Research Synthesis

Problem Statement

How can we simplify the process of maximizing flight point redemption for travelers with flight reward program(s) so that they can travel more for less?

Background

In an era marked by a surge in global connectivity and a heightened desire for exploration, travel has transcended from a luxury to a lifestyle. Fueling this wanderlust are credit card and airline reward programs, promising a gateway to affordable adventures. Yet, as more individuals embrace the skies, the intricacies of maximizing the value of accumulated points across various flight reward programs have become a significant hurdle. According to the International Air Transport Association (IATA) the global aviation industry is expected to see 4.7 billion passengers travelling by air in 2024, an increase from 4.5 billion in 2019 (Dooley, 2023), resulting in increasing demand for flights and seats. Additionally, a study conducted in the United States found that 13% of reward credit card travelers cashed in their points and miles for free flights. Leading the charge were Gen Zers (21%) and millennials (19%) who prioritized flying for free over cash back rewards (Thangavelu, 2023). However, points and miles are extremely susceptible to devaluations and without advanced notice from airlines, accumulated points may be worth less than the day before.

Point devaluations stem from diverse market conditions within loyalty programs. When an excessive issuance of points occurs, loyalty programs often resort to devaluation, recognizing these points as liabilities, particularly amid rising travel costs and travelers seeking optimal value from their rewards (Arghandewal, 2023). In 2020, liabilities spiked 11.6% from the prior year between Delta, United, American, JetBlue, and Southwest (Baratti, 2021). Airlines utilize point devaluations as a strategic cost-management measure, mitigating the volume of travel they must provide in exchange for accumulated points. This adjustment involves an increase in the points required for award bookings, diminishing the worth of existing points. What's tricky is that not a single federal agency or state has control over these reward programs (Greenberg, 2022), enabling devaluations to happen suddenly and without warning, directly impacting the value of the rewards customers earned.

The customers' ability to make the most of their accumulated points when booking flights is directly impacted by these point devaluations. As loyalty programs reduce the value of points, travelers may find that they need a higher number of points than initially expected to redeem for the same flight. This challenges the efficiency and effectiveness of point redemption, making it more difficult for individuals to optimize their rewards for travel. The devaluation essentially diminishes the purchasing power of the accrued points, creating a barrier to achieving the goal of traveling more for less.

Research Objective

(Background details on what you hope to achieve by conducting this research)

This research is designed to understand what motivates travelers to book flights with points, their point redemption experience, priorities when booking with points, awareness to point value and devaluations,

and what their current pain points are and ways that we can innovate on the process to make it easier for travelers to maximize point redemption value and travel more for less.

Customer Segments

Frequent, seasonal, and beginner travelers that are part of 1 or more flight reward programs that want to utilize their earned points to purchase free flights to travel more for less. Specifically, beginner travelers who have limited knowledge of point value redemption, to seasonal and frequent travelers who purchased flights with points before and aim to obtain the best value manually.

Research Questions

(Key questions you hope will be answered by the research)

- What motivates travelers to book flights with points?
- What does the point redemption experience look like for travelers?
- What priorities do travelers have when booking flights with points?
- How aware are travelers to point value and devaluations?
- What tools (digital or not) do travelers use to determine their point redemption value?
- What pain points exist in their flight booking process with points?

Key Questions Answered

What motivates travelers to book flights with points?

Based on my research findings, 75% of travelers are driven to book flights using points for the purpose of saving money and securing free travel. Additionally, 37.5% of travelers utilize points to access premium travel experiences. Furthermore, 77.5% of travelers actively keep track of their accumulated points during the booking process, indicating a motivation to leverage these points for flight bookings.

In a survey involving 40 participants, 90% of them engage in multiple trips annually and are members of at least one travel rewards program. Among those who travel frequently, 40% redeem their flights with points, while only 30% opt for point redemption once a year. This data strongly suggests that travelers are making the most of their earned points and are inclined to redeem flights throughout the year.

What does the point redemption experience look like for travelers?

Based on my research findings, 40% of travelers found the process of booking flights and redeeming points on flight reward program websites very easy. Prior to making a reservation, 77.5% of travelers proactively check the number of points they have accrued, and 50% make an effort to explore the destinations accessible with their earned points.

When it comes to point redemption, over 50% of travelers take steps to assess the value of their accumulated points while booking flights. This involves manual calculations using a calculator, a method favored by 45% of travelers, or employing online tools like Excel or CPP calculator, preferred by 7.5% of travelers. The calculated value significantly influences the decision of 75% of travelers when it comes to redeeming flights. Travelers consciously weigh the value of their earned points against the ticket price before deciding whether to use them for flight redemption.

If travelers can maximize the value of their point redemption and secure the best possible deal, 70% of them prefer to use their points for flight redemption. In cases where they are unable to do so, they may resort to paying in cash or a combination of cash and points. According to my research, 52.5% of travelers frequently use cash for purchasing flights throughout the year, compared to 37.5% who choose cash + points, and only 10% who opt for points alone. Given that most travelers evaluate their point redemption value and only proceed with bookings when they obtain the best deal, the prevalence of cash payments suggests that these flights might not offer an attractive deal when using points.

This information also provides a broader view of how travelers use points for flight redemptions. Despite over 50% of travelers preferring to book flights with cash, the same proportion of travelers redeems flights with points at least once annually. Additionally, these travelers are typically enrolled in more than three travel rewards programs and travel several times a year. This pattern indicates that travelers are strategically using their points for flight bookings throughout the year. Consequently, this frequent redemption activity may lead to lower points balances, which are insufficient for redeeming flights. As a result, travelers might resort to paying with cash for their bookings.

What priorities do travelers have when booking flights with points?

