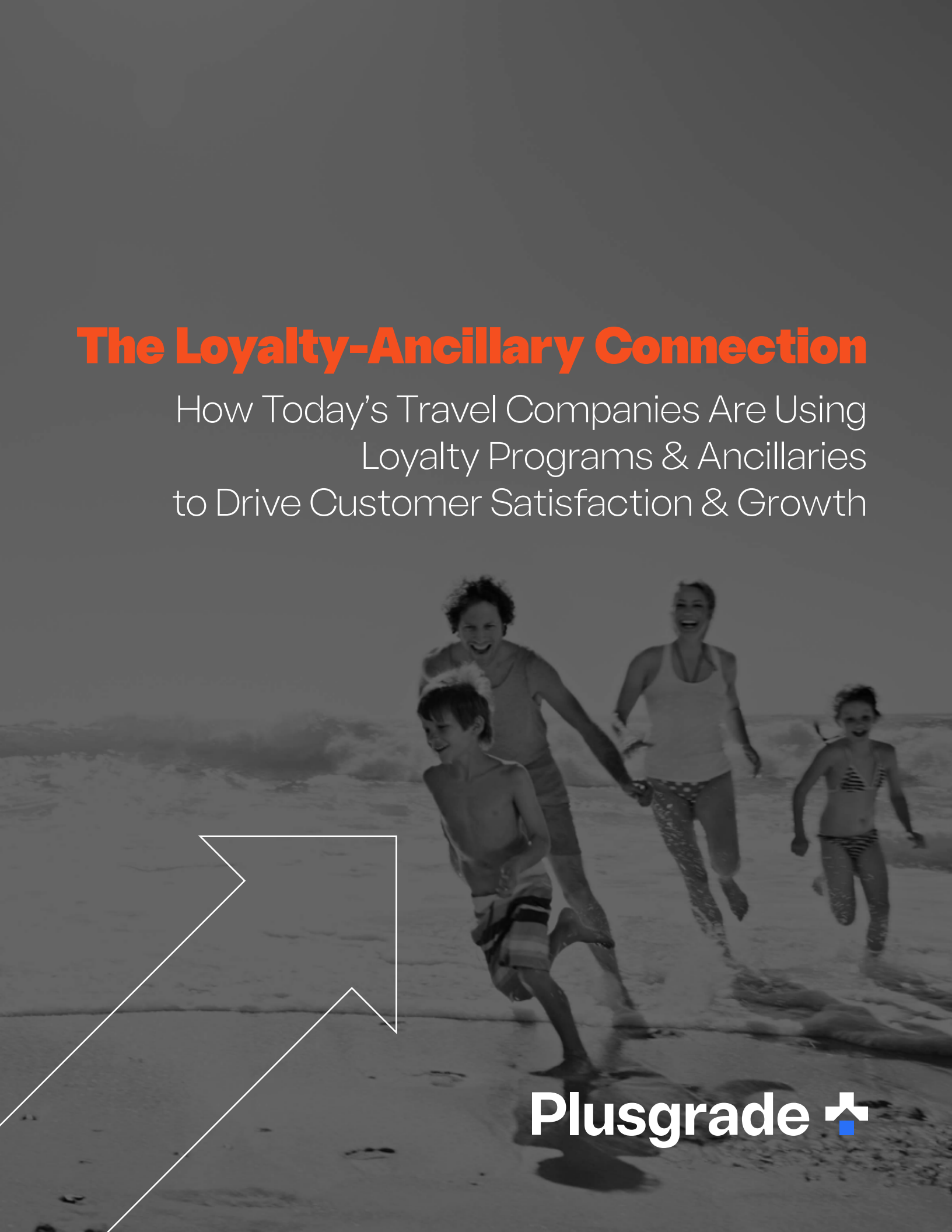


The Loyalty-Ancillary Connection

How Today's Travel Companies Are Using
Loyalty Programs & Ancillaries
to Drive Customer Satisfaction & Growth



Plusgrade 

Key Takeaways at a Glance

We surveyed nearly 4,000 travelers worldwide, combining their insights with our own deep experience developing ancillary revenue solutions for the global travel industry. Here's what we found:



Buying points/miles drives higher lifetime value: Loyalty program members who purchase points/miles at any point in their journey significantly enhance customer lifetime value, with members showing a 31% increase in airline transactions and a 26% increase in flights booked.



Ancillaries offer new revenue opportunities: The shift towards unbundling has seen strong customer approval, with 83% of loyalty program members purchasing at least one add-on in the past and 92% willing to do so again in the future.



