KILPATRICK TOWNSEND

January 30, 2020

Travel Bytes: Leveraging Existing Logistics Partnerships

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Consumers are familiar with the mass-market commuter airlines like the US 3. However, some of the largest airlines may surprise you. By some measures, the largest airline is in fact FedEx; and FedEx's erstwhile customer Amazon.com is itself one of the fastest growing airplane operators. Yes, Amazon—the online-book-seller-turned-everything-superstore—will soon fly nearly as many planes as Frontier Airlines.

The staggering volume of packages delivered each day has turned Amazon.com into a one-of-a-kind logistics operation. But even as Amazon's fleet expands, much of its shipping is still done via commercial airlines. Other logistics-heavy businesses depend on commercial airlines for freight carriage as well. As a result, close partnerships already exist between major consumer-facing retail brands and commercial airlines, meaning that consumer purchases help drive airline revenue *before the consumer even sets foot on a plane*. Therefore, retailers are well-positioned to differentiate themselves by offering frequent flyer program-based rewards to consumers, and airlines can identify leads based on non-travel purchase patterns and seek to lure them away from competitors with spend-based rewards.

This is not an entirely novel strategy; in fact, many airlines and hotel chains currently run programs through their cobranded credit cards. While the issuing bank purchases miles for consumers to earn through spending, miles are far from the only benefit offered by many cobranded cards. Rather, consumers who hit specific spend thresholds may receive elite benefits, such as extra nights toward hotel elite status (or automatic status simply for holding the card), extra tier-qualifying miles for airline elite status, freebies like complimentary checked bags, airport lounge access, and more. These benefits play a dual role: they encourage consumers to keep swiping their cobranded card, through which the hospitality chain earns a cut of the interchange fees; and they simultaneously incentivize consumers to stick with the brand with which they have card-based benefits.

There is no reason this model could not be expanded to incorporate non-bank partnerships like logistics or even retail—and the closer the correlation between a partner brand's appeal and its customers' propensity to travel, the more lucrative the partnership may be.

In short, squeezing more spend from the same set of travelers is yesterday's game. The future is keeping all of your customers' existing travel spend in-house and identifying which competitors' customers are your soon-to-be-loyal customers. The future is knowing your competition's customers better than they do. And that's the kind of insight that only cross-industry partnerships—travel, logistics, and retail—can provide