

# Frequent Fliers

## Get Grounded



Redeeming your points for airline tickets is tougher than ever, unless you know these tricks, CBS News' travel editor **Peter Greenberg** says. ❖





BY PETER GREENBERG

**T**HE PREMISE OF ALL FREQUENT FLIER PROGRAMS seems incredibly simple: Earn miles and redeem them for free airline tickets. But in the 32 years since the first airline frequent flier program

was launched, simplicity has vanished as the programs have evolved into a major profit center for the airlines, and an increasingly difficult path for consumers to navigate in search of that free ticket.

In the early days of frequent flier loyalty programs, at just 25,000 miles you'd get a free ticket to a tropical beach or the dream destination of your choice. The more you flew, the more miles you earned, and the more free tickets you got. Your loyalty was being rewarded.

Quickly celebrated as one of the more ingenious marketing schemes of the century, the frequent flier programs soon allowed you to link a major credit card to a specific airline program so you earned miles even when you didn't fly. That idea was so successful that today as much as 54 percent of air miles are earned on the ground, not in the air.

### PRINTING MONEY

Therein exists the real brilliance, from the airlines' point of view, of the frequent flier programs. The airlines print the currency — the mileage — and sell it to hundreds of partners, including grocery stores, florists, mortgage firms, and credit card companies for about 1.3 cents per mile.

The credit card companies are willing purchasers. Each year, Citibank, American Express, and Chase write huge checks — more than \$1 billion each — to American, Delta, and United to buy those miles. It's a wise investment for the banks because they know the addictive attraction of the mileage programs. They also know that most consumers will go to great lengths to use those cards to earn miles.

But what consumers need to know is the airlines have

made it increasingly difficult to redeem miles, with the redemption rate by major airlines under 10 percent!

Understanding the frequent flier programs and how airlines profit from them can help you more effectively redeem your points for that dream vacation.

### INFREQUENT FREE FLIGHTS

Trillions of miles are earned but never redeemed by consumers. Here are redemption rates for selected major airlines' frequent flier programs.

Airline	Rate
 US AIRWAYS	4.0%
 CONTINENTAL	6.8%
 UNITED AIRLINES	7.4%
 DELTA	8.0%
 AMERICAN AIRLINES	8.6%

SOURCE: SEC filings

All figures are pre-merger airline statistics.

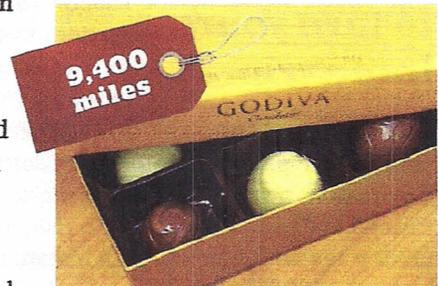
### AIRLINES' CASH COW

These programs are big money makers for the airlines, with the sale of frequent flier miles accounting for 44 percent of their total global revenue in 2013, according to a new study from IdeaWorksCompany and Car Trawler. And because the airlines don't just sell the miles but also control the redemption, the consumer is at a disadvantage.

Consider that these days, with fewer airlines and less competition, most carriers are flying at load factors of about 83 percent. Airplanes haven't been this full since 1945, meaning there's little financial incentive for an airline to redeem a "free" mileage ticket if it means displacing a paying passenger.

That goes a long way to explaining why there are 17 trillion unredeemed frequent flier airline miles, so you're going to have to get creative to turn yours into a trip. Under deregulation, no airline is required by law to disclose how many frequent flier award seats it has available on any flight. And while a number of airlines now publish calendars that claim to show award-seat availability, with some of these calendars you could go weeks — or even months — with no seats available.

The airlines are now slowly but surely trying to quietly transition their frequent flier program structures into "lifestyle" programs where the miles are redeemed for anything but airline tickets.





Want a box of chocolates? A toaster oven? A vacuum cleaner? An airline will gladly redeem your hard-earned miles for those, although those rewards are not why most consumers joined the programs.

Confronted with the choice of chocolates or nothing, many members are reluctantly exchanging miles for merchandise. But at what cost? For a redemption of about 9,400 miles, one airline frequent flier program will give you a box of Godiva chocolates. The box retails for about \$36. If you earn one mile for every dollar spent, that's indeed one expensive box of chocolates.

You don't have to give up on free trips, but you do need to be creative, counterintuitive, and cunning.

#### OFF ON A FREE FLIGHT

Think up to 330 days ahead (the furthest in advance you can book on most airlines). That's because the early bird gets the free trip.

