



SATOV

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Airline loyalty programs

Airline revenue buckets

Primary buckets



Ancillary buckets



What is a loyalty program?



Marketing strategy designed by airlines to encourage customer loyalty and repeat business. Members accrue miles that can be redeemed and climb status tiers based on flying activity.

How are miles/ points earned?

Flight-based earnings

Based on flight distance, fare class

Partnership earnings

Hotels, car rentals, retail outlets

Credit card partnerships

Co-branded credit cards

How are they redeemed?

Flights

Points can be redeemed for flights, upgrades, and other in-flight services

Partnership redemptions

Points can be redeemed with partners for merchandise

What are status membership tiers?

Tiers

Proportional to spending and activity with airline, different tiers unlock benefits

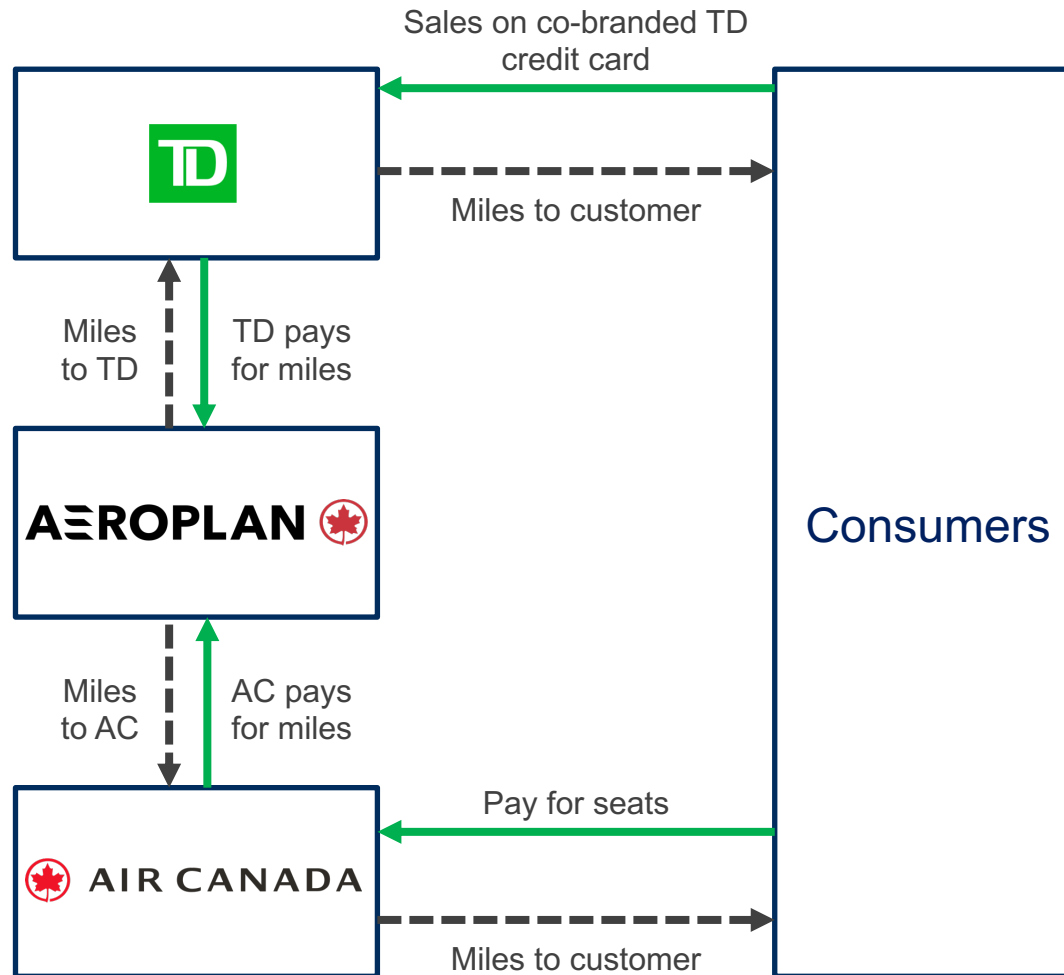
Status benefits

Special perks like early boarding, bag allowance, upgrades...