Members prefer premium options: Loyalty program members are more likely to invest in premium ancillaries, including a strong preference for upgrades like premium economy and business class, demonstrating their willingness to pay more for enhanced comfort.



Upgrades lead to repeat purchases: Experiencing an upgrade once makes travelers – especially loyalty program members – more likely to pay for upgrades again, showcasing the lasting impact of first impressions on future purchasing decisions.



Flexibility enhances engagement: Giving loyalty program members more ways to earn and use points/miles, from additional ancillary products to the ability to mix points/miles and cash for purchases, significantly improves satisfaction and leads to more engagement.



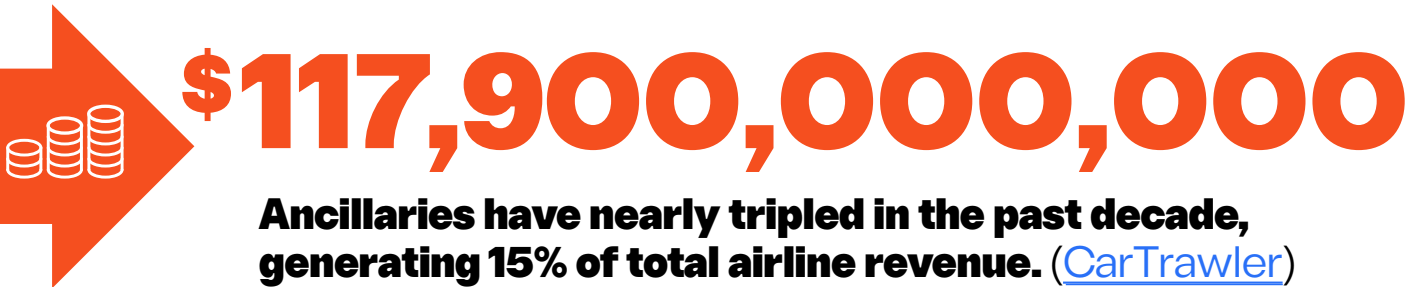
Personalized experiences increase conversions: Using real-time data to send timely and relevant offers that meet the unique needs and preferences of loyalty program members can dramatically increase conversions, transaction size, and revenue.



Loyalty & Ancillaries: A Virtuous Cycle

In recent years, travel companies have dramatically reshaped their approach to loyalty programs. Low margins, increased competition, and economic uncertainty have combined to accelerate the rise of the ancillary revenue market, as has the emergence of new data-driven solutions geared at empowering travelers and businesses alike. As a result, what used to be a strategic tool for rewarding and retaining customers has become a critical lever for financial stability and an engine for long-term revenue growth.

At [Plusgrade](#), we've helped steer this evolution by bringing loyalty programs and ancillary products together under one roof. In 2022, we acquired Points, the global leader in loyalty commerce for nearly 25 years. Our unique position as the leading provider of ancillary revenue solutions has allowed us not only to witness the growing and overwhelmingly positive impact of ancillaries on millions of travelers' experiences, but to help the world's largest travel companies drive more revenue by delivering solutions that customers love.



Consider that in 2013, ancillary revenue in the airline industry was estimated at \$42.6 billion, accounting for 6% of global airline revenue ([CarTrawler](#)). Fast forward a decade, and ancillaries nearly tripled to \$117.9 billion in 2023, generating an incredible 15% of total airline revenue ([CarTrawler](#)). As revenue leaders across the global travel industry recognize that loyalty programs and ancillary products are two sides of the same coin, they are using both to create a virtuous cycle that leads to more engagement, more enjoyment, and ultimately more economic growth.

While loyalty programs continue their ascension – see **Hilton's Honors program, up 110% over the past five years** ([Skift](#)); or **Delta's SkyMiles program, which added 3 million members in the first quarter of 2023** ([Travel Weekly](#)) – the ways in which loyalty programs drive revenue are also on the rise. With support from partners like Plusgrade, travel companies have employed not only a growing number of ancillary products designed to spark joy among travelers, but also new and sophisticated ways to send personalized offers powered by real-time analytics.

In this report – based on a global survey of thousands of travelers, as well as our own deep experience developing ancillary revenue solutions for the global travel industry – we'll highlight the importance of engaging loyalty program members early in their customer journey. We'll look at the expanding market for ancillary products, including loyalty program members' tendency to opt for premium options. We'll explore the growing preference among travelers for using loyalty currency and the impact of strategic upgrades on repeat purchases. Finally, we'll dig into the importance of flexibility and the power of real-time offer personalization in keeping members engaged and spending with your program.

