Issued: April 4, 2007
Contact: Jay Sorensen, 414-961-1939
IdeaWorksCompany.com

Frequent Fliers Rank New York - Los Angeles as the Top Market for Reward Travel in the United States

IdeaWorks releases report listing the top 15 market choices for standard frequent flier rewards on the mainland routes of U.S. airlines.

Infamous bank robber and FBI fugitive Willie Sutton once was asked why he robbed banks. He replied, "Because that's where the money is."(1) Mr. Sutton's wisdom might also answer why frequent fliers choose their most popular reward markets - - "that's where the seats are." A search of flights in the top-ranked reward airport pair, JFK - LAX, yielded an amazing choice of 46 daily departures on a typical weekday during March.(2) This vast supply of flights and seats, and the vacation allure of L.A. and the Big Apple, may be the attributes that spur reward activity between these cities.

"What are the most popular markets for reward travel?" The IdeaWorks Company recently answered this question when it completed an analysis of data available from the U.S. Department of Transportation. The 2005 data shows the top airport pairs chosen by frequent flier members for their free reward travel based upon the presence of "zero-fare" passengers.

Many factors may explain why these markets are popular with frequent flier members. The markets in the top 15 list may reflect a consumer preference for cultural and entertainment hubs such as New York City, Los Angeles, San Francisco, and Boston. Or they may simply reflect a list of the larger air travel markets in the United States. Undoubtedly the status of New York, Los Angeles, San Francisco, and Boston as major U.S. population centers is a key factor.

The markets in the top 15 list were compiled from airport pairs that qualify for free travel at the standard reward level of 25,000 miles. The majority of rewards on U.S. airlines occur at this capacity-controlled level; Alaska Airlines reports over 75% of its free reward travel has limits placed on seat availability.(3) Other reward choices significantly below or above the 25,000-mile level were excluded from the analysis. For example, Honolulu - Los Angeles LAX (at a standard level of 35,000 miles) and Honolulu - Maui (at a reduced level of 5,000 to 10,000 miles) are popular destinations that did not meet the criteria of standard reward applicability.

The Top 15 Reward Markets

The following table lists the top 15 airport pairs for standard reward travel within the mainland (48 contiguous states) United States for calendar year 2005. This is the most current data available; the DOT will release data for 2006 later this year. The "Total Passengers" column includes fare-paying and zero-fare passengers as reported by all U.S. airlines. The "Reward Passenger" column lists the number of zero-fare passengers carried by all U.S. airlines. The far right column lists reward passengers as a percentage of total passengers.

Top 15 Mainland USA Reward Markets for 2005				
Rank	**Airport Pairs**	**Total Passengers**	**Reward Passengers**	**% Reward**
1	New York JFK - Los Angeles LAX	1,624,330	158,670	9.8%
2	New York JFK - San Francisco SFO	1,010,440	121,180	12.0%
3	Newark - Los Angeles LAX	887,060	120,690	13.6%
4	Boston - San Francisco SFO	686,040	93,800	13.7%
5	Newark - San Francisco SFO	648,420	84,860	13.1%
6	New York LaGuardia - Chicago O'Hare	1,515,000	83,210	5.5%
7	Los Angeles LAX - Chicago O'Hare	1,105,960	78,760	7.1%
8	Chicago O'Hare - San Francisco SFO	654,540	78,430	12.0%
9	Boston - Los Angeles LAX	691,790	75,770	11.0%
10	Atlanta - New York LaGuardia	1,530,140	75,620	4.9%
11	Dallas Ft. Worth - New York LaGuardia	832,470	67,930	8.2%
12	Phoenix - Seattle	782,080	65,170	8.3%
13	Los Angeles LAX - Seattle	894,650	63,010	7.0%
14	Washington Dulles - Los Angeles LAX	700,530	61,070	8.7%
15	Newark - Las Vegas	755,560	59,390	7.9%

The list is dominated by the states of New York and California, which touch every market pairing with the exception of #12 Phoenix - Seattle. Surprisingly, the major vacation destinations of Las Vegas, Phoenix and Orlando are nearly absent from the list. Florida is completely absent, and Las Vegas and Phoenix only make a single appearance.

The "% Reward" column reveals the number of reward travelers carried as a percentage of total passenger traffic in the market. The average among the top 15 markets is 9.2%, with a high of 13.7% for Boston - San Francisco SFO, and a low of 4.9% for Atlanta - New York LaGuardia. Defined in practical terms, 9.2% would approximate 15 reward travelers on a Boeing 767 with a typical load of 160 passengers. These results mirror the activity reported by the airlines in their annual reports, in which reward occupancy on airline networks ranges from 7.0% to 9.1% of total revenue seat miles (RSMs).[4]

Zero-Fare Data and Reward Travel

The analysis is based upon data generated by the DOT Origin and Destination Survey of Airline Traffic ("DOT 10% Sample Data"). Airlines submit a 10% sample of revenue passenger tickets to the DOT. Frequent flier reward travelers are not specifically defined in the DOT data and are actually included among an airline's fare paying "revenue" passengers.

