

Increasing Loyalty via Targeted Loyalty Efforts

Case Study Deutsche Bahn

Siebel User Week, Barcelona 2005

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AGENDA

- **The prevailing situation at Deutsche Bahn AG – a major mobility provider**

- CRM at Deutsche Bahn
- Customer Status Programme bahn.comfort
- Transformation Status Programme towards a Loyalty Programme

Deutsche Bahn conveys more than 4.7 million passengers per day on about 31,000 trains per day

Introducing the Passenger Traffic Division at Deutsche Bahn AG:

Passenger Traffic Division

Turnover	~10 billion ₳
No. of staff	~83,000
Stations/stops	~6,000
Locomotives	~2,700
MUs and coaches	~19,500



DB Fernverkehr AG

Passengers/day	0.4 million
Passengers/year	150 million
Trains/day	1,500
No. of staff	~ 30,300
Annual turnover	2.7 billion ₳



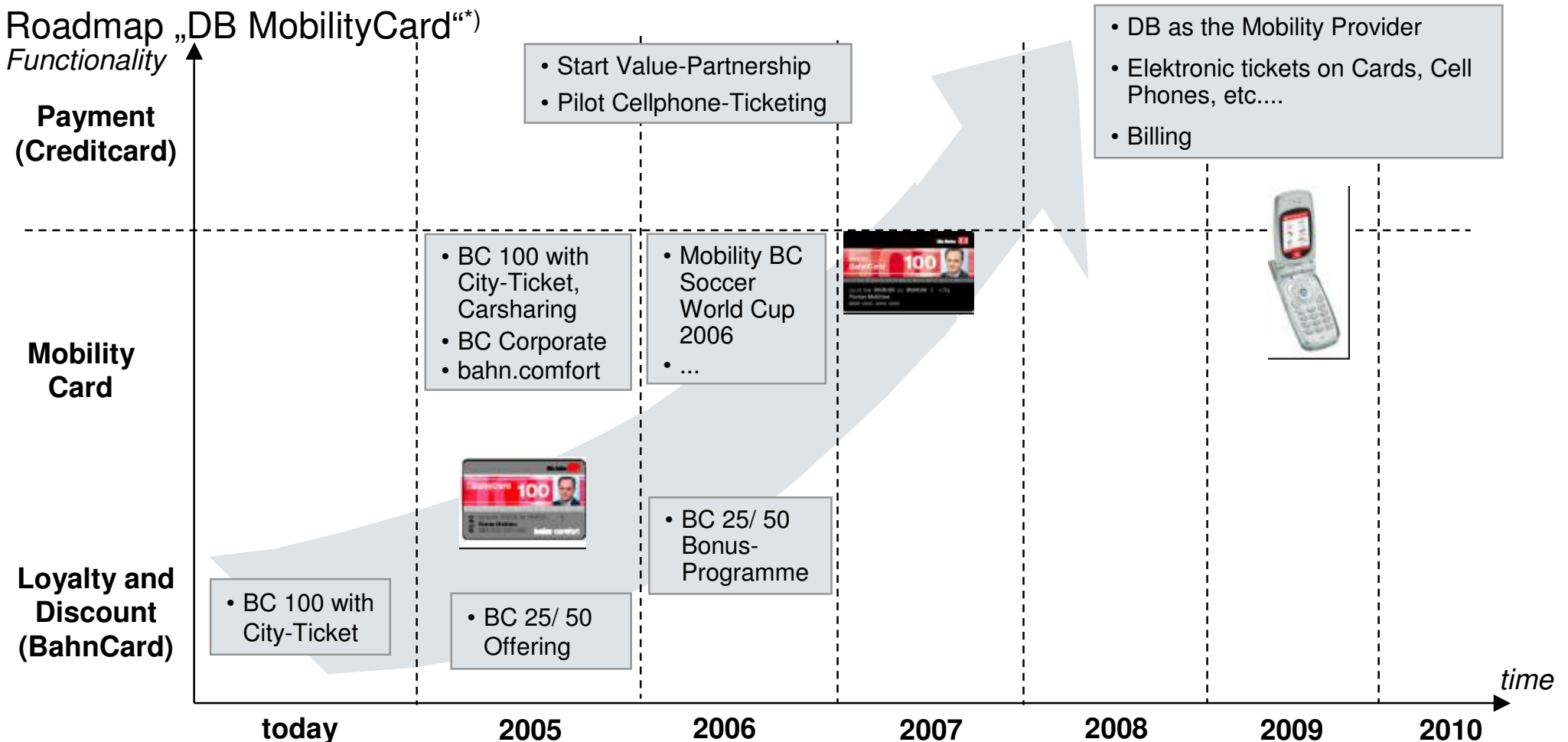
DB Regio AG

4.3 million
1,500 million
30,000
~ 52,800
7.5 billion ₳

Source: Dates and Facts Deutsche Bahn

Deutsche Bahn retains their most valuable customers with Mobility offering and through a value partnership

Roadmap „DB MobilityCard“^(*)



” In the future, additional features such as the ability to pay for tickets and other travel expenses will be added to the Bahn.card, turning it into a “DB MobilityCard”

