



Procedures Development and Program Launch - Phases 3 through 10 Building a Frequent Flier Program - Consulting Packages

Overview

IdeaWorks offers a one-price solution for an airline seeking to create a frequent flier program. A total of ten packages provide support for the three primary areas associated with starting a frequent flier program: program planning, procedures development, and program launch.

This document describes Phases 3 - 10 which provide further program development, create operational systems, and assist with program launch. The component approach provides maximum flexibility for the client; any or all of the Phases offered may be requested. However, Phases 1 and 2 are prerequisites as these projects create the foundation for Phases 3 thru 10.

The following lists all of the frequent flier program planning, procedures development, and program launch packages offered by IdeaWorks (those shaded are covered in this document):

Family of Frequent Flier Program Packages from IdeaWorks		
Program Planning	1	Initial Evaluation
	2	Business Plan Development
	3	Software Selection
Procedures Development	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
Program Launch	9	Program Launch
	10	Ongoing Support

Regarding Travel Days: Many of the projects require work to be performed on site at the client's offices. Phases may be combined to reduce travel costs and the travel days associated with on-site activities. These costs are designated by "+ travel days" within the activities box for each project.

Phase 3 - Software Selection

Overview	<p>This phase applies to the project if the airline has not selected a software vendor for its frequent flier program. If the airline has chosen a vendor, this phase is skipped and IdeaWorks would integrate the selected software into the implementation project.</p> <p>IdeaWorks has a long-term relationship with The Lacek Group and its REWARD frequent flier software program. IdeaWorks does not receive a commission for this activity from The Lacek Group and recommends its software on the merits of its functionality and the support provided by the developer. The time required for implementation is reduced if REWARD is selected.</p> <p>Regardless of the choice made, the Consultant would draft a Software Specifications document based upon the Business Plan. This two-page document would form the basis of the bidding process used by vendors to prepare price quotes for the airline to consider.</p>
Activities if Lacek REWARD is Chosen	<ul style="list-style-type: none"> • Meet with airline project team and internal IT staff to confirm software needs and expectations (4 hours). • Draft the program Software Specifications document (4 hours). • Participate in the online presentation offered by The Lacek Group (3 hours). • Review the proposal sent by The Lacek Group • Assist the airline in its negotiations with The Lacek Group.
Estimated Resources	<ul style="list-style-type: none"> • 1 day for on-site meeting and document creation (+ travel days) • 16 hours off site
Activities if Request for Proposal (RFP) is Circulated	<ul style="list-style-type: none"> • Meet with airline project team and internal IT staff to confirm software needs and expectations (4 hours). • Draft the program Software Specifications document (4 hours). • Create matrix of software vendors: 1) years in business, 2) size of technical staff, 3) history and pedigree, 4) client listing, 5) basic features, and 6) additional modules. • Establish contact with key vendors, distribute Software Specifications document. • Participate in the online presentations offered by vendors (9 hours). • Review the proposals sent by vendors, and develop scoring system. • Assist the airline in its negotiations with the final two vendors selected.
Estimated Resources	<ul style="list-style-type: none"> • 1 day for on-site meeting and document creation (+ travel days) • 52 hours off site
Additional Notes	<p>These activities do not result in the installation of a software program; installation and training on the system is a primary responsibility of the software vendor. IdeaWorks would provide support during the installation process to ensure integration within the Business Plan criteria (see Phase 8 Software Scope and Implementation).</p>

Phase 4 - Program Terms & Conditions	
Overview	The Program Terms & Conditions represents a user's manual for program members and defines the legal obligations of the airline to members of its frequent flier program. The document must be thorough and anticipate major issues and areas of potential conflict between the airline and its customers.
Activities	<ul style="list-style-type: none"> • Draft the Program Terms & Conditions based upon the content listed below. • Distribute the Program Terms & Conditions to key contacts at the airline to solicit feedback. • Revise the Program Terms & Conditions to reflect feedback received.
Terms & Conditions Document	<p>The document would largely incorporate the design of the frequent flier program as outlined in the Business Plan, and would help define the member services process described in the Customer Service Manual (see Phase 5). This 10 to 12 page document would include the following content:</p> <ul style="list-style-type: none"> • General Conditions • Prohibition of Sale or Barter • Account Activity and Expiration of Points • Program Partners • Point Accrual • Reward Redemption • Elite Tier Benefits (if applicable) • Program Contacts • Example of the Accrual Chart • Example of the Reward Chart • Example of the Elite Tier Program Chart
Estimated Resources	<ul style="list-style-type: none"> • 18 hours off site
Additional Notes	The airline should seek a professional legal review of the final Program Terms & Conditions document to ensure compliance with applicable regulations.

