



LOYALTY MARKETING REPORT SERIES FOR 2014

Points, Pillows and Porsches: Hotel and Car Rewards at the Top 30 Airlines

Flying high beyond the bare essentials
of reward tickets and upgrades

Researched and written by Jay Sorensen
Edited by Eric Lucas



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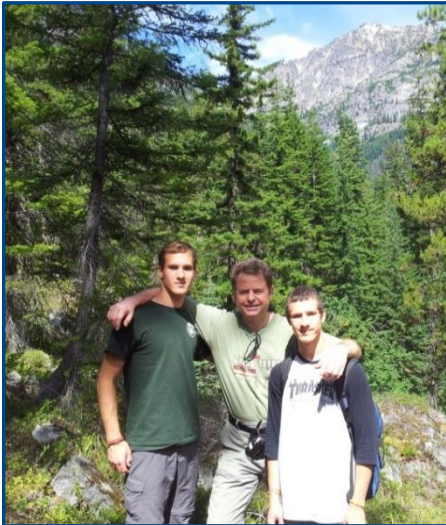
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About Jay Sorensen, Writer of the Report



Jay, with sons Anton and Aleksei, on the North Fork Trail in North Cascades National Park in Washington.

Jay Sorensen's research and reports have made him a leading authority on loyalty programs and the ancillary revenue movement. For 2013 he was a speaker at the FFP Spring Event at the Freddie Awards in Washington DC and the MEGA Event in Vancouver; he spoke at the 2012 IATA Passenger Services Symposium in the Middle East. His published works are relied upon by airline executives throughout the world and include first-ever guides on the topics of ancillary revenue and loyalty marketing. He was acknowledged by his peers when he received the Airline Industry Achievement Award at the MEGA Event in 2011.

Mr. Sorensen is a veteran management professional with 30 years experience in product, partnership, and marketing development. As president of the IdeaWorksCompany consulting firm, he has enhanced the generation of airline revenue, started loyalty programs and co-branded credit cards, developed products in the service sector, and helped start airlines and other travel companies. His career includes

13 years at Midwest Airlines where he was responsible for marketing, sales, customer service, product development, operations, planning, financial analysis and budgeting. His favorite activities are hiking, exploring and camping in US national parks with his family.

About Eric Lucas, Editor of the Report



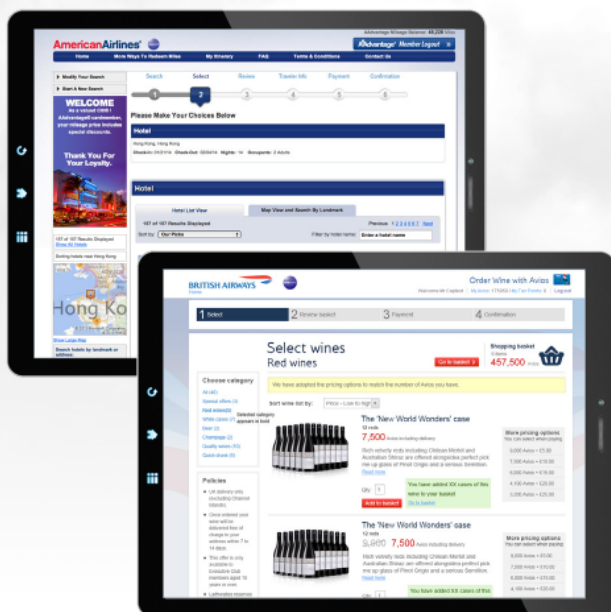
Eric, at his favorite summer retreat, Steens Mountain, Oregon.

Eric Lucas is an international travel, natural history and business writer and editor whose work appears in Michelin travel guides, Delta Sky Magazine, Alaska Airlines Magazine, Westways Magazine and numerous other publications. Founding editor of *Midwest Airlines Magazine*, he is the author of eight books, including the 2013 Michelin Alaska Guide. Eric has followed and written about the travel industry for more than 20 years. He lives in Seattle, Washington, where he grows and sells organic garlic; visit him online at www.TrailNot4Sissies.com.



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Points, Pillows and Porsches: Car and Hotel Rewards at the Top 30 Airlines