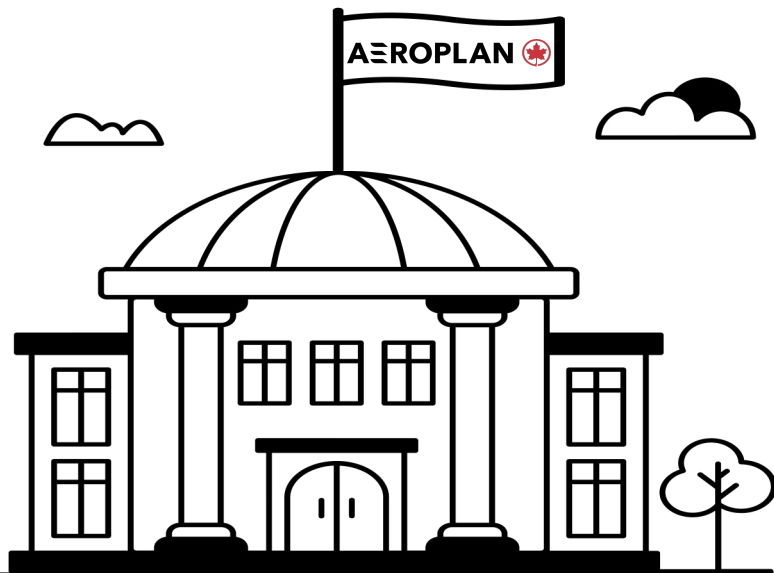
\$ transfer

Miles/points transfer

Mechanics of airline loyalty programs



The central bank of Aeroplan



Aeroplan issues its own virtual currency

Aeroplan controls the supply

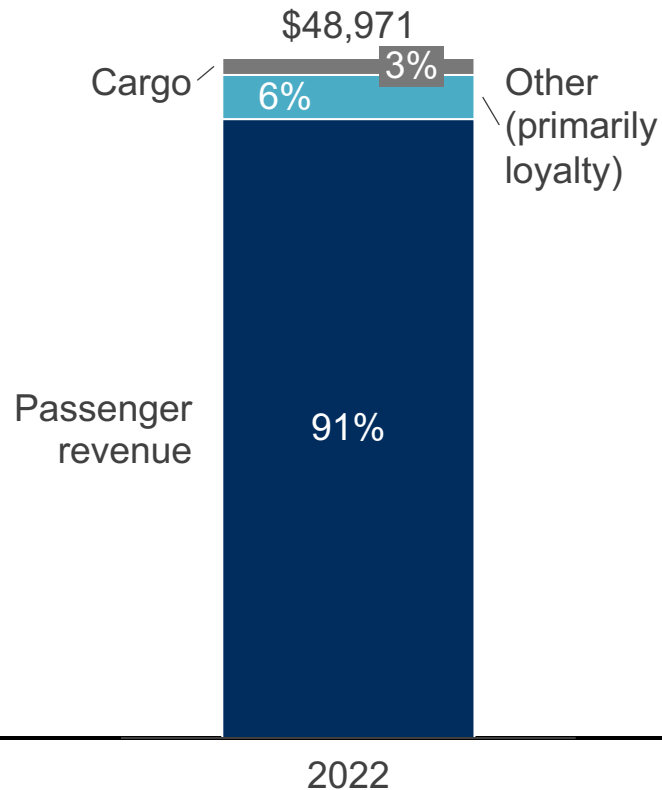
Aeroplan controls the availability of goods points can be spent on

