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**Airport Loyalty Programs**

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Airports are operating in two sided markets. On one side are the airlines, which airports fight for in a competitive market. On the other side are passengers within the catchment area of the airports. Furthermore, there are transfer travelers, which choose their itinerary partly based on the attractiveness and efficiency of transfer airports. Hence, airports aim at being an attractive place for travelers and by this for airlines. For increasing competitiveness, especially secondary airports, but partly also primary hubs have established customer loyalty programs. The aim of this paper is to compare several of such programs, which European Airports offer. A passenger survey provides a ranking of service attributes, which are attractive for travelers as benefits from airport loyalty programs.

The results of the study provide indications for secondary airports in Europe, which consider their competitiveness by introducing an airport loyalty program.

**KEYWORDS:** Airports, Loyalty Programs, Airport Loyalty

**CLASSIFICATION:** Airport Loyalty Management

## 1 Introduction

Loyalty programs are widely spread in the retail business. Almost every shop offers a program for customers to earn points and redeem them in premiums or discounts. Airlines have introduced loyalty programs decades ago and passengers collect mileage points and status points, which enable them to receive additional benefits. Often people even hold loyalty cards of several different stores and loyalty programs in parallel. But not every membership in a loyalty program results in a loyal customer. Especially programs, which go further than just offering discounts, appear to create more loyalty with customers.

Loyalty programs of airports have appeared at some airports in the past years. There exist several European airports that implemented airport loyalty programs to improve their competitive advantage and to become more customer centric and to attract passengers. Based on our survey, popularity of those programs is limited with passengers. Especially extra services, which increase time efficiency at airports, are ranked as important loyalty factors.

The purpose of this paper is to present an overview of existing loyalty benefits at some benchmarked airports and opportunities and benefits of airport loyalty programs from a passenger's perspective, especially for secondary airports fighting for more traffic and customers.

## 2 Literature

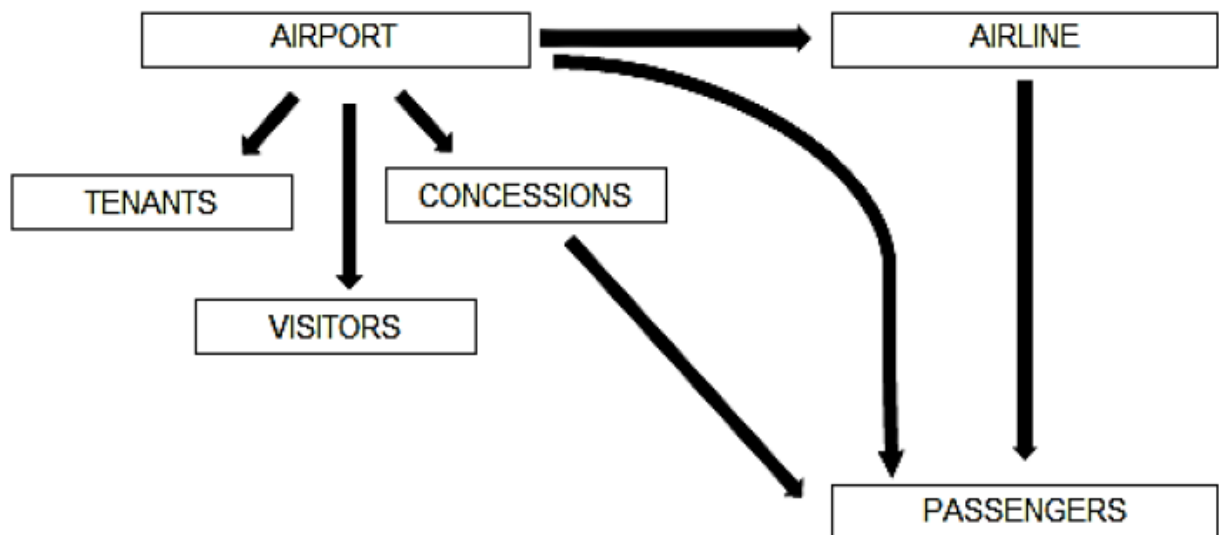
Loyalty programs offered by companies, institutions and non-profit organizations can appear in various forms (Berman, 2006). They are specific marketing instruments that aim at customer retention (Butscher, 2002). Leenheer et al. 2002 describes them as an "integrated system of marketing actions, which aims to make customer more loyal." (Glusca, 2005).

