

Service not rewards – how concierge works to strengthen loyalty schemes in the aviation industry and beyond

A new report by Professor Merlin Stone of the Bristol Business School to be published later this year is predicting huge growth for the concierge market, and one of the key reasons for this is the growing focus organisations are placing on maintaining and building greater loyalty amongst their key customers.

The report, commissioned by WhiteConcierge, the leading B2B concierge and lifestyle management company, will point to a number of factors fuelling growth in the concierge market. As well as the focus on building greater customer loyalty, other factors include a rise in the number of mass affluent people to the growing trend for organisations to develop more tailored products and services for their customers. A good example of this is the increase in the number of banking accounts that have a monthly or annual fee but offer a much wider range of services than mainstream accounts, such as concierge.

More airlines are considering concierge services for their most valued clients

The report also states that regulatory changes are also forcing companies to reconsider how they reward customers and strengthen their relationship with

them. For example, new rules from the International Accounting Standards Board mean that the value airlines now have to place on their frequent flyer miles is much higher, costing them hundreds of millions of dollars. Traditionally, the cost of an airline's unused flyer miles was recorded on its balance sheet on the basis of customers sitting in empty seats.

However, the new rules mean that the cost of frequent flyer rewards should be valued at "the amount for which the award credits could be sold separately." At its most basic, this means basing the value on the cost of a full price ticket. This on top of other current problems facing the aviation industry could result in some airlines selling all or part of their schemes off, or in order to just cut costs, restrict them to a more select group of customers or just make them less generous. To help counter the effect of this, more airlines consider offering concierge services to their most valued clients.

A one percent increase in customer loyalty is equivalent to a 10% cost reduction

Organisations have developed systems that enable them to have a much better understanding of their customers and

prospects and identify which ones are their most important. From this, they can tailor their products and services to meet their needs, enabling them to develop much more sophisticated retention and acquisition programmes around these individuals and ultimately strengthen their relationship with them. Given that it is estimated that a one percent increase in customer loyalty is equivalent to a 10% cost reduction, this is of great importance.

Companies move away from mass marketing campaigns to greater targeting

Will Holroyd, Managing Director of WhiteConcierge believes that the current economic downturn and credit crunch has meant many companies have moved away from the mass marketing campaigns that they have used in previous years, to one of greater targeting and building better customer loyalty. More applicants for credit products for example are being turned down so the cost of acquisition to the companies offering these is rising. This coupled with the challenge of keeping their most important clients satisfied and loyal means that many need to review their existing service levels and reward schemes. It is perhaps not surprising therefore that more companies are considering the possibility of offering

concierge services to their most important customers.

So how can concierge improve customer loyalty? One key way is the frequency in which customers use them. Research commissioned for the report shows that over 80% of people with a concierge service have used it at least once over the past 12 months, indicating that they find it a valuable service. This should therefore engender greater loyalty towards the organisation providing it.

The most common reason for using such services is to book restaurants, travel and hospitality. Indeed, as a result of the current decline of the pound, WhiteConcierge has seen a 30% increase in the number of non-UK customers looking for assistance in arranging trips to Britain in order to do some shopping.

Concierge helps strengthening the relationship the customer has with the organisation offering it

However, many people turn to their concierge service when they are facing a crisis and this can strengthen greatly the relationship the customer has with the organisation offering it. One case highlighted in Professor Stone's report

tells of a customer who called WhiteConcierge late at night in a panic looking for help to write his best man speech which he had to give the next day. In the end WhiteConcierge wrote it for him.

In another case, a customer's son had been mugged in Madrid and had his money, mobile and cards stolen. He was unable to check into his hotel as he did not have any cash or alternative means. WhiteConcierge took charge of the situation and immediately made a hotel reservation for him, cancelled his cards and mobile phone and arranged for emergency cash to be sent to him.

As customers lead increasingly busy lives and become more demanding as a result of this, organisations will make more use of concierge services in helping their customers to manage their lives more efficiently and to ensure that they are there to help should a disaster or crisis strike. With this in mind, concierge services will increasingly be used by organisations to strengthen their relationship with clients.

Quality levels of services vary dramatically and the concierge industry is no different

However, Professor Stone warns those organisations looking to use concierge services to improve customer loyalty that there is no industry standard or safeguards for concierge companies and the level of service provided by them can vary dramatically. Therefore, it is important that when choosing a concierge service to offer your clients, the organisation you choose can be relied upon to enhance and grow customer loyalty and not damage it. This should include offering excellent customer service; ensuring that they have excellent contacts and a strong overall reputation; the ability to offer a global proposition so that customers can use it wherever they are in the world and ultimately that they have quality systems and a high level of security. As with organisations in any sector, quality levels vary dramatically and the concierge industry is no different.

Professor Merlin Stone's report on the concierge market will be available from WhiteConcierge in the second half of February. The WhiteConcierge team will be available at Loyalty 09 to discuss the report and the market in more detail.