

Alaska Airlines Soars in Meeting the Needs of More than 17 Million Customers Annually



For 74 years, Alaska Airlines has been providing world-class domestic airline service. Understanding and responding to customer needs is the key to success in the increasingly competitive domestic airline industry, where margins are small and customer loyalty is prized. Over the years, Alaska Airlines acquired a great deal of customer data, but it resided in disparate systems throughout the company. Alaska Airlines chose Siebel Business Analytics to tie together customer data from numerous sources, and, ultimately, to design marketing programs to drive customer loyalty. Using a forward-thinking approach that encompasses a methodical look at process improvements, Alaska Airlines is now able to better understand, respond to, and anticipate customer needs.

Founded in 1932, Alaska Airlines now serves more than 17 million customers annually. With one of the newest fleets in the industry, the airline has managed not only to survive, but also to prosper in a highly competitive business environment that is increasingly dominated by low-cost/low-fare carriers. Much of Alaska Airlines' success can be attributed to the company's award-winning customer service and commitment to technical innovation. That commitment to service and innovation continually drives Alaska Airlines to provide a better experience and greater value for its customers than competing carriers. As James Archuleta, Customer Relationship Management (CRM) Director of Alaska Airlines, puts it, "The competition in the travel industry, especially airline travel, is

cutthroat. Making our customers happy is important because it translates to an ongoing relationship, whether travel is business or pleasure, which in turn is loyalty. Our customers are at the center of all of our initiatives, even operational initiatives. We offer a premium service at a competitive price, but that customer-centric aspect is essential to everything we do." It was this ongoing dedication to service that motivated Alaska Airlines to seek more effective ways to analyze customer data, in order to provide an even better and more relevant customer experience.

The Challenge of Data Integration

The problem Alaska Airlines faced was not a lack of data, but rather a wealth of it residing in disparate legacy systems that were not

Alaska Airlines

Serving more than 40 cities in three countries and over 17 million customers annually

Industry

Travel/Transportation

Geographies

Western USA, Canada, Mexico

Business Challenges

- Improve customer loyalty in an increasingly competitive market
- Bring together data from several disparate legacy systems
- Improve understanding of customer behavior and motivation
- Analyze company processes, find gaps, and arrive at solutions

Solution

Siebel Business Analytics deployed to executive team and marketing department

Benefits

- Greatly improved customer tracking
- A better understanding of customer behavior and motivation
- The ability to deliver a higher level of service and a more relevant experience to the customer
- The ability to examine processes throughout the company and target areas for improvement
- The ability to make more informed and strategic business and marketing decisions

Solution Components

Siebel Business Analytics

Database: Oracle

Hardware: Hewlett-Packard

Siebel Alliance Partner

Accenture



IT'S ALL ABOUT THE CUSTOMER™

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—James Archuleta,
CRM Director, Alaska Airlines

integrated. The company had data tracking customer behavior, but it was utilized in silos throughout the company. Archuleta explains, “Our data was utilized and defined by disparate business processes, and each of those products was managed as a separate silo within the organization.” Alaska Airlines has worked successfully with a home-built CRM system, but recognized that it lacked the ability to analyze data from numerous other sources to fully understand customer trends and purchasing behavior. “Anybody familiar with the travel business will know that it’s very data-intensive and relies on strong business intelligence for future growth,” says Archuleta. Without a robust analytical capability, customer tracking consisted primarily of examining data such as miles flown or dollars spent. Such lagging indicators of customer behavior were helpful, but they did not provide the insight into customer needs that the company wanted.

