

Summary

Situation:

Airline loyalty programs, once a key driver of customer retention and revenue, are losing effectiveness. Once powered by miles, tiers, and rewards, these programs have suffered from post-pandemic devaluations and complex rule changes that eroded trust and perceived value. Travelers now spread their spending across multiple airlines and value seamless, personalized experiences over point accumulation. Emotional drivers such as “feeling taken care of” or “a journey worth paying more for” increasingly determine loyalty outcomes.

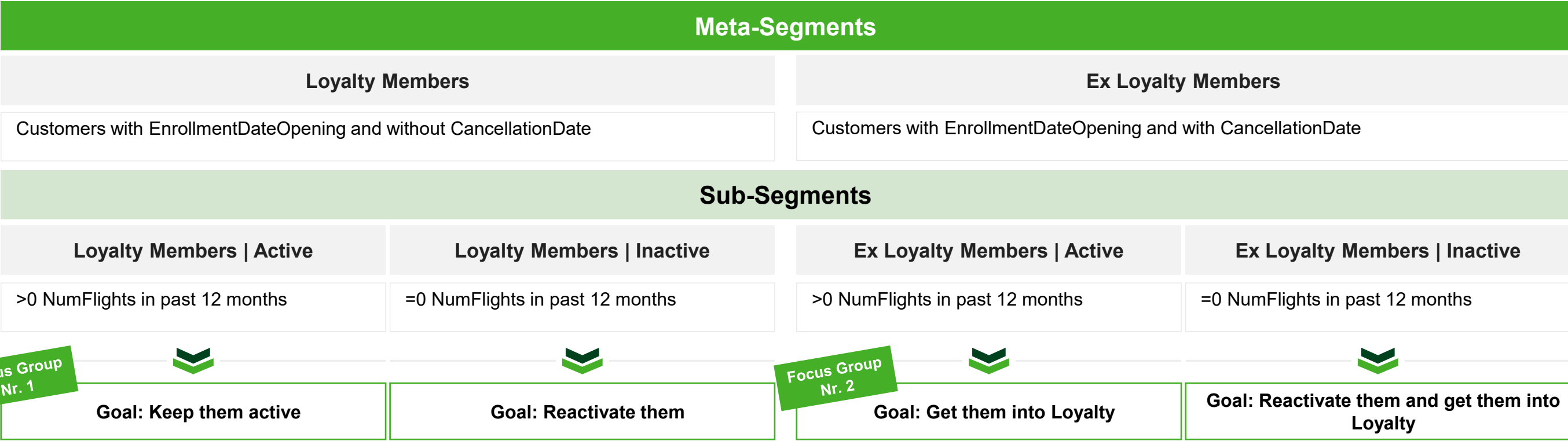
Complication:

This decline stems from points inflation, overcrowded tiers, and generic, undifferentiated marketing that fails to create personal recognition. As engagement weakens, airlines struggle to sustain loyalty’s original behavioral lift. Addressing this challenge requires a data-driven segmentation approach that integrates behavioral, value-based, and psychographic dimensions to deliver tailored experiences, restore customer relevance, and rebuild long-term loyalty.