According to the results of my research, 80% of travelers consider it important to redeem flights with points, with 40% expressing that it is extremely important. This indicates a high priority among travelers when it comes to utilizing their earned points for flight redemptions. Moreover, travelers show a strong inclination towards using points for purposes such as obtaining free travel (75%), saving money (75%), and accessing premium travel experiences (37.5%).

Furthermore, 70% of travelers emphasize the importance of using points only when they can maximize their point redemption value. Within this survey group, 77.5% of travelers prioritize maximizing the point redemption value, with 45% considering it extremely important. The emphasis on maximizing point redemption value suggests that travelers actively assess the value of their points, ensuring they secure the best possible deal for their chosen travel dates.

How aware are travelers to point value and devaluations?

Based on my research findings, 92.5% of travelers exhibit some degree of familiarity with point redemption value, with 40% of them expressing an extremely high level of familiarity. This indicates a substantial portion of travelers who are conscious of the value associated with their points. More than 50% of travelers proactively verify the value of their earned points when booking flights, aligning with their overall familiarity with point redemption value. The majority of travelers fall within the somewhat to extremely familiar range and consistently check their point value during booking.

Examining the data further, 77.5% of travelers demonstrate some level of awareness regarding devaluations in their points, with 12.5% being extremely aware. However, an intriguing aspect is that 22.5% of travelers have no awareness at all. This underscores the existence of customers who are not aware, either due to flight reward programs not adequately communicating these changes or failing to provide clear warnings in advance. This lack of awareness may imply that these customers are not optimizing their point redemption value without understanding the true worth of their earned points. Notably, devaluations impact the point redemption experience for 85% of travelers. This underscores the significant influence of devaluations on a traveler's motivation to use points for flight redemptions. Given the widespread awareness of devaluations, these travelers carefully consider their current point

redemption value compared to the flight reward program's point value when deciding whether it is worthwhile to use points for redemption.

What tools (digital or not) do travelers use to determine their point redemption value?

According to my research findings, 52.5% of travelers employ various tools to assess their point redemption value. The primary method utilized is manual calculations with a calculator, chosen by 45% of travelers, while 7.5% opt for tools such as Excel or CPP calculators.

What pain points exist in their flight booking process with points?

According to my research findings, 30% of travelers encountered challenges in locating favorable deals to maximize point redemption value when booking, while 20% faced difficulties finding availability to use points for flights to their desired destinations. Additionally, 12.5% of travelers found it challenging to accumulate sufficient points for flight redemptions. Evidently, travelers are facing hurdles in both securing advantageous deals that maximize their point redemption value and using points for specific target destinations, mainly due to availability issues. The struggle to obtain enough points for flight redemption also contributes to the frustrations experienced by some travelers.

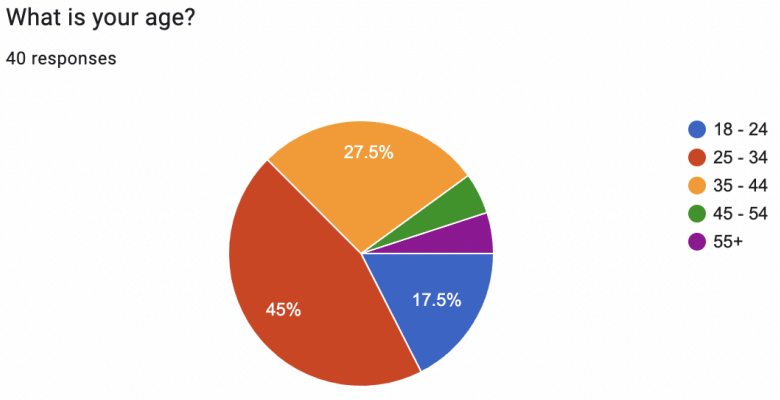
Survey Results:

The research was carried out using surveys and user interviews. The surveys were conducted on google forms with 40 participants. While 2 user interviews took place over zoom that lasted approximately 30 minutes each.

What is you age?

- 45% fell in the age category of 25 – 34
- 27.5% fell in the age category of 35 – 44
- 17.5% fell in the age category of 18 – 24
- Remaining users <10% fell in the age category of 45 – 55+

Based on this data, majority of the participants are in the age range of 25 – 34.



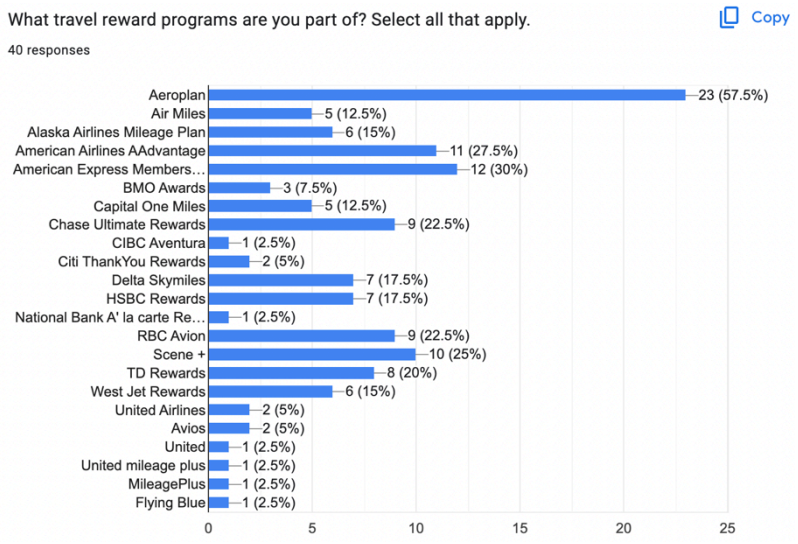
What travel reward programs are you part of?