Frequent flier members like plenty of product on the shelves

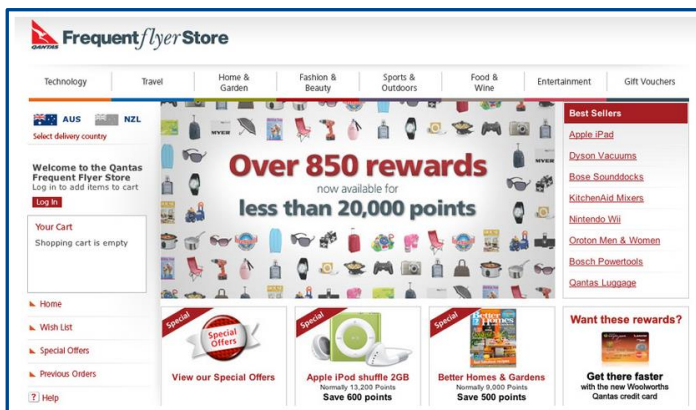
Whether intentional or not, every frequent flier program creates a brand image in the minds of its members. Some are similar to a 7-Eleven store, designed to be simple purveyors of air travel rewards. The 7-Eleven brand was built on selling “milk, eggs, and bread” as core features.¹ Many airlines take the same approach with frequent flier programs that provide the bare troika of essentials: reward tickets, partner airline tickets, and upgrade rewards.

This report highlights airlines that have chosen a more robust retail approach by adding a global selection of hotel and car rental rewards. Where a typical 7-Eleven offers a limited number of items, a full line supermarket, such as Woolworths in Australia, places more than 15 times as many items on its shelves.² It's this model that engages consumers in a deeper relationship – not merely a stop on the way home to pick up a liter of milk.



Woolworths is not only Australia's largest grocer, it's also a major accrual and reward partner for the Qantas Frequent Flyer Program.

Image credit: Woolworths Limited



The convenience of a 7-Eleven and the selection of a supermarket.

Perhaps borrowing this theme, the Qantas Frequent Flyer Program presents members a big online reward store boasting more than 3,750 products and vouchers.³ This includes the ability for members to book hotel rewards online and to request vouchers from 17 other hotel brands. Elsewhere in the world, the soon-to-be discontinued Dividend Miles program by US Airways adopts a “milk, eggs, and bread” approach and stocks their store with zero rewards for merchandise, gift certificates, hotel stays, and car rentals.

¹ “About Us – Fun Facts” page at the corporate website of 7-Eleven Inc. reviewed March 2014.

² “Official Woolworths range profile - house of brands, home of value” press release dated 25 July 2012 at WoolworthsLimited.com.au.

³ Qantas Databook 2013 at Qantas.com.au.

Research results indicate, and intuition suggests, that consumers want access to a wider array of reward choices. Deloitte surveyed more than 2,500 travelers to determine opportunities for improving airline loyalty programs. Among the 10 improvement areas identified, the desire for hotel rewards was solidly in the middle at the #6 position.⁴ Hotel rewards were ranked below “more opportunities to redeem points” and just ahead of rewards that “provide experiences.” The desire for greater ease of redeeming points was in the top spot with the ability to redeem miles or points for merchandise coming in 10th place.

Non-Air Reward Activity Disclosed by Loyalty Programs		
Aeroplan – Air Canada 30+%	Qantas Frequent Flyer 25+%	Multiplus – TAM 8%
Based upon overall reward activity.	Based upon overall reward activity.	Based upon points redeemed.
<i>Sources: Review of financial filings made by each airline or program.</i>		

Actual redemption behavior provides additional evidence that members appreciate additional reward choices. Qantas disclosed that more than 25 percent of rewards issued in 2013 were for products, vouchers, and gift cards;⁵ just four years earlier, the same metric was below 9 percent.⁶ More than 30 percent of redemptions for Aeroplan (the Air Canada loyalty coalition program) were for non-air rewards during 2012.⁷ Multiplus is the Brazil-based loyalty coalition program with an exclusive relationship with TAM Airlines. Currently 8 percent of points are redeemed for non-air rewards.⁸ The program has a long-term objective to boost this up to 25 percent of points redeemed. The activity posted by these three very successful loyalty programs proves that when programs put non-airline rewards on the shelf . . . consumers will grab them.

Car rental and hotel rewards also address a business need

Every retailer and airline succeeds or fails based upon how well they meet the needs of their most profitable customers. Frequent flier programs that offer a small selection of rewards can succeed if this matches what their members expect. The challenge, of course, is the competitive component, as no company exists in a vacuum. The “bigger and better” selection provided by another airline might be enough to encourage customers to switch brands.

Of the top 30 airlines assessed in this report, the majority provide more reward options with the likely objective being to make their programs more attractive to customers. It’s no surprise the largest loyalty programs – American AAdvantage, Delta SkyMiles, and United MileagePlus – offer car rental and hotel rewards. The biggest surprise is posed by the high profile global carriers that don’t, such as Air China, Turkish Airlines, and US Airways. Reward activity, survey results, and the prevalence of broad-spectrum rewards indicate they have become a “must have” amenity for frequent flier programs wishing to compete on a global scale.

⁴ “Rising above the Clouds: Charting a course for renewed airline consumer loyalty” issued during 2013 by Deloitte (survey of US airline travelers was conducted October 2012). The hotel reward option also included reference to redeeming miles or points for taxi fares.

