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Loyalty programs still the biggest ancillary earner for most airlines

By Linda Fox

This article is based upon a report issued by IdeaWorksCompany.

The latest airline ancillary revenue study reveals that 76 carriers made almost \$52.7 billion in extra revenue last year.

The CarTrawler Ancillary Revenue Yearbook, compiled by IdeaWorksCompany, highlights the top airlines according to total ancillary revenue and ancillary earnings as a percentage of total revenue.

American Airlines took the top slot at \$7.2 billion, followed by United Airlines at \$5.8 billion and Delta at \$5.5 billion.

The top 10 carriers accounted for just over \$35 billion of ancillary revenue and earnings from frequent flyer programs represents 55% of that total.

Many carriers have partnerships with credit card companies which boosts point collection for consumers with every purchase made and therefore frequent flyer activity.

For example, 77% of AA's ancillary revenue comes from frequent flyer activity while for United it's 73% although it should be noted that not all revenue is credit card partnerships.

What's interesting is that for low-cost carriers such as Ryanair and easyJet, which also appear in top 10, all of their ancillary revenue comes from travel retail and a la carte sales.

Further highlights of the report reveal that ancillary revenue now accounts for more than 40% of total revenue for carriers such as Viva Aerobus, Spirit and Frontier.

Ancillary revenue for Viva Aerobus is revealed as amounting to 47.6% of total revenue by the report.

Passenger usage

Breaking down ancillary revenue per passenger reveals Spirit at the top of the table at \$50.94 followed by Allegiant at \$50.01 and Frontier \$47.62 (estimated).

By way of comparison, the report looks back 10 years to reveal that in 2008 Spirit earned about \$18.61 per passenger in ancillary revenue.

Cartrawler will reveal the total ancillary revenue generated by 180 airlines in November but last year's report expected the figure to hit \$93 billion.

The report also sounds a cautionary note for airlines about trying to balance the drive to increase ancillary revenue with brand integrity.

It highlights the negative messages and presentation from some carriers around basic economy type fares in a bid to get customers to trade up a class.