The analysis performed by IdeaWorks relies upon an algorithm to determine the number of zero-fare passengers in the DOT database. Reward travel is designated by a zero-fare or nearly zero value (set at a maximum of $25 for a domestic roundtrip) after aviation taxes and security fees are deducted.

These zero-fare tickets essentially represent reward travel taken by frequent flier program members. Other travel activity, such as the redemption of "denied-boarding compensation" as full or partial payment of a ticket, may also be counted in the zero-fare category. The occurrence of non-reward traffic in the zero-fare category is believed to be very low.

IdeaWorks verified the validity of the zero-fare methodology by comparing results generated from the database against known frequent flier statistics. Southwest Airlines is a purely domestic airline and all of its traffic is represented in the DOT database. The airline publishes annual frequent flier reward activity in its SEC Form 10-K annual reports. Southwest reported it carried 2.6 million reward passengers during 2005. IdeaWorks found this is the same reward travel statistic reported under the zero-fare method for the same period.

Observations and Conclusions

Reward markets don't necessarily reflect the top passenger markets in the United States. Of the top 15 reward markets, only 5 of them would appear in a listing of the top 15 markets for paid-fare travel. Obviously, larger passenger markets are likely to be more popular with reward travelers. However other factors appear to influence the presence of reward travel.

This includes intangible attributes such as the attractiveness of a destination for tourism. Or, members may simply be trying to maximize the mileage flown on a reward ticket by choosing longer haul transcontinental markets. Quantifiable factors may include the size of the origin market; big cities such as New York and Los Angeles naturally produce more passenger traffic. And, more flights generate more reward seats.

Perhaps the presence of a robust competitive environment contributes to greater reward seat availability. Dominant airlines might relinquish fewer free seats where competitive pressures are weak or non existent. This theory is perhaps supported by the lack of a single dominant carrier in California and New York; these states are well served by American, Continental, Delta, United, and US Airways.

Could member choices be influenced to benefit the airlines? "Fun" does seem to be a factor. Seat availability is most certainly a factor and a rampant consumer complaint. Airline management could note these factors and try to market less obvious (and more available) destinations as possible alternatives. Could some families be tempted from a summer trip to California by a reward sale for a less popular destination closer to home? Airlines could package alternative destinations for families or couples with partner discounts on hotel stays and car rentals.

The concept of packaging highlights the tourism aspect that is an often ignored factor of reward travel. Partners such as hotels and car rental companies aggressively market their services and destinations to paid-fare passengers. Yet these same marketers - - to include visitor bureaus - - often forget the millions of passenger trips generated by frequent flier reward travel. It would appear approximately 10% of airline visitors to California and New York are reward travelers. This revealing statistic may provide a new perspective to marketers seeking to attract customers to their hotels, attractions and destinations.

About IdeaWorks: IdeaWorks was founded in 1996 as a consulting firm building brands through innovation in product, partnership, and marketing, and building profits through financial improvement and restructuring. Its international client list includes the hotel, airline, marine, railroad, consumer products and health care sectors. IdeaWorks specializes in brand development, profit improvement, competitive analysis, creating partner-marketing strategies, cost reduction programs and business restructuring. IdeaWorks brings value as a consultant by researching the expectations of the customer, learning from the wisdom of the client organization and applying innovative ideas to create solutions for clients and consumers. Learn more by visiting: IdeaWorksCompany.com.

Disclosure: IdeaWorks makes every effort to ensure the quality of the information in this report. Before relying on the information, readers should obtain any appropriate professional advice relevant to their particular circumstances. IdeaWorks cannot guarantee, and assumes no legal liability or responsibility for the accuracy, currency or completeness of the information.

Endnotes:

1 Federal Bureau of Investigation web site, FBI History: Famous Cases, Willie Sutton. March, 2007. http://www.fbi.gov/libref/historic/famcases/sutton/sutton.htm.
2 OAG Travel Information, online flight lookup performed for flights operating March 27, 2007, www.OAG.com.
3 Alaska Air Group, Form 10-K Annual Report for 2005, www.AlaskaAir.com.
4 Frequent Fliers Reach New Heights with More Than 15 Million Reward Trips During 2005. May 22, 2006. www.IdeaWorksCompany.com.