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Southwest, airberlin, Virgin Australia Still Tops For Rewards, But Delta and Turkish Airlines Make Big Leaps Upward

*IdeaWorksCompany releases results from the 5th annual
Switchfly Reward Seat Availability Survey.*

May 8, 2014, Shorewood, Wisconsin - - Value-oriented airlines dominate the results in the 5th annual **Switchfly Reward Seat Availability Survey**. Airberlin, Southwest, and Virgin Australia have placed within the top six slots for every edition of the reward survey since 2010. For 2014 airberlin and Southwest share first place with outstanding 100% scores; every flight queried in the survey provided reward seats at saver-style levels. The 25 carriers in the survey remained the same as 2013, except China Southern replaced AirTran as the latter continues to be absorbed by its parent Southwest Airlines.

The Switchfly Reward Seat Availability Survey is based upon 7,640 booking queries made by the IdeaWorksCompany at the websites of 25 frequent flier programs during March 2014. Travel dates spanned June through October 2014, with top routes for each carrier checked to assess "saver style" reward seat availability.

Two perennial laggards, Turkish and Delta, experienced sizeable year-over-year improvement for the 2014 survey. The largest-ever improvement over the 5-year history of the survey was posted by Turkish Airlines. The Miles&Smiles program jumped an amazing 45.7 points from a near-bottom 2013 placement of 40% overall reward availability to 85.7% for 2014. The airline recently announced improvements to its frequent flier program which included the promise of more reward seats to "improve the level of satisfaction of the esteemed members." Very quickly, Turkish has become one of the best-rated global loyalty programs for reward availability instead of one of the worst.

Delta Air Lines shook up the loyalty world last winter when it announced it will adopt a revenue-focused approach for 2015. Accrual will be tied to the fares paid by members, rather than the traditional approach of actual distance flown. The carrier said it would provide "more award seats available at the lowest redemption levels" starting in 2015. Well, a new level of generosity is already noticeably apparent in the 2014 survey results. Overall reward availability for SkyMiles is now tied with American Airlines at 55%, and that's up 18.6 points from last year's paltry bottom-of-the-chart showing of 36.4%. The change is largely due to much improved saver-level results for queries involving US domestic rewards in the contiguous 48 states.

Continuing an ongoing theme from prior years, survey findings indicate frequent fliers are better served by the reward programs at value-oriented airlines. The average among the six value-oriented airlines in the survey was 95.8%, almost identical to the 2013 result of 96%. The other more traditional carriers in the survey group registered 65%, which is better than the 2013 average of 61.5%. The following table summarizes the overall reward availability results of the 2014 survey:

Switchfly Reward Seat Availability Survey				
Overall Reward Availability				
Ranked High to Low – Seat Availability for June – October, 2014				
Rank	% Total Availability	Airline	Program Name	Change from 2013 to 2014
1 (tie)	100.0%	airberlin	Topbonus	No change
	100.0%	Southwest	Rapid Rewards	No change
2	99.3%	Virgin Australia	Velocity Rewards	↑0.7 points
3	92.9%	JetBlue	TrueBlue	↑4.3 points
4	92.1%	AirAsia	BIG	↑2.1 points
5	90.7%	GOL	SMILES	↓9.3 points
6	86.4%	Singapore	KrisFlyer	↓2.2 points
7	85.7%	Turkish	Miles&Smiles	↑45.7 points
8	85.0%	China Southern	Sky Pearl Club	New for 2014
9	82.1%	Lufthansa/SWISS/Austrian	Miles & More	No change
10	81.4%	Cathay Pacific	Asia Miles	↑25.0 points
11	80.7%	Air Canada	Aeroplan	↑14.3 points
12 (tie)	76.4%	Air China	PhoenixMiles	↓2.9 points
	76.4%	Qantas Group	Frequent Flyer	↓10.0 points
13	72.1%	British Airways	Executive Club	↑6.4 points
14	71.4%	United Airlines	MileagePlus	↓8.6 points
15	58.6%	Alaska Airlines	Mileage Plan	↑2.2 points
16 (tie)	55.0%	American Airlines	AAdvantage	↑6.4 points
	55.0%	Delta Air Lines	SkyMiles	↑18.6 points
	55.0%	SAS Scandinavian	EuroBonus	↑3.6 points
17	54.3%	LAN	LANPASS	↓0.7 points
18	51.4%	Air France/KLM	Flying Blue	↓26.5 points
19	50.7%	Emirates	Skywards	↑5.7 points
20	35.0%	US Airways	Dividend Miles	↓1.4 points
21	22.1%	AviancaTaca	LifeMiles	↓32.2 points

% of Total Availability = Percent of queries that result in outbound and return reward seats. See “Notes regarding reward query methodology” at the end of this press release. Value oriented airlines: Air Asia, airberlin, GOL, JetBlue, Southwest, and Virgin Australia.

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Saver-style rewards are an important benefit for most members and the primary topic of this survey. The “% of Total Availability” column represents the frequency of queries which produced one or more available flights for a roundtrip pair of travel dates. A minimum of two seats was required for each outbound and inbound reward reservation query. For example, the 99.3% result for Virgin Australia reflects the fact that 278 of the 280 outbound and inbound date queries provided a minimum of one flight in each direction with at least two available saver-style reward seats. The right-hand column compares 2014 results to the Reward Seat Availability Survey conducted by the IdeaWorksCompany in 2013.