⁵ Qantas Databook 2013 at Qantas.com.au.

⁶ Qantas Databook 2009 at Qantas.com.au.

⁷ “Aeroplan: The Next Decade” AIMIA Investor Presentation dated 27 June 2013 at AIMIA.com.

⁸ Multiplus Investor presentation dated January 2014.

Car rental and hotel rewards also provide a unique “relief valve” for continuing member frustration over the issue of reward availability. Readers are reminded of the survey result described above which indicated that improving ease of reward redemption is job #1 for frequent flier programs. It’s no longer a secret .

. . the success of airline co-branded cards has created substantial mileage liabilities on the ledgers of major US-based airlines. Billions of miles have been accrued by consumers holding credit cards associated with United MileagePlus, American AAdvantage and Delta SkyMiles and more. Not surprisingly, members want to redeem these miles.

Recovering consumer demand for air travel, capacity cutbacks by airlines, and a flood of accrued miles have created a nasty combination of troubles for frequent flier programs and their members. Major banks have noted the consumer appetite for non-airline travel reward cards and the growing frustration with reward seat availability. Consumers in the US are abundantly aware of the “No hassle rewards” theme used by banks in the quest to attract cardholders. The advent of car and hotel rewards is one of the methods used by airlines to pull these consumers back into the fold of their loyalty programs. Car and hotel rewards represent a redemption method that supports the reward travel experience, is attractive to consumers, and effectively moves miles or points off the ledger.

Your 4 Days Rental
 Los Angeles International Airport (LAX)
 Pick-up: 12:00PM, Tue, Apr 30, 2013 - Drop-off: 12:00PM, Sat, May 4, 2013
 All cars | air conditioning | automatic transmission
[Change your search](#)

Select a rental car by clicking a price below.

8 results : « previous | next »

	1	2	3	4	5
	AVIS Details Shuttle	Budget Details Shuttle	DELTA Details Shuttle	Enterprise Details Shuttle	Alamo Details Shuttle
Economy Sort by price	\$20 / Day Total Amount 10,917 miles OR \$109.17	\$24 / Day Total Amount 12,885 miles OR \$128.85	\$56 / Day Total Amount 22,560 miles OR \$225.60	\$48 / Day Total Amount 25,000 miles OR \$250.00	\$48 / Day Total Amount 25,003 miles OR \$250.03
Compact Sort by price	\$21 / Day Total Amount 11,412 miles OR \$114.12	\$24 / Day Total Amount 12,885 miles OR \$128.85	\$58 / Day Total Amount 23,024 miles OR \$230.24	\$50 / Day Total Amount 25,941 miles OR \$259.41	\$50 / Day Total Amount 25,946 miles OR \$259.46
Intermediate Sort by price	\$22 / Day Total Amount 11,909 miles OR \$119.09	\$25 / Day Total Amount 13,382 miles OR \$133.82	\$61 / Day Total Amount 24,296 miles OR \$242.96	\$54 / Day Total Amount 27,596 miles OR \$275.96	\$60 / Day Total Amount 31,127 miles OR \$311.27
Standard Sort by price	\$23 / Day Total Amount 12,404 miles OR \$124.04	\$27 / Day Total Amount 14,373 miles OR \$143.73	\$63 / Day Total Amount 25,248 miles OR \$252.48	\$56 / Day Total Amount 28,537 miles OR \$285.37	\$64 / Day Total Amount 33,009 miles OR \$330.09

Yes, it is designed to look like an online booking website. Ease of redemption is a product mantra for Capital One and other bank travel reward cards.

Image: HelpMeTravelCheap.com website article dated 19 April 2013.

The top 30 list represents the world’s largest airlines

IdeaWorksCompany reviewed the car and hotel reward offerings provided by the world’s largest airlines. The top 30 list is based upon 2012 passenger traffic statistics compiled from the August 2013 issue of *Airline Business*. The following pages display the matrix of results for all airlines; 5th ranked Ryanair is included even though it does not provide frequent flier program benefits. Strangely, the frequent flier program page at the Lion Air website (ranked 23rd for passenger traffic) has advised consumers to “visit us at a later date” for more than a year. Other airlines, notably those based in China, are listed as having loyalty programs, but not providing car and hotel rewards. Results for some include owned subsidiaries; in the case of Lufthansa Group this includes SWISS, Austrian, and Lufthansa.

The matrix indicates which programs provide the convenience of instant online booking. This method allows members to use their miles or points balances as online payment for car rentals and hotel accommodations. “Travel agent style” refers to the display methods used by brands such as Expedia, Priceline, and the car rental booking example displayed for Capital One.