Top 3 Airline Reward Programs travelers are part of:

1. 57.5% of travelers are part of Aeroplan
2. 30% are part of American Express Membership Awards
3. 25.5% are part of American Airlines AAdvantage

Participants with 3 or more Flight Reward Programs: 55%

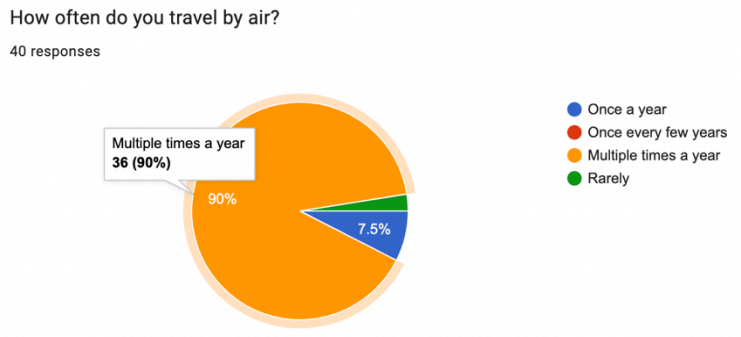
Based on this data, more than half of all travelers are part of 3 or more flight reward programs. The top 3 flight reward programs were Aeroplan, American Express Membership Awards, and American Airlines AADvantage. Aeroplan sits as number 1 which makes sense with majority of my survey participants residing in Canada, thus, taking advantage of Air Canada rewards. Amex and AAdvantage come 2nd and 3rd. This signifies that participants are taking advantage of reward programs outside of Canada or are part of credit card programs that have partnered with these airlines.



How often do you travel by air?

- 90% of travelers responded that they travel multiple times per year
- 7.5% travel only once a year

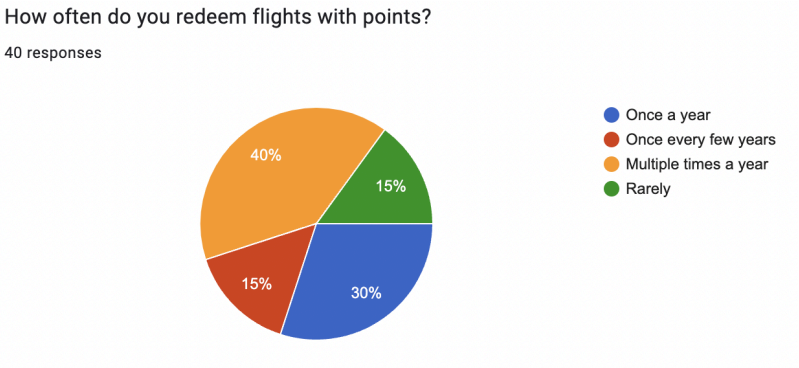
Based on this data, majority of all travelers would be considered frequent travelers, that travel multiple times per year and are part of more than 1 travel reward program.



How often do you redeem flights with points?

- 40% of travelers responded that they redeem flights with points multiple times per year
- 30% of travelers responded that they redeem flights once a year

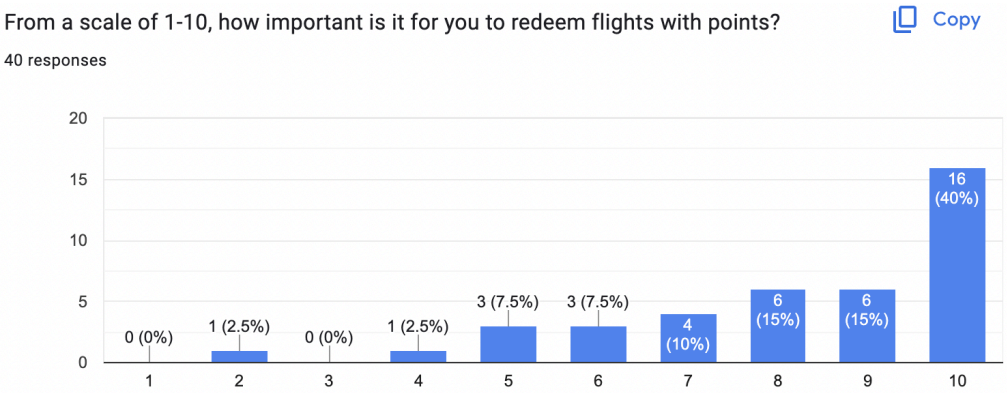
Based on the data more than 50% of travelers redeem points at least once a year, with 40% of all travelers redeeming multiple times per year. This suggests that travelers are taking advantage of their earned points throughout the year.



From a scale of 1-10 how important is it for you to redeem flights with points?

- 40% of travelers selected 10 being extremely important
- 80% of travelers selected importance of 7 or greater
- 12.5% of travelers selected importance of 5 or less

Based on the data, majority of all travelers find it very important to redeem flights with points with 40% selecting extremely important. This suggests that travelers prioritize redeeming flights with the points that they earned.

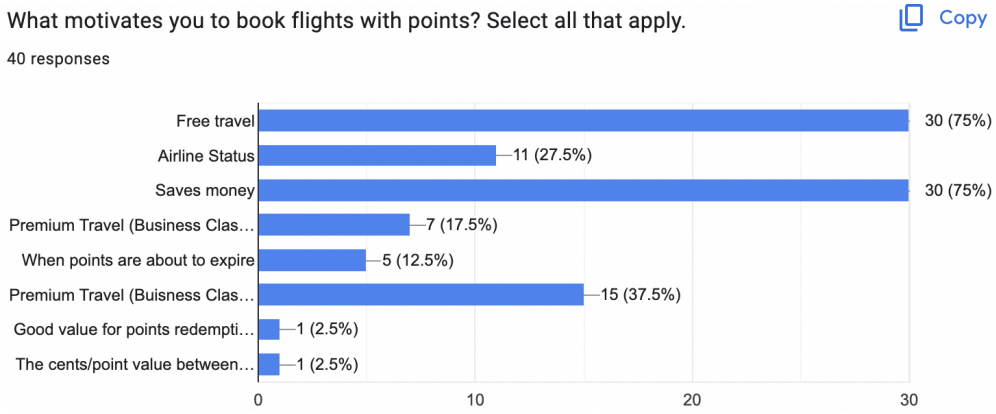


What motivates you to book flights with points?

