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Europe Tops List When It Comes to Charging for Airline Extras

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This article is based upon a report issued by IdeaWorksCompany.

Airline passengers are these days all too familiar with the concept of paying for extras but a new analysis suggests some parts of the world feel the pain more than others.

A regional breakdown published by IdeaWorksCompany and CarTrawler shows that the Europe/Russia region leads the world when it comes to extracting revenue for extras.

IdeaWorks looks regularly at what it calls “a la carte” extras such as fees for checked baggage, assigned seats buy-on-board meals, early boarding and inflight entertainment.

It found Europe/Russia accounted for \$US31.5 billion of a la carte revenue of an estimated global total of \$US75.6 billion and that the figure had increased by 122 percent since 2015.

The result was mainly due to big penetration of the European market by low-cost-carriers but legacy carriers such as SAS, Aeroflot, and Lufthansa were also increasingly jumping on the bandwagon.

Revenue from extras came in at about 11.8 percent of airline operating revenue for the region, with the airlines most successful at a la carte charging a surprising triumvirate of easyJet, Eurowings and Ryanair.

AirAsia, China Southern and Jetstar were among those helping Asia-Pacific airlines reap a solid \$US21.1 billion in a la carte revenue, which was up by 158 percent from 2015.

Although the revenue share of LCCs in the region was lower at 10.9 percent, the total was helped by moves from legacy carriers such as Qantas, Cathay Pacific and Singapore Airlines to charge for extras such as seat assignment.

Canada and the USA were next on the list at \$US14.8 billion with American, Delta and United the top three earners by virtue of their market dominance.

This represented the smallest increase since 2015 of any region at 38 percent. LCC market penetration was also lower at 9.8 percent.

“The a la carte efforts of the global network carriers get a big boost by using basic economy fares (no checked bag, no advance seat assignment, and last to board) as an effective tool to check the threat of domestic LCCs and to bolster a pricing advantage on international routes,” the analysis said.

Carriers in Africa and the Middle East earned an estimated \$US5 billion from extras, up 147 percent since 2015, but an LCC market penetration of just 4.6 percent left some of the heavy lifting to Emirates, Etihad and Qatar.

LCC penetration was relatively high in Latin America and the Caribbean at 18.8 percent but the region had the lowest a la carte revenue of \$US3.2 billion.

This was still an increase of 112 percent compared to 2015, thanks to airlines such as GOL, Volaris and LATAM.

“Three of the region’s airlines are among the top 15 worldwide for ancillary revenue as a percentage of total revenue: Azul, Viva Aerobus, and Volaris,” the study said.

“Young LCCs, such as Amazonas, FlyBondi, JetSMART, Sky Airline, and Wingo, have captured the interest of traditional airlines which are beginning to adopt a la carte methods of LCCs.”