

Business Standard

September 16, 2013

Indian airlines lag behind their western peers in ancillary revenue

Jet Airways, SpiceJet earned 3.3% and 0.7% respectively of total income from ancillary revenue

By: Aneesh Phadnis

This article is based upon a report issued by IdeaWorksCompany

Domestic airlines have begun levying a fee for choice of seat, use of lounge and onboard meals after the civil aviation ministry eased norms earlier this year. However domestic airlines have a long way to go as ancillary revenue made up only 0.7% and 3.3% of total revenue of SpiceJet and Jet Airways respectively in 2012, a new global survey has revealed.

These are findings of a global survey which compiled income data of 116 airlines was compiled by IdeaWorks Company, a consulting firm which specialises in ancillary revenue improvement, brand development and customer research. Other Indian carriers were not featured in the report. Ancillary revenue includes earning from non ticketing sources includes sale of food and beverages, sale of air miles, merchandise and various forms of advertising and media.

The performance of Indian carriers is in sharp contrast with low cost airlines in the Europe and the US which earn 20-30% of their revenue from non ticketing sources. The top performer is Spirit Airlines of the US which earned 38.5% of all revenue in 2012 from ancillary sources. AirAsia which is setting up a joint venture airline in India earned 18.2% of its income from ancillary items and several other European and US airlines earned 20-30% of income from ancillary items. Totally all airlines earned \$ 27.1 billion in ancillary revenue.

The report says Jet Airways earned over \$ 104 million (about Rs 645 crore) from various ancillary revenue in 2012 and its earning per passenger increased from \$ 4.5 to \$ 6.13 in last fiscal. Similarly SpiceJet earned \$ 4.9 million (about Rs 30 crore) through onboard sale of meals and earned 0.45 \$ per passenger in ancillary income.

The Indian carriers, however, fare better than Emirates which earns only 0.5% of revenue from ancillary items. Lufthansa group too earns a modest 0.7% income from ancillary sources.

Jet Airways and SpiceJet did not respond to an email query on the issue. All airlines in India are looking to increase income from non ticketing sources and tapping various sources. Earlier in the Jet Airways executives indicated the airline wants to increase the

contribution of ancillary income to 10% and they were looking to charge for seat upgrades and maximise earnings from excess baggage. Unlike the West, Indian carriers still allow free check in luggage but reduced the limit of free luggage from 20 kgs to 15 kgs this year.

Top airlines

Total ancillary revenue - United, Delta American Airline

Ancillary revenue as percent of total - Spirit Airlines, Allegiant Air, Jet2.com

Ancillary revenue per passenger basis - Qantas, Spirit Airlines, AirAsia X.

source - IdeaWorks Company