



**UNITED
AIRLINES**



Credit Card Design Case

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Agenda

- I. Executive Summary
- II. Situation Analysis and Approach
- III. Recommendation
- IV. Implementation
- V. Evaluation: Profitability and Risk Analysis



Executive Summary

Question

Devise a successful United-branded credit card offering for **young professional travelers**.

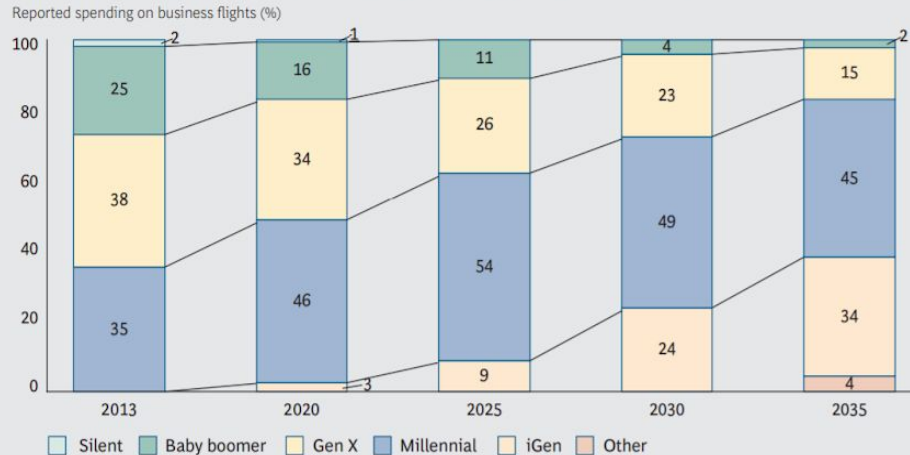
Recommendation

Focus on building lifelong, **renewable** relationships with young clients.
Implement **two tiers** of credit cards aimed at providing amenities **specifically appealing** to young professionals.



Types of travelers - for business, leisure, and bleisure

EXHIBIT 1 | Millennial Spending on Business Flights Will Grow Sharply



Source: BCG research; definitions of U.S. generations; BCG analysis.

Note: Data reflect business fliers' reported spending on business flights.