Aeroplan controls the redemption value of points

American Airlines revenue deep dive

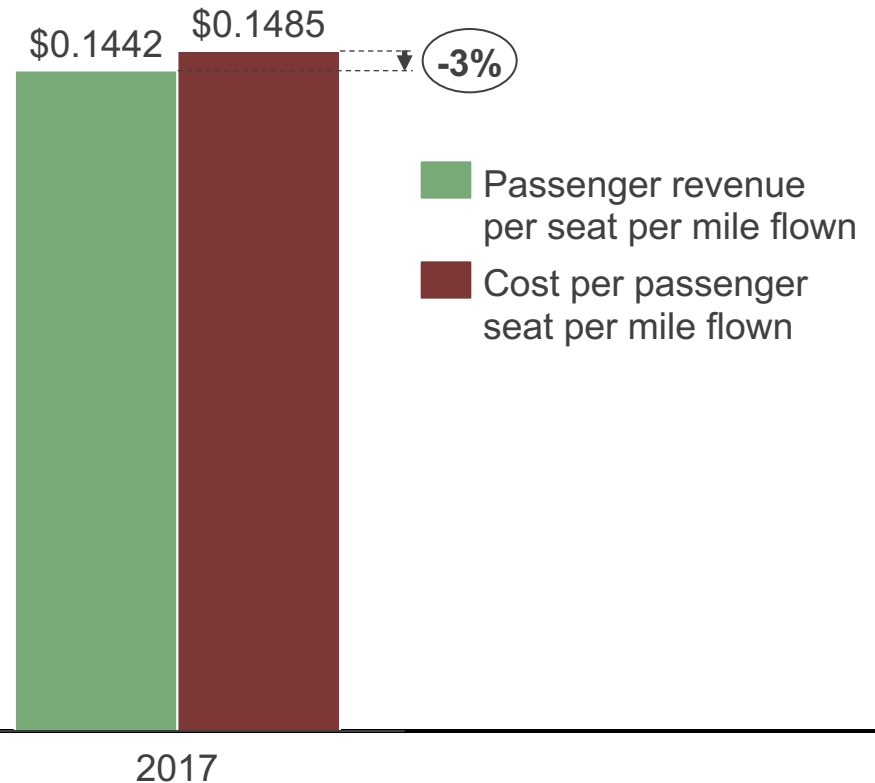
American Airlines 2022 revenue distribution

\$ MILLIONS, 2022



American Airlines passenger revenue and cost per seat per mile flown

\$ CENTS, 2017



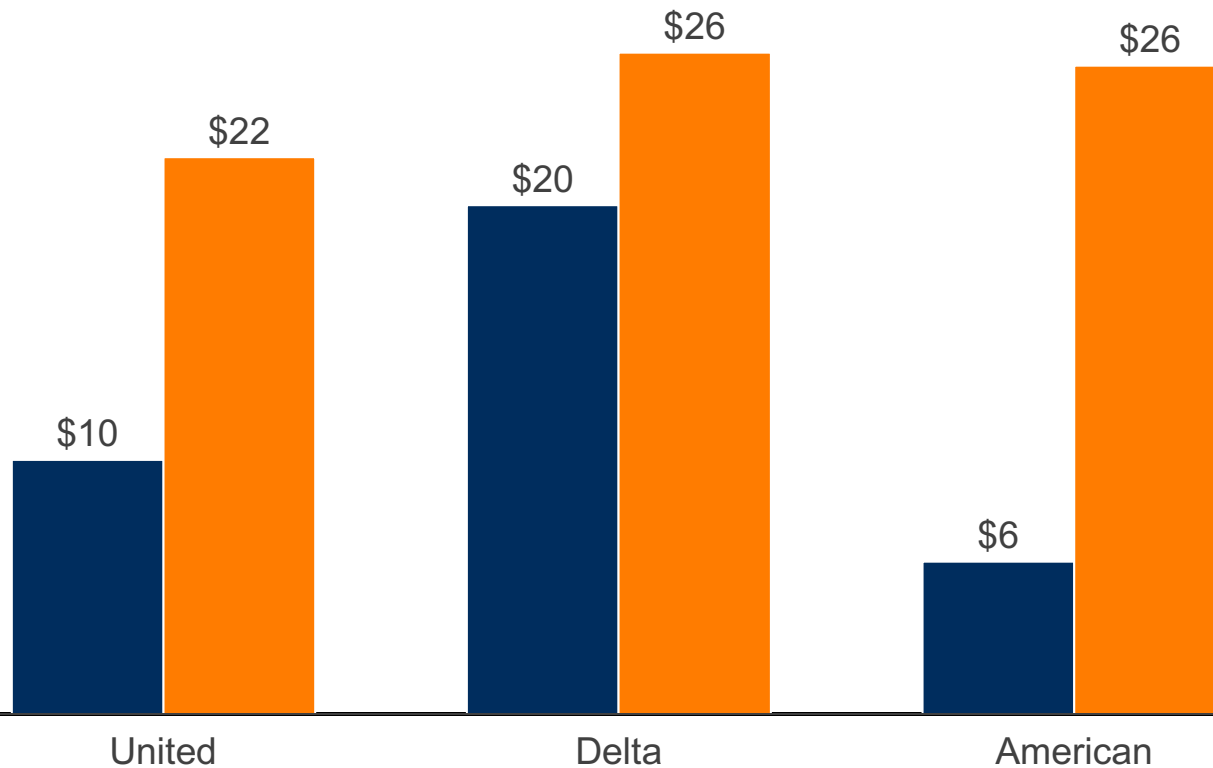
Loyalty program valuations imply airlines on their own are worthless

