

AIRLINE REVENUE AND TRANSFORMATION SERIES



## Transformation 2021: Seat Assignment Fees Firmly on Airline Radars

CarTrawler-sponsored analysis focuses on the growing importance of seat assignment fees for all types of airlines, from LCCs to global network carriers, and the strategies used to address customer service issues.

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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

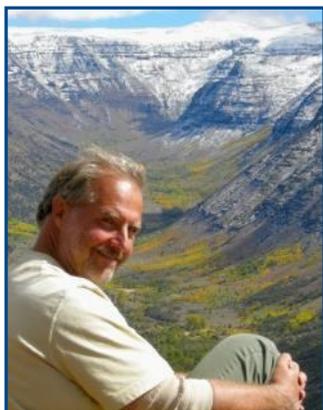


*Jay and sons Aleksei and Anton hiking on the Pacific Crest Trail in the Angeles National Forest in California.*

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.

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

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## Seat Assignment Fees Firmly on Airline Radars

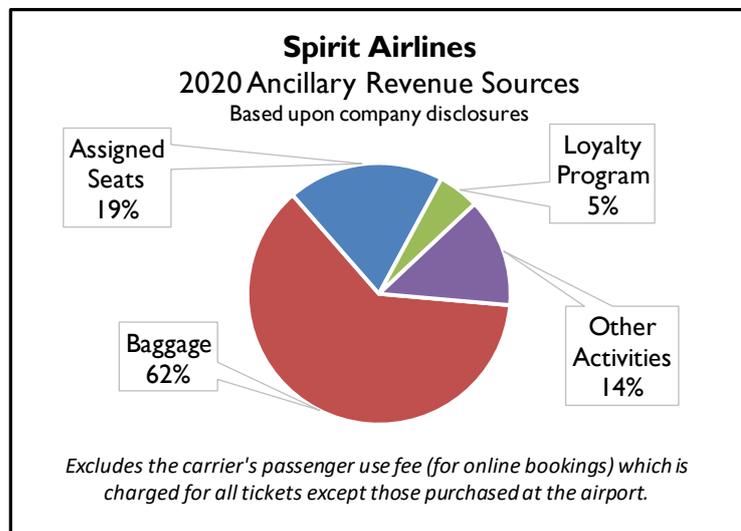
### “Consumers react with anger to new fees”

The above headline has appeared many times in the past decade. Ancillary revenue occasionally encounters a bumpy path which provokes consumer annoyance as the airline industry reaches for new revenue. In 2008 it was the introduction of baggage fees by major airlines in the US which pulled traditional airlines worldwide toward a la carte methods. Then in 2016, basic economy pricing was announced and traditional airlines in the US, Europe, and other parts of the world began to clone the pricing style of low cost carriers. While the pandemic may have distracted consumers from a la carte fees, the rapid advance of seat assignment fees will eventually surface as a source of traveler troubles.

As with any new revenue initiative, the cycle of evolution includes quickly implemented fees, surprised consumers, angry regulators, and airline apologies. It need not be this way. The airline industry can do better than this, especially when the big margins associated with seat assignment fees ensure a generous revenue stream sufficient to fund a well-designed plan. Fortunately, early evidence reveals ancillary revenue has remained very resilient during the pandemic. This report will focus on the growing importance of seat assignment fees for all types of airlines, from global network airline to low cost carrier, and the policies that can smooth the way for this important ancillary revenue contributor.

### Airlines are attracted by big and “easy” revenue

The revenue can be big. The pie chart demonstrates it’s the second largest a la carte category for ancillary revenue champ Spirit Airlines. But the revenue is not so easy as some once believed. For traditional airlines, seat assignments fall into the same category as baggage fees. What was once free is now charged. Initially, the alchemy was amazing. Revenue could be gained with almost zero expense. Formerly included in the price of a ticket, seat assignment could be easily changed to now incur a fee. My wife’s axiom of “If it seems too good to be true, then it’s too good to be true,” seems very appropriate.



The attraction to seat assignment revenue began more than a decade ago. Back in 2006, Air Canada was charging fees for consumers buying its lowest fares and Northwest Airlines began charging fees for exit row seat assignments.<sup>1</sup> British Airways changed its seat assignment capabilities in 2009 and charged new fees for this.<sup>2</sup> It was a significant enhancement which provided seat selection when a booking was made, rather than just 24 hours or less before departure. However, the fees were criticized in the British media.

