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The Best and Worst Frequent-Flier Rewards Programs for 2016

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Southwest Airlines again outperforms larger competitors in a survey of 25 carriers, while American Airlines sees a big drop.

There's good news for frequent fliers: Airlines are slowly, cautiously increasing availability of hard-to-find frequent-flier award tickets.

The bad news? Much of the improvement is happening abroad and the largest frequent-flier program, from American Airlines, appears to have gotten stingier with loyalty benefits, according to an annual survey of award availability. The price of awards is going up, too.

For the third year in a row, free seats open for booking increased in the Switchfly Reward Seat Availability Survey, a comprehensive look at success at redeeming miles or points at the basic "saver" level. The survey found two seats available at the lowest mileage level on 77% of the booking queries made this year, up from 74% last year and 72% in 2014.

"Overall, I think the consumer is being better served than the year before," says Jay Sorensen, president of IdeaWorks, the consulting firm that conducted the study.

Some Seats Are Freer Than Others. Southwest and JetBlue were the best-performing U.S. airlines in a survey of frequent-flier award seat availability. The survey tested 25 airlines for itineraries from June to October 2016.



Still, customers often find it difficult to use their miles at peak season and get frustrated when airlines force them into more expensive redemption levels. Delta Air Lines doesn't even publish an award chart anymore—prices fluctuate for awards much as ticket prices do. And even though the survey gauges availability on each airline's busiest routes, where award seats should be easiest to find, nearly one of four queries showed no saver-level seats available.

Southwest Airlines and Air Berlin had seats available on every request. It was the fifth year Southwest has topped the survey at 100% availability. Value airlines like Southwest and JetBlue, which had seats available on 93% of booking queries, do well in the survey because they let customers earn points based on fare rather than distance. Then they let customers pay for any seat with either cash or points. The payback works out well for customers. Last year, 12% of Southwest's passenger traffic was award travel.

American was among the stingiest of the 25 airlines surveyed, with saver-level seats available on only 56% of booking queries made. That was down from 67% in the 2015 survey, and put American ahead of only South America's Avianca and LAN in terms of availability.

With skimpy redemption availability and award prices rising, American's AAdvantage program is falling behind rivals in terms of value to customers, Mr. Sorensen says. "Their loyalty program needs attention," he says.

American says AAdvantage program is keeping pace with competitors and last year the number of MileSAAver awards redeemed increased. "We made no changes to our approach to MileSAAver awards," says Bridget Blaise-Shamai, American's managing director of customer loyalty.

At American, as at many airlines, award availability is largely controlled by the pricing department and what kind of demand for seats the airline estimates, so high demand can reduce the number of free seats available, she says.

United and Delta ended up with similar award availability in the lower half of the pack, even after a big jump this year at Delta.

Delta says it is trying to improve availability after several years near the bottom of the survey. Over the past year it had more than 10 sales on award tickets, discounting the number of miles needed, and marketed them aggressively to members via email and the airline's website, says Karen Zachary, SkyMiles managing director. The airline has also opened up availability of saver-level seats earlier. Previously Delta held back more seats at lower redemption levels to see how fast seats were selling.

"We're really committed to investing in the program and making it more rewarding," she says.

Delta recently started letting members buy drinks with miles in airport clubs. A bottle of Dom Pérignon champagne costs 25,000. Beers and spirits range from 600 to 800 miles.

The number of miles redeemed at Delta in 2015 was up 5.4%, according to the company's 10-K annual report, and the number of awards rose 6.4%. This indicates customers were taking advantage of some of the lower-priced awards Delta made available. Ms. Zachary says the pace is quickening: In the first quarter this year, Delta issued a record number of award tickets at 2.2 million, and the average redemption price was down 10%.

Summertime Seats

Planning a getaway this summer with frequent-flier points? So is everyone else. Reward availability is much tougher in summer months than in the fall.



Source: IdeaWorks
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The survey made 7,000 booking queries in March asking for two seats for 280 trips at each airline on dates spread from June through October. The 10 busiest long routes and the 10 busiest medium-length routes for each airline were chosen, based on total seats offered for sale over a 12-month period.

As any traveler looking for tickets to Paris in July knows, availability is seasonal. Overall reward availability hit nearly 85% for trips in October, but only 63% in July. There has been some improvement since 2010, when the survey began. That year July availability was only 53%.

Mr. Sorensen says the survey found improved availability for long trips of 2,500 miles or more, often the prizes travelers most want for their miles. This year's survey found saver-level seats on 61% of queries for long trips, up significantly from 54.5% last year and a much skimpier 43.9% in 2010. He notes that the prices of those saver awards have also

increased over the past seven years, especially in the last couple of years at U.S. airlines.

At American, the number of miles issued in 2015 rose nearly 10%, according to the company's 10-K filing. American had 853.6 billion award miles outstanding at Dec. 31, up 5.5% from a year earlier. The number of award redemptions rose, but accounted for only 6.5% of total passenger miles. By comparison, award travel, which includes upgrades, totaled 7.2% of passenger miles at Delta in 2015, 7.5% of passenger miles at United and 12% at Southwest, according to their annual 10-K filings. (A passenger mile is one customer flown one mile—the basic measure of traffic in the airline industry.)

The survey also looked at reward payback—how much value you get for flying trips on an airline, exclusive of credit-card rewards and other ways to earn miles. For example, a \$249 base fare trip on United would earn 1,247 miles in United's MileagePlus program, which now gives nonelite program members 5 miles for every dollar spent. That means it would take 20 trips to earn a 25,000 saver-level award, so the payback for the traveler is 5%.

Elite status results in greater payback, since you earn more miles. Using miles for more expensive tickets, such as upgrades to first-class and international business-class tickets, can increase the payback. But at the basic level, Mr. Sorensen found JetBlue's program had the richest payback at 7.9%, while American had the lowest at 3.1%. (This was based on the change American will make later this year to revenue-based mileage accrual instead of distance flown, following Delta and United.)

Switchfly, the sponsor of the study, is a San Francisco company that provides technology to airlines, hotels, car rental firms and credit-card companies for selling travel services and redeeming miles and points. Chief executive Daniel Farrar says even though airlines are doing more to let people use points for retail purchases and gift cards, "travel is where people like to use points more than anything else."