The top 3 responses are as follows:

1. 75% of travelers selected free travel
2. 75% of travelers selected saves money
3. 37.5% of travelers selected premium travel (business class, first class, etc)

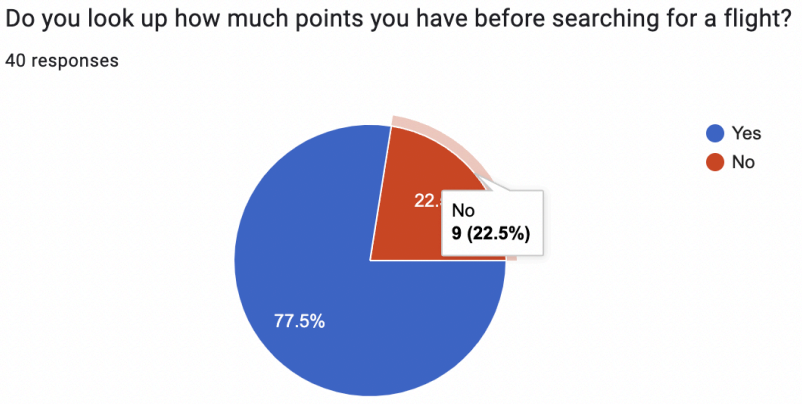
Based on the data, travelers are mainly motivated to book flights with points to save money and obtain free travel, with a small portion that want to experience premium travel.



Do you look up how much points you have before searching for a flight?

- 77.5% of travelers responded with yes
- 22.5% of travelers responded with no

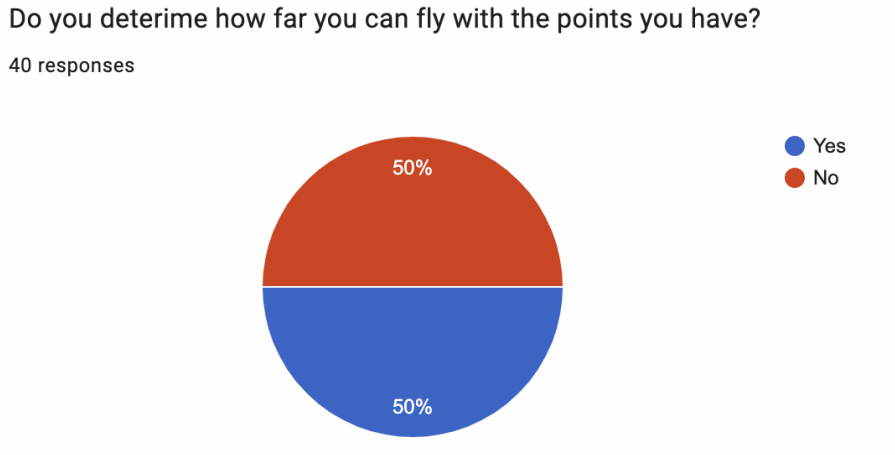
Based on the data, before travelers use their points, 77.5% of them check how much points they have earned. This suggests that travelers are actively aware of the points they have and are motivated to utilize them to book flights.



Do you determine how far you can fly with the points you have?

- This was a tie with 50% of travelers saying yes and no

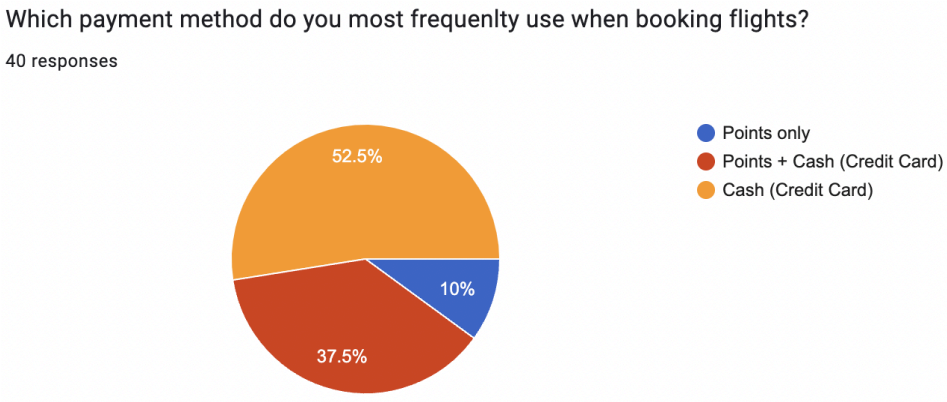
Based on the data, half of travelers do search up how far they can fly. This suggests that during their point redemption process they make an effort to see what destinations are accessible with their earned points.



Which payment method do you most frequently use when booking flights?

- 52.5% of travelers selected cash (credit card)
- 37.5% of travelers selected points + cash (credit card)
- 10% of travelers selected points only

