



LOYALTY SECRETS

Hidden insights and strategies from the world's biggest loyalty programs

Issue 1: MAJOR US AIRLINES

Adam Schaffer
Symbia Advisors
April 2025



Welcome to the series

Loyalty programs have become big business, generating millions of dollars of revenue for airlines, supermarkets, retailers and credit card companies.

Today, most large consumer-facing brands operate some kind of engagement program, but how much do we know, or can we know, about their inner workings? What's really going on under the hood?

In this first series of Loyalty Secrets, we go deep into the annual reports of four major US-based airlines, to uncover hidden metrics about how these programs are performing.

All the metrics are derived from publicly available financial data, but most are buried in footnotes, fragmented across sections, or simply not calculated at all. We've done the work to bring them to the surface!

Our objective is not to rate or critique the companies in question. Rather, to offer insights, benchmarks, and strategic reflections – to inform loyalty leaders, CFOs and CMOs running their own large-scale programs.

Introducing the hidden metrics

From over 2,700 pages of 10-K reports, we extracted 9 hidden metrics which have been grouped into three key themes, each reflecting a different strategic lens for evaluating loyalty programs.

These three themes are:

1. **Revenue and monetisation:** understanding the economic engine behind the program, and how points drive revenue?
2. **Growth and risk:** how actively the program is used, from issuance to redemption, and how much financial risk does this generate?
3. **Customer and impact:** how much is the business investing in customer engagement and how strong is the resulting brand?

For each theme, we will introduce the hidden metrics, share the benchmarks across the four major airlines, and offer commentary on the implications for the airlines themselves, as well as for programs in other sectors.

THEME 1: REVENUE & MONETISATION

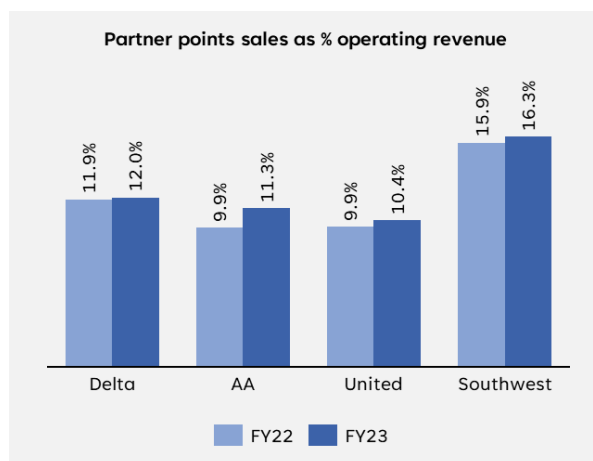


Large programs exist to drive incremental revenue for the operator, by creating stickier and more valuable customers. But they also have the power to generate additional revenue, because the points can be sold on to partners, who can leverage the value of those points to engage their own customers.

We can call this program ‘monetisation’, and the success of these monetisation efforts can be captured in three key metrics:

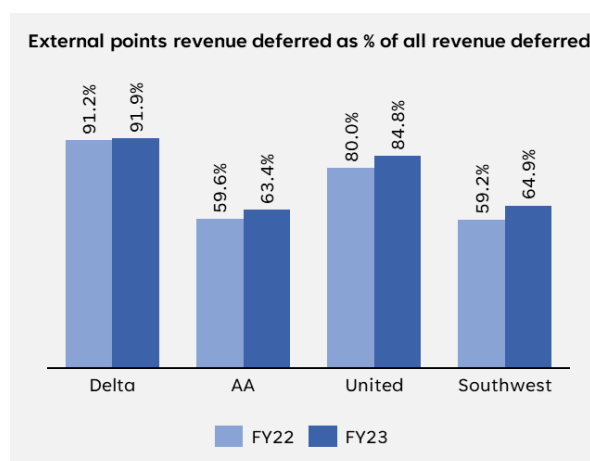
1. Partner points sales as % of operating revenue

When points are sold to partners, this cash sale is recorded. Measuring the value of these partner points sales as a proportion of the total operating revenue of the company provides a useful indicator of the **importance of loyalty monetisation to total business revenue**.