Source: K.KS, 01/ 2005

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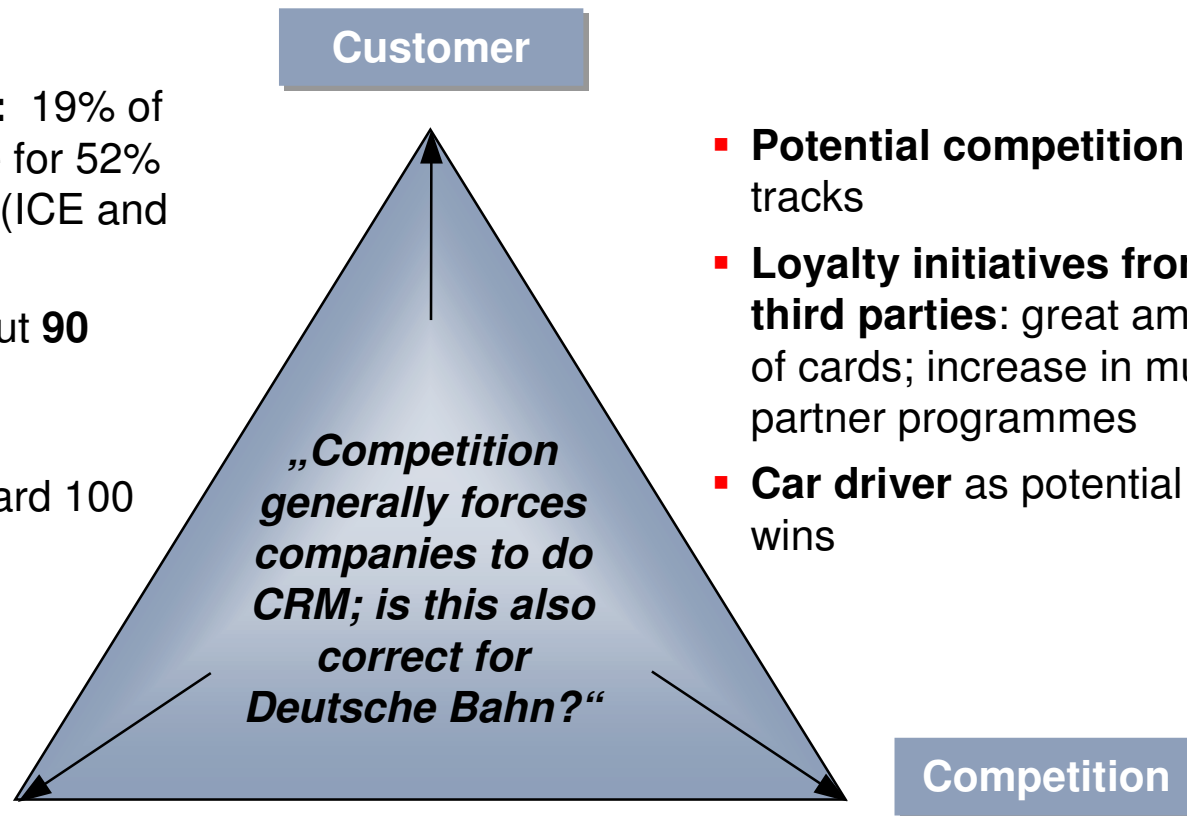
- **CRM at Deutsche Bahn**

- Customer Status Programme bahn.comfort
- Transformation from a Status Programme into a Loyalty Programme

Current and future market make a CRM initiative for Bahn imperative

- **Concentration of travels:** 19% of customers are responsible for 52% of the long distance travel (ICE and IC)
- **Potential for Bahn** is about **90 million trips**
- **Customer value varies significantly** (e.g. BahnCard 100 vs. Low-User)

- **Potential competition** on tracks
- **Loyalty initiatives from third parties:** great amount of cards; increase in multi-partner programmes
- **Car driver** as potential new wins



CRM Goals

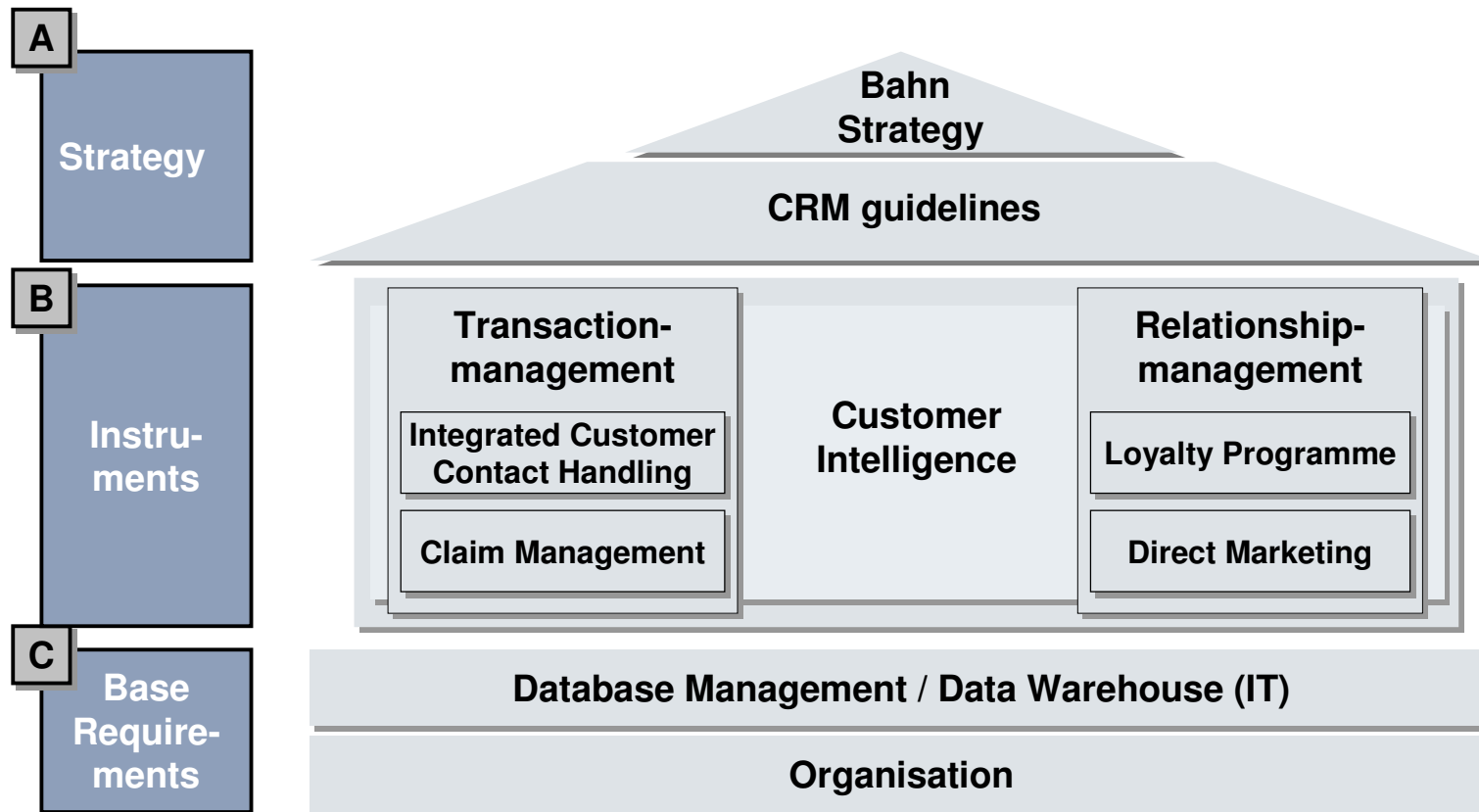
Today:

- Retain existing and profitable customers
- Optimize efforts

Future:

- Win new customers
- Proactively defend against competition

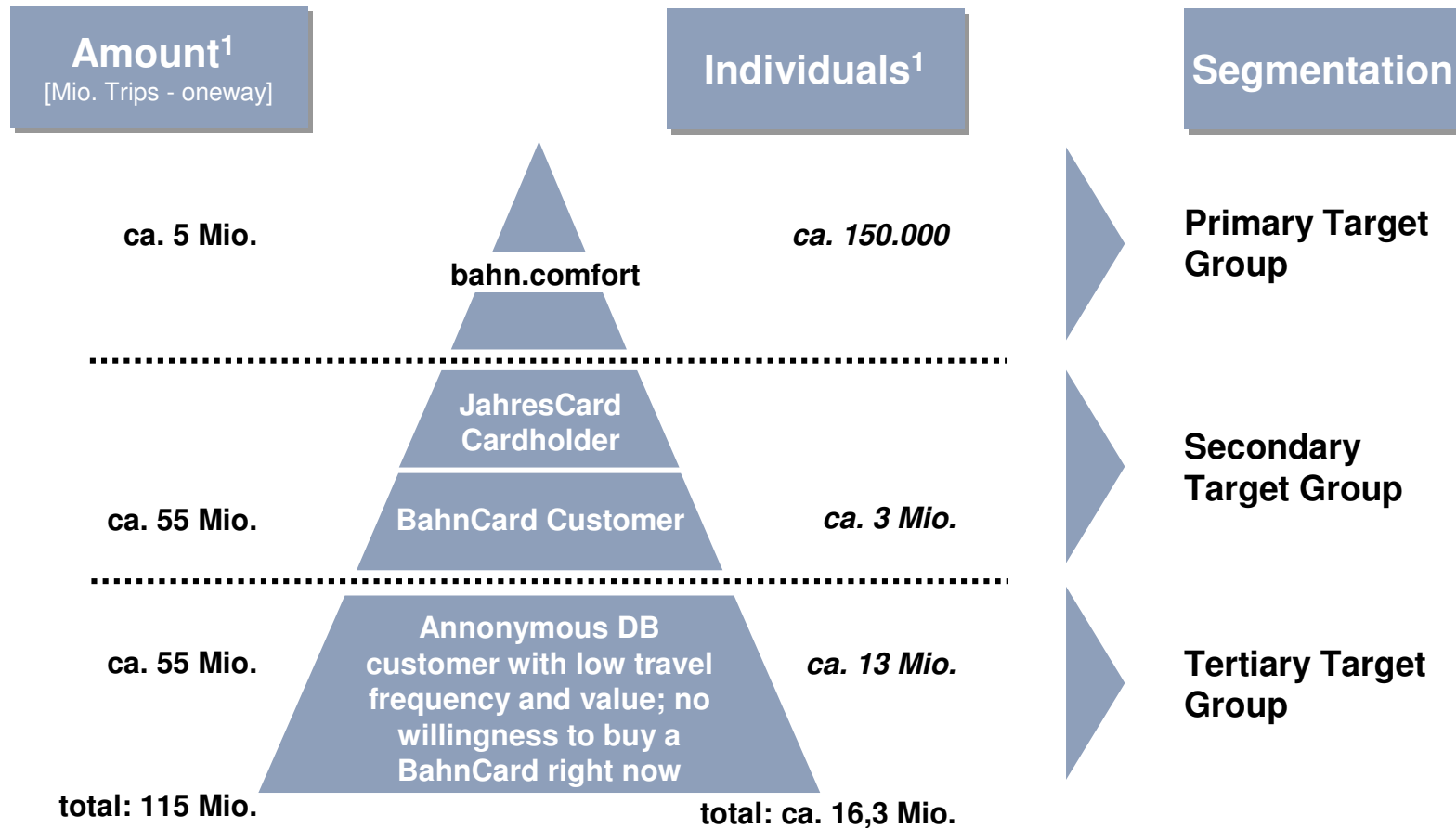
The “House of CRM” is a systematic approach of Bahn to address customer relations



Source: exeo Strategic Consulting AG

bahn.comfort is the starting point of customer value oriented relationship marketing at Bahn

