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Southwest, JetBlue Lead Average Reward Price Rankings Among Five Major US Frequent Flyer Programs

Switchfly Reward Seat Availability Survey finds that pay-with-points change still yields similar reward price rankings.

August 22, 2016, Shorewood, Wisconsin — Low-cost carriers Southwest and JetBlue continue to offer US flyers the lowest average reward seat pricing, despite an industry shift to dollar-based rather than mileage-based loyalty points accrual. The rankings for the two airlines mirror the results from 2015—and from the year before, when miles flown was the universal accrual method.

These findings derive from the IdeaWorksCompany annual **Switchfly Reward Seat Availability Survey**. In May the firm released reward seat availability rankings for 25 of the world’s largest airlines. Today’s analysis features average reward prices associated with US frequent flyer programs that use ticket prices, rather than miles flown, as an accrual method. Among these programs, the pay-with-points method used by Southwest and JetBlue yielded lower prices for short and medium haul reward travel.

Until recently, American, Delta, and United based accrual on the distance flown—like most major airlines around the world. Now this is changing to a revenue-based method similar to JetBlue and Southwest. Among low economy fare passengers, who don’t have elite tier status, JetBlue’s TrueBlue and Southwest’s Rapid Rewards programs offer higher accrual at 6 points per dollar compared to the rate of 5 miles per dollar offered by the others. This is combined with lower average reward prices, Southwest being the lowest at 10,182 points per roundtrip reward. Even if you were to boost JetBlue and Southwest reward prices by 20% to compensate for a more generous accrual rate (6 versus 5 per dollar spent) their reward prices remain lower than the others.

Average Reward Prices for Programs Using Revenue-Based Accrual Top 251 - 2,500-mile reward markets			
Airline	Program Name	Basic Accrual per Dollar Spent *	Average Reward Price per R/T
Southwest	Rapid Rewards	6 points	10,182 points
JetBlue	TrueBlue	6 points at JetBlue.com	16,611 points
Delta	SkyMiles	5 miles	26,000 miles
United	MileagePlus	5 miles	27,643 miles
American	AAdvantage	5 miles	31,143 miles

* Accrual based upon lowest economy fare level for non-elite members; airlines offer higher accrual for elite members. See “Notes regarding reward query methodology” at the end of this press release.

The similarity of the accrual methods permits the comparison of average reward prices. In addition, the accrual rates for their basic co-branded credit cards are universally the same at one point or mile per dollar charged for everyday purchases (more miles may accrue for special purchases or with high fee cards). These features have created a situation in which points and miles have become equivalent currencies for these five airlines. In reality, the currency used by American, Delta, and United is now more accurately defined as “points” because it is no longer associated with distance.

Data was also collected for Alaska Airlines and Air Canada. The results were not comparable because these airlines continue to base accrual upon miles flown. However, their co-branded credit cards, which generate a significant quantity of miles for members, generally offer the same accrual of one mile per dollar charged, suggesting some approximate likeness among all seven programs. The average reward price was 22,301 miles for Air Canada’s Aeroplan program, and Alaska’s Mileage Plan average was 25,429 miles; which would place them third and fourth, respectively, in the rankings.

The pay-with-points method (JetBlue and Southwest) links reward prices to prevailing air fares. Program members can seek out low reward prices on flights that have lower fares. Reward prices adjust to demand in the same way fares have since supersaver rates were introduced decades ago. The mileage-based method is far less precise and typically ranges from 25,000 to 50,000 miles for a roundtrip domestic US reward. American, Delta, and United add pricing flexibility such as lower-priced rewards for flights under 500 or 700 miles, or select flight discounts.

American, Delta, and United have changed their programs to more generously reward members having elite status such as silver or gold. These members may enjoy more than double the usual points accrual, which greatly affects the ability to compare average reward prices among the five airlines. Ultra-frequent travelers may realize better reward value from these airlines. But for everyday consumers buying the lowest fares, the pay-with-points method embraced by JetBlue and Southwest delivers the best reward deals for economy class travel in the US.

Notes regarding reward query methodology: *Booking queries for a party of two travelers were made at frequent flyer program websites during March 2016. The top 10 (based upon total seats offered for sale during a 12-month period) medium-haul routes (251 to 2,500 miles) were selected for each airline. While the city pairs varied for each frequent flyer program, the travel dates did not. 140 specific dates (June through October 2016) were selected for survey queries and the lowest reward seat price for travel on the date specified was recorded; any departure time was acceptable. Overly circuitous routings with long elapsed travel times or layovers longer than 4 hours were not accepted.*

About Switchfly: Switchfly is a travel-commerce and loyalty platform that enables enterprises to rapidly deploy state-of-the-art online travel services to their customers, and then to optimize and personalize those services for profitable revenue growth. Leading airlines, hotels, financial service providers and even retailers depend on Switchfly's B2B2C SaaS platform to power their omnichannel travel and loyalty experiences because it uniquely combines a highly scalable and secure SaaS architecture with deep product and content inventory. Powerful analytics and real-time decision engines allow them to foster contextually-rich customer engagement, even as they benefit from Switchfly's continuously evolving SaaS platform. Founded in 2003 and headquartered in San Francisco, Switchfly generates more than \$1.25 billion USD in revenue for its clients annually and facilitates the redemption of more than 35 billion reward points and miles each year. The company's global client roster includes American Airlines, Emirates, JetBlue and LAN Airlines; IAG Avios, Lufthansa Miles & More and United MileagePlus; InterContinental Hotels Group and Starwood Hotels; Expedia, Orbitz, Priceline and Groupon. For more information, visit www.switchfly.com.

About IdeaWorksCompany.com: 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 flyer programs, and on-site executive workshops. Learn more at IdeaWorksCompany.com.

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