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Airline Ancillary Revenue Soars to €18.4 billion (\$22.6 billion) Worldwide in 2010

The 110-page Amadeus Guide to Ancillary Revenue by IdeaWorks compiles a la carte activity worldwide, highlighting industry leaders such as AirAsia X, Alaska Airlines, easyJet, Ryanair, and United Airlines.

October 14, 2010, Shorewood, Wisconsin – The ancillary revenue movement is rapidly becoming an accepted and necessary part of the air travel industry worldwide. Once considered an aberration only associated with low cost carriers, ancillary revenue is now a point of pride among senior executives at major airlines. Evidence of the rapid spread of the phenomenon can be found throughout the new 2010 *Amadeus Guide to Ancillary Revenue by Ideaworks*, available October 14 from Ideaworks Company. Ancillary revenue and a la carte pricing today are often referenced in financial reports, investor presentations, and earnings calls . . . but no indicator looms larger than total ancillary revenue activity estimated for 2010: €18.4 billion.

Worldwide Estimate of Ancillary Revenue			
Airline Category	As % of Carrier Revenue	Total Operating Revenue Euro (US\$)	Ancillary Revenue Euro (US\$)
Ancillary Revenue Champs	19.4%	€15.8 billion (\$19.4 billion)	€3.1 billion (\$3.8 million)
Major US Airlines	7.2%	€75.5 billion (\$92.6 billion)	€5.4 billion (\$6.7 billion)
Low Cost Carriers	5.4%	€53.9 billion (\$66.2 billion)	€2.9 billion (\$3.6 billion)
Traditional Airlines	2.9%	€240.8 billion (\$295.4 billion)	€7 billion (\$8.5 billion)
Totals		€386 billion (\$473.6 billion)	€18.4 billion (\$22.6 billion)

Sources: Airline revenue from various sources to include the 2010 World Airline Report, Air Transport World (July 2010).

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Philippe Chérèque, Executive Vice President Commercial, Amadeus, the sponsor of this study commented: “€18.4 billion, while significant, is still less than 5% of the operating revenue generated by the airlines in this study. At Amadeus, we expect to see ancillary revenues grow significantly as airlines are only now beginning use the high-yield travel agency channel to sell their range of ancillary services. Amadeus is talking to a number of airlines to help them with this. If all airlines catch up with the ‘Ancillary Revenue Champs’ identified in this report, ancillary revenues could increase by more than 300% to as much as €74.8 billion.”

All types of airlines, from major network carriers to small regional feeders, seek the profits enabled by ancillary revenue and a la carte fees. Earlier this year IdeaWorks tabulated the ancillary revenue disclosures made by 46 airlines. The results reveal natural groupings based upon a carrier’s ability to generate ancillary revenue. The “percent of revenue” results associated with four defined categories were then applied to a worldwide list of operating revenue disclosed by 150 airlines. The following describes the four categories:

- **Ancillary Revenue Champs.** These carriers generate the highest activity as a percent of operating revenue. The average assigned to this group was 19.4 percent. Examples include Allegiant, Flybe, Ryanair, Spirit, and Tiger Airways.
- **Major US Airlines.** US-based majors generate strong ancillary revenue through a combination of frequent flier revenue and baggage fees. The average assigned to this group was 7.2 percent. Examples include American, Delta, and United.
- **Low Cost Carriers.** LCCs throughout the world typically rely upon a mix of a la carte fees to generate good levels of ancillary revenue. The average assigned to this group was 5.4 percent. Examples include Air Arabia, Air Berlin, Spicejet, Spring Airlines, Virgin America, and Westjet.
- **Traditional Airlines.** This category represents a catch-all for the largest number of carriers. Ancillary revenue activity may consist of fees associated with excess or heavy bags and limited partner activity for a frequent flier program. The average assigned to this group was 2.9 percent. Examples include Asiana, British Airways, Egyptair, LAN, Scandinavian, and Silkair.

