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Stockpiling miles, going nowhere

Value of frequent flier accounts declines as they get harder to redeem and air fares fall

by TONY MECIA

IdeaWorks contributed information to this article (see italics) and provided the data displayed in the graph.

To many travelers, stockpiling frequent flier miles has become a favorite pastime.

Sitting atop tens or hundreds of thousands of airline frequent flier miles can offer a psychological comfort, allowing people to dream of jetting off across the country or the world on some trip, sometime.

But travel experts say that hoarding miles is a bad idea these days.

With air fares falling, frequent flier awards are less valuable than they once were. With airplanes filling, award seats are harder to come by. And with the threat of some airlines disappearing, the future of some frequent flier programs is in doubt.

Those developments are causing major heartburn among frequent travelers, says Tim Winship, publisher of FrequentFlier.com, a Web site that offers advice and information on frequent flier programs.

"There's no question but that the level of frustration is at the highest levels I have ever seen," he said.

The average air fare fell 4 percent between the fourth quarters of 2003 and 2004, the Transportation Department reported last week. In Charlotte, fares dropped an average of 12 percent.

Although those drops are positive for travelers, they also mean the value of award tickets is falling, too.

Kevin Raymer of Charlotte decided to cash in some of his US Airways frequent flier miles to attend a wedding with his girlfriend over Memorial Day in St. Thomas. In December, the airline was asking \$700 apiece for the tickets, so he figured using award miles made sense, he says.

But two months later, the fare dropped to \$250 apiece, he says. Because that seemed so cheap, he wanted to reclaim his miles and pay the fare, but the airline wanted to charge \$75 per ticket to redeposit his miles in his account.

He refused to pay the fee and now feels frustrated that he could have spent a little bit of money on a good deal to the Caribbean instead of cashing in 60,000 frequent flier miles.

"That's why we save them up, you know?" he said. "I don't want to use them when it's not worth it."

But trying to use miles when you want to is becoming tougher, even as airlines are adding seats.

On 14 of the nation's largest airlines, a total of 14.7 million passengers traveled on frequent flier awards last year, a decrease of 2.1 percent from 2003, according to a survey of securities documents released last week by IdeaWorks Co., a Wisconsin consulting firm that specializes in airline loyalty programs.

"The numbers support what a lot of people believe -- that it's becoming more difficult to redeem these rewards," said IdeaWorks president Jay Sorensen.

While most airlines saw drops in the number of award passengers, US Airways saw a big surge, most likely because of travelers burning frequent flier miles on warnings of the airline's potential shutdown. Award use on US Airways, which has its largest hub in Charlotte, climbed to 1.5 million passengers, up 25 percent over 2003, the study said.

Experts say airlines are cutting the availability of reward seats to try to maximize revenue. Squeezing as much money as possible has become more important to airlines, as most struggle financially in the face of high fuel costs and lower fares.

To use your frequent flier miles most efficiently, they offer this advice:

- Book early. Airlines enter flights in computer systems 330 days ahead of time. If you can plan that far ahead, cash in the miles when reservations for the flight first open.
- Book late. Airlines often open additional seats for award travel as the departure date nears. Check on seat availability within two weeks of the flight you want and keep trying.
- Use more miles. If you redeem about twice as many miles, airlines typically lift many of the limits on award seats. For instance, a domestic ticket for summer travel on US Airways usually costs 25,000 miles, but for 50,000 miles, there is a much greater selection of seats and no Saturday-night stay requirement.

- Travel during offseason. Finding a reward ticket to Florida over spring break or Europe over the summer can be tough. Florida in the summer and Europe in winter can be easier.
- Travel to business destinations. Tickets to Indianapolis or Cleveland might be easier to come by than tickets to Las Vegas or San Francisco.

Above all, avoid the impulse to rack up miles with no plan for how to use them, Winship says.

"It is a deep, dark fact of human psychology, the hoarding instinct," he says. "People do it even in the face of the facts. If we were talking about owning a stock and sitting on it, knowing its value were on the decline, that would simply be irrational."

Tighter rebooking deadlines

Some business travel groups are protesting a recent decision by Northwest Airlines to shorten the time passengers have to rebook canceled tickets. On nonrefundable tickets, Northwest is now allowing travelers just 90 days to rebook a ticket after canceling it. Previously, travelers had 365 days.

Kevin Mitchell of the Business Travel Coalition fears Northwest's move will spread to other airlines and limit the options of travelers to alter tickets when their travel plans change.

"It's like so many of these other decisions in the last couple years that customers don't like," he said.

"They're driving corporations and business travelers to the low-fare competitors."

Use Them or Lose Them

Percentage of unredeemed frequent flier miles by carrier

<i>Airline</i>	<i>% of miles unused</i>
<i>JetBlue Airways</i>	<i>70</i>
<i>Delta Air Lines</i>	<i>46.7</i>
<i>Midwest Airlines</i>	<i>24</i>
<i>US Airways</i>	<i>20</i>
<i>United Airlines</i>	<i>17.6</i>
<i>Southwest Airlines</i>	<i>14</i>
<i>Alaska Airlines</i>	<i>12</i>

SOURCE: IdeaWorks Co. survey of securities documents