

Optimise your benefits of Frequent Flyer Programmes

22 years ago, American Airlines introduced the first Frequent Flyer Programme (FFP). Since then, they've spread all over the world. Today there are more than 120 FFPs operated by airlines - ranging from programmes such as American's AAdvantage with its 45-million strong membership basis to the programmes of tiny regional airlines such as Scot Airways in the UK.

In addition, there are other loyalty programmes in the travel sector, mainly operated by hotel and credit card companies, which are often linked to Frequent Flyer Programmes as well. This adds to the complexity of the issue - and to its attractiveness.

One common intention to all programmes is to reward the core customers for their loyalty, both by granting attractive awards and by offering service benefits through a multi-tier membership system.

Since FFPs have a crucial strategic importance for airlines, they're also used to differentiate their products - against competitors, but also against partners, for instance within alliances. That's why programmes are anything but identical.

Choice of airline and FFP: Two separate questions

The regular business travellers as the main target group of these programmes can benefit on a personal level of this situation. The smart frequent flyer exploits the existing differences to his advantage. Thanks to far-reaching links between the programmes, one can even do so without changing its preferred carriers: All major airlines participate simultaneously in up to 20 different programmes. Often, this number still stands at five programmes or so even for smaller airlines. This means that every passenger has a choice to make. He is not forced to join and use the programme of the airline he actually travels on, but might be better off with a partner programme. In practice, this is indeed the standard case.

So we retain a first important lesson: Separate mentally the choice of your airlines from the choice of your FFPs. These are two different issues.

If one is flexible enough to switch its business to other airlines as well, the opportunities obviously increase further. But as said before, this is not a required condition to get more out of Frequent Flyer Programmes than before.

Pre-selection of potential FFPs

The key question for frequent travellers sounds simple, but embraces a whole range of aspects: Which programmes are best for me? And how should I choose them?

Let's start with the first question as it can be answered quickly: Unfortunately, there is no one best solution for all travellers. Once we'll have contemplated the second question, you will realise that there are too many parameters for a simple answer.

The answer to the first question lies therefore in the answer to the second question, which we're going to have a closer look at right now.

To start the choice of your programmes, you need an overview about the potential programmes for the airlines you already use or you may decide to use in the future, provided corresponding benefits on the FFP level. A good resource to answer this question is the permanently updated free function "Who with whom?" in the FFP section on our website <<http://www.globalflight.net>>: It provides you with a complete list of applicable FFPs for any

of all more than 230 airlines participating in FFPs. Furthermore, the FFP relevant sites of most programmes are linked through the website, what is useful for the further selection process.

Next point is to determine what you actually want to achieve through the programmes: Is it more important to you to maximise the awards you get - be it flight awards or others - or to strive for a higher membership level with a maximum of benefits as fast as possible? If you're interested in the membership level in first place, you should know that miles accumulated on programmes by alliance partners count towards reaching that level as well. If the partnership is not based on an alliance agreement, however, this usually isn't the case. As an example, if you fly on British Airways and accumulate your miles in the programme of **oneworld** partner Qantas, your flights count towards reaching a higher tier in the Qantas programme. If, however, you credit your British Airways flights to the programme of Emirates, the miles do not count. Emirates is just a bilateral partner of British Airways, but not a member of the **oneworld** alliance. This means that the Emirates programme could only be an acceptable option for British Airways flights if the membership status is not really important to you. This could for instance be the case if you always travel in Business and First Class where you enjoy comparable service benefits to a FFP elite member anyway or if you travel definitely too little to ever move up to higher membership levels.

The same principle applies to the other global alliances Star Alliance and SkyTeam.

At this stage, you should already have ended up with a short-list of potential programmes. Now, we need to go one level deeper and look at the programme structures in a systemised way. This is the only way to make the differences between the programmes apparent.

Next to the necessary consideration about the middle-term survival chances of your future programme operators, five programme-related criteria are crucial to select its best FFPs, which are analysed hereafter:

- Structure of points accrual and redemption
- Partner network
- Terms & conditions
- Customer service
- Elite programme

Structure of points accrual and redemption

The structure of points accrual and redemption determines how quickly you achieve a specific award. It sounds very obvious, but experience suggests that it is worth mentioning nevertheless: We talk about a ratio where you need to look at both elements. If you look only at how many miles you accumulate, you would realise, as an example, that Lufthansa's Miles & More programme belongs to the top leaders: high minimum miles, generous class of service bonuses etc. Hardly any other programme credits you with more miles. But due to pretty high award levels in Europe's largest programme, this advantage vanishes like snow in the sun if you look at the so called earn/burn ratios.

