

Research Study

The value of revenue generation from non-core products and services



In December 2009 Collinson Latitude™ conducted a research study across a number of sectors to understand the landscape of revenue generation through products and services outside a business' core offering. The sectors surveyed were airline, hotel, travel, financial services, publishing, telcos, utilities and retail and the results were as follows:

For most sectors, retention was the key objective for 2010. This was the case for hotel, financial services, utilities and travel. Interestingly, retention was the lowest priority for airlines. Other key objectives for sectors were acquisition and brand differentiation. For retail however brand differentiation was the lowest priority. The travel sector rates acquisition the lowest priority, alluding to the fact they are more interested in maximising customer profitability as opposed to increasing the total volume of customers.

In terms of offering additional products and services, the results varied across sectors – understandably as some are far more established, such as airline and financial services where currently two thirds and three quarters respectively offer these services. The travel sector was the highest participator in this category, with 90% stating that they offer additional product enhancements to the core offering. Unsurprisingly, utilities were the lowest sector in this category, with only one third offering any additional products and services.

The reasoning for offering these enhancements varied across sectors. Positively, most sectors do this to add value to the customer proposition, including hotel, retail, financial services, travel and publishing. Retention was another driver for this strategy, particularly in the hotel, financial services, telco, and travel sectors.

Amongst those companies without a product extension strategy in place, the main concern was the cost involved. Unawareness of how to implement such a strategy and how to benefit from it were also perceived to be barriers. In the retail and utilities sector the dominant barrier was believed to be the concern over IT integration and associated costs.

Of those who do offer additional products and services, the strong consensus is that these differentiate the brand from competitors. Over 80% of respondents in all sectors, bar publishing, think this is the case.

When questioned about utilising online promotional mechanics to drive engagement, most claim to offer promotions frequently, particularly vouchers, coupons and tokens. When considering offering 'instant benefits' from third parties, up to 70% were interested in this idea, with airlines being the most inclined. Other promotions of interest were scratch cards and auctions; with some, including retail and travel offering these already.

Packaged multi-benefit products were also positively viewed, with 100% of financial services brands currently running, or looking to implement a strategy such as this. 50% of retail and telco brands are looking into this currently; with up to 70% in the airline and publishing space interested in starting a strategy if they do not already have it in strategic scope. No brands within the utilities sector have 'considered' offering packaged benefit bundles to their customer bases.

“More brands turning to product enhancements to engender loyalty”