Base: Customer Value-Pyramide of CRM-Strategie at passenger rail

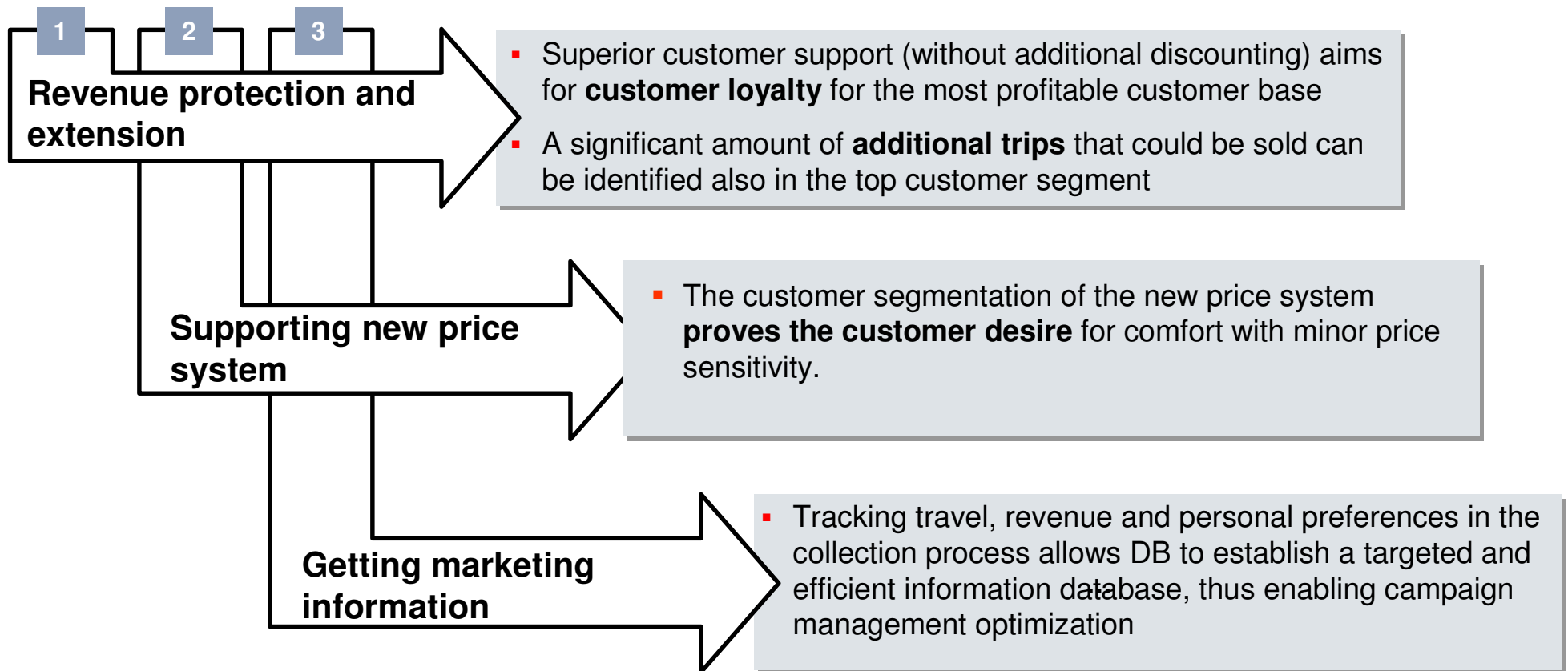


1) Quelle: P.VMB/CRM-System, Mobility 2003

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bahn.comfort has 3 main business goals



Exclusive Services of bahn.comfort

Extra Reservation - Possibility



Offer of reservation capacity exclusively for top customer

Exclusive seats



Seats are marked as follows: for bahn.comfort customers - on request

Lounge



Free entrance for bahn.comfort-customer +1 accompanying person

bahn.comfort parking reservation



Reservation offer for especially marked parking area

Services at Partner Hotels



Free offer newspaper, bottle of water, fruit plate; Upgrade upon availability

Services at Partner Car Rentals



Business Serv.; Upgrade + navigation system upon availability

online-Portal



With offers exclusively for bahn.comfort-customers

Extra Counter



at main stations

Measuring the success of the customer loyalty programme

Measures

Quantative Measures

- **Profitability**, sum of
 - Benefits (more travel, more BahnCard revenue, Churn retention, cost reduction e.g. sales channel controlling, market research)
 - Cost (IT, Communication, service provisioning, Personal, Controlling)
- # of **Programme members**
- **Activity** of Programme members