On the other hand, some Asian programmes tend to have extremely low award levels, for instance the Mileage Bank of Japan Airlines. But this sometimes comes at the price of considerable restrictions on the accrual side, such as no minimum miles or reduced credits at discounted fares. As a result, these programmes should not automatically and always be seen as best choice either.

So have really a look at the only relevant size, the earn/burn ratios - and accept if programmes top your list that seem not to be a perfect fit as they're neither outperformer on the accrual nor on the redemption side alone.

In order to be able to build these ratios, you should have decided before what awards you want to use. The selection ranges from flight and upgrade awards to hotel stays, car rentals and leisure awards.

It's the area where the differences between the programmes can be illustrated best. As an example, if you look at a UK-based top tier member travelling in Business Class between London and New York and redeeming his miles on these flights again, the following table shows how many paid roundtrips are required towards a free roundtrip award flight with select different FFPs. The example also helps to visualise how the partnerships between the programmes can be exploited. A total of more than 60 FFPs are currently applicable on this route. Entries in *italic* indicate a transfer connection.

Frequent Flyer Programme operated by	Number of required paid roundtrips	Airline used
Continental	3,56	Continental
KLM	3,56	Continental
<i>Mexicana</i>	<i>3,68</i>	<i>Lufthansa</i>
<i>Delta</i>	<i>3,87</i>	<i>Air France</i>
TAM	4,57	American Airlines
US Airways	4,63	United
<i>GlobalPass</i>	<i>4,83</i>	<i>KLM</i>
Alaska Airlines	5,14	American Airlines
United	5,16	United
Virgin Atlantic	5,78	Virgin Atlantic
American Airlines	5,79	American Airlines
BMI British Midland	6,00	Virgin Atlantic
Qantas	6,43	American Airlines
British Airways	7,23	British Airways
Singapore Airlines	7,71	Virgin Atlantic
Emirates	7,71	Continental
Air Canada	9,25	United
Iberia	9,26	British Airways/American
SAS	9,29	United
Frontier	9,40	Virgin Atlantic
Swiss	10,12	American Airlines
SN Brussels Airlines	11,09	British Airways
<i>Malév</i>	<i>11,63</i>	<i>KLM</i>
Kuwait Airways	16,93	Kuwait Airways
Air Europa	35,71	Continental

You realise that depending on the programme you choose, such a free flight can be yours after only 4 paid roundtrips with the best programmes, after 6 to 10 flights with standard programmes or after 36 flights with the worst programme in this case. As a general rule of thumb and conclusion of this demonstration, a careful selection of FFPs allows you to achieve your desired awards in average twice as fast as by using standard programmes.

At this stage, it is important to remind that above ranking is valid for this example only as several parameters influence the order, including:

- Routes for paid flights
- Class of service/booking class used on paid flight
- Routes for award flights
- Class of service used on award flight

- Season when award flights are used
- Membership level

Changing just one of these parameters is likely to reverse the whole order of any such table!

Partner network

An idea about the importance of the airline partner networks could already have been gained through the previous contemplation. As a matter of fact, the links between the programmes themselves open a whole range of new opportunities to the travellers.

But the partner networks of FFPs reach far beyond the airline sector to embrace the whole business travel chain, including hotels, rental cars, credit cards and phone companies. They even leave increasingly those traditional fields to stretch into the service sector in general. That's what justifies to raise them to one of the five key criteria to select its appropriate FFPs. So the first point here is to reflect what kind of these services you use at all. If you hardly rent a car, there's no need for you to give a major thought about it. However, if much of your travelling is done as short-haul travel within your country by renting a car while taking the plane is rather an exception, this aspect becomes absolutely crucial.

The basic task is to determine in which programmes your suppliers participate. We usually talk about the big international brands only, in the hotel sector moreover still dominated by the upper segment of the market (4-star properties as a minimum). And then consider how valuable that partnership is with your FFP. Let me give you some examples for the differences between the offers and thus for the importance to pay the required attention to it for the three main areas:

- Hotels: Standard credit is 500 miles per stay. But there are lot of exceptions to that basic rule, for instance crediting miles per night. An alternative could be the loyalty programmes of the hotel companies: They credit points for every dollar spent at the hotels and usually allow to transfer these points to Frequent Flyer miles afterwards if you do not wish to redeem them for hotel awards. Your earnings can be easily maximised by using these opportunities - and you also benefit from service advantages at the hotels!
- Car rental: Most US programmes switched to a 50-mile credit per rental day while most other programmes stick to a 500-mile credit per rental. Thus the general rule is: Forget about US programmes if we talk about car rental credits!
- Credit cards: Offers vary strongly between countries. However, even if you know that a credit card issued in the UK gives you one mile per pound only, there is not always the possibility to opt for a US or European card, where standard earnings would be 1 mile per US\$ or Euro. In the most important countries, there is usually a choice between co-branded programmes of some key airlines and the programmes of credit card companies such as American Express or Diners Club. Points collected under these programmes can then be converted to miles of participating FFPs what increases the flexibility for the card holder. However, exchange ratios often deviate. A Diners Club cardholder in Germany may end up with 1 mile per Euro if transferred to the MilleMiglia programme of Alitalia - but only with 0,4 miles per Euro with United's Mileage Plus!

