

Airline Loyalty

STRATEGIC OVERVIEW



This overview at a glance

Who: Airline loyalty professionals

What: Airline loyalty - now and next

Read: 5 minutes

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

Frequent flyer programmes (FFPs) have evolved from simple mileage accrual schemes into sophisticated ecosystems that generate significant financial and strategic value. Today, these programmes serve as both powerful marketing tools and significant profit centres. However, airline loyalty is at an inflection point: digital transformation, changing traveller expectations and the macro-economic context demand that programmes do more than reward flight activity – they must drive emotional loyalty, seamless experiences and measurable business impact.

What's now

Programmes continue to emphasise credit card partnerships, tier-based benefits and broad redemption catalogues.



What's new

Loyalty strategies are increasingly using AI to personalise offers, improve revenue management through dynamic pricing and expand partnerships further.



What's next

Programmes will embrace real-time recognition, lifestyle moments and a seamless omnichannel presence, with earning & redeeming across daily routines.

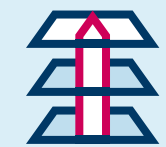


Market Dynamics and Major Trends

Key Dynamics:



Recovery Trajectory: Post-pandemic recovery has been achieved but there continues to be pressure on yield, customer retention and brand trust.



Revenue Model Shift: These are shifting from volume-based metrics and rewards to hard-nosed commercial profitability models, essentially replacing distance with spend (e.g. American Airlines Loyalty Points, BA's new Tier Point scale).



'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 rewards.

The Customer Landscape

Airline customers span a wide spectrum of needs, with typical personas defined by travel purpose, price sensitivity, loyalty maturity and digital expectations.

Persona	Description & Behaviour	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 Optimiser	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

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...

Key Metrics	Success Factors	Notable Programme
Member growth and activation, earn & redemption rate	Transparent pricing, strong partner integration, flexibility, digital-first earn & redemption UX	AIR CANADA AEROPLAN
Partner revenue (co-brand cards)	Integration with payments, exclusive tiers, high cardholder activation, points conversion	DELTA SKYMILES الاتحاد ETIHAD
NPS, digital engagement	Personalisation, premium experience, service quality, omnichannel journey	SINGAPORE AIRLINES KRISFLYER
Partner revenue, tier stickiness	Multi-market reach, user-centric design, coalition model, localised offers	Flyingblue AIRFRANCE KLM Miles & More Lufthansa
Wallet share, partner activation	Coalition scale, seamless redemption across brands	IAG INTERNATIONAL AIRLINES GROUP avios
Redemption rate and seat utilisation	Revenue Management alignment, flexible stand-by upgrades	UNITED QANTAS
Lifetime value vs. acquisition cost	Partner acquisition, tenure promotions, retention incentives, re-activation promotions	CATHAY PACIFIC QANTAS



Key Business Drivers

Programmes not only drive loyalty but contribute to wider business goals.

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



Profitability Perspective

Positive ROI through monetisation

- Co-branded credit cards: These partnerships (e.g. Delta-Amex, United-Chase) generate billions in fixed fees and from revenue share. Delta’s SkyMiles programme brought in over \$5.5bn in 2022 from its Amex partnership [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%).
- Breakage: Unredeemed points (typically 10–30%) provide a built-in margin buffer.

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 using loyalty data to prove that members spend and fly more:

- Higher spend per trip: Loyalty members—especially elite tiers—consistently show higher average transaction value (ATV).
- Tier aspiration and spend acceleration: Programmes like American’s Loyalty Points and Lufthansa’s status miles motivate customers to focus spend to reach or retain tiers.
- 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 seat.

New Revenue Streams Enabled by Loyalty Infrastructure

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.
- Subscription models: Airlines like Volaris and Frontier now offer subscription-linked benefits (e.g. “V.Pass”), opening recurring revenue streams.
- Sustainability: 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—driving lifetime value.

Partners driving profitability

Start your journey with Collinson advisory to design optimal programmes, with Salesforce Loyalty - the leading LMS software solution. Augment your platform with other pre-integrated products or connect to third party applications with Salesforce.

Salesforce Solution Enables loyalty for

Salesforce Data Cloud Data Unification of Customer, Member data across the Enterprise

Marketing Cloud Personalised Member Engagement across the lifecycle

Agentforce Autonomous member engagement for Sales, Service & Marketing

Commerce Cloud Seamless purchase online with embedded Loyalty Offers and Rewards

Service Cloud Easily service your loyalty members with queries and issue resolution

Mulesoft Easily integrate your Loyalty Solution with Upstream and Downstream solutions

Probing questions

- Is your scheme future fit, with the right strategy and tech to lead rather than lag?
- Are you ready to use AI to maximum effect e.g. to mass personalise & improve programme operations efficiency?
- What measurement metrics are you using to measure performance and profitability?

