

Module 3: How Miles and Points Actually Work

Purpose of This Module

This module explains the fundamentals of how airline miles and hotel points function. Understanding how these rewards are earned, stored, and redeemed will help you make smarter decisions that maximize value and avoid frustration.

The Concept of Reward Currencies

Miles and points are not physical money, but they operate like digital currencies issued by airlines and hotels. Each program defines how its currency is earned and how much value it provides when redeemed for flights, upgrades, or hotel stays.

Just like with real money, not all points are equal. One airline mile might be worth two cents, while another may be worth less than one cent depending on how it is redeemed.

Earning Miles and Points

You earn miles and points in three main ways:

1. **Credit Card Spending:** Everyday purchases earn points through your card's rewards program.
2. **Flying:** Paid flights on participating airlines award miles based on ticket price and status level.
3. **Hotel Stays:** Paid hotel stays earn points through the brand's loyalty program.

The goal is to earn the majority of rewards through credit card spending, not flying, since everyday purchases are consistent and scalable.

Transferable Points vs. Fixed Points

There are two main types of rewards currencies:

Transferable Points: These are earned from banks like Amex, Chase, Citi, and Capital One. They can be moved to many airlines or hotels, offering flexibility and higher redemption value.

Fixed Points or Cash Back: These are tied to one airline or hotel. They are simple but less flexible.

For Africa 2027, we focus on transferable points programs because they allow you to move rewards where they are most valuable at the time of booking.

How Redemption Value Is Calculated

The value of a point is measured by dividing the cash price by the number of points needed.

Example:

A \$1,000 flight booked with 50,000 miles gives you a value of 2 cents per mile ($\$1,000 \div 50,000 = \0.02).

The higher this number, the better the redemption. For reference:

- Excellent Value: 2 cents or higher
- Good Value: 1.5–2 cents

- Average Value: 1–1.4 cents
- Poor Value: Under 1 cent

How to Avoid Losing Value

You lose value when:

- You transfer points without confirming award space
- You use points for low-value redemptions like gift cards
- You book last-minute flights with high surcharges
- You let points expire due to inactivity

Always confirm award seats before transferring and maintain at least one earning activity per program every 12–18 months.

Common Terms to Know

- **Award Chart:** A table showing how many miles are required for specific routes or cabin classes.
- **Dynamic Pricing:** When the number of miles needed changes based on demand or cash price.
- **Sweet Spot:** A redemption that gives unusually high value for a specific route or partner.
- **Stopover:** A free or low-cost connection allowing you to visit an extra city en route.
- **Fuel Surcharge:** Extra fee added by some airlines that can reduce overall value.

Practical Example: Cairo to Cape Town

Booking a one-way flight from Cairo to Cape Town on Qatar Airways might cost \$800 in cash or 37,500 Avios plus \$100 in taxes.

The points redemption saves around \$700, giving you a value near 1.9 cents per point. That is an excellent redemption, especially for long-haul travel.

Summary

Miles and points are a financial tool when used strategically. The more you understand how they function, the more control you gain over your travel costs.

The next module will show how to enroll in the right loyalty programs and track your growing balances effectively.