

Airline Loyalty

COLLINSON INSIDE TRACK

This article at a glance

Who: A must-read for airline loyalty leaders

What: The inside track on what's now and next in airline loyalty

Read: 15-20 minutes



What's Now, New and Next in Airline Loyalty?

The airline industry has long been a pioneer in loyalty innovation. Frequent flyer programmes (FFPs), such as American Airlines' AAdvantage (launched in 1981), were among the first mass-scale loyalty schemes.



They evolved from simple mileage accrual schemes into sophisticated ecosystems that generate significant financial and strategic value. These represent powerful engines of customer data, ancillary revenue and strategic partnership. Today, these programmes serve as both marketing tools and profit centres, with many now operating as separate business units or subsidiaries.

However, airline loyalty is at an inflection point: digital transformation, changing traveller expectations and the macroeconomic context demand that programmes do more than reward flight activity—they must drive emotional loyalty, seamless customer experiences and measurable business impact beyond the airline brand. The best are already well on that journey.

The evolution of airline loyalty is quite dynamic:

What's now:

Programmes continue to emphasise credit card partnerships, tier-based benefits, and broad redemption catalogues. Many airlines derive a large share of loyalty value from co-branded card fees and partner mileage sales.

What's new:

Loyalty strategies are increasingly using artificial intelligence (AI) to personalise offers, improve revenue management through dynamic pricing, and expand the range of partnerships. Dynamic pricing for award seats (as pioneered by Delta and Lufthansa) is now becoming the norm. Sustainability-linked earning and rewards are becoming more prevalent (Lufthansa, British Airways).

What's next:

Future-facing programmes will embrace real-time recognition, lifestyle integration and a seamless omnichannel presence. Cross-sector ecosystems—such as those seen with Aeroplan and Avios—will enable customers to earn and redeem across daily routines, not just travel moments.





Market Dynamics and Major Trends

Key Dynamics

- **Recovery Trajectory:** Post-pandemic recovery has been achieved but there continues to be pressure on yield, customer retention and brand trust (especially in light of loyalty programme devaluations). International/transcontinental demand has grown slower than regional/domestic, shifting programme focus to regional engagement.
- **Revenue Model Shift:** Airlines are shifting from volume-based metrics and rewards to hard-nosed commercial profitability models, essentially replacing distance with spend, targeting high-margin customers predominantly (e.g. American Airlines Loyalty Points, BA's new Tier Point scale, Lufthansa's new Qualification points).
- **'Value' of Loyalty:** Programmes like United MileagePlus are valued higher than their parent airlines [Bloomberg, 2020].
- **Digital Integration:** Enhanced mobile platforms, AI-driven personalisation, and dynamic pricing are modernising the loyalty experience.
- **Ancillary revenue** and loyalty monetisation are central to business resilience and are often the core of the commercial strategy.
- **Regulatory scrutiny** is rising on transparency, data use, pricing and reward availability.

Notable Innovators

- **Air Canada Aeroplan:** Transparent pricing, extensive partnerships (Uber, Starbucks), dynamic earn/burn.
- **Delta SkyMiles:** Deeply embedded with American Express, blending travel and financial services. The American Express partnership is worth \$5.5bn per year.

- **Emirates Skywards:** Offers lifestyle engagement and elite-tier digital experiences. Also active with subscription models.
- **Singapore Airlines KrisFlyer:** Highly rated for service consistency and value, especially at the elite level. App experience is integrated and journey management is tailored.

Successful cross-sector collaborations

- Aeroplan's partnership with Starbucks and Uber.
- Emirates integrating luxury retail and entertainment in core and main secondary markets.
- JetBlue TrueBlue integrating with Amazon, recent JV with United over loyalty content.

These partnerships enhance daily touchpoints and create non-flight relevance.

Most popular airline programme benefits

Free flights, upgrades, priority boarding, lounge access, baggage waivers.

Most popular redemption rewards

Flight redemptions, seat upgrades, retail gift cards, hotel/partner redemptions, carbon offsets.

The Customer Landscape

Airline customers span a wide spectrum of needs, from high-frequency business travellers to occasional leisure seekers. Personas are shaped by travel purpose, price sensitivity, loyalty maturity and digital engagement.

Persona	Description & Behavioural Traits	ATV	ATF	Examples
Status Seeker	Prioritises recognition, lounges and upgrades; frequent flier	High	High	Corporate or elite business
Value Hunter	Seeks deals, flexibility and low-cost; often loyalty-light	Low	Low	Budget-conscious leisure travellers
Digital Native	Expects seamless mobile and social integration	Medium	Medium	Gen Z, solo travellers
Global Explorer	Emotionally connected; seeks aspirational experiences	High	Medium	Premium leisure customers, travel enthusiasts
Loyalty Optimizer	Actively manages multiple programmes; seeks best return	Medium	Medium	Points-savvy consumer

Customer Expectations

Area of Impact	Customer Expectation	Leader	Example
Recognition	Real-time upgrades, exclusive tier experiences	Delta	Delta's app push upgrades for Medallion members
Redemption	Predictable and dynamic point use. Flexible and frictionless	Air Canada	Aeroplan's real-time pricing & partner integration
Communication	Hyper-personalised, relevant, timely, multi-channel	Singapore Airlines	KrisFlyer's tailored email and app journeys
Seamless CX	Unified digital booking + loyalty experience; End-to-end travel convenience	Emirates	Emirates' end-to-end loyalty journey via app
Sustainability	Tangible contribution to responsible travel	Lufthansa Group	Lufthansa's Miles & More offset options



Customer Pain Points in Loyalty

As with all service-centric propositions, loyalty programmes have quite specific pain points depending on the type of customer and their context. More and more, solutions are found in digital and design areas.