Loyalty programs can also be seen as value creating programs which sometimes are referred to as customer clubs (Butscher, 2002). A customer club can be seen as an association of buyer or user of a specific product or service. It is a marketing instrument, planned and converted by a company that just addresses a partial amount of all existing and potential customers. It provides exclusive value oriented service, both financial and non-financial, is based on dialog-oriented communication and requires an activity from members' to be activated. The main goal is to increase its members' loyalty by creating an emotional relationship with them (Holz, 1998; Butscher, 2002). Customer clubs are delimited from other customer loyalty programs, but have additional support services in common.

Furthermore, the value oriented customer loyalty program differs from bonus and frequency programs, discount programs and customer card programs by including community aspects such as status. Figure 1 shows the airport – airline – passenger relationship (Francis et al. 2004) and highlights on the one hand the direct link of airports to passengers and on the other hand the connection with passengers through airlines. By creating passenger loyalty programs airports can benefit directly from additional consumption of passengers at the airports and from loyal passengers, which in turn helps airlines by competing for passengers on the price elastic market. By this airport's support airlines and help loyal passengers from an airports perspective, which cannot achieve status benefits with the airline and for this reason do not benefit from priority lanes, etc., to receive faster services such as priority lanes at that certain airport. By this they

achieve a competitive edge towards other regional airports and help their airlines, which often are not traditional network carriers with distinct infrastructures at those airports.

Figure 1: Airport - airline relationship: new commercial model



Source: Francis et al. 2004

### 3 Research approach

First, a benchmark analysis of different airport loyalty programs was conducted. By this different loyalty benefits of different airports were systemically determined and compared. Several research was conducted comparing and benchmarking airports, which emerged mainly because of the transformation from a public utility function into a more commercially oriented business in the last years (Graham, 2005), but not with respect to the attractiveness for their passengers.

The following benchmark analysis focuses on the five airports, namely Nice Cote D’Azur Azur Airport, the Milanese airports Malpessa and Linate, Riga International Airport and Schiphol Airport Amsterdam. These airports have been chosen for demonstrating a variety of different best practices by integrating a loyalty program in the airport business. The analysis process has been structured into six criteria to standardise the investigation and to ensure comparability of individual offers between the different programs (table 1).

Table 1: Structure of benchmark analysis

|                         |                                                                       |
|-------------------------|-----------------------------------------------------------------------|
| 1. Prerequisite to join | Who is able to join the program? Which premises have to be fulfilled? |
|-------------------------|-----------------------------------------------------------------------|

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. Registration process             | How does somebody become a member? Where can you register?                                                                                                                                                                                                                                                                                                                                                                                                   |
| 3. Costs                            | How much does membership cost?                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 4. Identification tool              | How do members identify themselves?                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 5. Benefits, Privileges, Advantages | <p>Which services can a member benefit from?</p> <p><b>F</b>asttrack: Enables access to a special line which speeds the procedure of security check</p> <p><b>C</b>heck-in: Allows business check-in</p> <p><b>L</b>ounge: Offers benefits at lounge entries</p> <p><b>D</b>iscounts: Various discounts at shops, restaurants, partner companies</p> <p><b>P</b>arking: benefits at parking facilities</p> <p><b>W</b>iFi: Free / beneficial WiFi access</p> |
| 6. Program specifics                | Summary of program                                                                                                                                                                                                                                                                                                                                                                                                                                           |

