

Congratulations
to Jazeera Airways
for being named
Revenue Innovation
Champ for 2016.

(See page 7
for details)

January 2017 • \$449



Airline Ancillary Revenue and Loyalty Guide for 2017

The best single resource in your quest for revenue success

Researched and written by Jay Sorensen

Edited by Eric Lucas

IdeaWorksCompany

10

CELEBRATING 10 YEARS
of Ancillary Revenue Consulting



Airline Ancillary Revenue and Loyalty Guide for 2017

The best single resource in your quest for revenue success

Contents

Welcome Aboard – An Introduction by Jay Sorensen	7
Path to Profits: How the Best Airlines Promote a la Carte Sales in the Booking Path	10
Grocers encourage consumers to fill their shopping carts	10
Retail methods can fill airline shopping carts too	11
Home pages welcome and immerse the traveler	11
Flight and fare selection are the key revenue generators	12
Bag fees deliver the most a la carte revenue	15
Assigned seating puts a price on valuable real estate in the cabin	16
Sumptuous and savory displays sell more food	17
This a la carte buffet continues with more delights	19
Great store layouts stimulate the appetite	21
How Do I Reward Thee? Let Me Count the Ways Dear Traveler	23
Your local shopkeeper lives loyalty every day	23
It all began with traditional frequent flier programs	24
Loyalty is increased through a wide array of solutions	25
Good service and value are pre-conditions for sustaining loyalty	34
2016 Hotel Loyalty Reward Value Report	35
Introduction to the report	35
All points are not created equal	36
Reward payback extremes were found to range from 2.0% to 39.1%	37
Reward queries are based upon a party of two travelers	38
Two very distinct reward programs were added this year	38
Graph: Simple Value of Reward Points by Loyalty Program	39
Graph: Reward Payback for Hotel Credit Cards	39
Graph: Reward Payback for Hotel Loyalty Programs by Month	40
Graph: Reward Payback Among Top Hotel Brands	41
Choice Privileges	42
Hilton HHonors	44
IHG Rewards	46
Marriott Rewards	48
Starwood SPG	50
Wyndham Rewards	52

Appendix – Table of Query Dates Used in This Report.....	54
Reward Seat Availability Report	55
Introduction to the Report.....	55
The Survey Queries Saver-Style Reward Availability	55
Members Find Fewer Reward Seats during July	57
Long-Haul Reward Availability Sees a 17+ Point Jump Since 2010.....	58
Reward Payback Introduces a New Benchmark.....	59
This Report Compares Online Booking Experiences.....	60
Carriers Included in the Analysis	60
Components of the Reward Booking Data.....	61
Reward Query Methodology.....	63
Airline Data Section Notes.....	64
Graph: Overall Reward Availability.....	66
Graph: Long-Haul Flights – Reward Availability	67
Graph: Flights 251 to 2,500 Miles – Reward Availability.....	68
Graph: 3+ Flights Offered for Reward Travel	69
Graph: Overall Reward Availability by Month.....	70
Air Asia – BIG	71
Air Berlin – topbonus.....	74
Air Canada – Aeroplan.....	77
Air China – PhoenixMiles.....	80
Air France/KLM – Flying Blue.....	83
Alaska Airlines – Mileage Plan.....	86
Alitalia – MilleMiglia	89
American – AAdvantage	92
Avianca – LifeMiles.....	95
British Airways – Executive Club	98
Cathay Pacific – Asia Miles.....	101
China Southern – Sky Pearl Club	104
Delta – SkyMiles	107
Emirates – Skywards.....	110
GOL – Smiles.....	113
JetBlue – True Blue.....	116
Korean Air – Skypass	119
LAN Airlines – LanPass	122
Lufthansa/SWISS/Austrian – Miles & More.....	125
Qantas Airways – Frequent Flyer.....	128