Status Seeker

Pain Points: Inconsistent elite recognition (also across partner networks), unclear upgrade rules
Solutions: Real-time progress tracking, tier reciprocity agreements, app-based notifications



Value Hunter

Pain Points: Confusing redemptions, low points value
Solutions: Instant earn-and-burn models, simple rules, no blackout dates, cashback-style rewards



Digital Native

Pain Points: Weak mobile UX, lack of integrations
Solutions: App-first design, API tie-ins (e.g., Uber, WhatsApp boarding)



Global Explorer

Pain Points: Lack of experiential rewards and emotional value
Solutions: Curated experiences, travel bundles, destination partnerships, non-flight partner offers



Loyalty Optimiser

Pain Points: Complex thresholds, limited comparison tools, poor point conversion rates, lack of transparency
Solutions: Dashboards, calculators, partner visibility, alliance alignment



What Good Looks Like / Measuring Success

Airline Loyalty success is measured by a number of core performance areas, delivered by clear success factors.

Key Metrics	Success Factors	Notable Programme
Member growth and activation, earn & redemption rate	Transparent pricing, strong partner integration, flexibility, digital-first earn & redemption UX	Aeroplan (AC)
Partner revenue (co-brand cards)	Integration with payments, exclusive tiers, high cardholder activation, points conversion	SkyMiles (DL) Etihad (EY)
NPS, digital engagement	Personalisation, premium experience, service quality, omni-channel journey	KrisFlyer (SG)
Partner revenue, tier stickiness	Multinational reach, user-centric design, coalition model, localised offers	Flying Blue (AF/KLM)
Wallet share, partner activation	Coalition scale, seamless redemption across brands	Avios (IAG)
Redemption rate and seat utilization	Revenue Management alignment, flexible stand-by upgrades	United (UA) Qantas (QF)
Lifetime value vs acquisition cost	Partner acquisition, tenure promotions, retention incentives, re-activation promotions	Cathay Pacific (CX) Qantas (QF)

Innovative Mechanisms

Modern loyalty (not always confined to a programme, hence easyJet's inclusion here) employs mechanisms and tools to great effect. Here are some top-line examples.

Mechanism	Application Example
AI/ML	Delta and Singapore Airlines use predictive analytics for upgrades, delay comms and pricing.
Gamification	Status challenges, interactive milestones (Lufthansa, Emirates).
Micro-comms	Nudges for app check-ins, feedback and seat selection (EasyJet).
Coalition Expansion	Avios, Aeroplan and Flying Blue offer wide non-flight earn/spend networks.
Sustainability	Miles & More's Green Fares and SAF redemptions drive ESG-aligned loyalty. BA allows tier earning through SAF purchases.

Key Business Drivers

Loyalty plays a significant role beyond the programme itself and positively contributes to wider business goals.

Business Goal	How Loyalty Contributes
1 Retention	Tier lock-in, exclusive offers, member-only benefits
2 Revenue Diversification	Monetisation via credit cards, partners and ancillary purchases
3 Load Factor Optimization	Off-peak redemption incentives, standby upgrades
4 Customer Insight	Enhanced segmentation and behavioural targeting
5 Operational Efficiency	App self-service, digital boarding, in-app upgrades
6 Partner Value	Shared airline loyalty ecosystems (e.g. Oneworld, SkyTeam, Star Alliance); shared partner network across airline groups (LH Group, AF/KLM, IAG)
7 Brand Equity	Elite branding, consistent UX, high NPS members
8 Sustainability Position	Carbon offset programmes and sustainable reward options
9 Digital Engagement	App Daily Actives, personalised journeys, lifecycle comms
10 Breakage Management	Expiry policies, tier requalification to manage liability



Strategic and Operational Challenges Addressed by Loyalty

In the same vein, the loyalty discipline plays an increasingly significant role in managing strategic and executional aspects of an airline.

Category	Challenges Solved by Loyalty
Strategic	Customer retention, brand preference, long-term engagement
Structural	Monetisation of non-seat inventory, improved margin via direct channels
Organisational	Sales and marketing alignment, data governance, cross-functional delivery
Operational	CX orchestration, proactive disruption comms, automation of service flows

Profitability Perspective

It is worth going a bit deeper into the profitability potential of airline loyalty. Essentially, this stems from the programme's ability to monetise, to influence behaviour and to develop entirely new revenue streams.