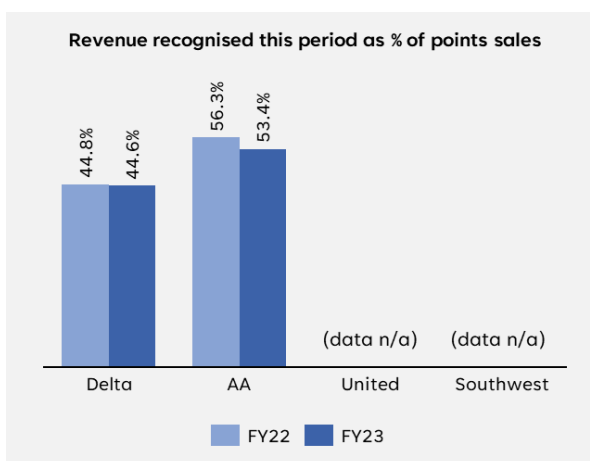
2. External points revenue deferred as % of all revenue deferred

When points are issued by the airline (either via sale to a third party or directly to program members), a calculation is made to assess the fair value of those points in revenue terms, and this revenue is deferred until the points are redeemed. This metric quantifies what proportion of that deferral is derived from points sold to third parties, so it's a pragmatic way to capture the **reliance on partners for the overall value proposition to members**.



3. Revenue recognised this period as % of points sales

When points are sold to partners, not all the revenue is deferred – some can be recognised immediately (as marketing revenue). Measuring marketing revenue as a proportion of the total sales amount is a useful benchmark for **how aggressively a CFO can lock-in short term earnings from partner sales**, rather than accrue deferred revenue and balance sheet liability.



Understanding the airlines

Across the four major US airlines, **loyalty programs are not just customer promotions, but core revenue engines which can add over 10% to total operating revenue**, with Southwest topping the group at almost 17%.

This shows how loyalty economics are deeply embedded in the US airline business model, especially through credit card partnerships.

It's also possible to observe interesting differences in the how the airlines treat this income. For example, whilst external points sales for AA and Delta are equivalent to ~10% of the value of their total operating revenue, AA recognises a higher proportion of this immediately as short-term revenue (56% vs 45% in FY23).

This likely gives AA a helpful working capital boost, in order to fund short term redemptions. Additionally, this may imply that AA expects proportionally fewer future redemptions than Delta, in other words, higher breakage; or it may suggest that AA believes that brand and marketing power represent a greater proportion of the *perceived value* of the points it sells, rather than the more tangible value of future redemption seats.

Strategic implications beyond airlines

There is a **huge opportunity to fund programs externally**, but high partner sales don't necessarily mean strong economics, if those sales can't be banked into short-term revenue, or if those points are sold at a low margin to the underlying cost of future rewards.

So **external issuance needs to be paired with good accounting policy** and an optimal point markup price, to turn cash into revenue. Without external funding, programs have less (or no) cash inflow, so more working capital needs to fund their redemption liability.

The variation in revenue recognition (which is allowed under ASC 606) allows for discretion. Some programs choose to be more aggressive in banking revenue income upfront, whilst others defer a greater proportion. As we've seen, this discretion has implications for profitability, liquidity and risk.

Key takeaways

- **With high external funding:** optimise your external points pricing, and consider your options for revenue deferral.
- **With low external funding:** maintaining liquidity is critical to be able to cover forecast redemptions.
- **For all programs:** accounting policy is intrinsically tied to your program's revenue, profitability, liquidity and risk profile.

THEME 2: GROWTH AND RISK



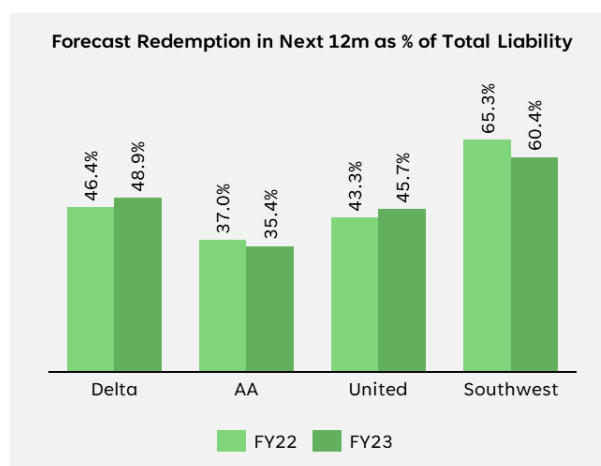
Large loyalty programs are not just customer marketing initiatives, they are also complex financial systems impacting both the P&L and balance sheet of their operating companies.