SAS Scandinavian – EuroBonus.....	131
Southwest – Rapid Rewards	134
Turkish – Miles&Smiles.....	137
United – Mileage Plus	140
Virgin Australia – Velocity Rewards	143
Appendix – Table of Query Dates Used in This Report.....	146
2016 CarTrawler Yearbook of Ancillary Revenue	148
Summary of the Results.....	148
Financial documents for 135 airlines were reviewed	148
Ancillary revenue as a percent of total revenue favors low cost carriers	149
Global and low cost carriers earn top ancillary revenue per passenger	150
Ancillary revenue will continue to expand by every measure.....	152
Ancillary Revenue Defined.....	154
About Individual Airline Listings.....	155
A la Carte Services Sold Through GDS	155
Europe and Russia	164
The Americas.....	190
Asia and the South Pacific	218
Middle East and Africa	240
Currency Exchange Rates Used for the Worldwide Statistics	247
Never Say Goodbye; Savvy Airlines Use Email to Sell After Booking.....	248
Promotion doesn’t end after check-out.....	248
38 emails and 16,580 words says a lot . . . perhaps too much	249
Hotel and car hire get the most email attention	251
General solicitation emails added to frequency	252
Aer Lingus is among the more aggressive marketers.....	253
AirAsia promotes its frequent flier program	254
EasyJet pushes hard on frequency, hotels, and car hire.....	255
Ryanair’s email strategy may offer the perfect balance.....	256
Spirit focuses on the big revenue generator – bags.....	257
Vueling’s text-heavy emails promote many products	257
Maximize consumer attention through respect	258
Top Merchandising Innovations to Delight Air Travelers and Boost Profits.....	260
Great retailers know they must continuously evolve	260
Merchandising will grow in complexity	260
Asia’s Value Alliance integrates booking among 8 budget carriers	261
Jazeera moves airport check-in to a valet parking lot.....	263

Anadolujet's transfer service starts the journey at your home	264
Emails reveal consumer interests and behavior	265
Remarketing brings customers back to the store.....	267
Vueling's Pending Passenger holds a companion seat without a passenger name.....	268
American follows Qantas with more credit card choices.....	269
Branded fares encourage consumers to upgrade their experience.....	271
"Without promotion, something terrible happens . . . Nothing!"	272

Disclosure to Readers of this Report: IdeaWorksCompany.com LLC makes every effort to ensure the quality of the information in this report. Before relying on the information, you should obtain any appropriate professional advice relevant to your particular circumstances. IdeaWorksCompany cannot guarantee, and assumes no legal liability or responsibility for, the accuracy, currency or completeness of the information.

Terms of Use for this Report: You may not disseminate any portion of the Report through electronic means, including mail lists or electronic bulletin boards, without the prior consent of IdeaWorksCompany. You may make one hard copy by downloading and printing it. You may store the document as a file on your computer. Please contact IdeaWorksCompany if you require multiple downloads for use within your company, and for all other uses.

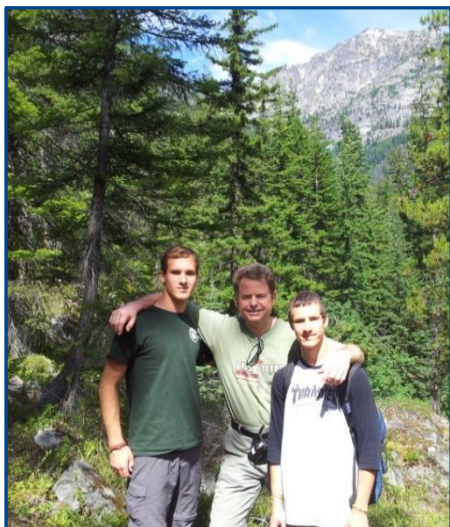
Except as expressly permitted in this Terms of Use, the Report may not be reproduced, transmitted, or distributed without permission. You may not commingle any portion of the Report with any other information and shall not edit, modify, or alter any portion.

IdeaWorksCompany provides the Report and services "as is" and without any warranty, or condition, express, implied or statutory. IdeaWorksCompany specifically disclaims any implied warranty of title, merchantability, fitness for a particular purpose, and non-infringement. In no event shall IdeaWorksCompany be liable for lost profits or any special, incidental, or consequential damages arising out of or in connection with the Report (however arising, including negligence).

Distribution of this Report is protected by the Economic Espionage Act of 1996 of the United States and the data protection laws of Europe.

Issued February 2017 by IdeaWorksCompany.com LLC
Shorewood, Wisconsin, USA
IdeaWorksCompany.com

About Jay Sorensen, Writer of the Report



Jay, with sons Anton and Aleksei, on the North Fork Trail in North Cascades National Park in Washington.

Jay Sorensen's research and reports have made him a leading authority on frequent flyer programs and the ancillary revenue movement. He is a regular keynote speaker at the annual MEGA Event, spoke at IATA Passenger Services Symposiums in Abu Dhabi and Singapore, and has testified to the US Congress on ancillary revenue issues. His published works are relied upon by airline executives throughout the world and include first-ever guides on the topics of ancillary revenue and loyalty marketing. He was acknowledged by his peers when he received the Airline Industry Achievement Award at the MEGA Event in 2011.

