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To Get The Most From Your Frequent Flier Miles, Book Business Or First Class

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This article is based upon a report issued by IdeaWorksCompany

I don't know about you, but every time I redeem frequent flier miles for a plane ticket, I wonder whether I'm getting my money's worth. Or my non-money's worth, as it were.

Turns out that the biggest bang for sky-bucks comes from booking a first class ticket to a far-flung destination. That's the finding of a new study by Shorewood, WI-based IdeaWorks. It compared mileage needed to book a variety of flights and fare classes versus paid tickets. "The answer was clear," the study says. "Booking first class travel to Hawaii, Europe or Asia provides best value for redeeming frequent flier miles."

Essentially, the more expensive the paid ticket, the more each mile was worth toward it. Say a domestic economy class ticket costs \$362. If you redeem 25,000 miles to book it, each mile is worth 1.4 cents. On the other end of the scale, if you redeem 135,000 miles for an international first class ticket (paid value \$6,929), each mile is worth 5.1 cents.

"Because business and first class tickets are generally several times as expensive as economy tickets, it tends to be true that you get more value per mile when redeeming for awards in premium classes," says Eric Rosen, managing editor of ThePointsGuy.com.

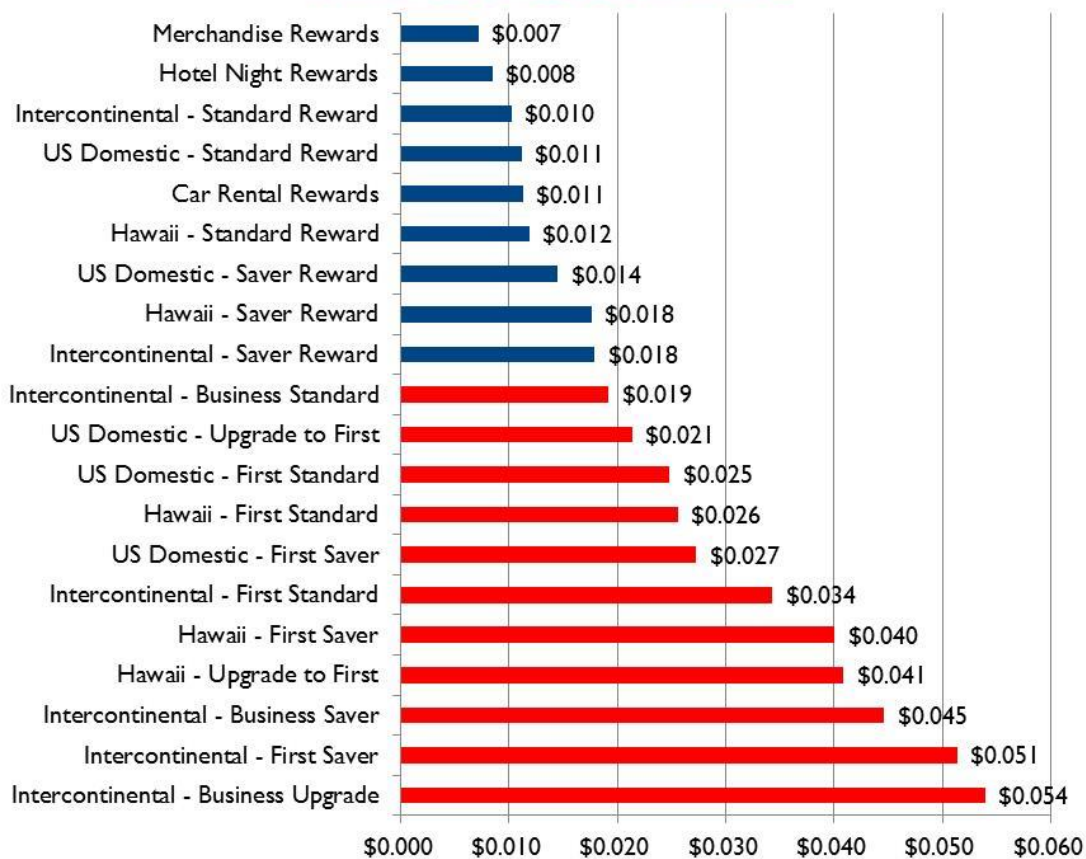
One catch: The study called these tickets "the most challenging seats to find." During the research period in March 2013, researchers "began by seeking seats in the first half of October 2013. Oftentimes, the search continued from November to February until saver seats were found for London or Tokyo." (Saver seats require the fewest miles.) Seasoned frequent fliers book their tickets 11 months ahead, the study says.

