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Best Airlines for Redeeming Miles

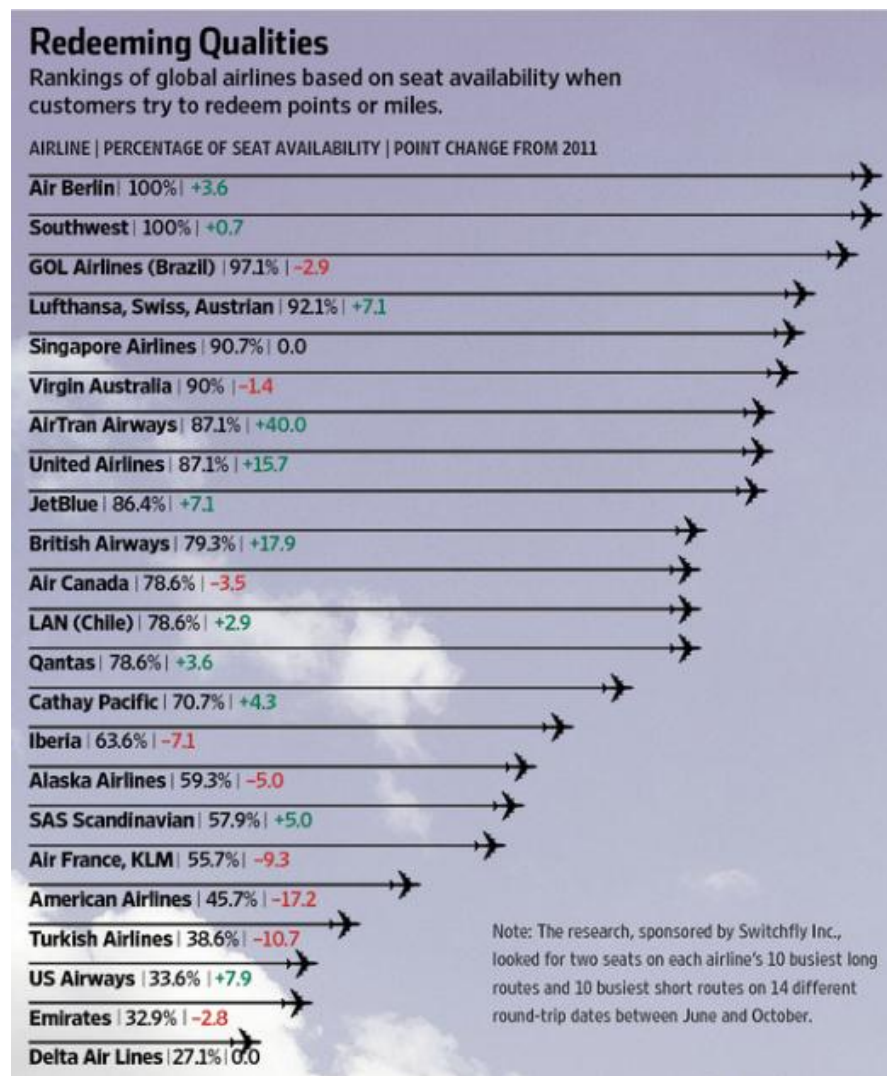
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This article is based upon a report issued by IdeaWorksCompany.

Ready to redeem your frequent-flier miles and reward points for a plane ticket? You'll probably get a seat on Southwest, but good luck with Delta, at least at the basic redemption level.

Southwest Airlines has the best availability of award seats among U.S. airlines on travel dates this year between April and October, according to an annual survey by IdeaWorks Co., a travel consultancy that made 6,680 queries on 23 airline websites testing availability. The worst among U.S. airlines: Delta Air Lines and US Airways. Those two

had no seats available at the lowest mileage level on about two out of every three inquiries, or worse.



Availability increased this year at British Airways and United Airlines, along with JetBlue Airways, Southwest and its AirTran Airways unit. And it is tougher this year to get standard-level award tickets at American Airlines, which is undergoing bankruptcy reorganization.

The survey also signals an emerging industry trend: Airline points are more rewarding than airline miles.

Carriers with programs based on points tie rewards to dollars spent rather than miles traveled. Higher fares earn more points—so coveted business travelers are well rewarded. And travelers can find seats when fares go higher without blackout dates or capacity controls—the price in points goes up proportionally with the price in dollars.

Conversely, when airline programs award miles based on the distance traveled, higher fares often don't get higher rewards. And many flights don't have seats available at standard mileage levels, such as 25,000 miles for a domestic round-trip, which leaves many consumers frustrated.

Several carriers, including Southwest and JetBlue, have converted their programs to points, and more are expected to convert in the next couple of years.

"Points-based systems provide better flexibility to the consumer, and they are going to become more prevalent. It's just infinitely more efficient for everyone," said Jay Sorensen, president of IdeaWorks.