Phase 5 - Member Services and Customer Service Manual

<p style="text-align: center;">Overview</p>	<p>The member services phase defines all airline functions that interact with members, such as the frequent flier service center, reservations department, and airport services. The frequent flier service center is a core feature of the frequent flier program. The center's client base makes the delivery of services associated with the program crucial to the success of the airline; these travelers generate the greatest share of passenger revenue.</p> <p>The design of member services should meet three criteria. First, it should align with the product image of the airline. Second, it must operate within established budget constraints. Third, the service offered must be within the capabilities of the employees; the service plan should not over-promise. The Consultant would write a Customer Service Manual for all employee groups responsible for supporting the frequent flier program.</p>
<p style="text-align: center;">Activities</p>	<ul style="list-style-type: none"> • Research how vendor software impacts the Business Plan and the Terms & Conditions. • Draft the Customer Services Manual based upon the areas of content listed above. • Distribute the Manual to key contacts at the airline and solicit feedback. • Revise the Manual to reflect feedback received.
<p style="text-align: center;">Customer Service Manual</p>	<p>This nearly 50-page document would include the following areas of content:</p> <ul style="list-style-type: none"> • Definition of terms used in the Manual • FAQ - Frequently Asked Questions • Accrual table, qualifying purchases • Reward table, city pairs, booking codes • Overview of special services at airport • Overview of special services on board flights • Enrollment of members, all customer contact locations • FFP account number, retrieval methods • Fulfilling reward travel requests • Reward travel processing • Member amenities and recognition, all contact locations • Express issuance of rewards • Changes to reward travel • Return of unused rewards • Validation of member identity, lost password • Methods to change member account information • Member requests for missing credit • Member communication policy, newsletter distribution • Partner accrual processing • Elite traveler benefits, special services • Terms & Conditions
<p style="text-align: center;">Estimated Resources</p>	<ul style="list-style-type: none"> • 80 hours off site

Phase 6 - Program Materials and Marketing Strategy

Overview	<p>The materials associated with the frequent flier program create the consumer's first visual impression of the program. The image created by the web site and printed materials must instantly convey the uniqueness and special features of the program within the parameters of the brand. The text should be written to provide members with easily understood information about the benefits, procedures and rules associated with the program.</p> <p>The Consultant would offer a program materials strategy to address the following core communication needs: 1) enrollment incentives, 2) member account number, 3) activity statement, 4) newsletter, 5) program guide/terms and conditions, and 6) promotional materials. The Consultant would support these core message components by providing the general layout and written text for each piece of material.</p> <p>The Consultant would work with the project team to guide the development of promotional activities associated with external and internal audiences. Promotion of the program should occur when bulk of collateral for the program has been completed and is available for limited distribution to employees and key groups such as trade journalists and key corporate accounts.</p>
Activities	<ul style="list-style-type: none"> • Draft the initial program materials strategy. • Review the strategy with airline marketing and advertising staff (4 hours). • Create general layout of core communication materials and write the message text (see items 1-6 described above). • Meet with airline marketing and advertising staff and recommend ancillary activities to promote the FFP (4 hours).
Estimated Resources	<ul style="list-style-type: none"> • 1 day on site (+ travel days) • 64 hours off site
Additional Notes	<p>The marketing strategy would likely include ancillary activities involving online promotion, in-airport and on board elements, direct mail, print advertising, the inflight magazine, publicity, and special events. These opportunities would be discussed and developed with the airline's marketing and advertising staff. The Consultant would provide advice for these activities; however the airline's marketing and advertising staff would have primary responsibility for implementation of ancillary activities.</p>