Mr. Sorensen is a veteran management professional with 33 years experience in product, partnership, and marketing development. As president of the IdeaWorksCompany consulting firm, he has enhanced the generation of airline revenue, started loyalty

programs and co-branded credit cards, developed products in the service sector, and helped start airlines and other travel companies. His career includes 13 years at Midwest Airlines where he was responsible for marketing, sales, customer service, product development, operations, planning, financial analysis and budgeting. His favorite activities are hiking, exploring and camping in US national parks with his family.

About Eric Lucas, Editor of the Report



Eric Lucas is an international travel, natural history and business writer and editor whose work appears in Michelin travel guides, *Alaska Airlines Magazine*, *Westways Magazine* and numerous other publications. Founding editor of *Midwest Airlines Magazine*, he is the author of eight books, including the 2013 *Michelin Alaska* guide. Eric has followed and written about the travel industry for more than 25 years. He lives in Seattle, Washington, where he grows organic garlic and heirloom corn; visit him online at TrailNot4Sissies.com.

Eric, at his favorite summer retreat, Steens Mountain, Oregon.

Much of the material in this Guide is based on reports originally commissioned by CarTrawler and Switchfly. The views expressed in this Guide are the views of the author, and do not represent the official view of CarTrawler and Switchfly.



Exceeding Expectations

"IdeaWorksCompany exceeded our training expectations."

Managers and board members attended Jay Sorensen's workshops to learn from his expertise. His insight brought new dimension to our knowledge of industry trends and client-oriented service innovation. The key takeaways of the workshop provided our team of vice presidents with a clearer roadmap on how to develop our new AAA – Avianca Ancillary A la Carte – program."

Estuardo Ortiz
Chief Revenue Officer



Airlines all over the world choose IdeaWorksCompany for a revenue boost.

IdeaWorksCompany is a leading consulting resource for ancillary revenue and loyalty marketing. Our client list spans the globe – Europe, Middle East, Americas, South Pacific, and Asia – and every type of carrier. Avianca benefited from our expertise in the areas of frequent flier programs, ancillary revenue, and a la carte services.

Reach Jay Sorensen direct at Jay@IdeaWorksCompany.com



Avianca is the commercial brand that represents the Latin American airlines integrated into Avianca Holdings S.A. The airline, which is a Star Alliance member, serves 98 destinations in 26 countries throughout the American and European continents with its modern fleet of 173 aircraft, including the Boeing 787 Dreamliner.



Welcome Aboard – An Introduction by Jay Sorensen

IdeaWorksCompany continues a year-end tradition by identifying the airlines that have shown the greatest prowess in ancillary revenue, a la carte pricing, and loyalty marketing. Throughout 2016, we assessed the top ancillary revenue producing airlines and the most generous frequent flier programs; our reports described the industry's service and product innovations; and we offered practical advice for airline executives.

The culmination of this work is The 2017 Airline Ancillary Revenue and Loyalty Guide. The Guide includes every published report and survey issued by us during the year. In reviewing this material, IdeaWorksCompany found that a select group of airlines clearly stood apart in their quest for new sources of revenue success. This list of the Top 5 Revenue Innovation Champs for 2016 reflects the work of the front line employees and management teams who delivered exceptional results during the year:

1. **Jazeera Airways** tops this year's list because its marketing and product presence goes far beyond what one might expect from an airline operating just 7 aircraft. This Kuwait-based airline is solidly profitable with an operating margin in excess of 20%. The big news for 2016 was the September opening of its Park & Fly facility. From drive-up through drop-off, this facility is truly designed to meet the needs of Gulf passengers. Park & Fly offers more than 500 covered parking spaces which protect customer vehicles from scorching sun while they are away. The uncluttered check-in process occurs in an air conditioned private building packed with amenities such as a Starbucks, cash machine, news agent, and money exchange. It's an exceptional example of an airline building ancillary revenue from services and retail activity, while gaining even more by attracting higher yield business travelers.
2. **Ryanair** is also on this year's list to acknowledge the significance of its "My Ryanair" customer profile initiative. More than 11 million customers have opened online accounts which allow the airline to fulfill its potential for personalized merchandising. Customers may build profiles which go far beyond the usual name, address, and form of payment. My Ryanair encourages consumers to describe the "who, what, why, where, and how" of their journeys. The Preferences section uses a breezy and speedy style to ask more than 15 questions to build the customer's profile. The data collected allows Ryanair to create offers designed to boost ancillary revenue. But the information also undoubtedly helps the consumer experience a higher plane of personalized travel. During September 2016 the carrier offered a €10 flight credit to motivate enrollment and profile completion.

