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Cash is King: Revenue Now Rules Frequent Flyer Program Accrual

The four largest programs in the world now use revenue based accrual. Learn why American, Delta, Southwest, and United have embraced this new world order.

March 21, 2017, Shorewood, Wisconsin – Frequent flyer programs were blissfully unlinked to revenue when launched in the 1980s. The original programs didn't reward big spenders, but recognized members by distance traveled – regardless of the fare paid. The addition of mileage-earning credit cards forced the airlines to better consider the financial implications. More than 35 years later, revenue now influences every aspect of a frequent flyer program.

This report assesses how frequent flyer programs have become very revenue aware in the distribution of miles, points, and rewards to their members. IdeaWorksCompany researched the accrual and reward methods of the world's largest 25 airlines and their frequent flyer programs. The list has airlines from all over the globe, including alliance members, non-aligned airlines, and low cost carriers. Here are a few observations from the report:

- **22 of 25 airlines** use the type of fare purchased by the consumer to help determine the final tally of a member's mileage or point total; simply said, the distance flown has lost much of its relevance.
- **American, Delta, and United** are unique because these carriers base mileage accrual on a combination of the price of a ticket and the member's elite status.
- In a single market comparison (Chicago-Frankfurt) of distinctly different accrual methods, **United Mileage Plus** offered 36% to 286% more miles than **Lufthansa Miles & More** for economy and business class travel.
- Only **JetBlue, Qantas, and Southwest** use the cash fare level to determine reward prices in points or miles, while other airlines rely upon methods largely linked to distance flown.

“Cash is King: Revenue Now Rules Frequent Flyer Program Accrual” was released today as a free 13-page report available at the IdeaWorksCompany website: IdeaWorksCompany.com. The 2017 Thought Leadership Series on Revenue and Loyalty is sponsored by CarTrawler. CarTrawler provides aviation, travel, hospitality, leisure and consumer brands with a direct connection to over 1,600 leading and independent car rental agents, shuttle bus companies, limousine and chauffeur driven services in over 43,000 airport and city locations across 195 different countries in the language and currency of their choice. For more information, visit www.cartrawler.com.

About IdeaWorksCompany: IdeaWorksCompany was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing, and building profits through financial improvement and restructuring. Its international client list includes airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorksCompany specializes in ancillary revenue improvement, brand development, customer research, competitive analysis, frequent flier programs, and on-site executive workshops. Learn more at IdeaWorksCompany.com.

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