

Loyalty program as marketing tool in post-crisis period

Crisis situations influence on all types of companies. To adapt to challenging times of airlines it is recommended to improve loyalty programs. Loyalty program of UIA was analysed. Improvement of American Airlines's loyalty program was reviewed.

Currently, due to a number of reasons, many Ukrainian enterprises have found themselves in the conditions of a systemic crisis, which is becoming a determining factor of changes aimed at the best adaptation of their activities to the characteristics of market demand, to the requirements of the external and internal environment. The need for anti-crisis marketing is becoming more urgent than ever, since its main task is to research and evaluate the prospects of the market and business directions, to find ways out of a crisis situation with the least losses. The measures taken as part of the anti-crisis marketing program depend on the specific situation, the size of the organization, the specifics of its activities and capabilities. Improvement of the product policy and adaptation to other, different operating conditions, search for new reserves and new points of effort becomes necessary for every subject of economic activity in Ukraine.

COVID-19 pandemic has devastated the world's airline workforces. In 2020, the industry's revenues amounted to \$328 billion, which is approximately 40% from the previous year [1]. During the quarantine, almost all flights were cancelled or postponed due to government restrictions and border closures. These obligations, along with the suspension of air traffic, resulted in a huge reduction in revenues. Moreover, in February Ukrainian airlines become under the closure of the airspace of Ukraine for civilian users. All of this factors influence on Ukrainian market but it's necessary to analyse post-crisis possibilities and attractions for national customers. One of them is well-known loyalty programs.

At the end of 2009, UIA became one of the leading air carriers of Ukraine with a market share of 20%. Among the advantages of UIA's marketing activities, it should be highlighted the presence of the "Panorama Club" loyalty program, the scheme for accrual and use of miles is as transparent and clear as possible, and payment with miles is as flexible and convenient as payment with money. This program includes three levels of participation and privileges for consumers [2] (Table 1).

Table 1

Participation levels and privileges of the "Panorama Club" loyalty program

	CLASSIC	PREMIUM	ELITE
Card type	Electronic	Electronic	Electronic
Conditions for obtaining / extending the status for 1 calendar year	Filling out the participant's questionnaire / No	20,000 status miles or 25 status flight segments	40,000 status miles or 50 status flight segments

The term of validity of the status is	No limited	1 calendar year	1 calendar year
MILES			
Earn miles for every 1 \$ spent on air ticket (fare excluding fees)	5	7	10
Earn miles for every 1 \$ spent on additional services	7	7	7
Validity of miles during the period of validity of the status	36 months	36 months	No limited
Privileges			
Pre-order seat (economy class only)	Discount 5%	Discount 25%	Free
Pre-order food	(at least 12 hours before departure)	Discount 10%	Discount 25%
Increased service class (comfort level) at the airport check-in desk (not earlier than 4 hours before departure)	Discount 10%	Discount 25%	Discount 50%
Transportation of checked baggage and hand luggage in addition to the norm	Discount 5%	+1 place of checked baggage in addition to the norm	+2 places of checked baggage in addition to the norm
Check-in at the business class desk, regardless of the class of service specified in the air ticket	-	Yes	Yes
Invitation to the business lounge regardless of the class of service specified in the air ticket (if available and functioning during flight service)	-	For the cardholder and for 1 companion traveling on the same UIA flight with the cardholder	For the cardholder and for 1 companion traveling on the same UIA flight with the cardholder
Priority boarding	-	Yes	Yes
Priority baggage delivery	-	Yes	Yes
Special condition for obtaining a high-level Panorama Club card for 1 calendar year	-	Panorama Club Premium card for 1 companion with debiting 20,000 miles from the owner's account	Panorama Club Premium card for the 1 companion is free of charge

According to current information, for every 1 \$ spent on ticket Classic, Premium and Elite members earn 5, 7 and 10 miles, respectively. Miles are credited for tickets on all UIA's own regular flights purchased at any fares. Participants also have the opportunity to accumulate miles for the purchase of additional UIA services - 7 miles for every 1 USD spent on the following additional services, provided they are pre-paid: excess baggage transportation, meal orders, seat selection in the aircraft cabin, accompanying children and animal transportation cabin the plane The support for this program reads as follows: "Fly and accumulate miles without extra effort, simply by specifying the card number when booking or checking in for a flight" [2].

Miles are credited for transportation performed by UIA regular flights, transportation under code-sharing agreements, when booking transportation on flight with the code "PS". However, miles cannot be earned on charter flights, on charter quota of seats operated on scheduled flights, own scheduled flights and transportation under codeshare agreements on air tickets fully or partially paid for with miles and on unused or returned air tickets. In addition, miles are credited for using the services of the airline's partner online stores.

In times of crisis, it's necessary to encourage customers to keep shopping and to make them feel of care. A loyalty program is a great way to do all of the above. Since acquiring new customers costs five times more than retaining current customers, it's even more important to focus on your existing clientele during times like these [3].

The experience of using loyalty programs is rather long. American Airlines launched its frequent flyer program, which was the second such loyalty program in the world, in 1981 during the early 1980s recession. In 2022, following the pandemic, American Airlines revolutionized its elite loyalty program. Rather than requiring that members meet mileage and spending requirements, AA introduced a new "Loyalty Points" system for earning elite status. Members earn a Loyalty Point if they earn an AAdvantage mile [4]. Members earn miles not only by flying but also spending money using an AAdvantage credit card it means that passengers don't need to board a plane and may earn AAdvantage Elite status. Starting in March 2022, when members qualify for AAdvantage Platinum Pro or higher and take a minimum of 30 flights, they unlock Loyalty Choice Rewards, including 25,000 AAdvantage® bonus miles, carbon emissions offsets, and a \$200 donation to one of 10 partner charities [3,4].

During times of uncertainty, it/s necessary to focus attention on retaining customers. Establishment of more personal connections with existing customers and strengthen their trust are the main goals. Customers should feel that company is care of them. In times of recession the most strategic mechanisms for increasing corporate revenue growth is loyalty programs for customers.

Companies of all sizes need to adjust their strategies and budgets in order to successfully navigate the challenging and uncertain times ahead. This includes modifying their loyalty strategy to this end. Because loyalty programs are not only a great solution to retain current customers, they also possess resource-rich customer bases and huge communication possibilities. Hopefully these times won't last much longer, but until life returns to "normal" [3].

References

1. J. Bouwer, S. Saxon, N. Wittkamp. Back to the future? Airline sector poised for change post-COVID-19. 2021. URL: <https://www.mckinsey.com/industries/travel-logistics-and-infrastructure/our-insights/back-to-the-future-airline-sector-poised-for-change-post-covid-19>.
2. Official web-site of UIA. URL: <https://www.flyuia.com>.
3. A. Kecsmar. Loyalty Program Strategies in Times of Crisis: An Ultimate Guide (2022). 2022. URL: <https://antavo.com/blog/loyalty-program-strategies-in-crisis/>
4. Official web-site of American Airlines. URL: <https://www.american-airlines.com>.