

# BENEFITS OF LOYALTY PROGRAMS OF SELECTED AIRLINE OPERATORS IN ALLIANCES

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Scholarly article on aviation introduces the reader to a fundamental characteristic of global airline alliances and scope of selected airlines in them. Among other things, focuses on frequent flyer programs (FFP) selected carriers, compare them and makes suggestions of possible directions FFP.

Keywords: Loyalty program. Air carrier. Global airline alliance. Interpretation of results.

## 1 INTRODUCTION

Traffic is generally the key high quality of life that makes the place and brings people together. Air transport is uniquely able to cover great distances in a relatively short period of time and for this reason, is among the quickest and also the safest mode of transport. Aviation markets there are large numbers of competing carriers are trying to get the loyalty of many customers. Many of these carriers tried it just through loyalty programs.

This article was more devoted to airlines that are members of major global airline alliances and the nature of their loyalty programs. Its aim is to highlight the importance of FFP, mutually compare the programs selected carriers and suggest its future trends.

## 2 GLOBAL ALLIANCE COOPERATION BETWEEN AIR CARRIERS

The globalization of air transport is currently an essential driver of the aviation industry, with a significant quantitative and qualitative impact on tourism, economic infrastructure, foreign trade, foreign investment and productivity at the national and international level. Early 20's began to gradually generate more grouping (alliance) airlines, the objectives have become much wider. The emergence of alliances based on the onset of liberalization and deregulation of world air traffic in the U.S. in 1978 and the European Union in 1988 and based it changes the relevant international legislation and increased competition. One of the key ideas of making alliances is the ability to offer transport to all parts of the world, i.e. global coverage. Airline alliance is an agreement between two or more airlines cooperate on a significant level. The principle of global alliances lies in the linking of carriers, each of which provides services in a particular part of the world or region and mutually interlinked. The scope and depth of cooperation among the various alliances differ, in principle, however, is the following areas as coordination of schedules alliance partners, harmonizing capabilities offered on flights to the main destinations unification check-in and reservation systems offer interim prices, creating a common incentive program FFP, offer additional services to passengers, unification fleet and repair capacity, reduce costs through joint purchasing,

joint marketing and integration of other activities such as handling, catering, joint sales offices and so on.

An important fact now remains that most of the largest and most air carriers in the world are classified into one of three existing international strategic alliances - Oneworld, Star Alliance and SkyTeam. It is influenced by the company's claim that they need the alliance as a necessary means to adapt to changes in the environment in increasingly liberalized markets to remain competitive and fully viable for its future growth. The reason is also better link utilization improvement of air links and the availability of destination. In practice, this means that one line can be marked with two or three codes carriers, although it is operated only one of them. Thanks to this, clients can one airline to get to destinations where it usually does not fly their aircraft. Cooperation between airlines can facilitate healthy restructuring of air transport in the world, lead to improved quality of service to consumers and better cost control. These agreements are usually concluded between companies one alliance and there is a so-called code-sharing partnership. Often the same time, it addresses the question of how these global alliances affect the global competition. It deals with, in particular, by the European Commission, which has the right to monitor the functioning of alliances and their potential harmful effects on competition.

## 3 FREQUENT FLYER PROGRAMME (FFP)

It all started in 1981 when American Airlines introduced a program called AAdvantage, which benefited from the deregulation of the air transport market and the expansion of computer technology. Its purpose was simple: to reward passengers for selecting said the airline when making their journey and support future customer loyalty. American Airlines launched a program using their customer database. Followed in terms of passengers flown miles and put together a system of rewards based on miles flown. The firm will increase the range of services to their customers by renting a car and staying at the hotel. This American Airlines was an immediate success.

With this in mind debuted its United Airlines Mileage Plus program and increased its offer for a bonus 5,000 miles for entry into such a program. You expect that other major domestic airlines will begin soon follow. These included Delta Air Lines and Trans World Airlines

(TWA), which also introduced their own version of FFP. This loyalty programs became the basis of air marketing, especially for high returns on business travelers. Today it is estimated that there are at least 130 airline loyalty programs with more than 150 million members. They appear but cases where states do not support FFP under domestic flights, closely related to the future of loyalty programs. For example, the Norwegian government banned bonus miles for domestic flights to promote competition between their airlines. A prerequisite is the fact that larger companies can destroy smaller carriers through its FFP. Norway later this statement partially repealed, but the complaint likewise remains.