In March 2011, Southwest gave up its longtime plan of giving customers a free ticket after eight round-trips. Availability of free trips was limited and subject to blackout dates, and free tickets expired if not used within a year. Now, the price of a trip in points fluctuates up and down with fares—when fares go on sale, the points price drops, too. When fares go up, the price in points goes up.

Despite customer complaints last year about the complexity and worries that free tickets would be harder to get, the number of awards redeemed on Southwest jumped 16% in 2011 over the previous year, and the percentage of travelers flying on free tickets increased significantly as well, according to the company's annual financial report filed with the Securities and Exchange Commission. In Mr. Sorensen's study, which looked at availability this year, Southwest had seats available in 100% of queries made at prices equivalent to the basic level at other airlines.

In general, discount airlines had more availability than larger global carriers in the IdeaWorks report. Six so-called "value" airlines had reward seats available on 93.5% of queries, on average, while 17 other carriers in the survey averaged only 62.9%. Value carriers need to have better seat availability, Mr. Sorensen noted, because they don't offer the allure of first-class upgrades and business-class tickets, fancy airport lounges and trips to far-flung international destinations.

Southwest's transition to points had "growing pains," but the company and customers both learned and adapted, said Ryan Green, senior director of loyalty and partnerships. The number of program members and amount of revenue generated, mostly through sales of points to credit-card companies, electric utilities and other merchants who give out points as loyalty rewards, have both exceeded the company's expectations, Mr. Green said. Southwest doesn't disclose membership or revenue totals, however, but the company did say in one earnings report that cash sales of points to partners jumped \$250 million in 2011 compared with 2010.

Award availability at AirTran, which still has a separate program from Southwest, increased dramatically in the IdeaWorks' survey because Southwest is managing it similarly to how it manages its own Rapid Rewards program.

Award availability at United for this year scored a sizable increase of 15.7 percentage points, IdeaWorks found.

United heard increasing complaints from elite-level frequent fliers and users of its preferred credit card that not enough awards were available, spokesman Rahsaan Johnson said. So the airline decided last year to manage availability differently to open up seats closer to when customers actually book. In addition, United is now managing award seat inventory on United and former Continental Airlines planes together after the merger of the two carriers. Those two changes have boosted availability, United said.

Availability at American dropped significantly, to only 45.7% availability from 62.9% in the survey last year. A spokeswoman for American said the airline hasn't changed its strategy for managing award availability with its bankruptcy reorganization. The bankruptcy also hasn't affected customer demand for award redemptions, she said.

JetBlue, which switched to a new points program in November 2009, saw an increase of 7.1 percentage points to a healthy 86.4% availability success rate. With its old program, flight credits expired if you didn't fly enough to reach a free ticket. Even when you had a free ticket you often couldn't find availability, so only 6% of customers ever got an award, said Martin St. George, senior vice president of marketing. Now points never expire and there are no blackout dates or limited availability. Since the new program was rolled out, membership is up 30%, JetBlue said.

Availability at Delta this year was unchanged from last year at only 27.1%, Mr. Sorensen said. That leaves Delta at the bottom of the study's rankings.

Delta notes that while other airlines have two mileage redemption levels (low and high, with the high level typically costing twice as many miles), it also has a midlevel tier. That likely reduces the inventory of the lowest award level, especially now when fares are high, airline capacity is down and demand for award seats is higher.

A Delta spokesman noted the carrier, like others, offers every seat as an award seat. It just may be at a higher price.

The IdeaWorks' survey, sponsored by Switchfly Inc., a company that provides software to travel companies, loyalty programs and financial-services institutions, looks for a pair of seats on each airline's 10 busiest long routes and 10 busiest short routes on 14 different round-trip dates between June and October. That's a total of 280 queries for each airline.

The study looks for seats at the basic award level, usually 12,500 miles for a domestic one-way ticket, for example. For airlines using points, IdeaWorks calculated how many points would be earned by spending \$12,500 on that airline's credit-card program and used that as the maximum points when searching for availability.

"Every airline is a country that gets to establish the value of their currency, and some provide a better rate of exchange than others," said Mr. Sorensen, whose firm has been tracking airline seat availability for the past three years.

Improving Your Chances

Here are some tips to help you turn miles or points into free travel.

- Keep checking. Inventory of award seats changes all the time. Airlines even make seats available at their lowest award level a week or two before departure if seats aren't selling well.
- Use the phone. It pays to call if you are trying to book seats on airline partners. Many airlines don't offer award seats on partner airlines through their websites, but a reservations agent can try to find seats. (Airlines pay their partners for transporting customers on award tickets, so they prefer you use your miles on their own flights.)
- Be flexible. If you're going someplace popular, check availability on multiple days. If you live in a small city, be willing to drive to a big airport to use an award ticket, since short trips on small jets can limit availability.
- Be creative. You don't have to start and end every trip to Europe in Paris. Flights to other European cities may have more availability. Consider different beach or ski destinations to find available award seats.