

Distribution Channels in Transportation: Customer Demand – Latest Trends & Perspectives

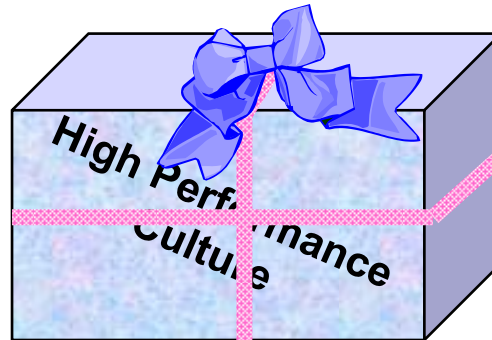
*Measuring passenger behaviour and tailoring the offering
– key to effective client segmentation*

Bob Angel

Professor of Marketing, Schulich School of Business

April 6, 2005

Customer Demand Performance



Passenger Themes

1. Understand passenger behaviour and tailor the offer to passenger needs – it is the passenger's choice
2. Use innovative sales distribution channels – based on passenger needs, not your own
3. Look to employee behaviours – they are your brand

Bob Angel – Teacher & Consultant

- Schulich School of Business – Professor of Strategic Market Planning
- Subject matter expert in service and results:
 - Individual-customer strategies – behavioral event methodologies and customer knowledge
 - Performance management, ROI, and business cases
- Previously, Marketing for 2 technology companies and VP Finance for 3 multi-nationals in Europe and North America



Discount or Full Service – the War for Customers



- Flexible response
- Rapid deployment
- Precision weapons
- Massive firepower
- Surprise attack
- Hearts and minds
- Low casualties
- Teamwork and clusters
- Time to market
- Individual relationships
- Pricing initiatives/low margin
- Product innovation
- Loyalty & wallet share
- Customer retention