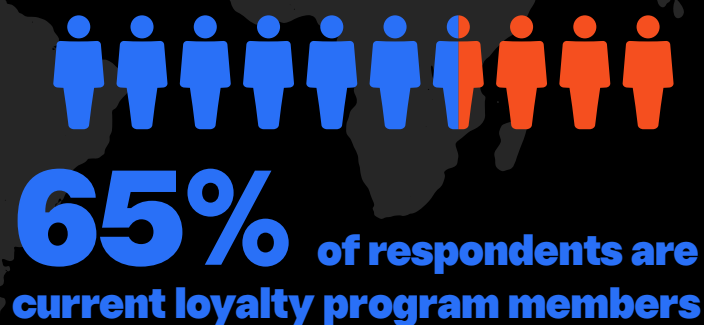
We hope this resource inspires you and gives you some actionable ideas about how to harness loyalty and ancillaries to maximize the potential of your most valuable customers: loyalty program members.





A Note on Methodology

The data in this report is based on a survey of **3,927** travelers across the United States, United Kingdom, Europe, Australia, Japan, South Korea, and the United Arab Emirates. The survey targeted individuals who had taken at least one leisure or personal trip in the past two years. The sample was split evenly between women and men, with 65% of respondents reporting as current loyalty program members.



Purchasing Currency Drives Engagement

The best loyalty programs thrive on a virtuous cycle of engagement and redemption. The more engaged a traveler is with an airline or hotel's loyalty program, the more valuable they'll be to that airline or hotel over the long term.

In the airline industry, loyalty program members who purchase points/miles will make 31% more transactions with that airline, purchase 26% more flights, earn almost 60% more total miles, and redeem more than twice as many miles as members who display similar behavior and characteristics but who don't purchase miles with that airline.

Effect of purchasing points/miles on airline loyalty program members



+31%
more transactions



+26%
more flights



+60%
more miles earned



x2
miles redeemed

We see a similar trend in the hospitality industry: compared to non-buyers, first-time points buyers stay at hotels more often.

+70%



Compared to non-buyers, first-time points buyers stay at hotels 70% more often and redeem nearly 3x more points in the 12 months after purchase.





Purchasing Currency Drives Engagement (continued)

The positive trend holds even for members who receive points/miles via gift or transfer, as opposed to purchasing them. According to our data, travelers show an average of 15% more flight activity and redeem 50% more points/miles in the 12 months after receiving a points/miles transfer or gift.

“Redemptions serve as a pivotal engagement tool within the loyalty program lifecycle, forging an emotional connection with members and driving them to recognize the value of their currency.”

”

This recognition prompts increased spending and earning behaviors, perpetuating a cycle of engagement and redemption that drives customer lifetime value higher.

By enabling the purchase of loyalty currency using Plusgrade's loyalty arm [Points](#), programs can effectively speed up the redemption process, fostering stronger and more sustained engagement and participation among members.





Demand for Ancillaries is Rising

Not long ago buying an airline ticket included checked bags, seat selection, onboard meals and other amenities. Recently, however, travel companies have begun “unbundling” their services, giving customers the ability to pick and choose which services they deem necessary and worth paying for.

The result is a more transparent and customizable service offering, with advantages for travelers and travel companies alike. While travelers can more easily personalize their travel journey and only pay for the services that are important to them, travel companies can tap into the growing demand for ancillaries to provide a better customer experience and generate additional revenue from travelers who are willing to pay for ancillaries.

To understand how unbundling is reshaping the travel industry and how it creates opportunities for ancillary revenue, consider that more than three-quarters of travelers (77%) say they have purchased an ancillary product or add-on in the past. This number rises to 83% among active loyalty program members.

88%
of travelers
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to purchase an
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members

An even greater number of travelers – 88% – say they are willing to purchase an ancillary in the future, including 92% of active loyalty program members. Among the ancillary services travelers are most likely to pay for in the future are add-on baggage, upgrades to premium economy, upgrades to business or first-class, and extra legroom.

Numbers like these reflect not only a growing preference for choice and flexibility, but also an opportunity for travel companies to further customize their offerings. **By strategically expanding their ancillary options, companies can better anticipate and meet traveler needs, improving customer satisfaction and driving additional revenue.** These ancillary offerings can be particularly effective when integrated into loyalty programs, where giving members more ways to earn and redeem points/miles goes a long way in deepening their engagement with the brand.



