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Airlines Pocket a Record \$38 Billion From Extra Fees

By Phil LeBeau

This article is based upon a report issued by IdeaWorksCompany.

When something works — and works well — you stick with it.

That's the approach that airlines across the globe are taking, as a new report found ancillary fee revenue grew at a double-digit pace last year.

In fact, despite grumblings from passengers about additional charges, revenue from checked bags, changed reservations and a host of other additional fees jumped nearly 21 percent to an all-time high of \$38.1 billion, according the annual study by IdeaWorksCompany and CarTrawler.

"This report shows ancillary fees have become a reliable source of revenue for airlines, and airlines know what they can do to increase it," said Jay Sorensen, president of IdeaWorks.

The growth in revenue from these fees is staggering. In 2007, for example, airlines collected just \$2.45 billion in ancillary revenue.

Other numbers showing the growth in airline fees include:

- Ancillary revenue per passenger among 63 airlines worldwide was \$17.49, an 8.5 percent increase compared to 2013;
- Low-cost carriers collected more than \$2.9 billion, an increase of 32.8 percent year over year;
- Ancillary revenue among major U.S. airlines jumped more than \$2.6 billion, or 18.7 percent.

Among the largest airlines in the world, United collected the most in ancillary fees, topping \$5.8 billion, according to IdeaWorks. It was followed by American/US Airways at \$4.65 billion, and Delta with more than \$3.2 billion.

Sorensen said airlines are doing a better job selling perks such as early boarding, or seats with more legroom. Increasingly, he sees airlines successfully selling customers on extras when they check in for flights online or at airport kiosks.

"The sale of those à la carte items is very successful because the airlines can tailor that offer to you," he said.

With carriers already pushing fees for checked bags, early boarding, and snacks or meals on planes, Sorensen said many are eyeing in-flight entertainment as a means for future growth in ancillary fees.

"More airlines are saying, 'We will provide a base level of Wi-Fi access and then if you want to upgrade beyond that, say to check email or watch a movie, you can pay for that,'" he said.