1. Measure Customer Behaviour and Tailor the Offering

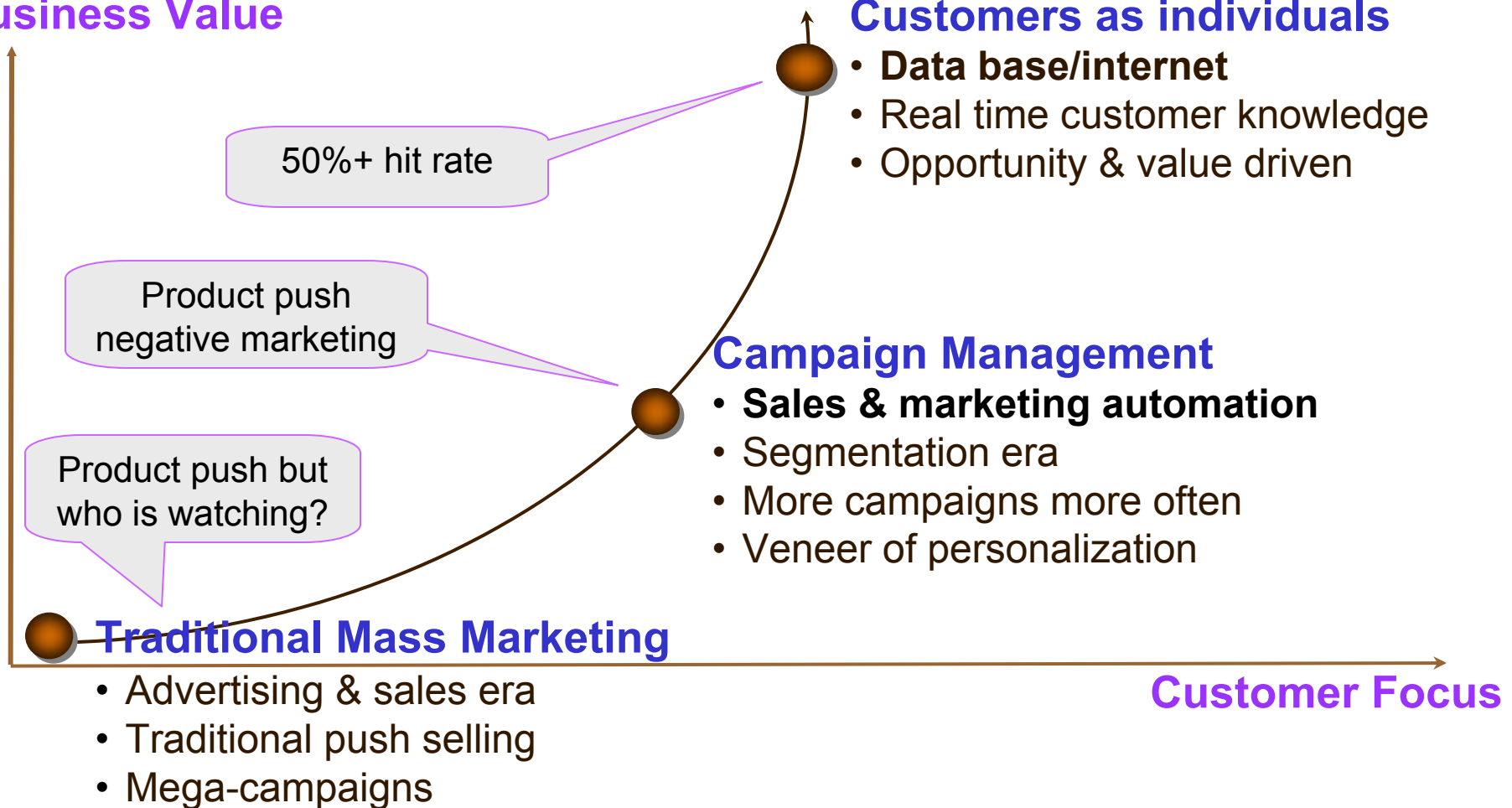


“The very things that marketers are doing to build relationships with customers, are often the things that are destroying those relationships”

– Harvard Business Review, January 1998

Evolution to Customer Behavioral Model

Business Value



Customer Demand – Demanding Customers



Understanding customers as individuals creates a **loyal following of profitable customers** - fostering loyalty and trust and **deeper/more enduring relationships**

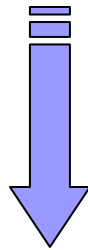
Tailor the Offer to Customer Needs

Market Realities



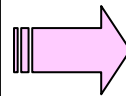
Passengers

Price competition and value
or
Customer experience and
service differentiation



Vendors

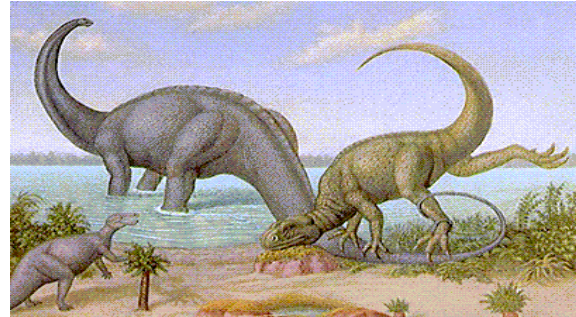
Ongoing disruptive change
Brand identity gridlock
Global competition
Loss of pricing power
Performance pressure



Understand needs
Branding and trust
Performance culture

"Sustaining profitable customer relationships requires real leadership", Bob Angel, Ivey Business Journal, Nov-Dec 2004

What to do with the 80% of Customers that are *not* Profitable?



Despite significant SFA investment, many firms still cannot:

- Know more than name and address before phone contact
- Understand which campaigns work on which customers
- Calculate *accurate* profit contribution by customer
- Identify top customers – most valuable, highest potential
- See the relationship history, understand changing needs
- Identify customer interrelationships



Relationship Bank Actioning for Results

Behavioral event trigger leads for outbound contact

- Daily screening for significant transactions
- Business rules drive event detection
- Results indicate substantial lift in profits and satisfaction
- Enhancing process and training

Six Principles of Understanding Customers as Individuals

1. Track client behavior at the most granular level - transactions
2. Analyze your high value customer base on demand
3. Know the value of your individual customers
4. Differentiate service with selective responses
5. Measure results
6. Live your customer brand values every day

“A new dawn for CRM: This time it's B2B”, Bob Angel, Ivey Business Journal, July-August 2003

2. Use Innovative Sales Distribution Channels

“The audience for mass media is shrinking: 70% of people mute their TV or change channels during commercials”

– J. Walker Smith, *Coming to Concurrency*
(Racom Communications, 2004)



Maturing North American Market Goes On-Line to Regain Competitiveness



Business-travel managers get cheaper option for managing travel expenses, enforcing travel policies, and accessing real-time data on travel spending.

Travelers get a self-service tool that lets them conform to company policy without a lot of comparison shopping.