Second, a passenger survey was conducted at the third biggest national airport in Switzerland (EuroAirport). EuroAirport Basel-Mulhouse is an interesting case, as it can be seen as a regional airport, which is defined as a national airport of Switzerland despite being located on French territory. It is located in the middle between Geneva, Zurich, Frankfurt and Paris, whereof three are large national hubs. EuroAirport attracts many Swiss, French and German travellers and is a regional EasyJet hub offering services by low cost, network and charter carriers. The survey was executed at EuroAirport on two different Fridays, 4<sup>th</sup> and 13<sup>th</sup> of June 2014. A self-completion questionnaire has been conducted with passengers, who had to fill in the questionnaire by themselves. The sample consisted of randomly chosen passengers at the airport which were at least 16 years old and understood German or English. Totally 267 questionnaires were completed.

## 4 Analysis and results

### 4.1 Benchmark Analysis

Table 2 presents comparable information about the different airport loyalty programs of Nice Cote D’Azur Azur Airport, the Milanese airports Malpensa and Linate, Riga International Airport and Schiphol Airport Amsterdam.

Table 2: Comparison of airport loyalty programs

| Investigation criteria            |          | Airports                                             |                                                                                           |                                                                                 |                                                                                                                                                                        |
|-----------------------------------|----------|------------------------------------------------------|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                   |          | Riga                                                 | Milano Linate & Malpensa                                                                  | Nice                                                                            | Schiphol Amsterdam                                                                                                                                                     |
| Prerequisite to join              |          | Everyone, but yearly payment.                        | Everyone above 18 years of age                                                            | Everyone can join, if a certain number of Flights are taken per year from Nice. | Everyone with a valid passport or European ID card and yearly payment.                                                                                                 |
| Registration process              |          | Purchase the card at the airport information center. | First, Airport information desk or at shops to get card.<br><br>Then registration online. | Online                                                                          | Online registration<br><br>Activation at Privium Club Lounge.                                                                                                          |
| Costs                             |          | EUR 179 in the first year. From second year EUR 159. | free                                                                                      | free                                                                            | Privium EUR 121 per year<br><br>Privium plus EUR 205 per year<br><br>Privium partner EUR 75 in addition (includes the members partner or kids to a privium membership) |
| Identification tool               |          | RIX card is an identification tool.                  | ViaMilano card                                                                            | Club card                                                                       | Membership card                                                                                                                                                        |
| Benefits, Priviledges, Advantages | Fastrack | Fast track access at security control.               | 2 free passes for fast track for first purchase with                                      | Reserved security line                                                          | Fast boarder passage.<br><br>Fast track for                                                                                                                            |

|                          |                  |                                                                                                                                                                                                     |                                                                                                                                                                          |                                                                                                                                                                             |                                                                                                                                                          |
|--------------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
|                          |                  |                                                                                                                                                                                                     | card.                                                                                                                                                                    |                                                                                                                                                                             | security.                                                                                                                                                |
|                          | <b>Check-in</b>  | Business check-in for selected airlines.                                                                                                                                                            | n/a                                                                                                                                                                      | n/a                                                                                                                                                                         | Business class check-in desk with various airlines.                                                                                                      |
|                          | <b>Lounge</b>    | 5 invitations to business lounge at Riga airport per year. Invitations to travel companions.                                                                                                        | n/a                                                                                                                                                                      | Reduced rates for gold members at VIP lounge.                                                                                                                               | Privium Club Lounge access.<br><br>Reduced rates at lounges of No.1 Traveller at various UK airports.                                                    |
|                          | <b>Discounts</b> | Discounts and special offers with cooperation partners.                                                                                                                                             | Point earned when consumption at shops, parking, lounge, hotels, rental cars, etc. Points can be used get vouchers for purchases, fast track access, lounge access, ect. | - 20 % rental of office space<br><br>- Discounts in shops, car rentals and hotels.                                                                                          | Discounts (15%) at shops at Schiphol plaza.                                                                                                              |
|                          | <b>Parking</b>   | Priviledged long term parking close to departure hall                                                                                                                                               | n/a                                                                                                                                                                      | Dedicated parking zone for gold members close to terminal.                                                                                                                  | Best parking space close to departure hall.                                                                                                              |
|                          | <b>Wifi</b>      | Not incl.                                                                                                                                                                                           | Not incl.                                                                                                                                                                | Not incl.                                                                                                                                                                   | Not incl.                                                                                                                                                |
| <b>Program specifics</b> |                  | <ul style="list-style-type: none"> <li>- Special phone number for priority calls to th airport inquiry service.</li> <li>- financial and non-financial benefits.</li> <li>- still active</li> </ul> | <ul style="list-style-type: none"> <li>- Discount card</li> <li>- time saving advantages</li> <li>- still active</li> </ul>                                              | <ul style="list-style-type: none"> <li>- Discount card</li> <li>- different status levels (e.g. gold)</li> <li>- time saving advantages.</li> <li>- still active</li> </ul> | <ul style="list-style-type: none"> <li>- Discount card</li> <li>- time saving advantages</li> <li>- family advantages</li> <li>- still active</li> </ul> |