Alaska Airlines continuously strives for improvement using a philosophy and set of practices based on the Toyota Corporation’s “lean manufacturing” system. Lean manufacturing focuses on optimizing time, efficiency, productivity, and assets, while also improving the quality of products and services provided to the customer. The methodology focuses on continuous improvement of business processes, and Alaska Airlines used the approach to identify problems and then specify requirements for a solution. Archuleta remarks, “Our goal was to look at process as opposed to a solution. We looked at our customer data across the enterprise and looked for gaps in the process first. One of those gaps was in accurate and timely information available to our executive team, for both strategic planning and use by our tactical teams in meeting strategic objectives.” Alaska Airlines realized that what was needed was in-depth and timely

analytical information that would allow a more strategic approach to customer service. The company had identified gaps. Now it was time to find a solution to help bridge those gaps.

Choosing a Solution

Custom business intelligence solutions are the norm in the domestic airline industry, and Alaska Airlines was accustomed to using such solutions to meet its needs. “Many airline industry solutions are built in-house. It’s very difficult to buy something prepackaged. But given that there’s an analytical aspect to this, we started looking at solutions to fill the gap,” says Archuleta.

Next, the company put together a list of requirements and began evaluating solutions from four different vendors. A key requirement was the ability to access data from disparate systems throughout the company. “When we defined the project, the focus was on understanding the customer’s value chain, the information we needed about the customer, identifying sources of data, and then implementing a solution that would enable us to integrate the data from all those sources and provide relevant information to our executives and marketing department. I’m talking about actionable information—not just information that would be an aggregate, but something that would add value to our business rules. Siebel Business Analytics fit these requirements perfectly.” Integration was a key factor. According to Archuleta, the airline was using an off-the-shelf SQL query and reporting tool, but “that solution was not giving us the integration that Siebel Business Analytics provides through its metadata layer.”

One of the features of Siebel Business Analytics is its ability to create dashboards. Dashboards are customized views that incorporate information from different

sources and present it in a coherent and uniform manner. Archuleta comments, “We did a cost/benefit analysis and found that Siebel Business Analytics met our executives’ dashboard requirements and fulfilled the goals for location and application transparency.” Alaska Airlines also wanted a solution that would be powerful yet easy to implement. “When evaluating solutions, we looked for something that would require fewer IT resources and less manpower to handle,” says Archuleta. “Siebel Business Analytics was the right solution, at the right price, with the right sophistication, yet easy to use.”

The Loyalty Metric

It took approximately six weeks for Alaska Airlines to deploy Siebel Business Analytics. “We use Siebel training as opposed to an integrator, and the training is very effective,” remarks Archuleta. The company found that implementation dramatically accelerates as users become more and more familiar with the solution. “If the data is there, we can build dashboards within minutes of an executive making the request,” says Archuleta.

One of the key customer metrics that Alaska Airlines first examined using Siebel Business Analytics was loyalty. Loyalty is measured by how recently customers have flown, how frequently they fly, how much they have spent, frequent flyer membership, and total mileage flown, as well as other metrics. Factors that affect customer loyalty include scheduling flexibility, ease of ticket purchase, seat selection, check-in, on-time flight performance, and overall customer experience, among others. Loyalty is an indicator of how well a customer is being served, and examining loyalty can highlight strengths and weaknesses in the customer service chain. In the past, it was difficult for Alaska Airlines to tie all the necessary data

together to get a clear picture of the factors that affect loyalty. “Now we better understand the metrics driving loyalty, because we can tie together all the data from the disparate systems through Siebel Business Analytics,” says Archuleta. “We can see everything in one place because of the location transparency that the dashboards provide.”

A Relevant Experience

Another aspect of Alaska Airlines’ customer-centric approach is the company’s continuing effort to provide a highly relevant experience for each customer. A simple example of relevancy would be making a targeted vacation offer to a customer who is known to have used the airline for leisure travel in the past. Providing a relevant experience to millions of flyers in numerous demographics is difficult. Alaska Airlines carefully tracks all customer interactions and assigns a value as the customer’s relationship with the airline evolves along the “customer value chain.” By combining this information with demographic data, the company can better target offers and services that a particular customer might find desirable. Alaska Airlines is using Siebel Business Analytics to identify relationship milestones by providing an integrated view of all customer interactions with the airline. “Our next step is to really look at automating our workflow. We want to make sure that our decision tree is integrated into our business intelligence solution such that we can provide the right promotion at the right time to the right person,” says Archuleta. “Siebel Business Analytics provides us the ability to be more proactive as a marketing and service operation and be more relevant to the customer. It also allows us to be more mindful of customers’ needs while at the same time being respectful of their time and privacy. That is where our customers will find the true value.”