Car Rental Rewards – Review of Top 30 Airlines

Airline – FFP <i>Alphabetical listing</i>	Instant Online Booking		Vouchers, Gift Cards, or Other	Notes *
	Online Travel Agent Style	Limited Selection		
Air Berlin - topbonus	No car rental rewards			
Air Canada - Aeroplan		●		Avis and Hertz only.
Air China - PhoenixMiles	No car rental rewards			
Air France KLM - Flying Blue			●	Avis, Hertz, and Sixt only.
AirAsia - BIG Loyalty Program	No car rental rewards			
Alaska Group - Mileage Plan	No car rental rewards			
Alitalia - Millemiglia	No car rental rewards			
ANA - ANA Mileage Club			●	Nippon car rental 10,000 yen voucher.
American - AAdvantage	●			Maximum of 5 rental brands with preferential display for Avis and Budget.
British Airways - Executive Club		●		Avis is only accrual and reward partner.
China Eastern - Eastern Miles	No car rental rewards			
China Southern - Sky Pearl Club	No car rental rewards			
Delta Air Lines - SkyMiles	● cc+elite		See notes	cc+elite: Only for SkyMiles credit cardholders and elite status members. Delta Vacations offers miles and cash.
EasyJet - (Nectar)	See notes			Redeem Nectar points at Expedia.co.uk.
Emirates - Skywards			●	Only Budget and only within the UAE.
GOL - Smiles	No car rental rewards			
JetBlue - TrueBlue			See notes	JetBlue Getaways packages may be purchased with points and cash.
Korean Air - SKYPASS	No car rental rewards			
LAN - LANPASS	No car rental rewards			
Lion Air	No frequent flier program			Passport Club pending for over a year.
Lufthansa Group – Miles & More	●			Maximum of 7 rental brands.
Qantas Group - Frequent Flyer			●	Includes gifts cards for 2 rental brands.
Ryanair	No frequent flier program			
SAS Scandinavian - Eurobonus			●	Limited to Avis and Hertz vouchers.
Saudia Airlines - Alfursan	No car rental rewards			
Southwest - Rapid Rewards	●		●	8 online rental brands + 4 rental brand gift cards.
TAM – Fidelidade - (Multiplus)			●	Redeem through Multiplus program.
Turkish - Miles&Smiles	No car rental rewards			
United - MileagePlus	●			Global destinations recently added.
US Airways - Dividend Miles	No car rental rewards			
Data collected from airline websites March 2014. * Benefits may be limited by member place of residence.				

Hotel Rewards – Review of Top 30 Airlines

Airline – FFP <i>Alphabetical listing</i>	Instant Online Booking		Vouchers, Gift Cards, or Other *	Notes *
	Online Travel Agent Style	Limited Selection		
Air Berlin - topbonus	No hotel rewards			
Air Canada - Aeroplan		●	●	Limited to list of accrual partners.
Air China - PhoenixMiles	No hotel rewards			
Air France KLM - Flying Blue		●	●	Online booking provided for Hilton. Limited list of brands and locations.
AirAsia - BIG Loyalty Program			●	Tune Hotels only.
Alaska Group - Mileage Plan	No hotel rewards			
Alitalia - Millemiglia	No hotel rewards			
ANA - ANA Mileage Club			●	Limited list of brands and locations.
American - AAdvantage	●			
British Airways - Executive Club	●			
China Eastern – Eastern Miles	No hotel rewards			
China Southern - Sky Pearl Club	No hotel rewards			
Delta Air Lines - SkyMiles	● cc+elite		See notes	cc+elite: Only for SkyMiles credit cardholders and elite status members. Delta Vacations offers miles and cash.
EasyJet - (Nectar)	See notes			Redeem Nectar points at Expedia.co.uk.
Emirates - Skywards			●	Marriott (Middle East & UK) plus one Australia resort and one Dubai hotel.
GOL - Smiles	No hotel rewards			
JetBlue - TrueBlue			See notes	JetBlue Getaways packages may be purchased with points and cash.
Korean Air - SKYPASS			●	Limited to 4 owned hotel locations.
LAN - LANPASS			●	Small list of hotels in LANPASS Catalog.
Lion Air	No frequent flier program			Passport Club pending for over a year.
Lufthansa Group - Miles & More	●		●	Includes gifts cards for 2 hotel brands.
Qantas Group - Frequent Flyer	●		●	Includes gifts cards for 17 hotel brands.
Ryanair	No frequent flier program			
SAS Scandinavian - Eurobonus		●	●	Limited brands and locations in Europe.
Saudia Airlines - Alfursan	No hotel rewards			
Southwest - Rapid Rewards	●		●	Includes gift cards for 3 hotel brands
TAM - Fidelidade - (Multiplus)			●	Redeem through Multiplus program.
Turkish - Miles&Smiles	No hotel rewards			
United - MileagePlus	●		●	Elite members may convert miles for Marriott points.
US Airways - Dividend Miles	No hotel rewards			
Data collected from airline websites March 2014. * Benefits may be limited by member place of residence.				

