



# FLIGHT PLANS FOR SUCCESS

## Airline Loyalty Program Case Studies

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# INTRODUCTION

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**Aimia's roots in the airline industry run deep — all the way back to 1984, and our origins in Aeroplan, the frequent flyer program of Air Canada. Since that storied beginning, we've evolved from that core frequent flyer program into a global leader in loyalty management. This combination of frontline experience and institutional knowledge of the airline industry is instrumental to our ability to create and articulate value for carriers. Today, we act as a strategic advisor, investor, and service provider to airlines around the world.**

For most airlines, hosting a frequent flyer loyalty program has become table stakes. The programs are inextricably linked to their brands and to their customers' expectations. While many carriers derive considerable benefits from their loyalty programs, there are always untapped ways to improve their performance: Like all loyalty programs, frequent flyer programs must evolve, or perish.

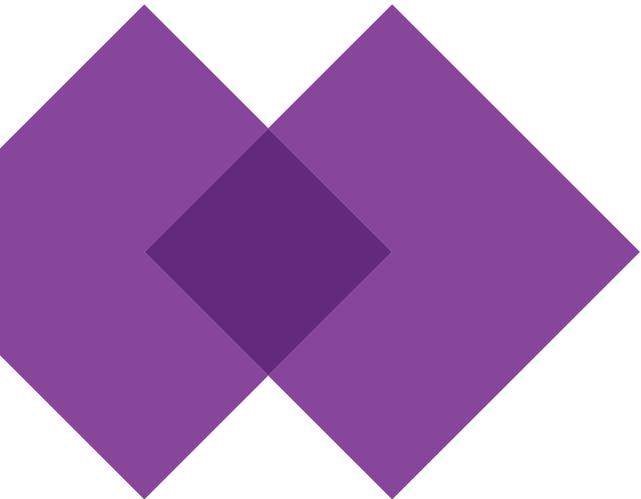
Today, frequent flyer programs face a host of challenges, including designing effective partner portfolios; expanding rewards beyond the travel sector; managing reward access and unit cost; optimizing program breakage; and engaging non-frequent flyers. Aimia hosts a full suite of airline loyalty products and services designed to help our airline clients solve these challenges. Our offerings range from consultancy assignments to outsource solutions and strategic investments.

We help our clients and strategic partners uncover opportunities, articulate strategies, and optimize their loyalty program by applying our leading-edge insights and capabilities for the benefit of their members,

their stakeholders, and their partners. These performance enhancements range from augmenting member or partner value propositions to spinning off the programs into separate companies. Our team of dedicated specialists helps our clients identify the core issues critical to unlocking the hidden value of their loyalty programs.

The following case studies provide snapshots of our world-class airline loyalty resources in action. In the first, we guide a carrier's redesign efforts to reduce breakage and increase redemption, thereby boosting participant engagement and lowering churn. In the second, we tap our data analytics capabilities to identify three key growth areas that provide our client with valuable insight into cost-containment activities that don't compromise members' perception of the program's value.

Aimia has been an integral player in the history of airline loyalty since the industry's inception. Help us write the next chapter in the history of airline loyalty by contacting us today. We'll help you devise a flight plan for success.



A photograph of a man in a light-colored suit and tie, smiling warmly. He is seated at a wooden table, and another person's hand is visible, handing him a light green card. The background is a bright, modern interior with large windows.

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# STEMMING THE TIDE: How Aimia redesigned a leading low-cost carrier's loyalty program

(North America — 2008)

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## Summary

A leading North American low-cost carrier realized that its existing loyalty program contained untapped potential. Aimia helped the carrier redesign the program's earning structure to better align customer value to rewards, introduce more flexible reward offerings, and position its benefits more attractively. Members responded with enthusiasm, enhancing the program's value and stemming the tide of passenger churn.

## The Opportunity

Internal analysis revealed ongoing loss of value within the carrier's loyalty program. These losses arose from the program's existing accrual and redemption structures, as well as its currency expiration policy. Expiring currency, in particular, was an indicator of an atypically high propensity to churn. In addition, the existing program structure left significant potential partner value unrealized.

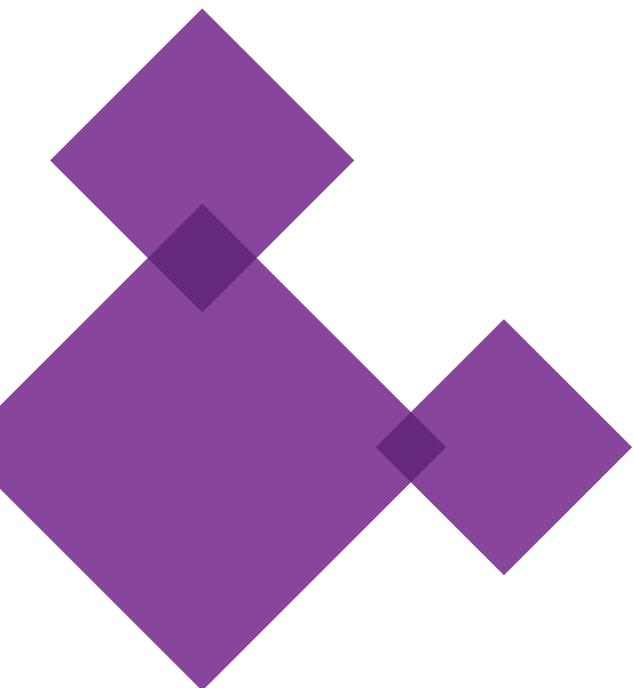
The carrier's challenge was to transform its existing loyalty program into a more effective and efficient marketing tool designed to reignite member value and capture a wider audience.

