

Ex 2024

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## Loyalty Traveler examines Points.com exchange value

Posted by Ric Garrido

Loyalty traveler received an email today from Points.com. A senior account executive from New York shot over some data points to color up my stories.

Is this a good place to insert that I am color-blind? I see colors, but apparently just not in the same way most people see them.

Sometimes I feel the majority of travelers are data-blind. The same data is out there for others to see, but many people do not see the same picture I see in the data.

### **Points.com Transaction Options**

#### **How It Works**

Points.com allows members to register about 80 loyalty program accounts through their database to enable a one-stop location for all your loyalty program balances.

Airlines are more common as participants with Points.com compared to hotels with more than 40 airline partners.

Accor A-Club, IHG Priority Club and Starwood Preferred Guest are the only major participants from the hotel sector and only Priority Club participates in exchanges and trades. Other hotel loyalty programs can only be linked for account balance activity viewable on Points.com.

#### **Points.com Hotel Loyalty Program Participants**

- Accor Hotels A-Club
- AmericInn Easy Rewards
- Coast Hotels: Coast Rewards
- InterContinental Hotels Group (IHG) Priority Club Rewards
- Jumeirah Hotels – Sirius Programme

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Delta, et al. v. Loyalty

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- La Quinta Returns
- Starwood Hotels – Starwood Preferred Guest
- Trident Hotels – Trident Privilege

**Only IHG Priority Club allows trades and exchanges to other loyalty programs.**

## Loyalty Traveler Analysis of Points.com and Priority Club Exchange Rates

### Case Study 1-20-11

**I have 96,000 Priority Club points in my account.**

**Points-to-Miles Exchange Rate through PriorityClub.com is 10,000 Priority Club points = 2,000 miles (34 frequent flyer programs)**

Priority Club has [39 airline partners for points-to-miles exchange](#). Southwest and a few other airlines use point systems with a different exchange rate than the 34 airlines where 10,000 points = 2,000 miles.

My 96,000 points = 19,200 miles for a Priority Club airline partner like American, Delta and United when exchanging points for miles. Note: technically 96,000 points can only be traded as 90,000 points = 18,000 miles since exchanges must be made in 10,000 point blocks through Priority Club. I use 19,200 miles to give a direct miles exchange rate comparison to Points.com which allows an exchange of 96,000 points.

### Points.com Exchange Rate for 96,000 Priority Club points

- 7,590 Delta Skymiles
- 7,990 Alaska miles
- 8,434 American Airlines miles
- 8,434 Continental miles
- 8,930 Frontier miles (I exchanged 2,372 Frontier miles into 1,008 Priority Club points, March 2010)
- 9,547 Air Canada Aeroplan miles
- 10,880 Icelandair points
- 15,181 Hawaiian miles
- 16,320 Cathay Pacific AsiaMiles

Only Frontier, Hawaiian Airlines and Icelandair are not Priority Club partners. All other airlines shown here have a higher exchange rate of 90,000 points = 18,000 miles when making points-to-miles transfers at Priority Club.

### Priority Club website's exchange rate:

- [34 airline partners](#): 1,000 Priority Club points = 200 miles

### Points.com website's exchange rates:

- Frontier Airlines: 1,000 Priority Club points = 93 miles
- Hawaiian: 1,000 Priority Club points = 158 miles
- Icelandair: 1,000 Priority Club points = 113 miles

There is potentially some value in being able to exchange Priority Club points into Frontier, Hawaiian or Icelandair miles for accessing miles to reach an airline ticket award level for these airlines who are not direct airline partners with Priority Club.

15,000 miles is actually sufficient mileage for a roundtrip economy class or First Class one way [interisland Hawaiian Airlines award ticket](#) or roundtrip First Class upgrades.

In general, the vast number of airline partners with Priority Club Rewards allows a better exchange rate when making points-to-miles exchanges through Priority Club rather than Points.com.

### The Value of Points.com

I have never been a fan of the exchange rates of Points.com. I was actually surprised to see I visited the site in March 2010. I had forgotten that I traded 2,372 Frontier miles into 1,008 Priority Club points. Normally that would not be a decent value, but the exchange was boosted by a 3,000 Priority Club points bonus for a partner transaction fulfilling a Priority Club promotion.

Net effect was a free exchange of 2,372 Frontier miles, in an account that I figured had little chance of growing to a Frontier Airlines award ticket, into 4,008 Priority Club points.

That was a decent trade in my opinion. I redeemed a PointBreaks award in 2010 at 5,000 points per night to save over \$120 on a Holiday Inn hotel night. My 2,372 Frontier miles were turned into an \$96 tangible savings on a Priority Club reward night.