FFP is a program for frequent travelers, which nowadays offers many air carriers. Customers of companies included in the program accumulate their accrued miles, which bring many benefits to the traveling public as such. Obtain free flights, free upgrade from economy class to business class, greater legal weight room, entrance to VIP airport lounges, priority check-in and others. The biggest advantage for passengers flew a mutual recognition of marks in loyalty programs for individual members of the airline alliance. This means that you do not need to be a member of the frequent flyer program of any airline, because the Alliance automatically collects miles for flights and other members of the alliance.

There are other ways to accumulate their mileage. In recent years it has been granted more miles from the use of loyalty cards than flying. Loyalty Card is a credit card that passengers use to buy goods as they do with conventional credit cards. The difference, however, lies in the fact that the uses of loyalty cards to the user attribute points or miles, for example, to purchase tickets for free, reducing its prices for food and drinks during the flight because the special hotel stays. The principle essentially consists in the fact that the credit card user receives one point or mile for every „dollar „spent on the purchase. Thus, the consumers acquire and collect your points and then you can choose a reward of fidelity catalog airline. Loyalties cards allow customers to get unlimited number of points expire. Some loyalty cards have an annual fee that the consumer must pay for its continued use and drawing from its benefits. Another disadvantage of loyalty cards is that some companies promote i.e. covered dates. These are the dates when the items cannot be exchanged for free or discounted tickets. These dates relate to holidays such as Thanksgiving, Christmas and other dates during which the airlines most busy. Some programs allow airlines to use loyalty cards just to purchase flights or just their assigned places , while others loyalty cards allow you to use accumulated points on all purchases.

Most loyalty programs are set so that to achieve a higher elite level (or to retain the current) must have completed a certain number of miles within one calendar year, the bonus miles and miles of other activities such as flying the elite skills do not count. Sometimes airlines offer its members promotions that accelerate or maintain a level of membership in the program by reducing the

requirements kilometers flown by half. In the case of using their accumulated mileage of getting free flights passenger not reimbursable basic fare, but is responsible for taxes and fees related to transportation.

For business travelers accrue valuable points in their property and not a company that paid trip. This has raised concerns that the company provides tax benefits for employees who chose it. It also created a presumption that employees embezzled valuable points, which include their employer's business or even that rewards acts as a kind of bribe to support one specific airline. Most businesses, however, considers the miles earned on flights of its employees as partial compensation for the frequent business trips. There are times, however, when some NGOs attempted to prevent their employees to accumulate kilometers from missions. For example, Australian government officials are not allowed to utilize points stemming from business trips. Some loyalty programs even allow charities to donate miles.

One of the disadvantages of loyalty programs is also a fact that airlines reserve the right to make changes, often at short notice. This may include changes in conditions, restrictions and also peace awards in kilometers flown. The reality is that the Ministry of Transport in any way regulates airline loyalty programs. It is a matter of individual company policy. If the passenger is not satisfied with how the airline manages changes in their programs, the complaint may be submitted directly to the airline. As such informal efforts to resolve the problem failed, further legal action can take passengers through the competent civil court.

#### **4 COMPARISON OF FFP FOR LUFTHANSA, BRITISH AIRWAYS AND CZECH AIRLINES**

The principle of operation of loyalty programs on select airlines operating in alliances is very similar. FFP members collect share or buy your points / miles and then use them. Programs Miles & More (Lufthansa), Executive Club (British Airways) and OK Plus (Czech Airlines) are divided into several levels of membership, which entails a series pertaining to benefits. Each of the programs allows you to earn miles / points under a fixed key, and conditions published on the official website of the airlines concerned, where members can find a calculator for calculations for flights from partner companies in different travel classes depending on their length. Rating gaining members, even at the services offered by partner companies, and then use the miles on the proposed benefits.

Just Alliance membership allows airlines to expand its reach in the market, network interconnect lines and provide better services which is also closely linked with the benefits from FFP. For selected air carriers are many benefits almost identical. This is due to the fact that individual companies often operating in the same markets struggle to keep a certain standard and a certain way even to imitate FFP their competitors. The following benefits in all three loyalty programs are chosen in such a way that

they can be to some extent mutually compared. Firstly, we discuss why and qualifications in the different levels of FFP. When loyalty program with Lufthansa and Czech Airlines members collect miles flown, while for British Airways are facing i.e. Avios points.