Coalition programs have a presence on the matrix with Aeroplan, Nectar, and Multiplus. For example, EasyJet's accrual and redemption relationship with Nectar is included as a loyalty program. EasyJet travelers may accrue points in Nectar when travel is booked from Nectar's eShops website. Points may be spent with partners in the Nectar coalition, which includes Expedia.co.uk. The accrual and redemption flow is similar for Aeroplan (Air Canada) and Multiplus (TAM) participation.

Many carriers offer car and hotel rewards through physical fulfillment methods such as gift cards and electronic vouchers. For example, ANA Mileage Club members may redeem 10,000 miles for



*It's all in the family – Tune Hotels, BIG Loyalty Program, and AirAsia are under the Tune Group and its CEO Tony Fernandes.
Image credit: Tune Hotels*

a 10,000 yen voucher mailed to the member's address. The benefit is listed on the carrier's Japan website, but not its US website. In addition to offering hotel rewards online, Qantas also delivers gift cards for 17 hotel brands. Manual methods are not preferable, and are only attractive if the alternative is no reward at all.

Airlines often strike deals with frequent flier accrual partners to provide rewards. This allows car rental and hotel partners to generate some revenue to offset the cash paid to fund the bonus miles or points accrued when members rent cars or stay at hotels. Preferred relationships may deliver little more than first display on reward booking sites. The relationship

between British Airways and Avis is exclusive; only Avis cars are displayed for online reward queries. Likewise, AirAsia only features Tune Hotels as a reward partner.

Car and hotel rewards go beyond rewarding . . . to fulfilling dreams

Reward catalogs stuffed with everyday products in the manner of a Walmart are a missed opportunity to add dimension and depth to a frequent flier program and the brand of the airline. According to the LANPASS website, headphones, cordless telephones, and external memory are big sellers . . . but do these items communicate anything about the brand? Top selling merchandise should be highlighted, but an airline should also use rewards to support its brand identity. This is especially crucial because the cash spent on these rewards is precious for an airline. These expenditures can do double duty – meet member needs *and* boost brand identity.



*Flying Blue's premium car reward voucher from Sixt: Unlimited miles, collision damage waiver, and 7 days of fun.
Image credit: BMW*

Seemingly buried within the Air France KLM vast array of rewards is a really fun offer through Sixt Rent a Car. It's called a "week of luxury motoring" and features a BMW 1 series automobile available in 10 countries worldwide. The reward price is hefty indeed at 150,000 miles . . . but imagine this treat combined with business class tickets to Munich and a few nights at a hotel in the Alps. That's not only a wonderful reward for loyalty but it also will create a "forever" memory.

Hidden under Southwest's gift card reward category is the promise of a romantic weekend in a bed & breakfast out in the country or up in the mountains. 10,000 Rapid Rewards points may be redeemed for a \$100 gift card from BedandBreakfast.com. The gift cards may be redeemed at more than 3,400 B&Bs and country inns in the US. Redeeming 20,000 Rapid Rewards points could place you in one of the four rooms (and the unbelievable setting) offered by the Canyon Villa B&B Inn located in Sedona, Arizona. But before you pack, remember that Southwest does limit its car and hotel rewards to its co-branded credit cardholders. The revenue produced by the sale of points to JP Morgan Chase, which issues the Rapid Rewards Visa, helps fund these rewards.



Dare we say gourmet breakfasts, afternoon appetizers, evening dessert, and this gorgeous view in the Red Rocks region compare to an economy class reward to Des Moines?
Image credit: BedandBreakfast.com

Aeroplan provides online car rental and hotel bookings, offers a list of hotel gift cards, and a \$1,000 gift certificate from LuxuryRetreats.com. This company offers more than 1,500 vacation villas at locations all over the globe. The



For about 200,000 miles per night, Aeroplan members can stay at the "Spa House" near Cape Town, South Africa.
Image credit: LuxuryRetreats.com

personalized attention required for booking these accommodations does not allow instant confirmation. Luxury Retreats contacts members within 2 days after the reward is requested and books the accommodations desired. Concierge support will arrange provision of groceries and drinks, a personal chef, and guided sightseeing.

Similar to AirAsia, Korean Air keeps hotel rewards within the corporate family. The airline owns and operates KAL Hotels consisting of KAL properties in Seogwipo and Jeju, the Hyatt Regency Incheon Airport, and the Waikiki


Resort Hotel. Some of the hotel locations allow Skypass members to bundle a room night, hotel dining, and even a rental car for one mileage price. Mileage redemption occurs at checkout at the front desk; the member completes a form to deduct miles to pay for hotel services. Korean Air will have a big opportunity to create something special when it opens the Los Angeles Wilshire Grand Hotel and Center in 2017, which will be the tallest building on the US west coast.

