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Airlines' Ancillary Revenue Continues Growth Trend

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World airlines collected \$27 billion in revenue from products and services other than ticket sales last year, according to the latest annual report by research company IdeaWorks. The total came from data from 53 airlines that disclose ancillary revenue activity.

The addition of Air France/KLM to the top 10 list of ancillary revenue generators speaks to an increasing trend among European airlines and proved the most “revealing” development of 2012, IdeaWorks said. “Air France, while long singing the praises of optional extras, made the additional leap of excluding checked bags from its lowest fares on select routes within Europe,” said the report, released on September 9. “KLM took a similar approach by assessing bag fees for consumers not belonging to its frequent-flier program. Even British Airways jumped on the trend by offering carry-on-only fares from London Gatwick.”

Led by United Airlines, the top 10 carriers collected ancillary revenue of \$18.2 billion last year, or 68 percent of the total disclosed by the 53 airlines IdeaWorks studied. Of the top ten, United collected \$5.35 billion, Delta \$2.57 billion, American \$1.98 billion, Southwest \$1.65 billion, Qantas \$1.57 billion, Ryanair \$1.38 billion, Air France/KLM \$1.2 billion, easyJet \$1.14 billion, US Airways \$1.07 billion and Korean Air \$720 million.

Low-cost carriers no longer lead the field in ancillary revenue. But they draw more ancillary revenue as a percentage of their total compared with major network carriers. Spirit Airlines, whose ancillary revenue accounted for 38.5 percent of its total, led the list. The next two carriers, Allegiant (29.9 percent) and Jet2.com (26.5 percent), bundle ticket sales with holiday packages.

The top 10 airlines in ancillary revenue collected on a per-passenger basis range from Qantas Airways, at \$56.21 per passenger, to Alaska Air Group at \$26.10. “The most aggressive airlines easily generate more than 20 percent of their revenue from a la carte fees,” said the report. “The best performers realize more than \$30 per passenger from ancillary revenue.”

IdeaWorks defines ancillary revenue as revenue gained beyond the sale of tickets from direct sales to passengers or indirectly as part of the travel experience. That includes revenue from frequent-flier programs; onboard sales of food and beverages; checked luggage; priority check-in; preferred seating and other “a la carte” features; commissions earned by airlines on the sale of hotel accommodations, car rentals and travel insurance; and advertising revenue from other service or product providers.