LUFTHANSA	MILES & MORE MEMBER	FREQUENT TRAVELLER	SENATOR	HON CIRCLE MEMBER
	—	35 000 miles	100 000 miles	600 000 miles
BRITISH AIRWAYS	BLUE	BRONZE	SILVER	GOLD
	—	300 Avios	600 Avios	1500 Avios
CZECH AIRLINES	MEMBERSHIP CARD	SILVER CARD	GOLD CARD	PLATINUM CARD
	—	25 000 miles	50 000 miles	100 000 miles

Fig. 1 Qualification for loyalty program

The above Table 1 it is clear that the skilled in the basic level programs are undertaken login and then make the first flight and the first mile optionally collect Avios points. Individual pricing flights for companies mentioned on the official website where the flying public can find a calculator for calculations miles or value of individual flights on routes of their partners. For your progress to higher levels is necessary to collect the specified limits listed in the table. The program Miles & More is the second and third level of membership calculated miles collected for one calendar year and the highest level is the line 600 000 miles respected in two consecutive calendar years, i.e. current and previous.

The principle of collecting Avios points, according to a separate formula and said levels are achieved after collecting 300, 600 and 1500 points. OK Plus program sets limits for each level based on either miles or the number of flights made. The second level is conditional 25,000 miles, or 15 flights within SkyTeam, the next level down 50,000 miles or 30 flights, and the highest level of membership to the Platinum card is defined 100,000 miles, or 70 flights under the SkyTeam alliance of one calendar year. Another condition is that of those flights in each level of membership for at least two years must be marked as OK flights operated by CSA.

LUFTHANSA	MILES & MORE MEMBER	FREQUENT TRAVELLER	SENATOR	HON CIRCLE MEMBER
	36 months	without time limit under special conditions		
BRITISH AIRWAYS	BLUE	BRONZE	SILVER	GOLD
	36 months			
CZECH AIRLINES	MEMBERSHIP CARD	SILVER CARD	GOLD CARD	PLATINUM CARD
	24 months			

Fig. 2 The validity of acquired miles/points Avios

Loyalty programs provide the force acquired miles / Avios points at a specified time. The program Miles & More miles are acquired valid for 36 months from the date of their acquisition, unless they have been used. Miles validity expires at the end of the current quarter and at the end of the following quarter is set out in the statement online. The Frequent Traveller, Senator or HON Circle members holding germane Lufthansa Miles & More credit cards are not affected by this term validity and apply to their particular conditions. As Executive Club account remains inactive for a member ceases to collect, share, buy or spend your points any way for three years, will be deleted and the mile at the same time non-refundable. Program OK Plus miles assesses the validity of each of 24 months from the date it was created on the member is entitled. Unless the mile in that period used the automatic deletion occurs. It is also necessary to maintain the validity of all other miles to take account at least once every 24 months for at least one year realized CSA OK. Failure to comply with this condition leads to the deletion of all miles in the account regardless of the date of receiving them.

LUFTHANSA	MILES & MORE MEMBER	FREQUENT TRAVELLER	SENATOR	HON CIRCLE MEMBER
	—	25 %	25 %	25 %
BRITISH AIRWAYS	BLUE	BRONZE	SILVER	GOLD
	—	25 – 150 % depending on the Alliance partners and travel class		
CZECH AIRLINES	MEMBERSHIP CARD	SILVER CARD	GOLD CARD	PLATINUM CARD
	—	25 %	50 %	100 %

