Redemption

Aggregate to Drive Loyalty and Profitability

James Larounis, Director of Marketing, PEX+
CONSUMER PROBLEM

Price and time
Important concerns for customers making purchases with miles and points.

Loyalty Programs
Miles and points redemption complex, offer inconsistent information and service.

No easy way exists
One-stop shop to find and make award purchases from multiple loyalty programs.
INDUSTRY PROBLEM

Price and time
Popular flights and stays cost more in cash and equate differently in points.

Loyalty Programs
Provide an extensive source of revenue for the company.

No easy way exists
Due to airline alliances, codeshares and Partnerships, finding consistent award availability and pricing is a challenge.
INDUSTRY PROBLEM REALIZED

- Data Consistency
- Share-of-Wallet Personalization
- Data Distribution

Difficult for customers to redeem points

$100+ Billion Annual Lost Revenue

- Lost opportunities to profit from redemption and re-engagement
  - Customer activity is less than 50%
  - Points resale opportunities
MARKET VALIDATION & PROBLEM SIZE

Unused Points (Dollar Value, Corporations)

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<th>Now</th>
<th>2020</th>
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Unused Points (Dollar Value, Consumers)

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$100 Billion Unused Points 2017¹ (80% Industry Breakage)
3.8 Billion U.S. Loyalty Program Members²

As the problem grows:
• More industry pressure to get points redeemed
• Consumers leave more cash value on the table

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¹ Bond Brand Loyalty
² Colloquy 2017 Loyalty Census
³ Priceline.com
<table>
<thead>
<tr>
<th>Year</th>
<th>Number of miles awarded by the airlines* (in billions)</th>
<th>Cumulative awarded miles to date* (in billions)</th>
<th>Number of miles redeemed by members (in billions)</th>
<th>Cumulative redeemed miles to date (in billions)</th>
<th>Cumulative unredeemed miles/program liability to date* (in billions)</th>
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Wants to fly from L.A. to Cancun

Points Wallet:
116,000 Starwood Points
2,000 AAdvantage Miles
0 Avianca LifeMiles

Search once on PEX+ to find all award options

Easily find all options from multiple loyalty programs in one place...

Consumers save 80% on purchases while loyalty programs profit

...And discover new, optimized ways to use your miles and points
SOLUTION

Save Time
When Searching

Save Money
Making Purchases

No Hassle
Using Miles & Points

Obtain Data
On Customers

Lower Costs
For CAC and IT

Increase Revenue
With Personalization

One-Stop Shop
Takeaways

• **The Lufthansa Miles & More program has 1.1 million members in the United States.** An internationally based loyalty program has a large membership base. Members either find Miles and More miles to be better when crediting, or significantly fly Lufthansa and related carriers more.

• **What does an award cost an airline?** Approximately $23.93, which is an estimated incremental cost for a passenger based on food, beverage, fuel, reservation liability insurance and miscellaneous cost such as denied boarding compensation. This cost does not include any contribution to overhead or profit. (With fuel costs increasing this statistic is climbing.)
  • Choice: Seat goes out empty, loss in revenue; Seat goes out full, miles off of the books

• According to the AwardPlanner service, **25% of people who redeem awards make a change to their itinerary during the planning process**, and 10% request a change after the award has been ticketed. Of that 10%, only 3% are actually able to get a ticketed award changed.
  • Profitability from changed tickets
Takeaways

• Consumer survey results reported in Travel Weekly indicate 14 percent of travelers have purchased bonus miles from an airline. Industry sources suggest 10 percent of program membership (on an annual basis) might be a reasonable statistic to assume for economic modeling purposes.
  • Purchased miles at time of revenue ticket purchase
  • Purchased miles to top-up for an award

The preferential rate paid by banks is usually 1.0 to 1.2 cents per mile, or $10 to $12 for every 1,000 miles accrued by a cardholder. For the airline, each 25,000-mile reward could ultimately be backed with partner revenue of $250 to $300. The per-mile price paid by consumers is always far higher and usually averages 3 cents per mile. The same 25,000-mile reward would deliver $750 if every mile were purchased at member direct prices. That’s an attractive premium when compared to the average domestic fare of $337 as reported by the US Department of Transportation.
Credit Card Co-Brand Relationships

• Frequent flier programs have become a significant component of the consumer banking industry. American Express was compelled to specifically disclose the impact Delta’s SkyMiles program has on its global credit operations. Per the 2010 annual report, the SkyMiles Credit Card co-brand portfolio accounts for approximately 5 percent of the company’s worldwide billed business of $713.3 billion. That’s more than $35 billion of actual Amex card activity . . . which happens to exceed the annual revenue of the airline.

• Delta receives $1.6 billion from its SkyMiles program with the vast majority representing reward travel purchased by American Express in the form of program miles. By comparison, the entire US government is a far smaller customer; it only spent a bit more than $692 million on travel with Delta in a recent year. Air Canada describes a similar relationship with its frequent flier program in its 2010 Annual Report. Among all the carrier’s corporate clients, AeroPlan is Air Canada’s “single largest customer.”
Where Elite Status Drives Redemption and Loyalty

• Frequent flier programs produce ancillary revenue from an array of sources. The foremost financial benefit is the incentive for customers to spend more money with the host airline. United’s 10-million-mile customer may be influenced by a number of factors but chief among them are the perks, attention, and rewards associated with the Mileage Plus program. Job number one requires a program to harness the economic power of a carrier’s top customers. That’s why an estimated 1.25 percent of American’s 64+ million frequent flier members delivered 26 percent of the carrier’s worldwide passenger revenue in 2009.
Mega Event Worldwide, Long Beach, 2018
A SAMPLING OF PERKS and discounts

Up to 20% off Qantas  
20% off ClubCorp memberships  
20% off Zipcar  
20% off Cole Haan  
25% off Fancy Hands  
5% off Hawaiian Airlines  
Complimentary IHG Gold Status  
15% off Bose  
20% off 1-800 Flowers  
15% off Brooks Brothers  
20% off Minute Suites  
40% off AMC Movies  
20% off Silvercar  
$200 credit on Royal Caribbean  
15% off Hyatt  
30% off Tumi  
30% off Citizen Watches  
30% off Samsonite  
12% off Air New Zealand  
60% off Business/First Airfare  
20% off Hertz

Members receive up to 70% off 500,000 hotels worldwide through SELECTHotels. Members also receive up to 40% off a variety of exclusive restaurant locations in major cities nationwide.
Mega Event Worldwide, Long Beach, 2018
ALPHA 2 CONTINENTAL
EXPANDABLE 4 WHEELED CARRY-ON

$675.00

$472.50

If you need one carry-on for domestic and international travel, this 4-wheel design may be the perfect case. With its shorter and wider configuration, it offers the packing capacity of a 22" case, fits easily in the overhead and will be accepted by most domestic airlines and many international carriers. The main compartment expands 2" (5cm) and features a removable garment sleeve. Three-stage telescoping handle and 4-wheel system with recessed swivel wheels.

Add to cart
Final Thoughts

• Loyalty industry drive to provide more guaranteed benefits and an easier redemption experience.
• Opportunities throughout the redemption process to procure ancillary revenue.
• Foreign based programs have interest in members in other locations.
• Co-brand partnerships are key in the redemption experience.
• Where consumers find value, they will return.
• Redemption experience provides opportunity to re-engage customers.
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