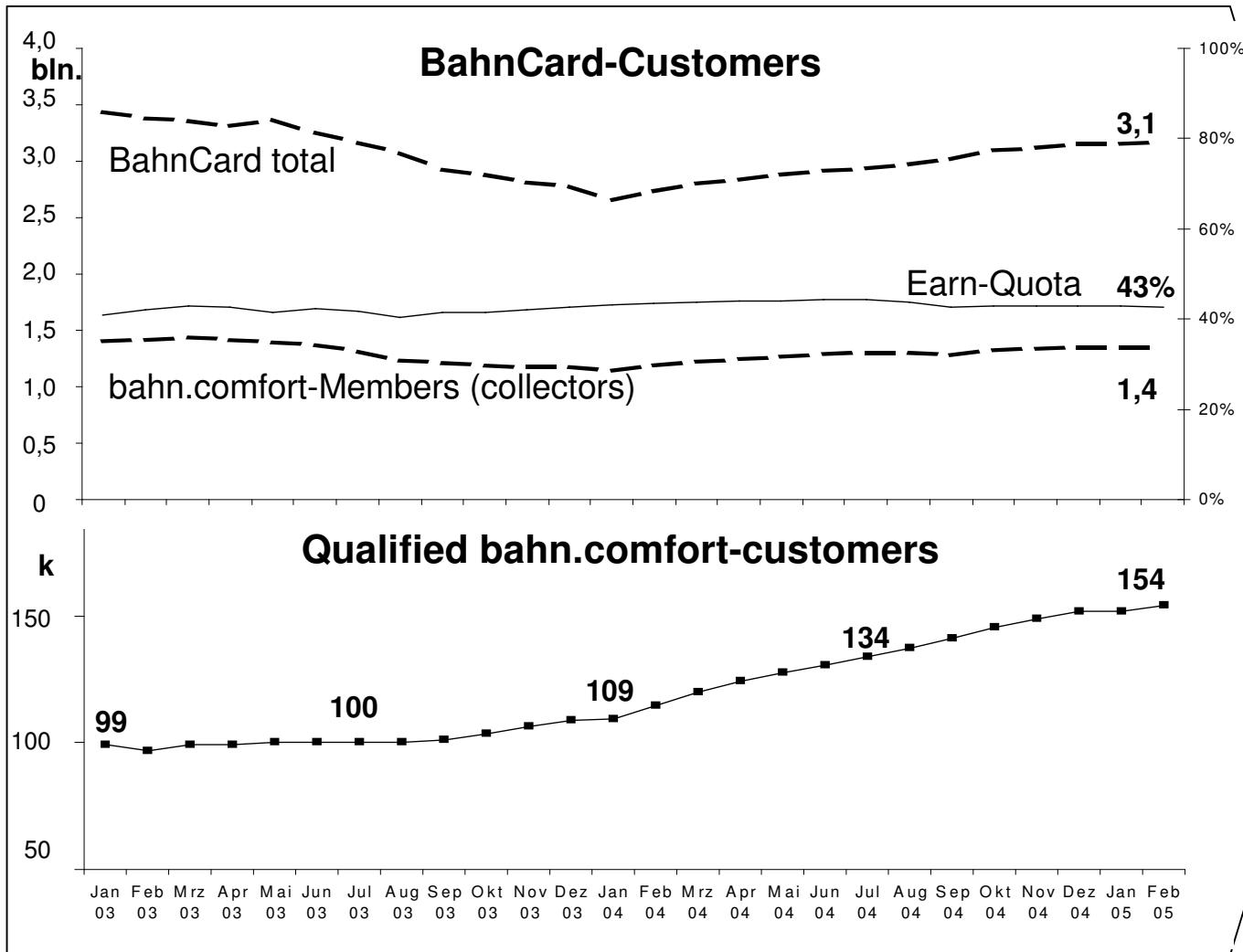
Qualitative Measures

- **Image/Customer Satisfaction** of the Programme (attractiveness, usefulness)
- loyalty Programme might have **effects on other areas** of the company

Challenges of Measuring

- Selection of relevant measures
- Restricted assignment of cost- and efficiency-effects
- Period under consideration
- Data availability:
 - Programme internal data
 - company internal data
 - market research data (e.g. customer satisfaction measure)

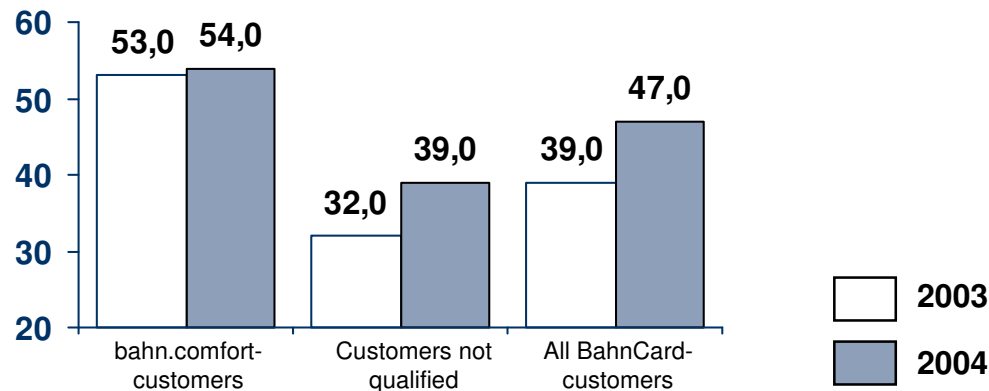
Results bahn.comfort (1): Constant high # of members indicates high programme attractiveness



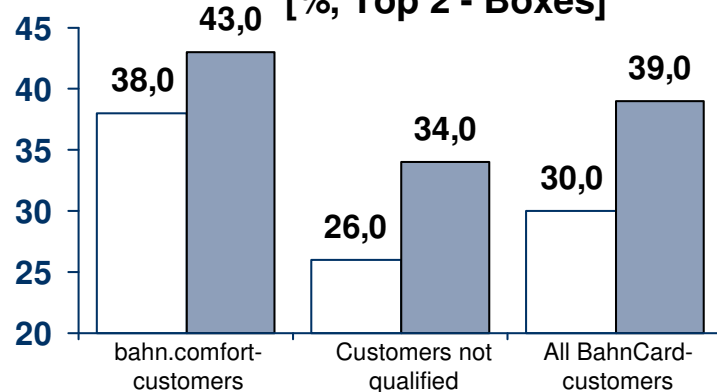
- 150.000 qualified bahn.comfort customers
- Increase in qualified bahn.comfort customers
- Although points are valid 1 year only and point expiration has already started, accrual activity is still going strong (ca. 45K accruals per day)

Results bahn.comfort (2): bahn.comfort is a step towards an improved customer orientation and image for Deutsche Bahn

bahn.comfort is a right step towards more customer orientation of DB
[% , Top 2-Boxes]



bahn.comfort enhances DB's Image
[% , Top 2 - Boxes]