These companies issue millions of points each year, build up balance sheet liabilities, and then rely on their customers redeeming those points to recognise revenue and remove those liabilities.

Tracking these financial movements tells us about the level of customer activity in the program, and also about the financial risk exposure that comes with it. These dynamics are captured in three key metrics:

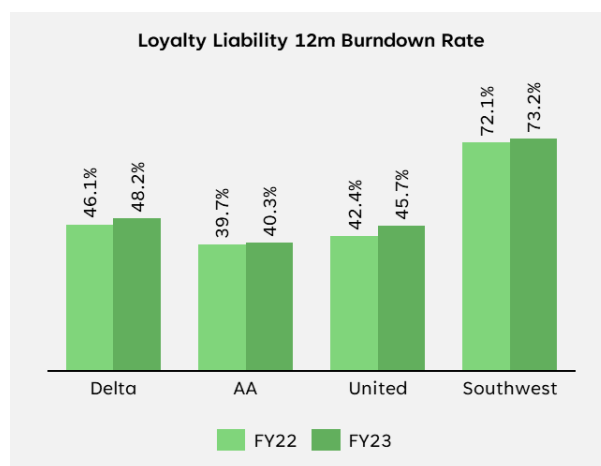
4. Forecast redemption in next 12m as % of total liability

When points are issued, their value accumulates as a liability until those points are redeemed. This metric estimates how much of that outstanding liability is expected to be redeemed within the next 12 months. It's a forward-looking view of program activity, and provides a **useful indicator of short-term member engagement**, as well as upcoming financial redemption pressures.



5. Loyalty liability 12m burndown rate

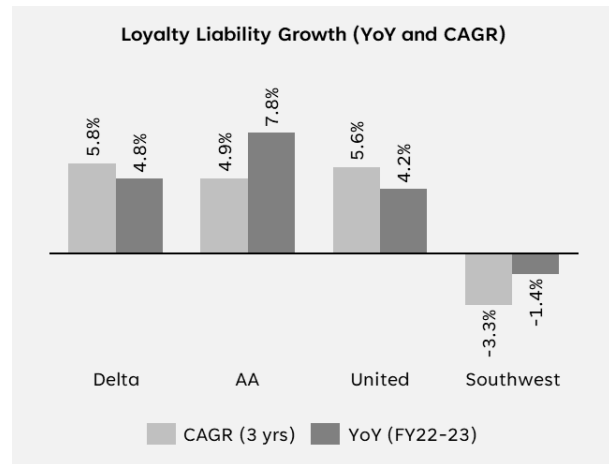
In contrast to the forecast redemption rate, this is a backwards looking view of how much of the opening loyalty liability at the start of the year was actually redeemed over the subsequent 12 months. Put it together with the forecast rate, and it reveals **whether redemption behaviour – and by implication customer engagement – is stable, increasing, or declining**.



6. Loyalty liability growth (YoY and CAGR)

This metric tracks how the loyalty liability is changing over time, using both year-on-year and compound growth rates. A growing liability can reflect **increased point issuance (and so program growth)** – but it could also **signal negative trends**, such as low redemption behaviour, over-issuance, or rising financial risk.

Put all these three metrics together, and you have a holistic view of a program's financial exposure and overall health.



Understanding the airlines

Redemption activity, liability growth, and forecast drawdown rates reveal **how each airline manages the balance between issuing points and fulfilling them.**

Delta and United show similar behaviour, with both forward and backward redemption rates of around 45%, and their loyalty liabilities have grown 5-6% annually over the past three years. This suggests balanced programs: steady growth in liability as the program expands, and a consistent level of redemption.

AA, however, shows a different picture. Its redemption rates are lower (under 40%), and its loyalty liability has grown almost 8% in the last year. This suggests that AA is issuing points faster than members are redeeming them, leading to liability build-up. This could be an intentional side-effect of program growth, or alternatively it could signal lower reward seat availability, which may ultimately impact member engagement.

Southwest stands apart from the other three airlines. It shows the highest redemption rates and is the only airline where the liability is shrinking. Perhaps this suggests that the program is designed for quick earn/burn cycles, where points are redeemed more frequently rather than being saved up for larger rewards.

Strategic implications beyond airlines

Growing liabilities bring good and bad news: good news as an indicator of program expansion, but risk from balance sheet exposure and future redemption cost.