Operating revenue results were provided by the 2010 World Airline Report published in the July 2010 issue of *Air Transport World*. Additional sources were used, such as disclosures made at airline alliance websites, to complete the list of 150 airlines. Adjustments were made to prevent duplicate reporting associated with regional affiliates. Pure air cargo carriers, such as FedEx and UPS Airlines, were not included. The Ideaworks analysis covers 98 percent of the \$483 billion IATA estimate of worldwide commercial airline revenue for 2009.

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The numbers for 2011 will certainly increase. Each airline category will likely achieve a higher percentage as a la carte pricing methods are perfected and become more pervasive. For example, coordination among alliance partners has compelled Europe-based airlines to adopt baggage charges on codeshare transatlantic routes. The Guide describes how traditional and low cost carriers are boldly experimenting with new a la carte initiatives.

The following are examples of the information and best practices described in the Guide:

- **AirAsia X** disclosed ancillary revenue in excess of €17 per passenger with amazing online a la carte booking activity; more than 80 percent of passengers pre-paid baggage fees.
- **Continental** implemented flexible pricing for extra legroom seating; higher demand increases the price offered to consumers.
- **easyJet** offers unlimited early boarding benefits for 12 months through its easyJet Plus membership card.
- **KLM** is testing premium pre-order a la carte meal options for €10 on 8 long haul routes from Amsterdam such as Calgary, Dubai, and Sao Paulo.
- **Ryanair** now sells carry-on compliant luggage from Samsonite at its website.
- **Vueling** Airlines uses frequent flier bonus points to encourage consumers to book hotel accommodations at its website.

The Guide includes the following “what-works-best” and “how-to-do-it” sections that describe how airlines can maximize ancillary revenue based upon leading carriers in Europe, North America, and Asia:

- Selections from a Global a la Carte Menu.
- Discovering New Worlds of Onboard Merchandising.
- Worldwide Financial Statistics from Leading Airlines.
- AirAsia X Stretches a la Carte to Fit the Globe
- How Ryanair is Trying to Change the World.
- Tales from the Ancillary Revenue Front – Executive Interviews

The **Amadeus Guide to Ancillary Revenue by IdeaWorks** is available for purchase and immediate download as a PDF at: AirlineInformation.org/guide. The price per Guide is US\$449.

Notes to the editors:

IdeaWorks was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing, and building profits through financial improvement and restructuring. Its international client list includes airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorks specializes in ancillary revenue improvement, brand development, customer research, competitive analysis, frequent flier programs and on-site executive workshops. Learn more at IdeaWorksCompany.com.

Amadeus has three flagship solutions to enable ancillary revenue sales:

- Amadeus Airline Ancillary Services which allows airlines to automatically offer and collect fees for all ancillary services through any sales channel – direct or indirect. The solution is fully integrated with Amadeus' IT offerings including the Altéa CMS and e-Commerce suite.
- Amadeus Cross-Sell Ancillary Services which seamlessly integrates with Airline IT systems to enable simple management of cross-sell content such as car, hotel and destination services in conjunction with flight bookings.
- Amadeus EMD, which enables airlines to issue, store, manage and distribute associated and standalone Electronic Miscellaneous Documents (EMD), the industry standard fulfilment document for the effective sale and management of ancillary services.

Amadeus is the leading transaction processor and provider of advanced technology solutions for the global travel and tourism industry. Customer groups include travel providers (e.g. airlines, hotels, rail, ferries, etc.), travel sellers (travel agencies and websites), and travel buyers (corporations and individual travellers). The group operates a transaction-based business model and processed more than 670 million billable travel transactions in 2009.

Amadeus has central sites in Madrid (corporate headquarters and marketing), Nice (development) and Erding (Operations – data processing centre) and regional offices in Miami, Buenos Aires, Bangkok and Dubai. At a market level, Amadeus maintains customer operations through 72 local Amadeus Commercial Organisations covering 195 countries.

Amadeus is listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and trades under the symbol "AMS.MC". For the year ended 31 December 2009, the company reported revenues of EUR 2,461 million and EBITDA of EUR 894 million. The Amadeus group employs over 9,300 employees worldwide, with 123 nationalities represented at the central offices.

To find out more about Amadeus please click [here](#). To visit the Amadeus Investor Relations centre please click [here](#).

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