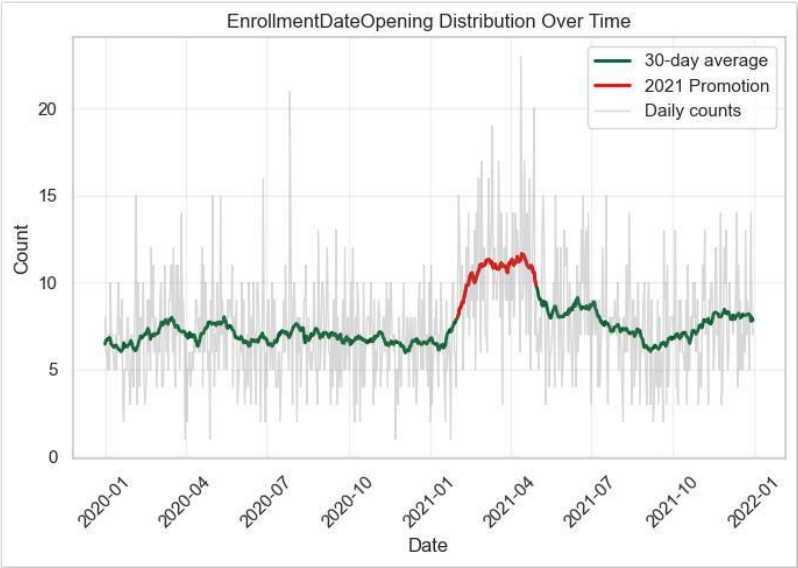
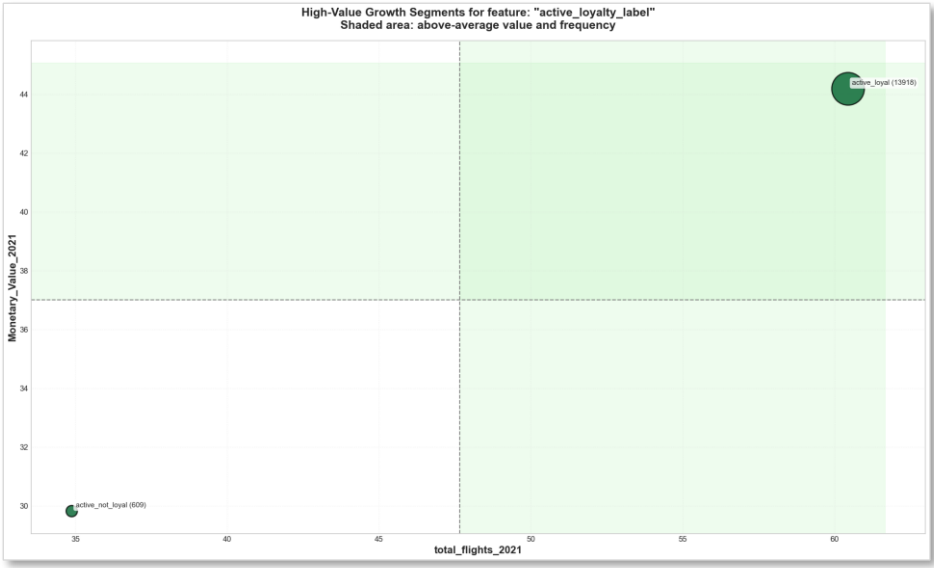
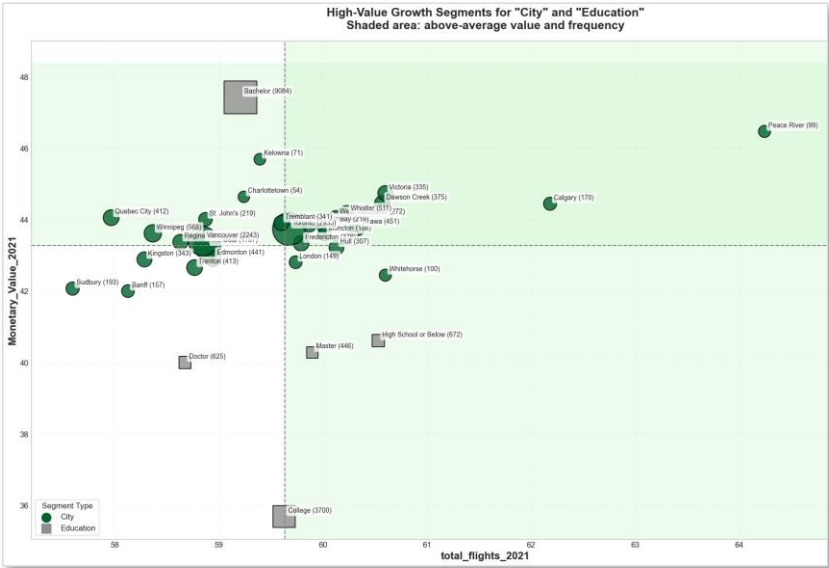
Proposed Solution:

AIAI should prioritize retaining active loyalty members, as keeping them engaged is far easier and more profitable than reactivating or acquiring new ones. Customers are managed along Loyalty Status x Activity x Value x Behavior to boost retention, reactivation, and conversion. An initial rule-based segmentation defines four groups - Active/Inactive Loyalty and Active/Inactive Ex-Loyalty Members, followed by deeper behavioral and value-based clustering in Phase 2. Each group’s strategy focuses on engagement, reactivation, or reacquisition, with high-value customers identified for targeted actions.

Framework



Analysis



Insights

- **Customers from Peace River and Calgary** show both above-average flight frequency and monetary value, marking them as **key geographic growth hubs**.
- The **Bachelor-educated segment** stands out with the **highest overall value contribution**, outperforming all other education levels.

- **Active-loyal members** clearly **dominate** in both **flight frequency** and **monetary value**, confirming them as **AIAI’s core high-value segment**.
- **Active-non-loyal customers** show moderate flight activity but substantially lower monetary contribution, suggesting **strong potential for conversion into loyalty members**.

- The sharp spike in early 2021 confirms the **success of the promotional campaign**, driving a clear surge in new enrollments.
- The stable pre- and post-campaign trends indicate that **sustained engagement efforts** are needed to maintain momentum beyond promotional periods.