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Revenue-Based Points Accrual May Be the New World Order

Delta and United introduce changes for 2015 that allow high-flying members to accrue up to 75,000 miles for taking a single long haul business class roundtrip.

September 15, 2014, Shorewood, Wisconsin – Delta Air Lines has certainly created a strong tailwind for itself. Profits are at record levels, corporate debt is declining, lie-flat seating has been introduced globally to business class, and the cash dividend has been increased for shareholders. The airline has expressed a profound eagerness to change almost everything about its business, so it's not surprising this philosophy finally touched the SkyMiles program.

The latest IdeaWorksCompany report reviews how the frequent flier business is positioned for change due to moves made by key players and their desire to revolutionize accrual methods. For many fliers, gone forever as of 01 January 2015 is the notion an economy class fare accrues miles on the basis of distance flown. Instead, the almighty US dollar will determine the miles posted to member accounts. There is much to learn from Delta, Southwest, and Qantas as they introduce big changes to their loyalty programs:

- Revenue-based accrual is nothing new and was introduced by Air New Zealand with its Airpoints frequent flier program in 2004. Other carriers already offering accrual based upon passenger spending are AirAsia, airBaltic, JetBlue, Southwest, Norwegian, Pegasus Airlines, Virgin America, Virgin Australia, and Vueling.
- Analysis shows Delta passengers buying lower fare tickets for Atlanta – New York travel could lose 20% to 43% under the new method, while higher-fare consumers will enjoy a windfall of 97% to 176% more miles.
- Likewise, Qantas passengers buying a discount economy Sydney – LAX roundtrip accrue 40% fewer miles (as of 01 July 2014) but receive 20% to 40% more miles for higher-priced economy and premium cabin tickets.
- Southwest Rapid Rewards combines revenue-based accrual with a flexible reward pricing system that provides Atlanta – New York travelers a reward ticket after buying 12 low fare roundtrips or a single high fare roundtrip.

“Revenue-Based Accrual as the New World Order” was released today as a free 15-page report and is available at the IdeaWorksCompany website: www.IdeaWorksCompany.com. The 2014 Loyalty Marketing Report series is sponsored by Switchfly, a global technology company that powers travel commerce and loyalty redemption solutions for leading travel, financial services and ecommerce brands. For information visit www.switchfly.com.

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