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Selling those little extras pushes Jetstar into top 10

By Steve Creedy

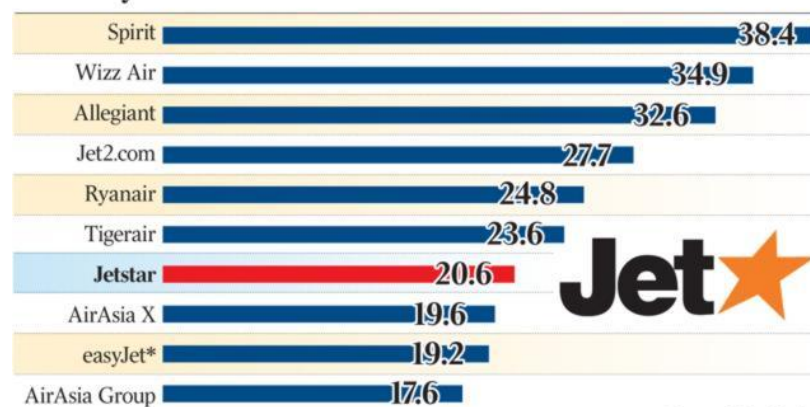
This article is based upon a report issued by IdeaWorksCompany.

THE Jetstar Group has emerged among the top 10 airlines in the world when it comes to the percentage of its revenue derived from selling extras to passengers.

Jetstar made about a fifth of its revenue by selling extras, such as checked baggage, in-flight entertainment and meals, in fiscal 2013, according to a survey from US-based IdeaWorksCompany.

It emerged ahead of EasyJet, AirAsia X and the AirAsia Group, but was still considerably behind leaders Spirit Airlines and Wizz Air, both of which made more than a third of their money from ancillary sales. Ryanair, often held up as villain of ancillary charges, derived just under a quarter of its income from the practise.

Ancillary revenue as a % of total revenue



Source: IdeaWorks

The low-cost group narrowly missed out on the top 10 when it came to the amount of money it managed to extract per passenger. Its result of \$US29.50 (\$31.38) was about half the whopping \$US55.61 a passenger attributed to leader Jet2.com.

Qantas made just under 11 per cent of its total revenues from ancillary activities, or about \$US45.67 a passenger, but 80 per cent of this was due to its highly successful frequent flyer program. Virgin Australia was not part of the survey.

IdeaWorksCompany has been trawling through airlines' results to calculate ancillary revenues since 2007 and its first report identified \$US2.45bn from 23 airlines globally, or about \$US6.99 a passenger.

Airlines, particularly in the US, have since seized on ancillary revenues as a way of boosting the bottom line and have “unbundled” many items previously provided free.

Ancillary revenue identified in the report included frequent flyer points sold to partners, fees for checked bags, meals, seating allocations and even commissions from car rentals and holiday bookings.

The figures reached \$US16 a passenger by 2013 with disclosures from 59 airlines totalling \$US31.5bn. The survey noted that the International Air transport Association is expecting a 2.4 per cent average net profit margin for airlines in 2014 to equate to less than \$6 a passenger.

“Some of the biggest brands in the business are now engaged in all aspects of ancillary revenue,” the report says.

The report adds that Spirit Airlines, which charges even for carry-on bags, earns its top listing through aggressiveness that allows it to earn ancillary revenue of \$US51.22 a passenger.

“It is proud of its ability to deliver ultra-low fares for consumers, and equally proud of pushing the limit on fees,” it says.