Source:
Research
International

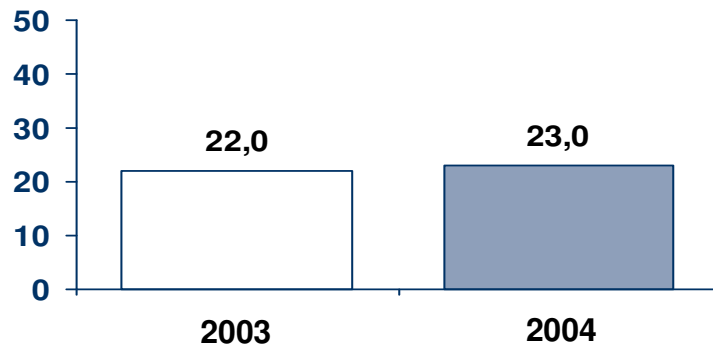
Source: CRM-System

- bahn.comfort leads to better ranking of DB with regard to customer orientation and image
- An increase in both measures of roughly 10% was achieved
- Customer perception towards DB especially increased within non-qualified bahn.comfort customers
- As expected, qualified bahn.comfort customers rank the programme higher than non-qualified customers

Results bahn.comfort (3): bahn.comfort incents increased travel and the re-purchase of the BahnCard

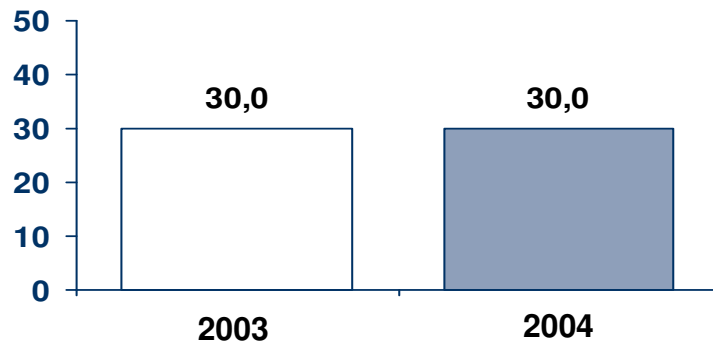
Is bahn.comfort an incentive for more travel with DB?

[bahn.comfort customers only, %, Top 2-Boxes]



Is bahn.comfort an incentive to re-purchase BahnCard?

[bahn.comfort customers only, %, Top 2 - Boxes]

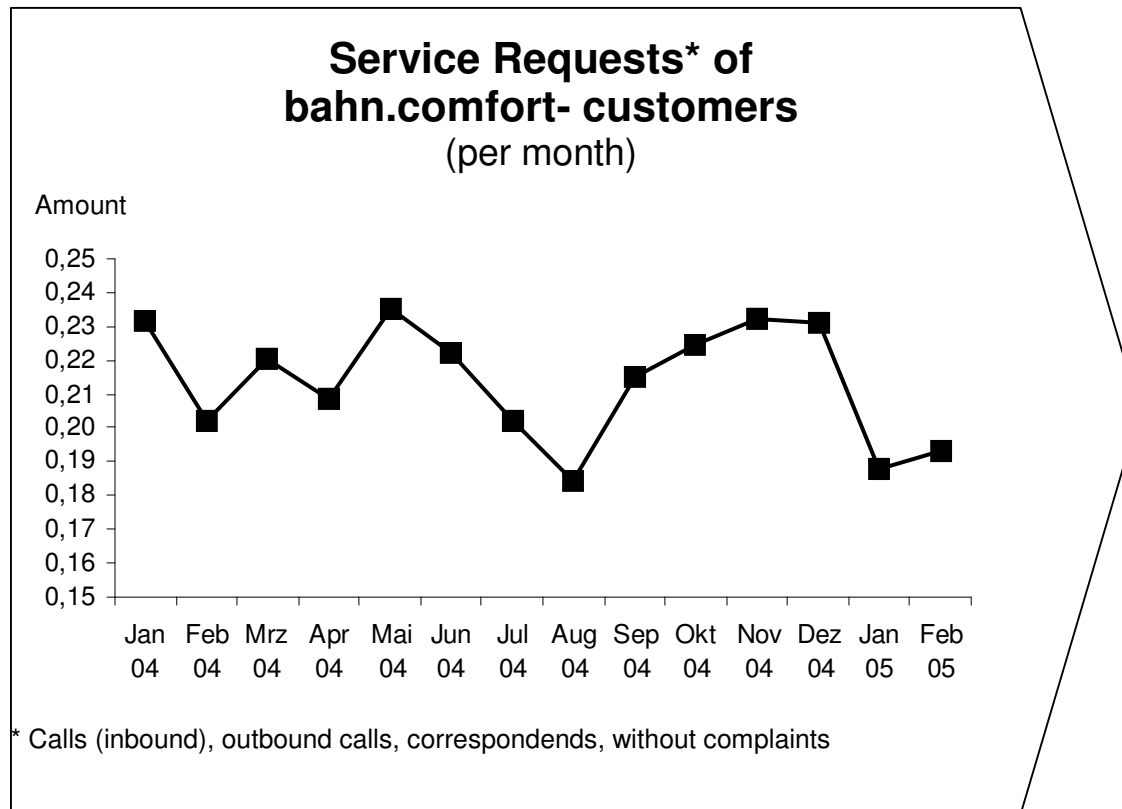


Source:
Research
International

Source: CRM-System

- **bahn.comfort leads to higher profitability through....**
 - Readiness for more travel with ca. 23% of qualified bahn.comfort customers
 - Readiness to re-purchase BahnCard or non-cancellation of BahnCard with ca. 30% of qualified bahn.comfort customers
- **Reassurance of 2003 numbers through second wave of market research in 2004**

Results bahn.comfort (4): on average, every 5th bahn.comfort customer submits a service request each month



- On average, every customer has 0,21 service requests per month
- Though there is an increase for approx. 50% of customers
- Bahn.comfort fits to the needs of customers – they ask for help