“Value-oriented airlines continue to lead reward seat availability but network carriers continue to improve as sweeping changes across loyalty programs affect the mega-carriers’ most loyal members,” said Daniel Farrar, CEO of Switchfly. “This is certainly good news but it will remain incumbent on travelers to search for redemptions that capture the greatest value as airlines continue the sea-change toward operating their loyalty programs as profit centers.”

The fate of the world’s reward travelers improved noticeably for 2014. Overall reward seat availability for the 25 carriers increased by 1.3 points to 72.4%. Airlines seem surprisingly eager to provide more reward seats as fare-paying-passenger business slowly rebounds from the last recession. Normally, airlines would prefer to sell these seats to cash-paying customers. But as evidenced by the results, 14 have increased or maintained their level of generosity, while 9 have opted to be less generous. Caution is advised, however, as carriers are beginning to increase reward levels for premium class travel to provide better alignment with higher fares and increased demand.

The winds of change are beginning to blow for frequent flier program members in 2014. Early signs indicate a growing divide between premium-fare fliers and budget travelers. While Delta shot up in the reward availability rankings for 2014, the carrier also introduced other changes to its loyalty business. Higher yield passengers, notably those buying higher fare business and first class tickets, will accrue more miles. Budget travelers will earn appreciably fewer miles. This provides evidence of the importance placed on how much members spend . . . not just the distance they fly.

Delta’s announcement on 26 February 2014 was dramatic and will likely lead to similar changes at American, United, and every other major program in the world. Effective in 2015, mileage accrual – it should be called “point accrual” in the future – will be linked to the fare paid and the elite status of the traveler. This will range from 5 points per dollar spent on base fares for members without status, and up to 11 points for Diamond level members. The new method produces a windfall of miles for members paying higher fares. Booking a business class seat for roundtrip travel between Atlanta and Munich costs \$7,412 plus taxes. The 2015 accrual rate for a Diamond Medallion member is set at 11 miles per dollar for total possible accrual of 81,532 miles (during 2014 the member accrues 26,301 miles). However, Delta has capped maximum accrual at 75,000 miles per ticket.

Yes, that 2015 business trip will provide enough miles for three US roundtrip rewards (three saver rewards at 25,000 miles each). All this generosity does have a cost; general members buying supersaver fares will experience very real mileage devaluation. Traveling roundtrip in economy class between Atlanta and San Francisco now provides mileage-based accrual of 4,278 for a general member. The new revenue-based method drops that to 1,710 when a \$342 supersaver fare is purchased. The overall outcome of these changes will probably reduce the number of miles accrued systemwide, because the majority of an airline’s travelers purchase lower priced fares. But kudos for Delta for finding a solution that lifts the carrier from its bottom-of-the-chart placement.

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Long-haul flight reward availability provides an exceptional measure of which programs best meet the needs of very frequent fliers. If you live in Europe, these rewards provide access to alluring places such as California and Thailand, or if you live in the US or Canada, it's reliable favorites like London and Paris. These rewards require more miles and are most accessible to high-flying travelers or those with big balances courtesy of co-branded credit cards.

Long-Haul Flights Reward Availability (2,500+ miles) Ranked High to Low – Seat Availability for June – October, 2014				
Rank	% Total Availability	Airline	Program Name	Change from 2013 to 2014
1	84.3%	Air Canada	Aeroplan	↑22.9 points
2	81.4%	Singapore	KrisFlyer	↓12.9 points
3	75.7%	Turkish	Miles&Smiles	↑70.0 points
4	74.3%	China Southern	Sky Pearl Club	New for 2014
5	72.9%	Cathay Pacific	Asia Miles	↑47.1 points
6 (tied)	64.3%	Lufthansa/SWISS/Austrian	Miles & More	No Change
	64.3%	United	MileagePlus	↓11.4 points
7 (tied)	54.3%	Air China	PhoenixMiles	↓5.7 points
	54.3%	British Airways	Executive Club	↓1.4 points
	54.3%	Qantas Group	Frequent Flyer	↓18.6 points
8	51.4%	Emirates	Skywards	↑17.1 points
9	45.7%	Air France/KLM	Flying Blue	↓20.0 points
10	37.1%	American	AAdvantage	↑4.3 points
11	24.3%	LAN	LANPASS	↓1.4 points
12	21.4%	Delta	SkyMiles	↑10.0 points
13	17.1%	Alaska Airlines	Mileage Plan	↓10.0 points
14	10.0%	Scandinavian	EuroBonus	↑4.3 points
15	7.1%	Avianca/Taca	LifeMiles	↓38.6 points
16	2.9%	US Airways	Dividend Miles	↓1.4 points

% of Availability = Percent of queries that result in outbound and return reward seats. See "Notes regarding reward query methodology" at the end of this press release. 19 of the 25 programs were queried for long-haul reward availability. For these carriers, 2,500+ mile routes represented a meaningful portion of overall flight activity.

