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Value Airlines Offer Best Reward Seat Availability, British and United Improve Most Among Majors

*IdeaWorks Company releases results from the 3rd annual
Switchfly Reward Seat Availability Survey.*

May 17, 2012, Shorewood, Wisconsin - - Value-oriented airlines are again the most generous in the 3rd annual **Switchfly Reward Seat Availability Survey**. Air Berlin, Southwest, and Virgin Australia placed in the top 6 for the 2010, 2011 and 2012 editions of the reward survey. For 2012 Air Berlin and Southwest share first place with outstanding 100% scores, with every flight queried in the survey providing reward seats.

Largest year-over-year improvements were registered by industry stalwarts British Airways (up 17.9 points) and United Airlines (up 15.7 points) with recently acquired AirTran Airways rocketing 40 points above 2011 results. The overall trend for reward availability continues upward with 2012 results 5 points higher than 2010. Survey findings indicate frequent fliers are generally better served by the programs offered by value-oriented airlines. The average among the six value-oriented airlines in the survey was 93.5%; this is significantly above the 62.9% calculated for the other 17 carriers in the survey group.

Lower fare airlines provide consumers the best of both worlds: budget prices and better reward seat availability. Global airlines compete by being just that - - offering global networks of lounges and partner airlines, along with difficult-to-match services such as free upgrades to business or first class which may feature lie flat beds. Global alliances also provide substantial benefits and can help airlines boost reward options. The Star Alliance has the strongest top-of-chart presence in the query results; Lufthansa Miles & More, Singapore KrisFlyer, and United MileagePlus all scored above 87% for overall reward availability.

Saver-style rewards remain a core benefit for most members and are the primary topic of this survey. The Switchfly Reward Seat Availability Survey is based upon 6,680 booking queries made by the IdeaWorks Company at the websites of 23 frequent flier programs during March 2012. Travel dates spanned June through October 2012, with top routes for each carrier checked to assess reward seat availability. The following table summarizes the results of the 2012 survey:

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Overall Reward Availability				
Ranked High to Low – Seat Availability for June – October, 2012				
Rank	% Total Availability	Airline	Program Name	Change from 2011 to 2012
1 (tie)	100.0%	Air Berlin	Topbonus	↑3.6 points
	100.0%	Southwest	Rapid Rewards	↑0.7 points
3	97.1%	GOL	SMILES	↓2.9 points
4	92.1%	Lufthansa/SWISS/Austrian	Miles & More	↑7.1 points
5	90.7%	Singapore Airlines	KrisFlyer	No change
6	90.0%	Virgin Australia	Velocity Rewards	↓1.4 points
7 (tie)	87.1%	AirTran Airways	A+ Rewards	↑40 points
	87.1%	United Airlines	MileagePlus	↑15.7 points
9	86.4%	JetBlue	TrueBlue	↑7.1 points
10	79.3%	British Airways	Executive Club	↑17.9 points
11 (tie)	78.6%	Air Canada	Aeroplan	↓3.5 points
	78.6%	LAN	LANPASS	↑2.9 points
	78.6%	Qantas	Frequent Flyer	↑3.6 points
14	70.7%	Cathay Pacific	Asia Miles	↑4.3 points
15	63.6%	Iberia	Iberia Plus	↓7.1 points
16	59.3%	Alaska Airlines	Mileage Plan	↓5 points
17	57.9%	SAS Scandinavian	EuroBonus	↑5 points
18	55.7%	Air France/KLM	Flying Blue	↓9.3 points
19	45.7%	American Airlines	AAdvantage	↓17.2 points
20	38.6%	Turkish Airlines	Miles&Smiles	↓10.7 points
21	33.6%	US Airways	Dividend Miles	↑7.9 points
22	32.9%	Emirates	Skywards	↓2.8 points
23	27.1%	Delta Air Lines	SkyMiles	No change

*% of Total Availability = Percent of queries that result in outbound and return reward seats
See "Notes regarding query methodology" at the end of this press release.
Value oriented airlines: Air Berlin, Southwest, GOL, Virgin Australia, AirTran Airways, and JetBlue.*

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The “% of Total Availability” column represents the frequency of queries which produced one or more available flights for a roundtrip pair of travel dates. A minimum of two seats was required for each outbound and inbound reward reservation query. For example, the 90% result for Virgin Australia reflects the fact that 252 of the 280 outbound and inbound date queries provided a minimum of one flight in each direction with at least two available saver-style reward seats. The right-hand column compares 2012 results to the Reward Seat Availability Survey conducted by the IdeaWorks Company in 2011.