## The Solution

The airline enlisted Aimia as its strategic consultant, and together we embarked on a full program redesign and relaunch. Our mandate covered multiple strategic areas, including a new program design and a technology roadmap. Our collaboration resulted in a completely new program that delivered demonstrable added value to the carrier.

Together, we presented our proposed program redesign to key audience groups, who told us that treatment of existing point balances was the linchpin of the transformation. We based our recommendations on extensive data analysis, including simulation models that projected multiple revenue and cost scenarios, as well as assessments of customer acceptance of the new design. We also supported the new program rollout with a change-management strategy that addressed member challenges during the changeover.

The end result was a loyalty program that rewards members based on their value to the airline instead of miles flown. By leveraging our state-of-the-art loyalty program design process, the airline gained insights that allowed it to build a more powerful marketing engine with an expanded partner portfolio.



# CREATING VALUE THROUGH INSIGHT: How Aimia helped optimize an airline's existing program

(South America — 2011)

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## Summary

In 2011, Aimia embarked on a strategic partnership with a leading South American airline. The carrier charged us with providing it with additional knowledge, tools, and tactics to help its frequent flyer program achieve specific business objectives. We focused on improving the program's key profitability levers — rewards management, liability and breakage management, and new market growth — and helped the carrier unlock new program value through applied insight.

## The Opportunity

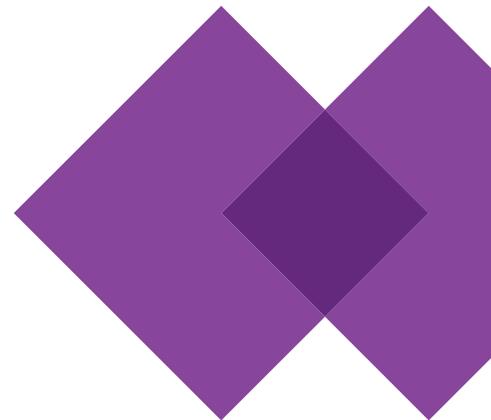
The key was meeting redemption rate targets while maintaining a targeted reward unit cost. To accomplish this, the carrier's loyalty program had to incorporate an optimal reward structure and pricing. Aimia enabled this by identifying three primary work streams. Over a period of 12 months, we paired several of our in-house experts with corresponding carrier teams who collaborated through a mix of remote and on-site engagements.

## The Solution

Aimia based its recommendations on extensive data analysis, including simulation models that projected unit costs under various reward price scenarios. We modeled price elasticity curves using reward booking data, and modeled breakage to validate current rates and forecast the impact of program changes on future breakage. This analytical insight influenced the program design.

By simulating potential changes in reward growth and point expiration, our model also identified the probable impact of these changes on breakage. Our extensive analysis also enabled us to uncover interesting member behaviors the carrier had not previously identified. We discovered the optimal redemption growth and breakage rate combination, which allowed the airline to maximize long-term program profitability.

Our research, analysis, and testing methodology helped the airline's management make better decisions regarding key program changes while providing valuable insight to guide future design. Together, we positioned the loyalty program to soar to new heights.



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## ABOUT THE AUTHORS

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**Sandra Diem, Vice President,  
Global Business Development – Travel**

Sandra Diem leads Aimia's Global Business Development for travel. She has more than 25 years of experience developing travel loyalty programs. She began working for Aimia more than 15 years ago starting at Air Canada, as part of the small program team that created Aeroplan in 2005. During that time, Sandra was a major contributor to the first commercial agreements between Aeroplan and Air Canada, in addition to starting Aeroplan's CRM, Rewards

Management and Member Management departments. She has worked with many airlines around the world and has been a speaker at airline loyalty program conferences. Sandra was part of Aimia's multi-disciplinary team that executed the investment in PLM in 2010.

Sandra holds a Bachelor of Environmental Studies degree from the University of Waterloo and an MBA from the University of Western Ontario (Ivey School of Business).

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**Evert de Boer, General Manager,  
Global Business Development – Travel**

Evert de Boer supports Aimia's global business development efforts in travel. Having worked on both the client and agency side, and across industry verticals, Evert enjoys a unique view of the challenges airlines face today.

Evert has more than 12 years of extensive experience in airline loyalty programs. After crossing from the airline client side to the agency side in 2002, he continued to work on airline CRM solutions for a wide range of clients. He started his career at KLM Royal Dutch Airlines in the Netherlands.

Evert has been a guest speaker at numerous events and institutions, including Cranfield's School of Aeronautics (United Kingdom) and

Toulouse ESC's Aviation MBA (France). He has published a number of articles on frequent flyer programs and travel loyalty. His most recent article, on 30 years of frequent flyer programs, appeared in the June 2012 edition of the Journal of Air Transport Management.

Evert earned a Master of Science degree in International Business Administration at the University of Maastricht, the Netherlands and Universidad Carlos III de Madrid, Spain.

He is a graduate of the Berkeley-Nanyang Advanced Management Program from the Haas School of Business at University of California at Berkeley, and Nanyang Business School at Nanyang Technological University, Singapore.

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### About Aimia



We are a global leader in loyalty management. Our unique capabilities include proven expertise in building proprietary loyalty strategies, launching and managing coalition loyalty programs, creating value through loyalty analytics, and driving innovation in the emerging digital and mobile spaces. We build and run loyalty programs for ourselves and for some of the world's best brands. Customer data is at the heart of everything we do. We are Aimia. We inspire customer loyalty.

**Visit us at [aimia.com/airlineloyalty](http://aimia.com/airlineloyalty).**