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Loyalty programs still the biggest ancillary earner for most airlines

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Besides wearing a mask on an airplane, there's one other thing you should definitely do if you are traveling this fall or over the holidays: Use your miles.

A survey of pandemic award prices finds airlines are making award seats available at very cheap prices in miles or points. First-class seats, which give you a bit more social distance on board, are a particularly good value.

In its 10 busiest markets, United's award seats for various travel dates in November averaged only 12,833 miles round trip, about half the cost of what traditionally has been a standard domestic coach ticket of 25,000 miles. JetBlue averaged only 15,167 points round trip. For first class, American was only 42,500 miles round-trip, Delta only 49,100 miles.

"The answer is a resounding yes—it is a good time to use miles, especially for premium cabins," says Jay Sorensen, president of consulting firm IdeaWorks, which priced available award tickets at U.S. airlines on Oct. 3 for November travel, including Thanksgiving.

With travel depressed, airlines have drastically reduced flights. While there are some eye-popping cash deals for flights, and tickets are usually cheap these days, the bargains offered in miles can be even better. Of course, for many people, big discounts on flights are unlikely to override fears of virus spread while traveling, not to mention restrictions on crowds, restaurants and entertainment at destinations. Airline capacity this winter will be only one-third of last winter, schedule-tracker OAG says.

The airplane cabin itself is pretty safe in-flight, but concerns remain about airport crowds, boarding, deplaning, mask compliance and other parts of the journey.

United says MileagePlus awards this November are almost 30% cheaper in miles compared with last November. The percentage of passengers traveling on awards is up, says Michael Covey, managing director of the MileagePlus program.

"As demand has come down on some of these routes, we've been able to offer MileagePlus award tickets at lower prices across our system," Mr. Covey says.

More airlines adjust award prices with the ups and downs of cash prices. But offering bargains with miles has taken on greater significance in the pandemic as frequent-flier programs have lost so much appeal. Since few customers are frequently flying, perks like seating upgrades, early boarding and free checked baggage have little value now. Making miles more useful can keep the programs attractive to consumers and keep them reaching for airline co-branded credit cards.

That's particularly important to airlines that have used their frequent-flier programs as collateral for billions of dollars in loans.

"We are very conscious of how we make our program valuable to our customers, probably never more than now," says Vasu Raja, American's chief revenue officer. "There are a number of things we are looking at to make it, first and foremost, attractive to be in the program." Availability of low-price award seats is part of that.

Tova Hornung of Seattle had a friend coming to visit from Reno, Nev., and found a round-trip ticket for only 12,500 miles on Alaska Airlines. She's used to seeing award ticket prices two and three times as high for domestic round trips.

"Right now we can go anywhere for like nothing," she says. "All of a sudden, mileage tickets are really cheap. I just wish we could go to Paris."

IdeaWorks priced award tickets at each airline's 10 busiest domestic routes and found the highest average price among the six biggest U.S. airlines was 21,800 miles at American. In IdeaWorks's 2019 survey, which covered May-October travel dates, American averaged 23,700 miles, or 9% more.

The gap at United was far wider: The survey for travel dates this November, including around Thanksgiving, averaged 12,833 miles, compared with an even 25,000 miles in the 2019 survey.

(Though the travel dates are different, Mr. Sorensen sees value in comparing the 2019 survey to 2020. Last year includes summer travel and this year Thanksgiving, so both are a mix of peak and off-peak travel periods. "It's a grapes-to-raisins comparison," he says.)

American says its awards connecting small cities are relatively cheap because of its strategy to fly more seats than competitors in those markets, and awards in top markets include flights between hubs where planes are fullest.

"The award pricing is a function very much of that capacity strategy" offering lots of connecting flights through hubs, Mr. Raja says.

Southwest ran counter to the trend other airlines showed. Southwest's November prices in its busiest markets averaged 15,502 points, compared with 7,367 in the 2019 survey.

After reducing capacity and limiting passenger loads so middle seats stay open, Southwest advance-purchase fares haven't been as cheap as in the past. The airline prices awards based on the cash price.

Southwest says it's still committed to low fares, which mean low-price award tickets, but the survey just happened to find higher prices. "The current volatility of schedules and market-by-market variance, plus the timing of when the shops were conducted, each could have played a role in those results," Jonathan Clarkson, managing director of marketing, said in a statement.

The pandemic survey also looked at the very busy New York-Los Angeles route and found average economy tickets ranging from 37,833 miles for Delta down to only 23,933 miles round-trip at American. United, which flies to Los Angeles nonstop from Newark, N.J., was also under 30,000 miles round trip on average.

Business class between New York and Los Angeles showed good deals and not-so-good. American's business class averaged 46,300 miles for a round-trip award ticket, less than half of what award tickets cost on average at United and Delta. American's cash price for business-class tickets on the same flights was almost \$1,400, so you'd get 3 cents for each AAdvantage mile, very good value for a domestic trip.

American's Mr. Raja says low-price first- and business-class awards reflects the lack of business travelers buying those premium seats.

JetBlue's Mint cabin was priced at 174,267 points on average—a steep cost at any time. In a statement, JetBlue said its pricing for awards aligns with demand. It's seeing strong demand for the limited number of Mint seats. "Redemption values are directly linked to fare prices and travel times such as the holiday peak starting in November," the company said.

In addition, the survey looked for connecting flights between small cities like Buffalo, N.Y., Boise, Idaho, and Grand Rapids, Mich. Airlines have really pulled back in smaller cities, leaving no more than a few flights a day on smaller regional jets. The reduced schedules make it harder to put together itineraries with connecting flights. Despite those limitations, award tickets remained affordable.

American, which has tried to maintain more of its small-city service than rival carriers, had the lowest average at 20,967 miles round-trip. United was highest at 38,900, but Mr. Covey says he thinks that number doesn't reflect most United markets.

"Customers, in general, are booking at a much lower average than that," he says.