Fig. 3 Reward bonus miles/points

Shared benefits resulting from loyalty programs mentioned are obtained bonus miles on flights alliance partners. This is the percentage appreciation actually flown miles in addition to each Flight realized within the Alliance. Lufthansa in its FFP valued bonus miles, called Executive Bonus. Members are rewarded levels Frequent Traveller, Senator and HON Circle 25% increase, notwithstanding the fact that the transcontinental flights bonus is calculated based on actual kilometers flown and when flying short distances this bonus is fixed, known as the minimum mile. For British Airways is the principle of rewarding different. Bonus Avios points at various levels of membership during flights conducted by British Airways, Iberia, American Airlines and Japan Airlines is 25% for members of the Bronze level and 100% for Silver and Gold members. Bonus points for code-share flights, franchise companies and partners OpenSkies are allocated based on the travel class as follows, in Economy Class are the points awarded 100 % increase in Premium Economy is a 125 % in Business Class and 150 % in First Class 200 % increase of kilometers flown. Bonus points for Oneworld flights are vastly different depending on the partner company, membership levels, and travel class and

are in the range 25-150 %. Bonus BA Avios points stated on its official website as well as to the terms of the award individually under a particular company Alliance. The principle of awarding bonus points in the program OK Plus CSA Czech Airlines Company is compared to BA much easier. Benefit called Elite Bonus at Silver card represents 25 % of actual miles flown addition, the 50 % Gold Card and Platinum Card at up to 100 % bonus miles.

LUFTHANSA	MILES & MORE MEMBER	FREQUENT TRAVELLER	SENATOR	HON CIRCLE MEMBER
	—	✓	✓	✓
BRITISH AIRWAYS	BLUE	BRONZE	SILVER	GOLD
	—	—	✓	✓
CZECH AIRLINES	MEMBERSHIP CARD	SILVER CARD	GOLD CARD	PLATINUM CARD
	—	✓	✓	✓

Fig. 4 Free luggage allowance on flights within the alliance

Frequently used preferably for flights performed in the framework of alliances are free luggage tolerances, which are in various different levels of membership. Allowable limit for free at Lufthansa used a standard concept i.e. pieces. Allowable baggage allowance depends on the class of travel and membership levels and may differ in terms of number of units allowed free baggage or weight of bags. Members Frequent Travellers have allowed limit of two baggages up to 23 kg in Economy Class, Business Class, two baggages up to 32 kg in First Class and up to three pieces of luggage weighing up to 32 kg. Senators / HON Circle Members / Star Alliance Gold Members use the luggage advantage in the number of two pieces up to 23 kg in Economy Class, three pieces of luggage up to 32 kg in Business Class and up to four pieces of luggage in First Class to the limit of 32 kg. Gold members of British Airways Executive Club are allowed 32 kg luggage allowance for checked baggage in any class of travel and Silver members have checked baggage allowance of two pieces in World Traveller, Eurotraveller and Domestic Cabin for the cardholder to the weight of 32 kg. OK Plus frequent flyer program offers members free luggage in tolerance levels for holders of silver, gold and platinum cards into a single piece of baggage weighing up to 23 kg, or in the form of a scaling concept for a Silver Card and 10 kg gold and platinum card 20 kg.

LUFTHANSA	MILES & MORE MEMBER	FREQUENT TRAVELLER	SENATOR	HON CIRCLE MEMBER
	purchase of 12 000 miles			
BRITISH AIRWAYS	BLUE	BRONZE	SILVER	GOLD
	purchase of 27 000 Avios points			
CZECH AIRLINES	MEMBERSHIP CARD	SILVER CARD	GOLD CARD	PLATINUM CARD
	purchase of 15 000 miles			

Fig. 5 Purchase the miles/Avios points

One of the benefits of membership in the loyalty program also purchase miles. Members can anyone calendar year to carry out the aforementioned purchase, the number of miles purchased is strictly limited. In all three cases, members can purchase miles for own account or as a gift for another member of FFP. Miles & More program allows to carry out the purchase of 12,000 miles, Executive Club provides the number of Avios points to 27,000 and the OK Plus program offers this benefit in the amount of 15,000 miles.

Additional positives membership programs include a free upgrade to a higher grade for a certain number of miles / points, entry to airport lounges, priority check-in and boarding, warranty reserve, priority on the waiting list, site selection advantage in aircraft and many others that do not show in tabular form because of their high similarity. The attention is to be noted that the program of Lufthansa as the only selected three comparison programs offer their members the highest level of benefits in the form of access to the First Class Terminal, transfer service to aircraft in the form of a limousine and personal assistance from arrival at the airport until departure by plane. Program Executive Club British Airways in comparison with the other two companies in the support of family gathering miles through the account of household and each level allows members to share your Avios points for all household members, and has been since the age of two family members. Program of Czech Airlines as the only mentions the company called OK Plus Corporate, thanks to help companies save costs and benefit from business trips of their employees.