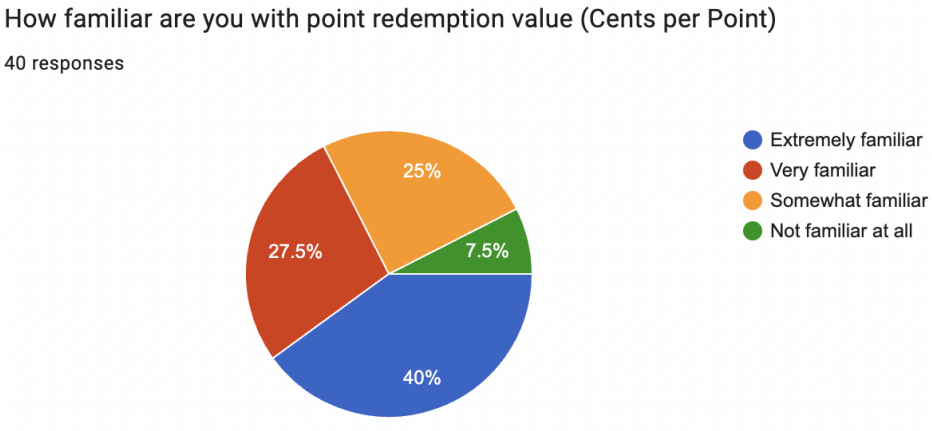
This data paints a bigger picture on flight point redemption by travelers. More than 50% of travelers use cash when booking flights, yet more than 50% of travelers redeem flights with points one or more times per year, are part of more than 3 travel reward programs, and travel multiple times per year. This may suggest that travelers are maximizing their points on flights throughout the year, leading to smaller point balances that are unredeemable causing travelers to book those flights with cash instead.



How familiar are you to with point redemption value (cents per point)?

- 40% of travelers selected extremely familiar
- 7.5% of travelers selected not familiar at all

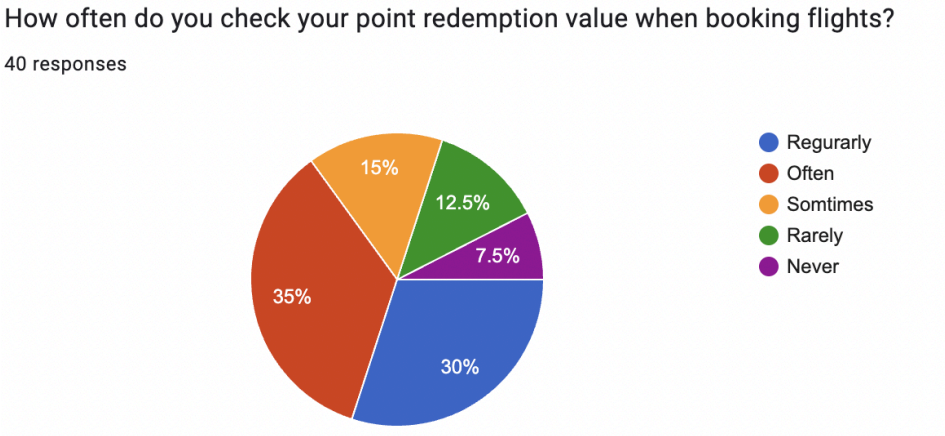
Based on the data, 92.5% of travelers have some level of familiarity to point redemption value, with 40% of them being extremely familiar. This represents a significant portion of travelers that are aware of the value their points have.



How often do you check your point redemption value when booking flights?

- 35% of travelers selected often
- 30% of travelers selected regularly

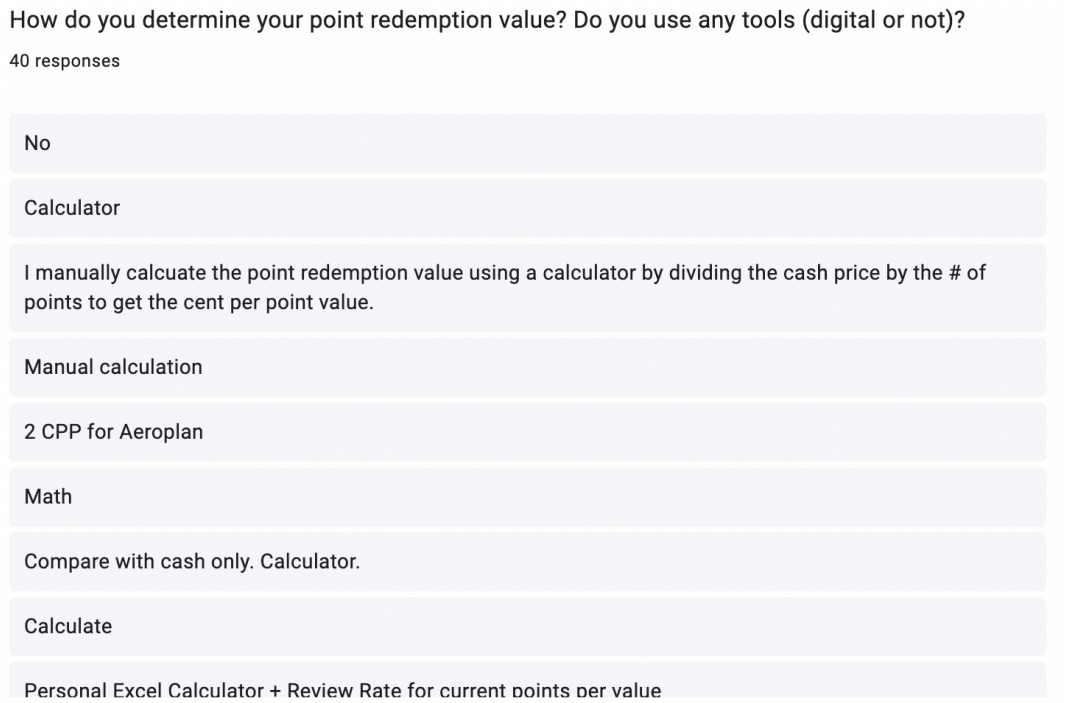
Based on the data, more than 50% of travelers take action to check the value of their earned points when booking flights. This goes hand in hand with how familiar travelers are to point redemption value. As most travelers were seen to be somewhat to extremely familiar and do check their point value when booking.



How do you determine your point redemption value? Do you use any tools (digital or not)?

