



# Competition or Co-operation? New Redemption Approaches in the Financial Sector

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- Current Trends Impacting Redemption
- The Impact of New Redemption Approaches
- The Future



bringing premium value to Airline partners

Attracting  
Customers

Building  
Relationships

Impactful  
Marketing

Maximizing  
Revenues

# Current Trends Impacting Redemption



## Macro: Airline Industry

Increasing competition on short haul

Increasing variable costs

Consolidation and deregulation

FFP evolution

## Micro: Customer Impact

Glut of unredeemed miles

Redemption constraints

Point expiry

Increasing demand for point utility

direct implications on:

- Airline margins
- Customer experience and loyalty
- Customer behaviour

# New Redemption Model



One industry reaction to these trends has been 'Direct Redemption' which has created additional opportunities to enhance value to customers, card issuers and airlines.

## Airline

### Cobrand: Direct Earn

Partnerships using  
Airline FFP currency



+ Airline

### Points Transfer: Indirect Earn

Points transfers from financial  
services rewards programs



+ Airline



The Customer

### Direct Redemption

Redeem non-FFP points to  
book travel when and how  
customers wish



+ Airline

# How does Direct Redemption work?



Customers can book flights with maximum flexibility over search and form of payment.



# Customer Implications



Each redemption option addresses critical demand by all customer segments.

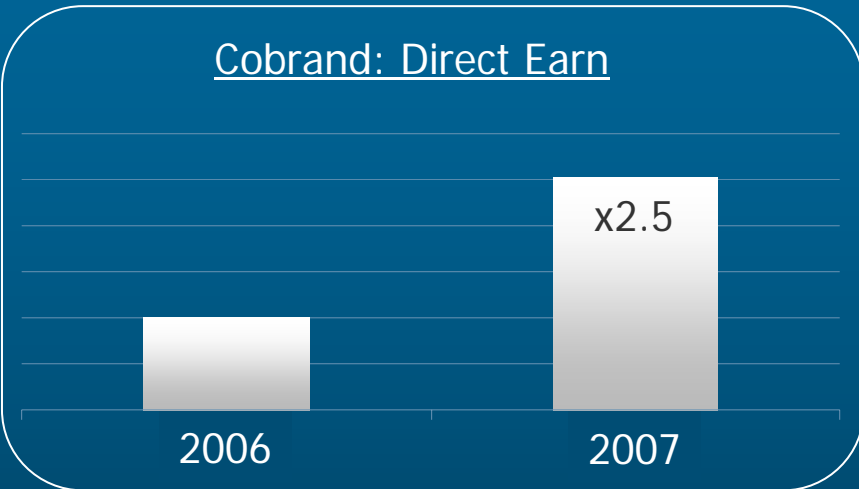
	Cobrand: Direct Earn	Points Transfer: Indirect Earn	Direct Redemption
Benefits:	<ul style="list-style-type: none"><li>▪ Recognition</li><li>▪ Ease of earn/burn process</li></ul>	<ul style="list-style-type: none"><li>▪ Lifestyle/non-travel</li><li>▪ Choice of what &amp; when to transfer</li></ul>	<ul style="list-style-type: none"><li>▪ No redemption restrictions</li><li>▪ Complete flexibility</li></ul>
Drawbacks:	<ul style="list-style-type: none"><li>▪ Availability Constraints</li></ul>	<ul style="list-style-type: none"><li>▪ Availability Constraints</li></ul>	<ul style="list-style-type: none"><li>▪ Variable pricing</li></ul>
Target Customer:	Frequent travelling airline loyalists	Frequent travelling 'split-loyalists'	Option-seekers

# Increased Airline Revenue

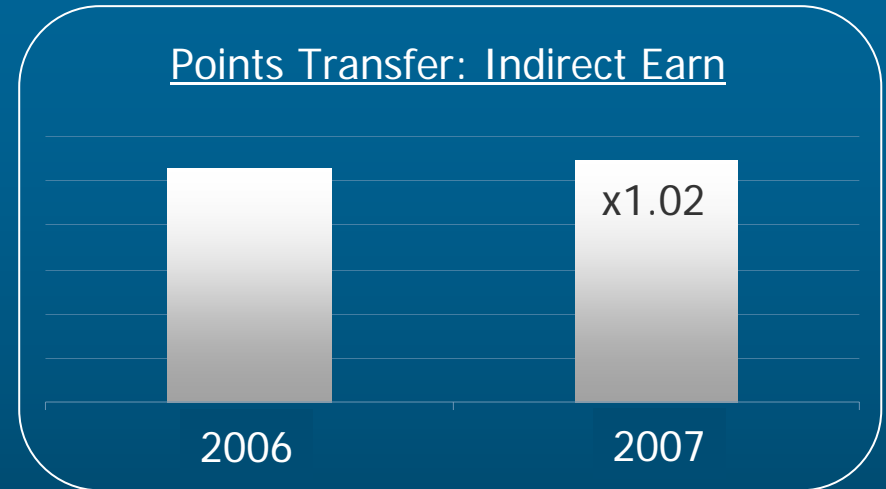


All three redemption options independently create revenue enhancement opportunities for airlines, as illustrated by the American Express example below:

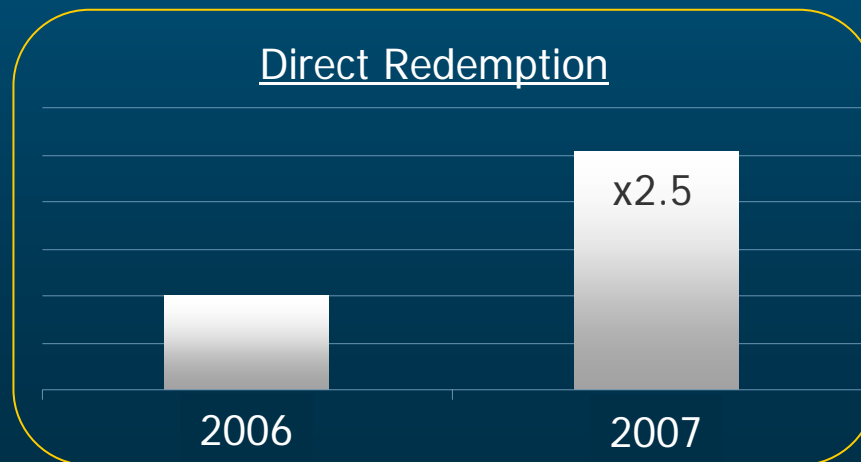
Cobrand: Direct Earn



Points Transfer: Indirect Earn



Direct Redemption



# More Options, More Value



## Customer

- Flexibility of redemption
- Flexibility of payment
- Flexibility of product and channel

## Card Issuer

- Increased cost control
- Increased rewards programme attractiveness
- Increased customer choice: increased loyalty

## Airline

- Improved load factor
- Improved access to prospective flyers
- Improved revenue streams

- Increased customer choice
- Incremental revenue for airlines, FFP's and card issuers
- More complementary than competitive



Questions?