“Frequent flier programs have been slowly but surely improving member rewards. Nine airlines scored above 80% for 2012, which is much improved from five airlines above 80% in 2010, the first year of the survey,” said Daniel Farrar, CEO of Switchfly. “Airlines are also improving alternate reward options. More and more now provide the ability to redeem miles or points for hotel stays, car rentals, and a growing array of merchandise and unique travel experiences. This trend is clearly good for everybody – frequent fliers, airlines, and their stockholders.”

The results demonstrate the importance of choosing a program carefully if reward seat availability is a crucial factor. Members of the Qantas Frequent Flyer Program and United MileagePlus are undoubtedly pleased by three years of consistent improvement for reward seat availability; Qantas is up 5.7 points and United is up 18.5 points since the 2010 survey. The big jump associated with AirTran A+ Rewards likely indicates that Southwest is applying its generous reward allocation philosophy to the airline it acquired during 2011. The continuing presence of Air Berlin, Southwest, and GOL as top reward seat availability performers is no accident; these programs obviously treat reward travel as a priority and management allocates meaningful inventory to the effort, incurring an opportunity cost for the seats not sold for cash.

The size of the 2012 survey decreased to 23 airlines with the merger of United and Continental. Survey results reflect the availability of saver-style rewards (capacity controlled seats) with two exceptions. For Southwest, Anytime or Wanna Get Away rewards priced up to 12,500 points (each way) qualified as reward travel. For JetBlue, rewards priced at 12,500 points (each way) qualified as reward travel. Similar to their US-based counterparts, \$12,500 in credit card purchases provides 12,500 points, which is equivalent to the miles required for a one-way reward.

American Airlines announced on 25 April 2012 an enhancement to the online reward booking process for its AAdvantage program. Program members can now book one-way, round-trip and multi-city reward travel on British Airways and Hawaiian Airlines, along with American Airlines and Alaska Airlines, at the AA.com website. The queries for the full survey were made during March 2012 and occurred before American introduced the online booking enhancement. The IdeaWorks Company was curious how the addition of British Airways and Hawaiian online reward display would affect American’s results and conducted more queries.

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These ad-hoc reward queries were conducted on 30 April 2012 and limited to US – London and US – Hawaii city pairs, which represent markets well served by British Airways or Hawaiian. The newer results would lift American’s overall score to 52.9% (which is 7.2 points above the results listed in this report) but would not change its position in the survey ranking between Air France/KLM and Turkish Airlines.

The IdeaWorks Company again tested larger US-based carriers for reward travel using a much shorter 5 to 15 day booking window. Eighty queries were made for departures from 17 April through 27 April for American, Delta, United Airlines, and US Airways. The test was performed on April 13, 2012 to determine how carriers release reward seats just prior to departure. The results confirm what many travelers already suspect is true; booking later sometimes provides better results.

Short Advance Booking Test			
Seat Availability for 17 - 27 April 2012 Departures – Captured on 13 April 2012			
% Availability	Airline	Program Name	% for 2012 Versus 2011
87.5%	United Airlines	Mileage Plus	↑22.5 points
65.0%	American Airlines	AAdvantage	↑17.5 points
42.5%	US Airways	Dividend Miles	↑17.5 points
25.0%	Delta Air Lines	SkyMiles	↓17.5 points

See “Notes regarding query methodology” at the end of this press release.

United offers reward availability for this 5 to 15 day booking window that was actually above the 87.1% result for queries using the 3 to 7 month booking window. American Airlines and US Airways, as indicated by the sample queries, may have policies that add more seats closer to departure. This practice helps reduce mileage liability and ensures seats are not empty. The three carriers delivered results far above those found in last year’s survey. Results from the Delta queries showed a surprising drop from 2011, which indicates the airline has become stingier when allocating seats for reward travel close to the date of departure.

Pay-with-points is becoming a more prevalent methodology for frequent flier programs; a development IdeaWorksCompany.com has promoted since 2006. The method was analyzed during this year’s survey with price comparisons made between JetBlue and two major New York competitors, Delta and United. Reward prices associated with trips under 2,500 miles were collected during the survey process. Whereas the reward seat availability survey focused on saver-style rewards, this analysis tallied the “best available” point or mileage price offered for the itinerary queried. The results indicate JetBlue, and its pay-with-points method, provides better value than airlines using traditional reward pricing methods.

JetBlue Reward Price Comparison Delta, JetBlue, and United – Under 2,500 Mile Flights			
Average Roundtrip Reward Price	Airline	Program Name	Roundtrip Reward Prices Observed
19,344 points	JetBlue	TrueBlue	10,000 to 41,400
24,536 miles	United Airlines	MileagePlus	20,000 to 37,500
31,964 miles	Delta Air Lines	SkyMiles	25,000 to 40,000

Points and miles are deemed to offer equivalent value as \$25,000 co-branded credit card activity in each program provides 25,000 points or miles. Results are based upon 140 queries per airline and reflect best price offered. See “Notes regarding query methodology” at the end of this press release.