- 45% (18) of travelers responded that they perform a manual simple calculation using a calculator cash ticket price / points needed for flight
- 7.5% (3) of travelers responded that they use online tools such as excel or CPP calculator to determine their point redemption value

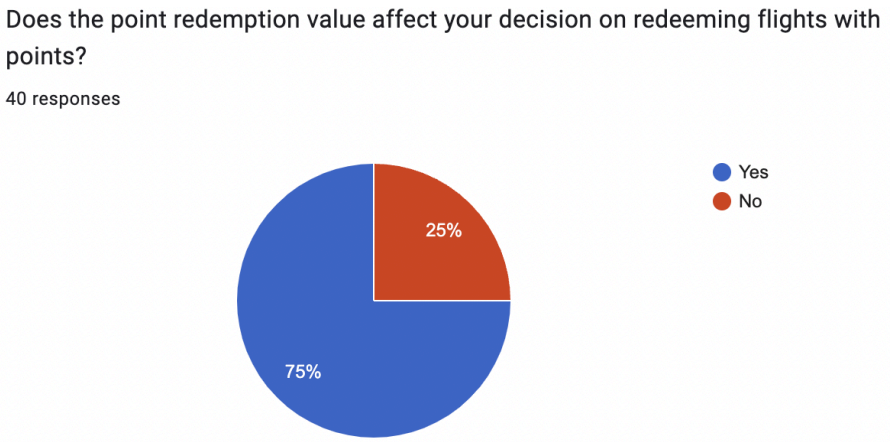
Based on the data, 52.5% of travelers use some form of tools to determine their point redemption value. Leading the charge are manual calculations using a calculator.



Does the point redemption value affect your decision on redeeming flights with points?

- 75% of travelers selected yes
- 25% of travelers selected no

Based on the data, majority of travelers make a decision to book flights with points based on their point value. This suggests that during the point redemption process, travelers are making a conscious decision on whether or not to use the points that they earned to redeem a flight, and this is based on the value of the points they have accumulated compared to the ticket price.



Do you use points only when you get the best deal (maximizing point redemption value)?

- 70% of travelers selected yes
- 30% of travelers selected no

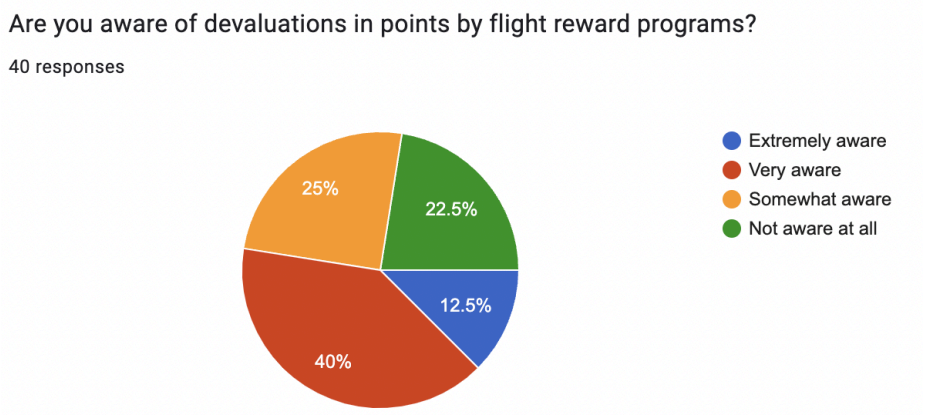
This data provides conclusive validation that travelers prioritize using points when booking flights only when they can achieve the best deal possible. This provides insight into a travelers point redemption experience where flights are only redeemed once they determine that their point redemption value is greater than the value of the flight reward program points. If that is not the case, travelers use cash instead to book those flights. This data also helps provide more information on why most travelers spend cash when booking flights. Since, most travelers calculate their point redemption value and only book if they obtain the best deal possible, if that is not the case, they will use cash instead, which might insinuate that those flights that they purchased did not provide a good deal with points.



Are you aware of devaluations in points by flight reward programs?

- 40% of travelers responded that they are very aware
- 12.5% of travelers responded that they are extremely aware
- 25% of travelers are somewhat aware
- 22.5% of travelers are not aware at all

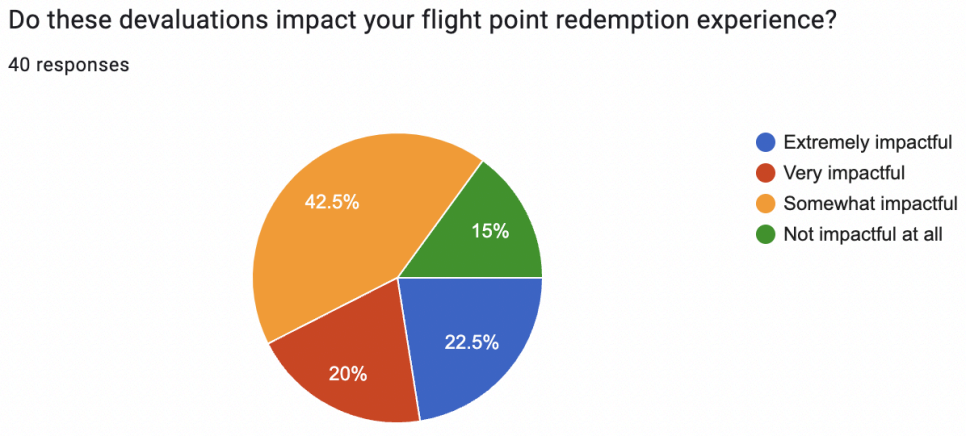
Based on the data, 77.5% of travelers have some level of awareness to devaluations in their points. However, what is intriguing is that 22.5% of travelers are not aware at all. This provides clear validation that there are customers who are not aware at all of the devaluations in their points by flight reward programs that don't make an effort to make it publicly known or fail to provide clear warning beforehand. This may suggest that these customers may not be maximizing their point redemption value without clearly knowing the true value of the points that they earned.



Do these devaluations impact your flight point redemption experience?