Positive ROI through monetisation

Airline loyalty programmes are among the most financially engineered loyalty models globally. Programmes like Delta SkyMiles, United MileagePlus and Aeroplan generate substantial revenues through:

- Co-branded credit cards: These partnerships (e.g. Delta-American Express, United-Chase) generate billions in fixed fees and from revenue share. Delta's SkyMiles programme brought in over \$5.5bn in 2022 from its American Express partnership alone – representing one of Delta's largest business lines [Delta Investor Day, 2022].
- Miles sold to partners: Airlines sell miles to banks, hotels, car rental agencies and retailers. These transactions often occur at a high margin (up to 60-70%) and are recognised as revenue on issuance or redemption depending on accounting rules.
- Breakage: The percentage of unredeemed points (typically 10-30%) provides a built-in margin buffer (although programmes must not be designed for breakage—that is poor loyalty strategy).

Collectively, these mechanisms contribute to operating margins of 30-40% or more for many airline loyalty programmes—substantially higher than the core airline business itself.

Demonstrable incrementality through behavioural shifts

Airlines are increasingly using loyalty data to prove that members spend more, fly more and shift behaviour because of programme participation:

- Higher spend per trip: Loyalty members—especially elite tiers—consistently show higher average transaction value (ATV), particularly through premium cabins, ancillaries (e.g. baggage, seat selection), and onboard spend.
- Tier aspiration and spend acceleration: Programmes like American's Loyalty Points and Lufthansa's status miles motivate customers to concentrate spend to reach or retain tiers. These behaviours are incremental compared to non-loyalty customers.
- Redemption-linked travel activation: Airlines use redemption offers to stimulate off-peak demand or fill under-booked routes, helping to optimise load factors and revenue per available seat kilometre (RASK).



New Revenue Streams Enabled by Loyalty Infrastructure

Beyond direct monetisation, loyalty programmes act as platforms for ecosystem expansion:

- E-commerce and lifestyle retail: Programmes like Emirates Skywards and Aeroplan allow members to earn and redeem across fashion, food delivery and electronics—driving non-air revenue and new B2B partnerships.
- Subscription models: Airlines like Volaris and Frontier now offer subscription-linked benefits (e.g. “V.Pass”), opening recurring revenue streams supported by loyalty engagement.
- Sustainability monetisation: Lufthansa’s “Green Fares”, Air France-KLM’s SAF redemptions and BA’s earning on SAF purchases create ESG-aligned upsell opportunities.
- Data monetisation and CRM services: Loyalty data feeds targeted marketing, ancillary offers and upsell programmes via owned and partner channels—making the loyalty platform a driver of customer lifetime value across verticals.

Loyalty Programme Valuation and Assetisation

Analysts and investors now treat airline loyalty programmes as standalone financial assets. Examples include:

- United MileagePlus: Estimated valuation of \$21.9B, higher than United’s market cap in 2020 [Bloomberg].
- Aeroplan: Reacquired by Air Canada in 2019, now contributes ~12% of company revenue and is instrumental in digital strategy [Air Canada Annual Report].
- JetBlue TrueBlue and Southwest Rapid Rewards: Serve as defensible differentiators and play a key role in merger valuation and brand equity discussions.

In summary, airline loyalty programmes offer a rare combination of:

- High-margin recurring revenue
- Behaviour-driven incrementality
- Platform-enabled ecosystem expansion
- Strategic and financial asset value

These attributes continue to make loyalty a cornerstone of airline profitability and resilience—especially in volatile or low-margin operating environments (as borne out in the Covid pandemic).



Conclusion

Airline loyalty programmes have evolved into core strategic assets that influence customer experience, revenue diversification and brand equity. Leading programmes now drive real revenue, brand equity and differentiated CX.

The most successful combine financial rigour with emotional resonance and data intelligence with operational agility. As AI, sustainability and customer expectations reshape the skies, loyalty programmes must evolve into platforms for experience orchestration, not just points distribution.

To win in the next era of travel, airlines must:

- Design around the whole traveller journey.
- Leverage loyalty to unify CX, personalisation, and ecosystem value.
- Measure what matters: profitable engagement, not just enrolments.

The next wave of innovation will centre on:

- Personalisation at scale using AI
- Daily engagement beyond travel
- Integrated ESG and lifestyle partnerships
- Operational efficiency and digital empowerment

Airline loyalty is not just a programme—it's a business model and the operating system for commercial success in modern aviation.

Further resources

Learn more about travel loyalty from our expert [Peter Gerstle](#)

[Contact Collinson](#) for general enquiries & questions

Discover further airline industry insights [here](#)

For a Loyalty Maturity Assessment, [click here](#)

Disclaimer

This report has been prepared with the support of advanced tools to assist research and analysis. While every effort has been made to ensure accuracy and reliability, no guarantee, representation, or warranty, express or implied, is made as to the completeness or correctness of the information contained herein. Readers should exercise their own judgment and verify information before relying on it.