## 5 A PROPOSAL OF ROUTING OPTIONS OF LOYALTY PROGRAMS

In recent years, airlines recorded a decrease rather than increase their FFP members. This fact can be explained by pointing out that air transport is the customer's particular pressure on the price of transport and membership in loyalty programs is considered unattractive offer. Inter alia, on the basis of the survey it was found that 34% of respondents to the frequent flyer programs of the airlines have never heard of. Airlines should invest more in advertising or promotion of their programs for frequent travelers. An extensive advertising campaign should be carried out through television, newspapers or billboards located on major transport hubs around the world. Information on membership options, companies should distribute on board aircraft through TV, magazines or brochures. Unconstrained form highlights the major advantages in terms of passenger and not from the perspective of the airline. It is necessary for an advertising campaign marketing department led the airline through skilled workers and not by an external firm, which could cause some distortion of data.

Companies should reward the traveling public in any other way than hitherto, and make changes to the pricing structure in order to retain old customers but also

attract new ones. Loyalty programs to its members not only valued for flights or made purchases from their partners. One possible alternative is to reward members added to them points to an account in the event that the program to attract new member. Members could get points on your account even if they made a trip with luggage significantly lower weight than currently permitted, or in the case of traveling with only hand baggage, with no registered. This would encourage passengers to fly with luggage containing the necessary things for the trip. Positive it would be reflected either makes better use of the cargo aircraft or reducing the maximum weight of the aircraft (MTOW - Maximum Take Off Weight) followed thereby limiting airport and navigation fees relating to the operation of the aircraft.

One of the proposals to improve the functioning of loyalty programs is to engage them socially. The term "socially engaged program" and means for creating blogs or online chats regarding their loyalty program. Through activating the general public on the Internet in the discussion the company can detect weaknesses of their FFP. Customers should be given in this way feel that their opinion as a member of the program by FFP interest and is the motivation for other travelers to share experiences with a given airline through reviews on various social forums. Airlines need to understand that every comment left on these forums can greatly affect the outcome of another individual when purchasing products or services. Through a fan page on Facebook or Twitter, companies should be valued members for engaging in different activities. Just mentioned social networks are currently considered the most effective and quickest method of getting as close to the consumer.

Another option is to reduce FFP progress borders awards for individual benefits. Statistics conducted worldwide show that up to 80% FFP members never really earn enough miles to place a free flight. Passengers as loyalty programs unattractive also because they cannot reach for them attractive benefits. Companies could offer flights for free as an incentive for its members and the lower levels. This could go on flights to specific destinations within Europe at a time when they are least busy line. It would be a flight in concrete terms for a lower number of miles with members programs should decide whether a given flight to a particular destination and pick up a flight. This would increase the company's commitment to its members and to promote the development of tourism in major tourist cities in Europe.

Routing loyalty programs should be more charitable or environmentally related. The fact is that every year up to 9.7 trillion unused frequent flyer miles and forfeited their effectiveness. Companies should warn their members intensified by e-mail of the impending expiry of their miles and the possibility of donation. The customer can pay their miles for example, to finance the education of children, to support developing countries to help residents affected by natural disasters of the world, in support of cancer treatment or to construct forests

anywhere in the world. In this way, you cannot just airlines increase their image but mainly involved in social issues of today's world its members.

## 6 CONCLUSION

The onset of liberalization and deregulation in the aviation market led to the emergence of global alliance cooperation between airlines. The basic idea emerging airline alliances have been particularly offer interconnected network of routes across the world, thereby ensuring global coverage. The leading global alliances of clusters include the Star Alliance, SkyTeam and Oneworld. Alliance provides its member airlines of the amount of benefits, one of which is to harmonize Frequent Flyer Programs - loyalty programs for frequent travelers. The contribution of my work consists in providing a complete picture of the current situation in the air transport and highlights the positives but also the shortcomings of the airlines frequent flyer programs. Work provides possible solutions orientation programs for frequent travelers and for this I conclude that the results of my work can be beneficial for the traveling public, professional education in the field of transport and publicists.

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