Kilpatrick

January 30, 2020

Travel Bytes: What KT Expects from Travel Loyalty Programs in the Decade to Come

by Anthony D. Glosson

Over the past decade, travel loyalty programs have expanded at a rapid clip. Airline and hotel mergers provide brand-loyal travelers with increased access to route networks and hospitality chain footprints. It has been widely reported that airline revenue now derives in large part from sales of loyalty miles to banks. In fact, American Airlines sometimes loses money flying planes, remaining profitable as a result of its frequent flyer program revenue—leading some to joke that it is no longer primarily an air carrier, but rather a bank that flies planes. (It should be noted that AA did manage to keep its passenger-shuttling operation in the black in 2019 Q4, though its AAdvantage loyalty program still accounted for the lion's share of AA profits.)

More to the point from a data protection standpoint, loyalty programs now amass a wealth of consumer data—an asset that has appreciated as tracking technology advances.

Our data protection team loves to travel, and we keep close tabs on innovative uses of data in the travel industry. And as we enter a new decade, we have some thoughts on where U.S.-based loyalty programs are going, and they're all driven by breakthroughs in big data that shift the loyalty paradigm.

In early loyalty programs, success was measured by "dumb" revenue markers tied to raw increases in customer spending. Now, big data makes it possible to zero in on much smarter share-of-wallet calculations, which reveal how much potential revenue is being left on the table when a traveler chooses to direct spending toward a competitor. In the coming decade, loyalty programs will be able to correlate benefit changes to consumer behavior with increasing precision. And in order to capitalize on these algorithms to maximize profits and growth potential, loyalty programs will need access to ever-deeper stores of consumer data.

Over the next several posts in this "Travel Bytes" mini-series, we will share predictions regarding where loyalty is headed in connection with personal data collection and use. In short, we foresee a heavy focus on collaboration, data matching, and cross-industry partnerships—and lots of innovative targeting potential along the way.

Call it the de-Balkanization of travel data.