- 42.5% of travelers are somewhat impacted
- 22.5% of travelers are extremely impacted
- 20% of travelers are very impacted
- 15% of travelers are not impacted at all

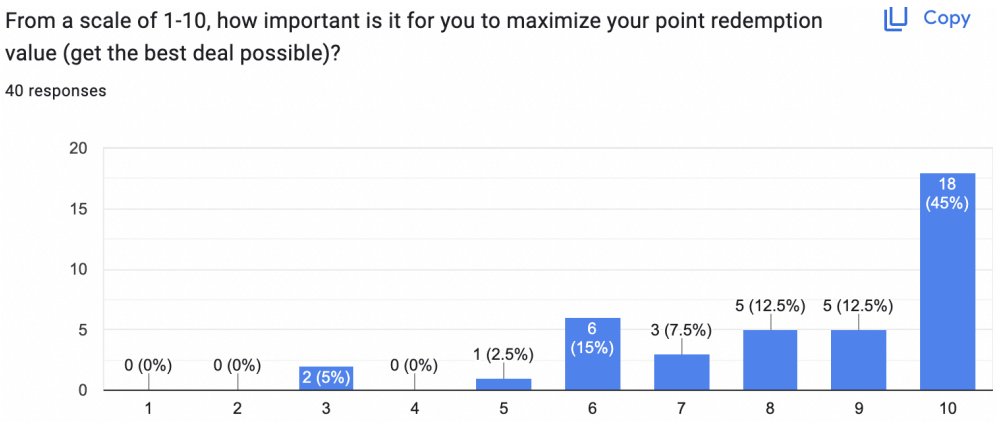
Based on the data, devaluations in points impact 85% of travelers point redemption experience. This clearly shows that devaluations effect a traveler's motivations to use points to redeem flights. Since most travelers are aware of devaluations, when redeeming flights, these travelers take into account their current point redemption value compared to the flight reward program point value to see if its worth using points or not.



From a scale of 1-10, how important is it for you to maximize your point redemption value (get the best deal possible)?

- 45% of travelers selected 10 being extremely important
- 77.5% of travelers selected importance of 7 or more
- 7.5% of travelers selected importance of 5 or less

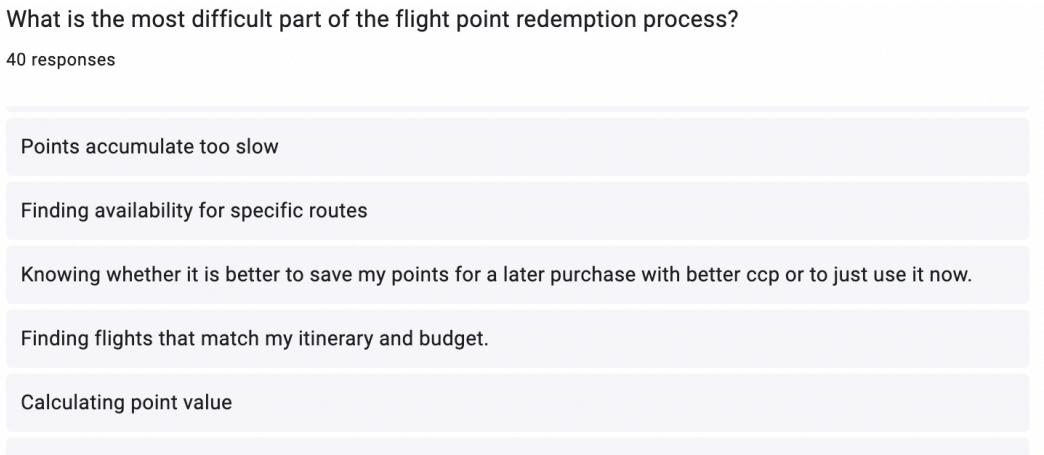
The data provides clear validation that maximizing point redemption value is a priority among 77.5% of travelers with 45% of them selecting extremely important. Maximizing point redemption value confirms that travelers are actively checking their point value to get the best deal available for their selected dates.



What is the most difficult part of the flight point redemption process?

- 30% of travelers found it difficult searching for good deals to use points to maximize point redemption value when booking
- 20% of travelers found it difficult finding availability to use points to redeem flights for target destinations
- 12.5% of travelers found it difficult accumulating enough points to redeem a flight

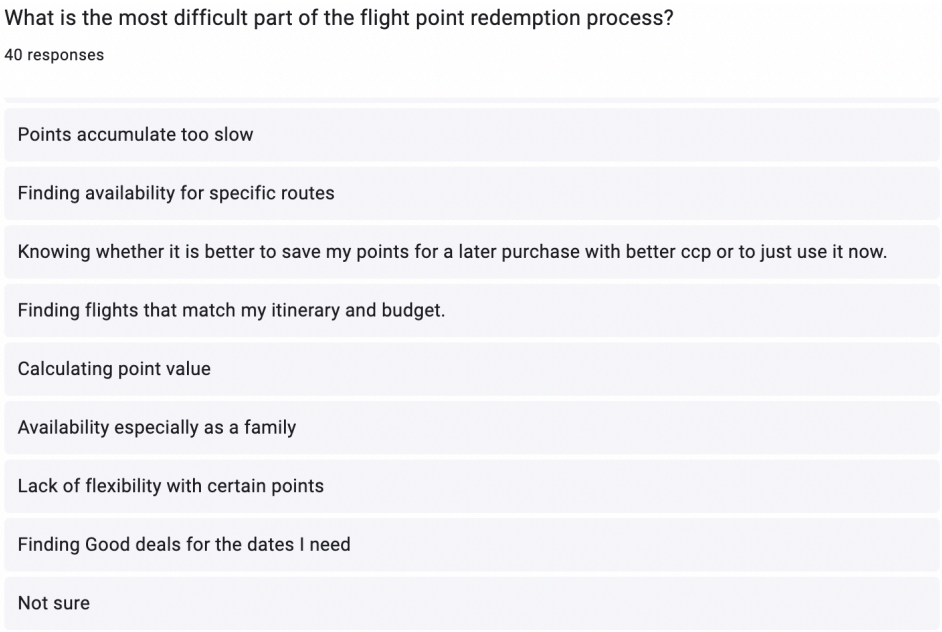
Based on these results, travelers are clearly finding it difficult to find good deals with points that maximize their point redemption value. They are also finding it difficult to use points for specific target destinations due to poor availability. Accumulating enough points to redeem for a flight is also another frustration some travelers experience.



