

Treat Different Customers Differently: Delta's Customer Centricity Strategy

Psychological pricing keeps the customer before the company

Customer centricity means treating different customers differently based on what they are worth to the company. Delta Airlines rewards frequent flyers differently based on dollars spent rather than miles travelled, a customer-centric promotional strategy as opposed to company-specific strategy. Company-specific strategy rewards customers based on miles travelled. Companies have realized very lately that dollars spent matter more to the customers than miles travelled.

Psychological pricing uses the customer's emotional response to encourage sales. By pricing products strategically, a company may increase sales without significantly reducing prices. In some cases, a higher price is actually more likely to increase sales. *Psychological pricing* is also the practice of setting prices slightly lower than rounded numbers, in the belief that customers do not round up these prices, and so will treat them as lower prices than they really are.

- Customer centricity means celebration of differences as opposed to treating all customers equally. Customer centricity means treating too many customers too well but some customers deserve better treatment. Delta wanted to treat that special customers, specially based on dollars spent.



- Customer centricity is forward-looking that rewards customers based on projected future value based on dollars spent. Company centricity rewards customers based on miles travelled which is backward-looking i.e. rewarding people based on what they have already done.
- Customer centricity focuses on 'performance superiority' by treating different customers differently. Company centricity focuses on 'operational excellence' by treating all customers as equal. Operational excellence is a bulk strategy, a quantitative-orientation where as performance superiority' is qualitative-orientation of treating different customers differently

- Just 4% of Delta's customers account for 25% of revenues. Don't these 4% customers deserve more centrality? i.e. customer-centricity.

Topic	Course
Psychological pricing: Pricing and marketing: Unit 15.5	Marketing Management

Source: *Delta's New Frequent Flyer Policy: Reward Your Best Customers, K@W, March 05, 2014*