



Global Baggage Fee Revenue Jumps to \$28.1 Billion

CarTrawler Global Estimate of Baggage Fee Revenue reveals 110% increase from 2014 estimate of \$13.4 billion.

Dublin, Ireland & Shorewood, Wisconsin, 30 April 2019: IdeaWorksCompany, the foremost consultancy on airline ancillary revenues, and CarTrawler, the leading technology platform providing transport solutions for online businesses, recently estimated ancillary revenue at \$92.9 billion worldwide for 2018. This **CarTrawler Global Estimate of Baggage Fee Revenue** identifies baggage as a \$28.1 billion component and provides a worldwide summary of baggage fee policies for 20 top airlines.

Each year IdeaWorksCompany, through the sponsorship of CarTrawler, analyzes the ancillary revenue disclosures for airlines all over the world. These results are applied to a larger list of carriers (which numbered 175 for 2018) to estimate ancillary revenue activity for the world's airlines. Baggage activity for each category of airline is added to this analysis to calculate a global estimate. It's a significant component of ancillary revenue and consists of three primary sources: checked baggage in the aircraft belly, added fees for heavy and extra-large bags, and for some airlines, the price charged for larger carry-on bags.

CarTrawler Global Estimate of Baggage Fee Revenue			
	2018	2017	2014
Baggage Fee Revenue	\$28.1 billion	\$23.6 billion	\$13.4 billion
As a % of Global Airline Revenue	3.2%	3.0%	1.8%
<i>Source: A la carte revenue statistics derived by IdeaWorksCompany from 2017, 2016, and 2013 airline results, combined with IATA annual airline revenue projections for 2018, 2017, and 2014.</i>			

Stringent baggage fee policies are hallmarks of top revenue-performing low cost carriers. The surprising development within the last two years is the implementation of bag fees by some of the world's leading global network airlines.

“The value of airlines’ a la carte revenue, or optional extras that customers can add to their basic airline fares, has risen dramatically in recent years, growing by 128% between 2014 and 2018. So it is no surprise that baggage fee revenue has grown by a similarly huge margin, in terms of both monetary value and as a percentage of overall global airline revenue. This overall trend reflects traditional airlines’ strategy of embracing a la carte revenue alongside low-cost providers, offering customers the best-value solutions in a transformed marketplace,” said Aileen McCormack, CarTrawler’s chief commercial officer.

The table on the next page lists the baggage fee policies for 20 top non-low cost carriers, which just a few years ago would’ve displayed far less baggage fee activity. Today, only half the airlines listed rely upon the traditional method of including checked baggage as a feature for all fares.

The other half have implemented bag fees on a portion or the entirety of their route network. When these airlines are organized by global region, it's easier to see the policy groupings that currently exist. The abundant reliance upon bag fees in Europe and North America occurs largely due to the presence of a very significant low-cost carrier industry. Elsewhere in the world, traditional airlines include baggage benefits for all fares and have not yet adopted basic economy fare strategies.

Summary of Economy Class Baggage Fee Policies Top 20 Non-Low Cost Carriers

Airlines Based in:	Top 20 Carriers	General Policy		Where Fees Apply	
		All Fares Include Baggage	Fee or Free Determined by Fare *	Domestic & Short/Medium Haul **	North Transatlantic
Asia / Pacific	Air China				
	Cathay Pacific				
	Korean Air				
	Qantas				
	Singapore				
Europe	Air France/KLM				
	British Airways			<i>Fees apply systemwide (limited exceptions)</i>	
	Lufthansa/SWISS /Austrian				
	Scandinavian				
	Turkish				
Middle East	Emirates				
	Qatar Airways				
Latin America	Avianca				
	LATAM Airlines				
North America	Air Canada				
	Alaska Group			<i>Fees apply systemwide</i>	
	American				
	Delta				
	Southwest				
	United				

Data source: Airline websites reviewed by IdeaWorksCompany April 2019

* Lower fares, such as basic economy, don't include a checked bag (not all markets have these fares).

** Typically includes flights within the US, Canada, Mexico, and Caribbean region, and flights within Europe and the Mediterranean region. Minor exceptions do exist for each carrier, such as LATAM includes a checked bag for flights to/from the USA.

Consumers can seek to avoid bag fees by applying for an airline co-branded credit card. In the US and Canada these cards usually waive the fee for the first bag checked. Outside the US and Canada, this feature is not offered. Loyalty members with elite status on US and Canada airlines receive free checked bag benefits, but airlines outside the US and Canada don't always include this benefit.

British Airways is unique for its decision to offer basic economy fares throughout most of its global route network. The airline appears to be strategic in "where and when" its basic economy fares are offered. In a sampling of London-Asia and London-South America routes, British Airways basic economy fares often offered roundtrip prices below many of their nonstop competitors (even after adding the £60 bag fee British Airways charges for a long-haul flight). This indicates the basic economy fare can represent true savings when compared to fares which include checked baggage.

Southwest Airlines does stand alone in the US market with its advertising mantra of "bags fly free" which promises the benefit of two checked bags for every traveller. The carrier's management claims this distinction contributes to Southwest's admirable financial success. However, the rest of the airline industry is unlikely to follow this example of product bundling. Bit by bit, traditional airlines in Africa, Asia, and Latin America are expected to test the basic economy method as they work to overcome the challenges of a slowing global economy and the ever-present threat of their low cost airline brethren.

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About CarTrawler: CarTrawler is the world's leading B2B travel technology platform. Its award-winning technology platform brings opportunities to life by creating global online marketplaces for its 4,000 travel partners, 2,500 transport suppliers and 1 billion end customers. CarTrawler acts as a facilitator of relationships by connecting in real time to every significant transport supplier globally. These include car rental, on-demand and pre-booked taxis, shared shuttle services, bus and rail products. CarTrawler's partners include over 100 airlines, 53 of which are in the top 100 largest globally. CarTrawler is private equity-backed by BC Partners and Insight Venture Partners. For more information visit www.CarTrawler.com.

About IdeaWorksCompany: IdeaWorksCompany boosts airline profits through innovations in ancillary revenue, a la carte pricing, and loyalty marketing. The firm was founded in 1996 and has an international client list of airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorksCompany enjoys a reputation as a global resource for ancillary revenue strategy, on-site executive workshops, and research reports. Learn more at IdeaWorksCompany.com.

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