



Daily Article (Bharath's Reading list) - Answers and Explanations 24.01.2024

Article link : [Link](#) (The Points Guy : Inside the Business of Air Miles)

1. The article states all the following reasons why airlines are almost uniquely positioned to maximize the economic features of loyalty schemes, except:

- A. They offer a range of price tiers and service levels at similar marginal cost and so points-based upgrades can boost utilization in higher price tiers without significantly impairing pricing power
- B. Given that they offer a perishable product, airlines filling unsold seats with loyal customers can turn distressed inventory into an asset generating repeat business
- C. Most customers save up loyalty points over long periods due to the allure of free flights, flat bed seats and exclusive lounge access, which do not cost the airlines much
- D. They cater to both business and leisure customers and loyalty points for even business trips get added on to individual accounts

Explanation : C

All points except C are mentioned in the article.

2. Which of the following does not relate to how points schemes help airlines generate money through payments from card companies and other partners?

- A. Airlines sell mileage credit, which card companies allocate to cardholders
- B. Card companies pay for marketing services, which allows them to send promotional materials to the airlines' lists of members
- C. Card company offer loans to customers on co-branded credit cards
- D. Airlines sell ancillary services such as lounge access for some cardholders

Explanation: C

Option C relates to how credit card companies make money through co-branded cards. It is not related to how airlines generate money from card companies

3. Based on the article, which of the following is incorrect?

A. Loyalty revenue helps insulate airlines from fluctuations in the business cycle, as it can be used to secure cheaper funding

B. Cardholders with subprime and near-prime cardholders scores typically earn money with the use of reward cards while superprime cardholders lose out

C. Reward programs can generate profits for both issuers and airlines while generating loyalty to both

D. Reward points are much more prevalent in the US compared with other countries is that interchange rates are wide enough to sustain them

Explanation: B

Note the line, ' Cardholders with superprime scores typically earn money with the use of reward cards while subprime and near-prime cardholders lose out.'