Three of the investigated airports offer value oriented loyalty programs. All of them offer specific entry barriers and enable to serve just the most important customers. Two programs, namely the Privium at Schiphol Amsterdam Airport and the RIX Club at Riga International Airport set their entry barriers by paying an annual amount for the club membership. Nice Cote d'Azur Aeroport does not charge an entry

fee, but very frequent flyers can join the club based on a minimum number of flights taken from Nice Airport. At Milano Airports there are no specific requirements. Typical services of airport loyalty programs include efficiency gains at airport process such as priority passport control lane, priority security check lane, priority check-in (e.g. business class check in), lounge access, close parking and different kinds of discounts at airport shops. The RIX club even offers an inquiry phone number. In contrary to Amsterdam, Riga and Nice, Milano especially offer hard benefits such as short term rewards like discounts in shops. According to Butscher (2000) such benefits are not sufficient to differentiate from competitors as they can easily be copied and customers quickly become immune concerning those benefits. Furthermore, no connection to airport service quality can be established by discounts.

## 4.2 Passenger Survey

A survey was conducted at Basle-Mulhouse EuroAirport. Totally 267 useful passenger questionnaires could be used for the analysis. Table 3 includes the demographic information of the sample.

Table 3: Demographics

| Demographics                   |                   | Quantity | Percentage |
|--------------------------------|-------------------|----------|------------|
| Gender                         | Male              | 130      | 48.7 %     |
|                                | Female            | 137      | 51.3 %     |
|                                | Total             | 267      | 100.0 %    |
|                                |                   |          |            |
| Age                            | 16 – 24 years     | 42       | 16.1 %     |
|                                | 25 – 34 years     | 85       | 32.6 %     |
|                                | 35 – 44 years     | 69       | 26.4 %     |
|                                | 45 – 54 years     | 39       | 14.9 %     |
|                                | 55 – 64 years     | 19       | 7.3 %      |
|                                | 65+ years         | 7        | 2.6 %      |
|                                | Total             | 261      | 97.8 %     |
|                                | no answer         | 6        | 2.2 %      |
| Travel Purpose                 | Business          | 54       | 20.2 %     |
|                                | Leisure/Private   | 213      | 79.8 %     |
|                                | Total             | 267      | 100.0 %    |
|                                |                   |          |            |
| Travel Frequency through Basel | 0 – 2 times/year  | 159      | 59.6 %     |
|                                | 3 – 10 times/year | 88       | 33.0 %     |
|                                | 11+ times/year    | 20       | 7.5 %      |
|                                | Total             | 267      | 100.0 %    |
|                                |                   |          |            |
| Nationality                    | CH                | 139      | 52.1 %     |
|                                | F                 | 25       | 9.4 %      |
|                                | D                 | 72       | 27 %       |
|                                | other             | 26       | 9.7 %      |
|                                | Total             | 262      | 98.1 %     |
|                                | no answer         | 5        | 1.9 %      |
|                                |                   |          |            |