What is the easiest part of the flight point redemption experience?

- 40% of travelers found the process of booking flights and redeeming them with points to be very easy on flight reward program websites
- 15% of travelers found it easy to accumulate points

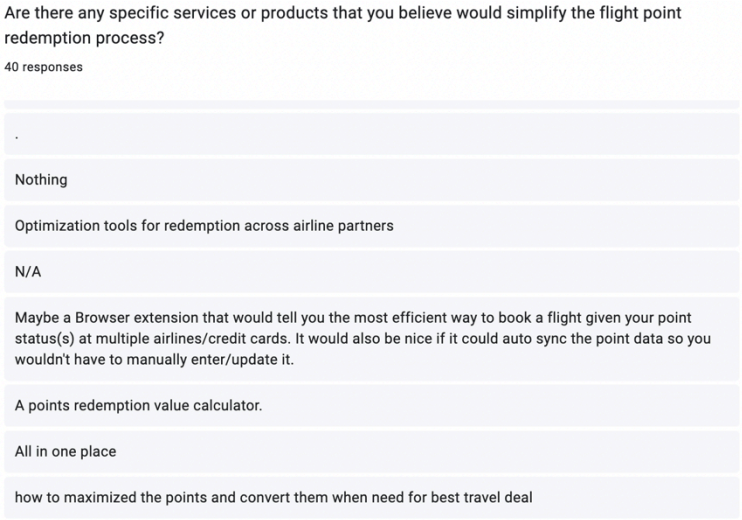
Based on these results, the easiest part of the flight point redemption experience for travelers is booking and redeeming the flights with points, with a small portion of travelers finding the accumulation of points to be easy. However, I suspect that point accumulation to be easy for majority of travelers since they are part of multiple flight reward programs and redeem flights with points multiple times per year.



Are there any services or products that you believe would simplify the flight point redemption process?

- 37.5% of travelers believe that a product that informs flyers what's the best time to book with points to maximize redemption value and travel for free would simplify the redemption process
- 32.5% of travelers said that they are not sure of any product or don't think a product would help simplify the process

The data above paints a perfect picture of the pain point travelers are facing: when is the best time to book, how do I know I am getting the best deal and if I should use the points I earned to redeem for a flight. Travelers need a product that can simplify the point redemption process that will clearly inform them if they should book with points or cash, when's the best time to book, and to maximize their redemption value without them needing to do it manually.



Customer Interview

Name: Ninuksha Paul
Age: 23 Years Old
Occupation: Foreign Exchange

Traveler Motivations:

How often do you travel?
I travel multiple times per year
How often do you book these flights with points:
Approximately 1-2 times per year, however, it is less than the amount of times I fly per year
What motivates you to book flights with points?
I like to see my point accumulate to the point where I can redeem them for a free flight and save money
What might stop you from booking flights with points?
When the flight is cheap enough to pay with cash instead or don't have enough points to begin with
What is the most important value your points provide?
My points provide me with cheaper free flights

What travel reward programs are you part of?
I am part of Amex, TD (Aeroplan), and Scene +
How important are these reward programs when travelling?
Very important to me because a big motivation to opening these accounts is for accumulating points to travel and redeem for flights
Would you still travel as frequently as you do if you did not have points from a reward program?
No, part of the motivation is knowing you are accumulating points, similar to getting coffee drinks when you have a coffee point card; achieving a milestone building up a point balance to redeem later.

Point Redemption Experience

Please describe how you typically book flights with points?
When booking flights in the case of aeroplane and Amex it's a seamless process able to convert points and make easy purchases at checkout
Do you look up how much points you have before searching?
Yes, to see a rough estimation and to see if I should save for a bigger trip or use now
Do you determine how far you can fly with the points you have?
Yes, I mainly fly with aircanada and they can show me how far I can travel with respect to my points
What type of flights/seats do you use your points on?
Economy, only travel a handful of times per year so using points on cheaper purchases
What is the most difficult part of the point redemption process?
Different point values for dates/times/class/seats, along with SQM for Areoplan requiring me to do research on my own
What is the easiest part of the point redemption process?
Using it and see it turn into a monetary value

Traveler Priorities

What do you prioritize when booking flights with points?
I try to get the best deal (free) with the points I have
Do you prioritize paying with points or cash?
Pay with points since saving money allowing me to travel for free

Point Value (Cents per Point) and Devaluation

Are you familiar with point redemption value (Cents per Point)?
I am somewhat familiar with cpp.
Are you aware of devaluations in points by flight reward programs?
Not aware up until recently
How do you combat this?
Since I am in currency foreign exchange, I would treat it as another currency; violate and unpredictable, best time to maximize value it to look at past trends to determine best time of the year and what it is affected by

The Reward for Using Points

How important is knowing you paid for a flight with points?
Pretty important, I would choose 9 on a 1-10 scale with 10 being extremely important

How important is knowing you maximized your point redemption value?
I would choose 8 on a 1-10 scale with 10 being extremely important. For me I want to ensure I am on the upper hand of the point redemption value. I don't need to fully maximize it but would want to beat it

Are there any services or products that you believe would simplify the flight point redemption process?
Third party software or tools similar to Honey, showing cpp, 1 year value, when the best time to book with points is