



Airline frequent flyer programs by the numbers

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IdeaWorks contributed information to this article - - see italics.

A recurring theme in this blog is the complaint that there's no transparency in airline mileage programs. Consumers know exactly how many miles they are required to earn to reach various award levels, but they have no idea what their chances are of actually obtaining an award when they've met those targets.

If politicians ran the country as secretively as airline execs run their mileage programs, they'd be thrown unceremoniously out of office.

Because hard data is so hard to come by, analysts such as myself positively salivate at the prospect of financial mavens bringing some forensic accounting to bear on the mileage programs.

The IdeaWorks company knows its way around corporate financial statements and periodically gives the airlines' 10-Ks (official annual business and financial reports required for all public companies by the Securities and Exchange Commission) the once-over, with a particular focus on the airlines' mileage programs.

This week, IdeaWorks released its latest study, analyzing the performance of the programs in 2005.

Some highlights:

- *The frequent flyer programs of the nine largest airlines issued 15,581,000 reward tickets during 2005— up 6.5 percent over 2004 and a record.*
- *Award travelers amounted to 3 percent of the passengers carried on the airlines analyzed. But there was a wide range, from a mere 1.7 percent of available seats issued for awards by America West to 7.0 and 9.1 percent for other carriers.*

- *These airlines also posted a record reward liability of \$3.82 billion for miles earned but unused by program members.*
- *IdeaWorks estimates that the more than 60 percent of miles in the largest programs are earned through credit card use.*
- *While the airlines generally choose not to divulge how much revenue is generated by the sale of miles to program partners, Alaska reported \$180 million and United \$800 million.*

Notwithstanding IdeaWorks' efforts, the fundamental questions about the programs remain unanswered. Consumers are no closer to understanding what value the airlines place on their loyalty.