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## **Ryanair's ancillary revenue hits record level**

By Geoff Percival

*This article is based upon a report issued by IdeaWorksCompany.*

Ryanair generated the sixth highest revenues globally from non-flight ticket items in 2015, according to a new report, which shows the top 10 world airlines pulled in almost \$26bn (€23.6bn) in ancillary revenues during the year.

In a newly published list of the top 10 ancillary revenue generating airlines from aviation research group IdeaWorks, the Dublin-based carrier ranks ahead of the likes of Lufthansa, Qantas, and EasyJet and is only dwarfed by US giants United Airlines, American Airlines, and Delta.

Ryanair is listed by IdeaWorks as generating \$1.74bn in ancillary revenues in 2015. The number one ranked airline, United, generated \$6.2bn by comparison.

The leading 10 carriers generated a combined \$25.93bn in revenues from add-on items.

Ryanair's total represents 24% of its total revenue, showing that the company is well ahead of its stated long-term target of ancillary items contributing 20% to annual group revenues.

Ryanair's most recent annual results, covering the 12 months to the end of March, showed a 16% rise in total revenue to €6.54bn and a 13% increase in ancillary revenues, boosted by a significant rise in both leisure and business passengers.

In its results presentation, the airline said it is "working hard to improve cross-selling of all ancillary products and services and [is] targeting an increased spend per customer" in its current financial year.

Such revenues are generated from everything sold by an airline outside of the basic flight ticket and can include any number of items, from baggage fees and on-board food and beverages to priority seating and boarding and car hire.

"Ancillary revenue represents the safety net which determines whether low fares can co-exist with airline profitability," said IdeaWorks.

“Even with a dramatic fall in oil prices, ever-present competition requires successful airlines to be ever-innovative in the quest for revenue. The potential for adding 10%, or even 43%, more revenue to the bottom line ensures ancillary revenues will continue to grow.”

“Airlines can now choose from an ever more sophisticated range of ancillary products and technology,” said Michael Cunningham, chief commercial officer with online car rental platform CarTrawler, which sponsored the report.

“The challenge is to ensure that the ancillary benefits do not overshadow the core principles of customer experience that airlines have built their brands on.

“The opportunity is to deliver a personalised offering that complements their brand promise. Airlines that do this will see ancillary revenue gains, increased brand loyalty and a boost in customer lifetime value.”

Aer Lingus, once a top three performer on the list, does not make the top 15 on the latest list.

Since IdeaWorks’ first such report in 2008, ancillary revenues generated by the top 10 carriers has grown by nearly \$20bn and the top revenue per passenger figure then would not make the top 10 list now.

United, the top generator, has in that time doubled revenue per passenger by growing its baggage fees, developing its economy offering and enhancing its frequent flier programme.

“There is plenty of activity to suggest ancillary revenue will continue to grow in total, as a percentage of airline revenue, an on a per-passenger basis,” the IdeaWorks report said.