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Five Frequent Flier Programs Accrue Revenue of \$7 Billion

IdeaWorks analyzes how loyalty programs pour cash into airline coffers.

September 12, 2011, Shorewood, Wisconsin – The chairman of a leading European airline once dismissed frequent flier programs as an “American disease” that offered no allure for the more sophisticated European traveler. Some disease: Billions of dollars pour into airline accounts from FFPs. Europe now boasts more frequent flier programs than the US, and the FFP phenomenon has spread worldwide. Beliefs are sometimes hard to dispel, and too many airline executives still think frequent flier programs damage the bottom line. But it’s impossible for critics to ignore the \$7.1 billion accrued by the programs at American, Delta, Continental, Qantas, and United.

Let’s face it - - consumers enjoy reward travel. And major airlines have always enjoyed the marketing power these programs offer. But savvy airline executives know these programs also provide piles of cash from the sale of miles and points to partners, the a la carte fees associated with reward travel, and the revenue members provide the airlines when they buy more travel. With billions of revenue each year, loyalty marketing delivers a tremendous benefit to the bottom line of airlines all over the world. IdeaWorks offers its **Loyalty by the Billions** report as a rebuttal to any airline CEO who says, “Frequent flier programs cost too much money.”

The following are examples from the report:

- An estimated 1.25 percent of American’s 64 million AAdvantage members account for 26 percent of the carrier’s passenger revenue in 2009.
- The Delta SkyMiles co-branded card portfolio had charge activity exceeding \$35 billion for 2010 . . . more than the annual revenue of the airline.
- United Mileage Plus, along with many other programs worldwide, generates tens of millions in revenue by selling miles direct to members.
- Air Canada/Aeroplan, American, Delta, Continental, and United now offer elite credit cards that provide even more revenue by charging \$400+ annual fees and including annual perks such as checked baggage, lounge access, and priority boarding.

Loyalty by the Billions was released today as a free 10-page report sponsored by ezRez Software. The full report is available at the IdeaWorks website: www.IdeaworksCompany.com/news.

About IdeaWorks: IdeaWorks was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing, and building profits through financial improvement and restructuring. Its international client list includes airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorks specializes in ancillary revenue improvement, brand development, customer research, competitive analysis, frequent flier programs and on-site executive workshops. Learn more at IdeaWorksCompany.com.

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