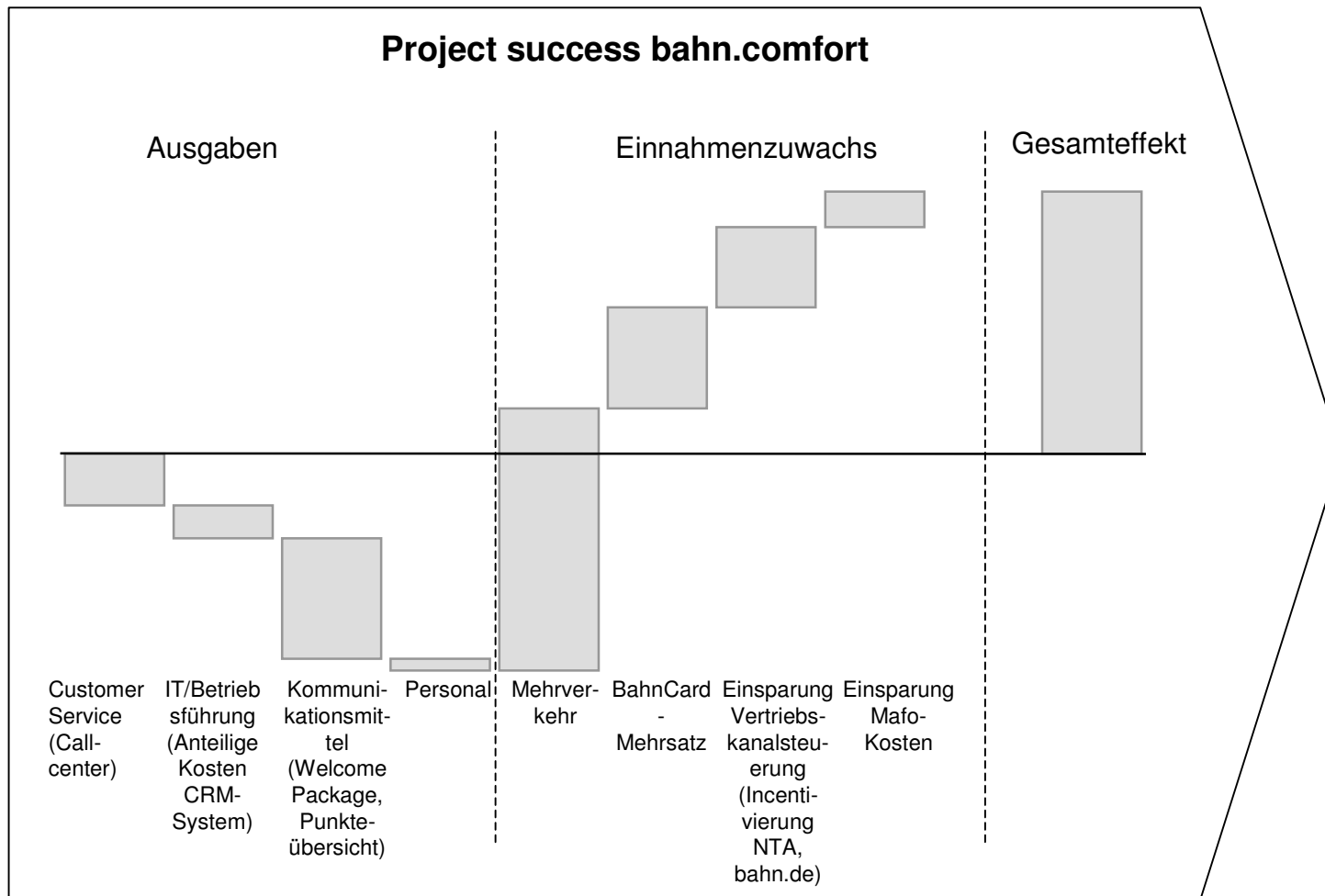
Results bahn.comfort (5): the reason for those positive results is that BC does an excellent job of satisfying its target group's needs



Source: Research International

- Almost two thirds of qualified bahn.comfort customers are satisfied with current service offerings (the two left columns)
- Singular services are even ranked better
- Recognizing customer requirements is a key success factor

Results bahn.comfort (6): Schematic presentation of project success/profitability



- Positive effects surpass programme costs
- More travel
- Customer retention effect: more BC
- Behaviour guidance: shift to more cost effective channels Internet and NTA
- Savings in market research costs through targeted address selection and direct analysis within CRM system

