



Case Study

China Southern Airlines

The Loyalty Management Suite (LMS) as a driver
of future growth of China Southern's frequent flyer
program Sky Pearl Club



LOYALTY PARTNER
SOLUTIONS



> 50
million members

The amount of Sky Pearl Club members today

> 15
airline partners

Members can collect and spend miles through partner airlines

> 30
non-air partners

The program includes partners in hospitality, car rental, financial services, OTAs, telecommunications and healthcare

China Southern Airlines and its frequent flyer program Sky Pearl Club

China Southern Airlines (CSA) is Asia's leading airline with over 150 million passengers p.a. and more than 220 destinations. The airline operates from its hubs in Guangzhou and Beijing.

China Southern Airlines was a member of the SkyTeam Alliance until the end of 2018, when it left to focus on direct one-to-one airline partnerships instead, e.g. with American Airlines.



skypearl.csair.com/en

Main challenges with the legacy platform

> 01

The growth of the airline was not matched by the growth of the program in terms of member base and partner base.

> 02

CSA needed to be able to introduce changes in the loyalty mechanics by configuration to make its program more attractive and keep up with current developments in the domestic and international airline loyalty market.

> 03

The legacy solution was identified as the main reason for the program's lack of growth, as it was technologically outdated, inflexible – especially regarding onboarding and management of new partners – and because it had high maintenance costs.

Our challenge

China Southern Airlines was looking to replace its legacy loyalty platform with a new platform that would help them drive member engagement and expand their partner network while also allowing them to integrate deeply into the existing IT landscape and operations.

LPS's Loyalty Management Suite (LMS) was the perfect solution to China Southern's challenges.

STEP 01

Initial implementation of LMS together with DXC Technology as system integrator

The Loyalty Management Suite – The new platform for China Southern’s Sky Pearl Club

- › Successful joint bid and implementation from LPS and DXC, a system integrator, over three continents involving teams from Germany, USA and China
- › After only 16 of months implementation and the migration of 30m historical member records and loyalty events, the new platform successfully went live on 4 November 2017
- › The LPS team worked on-site in China as well as remotely from Germany, providing support, training, and certifications to CSA and DXC to ensure that the project was delivered on time and within the allocated budget
- › DXC supported the successful implementation of the LMS solution by providing integration and customisation services

Based on CSA’s business requirements, the LPS team re-engineered business processes like air earn processes with air- and non-air partners

› Earn

- › Flexibilisation of air earn processes
- › Flexibilisation of non-air earn processes

› Burn

- › Mixed payment
- › Rules-based redemption pricing
- › Promotional pricing

› General loyalty mechanics

- › Flexibilisation of loyalty account structures
- › Flexible promotions
- › Flexible partner management approach, incl. adding and integrating new partners
- › New partnership models

› Foundation

- › Deep integration into CSA’s IT landscape

STEP 02

Insourcing the LMS platform to CSA's IT department

Strengthening the long-term partnership

Enabling the business and IT department to operate independently

Shortening the time-to-market for new business ideas

China Southern Airlines and LPS entered into a long-term partnership to bring the Sky Pearl Club to the next level.

- › In 2019, CSA decided to internalise the integration and customisation tasks by shifting responsibility from DXC to the internal IT department. LPS supported this change project through consulting, training and professional services delivered on-site and remotely from Munich.
- › As part of the long-term partnership between CSA and LPS the LMS platform has been upgraded seamlessly in 2020 to the most recent LMS Version 2001 which enabled the Loyalty department to implement a new **Platinum Tier Level** independently by configuration and unlocked further interesting features like revenue-based accrual, which will enable the implementation of CSA's loyalty strategy in the near future.



Results powered by our Loyalty Management Suite



Profitability

Increase in revenue from frequent flyers and significant decrease of operating and maintenance costs



Time-to-market

Fast reaction to market changes and evolving business requirements without the support of the IT department



Relevance

Increase in relevance for customers by providing a high degree of personalisation in customer communication both in marketing and service




Scalability

Ability to support rapid growth of the member base from 30m (at the cutover) to more than 50m members (in August 2020), representing an increase of more than 66% in less than 4 years



LMS enables China Southern Airlines to grow its loyalty business by driving member engagement and by expanding its partner network, both at lower cost.



The outlook Aligning CSA's business ideas with LPS's roadmap

➤ We regularly discuss the LMS roadmap with our client to align CSA's business ideas and requirements with LPS's planning.

With every new release, LPS provides CSA with enhanced business features and technical optimisations.

➤ Additionally the LPS Innovation Team supports CSA with insights about current industry trends and is jointly developing new ideas and approaches to make the Sky Pearl program even more relevant for the members and partners, and therefore support the growth strategy.

Our customer's voice

We can rely on LPS's great loyalty know-how

“ The rapid pace of market growth and our company's plans for expansion made it necessary to upgrade to a modern software solution.

It is a pleasure to work with our partner LPS as we can rely on the great loyalty know-how of the team as well as the flexibility of the LMS platform.

We are looking forward to the upcoming releases and will be happy to discuss further innovation together with our long-term partner LPS. ”

Mr Lu Chun, VP Information Center,
China Southern Airlines

