

Marketing Insights

By AK Insights Ltd.

Special Issue

What's Important To You

Welcome to our first Special Issue!

We've dedicated our special issues to providing you with information related to database management and direct marketing but that is of *unique interest to your industry*.

We certainly hope that you'll find it relevant or interesting at the least.

Sincerely,
The Team at AK Insights

Sun, Sand & Customer Strategies Mix Well At Sandals

Source: 1to1 Magazine June 2003



Sandals Resorts embraced comprehensive customer-management strategies without the resources of large firms, yet is enjoying large-scale results. This Jamaica-based corporation with an office in Miami, operates 16 all-inclusive resorts in the Caribbean. To understand its Most Valuable Customers and their needs, the 22-year-old company analyzes its activity on a dual track.

First, Sandals considers travel agents to be a valuable 'customer' base. With the Internet's continuing influence on travel distribution, many agents have moved to home-based agencies, working independently with wholesalers or a large host agency. "The challenge for us is to work with the individual who sells Sandals, not just the agency," notes Mandy Chomat, senior VP of sales.

With that in mind, Sandals began a Certified Sandals Specialist (CSS) program six years ago that focuses on the individual agent, rather than the agency. "We provide tools to build their business through our relationships with affiliates, by generating leads through our own Web sites or by allowing them to use the CSS logo on their materials," says Chomat.

Sandals maintains a database of all its CSS agents, the products and categories they're selling and the bookings they generate, along with information on cooperative advertising campaigns, training programs, events and other sales and marketing investments. Using that data, Sandals' 65 field reps can identify the most valuable producers. "We know which ones provide the greatest return and, therefore, where to invest our money," says Chomat. "As a result, we've been able to trim our marketing costs, while sales continue to grow." Those agents with higher sustained production get approached first for certain marketing opportunities.

Protecting the commissions of travel agents is also a key strategy for Sandals. In all communications, travelers are encouraged to book through an agent. "We want to build relationships in all directions," says Chomat. "Travel agents are reaching into their own customer databases and driving their customers back to us. This helps our customer retention." But in addition to building long-term relationships with repeat guests, he adds, "We're also building long-term

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Data, Knowledge,
Insights!

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Is Your Business Equipped To Outsmart The Competition?

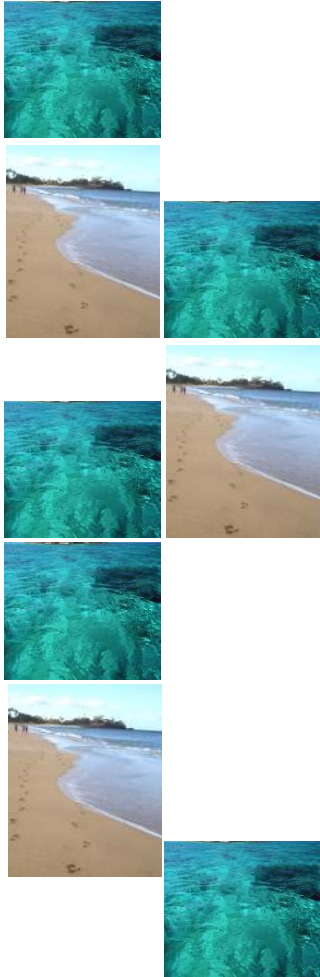


"If you have foresight, you are blessed, but if you have insight, you are a thousand times blessed."

- Old Chinese Proverb

Sun, Sand & Customer Strategies Mix Well At Sandals

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relationships with our agents.”

Sandals’ second track of MVCs comprises returning guests. While it has always “given back” to this group with special deals and recognition, the company formalized the initiative in January 2001 by launching Sandals Signature Guest (SSG), a points-based loyalty program restricted to past guests.

The 70,000 SSG members accumulate points equal to the dollar value of each paid night to exchange for discounted future stays, room upgrades, access to special events and other benefits. They receive monthly email updates and a quarterly print newsletter and can earn bonus points for referring friends and relatives.

Initially, the SSG database included only names and addresses and guest-stay history. Now, members complete online profiles with data such as most-frequented resort, preferred accommodations, whether they play golf or patronize the spa, etc. Sandals uses the SSG database to expedite reservations, check-in and registration procedures, as well as to target marketing and promotional materials.

“We’re finding that loyalty among SSG members is a lot stronger than non-members,” says Rachel Chandley, director of loyalty programs. “They’re actually behaving like travel agents! We hear guests who are already SSG members talking to others about the benefits and encouraging them to enroll. So it’s a major factor in our repeat performance.”

Sandals’ efforts prove that, no matter what the size, all companies can profitably focus on the customer. That repeat performance Chandley mentioned is approaching 40 percent since the advent of the loyalty program.

By deftly focusing on its two most important customer groups, Sandals has been able to understand and address customer needs and that has helped it grow relationship value. ❖



Air Jamaica Speeds Up Service

Source: Inside 1to1, May 2003

At Air Jamaica Vacations, management realized that customers were not receiving the prompt attention they expected from a travel company. Customers were waiting in the phone queue too long, often being transferred between agents, leaving customers frustrated and disillusioned.