High redemption rates reduce this financial pressure, and can also indicate the nature of the program design: higher rates and shorter cycles may occur in programs with lower value more frequent redemptions, lower rates and longer cycles in programs may indicate that customers save up for big ticket rewards.

Comparing forecast and actual redemption rates is also telling, especially over time: balanced rates suggest a mature and predictable program; whereas divergence could signal rapid growth/decline, issues with model accuracy, or point to shifts in customer behaviour.

Key takeaways

- **Low redemption, high issuance:** is this an intentional side-effect of program growth, or are members struggling to access rewards?
- **High redemption, shrinking liability:** is the program driving short-term uplift at the expense of building longer-term program value, or is it simply optimised for shorter cycles?
- **For all programs:** growth isn't just about issuing more points; healthy redemption activity drives customer engagement, and helps keep control of the financial liability.

THEME 3: CUSTOMER & BRAND IMPACT



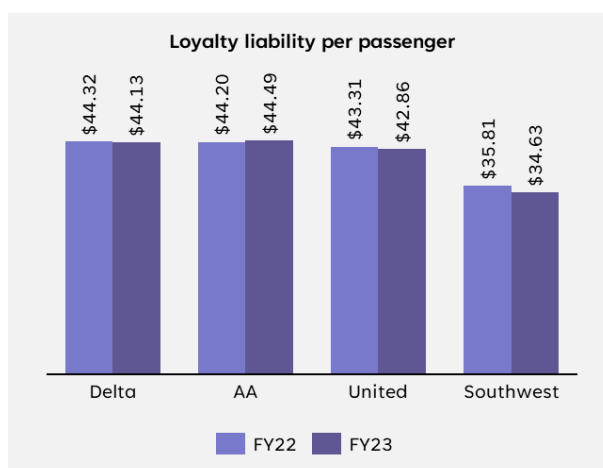
A loyalty program is a financial engine, as we have seen above – but it is also a brand asset which should build and strengthen long term customer relationships.

This theme looks at a range of metrics which reflect how much the business is willing to invest in customer rewards, and also how valuable those rewards are perceived to be by external partners, who are buying points to engage their own customers.

The three metrics below therefore tie together program generosity, perceived member value, and partner-side brand value — all of which shape how effectively the program functions as an asset to drive long-term customer and brand value.

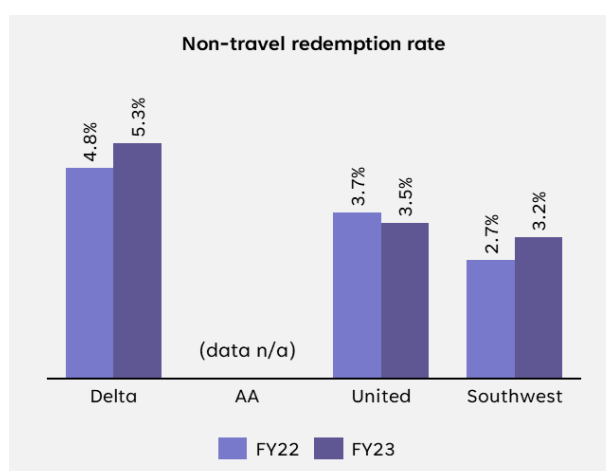
7. Loyalty liability per passenger

When points are issued, they generate an outstanding liability which is held on the balance sheet until redemption. This metric calculates that liability per customer, and so is a proxy for how much value the company is allocating to each customer through its loyalty program. While not a perfect measure (since it assumes an even points distribution) it's a useful benchmark for **comparing the relative scale of loyalty investment**.



8. Non-travel redemption rate

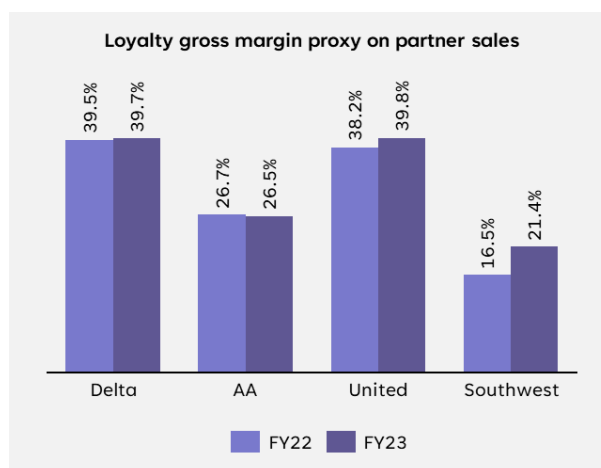
Not all points are redeemed for flights – some program members prefer to receive non-travel rewards such as merchandise or gifts. This metric looks at the share of redemptions used for such rewards, where a **higher rate suggests broader value proposition and greater customer choice**, and a lower rate indicates a program more closely tied to core travel benefits.