The method allows JetBlue to provide real reward bargains in a manner consistent with the way seats are sold for cash. Prices were as low as 10,000 points for a roundtrip, which undoubtedly matched lower cash fares for the same itinerary. Traditional reward pricing methods specify reward prices at fixed increments such as 25,000 miles for a saver-style reward and up to 50,000 or 60,000 miles for an anytime reward. The results for United reflect discounted reward prices offered on shorter-haul routes at 20,000 miles roundtrip (flight distance of 700 miles or less each way). Reward prices on Delta reflect an aggressive approach to yield management, which establishes the “theoretical minimum” price at 25,000 miles . . . but inventory controls often require the member to pay much more.

Overall results from three years of surveys indicate conditions are improving for program members. The first survey in 2010 yielded an average score of 65.8% for all airlines queried; this improved to 68.6% for 2011 and to 70.9% for 2012. It’s a surprising outcome - - the airline industry is still digging itself out of the financial meltdown represented by its \$36.7 billion loss over the past 10 years.¹ The industry as a whole deserves credit for not retreating into a practice of short-sighted accounting by chopping reward availability to sell more seats to fare-paying travelers.

Consumers can expect the good times to continue as airlines face increased competition from cash-back and rewards-style cards issued by banks. Airline co-branded cards are a necessary and lucrative source of revenue and airlines have been retaining cardholders by offering an ever-increasing array of goodies. For example, many frequent flier programs now feature rewards such as hotel accommodations, car rentals, and retail merchandise. The results from three years of reward availability surveys indicate many airlines have quietly acknowledged a basic member expectation - - the right of reasonable access to capacity controlled reward seats.

¹ Annual Results for the World’s Airlines (includes cargo operators), A4A.org website reviewed January 2012.

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Notes regarding reward query methodology: *Booking queries for a party of two travelers were made at frequent flier program websites during March 2012. Some airlines require a Saturday night stay for reward travel; all of the queries used date pairings that included a Saturday night stay. While the city pairs varied for each frequent flier program, the travel dates queried did not. 280 specific dates were selected for survey queries and only reward seat availability for travel on the date specified was recorded; any departure time was acceptable. Furthermore, reward travel had to be available on the outbound and return dates queried. Overly circuitous routings and layovers longer than 4 hours were not accepted. The top 10 routes longer than 2,500 miles and the top 10 shorter routes were selected for each airline. Due to a lack of long-haul routes, the top 20 overall routes were queried for these airlines: AirTran, GOL, JetBlue, Southwest, and Virgin Australia. Two mainland – Hawaii city pairs (out of 20) were substituted for Alaska Airlines to reflect the carrier's increasing emphasis on longer-haul flights. Ten top Europe - Palma de Mallorca city pairs (out of 20) were substituted for Air Berlin to reflect the carrier's major Mediterranean emphasis on holiday flights. When offered, online reward availability for partner airlines was always requested; rewards fulfilled by calling the airline were not.*

About Switchfly: Switchfly, Inc. (formerly ezRez Software, Inc.) is a global software-as-a-service provider that helps travel companies, loyalty programs and financial services institutions engage with their highest-value customers. The Switchfly product suite includes white label travel commerce and loyalty redemption platforms, a loyalty payments engine for digital wallets, social network engagement products through Topquest, mobile solutions for travel and loyalty partners, and personalized marketing solutions. Switchfly works with more than 300,000 travel suppliers, loyalty programs and payment providers globally, including AirAsia, American Airlines, United Airlines, Starwood Hotels, Intercontinental Hotels, JetBlue, American Express and PayPal. Collectively, more than 20 billion reward points are redeemed through the Switchfly platform annually. Based in San Francisco, Switchfly was founded in 2003 and has secured \$32 million in venture funding led by Canaan Partners, StarVest Partners and Azure Capital Partners. For more information, visit www.switchfly.com, www.facebook.com/switchfly and www.twitter.com/switchflyinc.

About IdeaWorksCompany.com: The IdeaWorks Company was founded in 1996 as a consulting organization building airline revenue through innovation in ancillary revenue, loyalty marketing, and a la carte shopping. Its international client list includes airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. The IdeaWorks Company specializes in ancillary revenue improvement, brand development, customer research, competitive analysis, frequent flier programs, and on-site executive workshops. Learn more at IdeaWorksCompany.com.

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