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Overall demand is high for these destinations and supply is typically limited to one to three widebody flights per day. Suffice to say, airlines are always struggling to meet member expectations for reward seats. This makes the results posted by Air Canada and Singapore all the more amazing with reward seats found for more than 80% of the queries for the top-demand period of June through October. Turkish Airlines deserves special mention because its 75.7% result for 2014 is an astounding improvement over the 5.7% result from 2013.

Smaller carriers with limited long haul route structures, such as Alaska, Avianca/Taca, and Scandinavian, do face a special challenge in this reward category. It should be noted Alaska and Scandinavian were found to offer 100% reward seat availability in the survey of medium-haul markets of 251 to 2,500 miles. Perhaps it's their attempt to over-compensate for the known lack of reward seats to long-haul destinations.

Reward prices were noted for all 250 to 2,500 mile queries for the eight airlines based in the US and Canada. These statistics offer a snapshot of the average reward price associated with their top markets. The results indicate the pay-with-points method used by Southwest and JetBlue provides better value than airlines using traditional reward pricing. It's safe to assume miles and points for these eight carriers provide similar value. The accrual rate associated with the co-branded credit cards (typically the largest source of accrual) offered by the eight carriers is the same; one mile or point is accrued for each \$1 of everyday purchases.

Average Reward Prices Top 251 - 2,500 mile reward markets		
Airline	Program name	Average per R/T
Southwest	Rapid Rewards	7,887 points
JetBlue	TrueBlue	17,626 points
Alaska Airlines	Mileage Plan	23,429 miles
Air Canada	Aeroplan	23,654 miles
Delta	SkyMiles	26,179 miles
United	MileagePlus	27,786 miles
American	AAdvantage	29,107 miles
US Airways	Dividend Miles	31,082 miles

As has been our practice since the survey was introduced in 2010, all the carriers and frequent flier programs chosen for the analysis meet two key criteria. First, they are among the largest airlines based upon passenger traffic reported for 2012. Second, the online reward booking website must allow reward queries to be conducted during March for a June through October flight period and be available in English. When offered, online reward availability for partner airlines was always requested; rewards fulfilled by calling the airline were not. Online access is important for consumers; a major US carrier disclosed more than 90 percent of its domestic reward bookings are made online. The survey is designed to focus on this important consumer attribute.

The results of the 5th annual Switchfly Reward Seat Availability Survey provide good news for consumers frustrated by the lack of reward seat availability. In addition, airlines are determined to lure more premium fare travelers by showering them with miles. But all this generosity has a cost . . . and that's the mileage devaluation that budget fare travelers will certainly experience in the future.

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Notes regarding reward query methodology: *Booking queries for a party of two travelers were made at frequent flier program websites during March 2014. Some airlines require a Saturday night stay for reward travel; all of the queries used date pairings that included a Saturday night stay. While the city pairs varied for each frequent flier program, the travel dates did not. 280 specific dates were selected for survey queries and only reward seat availability for travel on the date specified was recorded; any departure time was acceptable. Furthermore, reward travel had to be available on the outbound and return dates queried. Overly circuitous routings with long elapsed travel times and layovers longer than 4 hours were not accepted.*

Survey results reflect the availability of saver-style rewards (capacity controlled seats) with two exceptions. For Southwest, Anytime or Wanna Get Away rewards priced up to 25,000 points (roundtrip) qualified as reward travel. For JetBlue, rewards priced at 25,000 points (roundtrip) qualified as reward travel.

The top 10 routes (based upon total seats offered for sale during a 12-month period) longer than 2,500 miles and the top 10 medium-haul routes (251 to 2,500 miles) were selected for each airline. Alaska Airlines was switched to this methodology for 2013 due to the carrier's increased emphasis on the Hawaii market. Due to a lack of long-haul routes, the top 20 overall routes were queried for these airlines: Air Asia, GOL, JetBlue, Southwest, and Virgin Australia. Ten top Europe - Palma de Mallorca city pairs (out of 20) were substituted for airberlin to reflect the carrier's major Mediterranean emphasis on holiday flights.

About Switchfly: Switchfly, Inc. is a global technology company that powers travel booking and loyalty redemption solutions for some of the world's most recognizable brands across travel, loyalty, financial services and ecommerce. World-class products delivered via a flexible software-as-a-service platform let clients easily launch and maintain a complete online travel and loyalty experience superior to any online travel agency. Tailored to their customer needs while maintaining a full brand match, Switchfly solutions drive stronger customer engagement, enhance brand loyalty and increase revenue. Founded in 2003 and headquartered in San Francisco, the Company generates more than \$1 billion in revenue for its clients annually and has facilitated the redemption of more than 100 billion reward points and miles. The company's global client roster includes American Airlines, Emirates, JetBlue and LAN Airlines; IAG Avios, Lufthansa Miles & More and United MileagePlus; InterContinental Hotels Group and Starwood Hotels; Expedia, Orbitz, Priceline and Groupon. For more information, visit <http://www.switchfly.com>.

About IdeaWorksCompany.com: IdeaWorksCompany 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. IdeaWorksCompany 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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