3. **Delta Air Lines** appears for a second year as a top innovator determined to capture more revenue through continuous creativity. The airline has broken ranks with most others by investing a healthy \$50 million of the revenue windfall from bag fees to actually improve service for the customer. Delta now attaches RFID tags to bags everywhere the airline flies. The tags transmit a bag's whereabouts to the traveler via a mobile phone app. Reading the message "your bag has been loaded" provides a sense of tranquility that truly allows travelers to "sit back and enjoy the flight."
4. **Vueling** seems to share Delta's DNA for innovation. Savvy airlines use a la carte methods to meet customer service needs with new products. But Vueling's new "Pending Passenger" feature is beyond savvy, because it fills a need that's not yet anticipated by consumers. Imagine you are looking to book a flight for a trip with a good friend . . . but you don't know which pal is going to say yes to the invitation. For the easy-to-digest price of €2, Vueling allows you to book and confirm the seat and return within 72 hours to provide the travel companion's name. Pending Passenger entices consumers to book Vueling . . . even when all the details of a trip are not yet confirmed.
5. **Qantas** completes this year's top innovators with a health insurance and wellness offer tied to its frequent flyer program. Customers who purchase a Qantas Assure health insurance policy may download an app that delivers frequent flyer miles for remaining physically active. The program is endorsed by Australia's National Heart Foundation and the campaign features actor Christopher Walken. Program members can accrue up to 15,000 Qantas points in a year (depending on the policy purchased) for walking, running, or even dancing. The program provides a powerful combination of benefits for Qantas by encouraging frequent flyer participation, generating policy revenue, and building the brand as one that cares for its customers.

IdeaWorksCompany looks forward to another year of ancillary revenue, a la carte, and loyalty marketing activity and will announce its 2017 selections in December. I hope you enjoy reading this copy of the Airline Ancillary Revenue and Loyalty Guide. With 275 pages, it is our largest publication to date and remains the only single resource dedicated to the topics of ancillary revenue and loyalty marketing. I thank you for your support of my consulting firm and its mission to boost revenue through innovation.



President
IdeaWorksCompany.com LLC

"ANCILLARY."

IT'S NOT JUST AN AIRLINE BUZZWORD.

As airlines consolidate, airports face increased challenges.
That's where we come in.

With **Sixel Consulting Group's** 300 combined years of airport consulting experience, we provide a steady flow of ideas and insight to position our airport clients for continued success.

In the past two decades, our business case studies have led to the recruitment of **more than 150 new airline routes**, feeding more passengers through our clients' terminals and more revenue through airport concessions.

Our **strategic business plans** have helped airports grow non-airline revenue streams through non-aeronautical developments and other strategic initiatives.

And our **marketing strategies** continually draw attention to our airports, filling as many airline seats as possible, while ensuring long-term financial stability.

We're happy to show you how to leverage ancillary revenue to grow your business.



Sixel
Consulting Group, Inc.

www.sixelconsulting.com



Path to Profits: How the Best Airlines Promote a la Carte Sales in the Booking Path

Grocers encourage consumers to fill their shopping carts

We've all done it . . . we go to the grocery store for a couple of items and return home with bags of goodies. What began as a simple stroll through store aisles ends with a full shopping cart at checkout. Shopping on an empty stomach can encourage this behavior. But you should know your local grocer is applying a specialized science to boost your spending from the moment you walk into the store.

The layout of a grocery store – and the booking path of a travel site – should motivate consumers to spend. This report will use airline website examples from all over the world to display best practices for the key components of the booking path. Some of these design elements are inspired by the business of selling everyday goods to consumers. There are lessons to be learned from an industry that started using shopping carts long before the internet arrived.



This Whole Foods Market in Milwaukee offers a textbook example of providing a great first impression at the entrance.

The entrance area of a grocery store is known as the “decompression zone.” It’s designed to relax shoppers by immersing them in a welcoming environment of color and aroma. This is accomplished by placing the floral and fresh produce departments up front. The shopper is consciously separated from the stress of the world outside the store. Now relaxed, the consumer is primed to spend more.

The path through the store is strategic because the necessities of life, such as milk and bread, are placed in the back of the store. Along this path lie all the high margin departments — the butcher shop, take-away foods, and the delicatessen. Attractive displays at the ends of aisles are the most visible. Suppliers pay a premium to grocers to display products here. Every retailer knows the additional effort of stimulating the senses of sight, smell, or taste is rewarded with higher take rates and sales.