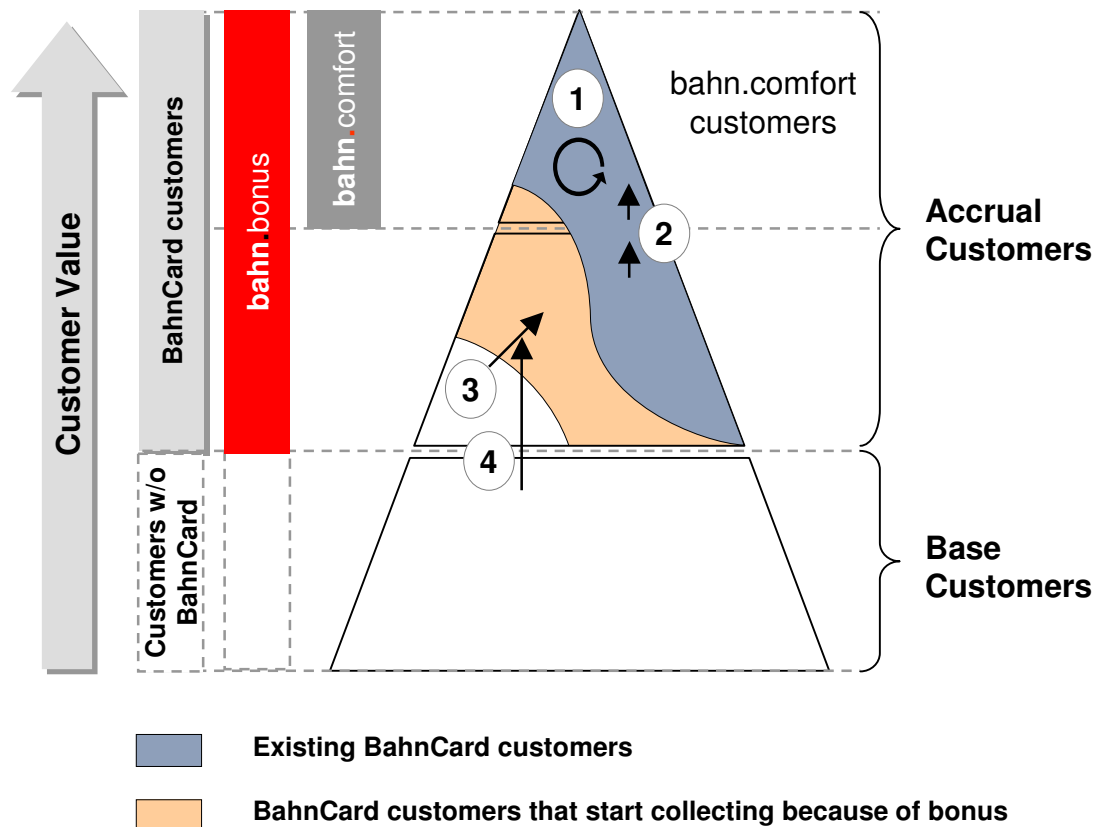
Source: P.VMB

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Introduction of a bonus component is the next logical step for bahn.comfort

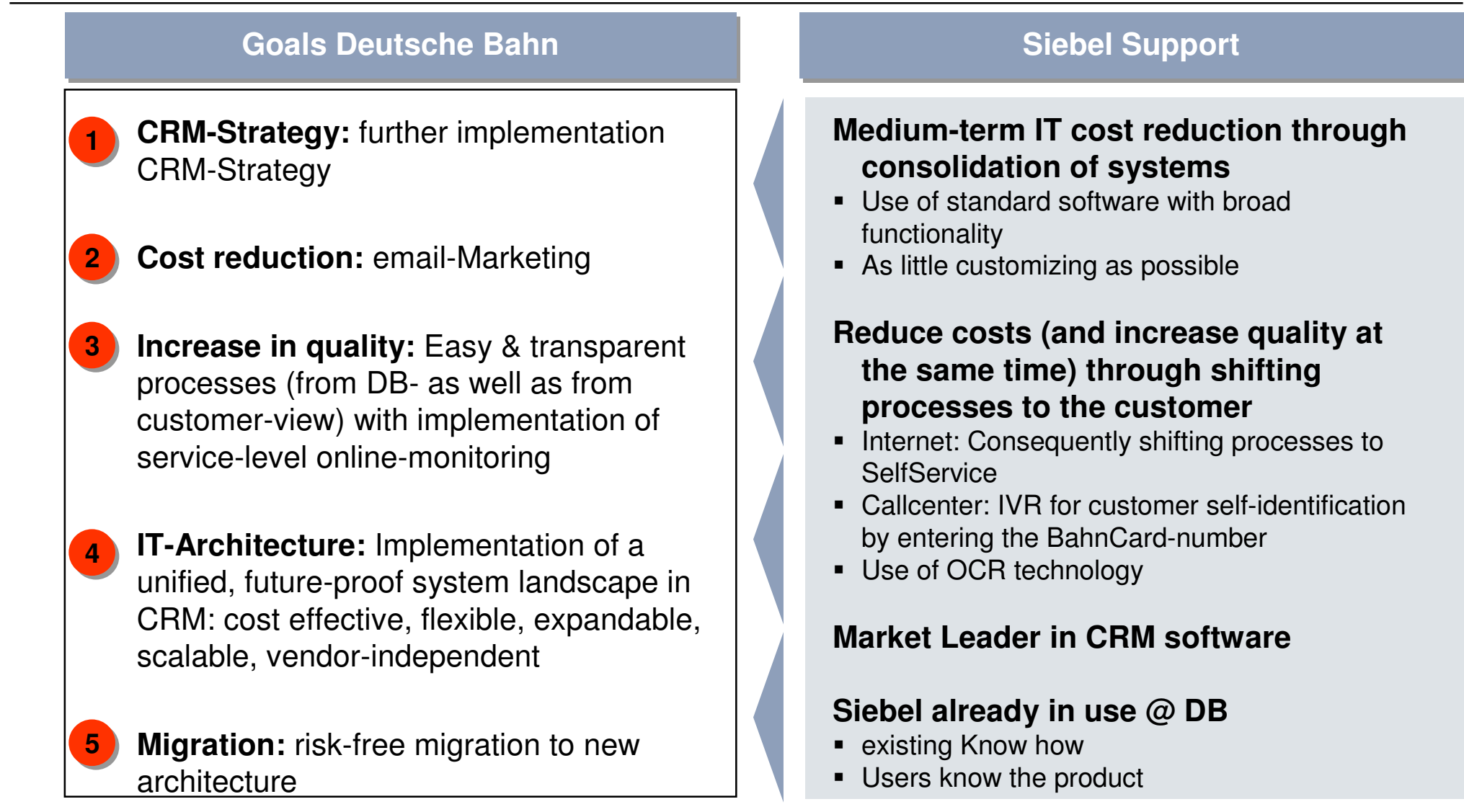
Impact of bonus-component within single customer segments based on the „CRM Pyramid“



Detailed impact

- 1 Reduction in fluctuation:**
Qualified and non-qualified accrual customers are incentivised to continue to collect points
- 2 Revenue increase:**
Bonus as an incentive for customers above & below the 2000 points barrier ()
(incentive for more travel ↑; frustration potential ↓)
- 3 New accrual customers:**
This new attractive offer leads to new accrual customers and more customer data
- 4 New BahnCard customers:**
Bonus component influences customers' buying decision

Siebel supports in Deutsche Bahn Customer retention goals



„Die Bahn macht mobil“

„we rail the people towards mobility“



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