Summary

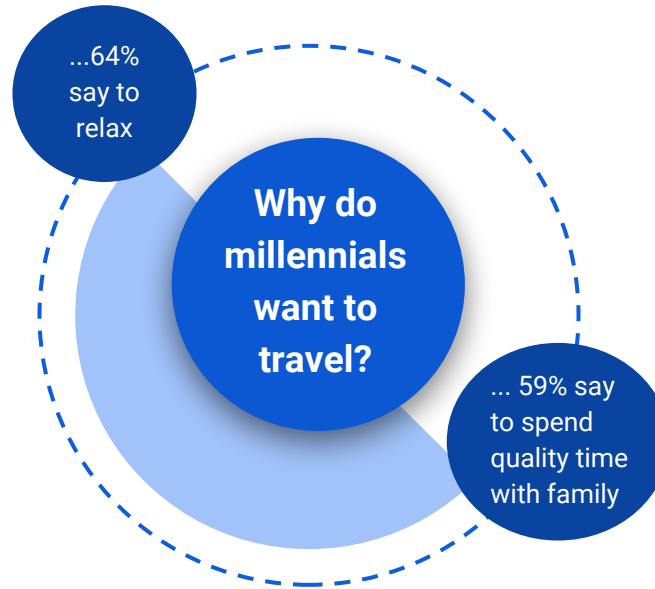
Situation
Analysis

Solution

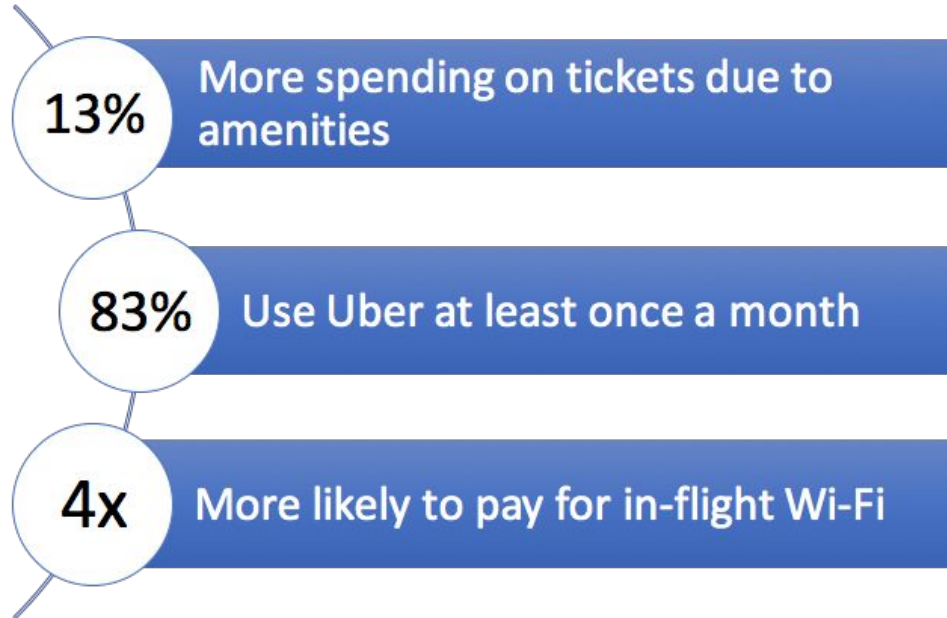
Implementation

Evaluation

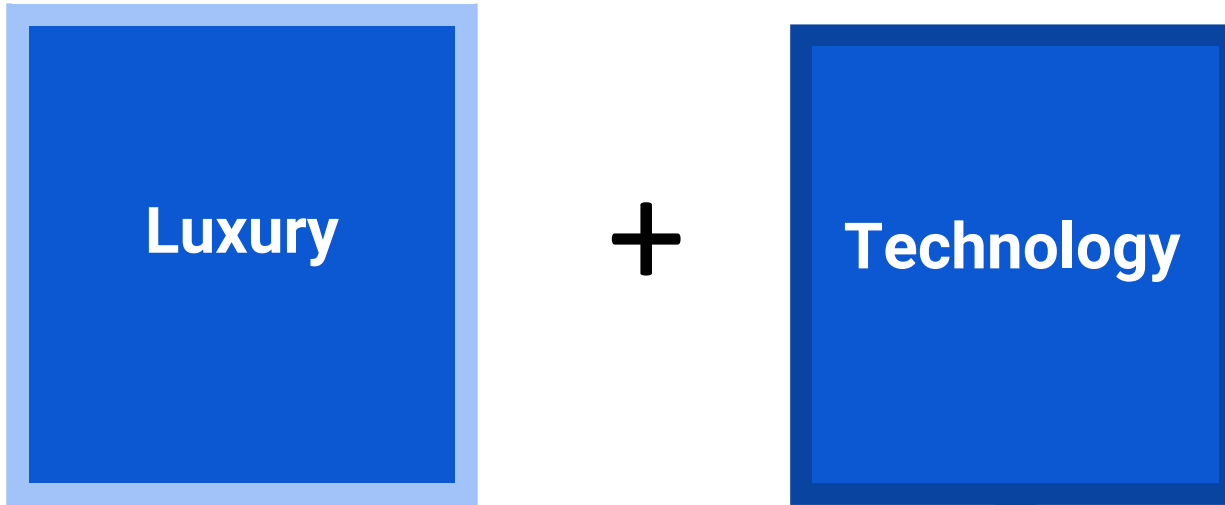
Types of travelers - for business, leisure, and bleisure



Behavior of Young Professionals



Behavior of Young Professionals



Silver Tier plan details, aimed at leisure travelers

\$0 for the first year, then \$95 | To qualify for bonus miles, spend \$2,000 during the first three months

