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How United's Loyalty Program Lets the Mileage Rich Get Richer

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This article is based upon a report issued by IdeaWorksCompany.

Not all rewards miles are created equally — not even within a single frequent flyer program.

That's one of the conclusions that can be drawn from the latest IdeaWorksCompany study of frequent flyer programs.

The company focused on United MileagePlus, what it says is the largest loyalty program in the world, and made 170 queries on United.com to gauge fare values tied to economy, business, and first-class reward travel.

Among the findings:

- Booking first-class travel to Hawaii, Europe or Asia provides the top values for frequent flyer mile redemption.
- Mileage values in the United program range from \$0.014 (1.4 cents) for standard rewards on U.S. domestic routes to a high of \$0.054 (5.4 cents) for business class upgrades on intercontinental itineraries.
- Flying first class to Hawaii, and redeeming miles at the Saver Rewards level, provides "great value" at \$0.04 (4 cents) per mile.
- MileagePlus Premier elite members reap superior value on merchandise rewards with discounts from 29% to 36%.

IdeaWorks notes that United realizes that elite members of its loyalty program will only remain loyal if they know their miles have premium value, and thus the program is designed to reinforce that feeling, and retain loyalty.

"United's senior management knows MileagePlus must be rewarding to be worthwhile," IdeaWorks states. "Members who have regular redemption events are more loyal to the airline, buy more travel, and spend more with program partners."

“This array of mercantile activity generates revenue from the sale of airline tickets along with the sale of miles to partners such as Allstate Insurance, Avis, Chase Bank, InterContinental Hotels, and Mercedes Benz. United disclosed mileage sales in excess of \$2.8 billion for 2012, which represented more than 7.6 percent of the carrier’s annual revenue. Savvy airlines know this significant source of cash will only keep flowing if members believe miles have value as an attractive global currency.”

Here are some of IdeaWorks’ statistics on various mileage values by program level:

Table 1: MileagePlus Air Rewards – Mileage Value Assessment					
Type	Cabin Class	Region	Mileage Level	Average Fare (less fees and taxes)	Mileage Value
Saver Rewards	Economy	US Domestic	25,000	\$362	\$0.014
		US – Hawaii	40,000	\$703	\$0.018
		Intercontinental	60,000 to 65,000	\$1,118	\$0.018
	Business	Intercontinental	100,000 to 120,000	\$4,904	\$0.045
	First	US Domestic	50,000	\$1,363	\$0.027
		US – Hawaii	80,000	\$3,203	\$0.040
Intercontinental		135,000	\$6,929	\$0.051	
Standard Rewards	Economy	US Domestic	50,000	\$558	\$0.011
		US – Hawaii	80,000	\$947	\$0.012
		Intercontinental	110,000 to 130,000	\$1,226	\$0.010
	Business	Intercontinental	250,000 to 300,000	\$5,268	\$0.019
	First	US Domestic	100,000	\$2,482	\$0.025
		US – Hawaii	160,000	\$4,091	\$0.026
Intercontinental		295,000 to 320,000	\$10,536	\$0.034	
Confirmed Upgrade Rewards*	First	US Domestic	40,000 + \$150 fee	\$854 net savings	\$0.021
		US - Hawaii	55,000 + \$250 fee	\$1,634 net savings	\$0.041
	Business	Intercontinental	40,000 + \$1,100 fee 60,000 + \$1,200 fee	\$2,158 net savings	\$0.054

Source: IdeaWorksCompany reward and fare queries conducted 17 July 2013 for October, 2013 to February 2014 travel dates. * Note, upgrade mileage levels and co-pays were those observed for booking queries.