400 million passengers/year worldwide book flights over the Internet, saving an estimated \$1.2-billion/year in flight reservation fees (SITA Information Networking Computing)

Portal vs. on-line agency: Over 60% of travelers go to Web agencies e.g. Expedia, Orbitz, Travelocity etc. for best airline and hotel rates, cost reduction advice, etc. (marketing and public relations firm Yesawich, Pepperdine, Brown & Russell)

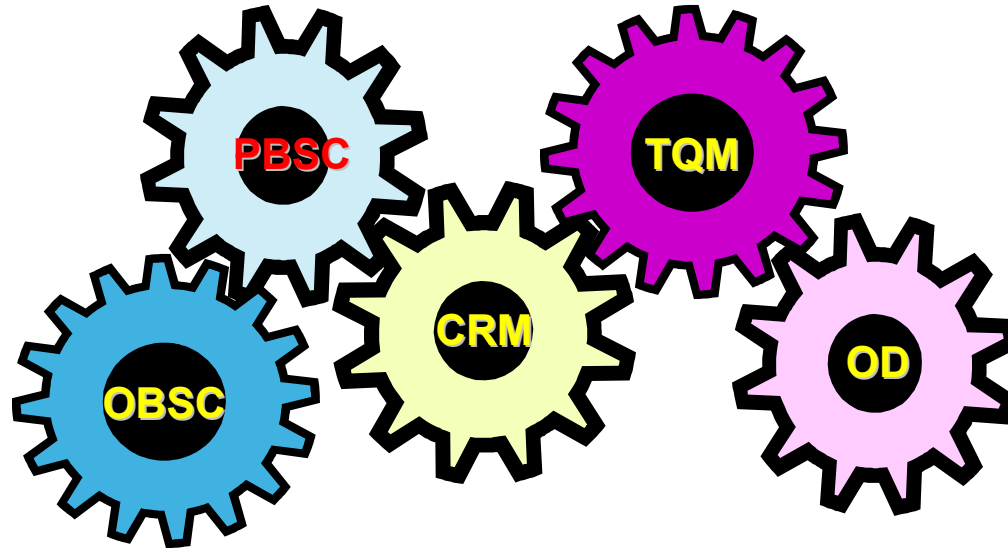
3. Look to Employee Behaviours: they are your Brand



“Canadian workers feel neglected. 43% rate their company as a good place to work. 24% believe excellent performance is rewarded. 52% have been given the training they need to properly perform their jobs.”

- *Watson Wyatt's WorkCanada 2004/2005 survey*

Engaged Employees Make Engaged Customers



High Performance Culture means qualified staff –
motivated, engaged, aligned, self-managed, retained

Encouraging People to Overcome Barriers to Change



Typical outcomes:

- **Confident decisioning/communications to handle complexity**
- **Actions prioritized, time pressures managed**
- **Customer-centric and open culture to deliver the brand promise**
- **Team work and shared learning to foster collaboration**
- **Operational goals/strategies achievement mind-set**

Case Study – European Airline Diagnostic

<u>Diagnostic</u>	
<ul style="list-style-type: none"> • Process oriented • Personal-oriented • Organizationally linked • Open • Tight Control • Pragmatic 	<ul style="list-style-type: none"> • Result oriented • Job-oriented • Professionally linked • Closed • Easy Control • Normative

- Poor financial performance, customer dissatisfaction
- Customer orientation scan: improvement required in leadership style and strategic vision, internal processes, and people management
- Tight control stifles creativity and improvement
- Poor team approach and shared learning
- CEO's leadership style neglects personal view

Case Study – European Airline Culture Change

Senior management personal score cards:

- Performance plans aligned to organizational score card
- Group decision making sessions
- Coaching and competency skills addressed (talent management)
- Risk analysis of security enhancement project



Innovation Culture Continuum

Foundation	Advanced	Breakthrough	
Hierarchical Command and Control	Departmental Silos	Self-directed Virtual Teams	Management
Transactional and Aggregated	Integration across the Enterprise	Learning & Service Delivery Architecture	Information
Cost and Risk Reduction	Productivity Improvement	Collaborative Improvement	Operations
Product	Segmented but still Product Based	Customers' Individual Needs and Value	Customers
Growth	Growth and Performance	Innovation	Strategy

Source: Bob Angel, Ivey Business Journal, Jan-Feb 2006

Conclusion: Performance Needs are Shifting the Market



From:

To:

- Data silos → *enterprise-wide customer knowledge*
- Aggregated customer view → *granular view*
- Marketing communiques → *customer dialog*
- Customer value → *value for the customer*
- Integration management → *performance management*
- Work Harder → *shared knowledge and learning*

Any Questions?



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