

## Initial Evaluation - Phase I Building a Frequent Flier Program - Consulting Package

### Overview

IdeaWorks offers a one-price solution for an airline seeking to evaluate a frequent flier program opportunity. A total of ten packages are offered to provide support for all areas of frequent flier program planning, procedures development, and program launch. The Initial Evaluation phase establishes a foundation for all future program development.

**Initial Evaluation - Phase I** focuses on the carrier's unique travel product and the expectations of its guests. Numerous face-to-face interviews with the carrier's executives provide the Consultant a thorough background on the company and its products, and allow client executives to learn more about loyalty marketing. The week of activity will be summarized in a 4-page report. The Initial Evaluation Report will outline a program design for the client.

Phase 2 is offered as a separate project to begin the process of launching a frequent flier program through the development of a comprehensive business plan (please refer to the Business Plan Development - Phase 2 document). The following lists all of the frequent flier program planning, procedures development, and program launch packages offered by IdeaWorks:

Family of Frequent Flier Program Packages from IdeaWorks		
<b>Program Planning</b>	1	Initial Evaluation
	2	Business Plan Development
	3	Software Selection
<b>Procedures Development</b>	4	Program Terms & Conditions
	5	Member Services and Customer Service Manual
	6	Program Materials and Marketing Strategy
	7	Partner Participation
	8	Software Scope and Integration
<b>Program Launch</b>	9	Program Launch
	10	Ongoing Support

## Description of Activities

<b>Focus Area: Corporate Culture</b>	
<b>On-Site Day 1 Activities</b>	<ul style="list-style-type: none"><li>• Interviews would be conducted with members of the management team (as chosen and scheduled by the key client contact) to gain knowledge of the client's marketing and product plans. 60- to 90-minute interviews would be scheduled with the CEO, Chief Commercial Officer, and executives responsible for these areas: 1) airport customer services, 2) onboard product, 3) call centre support, 4) finance, 5) sales, and 6) marketing.</li><li>• This information would allow the Consultant to learn about the company's routes, pricing, revenue management, onboard service, expansion, airport services, cost structure, and administrative style.</li><li>• Direct questions would be asked to determine, or to help management develop, objectives for its loyalty marketing activities. The interviews would consist of fact gathering and a dialogue on loyalty marketing concepts, and provide management an opportunity to learn more about the topic.</li></ul>

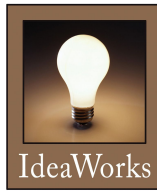
<b>Focus Area: Competitive Environment</b>	
<b>On-Site Day 2 Activities</b>	<ul style="list-style-type: none"><li>• The Consultant would meet during the day with the key client contact to determine the carrier's competitive environment.</li><li>• This information would allow the Consultant to design a simplified competitive matrix based upon the following attributes: 1) accrual methods, 2) reward choices, 3) elite recognition, 4) partner participation, and 5) administration and operations.</li><li>• The matrix would include reward payback statistics for flight accrual in competitors' frequent flier programs.</li><li>• The key client contact (or a sales executive) would arrange meetings (in advance) with local travel agency and/or corporate account representatives. This would permit the consultant to learn about competing frequent flier programs from the agency perspective.</li><li>• Ideally, the Consultant would also meet with frontline employees who have served your business travelers. This would allow the Consultant to learn how competing airlines fail or succeed in providing service to very frequent travelers.</li></ul>

<b>Focus Area: Finance &amp; Planning</b>	
<b>On-Site Day 3 Activities</b>	<ul style="list-style-type: none"> <li>• The economics of the airline are a key component in the development of a frequent flier program. The Consultant will meet with finance and planning staff to learn more about the carrier's cost structure, revenue objectives, and traffic estimates.</li> <li>• The financial spreadsheet for a program will require data to support the following needs: 1) annual traffic projections to calculate membership base and accrual activity, 2) average fare projections to calculate average accrual, 3) incremental and fully allocated cost of carrying a passenger to calculate reward expense, and 4) administrative cost assumptions related to staffing, communications, software, and advertising.</li> <li>• Software will be required to operate the frequent flier program and the Consultant would meet with technology staff to determine the status of software selection (this is only intended as a preliminary discussion on the topic of software).</li> <li>• The Consultant would use the balance of the day to develop spreadsheets for membership and accrual projections.</li> </ul>

<b>Focus Area: Product Experience</b>	
<b>On-Site Day 4 Activities</b>	<ul style="list-style-type: none"> <li>• On Day 4, the Consultant would seek to connect the concept of a loyalty marketing solution to a passenger's airport and onboard experience.</li> <li>• The Consultant would take a return flight on a key business route. The Consultant would meet with airport customer service staff at the destination to learn about passenger preferences and service delivery from the perspective of another airport location.</li> <li>• The remainder of the day would be spent reviewing notes and completing the Initial Evaluation Report.</li> <li>• The Consultant might request follow-up meetings with airport customer services, onboard product, call centre support, finance, sales, and marketing staff to validate notes made during prior meetings.</li> </ul>

<b>Working Day and Conclusion</b>	
<b>On-Site Day 5 Activities</b>	<ul style="list-style-type: none"> <li>• Most of the final day would be spent completing the Initial Evaluation Report.</li> <li>• The day would conclude with a final meeting with the key client contact to review the information gathered during the week and to discuss early concepts. If desired, the Consultant would meet with the CEO to provide a similar review.</li> </ul>

This consulting package also includes off-site preparation activities prior to the start of the project.



## **Additional Project Details**

### **Lead Project Consultant**

Jay Sorensen's research and reports have made him the world's leading authority on the ancillary revenue movement. In November 2007 he was chairman of the first conference dedicated to the topic of ancillary revenue. This event was a resounding success with more than 240 airline executives and ancillary revenue vendors from all over the world attending the Frankfurt conference. Mr. Sorensen is a veteran management professional with 25 years experience in product, partnership and marketing development. As president of the IdeaWorks consulting firm, he has enhanced the generation of airline revenue, started guest loyalty programs and co-branded credit cards, developed products in the service sector, and helped start airlines and other travel companies.

His career includes 13 years at Midwest Airlines where he was responsible for marketing, sales, customer service, product development, operations, planning, financial analysis and budgeting. Mr. Sorensen is author of the IdeaWorks Guide to Ancillary Revenue; airline professionals from all over the world have purchased the publication.

### **Expenses**

Travel expenses, and other direct expenses such as express delivery and long distance telephone, are reimbursable. Travel expenses are to be reimbursed within 14 days of invoice.

### **General**

All terms, conditions and fees are subject to the provisions of a consulting agreement between the client and IdeaWorks.

### **Consulting Package Price**

Package pricing is available upon request.

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