The lesson for travelers: if you have a lot of mileage in your account, save it for a big trip, and book your travel as early as possible.

IdeaWorks, a consulting firm specializing in airline industry revenue, based its calculations on United Airlines' MileagePlus program. IdeaWorks president Jay Sorensen says it's the industry's largest frequent flier program and "the competitive landscape has made all reward charts very similar, especially in the U.S." United has two types of awards for frequent flier tickets: saver awards, which require the fewest miles but have limited seat availability, and standard awards, which require more miles but have greater availability. United also allows passengers to use mileage to upgrade, though often with additional fees, and to redeem miles for goods and services. Click on the graphics to see the complete results.

Chart I: Mileage Value by MileagePlus Reward Category

Premium class rewards are shown in red



Source: IdeaWorksComany reward and fare queries conducted 17 July 2013 for October, 2013 to February 2014 travel dates.

"The same valuations might not be true with Delta, for example," notes Brian Kelly, the Points Guy. "That airline tends to make their premium awards exponentially more expensive than redeeming for coach in many cases." Other frequent flier programs, such as Southwest's, aren't based on mileage but on amount spent with the airline.

Table I: MileagePlus Air Rewards – Mileage Value Assessment					
Type	Cabin Class	Region	Mileage Level	Average Fare (less fees and taxes)	Mileage Value
Saver Rewards	Economy	US Domestic	25,000	\$362	\$0.014
		US – Hawaii	40,000	\$703	\$0.018
		Intercontinental	60,000 to 65,000	\$1,118	\$0.018
	Business	Intercontinental	100,000 to 120,000	\$4,904	\$0.045
	First	US Domestic	50,000	\$1,363	\$0.027
		US – Hawaii	80,000	\$3,203	\$0.040
		Intercontinental	135,000	\$6,929	\$0.051
Standard Rewards	Economy	US Domestic	50,000	\$558	\$0.011
		US – Hawaii	80,000	\$947	\$0.012
		Intercontinental	110,000 to 130,000	\$1,226	\$0.010
	Business	Intercontinental	250,000 to 300,000	\$5,268	\$0.019
	First	US Domestic	100,000	\$2,482	\$0.025
		US – Hawaii	160,000	\$4,091	\$0.026
		Intercontinental	295,000 to 320,000	\$10,536	\$0.034
Confirmed Upgrade Rewards*	First	US Domestic	40,000 + \$150 fee	\$854 net savings	\$0.021
		US - Hawaii	55,000 + \$250 fee	\$1,634 net savings	\$0.041
	Business	Intercontinental	40,000 + \$1,100 fee 60,000 + \$1,200 fee	\$2,158 net savings	\$0.054

Source: IdeaWorksCompany reward and fare queries conducted 17 July 2013 for October, 2013 to February 2014 travel dates. * Note, upgrade mileage levels and co-pays were those observed for booking queries.

Although international and premium class tickets may be the best value, Rosen says that deals are still possible even at the lowest-tier 25,000 miles for domestic economy class. Before booking, he advises passengers to “calculate your per-mile value by dividing the price of the fare over the number of miles you have to redeem for it.” If the purchase price is \$900, then each mile is worth a decent 3.6 cents; at \$250 a ticket, each mile would be worth a mere penny.