



Ticker or Keyword

The Surprising Airline That's Now Leading in Customer Loyalty

Move over, Air Canada: There's a new airline leading the pack when it comes to customer loyalty and engagement.



Sean Williams ([TMFUltraLong](#))

Feb 28, 2016 at 9:12AM

Fiat Chrysler Automobiles Averts a Strike in Canada -- at a Cost

FCA and the union representing workers at three key Canadian plants came to an agreement on Monday, minutes before a planned strike. But is it a good deal for FCA investors?

Avatar of TMFMarlowe
2016 at 2:40 PM

IMAGE SOURCE: PIXABAY.



often higher-margin customers. This isn't to say that

loyal customers aren't cost-conscious. I think

everyone would like to save money if offered the
Strike averted! Fiat Chrysler Automobiles (NYSE:FCAU) reached a tentative deal
chance. However, loyal customers tend to be less
with a Canadian labor union late on Monday night, just minutes before workers were
reliant on sales and specials when booking with an

airline, meaning they're far more likely to generate



IMAGE SOURCE: FLICKR USER NICK COOMBE.

better profits without at three critical factories.

COMPARE BROKERS

What's the deal?

As expected, the deal between FCA and the Unifor labor union was patterned after a deal the union reached with **General Motors (NYSE:GM)** last month. Like their GM counterparts, hourly workers at three FCA factories in Ontario will receive modest wage bumps, a boost in the pay rate for newly hired workers, and some changes to their retirement plans.

Perhaps more important from the union's perspective, FCA agreed to make substantial investments in a key Ontario factory. A lack of investments in recent years had led to concerns among the workers that FCA was gearing up to close the facility.

Big surprises abound

Before we continue, I should note that Brand Keys rankings include only seven airlines. The reason this figure is so low is that Brand Keys requires a certain number of survey responses on a company before including it in its analysis. This year only seven airlines qualified.

Why the factory investments are important

First, some background. The tentative agreement covers about 9,650 Unifor-represented workers at three FCA factories, all in Ontario:



IMAGE SOURCE: DELTA AIR LINES.

- Brampton Assembly builds the Challenger.
- Etobicoke Casting makes die-cast aluminum parts, including pistons for engines.
- Windsor Assembly builds the Dodge Caravan and Chrysler Pacifica minivans.

Now for the nitty-gritty: namely, that this year's rankings held a number of surprises relative to last year's results.

You could say that in the [previous year](#), the rankings went according to expectations. The major airlines

ranked toward the bottom of the list, and regional or national airlines that have a smaller feel stood out for their efforts to engage consumers and build brand loyalty. However, an abrupt shift occurred in this year's

rankings. The major airlines moved up, and one popular national airline dove.

A particular concern was the area of the factory in which vehicles are painted, called the "paint shop." The facility is old and in need of significant updates. But FCA CEO

Sergio Marchionne has stalled on those updates for several years, raising fears that two notable leapers in this year's results were **Delta Air Lines (NYSE:DAL)** in the No. 3 spot, and United Airlines, part of **United Continental Holdings (NYSE:UAL)**, in the No. 4 spot. In 2015 these two airlines ranked fifth and eighth (which was dead last), respectively.

One possible reason for the improvement in customer loyalty could be an adjustment to their respective loyalty reward programs. Following a trend that some regional and national airlines enacted, Delta SkyMiles and United MileagePlus both announced in 2014 that they would begin rewarding their cardholders based on the amount they spend rather than the number of miles flown. What we could be seeing is satisfaction improving among elite-level passengers at these airlines who are receiving the top perks, although the irony is that most passengers overall will receive fewer points under the new system compared to the previous rewards



FRESHLY PAINTED DODGE CHALLENGER BODY SHELLS AT THE BRAMPTON ASSEMBLY PLANT. BRAMPTON'S PAINT FACILITY WILL RECEIVE A LONG-AWAITED UPGRADE UNDER A TENTATIVE NEW LABOR DEAL. IMAGE SOURCE: FIAT CHRYSLER AUTOMOBILES.