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Customer’s Implementation Advice

- Understand your data and infrastructure
- Understand that the tool (Siebel Business Analytics) is very simple to use
- Define the goal
- Define business needs before choosing a solution
- Implementation accelerates dramatically as user familiarity increases

World Headquarters

Siebel Systems, Inc.
2207 Bridgepointe Parkway
San Mateo, CA 94404
United States
Tel: 1-800-647-4300
Tel: 1-650-295-5000
Fax: 1-650-295-5111

Europe

Siebel Systems UK Limited
Siebel Centre
The Glanty
Egham, Surrey TW20 9DW
United Kingdom
Tel: 44-0-1784-494900
Fax: 44-0-1784-494901

Asia Pacific

Siebel Systems Australia
Level 1, 80 Pacific Highway
North Sydney, NSW 2060
Australia
Tel: 61-2-9012-3100
Fax: 61-2-9012-3333

Japan

Siebel Systems Japan K.K.
Ebisu Prime Square
1-1-39 Hiroo, Shibuya-Ku
Tokyo 150-0012
Japan
Tel: 81-3-5464-7700
Fax: 81-3-5464-7702

Latin America

Siebel Systems Brasil Ltda
Av. Nações Unidas, 12.901
20 andar - Torre Norte
04578-903 - São Paulo - SP
Brazil
Tel: 55-11-3444-0450
Fax: 55-11-3444-0666

www.siebel.com

Moving Ahead

Better understanding of the customer metrics such as loyalty and relevancy makes more strategic marketing campaigns possible. For example, Alaska Airlines has started using Siebel Business Analytics to gain insight into the reasons for seasonal “soft” markets when fewer customers use the airline. With better insight into customer behavior, Alaska Airlines can make targeted offers to specific customer demographics to proactively offset soft markets.

In an effort to improve overall quality and efficiency, Alaska Airlines has also begun using Siebel Business Analytics to examine broader aspects of its business, such as maintenance processes and airport operations. Explains Archuleta, “At this point, we’re moving into some operational analytics to see how the operation affects loyalty, and also how our loyalty and marketing programs in turn affect the operation. Understanding how operations and customer initiatives merge is one of our most important goals. Siebel Business Analytics provides us a proactive means of making sure that our operations will be as fundamentally strong as we can possibly make them. It enables us to utilize data we’ve collected for years to make better decisions on how we run our business operations.” Future plans include building models that incorporate data on fuel cost, economy, and competition.

A Solid ROI

Using its new business intelligence capabilities, Alaska Airlines now has a better understanding of the needs of the 17 million flyers that use the airline annually. Already known for its award-winning customer service, the airline continues to strive for improvement, and Siebel Business Analytics has become an important resource. Alaska Airlines is also gaining valuable insight into its own operations and business processes and is identifying ways to make them more efficient and effective. “The goal was to integrate data

across the enterprise, but what the solution is truly doing is driving organizational change from the bottom up,” says Archuleta. “People are starting to realize that there are causes and effects between all of the elements of a business, and so it is truly affecting us in breaking down those silos within the organization.” By integrating data across disparate legacy systems, Siebel Business Analytics is helping provide decision-makers at Alaska Airlines with the accurate and timely information they need. Thanks to a forward-thinking and progressive approach dedicated to improving business processes and customer service, the airline is now making better and more informed decisions about its operational and customer service processes. “Neither the solution nor the data makes the decisions,” says Archuleta. “It’s people who make the decision based upon the solution. What we’re providing are the best possible applications to make those decisions, and it’s a competitive advantage for us.”