The sample consists of an almost even distribution of male and female participants. Every age spectrum was covered, whereas the range from 25 to 34 years is represented a little above average. The travel purpose leisure and private is over represented compared to the business purpose, which limits the results. In terms of travel frequency, a greater number travels up to two times per year through the EuroAirport. Especially travellers from Switzerland, France and Germany took part in the survey. The data might not be fully representative due to a small age group and a leisure traveller's bias compared with the population of travellers at EuroAirport.

With respect to the awareness of airport loyalty programs, nearly 95% of travellers were not aware of such programs. This has an impact on the interpretation of different value drivers of program attributes, which travellers had to do based on an interval scale from 1 (not important at all) to 5 (most important) in the survey.

To illustrate the survey's result, descriptive statistic with median, mean and standard deviation values was chosen. Table 4 shows the medians, mean values and standard deviations with respect to importance of the 12 service attributes offered within an airport loyalty program. The services with the highest medians are for most passenger's the most important ones. It comes out that time saving related attributes such as fast track access and priority check-in are most important for travellers, but also discounts and the availability of free Wi-Fi access is ranked on a high importance level. Additional services like the opportunity to get the car washed while travelling is not important. The very low standard deviation from the mean of this attribute supports the low importance of car washing services even more. Discounts for parking and shopping received medium importance evaluations and can be considered relevant additional benefits next to the top ranked time efficiency attributes.

Table 4: Evaluation of different Airport loyalty benefits

| Loyalty benefit                                   | N   | Min | Max | Median | Mean | Std.Dev |
|---------------------------------------------------|-----|-----|-----|--------|------|---------|
| Fast track at security check                      | 264 | 1   | 5   | 5      | 4.26 | 1.118   |
| Priority check-in                                 | 266 | 1   | 5   | 4      | 4.04 | 1.168   |
| Discounts at shops and restaurants at the airport | 265 | 1   | 5   | 4      | 3.48 | 1.243   |
| Discount for parking fee                          | 264 | 1   | 5   | 4      | 3.43 | 1.493   |
| Free Wifi                                         | 264 | 1   | 5   | 4      | 4.03 | 1.213   |
| Access to Skyview lounge                          | 263 | 1   | 5   | 3      | 2.83 | 1.385   |
| Pick-up service at railway station                | 264 | 1   | 5   | 3      | 2.66 | 1.443   |

|                                                 |     |   |   |   |      |       |
|-------------------------------------------------|-----|---|---|---|------|-------|
| Point scheme and appropriate premiums catalogue | 266 | 1 | 5 | 3 | 2.73 | 1.239 |
| Snack box on arrival                            | 264 | 1 | 5 | 2 | 2.33 | 1.300 |
| Reservation of parking lots                     | 264 | 1 | 5 | 1 | 2.17 | 1.484 |
| Valet parking                                   | 264 | 1 | 5 | 1 | 2.02 | 1.273 |
| Carwash service                                 | 265 | 1 | 5 | 1 | 1.41 | 0.857 |

Table 5 shows the willingness to pay an annual membership fee for an airport loyalty program. The overall mean is 1.61 with a standard deviation of 0.734 and the median equals to 1 where 1 represents a willingness to pay for airport loyalty benefits from 1 to 49 CHF per year. Hence, the willingness to pay is low.