9. Loyalty gross margin proxy on partner sales

When points are issued to customers or partners, the deferred revenue reflects their expected future cost to the airline. However, the only source of cash from issuing points is sales to partners, because issuing points internally based on customer travel does not generate cash. So the difference between cash income and deferred revenue acts as a kind of gross margin.

This simplified gross margin proxy therefore shows how much pricing power the brand has when selling points to partners, and by implication, *indicates the perceived value of the program*.



Understanding the airlines

This theme gives us a view into **how each airline's program value is positioned, from both a customer and partner perspective**.

AA, Delta and United all generate a similar liability per member (roughly \$44), whereas Southwest sits significantly lower. This is consistent with Southwest's overall program proposition: lower customer points balances, more frequent redemption, and a lower rolling liability. So this doesn't necessarily indicate weakness, and could even highlight the strengths of a different model focused more on short cycles of transactional loyalty.

However, Delta and United consistently show the highest gross margin proxy. Whilst this metric is only an indicator, it tentatively suggests that they are able to command a premium when selling points to partners, which could reflect either stronger brand power, tighter control over rewards cost, or both.

Strategic implications beyond airlines

Customer and brand impact is about perceived value: if members don't see enough value in the points, they won't engage. If partners don't see enough value, they won't pay premium prices to participate in the program brand.

High investment per customer can create strong engagement and high perceived value, but it needs to generate behaviour change to realise a strong ROI. Low liability per member may point to underinvestment, but could just indicate a different program construct.

Meanwhile, **non-travel redemption rates show how diversified the reward proposition really is**. Travel tends to be the most aspirational reward type, and so airline programs naturally leverage this advantage; whereas in other sectors, expect to see more diverse reward portfolios to appeal to different customer segments.

Key takeaways

- **Liability per member:** can be an indicator of program value, but if members aren't redeeming as this liability grows, then it may also indicate disengagement or lack of reward appeal.
- **Premium points pricing:** if partners are paying well above your redemption cost, then you've successfully created a strong program brand which should be protected.
- **For all programs:** the level of investment, the rewards mix, and the ability to sell points at a premium will differ between sectors, so know what good looks like for your customer base.

CONCLUSIONS & KEY MESSAGES



So what can we take away from this investigation into these hidden metrics? Whilst every program is different – even within a tight group of competing airlines – there are a number of key messages which hold true across companies and sectors:

- **Loyalty is now an important commercial engine**, not just a promotional scheme – at scale, programs can contribute 10-20% to operating revenue and reshape the balance sheet.
- **The economics of programs depend on multiple levers**, from points issuance to redemption rules, cash sales and revenue recognition. Optimising across all these levers determines both profitability and risk.
- **Every program is different, there are few strict rules**. Some programs run with a large liability, and others have shorter redemption cycles with less financial burden. What's important is alignment with the business's strategy and objectives.
- **Financial levers also impact customer engagement**. Choices around breakage, redemption design, or external points pricing don't just affect the financials, but shape value perception, customer trust and brand equity.
- **Important indicators of program performance are often hidden**. Loyalty managers may be missing opportunities to benchmark, to course-correct, or to tell a more powerful story about their programs.

We see these implications echoed in our daily work with loyalty programs, where we go deep into financial and customer data to seek relevant metrics and develop powerful insights. This is the only way to build strategies that deliver both customer value, and business performance.

Sources

American Airlines Group Inc. Form 10-K for the fiscal years ended 31 Dec 2024, 2023 & 2022
Delta Air Lines, Inc. Form 10-K for the fiscal years ended 31 Dec 2024, 2023 & 2022
United Airlines Holdings, Inc. Form 10-K for the fiscal years ended 31 Dec 2024, 2023 & 2022
Southwest Airlines Co. Form 10-K for the fiscal years ended 31 Dec 2024, 2023 & 2022



Adam Schaffer, Managing Director

Symbia Advisors

www.symbiaadvisors.com

© 2025