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U.S. Airlines Lead the World in Ancillary Revenue as Total Tops \$38 Billion in 2014

By Marisa Garcia

This article is based upon a report issued by IdeaWorksCompany.

The three major U.S. airlines are top performers even as airlines around the world increase their ancillary revenues by nearly 21%.

IdeaWorks Company has released the numbers on airline ancillary performance for 2014, which reveals airlines earned \$38.1 billion dollars in ancillary revenue, compared to the \$31.5 billion earned in 2013.

The company's report, sponsored once again this year by CarTrawler, considers the performance of 63 airlines around the world—both major flag carriers and low-cost—which disclose ancillary revenue in their financial reports.

“Ancillary revenue is an increasingly important indicator of commercial success, and a major contributor to the bottom line of airlines across the globe,” says Michael Cunningham, Chief Commercial Officer at CarTrawler. “The secret to unlocking this revenue stream can be found in the data that customers generate with every transaction.”

Airlines are getting smart about gathering data of our preferences when we book and when we fly, using a variety of sources including web-page reservations systems, mobile apps, and the sales of inflight products and services as well as advertising on in-flight entertainment systems.

Airline ancillary revenue was up by \$6.6 billion in 2014 over 2013, and a whopping \$35.65 billion more than the ancillary revenues of airlines reporting in 2007.

Annual Financial Disclosures of Ancillary Revenue							
2014 Results Posted by 63 Airlines \$38.1 billion	2013 Results Posted by 59 Airlines \$31.5 billion	2012 Results Posted by 53 Airlines \$27.1 billion	2011 Results Posted by 50 Airlines \$22.6 billion	2010 Results Posted by 47 Airlines \$21.46 billion	2009 Results Posted by 47 Airlines \$13.47 billion	2008 Results Posted by 35 Airlines \$10.25 billion	2007 Results Posted by 23 Airlines \$2.45 billion
Annual results are associated with a fiscal period that ended in the year indicated.							

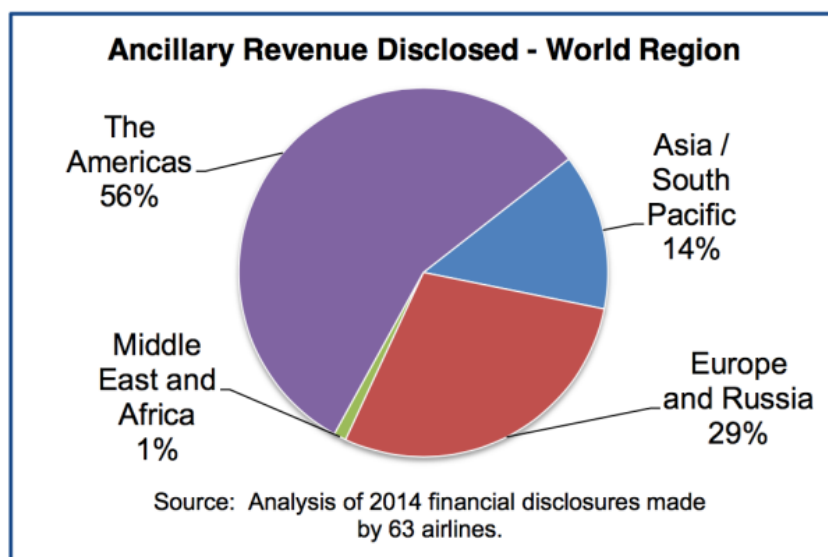
United, American Airlines/US Airways, and Delta were top performers world-wide, with combined earnings over \$13.8 billion in 2014. IdeaWorks attributes American Airlines performance (\$4.6 billion) to its co-branded Citibank credit card, which generated additional revenue of \$624 million. Delta's Comfort Plus service increased its ancillary revenue contributions by 18%, reaching \$350 million in 2014.

The top ten airlines combined earned close to \$25 billion in ancillary revenue during 2014.

Table 1: Top 10 Airlines – Total Ancillary Revenue (US dollars)				
Annual Results – 2014		Ancillary Source	Annual Results – 2013	
\$5,861,000,000	United	Various	\$5,703,000,000	United
\$4,651,000,000	American/US Airways	Various	\$2,528,183,000	Delta
\$3,212,909,000	Delta	Various	\$2,079,000,000	American
\$2,046,292,309	Air France/KLM *	Various	\$1,714,598,496	Air France/KLM *
\$1,906,616,921	Ryanair	Various	\$1,689,457,120	Ryanair
\$1,885,000,000	Southwest	Various	\$1,623,500,000	Southwest
\$1,632,765,608	Lufthansa Group *	Various	\$1,385,021,933	easyJet *
\$1,457,215,349	easyJet *	Various	\$1,282,738,470	Lufthansa Group
\$1,387,084,868	Qantas Airways	Mostly FFP	\$1,273,430,400	Qantas Airways
\$921,000,000	Alaska Air Group	Various	\$1,102,700,000	US Airways
\$24,960,884,055			\$20,381,631,432	
Currency exchange based upon rates in effect when financial information was reviewed for each annual period. 2014 and 2013 carrier results were based upon recent 12-month financial period disclosures. * IdeaWorksCompany estimate based upon past disclosure updated for current report.				

Airlines also generated healthy ancillary revenue from the sale of airline miles or points to those banks which issue their co-branded credit cards. Qantas Airways and Virgin Atlantic airlines earn most of their ancillary revenue from Frequent Flyer points.

Airlines in the Americas earned the lion share of this market holding 56% of the market, while airlines in the Middle East and Africa took only a 1% market share.



Low-Cost Carriers Lag Behind

Adopting the fare unbundling practice of low-cost airlines has benefited the major carriers. Air France/KLM, American, and United, and other top performers earned a good portion of their ancillary revenue from baggage fees and extra leg room seating.

While low-cost carriers generally make the most of sales of extra's their overall market of ancillary sales is flattening out, IdeaWorks reports, with Ryanair, Southwest, and easyJet the only low-cost airlines to make it to the Top 10 ancillary revenue generators.

“It is no longer just the preserve of low cost carriers—it is something from which all airlines are benefiting. The question is not who is doing it, it's how well it is being done,” Cunningham says.

Low-cost carriers remain leaders in ancillary sales as a percentage of revenue, however, with Spirit airlines at the top of the list. The 'Bare Fares' Ultra-Low Cost Carrier makes 38.7% of its total revenues from the sales of ancillary products and services.

But IdeaWorks predicts that low-cost carriers may be close to an ancillary ceiling, saying it might prove difficult for them to convert ancillaries beyond a 40% share of total revenue.