Table 5 Willingness to pay for airport loyalty programs

| Price in CHF | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-----------|---------|---------------|--------------------|
| 1-49         | 141       | 52.8    | 53.8          | 53.8               |
| 50-99        | 84        | 31.5    | 32.1          | 85.9               |
| 100-149      | 36        | 13.5    | 13.7          | 99.6               |
| 150-199      | 1         | .4      | .4            | 100.0              |
| Total        | 262       | 98.1    | 100.0         |                    |

Comparing the willingness to pay for airport loyalty program memberships based on travel purpose business vs. leisure, we find that generally most of all travellers independent of travel purpose selected to pay less than CHF 50 (table 6). It is interesting that business travellers seem to be a little less price aware. Especially on a price level from CHF 100 – 149 the share of business travellers is larger than the share of leisure travellers. The result is confirmed if willingness to pay and membership of frequent flyer program is compared (table 7).

Table 6: Crosstabs Willingness to pay and purpose of travel

|                      |       |                                  | Purpose of travel today |                  | Total |
|----------------------|-------|----------------------------------|-------------------------|------------------|-------|
|                      |       |                                  | Business                | Leisure /Private |       |
| Willingness to spend | 1-49  | Count                            | 22                      | 119              | 141   |
|                      |       | % within Purpose of travel today | 40.7%                   | 57.2%            | 53.8% |
|                      | 50-99 | Count                            | 17                      | 67               | 84    |

|              |                |                                  |        |        |        |
|--------------|----------------|----------------------------------|--------|--------|--------|
|              |                | % within Purpose of travel today | 31.5%  | 32.2%  | 32.1%  |
|              | <b>100-149</b> | Count                            | 15     | 21     | 36     |
|              |                | % within Purpose of travel today | 27.8%  | 10.1%  | 13.7%  |
|              | <b>150-199</b> | Count                            | 0      | 1      | 1      |
|              |                | % within Purpose of travel today | 0.0%   | 0.5%   | 0.4%   |
| <b>Total</b> |                | Count                            | 54     | 208    | 262    |
|              |                | % within Purpose of travel today | 100.0% | 100.0% | 100.0% |

Table 7: Crosstab willingness to pay and member of F.F.P.

|                      |         |                                           | Member of frequent flyer program |        | Total  |
|----------------------|---------|-------------------------------------------|----------------------------------|--------|--------|
|                      |         |                                           | Yes                              | No     |        |
| Willingness to spend | 1-49    | Count                                     | 21                               | 120    | 141    |
|                      |         | % within Member of frequent flyer program | 51.2%                            | 54.3%  | 53.8%  |
|                      | 50-99   | Count                                     | 7                                | 77     | 84     |
|                      |         | % within Member of frequent flyer program | 17.1%                            | 34.8%  | 32.1%  |
|                      | 100-149 | Count                                     | 13                               | 23     | 36     |
|                      |         | % within Member of frequent flyer program | 31.7%                            | 10.4%  | 13.7%  |
|                      | 150-199 | Count                                     | 0                                | 1      | 1      |
|                      |         | % within Member of frequent flyer program | 0.0%                             | 0.5%   | 0.4%   |
| Total                |         | Count                                     | 41                               | 221    | 262    |
|                      |         | % within Member of frequent flyer program | 100.0%                           | 100.0% | 100.0% |

## 5 Conclusions

The purpose of this paper is to give insights into airport loyalty programs. First, a comparison of different airport loyalty programs was conducted to find different benefit attributes which exist in today's programs. Those attributes were then tested with air passengers at a secondary national airport in Switzerland (EuroAirport Basel-Mulhouse). It was generally found that attributes related to travel efficiency such as fast track at security and priority check-in, but also discounts in shops and restaurants and for parking and free wifi are most important. Less important are other service attributes such as lounge access, pick-up service, discount points scheme, snack box, parking lot reservation, valet parking and carwash service. Willingness to pay for a loyalty program membership is below CHF 50 per year. Business and frequent traveller card holders have as slightly higher willingness to pay on a price level from CHF 100 to 150 for airport loyalty benefits.

Generally we can conclude that an airport loyalty program can create interest with respect to time efficiency gains and partly discounts if they are offered for free or a price below CHF 50 per year.

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