Air Jamaica restructured its contact-center strategy around “Destination Specialists.” The airline trained its agents to become experts about a particular destination, and sent reps to visit locations so they could speak from personal experience. Agents are now monitored and compensated based on their destination expertise, as well as on the confirmed bookings they record. The result: Destination Specialists are now

better able to answer customer questions and meet their needs, and fewer calls are transferred. As a result, bookings per 100 agent-handled calls are up by an incredible 61 percent.

No matter how companies structure their customer-facing operations, one goal must remain at the forefront: providing the best experience each time a customer picks up the phone or visits a Web site. Companies must have the capabilities in place to provide a level of service that increases customer loyalty and value, and in many cases reduces the cost-to-serve at the same time, through use of remembered information and tailored treatments. Those that don’t may as well just hand over their customers. ❖



Delta Flies Towards Value-Based Relationships

Source: Inside 1to1, April 2003



The airline industry today is in serious turmoil. One by one, major carriers are

filing for Chapter 11 status. Travel is down, costs are up and airlines' cost-cutting measures are making daily business headlines. One area where airlines are trying to tilt the profitability scale in their favor is in their rewards programs. Some, such as American and Continental, offer bonus miles for flying in more expensive segments such as First and Business Class. And JetBlue attempts to migrate customers to a less expensive channel by offering double points for online bookings.

Another strategy that is growing popular is to align frequent-flyer miles with customer value, something that Delta Air Lines has adopted. Like many others, Delta has had its share of troubles. The firm reported a 2002 loss of \$1.3 billion. And, citing the war in Iraq as the primary culprit, March traffic was down 8.1 percent.

Fighting back

To better align the benefits and rewards of its loyalty program with customer revenue and value, Delta recently announced changes to its SkyMiles Medallion program. Rather than the traditional frequent-flyer model that adds up the total miles flown, customers now earn elite status based upon Medallion Qualification Miles, which are calculated by multiplying actual miles flown by a factor based upon the ticket's dollar value. The net result is that higher-paying customers are rewarded differently than lower-paying customers. Tiers within the program, Silver, Gold and Platinum, remain unchanged at 25,000, 50,000 and 100,000 Medallion Qualification Miles, respectively. (The changes don't affect the ability to earn SkyMiles.)

The changes are, in part, the result of customer-segmentation research Delta has been conducting for several years, says Rob Borden, SkyMiles program director. Analysis showed that Delta had a high number of

Silver Medallion members in particular markets who purchased deeply-discounted fares and traveled on short-haul trips. Their annual revenue generated was lower than many general SkyMiles members.

In addition, many Gold Medallion members who purchased unrestricted fares for long-haul travel got bumped from the best seats and upgrades by lower-ranked customers savvy about "working the system." While modifications to the Medallion program were planned before Sept. 11, 2001, the ensuing economic crisis made the initiative an imperative. "We wanted to make sure we were rewarding our high-revenue customers during this challenging time," says Borden.

The new guidelines went into effect on Jan. 1, 2003, but Delta already moved up more than 100,000 members who qualified for higher status based on their 2002 travel. "We didn't want to lose any time in rewarding the behaviors that made a bottom-line difference to Delta during its most

challenging year on record." Borden projects the overall number of Medallion members will remain relatively unchanged, with slightly more members moving up among the elite levels.

Too early for results

Delta's plan is to use a variety of metrics to continuously evaluate the changes, including revenue, bookings, customer-satisfaction ratings and customer feedback, which comes through the contact center but is shared across the entire Delta enterprise.

The company also expects that some members will increase travel on higher-revenue fares to maintain their status, says Borden, while others may find lower fares to be more important than their SkyMiles status.

"Relationships are dynamic and they imply a partnership that is good for both the customer and the airline," he says.

"We want to recognize and reward all of our customers according to the partnership they have with us." ❖

AK INSIGHTS' SERVICES

Cost-effective, innovative, additional routes to your customers.

AK Insights provides full service expertise in the areas of Database Management, Direct Marketing and Small/Micro Business Marketing.

DATA MANAGEMENT

Data gathering (e.g. member data, general surveys, retail surveys, audits, etc.), data entry and ongoing database management.

DIRECT MARKETING

Postal & email marketing; Loyalty/ membership programs; Newsletters; Mini web-sites; Database surveys, etc.

SMALL/MICRO BUSINESS MARKETING

Development and implementation of marketing plans & strategies that focus on non-traditional marketing methods (a.k.a. "mini-media") and are affordable, creative, unique and effective.



AK Insight Ltd.

P.O. Box 8066,
National Mail Centre
Piarco, Trinidad.

Phone: (868) 743-1402
Fax: (868) 646-6564
E-mail: info@akinsights.com
Website: www.akinsights.com