Loyalty Program Members Are the Ideal Customers for Ancillary Products

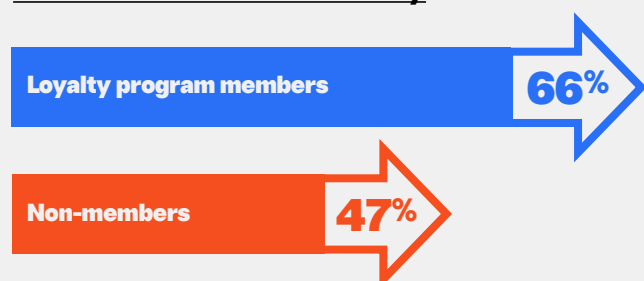
With loyalty programs and ancillaries both on the rise, there's no bigger market for ancillary products – and revenue growth in general – than loyalty program members.

First, consider the travel attitudes of loyalty program members. They are avid travelers, with 75% considering travel an “essential” part of their life and making it a priority to travel regularly.

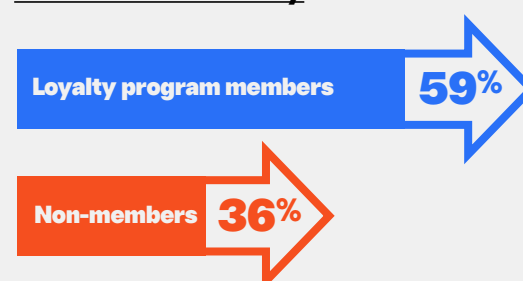
Loyalty program members are also more likely to view travel as not just a means of getting from point A to point B, but a holistic experience to be enjoyed every step of the way. For this reason, 66% prioritize convenience and efficiency when making travel arrangements, and 59% prioritize comfort and luxury, even if it means paying a premium.

Traveler priorities when making travel arrangements

Willingness to pay a premium for convenience and efficiency



Willingness to pay a premium for comfort and luxury



*The percentage of respondents who said they “somewhat/ strongly agree” with the statements ‘I often prioritize convenience and efficiency in travel arrangements’, and ‘I often prioritize comfort and luxury while traveling’ even if it means paying a premium.

Not only are loyalty program members nearly 20% more likely than non-members to purchase ancillary products in general, they also tend to choose more valuable ancillaries related to comfort and convenience. For example, while non-members show a greater interest in lower-value ancillaries such as add-on baggage, **loyalty members are more inclined towards higher-priced – and higher-margin – options such as cabin upgrades.**



Loyalty Program Members Are the Ideal Customers for Ancillary Products (continued)



97%

of high-tier status members are willing to pay for ancillaries

Specifically, loyalty program members are 73% more likely than non-members to consider paying for an upgrade to premium economy, and 79% more likely to consider upgrading to business or first-class. They're also 78% more likely to use a feature like Seat Blocker to pay for the privilege of having a guaranteed empty seat next to them, and 44% more likely to purchase fast-track services like expedited security clearance and priority boarding.

Loyalty program members are more likely than non-members to purchase ancillaries

Upgrade to Premium Economy



Members are ...

+73%

more likely to consider paying to upgrade to premium economy

Upgrade to Business Class



Members are ...

+79%

more likely to consider paying to upgrade to business class

Secure space with Seat Blocker



Members are ...

+78%

more likely to consider paying to block the seat next to them for more space

Fast-track with SpeedPass



Members are ...

+44%

more likely to consider paying to fast-track through the airport

It's clear that loyalty program members are ideal customers for companies looking to boost ancillary revenue. By effectively targeting this key demographic with relevant and tailored ancillary offerings, companies will not only enhance the travel experience for these high-value customers but also significantly increase their revenue potential.