Current MileagePlus Explorer Card Benefits (as of June 1, 2018)

- Miles that don't expire
- Club passes
- Discounts on in-flight purchases
- Discounts on TSA PreCheck, Global Entry

Proposed Additions

- Extra points for spending on Uber, Airbnb, etc.
- \$15 Uber credit per flight
- Free in-flight Wi-Fi



Gold Tier for business travelers

\$450 annual fee | To qualify for bonus miles, spend \$3,000 in first 3 months

Silver Tier and MileagePlus Club Card, plus:

- Priority Baggage Handling
- 2 Polaris Lounge Access Passes per year
- 4 Companion Passes per year
- Booking group flights → discounted rate, splitting fare feature: ~60K cost
- Premier Access



Competitor Comparison: Delta Airlines's SkyMiles

Key Takeaways

- SkyMiles don't expire, 2 miles per \$1 (major factor in usefulness to millennials is mile expiration)
- Complimentary +2 access to variety of amenities for discounted \$29 fee
- Medallion status (Silver, Gold, Platinum, Diamond Tiers)
 - Based on annual spending on Delta flights or \$25,000 in spending on Delta SkyMiles Credit Cards (\$250,000 for Diamond)
 - Only airline to allow for MQM rollover, unlimited





Case Study: Delta Airlines and Lyft

- Tested partnership, 2017, involved 2 miles per dollar for rides to or from airport: loss leader
- Research shows that awareness of mile-earning attracts signups
- Prior reasons for partnering with Lyft, not Uber
- Key benefit for Delta is data collection: can estimate specific airline traveller used
- Allows Delta opportunity to better target consumers, determine when customers use competitors
- Program currently still in place



Implementation

- Uber Partnership:
 - Three months estimated for negotiation with Uber
 - Credit Card Benefits directly advertise Uber Partnership and offer \$15 Uber credit: require using United card, builds loyalty. Test at O'Hare airport for one year before re-evaluating efficacy, proceed to full implementation
- For extra miles sold:
 - Negotiations with Chase.
- Inflight-Wifi:
 - Rolling basis to determine upgrades to systems if necessary
- Companion Passes

Chase Reactions

- Not changing APR, yearly fee, airline mile rates
- Improved card rewards geared towards airline travel promote higher spending, higher revenue for Chase
- Encourage high-credit rating, high-spending consumers to receive United card, but banks generally willing to partner with similarly-scoped cards
- Potential to win over spending from AA/Citibank and Delta/Amex partnerships



United Airlines Reactions

- Two main sources of revenue analyzed: core business and airline miles. Both positively impacted
- Improving benefits to United Airlines' Credit Card offerings to match competitors entices Millennials: brand loyalty is low, airline benefits matter most
- Once in loyalty system, high incentive for customer to keep loyalty to United Airlines, resulting in higher revenue in the long run on the airline side
- Uber partnership allows for further analysis of millennial trends, future responses
- Higher credit card spending results in more airline miles sold to Chase: core part of United's current business bolstered



Potential Problems, Risk

- Partnership with Uber requires negotiation, not immediate.
 - Buy cold credits / partner with Lyft / etc
 - Lyft has similar airline mile program with Delta, Uber with Barclays, etc.
 - Benefits rely on data collection, strength of Uber Brand
- Attractiveness of reduced/complimentary wi-fi will cut into direct in-flight entertainment profits, may result in higher system load
- Aging of generation can change preferences



Conclusion

- Proposals contribute to higher credit card use, consumer satisfaction among United fliers
- Secondary ability to more accurately accumulate customer trends through Uber partnership
- Overall improved responsiveness to millennial desires from air travel

Appendix

Business and leisure travelers

<https://www.bcg.com/documents/file129974.pdf>

https://cdn2.hubspot.net/hubfs/12749/2015_Business_Travel_Survey/2015-Business-Travel-Survey-Full-Report.pdf discusses value of Uber

<https://skift.com/2016/10/27/millennials-are-now-the-most-frequent-business-travelers/>