



Contact: Jay Sorensen
For inquiries: 414-961-1939
Jay @ IdeaworksCompany.com

US Carriers' Baggage Revenue of \$3.4 Billion Encourages Fees to Fly Across the Globe

IdeaWorks analyzes the boom in the largest a la carte component.

August 8, 2011, Shorewood, Wisconsin – Checked baggage and frequent flier programs represent the largest sources of airline ancillary revenue, and bag fees are not only gaining greater importance, they are spreading around the globe as US carriers introduce them in previously fee-free markets. Some airlines enjoy the luxury of operating in markets that offer abundant credit card revenue potential. However, for most of the world's airlines, the largest opportunity is provided by a universal component of the travel experience - - checked baggage. In its latest report, IdeaWorks describes how baggage fees are on track to become the industry's largest source of ancillary revenue, and recommends strategies to boost baggage revenue.

Billions of Dollars in Baggage Fees Travel the Globe shows how worldwide baggage fee increases have been led by US airlines seeking to allay surging jet fuel prices – which bag fees did to the tune of \$3.4 billion in 2010. IdeaWorks explores the baggage policies of top carriers operating in five major air travel markets: 1) New York to Rome, 2) Los Angeles to Tokyo, 3) London to Tokyo, 4) within Europe, and 5) within the United States. Each carrier's policy was applied to an example of a first piece weighing 15 kilograms (33 pounds) and a second 15 kilogram piece checked by an economy class traveler.

The following are examples from the report:

- **United Continental**, which had its 2nd quarter fuel bill jump \$1.2 billion, recently announced a major baggage fee initiative effective in August. New second-bag fees will be added for destinations in Asia, the South Pacific, Africa, and the Middle East that previously had no bag charges.
- The Flying Blue frequent flier program allows **Air France/KLM** members to redeem 10,000 miles for one additional baggage item and 40,000 miles for two additional pieces – the latter a steep fee more than ample for a round-trip domestic ticket on most airlines.
- **AirAsia** offers a 30% discount and **easyJet** promotes savings of 50% when consumers pay for bags during the flight booking process.
- **Ryanair** charges a premium of 133% for consumers paying at the airport and **EasyJet** adds £15 more for each bag checked at the aircraft gate, both thus boosting early cashflow from customers.

Billions of Dollars in Baggage Fees Travel the Globe was released today as a free-of-charge 18-page report sponsored by Amadeus. The full report is available at the IdeaWorks web site: www.idealworkscompany.com/news.

About IdeaWorks: IdeaWorks was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing, and building profits through financial improvement and restructuring. Its international client list includes airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorks specializes in ancillary revenue improvement, brand development, customer research, competitive analysis, frequent flier programs and on-site executive workshops. Learn more at IdeaWorksCompany.com.

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