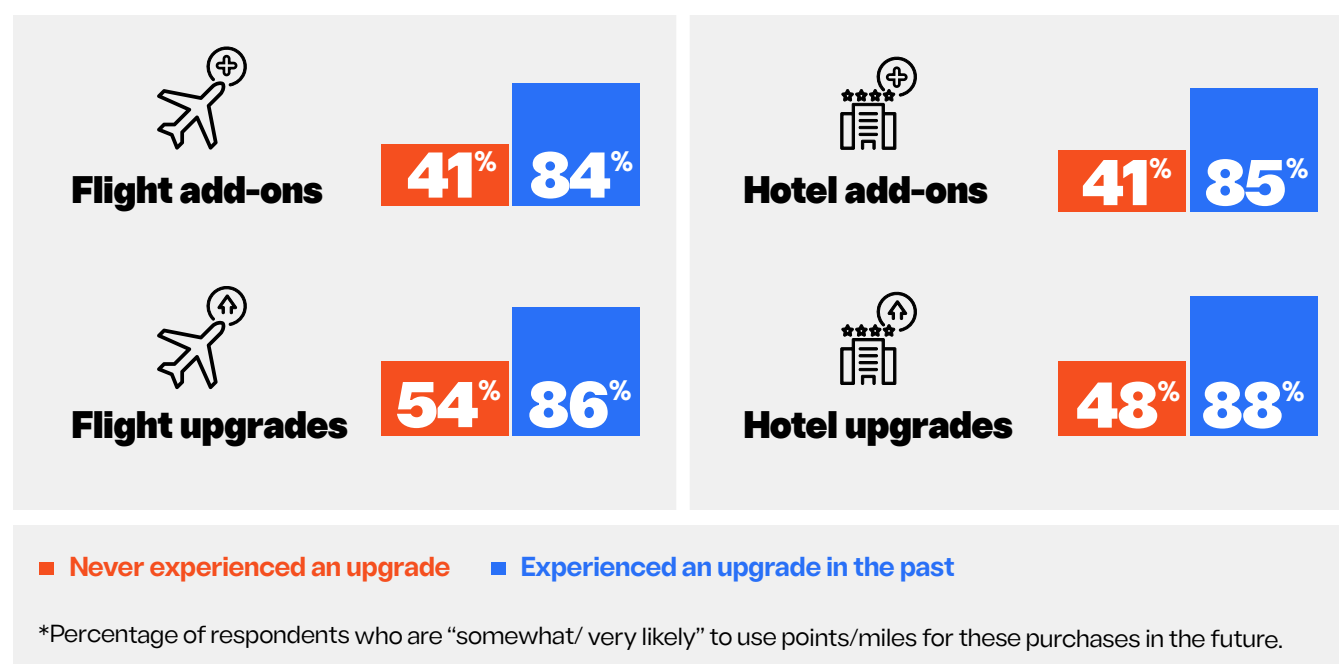
Upgrades Drive Repeat Purchases

One of the most powerful cases for premium ancillaries is their impact on repeat purchases.

Consider this: among those who have never experienced a cabin upgrade while traveling, only around 20% say they would pay for such an upgrade in the future. However, this willingness jumps to nearly 70% among travelers who have previously enjoyed a cabin upgrade.

Similarly, loyalty program members are far more likely to use loyalty points/miles for premium ancillaries they have experienced before. For instance, while only 41% first-time users are willing use points/miles for flight add-ons and 54% are willing to use points/miles for upgrades, these figures soar to 84% and 86%, respectively, among travelers who have used such services in the past. We see a similar trend in hospitality, where the likelihood of new users using points/miles for hotel add-ons and upgrades jumps from 41% and 48%, respectively, to 85% and 88% for experiences users.

Travelers willing to use points/miles for add-ons and upgrades





Upgrades Drive Repeat Purchases (continued)

The pattern is clear: once a loyalty program member experiences an upgrade – whether through status or by using cash or points/miles – they are more inclined to repeat that experience. This holds true even for top-tier members who might sometimes receive such upgrades for free; they are still willing to pay in other circumstances because they recognize the service’s value and have learned to prioritize it when they travel.

One of our favorite examples comes from a partner in the cruise industry. For this study, we tracked customers who had previously received an upgrade using the Plusgrade platform. On their next cruise, 23% of passengers opted to bid on an even higher cabin level than they had enjoyed previously, 4% purchased a higher level outright, and – perhaps most interestingly – 18% actually booked the exact cabin level they had been upgraded to before.

What this shows is an interesting sampling opportunity, where if a traveler bids and receives an upgrade, the next time they purchase a full fare, they are more likely to purchase that more expensive seat or cabin outright. Sampling an upgrade can therefore be a powerful way to not only make the most of the inventory you have left, but to convert customers who might otherwise be on the fence to spend more directly with you in the future and over time.

If a traveler bids and receives an upgrade, the next time they purchase a full fare they are more likely to purchase that more expensive seat or cabin outright.





Flexibility & Personalization Are Key

When it comes to driving customer engagement and loyalty, **there's no "one-size-fits-all" approach**. While loyalty program members may share certain traits and tendencies, **every traveler has their own goals and is at a different stage in their travel journey**.