Under the new deal, FCA promises that those updates will happen. The company committed 325 million Canadian dollars (\$245 million) for what union officials described as a "complete rebuild" of Brampton's paint shop next year. It's not clear if FCA also committed to bring future products to the plant. Additionally, I'd contend that lower fuel prices could wind up playing a key role moving forward, especially for United. Because jet fuel costs have plummeted year over year, airlines like United are rolling in the dough. Although fares aren't being cut, Casting facility, the union said.

United has been reinvesting in a newer fleet of planes, and it's planning to bring back free snacks to its passengers in economy class for the first time since Windsor Assembly wasn't a big concern for the union, as it was recently upgraded to produce the all-new Chrysler Pacifica minivan. But FCA agreed to add an upcoming plug-in hybrid to the product mix at the factory, union officials said. in February, but these small gestures could go a long way to improving consumers' in-flight experience.

What FCA gets out of the deal

A surprising fall First and foremost, assuming that workers ratify the new agreement, FCA gets four years of labor peace in Canada. On the other end of the spectrum, Southwest Airlines (NYSE:LUV), which tied with WestJet for third in last year's rankings, surprisingly dropped into a tie for fifth with

As FCA this year (American Airlines Group to close up the deal this year), including an agreement that new hires will be enrolled in a defined-contribution plan -- similar to a U.S. 401(k) plan -- rather than in the defined-benefit pension plan that covers existing workers. The reason for Southwest's plunge isn't cut-and-dried, but I suspect it's tied to two factors. First, the aforementioned drop in jet fuel prices could allow the majors to be

Is this a good deal for FCA?

Yes. The wage increases are unlikely to have a significant impact on FCA's cost structure in North America over the long term. As in GM's case, most of the concessions FCA gave were not a huge price to pay for four more years of labor peace. Southwest isn't benefiting as well from lower fuel costs, but the new factor would likely come from the majors cutting prices.

Fares, in general, only dropped by 1% in the first half of 2015 compared to the first half of 2014, but considering that airline profits are surging near record highs, the majors have the cash on hand to consider being more price- and reward-competitive with airlines like Southwest. (and most visible) models, bought by some of the company's most devoted and knowledgeable customers. Investments that will improve the quality of those products will have a visible impact over time.

The takeaway: Good news for FCA investors

The situation at Brampton may seem like inside baseball, and the rest may appear inconsequential. FCA avoided strikes at three important factories with a deal that isn't likely to come back and haunt it later on. For its investors, that's clear good news.

Apple's next project could stun investors

While the world watches the next iPhone, a Motley Fool analyst has caught wind of a secret project that could be far, far bigger.

Most investors don't know about "Project Titan," but once you do it's easy to see why you might sell your shares of Apple to load up on [three under-the-radar tech stocks](#) instead.

You can learn more about "Project Titan" and the three tech stocks we recommend [by clicking here now](#).

IMAGE SOURCE: SOUTHWEST AIRLINES.

The other possible issue here is that Southwest announced an adjustment to its loyalty rewards program last year. Southwest's loyalty program had rewarded points based on fare price since 2011, the last time it changed its rewards program. Last year, however, it announced that General Motors, Motley Fool rated this as a **five** stars. Many of our English newsletter services are free for 30 days. We may not all hold the same opinions, but we all believe that considering a diverse range of insights makes us better investors. The Motley Fool has a disclosure policy. Do this makes it impossible for loyal Southwest customers to know in advance both what their accumulated points are worth as well as what a booked flight might be worth in terms of points earned.

Flying high

Forget Netflix! We Think These 3 Companies Are Ready to Take Off
The final hint for readers in this year's airline loyalty rankings involved a flip-flop for the top spot between Air Canada and **JetBlue** ([NASDAQ:JBLU](#)). After taking the Let's face it... cable television is on its way out and the "death of TV" means

runner-up \$2 billion last year. JetBlue has decided to Airpoints, the epicking flight rewards of loyalty and engagement in 2016, with its Airpoints program as a more accessible ditching second place. Because we think three stocks are poised to surge now that cable TV's days are numbered. And you'd be surprised... Netflix and Amazon.com aren't Why is JetBlue king of the skies? According to [U.S. News & World Report](#), it's even on the list! [Click here to learn more.](#) because the company has one of the best rewards program in the airline industry.