Only if you master these key areas of your partner earnings, you should start to look beyond the traditional borders for further opportunities on top: Miles for wedding receptions (ANA Mileage Club), vaccines (with Varig's Smiles programme) or dining in Prague (CSA's OK Plus) - all this and much, much more is possible!

Terms & conditions

Too often it is forgotten to have a look at the fineprint of the programmes. But it does have an important impact on the attractiveness of the programmes. That's why the terms & conditions must be taken into account as well when selecting a FFP.

Key questions here include, again depending on your specific requirements, the validity of points, the transferability of awards, booking lead times for awards, special fees such as for changing awards and other restrictions. Generally, US programmes tend to be most flexible in this regard, followed by European programmes (with some strong differences between them) and by Asian programmes.

It is also important to note that some airlines offer regional versions of their programmes, which can differ considerably between themselves (e.g. Continental, Lufthansa). Others may restrict membership to residents of certain countries or regions (e.g. KLM, Northwest, British Airways, Air New Zealand). As airlines understand "residency" in this context as the place where they can send you their offline mailings, simply indicating a mailing address in a different country can have a marvellous impact!

Customer service

As you need to stay in touch with the operators of your programmes, the fourth criteria is the structure (and quality) of customer service. If you choose a basically attractive programme by a smaller airline without international presence (e.g. Alaska Airlines), you should decide for yourself whether a local presence really means that much to you. Or whether it is fine for you to deal with them via the internet and, if required, to call them abroad.

If the airline has a presence in your country, but doesn't have a central FFP call centre, you're likely to be required to contact its local sales office for membership enquiries. The whole quality of the service usually depends on one particular person in these cases. This can mean that you're lucky to have somebody at your disposal that makes things happen that would not be possible in an anonymous call centre where they stick strictly to all official guidelines. Or this person is less motivated (or insufficiently trained), making the aspect of customer service virtually a killing factor to use the programme.

The range of services offered on the internet and the availability of toll-free service numbers are further aspects to consider.

Elite programme

The last criteria is certainly a very crucial one again - at least for the frequent travellers aiming at a higher membership level. Most programmes operate a multi-tier system (between two and four), offering enhanced benefits to the most frequent and loyal customers.

The two questions to consider are therefore how fast the elite levels are achieved and what benefits are offered.

For the qualification levels, usually miles accumulated and/or flight segments are counted. For the mileage calculation, the question is whether class of service bonuses are included or whether only actual flown miles count - in addition to a comparison of the highly different absolute thresholds values. And obviously which account activities count as qualifying activities. Sometimes only miles on the airline operating the programme count, alliance members take also all miles with alliance partners into account and with the GlobalPass programme, most account activities, including with non-air partners, qualify towards reaching the next higher level! Another aspect is whether the calendar year or a moving period is the basis of the calculation: If you join a programme in May, a basis on the calendar year is not very favourable since you have to restart your qualification after seven months.

It is perhaps in the field of the benefits offered to elite members that the different philosophies between the programmes become the most transparent. US programmes put a strong emphasis on free upgrades and additional mileage bonuses (up to 125%) representing a clear monetary value for the member while European programmes focus rather on service aspects such as lounge access. If you travel enough to achieve the elite level, it is definitely worth comparing the different offers and choose what corresponds best to you.

Conclusion

The right choice of Frequent Flyer Programmes is indeed a science, given the complexity of the structure of the programmes. But the differences are simply too important and the rewards too interesting to do without such a careful selection. It always pays off to have a clear Frequent Flyer strategy in place before accumulating miles in a programme that might not be able to meet your needs sufficiently. The individually best programmes are different for each traveller depending on his travel profile and needs regarding the programmes.

As a frequent traveller, you're likely to end up using three programmes extensively. The more complex your travel patterns, the less likely that one sole programme can cover all your activities in an optimised way. Splitting up your miles to such a reasonable number of programmes is not something to be afraid of - but usually the basis towards maximising your FFP benefits.