Airline market cap and loyalty program valuation

\$ BILLIONS, 2021

■ Market cap

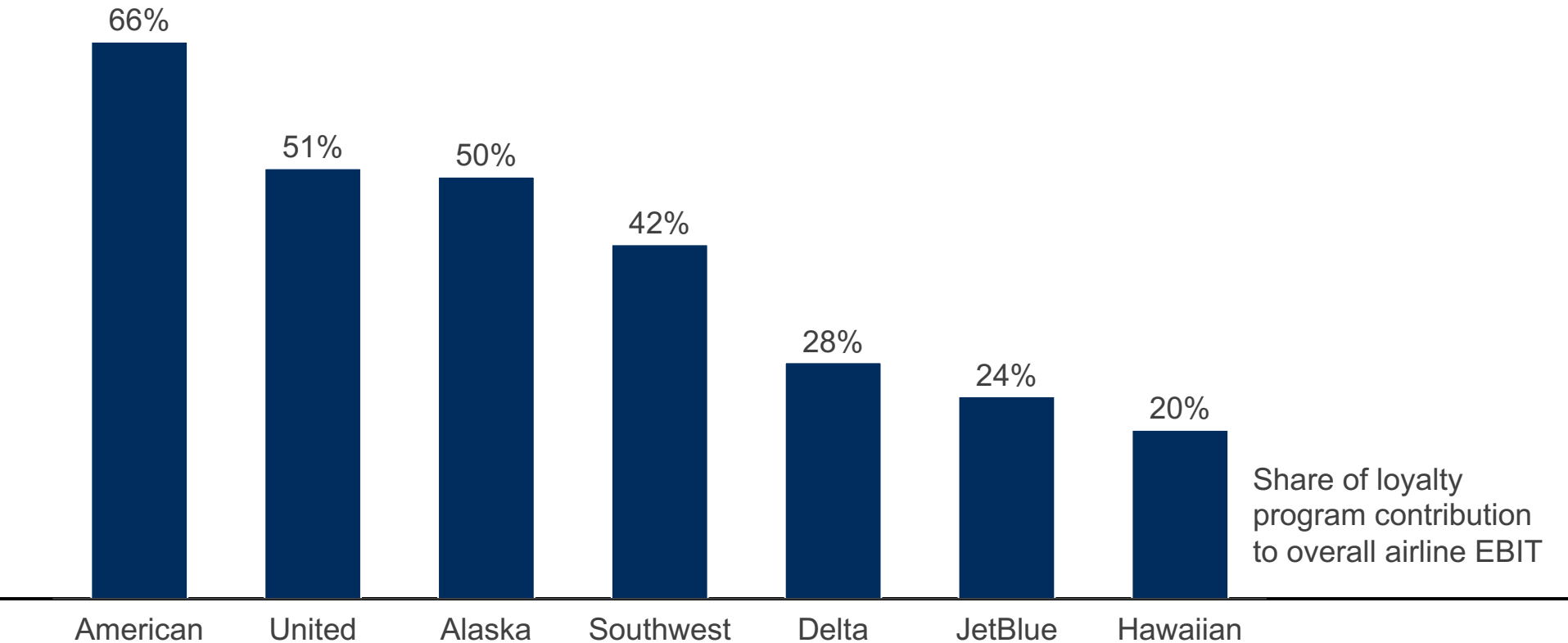
■ Loyalty program valuation



Loyalty programs drive EBIT

Share of loyalty program contribution to overall airline EBIT

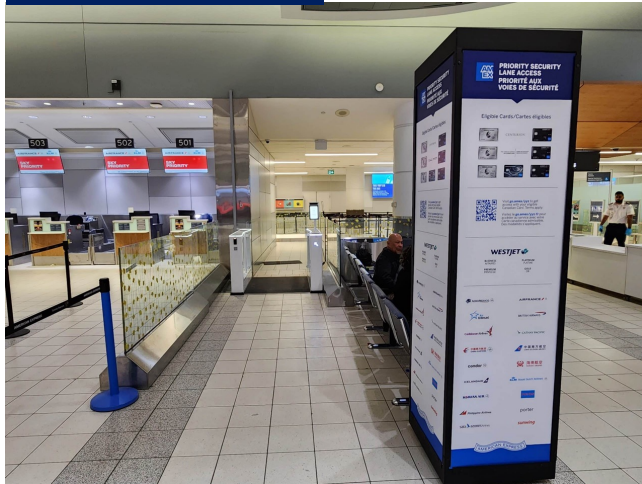
% OF EBIT, PERIOD YTD 3Q17



Share of loyalty
program contribution
to overall airline EBIT

We are bombarded with explicit and implicit loyalty program advertising

Security line



Credit card offers

TD® Aeroplan® Visa Infinite® Card



Special Offer

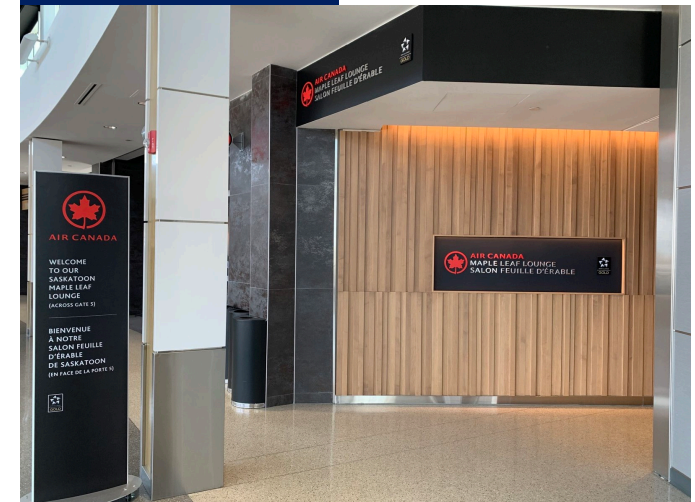
Earn up to **\$1,400** in value* including up to 50,000 Aeroplan points¹ and no Annual Fee for the first year¹. Conditions Apply. Account must be approved by January 3, 2024.

[See product details below](#)

Boarding line



Lounges



Check-in line



Pesky coworkers



Loyalty programs are successful because redemption opportunities are highly aspirational

Programs aim to increase demand and willingness to pay for an airline's flights

Customer retention and loyalty

- Encourage customers to continue flying with one airline
- Customers are willing to pay higher prices to fly with their preferred airline

Point of differentiation

- Well executed benefits with sought-after perks can be a point of differentiation