AUTHOR



John Rosevear
 (TMFMarlowe)

John Rosevear is the senior auto specialist for Fool.com. John has been writing about the auto business and investing for over 20 years, and for The Motley Fool since 2007.

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~ SOURCE: JETBLUE
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First, points earned don't have an expiration date under the TrueBlue Rewards program. This allows the company to more effectively reward its customers, and serves as a broadly attractive lure to increase TrueBlue membership. Secondly, consumers can rack up TrueBlue points very quickly. Add-ons, such as booking seats with more legroom or bringing a pet along, can earn consumers bonus points just those earned when booking a flight. Finally, JetBlue allows your points to be donated to a charity of your choice, which is a nice personal touch. The rewards system isn't perfect, but compared to its peers, JetBlue has done an excellent job of attracting and retaining loyal customers.

STOCKS



General Motors

JetBlue also [Fiat Chrysler](#) with its loyalty program in 2014, which may have translated into high-quality member additions. JetBlue appealed to fliers in six competing loyalty programs and attempted to lure them into a TrueBlue membership with the Mosaic challenge, a 90-day contest that packed on the rewards for elite customers willing to jump ship for JetBlue.

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Finally, Delta credits JetBlue's comparatively young fleet as a reason for its success in attracting loyal consumers. According to [AirFleets.net](#), the average age of an airplane in JetBlue's fleet is 8.5 years. In comparison, the average age of United's and Delta's fleets is 13.6 years and 17.1 years, respectively. Newer planes are not only more fuel-efficient and likely to be in the sky as opposed to in the garage needing maintenance, but they also are more likely to feature innovative technologies that can improve the in-flight experience, such as seat-back television screens.

[Fiat Chrysler's Big Pickup Discounts Could Be a Big Problem for General Motors](#)

Over the next three years, based on Wall Street's estimates, JetBlue's sales are projected to expand by a total of 27% to \$8.1 billion, while its full-year EPS is forecast to grow by 55% to \$3.07. With strong customer loyalty driving this growth,

10 stocks we like better than JetBlue Airways

When investing geniuses David and Tom Gardner have a stock tip, it can pay to listen. After all, the newsletter they have run for over a decade, *Motley Fool Stock Advisor*, has tripled the market.*

David and Tom just revealed what they believe are the [ten best stocks](#) for investors to buy right now... and JetBlue Airways wasn't one of them! That's right -- they think these 10 stocks are even better buys.

[Click here](#) to learn about these picks!

*Stock Advisor returns as of October 3, 2016

Sean Williams has no material interest in any companies mentioned in this article. You can follow him on CAPS under the screen name [TMFUltraLong](#), track every pick he makes under the screen name [TrackUltraLong](#), and check him out on Twitter, where he goes by the handle [@TMFUltraLong](#).

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Forget Netflix! We Think These 3 Companies Are Ready to Take Off

Let's face it... cable television is on its way out and the "death of TV" means

the \$2.2 trillion entertainment industry is ripe for the picking. Right now, there's a golden opportunity to hijack cable's profits as Americans continue ditching cable. Because we think three stocks are poised to surge now that cable TV's days are numbered. And you'd be surprised... Netflix and Amazon.com aren't even on the list! [Click here to learn more.](#)

AUTHOR



Sean Williams

([TMFUltraLong](#))

A Fool since 2010, and a graduate from UC San Diego with a B.A. in Economics, Sean specializes in the healthcare sector and investment planning. You'll often find him writing about Obamacare, marijuana, drug and device development, Social Security, taxes, retirement issues and general macroeconomic topics of interest.

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ARTICLE INFO

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☐ Industrials

STOCKS



JetBlue Airways

NASDAQ:JBLU

\$17.84 ↓ \$0.38 (-2.09%)



Southwest Airl...

NYSE:LUV

\$41.32 ↓ \$0.06 (-0.14%)



Delta Air Lines

NYSE:DAL

\$40.04 ↑ \$0.03 (0.07%)



United Contin...

NYSE:UAL

\$53.20 ↓ \$0.49 (-0.91%)

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