United is a car and hotel reward innovator

United Airlines introduced car and hotel rewards to MileagePlus members in September 2009.⁹ The move was part of the carrier's "The program that wants you to use your miles" advertising initiative. All members – not just those with elite status – could redeem miles at more than 100,000 unique car rental and hotel locations worldwide. The process was and remains all online and a mixture of miles and cash can be used to book car rentals and hotel accommodations.

⁹ Presentation by Krishnan Saranathan, Managing Director, MileagePlus, United Airlines, 2010 MEGA Event, Montreal.

The Headliners Miles-For-Experiences program was introduced to MileagePlus members in the beginning of 2012.¹⁰ The program allows members to use their miles to bid for an array of rewards, including unique travel adventures, celebrity access, and tickets for theater and sporting events. Many of these have a travel theme and tickets on United are often included as a package component, such as the package displayed below.



Pacific Northwest Getaway at Willows Lodge in Washington State

Bid on a 4 day/3 night luxurious getaway in Washington's wine country!

[Show All Willows Lodge awards](#)

Current bid per item:	Time remaining:
287,000 Award miles	1 Day 16:22:13

Ends on:	03/05/2014
Number of bids:	68 Show all
Unique bidders:	12
Auction Code:	PRD114866

One lucky MileagePlus member is just hours away from a trip to Washington's wine region with suite accommodations, dining, spa services, car rental, and economy class travel on United.
Image: United.com.

Being an innovator requires taking risks and discontinuing products that don't meet expectations. "Unpublished Hotel Awards powered by Hotwire" were also introduced in 2012.¹¹ The new product was designed to offer lower reward pricing by allowing hotels to use opaque pricing methods. Members could select hotels based upon the star rating and general hotel location; the name and specific address of the property was revealed after the booking is made. One can speculate this MileagePlus innovation didn't measure up, as the carrier recently decided to cancel the program as of 30 April 2014.

More recently, United and Marriott announced a relationship in July 2013 that allows miles and points to be transferred between their loyalty programs.¹² Among the reciprocal benefits of the RewardsPlus program, MileagePlus members with premier status (Silver and higher) may convert miles into Marriott Rewards points. One mile can be converted to one point, and these may be exchanged for hotel and other rewards within the Marriott Rewards program. Other benefits provided by RewardsPlus include reciprocal elite tier benefits for members. For example, United's Global Services, Premier 1K, Premier Platinum and Premier Gold MileagePlus members receive Gold elite status from Marriott, including concierge lounge access and complimentary continental breakfast at participating Marriott, JW Marriott, Renaissance Hotels, and Autograph Collection Hotels. These loyalty program relationships are rare; Delta and Starwood announced a similar program during 2013.

¹⁰ "United MileagePlus Launches Headliners Miles-for-Experiences Program" press release dated 04 January 2012 at United.com.

¹¹ United's *Hemispheres* Magazine, MileagePlus information section, June 2012 issue.

¹² "Loyalty Lifts Off With Marriott Rewards and United MileagePlus Partnership" 15 July 2013 press release at United.com.

United began with a simple theme in 2009 to create more reward opportunities for its members. Perhaps the carrier's virtue was not generosity but concern that its MileagePlus Visa card did not compare favorably to travel reward cards such as Chase Sapphire and Citi ThankYou. United did generate \$774 million from MileagePlus in 2009¹³ and \$2.85 billion in 2012,¹⁴ revenue which provides ample motivation to maintain member satisfaction through innovative reward offers. United's efforts represent a savvy approach to program development by investing receipts from the sale of miles to keep the program fresh.

Reward complexities rob consumers of convenience

Adding car and hotel rewards for members is good; creating a redemption labyrinth is bad. In their attempts at program improvement, some carriers place hurdles in the path members follow to receive rewards. Lufthansa complicates its car rental offer with multiple reward booking websites. There is a single reward site that includes up to 7 brands: Avis, Budget, Dollar, Europcar, Hertz, Sixt, and Thrifty. But the effort is duplicated with two additional booking sites provided for Europcar and Sixt. Perhaps this is what results when the partner marketing team creates more exposure for preferred relationships. But the outcome is confusing and the broken page links encountered when the website was reviewed typify the problems of complexity.

It would be wise for Miles & More program members to shop the multiple booking sites for the lowest reward price. For example, a 1-5 May 2014 Hyundai Accent car rental at Orlando was priced at Lufthansa's Sixt reward booking site for 20,754 miles. The same Sixt rental had a much higher price of 65,360 miles at the general Miles & More reward booking site. Similarly, a Citroen C5 rental at Munich was priced at the Sixt reward booking site for 91,245 miles . . . and 138,141 miles at the general reward booking site.