Revenue stream

- Airlines can sell points or miles to these customers

Airlines have taken steps to reduce consumer arbitrage opportunities

Arbitrage opportunity

Flying low-cost indirect routes with one or more layovers

Passengers can easily rack up miles based on distance flown

Fixed point redemption schedule

Passengers can redeem miles during peak travel times

Earning

Redemption

Airline response

**Airline status is dependent on dollars spend
Mile accumulation dependant on ticket tier**

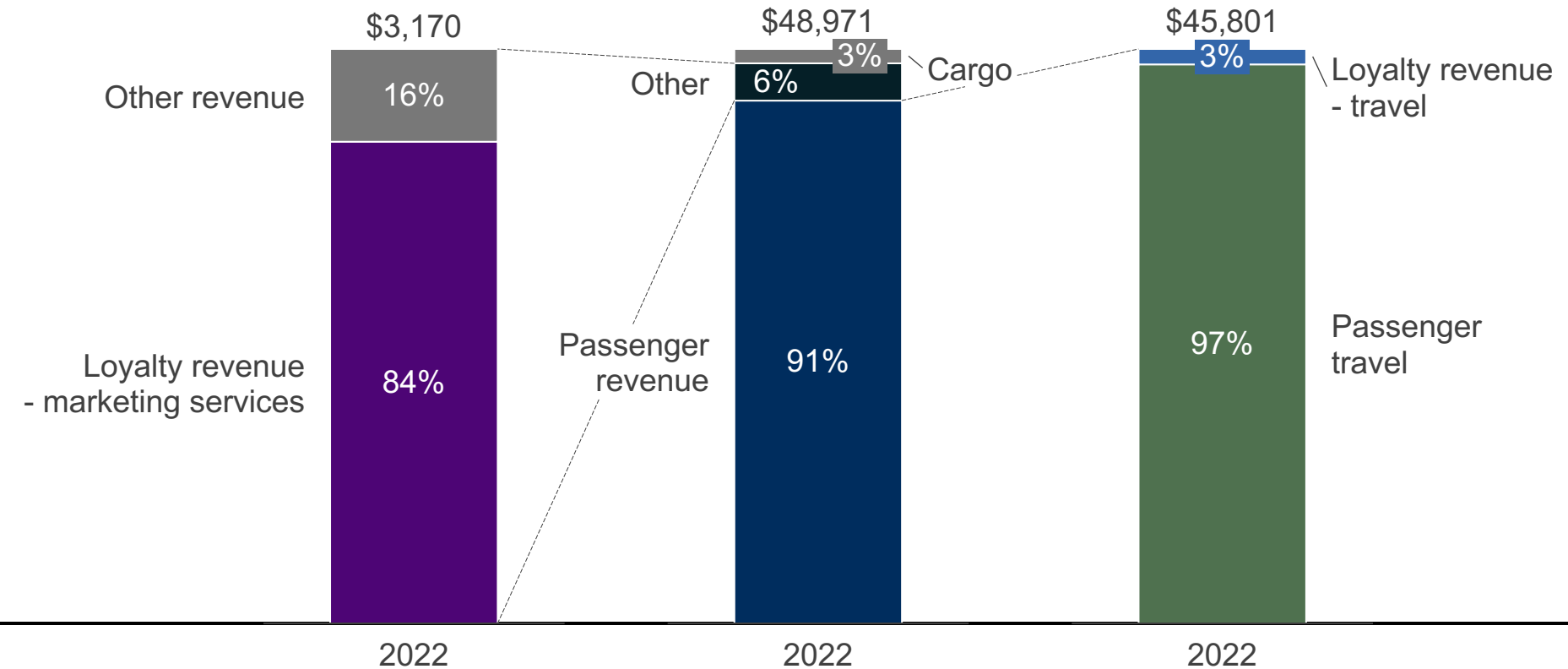
Most airlines rely on dynamic pricing during redemption

Additional content

American Airlines revenue deep dive

American Airlines 2022 revenue distribution

\$ MILLIONS, 2022



Loyalty programs may worsen the environmental impact of air travel



Reddit
<https://www.reddit.com/comments/zdjpca/recom...>

Recommendations on an Aeroplan 4k mileage run from ...

Dec 5, 2022 — I'm technically short about 4k Aeroplan SQM to qualify for SE100K. Any MR recommendations flying out of YYZ this month?

5 answers · Top answer: YYZ to YVR and back in Flex ticket would give you 4160 SQMs.

Planning your end-of-year Air Canada **mileage run**? - Reddit Nov 20, 2021

Mileage run : r/Aeroplan - Reddit Oct 10, 2023

Mileage Run for SE : r/Aeroplan - Reddit Sep 30, 2023

Mileage run suggestions : r/Aeroplan - Reddit Sep 19, 2023

More results from www.reddit.com