Points.com is a fine program for tracking account balances in one place, but the value of exchanges is limited. Most transactions can be accomplished directly through the airline or hotel program's own site for the same cost or less or a better exchange rate. Priority Club as the sole hotel program participating in exchanges severely limits the use of Points.com for acquiring hotel points.

### Here are three data points passed on to me today from Points.com:

- **Transactions are up:** Loyalty users' activity was up in 2010 with Buy and Gift transactions increasing by 36 percent from 2009 as customers bought or gave points and miles to fill up accounts—a whopping **7 billion miles were purchased through Points.com alone**. And transaction size was also up 36 percent year over year\* showing that customers have larger sums of points and miles at their disposal.
- **Getting creative with loyalty:** Loyalty members are seeing the light and starting to make the most of their rewards. Transfer transactions occurring between family members are up **85 percent year over year**, and the number of miles/points being transferred between accounts has increased **70 percent compared to 2009**. According to the data, **42 percent of transfer transactions are made to enable family members to take a trip together**, and another **27 percent are made as a gift to the recipient**.
- **Perceived value skews high:** No surprise here—loyalty users lack a realistic grasp of what their loyalty rewards are actually worth. Only **18 percent of loyalty members surveyed were able to correctly identify the value of awards for their airline programs** and a mere **11 percent for hotel/travel rewards**. Points.com is working to help members of multiple loyalty programs navigate the complicated land of multiple loyalty programs.

### Loyalty Traveler Analysis

**Transactions are Up**—Buy and gift transactions may be up due to the large number of bonus offers for airline miles purchases in 2010. I have noticed several loyalty programs in the travel industry appear to outsource miles and points purchase and gift transactions through Points.com.

And in general all travel related expenditures were up for 2010 compared to 2009. In fact, the [United Nations World Tourism Organization recently reported](#) world tourism is predicted to grow by 4% to 5% in 2011, but not at the high 6.7% rate increase seen in 2010. Most regions of the world should expect lower visitor arrivals in 2011. Two years of global tourism growth is a welcome sign after a 4% decline in 2009.

**Family member transfer transactions:** 42% of transfer transactions are made so family members can travel together!

— these are the exchanges that are not a good sign to me. There is nothing wrong with exchanging miles from one account to another, however, the airlines accrue big profits from a commodity that was already paid for by the account originator.

I just do not like the idea of airline and hotel loyalty programs taking a significant monetary kickback to move miles from one account to another; particularly for family members. A currency designed to be a rebate for a loyal traveler that has no value until redeemed is being resold by the airline company and the electronic miles still have no value until redeemed.

Delta Skymiles require a \$30 transaction fee and \$10 per 1,000 miles transferred.

This is how I perceive the statement, “42% of transfer transactions are made so family members can travel together!”

Assume my wife wants to accompany me to a 4-day conference in Washington, D.C.

I have miles in my account, but I do not want to spend my 25,000 miles for her economy class domestic ticket when I have just 5,000 miles over the amount needed for an international Business Class ticket to Europe from my account.

My wife is 5,000 miles short in her account for the 25,000 mile domestic award economy ticket.

I must pay Delta \$80 to transfer 5,000 miles from my account to my wife's account so she can reach that threshold for a \$300 ticket to accompany me on a business trip to Washington, D.C.

Sure this is a viable win-win situation in that my 5,000 miles + \$80 saves her \$300 on an airline ticket.

But is it reasonable for the airline to win such a large profit by charging me \$80 for an electronic transaction of mile pushing my earned miles to my wife so she can accompany me on a Delta flight?

### Perceived value skews high:

A quick look at the Points.com trade board reveals a skewed point-of-view on the value of points and miles. Nearly every trade I saw posted was a poor value deal in my opinion, unless you specifically had a redemption reward in mind with a proven value in excess of the cost to trade for airline miles on Points.com.

- Points.com showed me I could trade 10,000 Priority Club points for 1,000 Delta Miles at a cost of \$50.
- I can trade 10,000 Priority Club points for 2,000 Delta miles on Priority Club's website for free.

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- Points.com shows me I can trade 50,000 Priority Club points for 29,000 Delta miles and a \$250 fee.
- This is an example where 29,000 miles could be a high-value trade if I had a high-priced award ticket I could reach for 29,000 miles. It would cost over \$800 to buy 29,000 miles from Delta. The \$250 fee + 50,000 Priority Club points might be a good value if I could immediately turn these into a ticket worth several thousand dollars. Essentially this would be equivalent to trading 50,000 Priority Club points for more than \$500 in cash savings to buy points for an award ticket.

There are good facets to Points.com. You just need to be selective in how you exchange or trade your points.