The same confusion exists with Lufthansa's hotel rewards. Miles & More offers a general reward booking site which includes a wide variety of brands. In addition, Hilton, Marriott, Melia, and TAJ Hotels, are featured as partner hotels with separate reward booking sites. The partner section of the website doesn't list Marriott, Melia, and TAJ as offering reward redemptions. This was initially perplexing until the logic of the partner pages was understood. The partner section indicates which partners offer gift cards, such as Best Western and Radisson Blu, but the reference apparently doesn't include partners participating in the online booking reward site.

Delta is guilty of a similar transgression with the added problem that its vacation package benefit doesn't work. SkyMiles offers a "Miles to Go" redemption option for all members. This includes members without elite status and those who don't hold its co-branded credit card. The benefit is designed to provide a significant discount off the price of a Delta Vacations package.

The program offers various destination zones such as Las Vegas, other US cities, Canada, Central and South America, Hawaii, and Europe. The discount is one cent per mile redeemed, with a mileage cap assigned for each zone. For example, Las Vegas has a cap of 20,000 miles which represents maximum savings of \$200. At the high end, the cap is 80,000 miles for Europe, Asia, Africa, Middle East, Australia, and India packages. Packages must include a Delta flight and a 2-night hotel stay, and there are numerous additional restrictions. If you are a tad bit confused, there's more . . . the most annoying element is the online booking process.

¹³ Form 10K for United Continental Holdings, Inc. for 2009.

¹⁴ CarTrawler Yearbook of Ancillary Revenue by IdeaWorksCompany – 2013.

When the Delta SkyMiles website was reviewed in March 2014 it could not complete a booking request. Attempts to book space were thwarted by a missing option to request payment by miles. Calling for help provided this advice from a Delta Vacations representative, “Oh, you should make the booking from the Delta Vacations website, as making it from the SkyMiles page apparently doesn’t work.” But even then, the Delta Vacations website requires the member to request a 24-hour reservation hold and to follow with a telephone call to confirm the miles are transferred. It’s admirable of Delta to provide more redemption options for members . . . but achieving redemption success is outside the grasp of all but the most dedicated consumers.

Some of these issues can be explained by the layering of benefits that occurs as frequent flier programs develop. For example, at first a gift card reward is offered; then this is followed by an electronic voucher; and eventually online reward booking is added. More is not always better and existing program elements should be reassessed to determine if they remain salient as the program evolves.


This layering is very evident in the reward options offered by All Nippon Airways and its ANA Mileage Club program. Shown below is the endless buffet of benefits offered under the deceptively simple title of “Other Award.”

Other Award

[ANA Value Vouchers](#)

You can use 10,000 miles as the payment for a 10,000 yen value coupon and 12,000 miles for a 15,000 Yen value coupon when buying ANA Japan Domestic and International Flight Tickets or shopping at ANA FESTA (airport shops), etc.


[Request ANA Value Vouchers](#)



[ANA SKY COIN](#)

ANA SKY COIN can be used with 12,000 miles for ¥15,000 towards the purchase of ANA domestic / international flight tickets from ANA SKY WEB and ANA SKY MOBILE. Can be used in units of ¥10 (10 coins = ¥10).

[Request ANA SKY COIN](#)




[ANA Mile Vacation\(Tour Awards\)](#)

12,000 miles can be exchanged for ¥15,000 to use on ANA Sales domestic Japan and international tours.

[Apply for ANA Vacation Tours](#)

*You will move to Japanese site.




[ANA Selection Awards](#)

*You will move to Japanese site.

You can redeem miles for ANA recommended items starting at 10,000 miles.

[Apply for ANA Selection Awards](#)

*You will move to Japanese site.




[ANA Shopping Point Awards](#)

You can redeem 10,000 miles for 10,000 ANA Shopping Points that can be used to shop at astyle, the ANA Shopping.


[Apply for ANA Shopping Point Awards](#)

*You will move to Japanese site.




[3000miles Shopping Awards](#)

Redeem 3,000 miles for 3,000 yen worth of Shopping Awards that can be used for shopping at ANA Shopping astyle




[Partner Awards](#)

10,000 miles can be exchanged ¥10,000 of Edy, or for affiliated partner points including Rakuten Super Points and T-points.




[Coupon Awards](#)

Starting from 3,000miles, mileage can be redeemed for various types of coupons (tickets) that can be used with our affiliated partners or for special limited-time offers.




[ANA Card members only](#)

You can redeem miles for exclusive items for ANA Card members.



[Contribution](#)

You can redeem miles for contribution.



Screen shot from the ANA.co.jp website reviewed February 2014.

It’s quite the collection of goodies. There are Value Vouchers, Tour Awards, Point Awards, Partner Awards, Sky Coins, Coupon Awards and something mysteriously called “3000 Miles Shopping Awards.” The options have distinct terms and conditions, and redemption methods. One can imagine the “Other Award” at some earlier point in time was actually a singular offer . . . but as the program grew and developed, it blossomed and layered into something beyond the appetite of most members.