Use the airlines' mileage partners in their strategic alliances. OneWorld, Star Alliance, and SkyTeam, for example, are all linked. Pick off-the-beaten-path destinations. If you want to use miles to go to Paris, Hawaii, or Hong Kong, you have to face the reality that so does everyone else.

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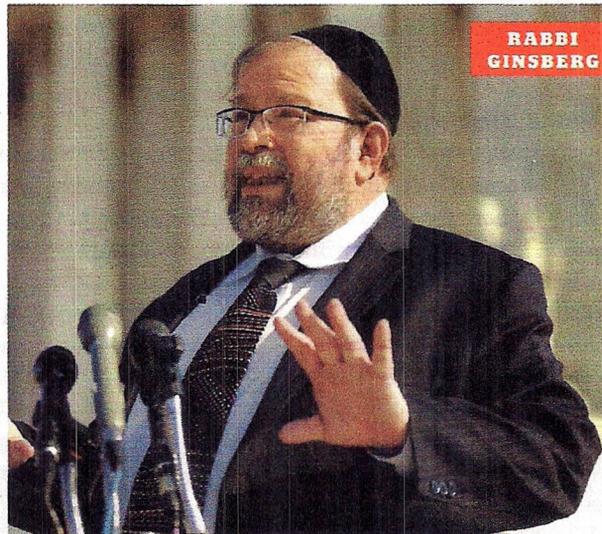
It's going to be difficult to get there with free tickets. There are nearly 200 countries in the world, so there's no shortage of vacation destinations. Be a contrarian. Try to go off-season and pick alternate airports.

#### AMERICAN'S ADVANTAGE

In addition to these strategies, a new consumer-friendly tool from American Airlines makes it simple for you to find a free-flight vacation. Award Map is a

real-time map of available destinations that will simplify your planning. Simply enter travel dates, the type of destination (beach, ski, golf), or region (Hawaii, Mexico, Europe, Asia, etc.) you prefer to visit, and the number of miles you want to spend. With instant results, planning becomes simple.

It's also important that you regularly check the rules for changes to frequent flier programs. Delta has quietly implemented a new rule that you'll soon have to spend



## WILL PASSENGER'S ARGUMENT FLY IN SUPREME COURT?

**D**o frequent fliers have any legal rights when an airline cancels their mileage? That's the question that is now in front of the Supreme Court, which recently heard the case of the rabble-rousing rabbi.

Northwest Airlines booted Rabbi S. Binyomin Ginsberg from its frequent flier program and confiscated his miles after telling him that he "abused" the program by bombarding it with complaints. Northwest says Ginsberg complained 24 times in a seven-month period. The airline pointed to a provision of the mileage program's terms that gives Northwest the right to cancel members' accounts for abuse.

The airline says federal deregulation of the airline industry in 1978 rules out lawsuits like Ginsberg's. Indeed, during oral arguments, most justices signaled that ruling in favor of the rabbi could give rise to chaotic state-by-state rules that deregulation was intended to prevent.

A decision is expected by late June and frequent fliers everywhere will be watching. □

a minimum amount to earn status levels for 2015. For example, to reach silver status, you have to spend at least \$2,500 and earn 25,000 miles or fly 30 segments. For business travelers buying expensive tickets, that's not hard to do. If you're struggling to earn elite miles, look for limited-time promotions from airlines, branded credit cards, and hotels.

Delta also passed a rule that you can no longer will your miles to another person. When you die, so do your miles.

Be sure to check your flier programs to see if your miles can expire.

You certainly don't want to be in the position of having spent years building up mileage only to see it disappear. □



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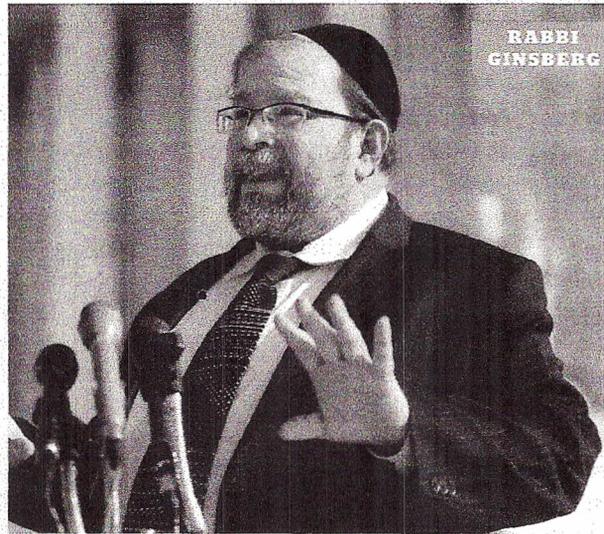
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