Phase 7 - Partner Participation	
Overview	The Business Plan includes an initial partner strategy and would recommend candidates for key categories. The launch of the program may include partners in popular categories such as hotel chains and car rental firms. The Consultant would outline the methods used to solicit partners and train airline staff on the solicitation of candidates. This would include guidance on the pricing of accrual currency, drafting a solicitation letter, designing a benefit matrix, and writing the Standard Partner Contract.
Activities	<ul style="list-style-type: none"> • Discuss and develop a partner strategy for key categories with airline marketing staff, establish accrual currency prices, and create the partner benefit matrix (4 hours). • Instruct the airline marketing staff on how to solicit partners, and meet with one local partner candidate to share experience (4 hours). • Draft the Standard Partner Contract. • Draft the solicitation letter and distribute to key candidates in the hotel and car rental categories. • Conduct follow-up calls and establish contact with hotel and car rental candidates. • Negotiate on behalf of airline to secure hotel and car rental relationships (this activity usually requires months of follow-up, especially for smaller partners).
Estimated Resources	<ul style="list-style-type: none"> • 1 day on site (+ travel days) • 40 hours off site • Additional days to meet with candidate partners while the Consultant is on-site would be billed at a daily rate (to include travel expenses) subject to approval in advance by the airline. • Monetary incentive paid by the client to IdeaWorks for securing each agreement with candidate partners.
Additional Notes	The airline should seek a professional legal review of the final Standard Partner Contract to ensure compliance with applicable regulations.

Phase 8 - Software Scope and Integration	
Overview	Software integration is the primary responsibility of the software vendor. However, the Consultant responsible for design of the frequent flier program usually participates in the beginning of the scope determination process. Typically this requires 2 to 3 days on site at the airline headquarters.
Activities	<ul style="list-style-type: none"> • Participate in software scope determination process. • Provide support and be accessible for phone conferences, or address issues via email, during integration and installation.
Estimated Resources	<ul style="list-style-type: none"> • IdeaWorks estimates this would require 2 - 3 days of on-site support (+ travel days), and an additional 16 hours of off-site support. • Final determination of the resources required can be provided after the software vendor has been selected.
Additional Notes	The frequent flier program software selected by the airline may require additional consulting time for Phase 8.

Phase 9 - Program Launch

Overview	<p>The program launch represents the culmination of all prior activities. It also represents the moment during which many of the airline's customers and employees are introduced to the new frequent flier program. The launch must support the exceptional product image of the airline in its home market and throughout its network.</p> <p>The Consultant would visit on two occasions to address last minute issues and to be available as a resource to answer questions and observe the implementation. The specific agenda for each trip would be developed during the later phases of this project. The first trip would include a pre-launch team meeting of all key participants at the airline.</p>
Activities	<ul style="list-style-type: none">• Pre-launch meeting and general consulting availability (2 days).• Launch activities and general consulting availability (2 days).
Estimated Resources	<ul style="list-style-type: none">• 2 days on site for pre-launch (+ travel days)• 2 days on site for launch (+ travel days)

Phase 10 - Ongoing Support

<p>Overview</p>	<p>IdeaWorks can provide continuing support to the frequent flier program to assist initiatives such as growing the membership base and enhancing member activity through promotions and marketing initiatives. The Consultant has the expertise to help in areas such as managing award liability and developing partner relationships. IdeaWorks could assist in the selection of vendors to provide ancillary functions such as direct mail services and online communication.</p> <p>This phase includes a follow-up meeting with the project team to evaluate the launch and to discuss the initial metrics of the program. IdeaWorks would recommend an ongoing strategy for the following functions: 1) evaluating enrollment trends, 2) encouraging new enrollments, 3) measuring flight activity, 4) targeting revenue activity, 5) writing member communications and newsletters, 6) monitoring program changes by competitors, 7) controlling mileage liability, 8) gaining partner participation, and 9) adding partner categories such as telecommunications, credit cards, vacation packagers and retailers.</p>
<p>Activities</p>	<ul style="list-style-type: none"> • Participate in follow-up meeting and general consulting availability (2 days). • If desired, Consultant can meet with potential program partners.
<p>Estimated Resources</p>	<ul style="list-style-type: none"> • 2 days on site for follow-up meeting (+ travel days) • 10 hour monthly retainer for 1-year period (off site)
<p>Additional Notes</p>	<p>Continuing support would include a custom-tailored solution to provide assistance in all of the areas described above to include the development of codeshare relationships with other airlines. This is probably best provided under a retainer relationship of 10 hours per month for a one-year period.</p>



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 Prices

Package pricing is available upon request. The component approach provides maximum flexibility for the client; any or all of the Phases offered may be requested. However, Phases 1 and 2 are prerequisites as these projects create the foundation for Phases 3 thru 10.

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