Airlines might follow the advice given by Antoine de Saint-Exupery, the French writer, poet and aviator: “Perfection is finally attained not when there is no longer anything to add, but when there is no longer anything to take away.”¹⁵

“Entertainment, customer service and value for money . . .”

This report begins with a retailing reference and will close with the same. Henry Selfridge, the Wisconsin-born founder of Selfridges & Co. department store of London, offered this advice to those in business: “Entertainment, customer service and value for money: The first will get them in, while the second and third will keep them there.”¹⁶

Consumers may debate whether frequent flier programs provide good customer service or value for money. Some may argue their favorite program delivers on every expectation. Many more would likely complain that frequent flier programs are lacking in both categories. But very few would eagerly step forward to proclaim their program is “entertaining” and satisfies a sense of wanderlust.

But why can’t frequent flier programs reach for this higher standard? We are, after all, privileged to be working in the most exciting industry in the world – the business of travel, seeing the world, and seeking new experiences. Retailers accomplish this with attention-getting devices such as astounding and colorful displays of merchandise, personal welcomes and invitations, and conspicuous promotions. In many ways, Richard Branson of the Virgin Group is a living and breathing application of these methods for the travel industry.

Car rental and hotel rewards are a step in a direction away from program mediocrity. Other elements must also be added to create a brand with depth, and a program that excites its members. Exciting reward offers such as Flying Blue’s Week of Luxury Motoring, Southwest’s Bed and Breakfast gift card, and Aeroplan’s \$1,000 Luxury Retreats gift certificate should be placed in the storefront window and not allowed to languish on a back shelf. Even within the thousands of hotel listings within reward booking websites, there are tales to be told of pampering, luxury, and escape.

Let’s consider two examples. United’s storefront is completely functional but devoid of any emotional pull to actually want to get on a jet and fly someplace. Compare that to the wide angle style and sweeping beauty of VikingRiverCruises.com – visit it and see for yourself. The website instantly conveys to the consumer “you want to be here . . . on our cruise . . . and experience this.” Yes, frequent flier programs should be entertaining because airlines and their partners can deliver the entire world . . . and there is nothing boring about that.

Henry Selfridge was right, if we can’t promise them a good time, they will never come in the front door.

¹⁵ *Wind, Sand, and Stars* by Antoine de Saint-Exupery (Chapter 3 – The Tool), Harcourt Brace Jovanovich, New York, 1967 (translated from French).

¹⁶ *Shopping, Seduction & Mr. Selfridge* by Lindy Woodhead, Random House Trade Paperback, 2013.



Pegasus Airlines soars with 42% more ancillary revenue

The results tell a compelling tale of ancillary revenue bliss and a productive relationship. IdeaWorksCompany started working with Pegasus Airlines in 2010.

IdeaWorksCompany helped Pegasus boost a la carte activity in core ancillary revenue areas such as onboard café, baggage fees, and seat selection.

For its latest full year, the airline disclosed per passenger ancillary revenue jumped by 42% in the three core areas since 2009. The total ancillary revenue increase was in excess of €36 million. That's the type of return that delights CFOs, CEOs, and airline investors.

The advice and expertise offered by IdeaWorks Company, when combined with the carrier's entrepreneurial spirit and outstanding people, has established a firm flight path to better profits.

How IdeaWorksCompany builds ancillary revenue bliss...

- Series of on-site workshops on the topics of ancillary revenue, a la carte pricing, and loyalty marketing.
- Extensive background research through interviews of Pegasus frontline employees, program managers, and company executives.
- 90-page strategy document providing a ranking of opportunities, service design, revenue projections with 75 individual revenue benchmarks.
- Ongoing support to ensure revenue-producing results.

2009 to 2011 Ancillary Revenue Results



Onboard Café
Increase of 17%
per passenger



Baggage
Increase of 60%
per passenger



Seat Selection
Increase of 109%
per passenger

Turkish Delight...

“We worked with Jay Sorensen and IdeaWorksCompany in the areas of ancillary revenue, frequent flier programs and international marketing opportunities, and I have observed he is one of the best experts in the industry in these areas. He uses his deep knowledge and experience to bring together customized analysis and solutions based upon the customer's needs, marketplace, customer profile, and the best practices in the world. His analysis and recommendations have always been solid and executable and therefore generate incremental revenue opportunities. Pegasus highly recommends IdeaWorksCompany.”

— Onur Dedekoylu, Vice President of Marketing

Contact information: Jay Sorensen, President, IdeaWorksCompany.com LLC
Email: Jay@IdeaWorksCompany.com • Direct telephone: 01-414-961-1939