Enter real-time offer personalization, which allows travel companies to not only show truly personalized offers that meet the unique needs of each individual, but to manage yields by only showing discounts when necessary. With solutions like those offered by Plusgrade, when a loyalty program member visits an online storefront, travel companies can tap into their customer data in real time to identify a) which members should receive an incentive based on their past behavior, and b) for members who do receive an incentive, which offer is most likely to convert.

For example, in a recent case study conducted with an airline partner, we compared the activity of loyalty program members who received the baseline experience (ie. no offer) when they visited the airline's website, versus those who were shown a real-time personalized offer optimized by learnings from their past behavior, strategically placing them into one of three discount offers or maintaining the baseline. The dynamic offer increased conversions, transaction size, and revenue for the airline, while at the same time using real-time member data and sophisticated modeling to only show discounts when necessary.

Real-time offer personalization drives uplift

	Dynamic Offer vs. Baseline (No Offer)	Dynamic Offer vs. Random Offer
Conversion	+79%	+3%
Average Transaction Size	+87%	+7%
Partner Revenue	+115%	+5%





Flexibility & Personalization Are Key

(continued)

Many travel companies have a ways to go when it comes to offering true personalization and flexibility. Around **two-thirds of loyalty program members are consistently “nowhere near” having enough points/miles to redeem for the service they want.** A similar percentage say they actively look for ways to earn points/miles, and that they prioritize using points/miles for most of their trips. So it's not for a lack of awareness or trying that these loyal customers are failing to redeem their points/miles.

Flexible point redemption **ranks as the top priority** for travelers when choosing a loyalty program.

Given that flexibility for using points/miles is the top consideration for travelers when choosing a loyalty program – more important than earning rate, bonus promotions, or complimentary upgrades – it's crucial that loyalty programs offer members a variety of ways to use their points/miles, both in terms of what they purchased, and how they're redeemed.

One way to make your loyalty program more flexible is by offering a wider array of ancillary options that don't require travelers to plan and book a new trip. For these travelers, having the option to use points/miles for fast-track services such as expedited security clearance or priority boarding, or the ability to improve their comfort by upgrading their seat or blocking the seat beside them, will enhance their travel journey and overall experience as a member.

Similarly, giving members multiple ways to redeem their points/miles will increase engagement with your loyalty program. This could mean allowing customers to pay or even bid for ancillary services with points/miles or a mix of cash and points/miles.

The key is keeping members engaged by giving them options to use their points/miles in ways that align with their preferences and needs – and by using a solution like Plusgrade to serve up personalized offers backed by powerful real-time analytics.





Maximizing Value in Every Journey

As loyalty programs evolve and the market for ancillaries expands, it's clear that **offering greater flexibility and a wider range of ancillary options is the key to enhancing customer satisfaction and boosting revenue**. By giving loyalty program members more ways to use their points/miles in ways that satisfy their needs, companies will keep them engaged, improve their travel experience, and maximize the lifetime value of this critical set of customers.

Throughout this report, we've explored the outsized impact loyalty program members have on revenue growth, from their tendency to invest in premium ancillaries to the flywheel created when emotional connection translates to revenue. If there's one thing we hope travel industry leaders take away from this report, it's the need for personalized, data-driven offers that address the specific goals, preferences, and pain points of each individual customer.

At Plusgrade, we're committed to helping travel companies unlock new revenue streams with incredible customer experiences. With a portfolio of leading ancillary revenue products used by over 200 travel companies worldwide, our comprehensive solution is built to elevate traveler satisfaction, drive revenue, and seamlessly digitize and automate your operations.



For more information on how Plusgrade's solutions can boost your loyalty program and drive ancillary revenue, visit our [website](#). Together, let's elevate the travel experience and bring happiness to travelers around the world.



About Plusgrade

Plusgrade powers the global travel industry with its portfolio of leading ancillary revenue solutions. Over 200 airline, hospitality, cruise, passenger rail, and financial services companies trust Plusgrade to create new, meaningful revenue streams through incredible customer experiences. As the ancillary revenue powerhouse, Plusgrade has generated billions of dollars in new revenue opportunities across its platform for its partners, while creating enhanced travel experiences for millions of their passengers and guests. Plusgrade was founded in 2009 with headquarters in Montreal and has offices around the world

For more information, visit [Plusgrade.com](https://plusgrade.com).

