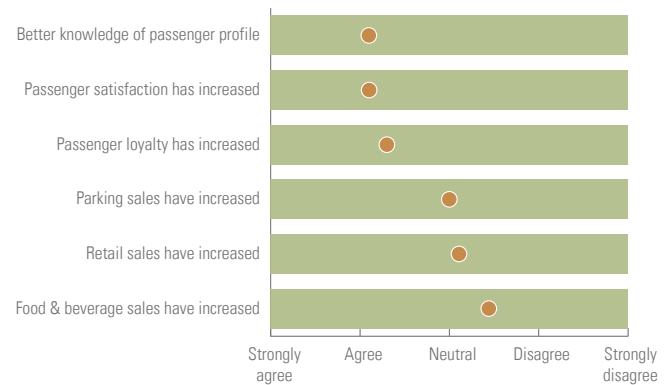
Whereas free loyalty programmes focus on commercial activities and their main benefits aim to incentivise passengers to spend more, paid loyalty programmes tend to focus on airports processes and services and their main benefits aim to help passengers travel more comfortably:

- ➔ Access to the lounges (100% of respondents offer)
- ➔ Complimentary services such as newspapers, showers or baggage wrapping (82%)
- ➔ Special assistance (78%)

Or go through the airport more quickly:

- ➔ Priority lane at security control (82%), at check-in (64%) and at passport control (55%)
- ➔ Dedicated parking spaces (78%)

## What are the benefits for the airport?



➔ Overall satisfaction of airports with their paid programmes is 4.10  
Score rating on a scale of Excellent (5) to Poor (1)

Similarly to free loyalty programmes, the main benefit for the airport is a better knowledge of the passenger profile.

Other benefits include an increase of passenger satisfaction and loyalty. Indeed, members tend to be more satisfied as they are able to travel more comfortably through the airport. Moreover having these benefits is an incentive for them to travel through the airport as often as possible, increasing their loyalty.

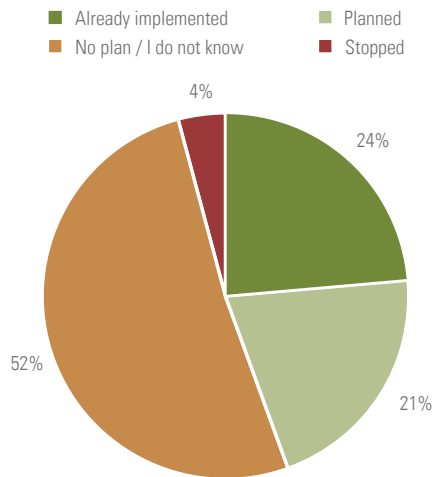
Unlike free loyalty programmes, paid programmes and VIP clubs do not seem to have any impact on the passenger expenditures at the airport. However, this is to be expected as it is not their main aim.

Airports seem to be more satisfied with their paid loyalty programmes as they rate their satisfaction with them 4.10 out of 5, compared to 3.5 out of 5 for the free programmes.

# Airport projects

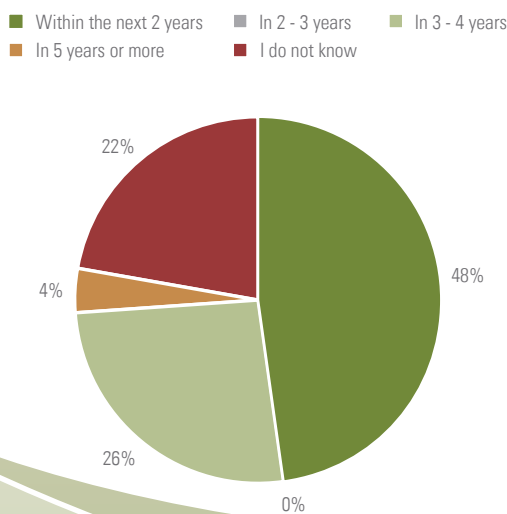
According to our research, a total of 24% of survey respondents provide some sort of loyalty programme (free or paid). What about the remaining airports?

## Does your airport provide a free loyalty programme?



More than 20% plan to provide a loyalty programme in the future. Among them nearly half of the airports plan to implement a loyalty programme within the next two years, one quarter in 3 years or more, and one quarter does not know when a loyalty programme is planned to be provided.

## When does your airport plan to provide a loyalty programme?

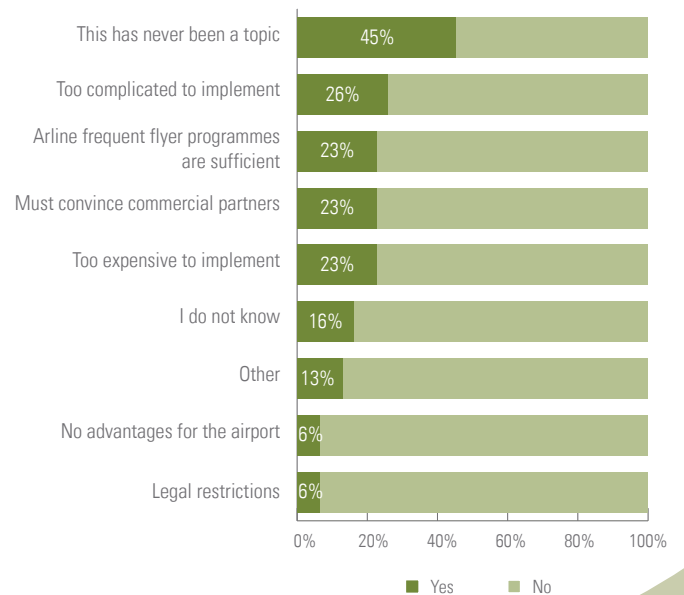


More than half of the survey respondents are not considering to implement a loyalty programme or have stopped providing one.

In most cases (45%), this is because providing a loyalty programme has never been a topic. The other reasons mentioned are: airport loyalty programmes are too complicated to implement (26%); airline frequent flyer programmes are sufficient (23%); the airport must first convince commercial partners (23%) or airport loyalty programmes are too expensive to implement (23%).

Finally, it is important to keep in mind that implementing a successful loyalty programme requires good planning and collaboration with all airport partners. To illustrate this consider the case of a large European airport which had to discontinue its loyalty programme after two years because the programme was not supported by all commercial partners. Moreover the airport's loyalty programme was in direct competition with the one offered by its main carrier and this situation was not viable in the long term .

## Reasons why airport loyalty programme are not considered





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