By 2013, British Airways was generating £40 million annually from seat assignment fees, which equated to £1 per passenger carried.<sup>3</sup> That activity could represent 2019 revenue of £239 million (\$301 million) if one assumes the airline increased its average fee revenue after 5 years to £5 (about \$6) for 2019. That’s an achievable result if just 20% of travelers buy seat assignments at prices which can range from £14 to £105, as shown in Table 1:

Seating Type	London - Rome	London - JFK	London - Tokyo
Economy Standard Seat	£14 to £24	£26 to £47	£23 to £51
Economy Seats in a Row of 2, or Exit Row	£36	£59 to £82	£59 to £82
Premium Economy	n/a	£41 to £65	£39 to £56
Business	£21 to £23	£79 to £105	£70 to £93
First	n/a	No charge	No charge

*Source: Fees observed at BA.com for a mid-July 2021 roundtrip flight; queries made in May 2021.*

From the perspective of a chief financial officer, this is a tremendous opportunity because it doesn’t require a major capital expenditure and the marginal expenses are virtually nil. British Airways has been particularly keen among global carriers to identify a la carte opportunities. Their eagerness is supported by a highly competitive environment which presents many threats to the airline.

Ryanair and easyJet have massive low cost operations in the home market of British Airways. Plus, new entrants are always attacking transatlantic yields, and Middle East carriers are forever nibbling at market share on Asia routes. British Airways is not unique, as these competitive conditions are faced by global network carriers all over the world. That’s why seat assignment fees are so compelling; there are millions in revenue to be gained here.



Seat fees for a 777 are jumbo-priced in BA business class with fees nearing the price of an economy ticket.

<sup>1</sup> “Northwest to Charge Extra for Aisle Seats” *Wall Street Journal* article dated 14 March 2006.

<sup>2</sup> “British Airways to charge passengers up to £60 to reserve a seat” *Guardian* article dated 25 Sept. 2009.

<sup>3</sup> 2014 CarTrawler Ancillary Revenue Yearbook by IdeaWorksCompany.

## Global carriers embrace seat assignment fees

Advance seat assignment fees now occur throughout the world. Table 2 offers a summary of the fee policies for 20 leading non-low cost airlines. This category of carrier traditionally offered more fee policy diversity, whereas LCCs almost universally charge for seat assignments or include the service in a bundled fare. What changed in the last few years is the practice by network airlines (also called traditional airlines) to match the LCC fee model. Standard seats are located in the middle or less-desired aft section of the aircraft. Most carriers have charged for exit row seats for many years, or save them for elite travelers. Adding fees for standard seating demonstrates an aggressiveness among global airlines to pursue new revenue sources.

Table 2: Summary of Standard Seat Assignment Fee Policies Economy Class – Top 20 Non-Low Cost Carriers				
Carrier Based in:	Top 20 Carriers <i>\$ = uses basic economy fares in some/all markets</i>	Fee Policy*		When Do Fees Apply for Standard Seats **
		No Fee	Standard Seat	
Asia / Pacific	Air China			International routes – all economy fares
	Cathay Pacific			All routes – Lower fares
	Korean Air			
	Qantas			International routes – lower fares
	Singapore			All routes – lower fares
Europe	Air France/KLM \$			All routes – lower fares
	British Airways \$			All routes – lower fares
	Lufthansa/SWISS/Austrian \$			Long-haul – all fares Intra Europe – lower fares
	Scandinavian \$			All routes – lower fares
	Turkish			Domestic routes – lower fares International routes – all fares
Middle East	Emirates			All routes – lower fares
	Qatar Airways			All routes – lower fares
Latin America	Avianca \$			All routes – lower fares
	LATAM Airlines \$			All routes – lower fares
North America	Air Canada \$			All routes – lower fares
	Alaska Group \$			Limited seats available for basic economy
	American \$			All routes – lower fares
	Delta \$	No advance seat assignment for basic economy (exceptions may apply)		
	Southwest	Seat assignment not provided; all open seating.		
	United \$			Seats not always offered for basic economy

*\$ Basic Economy fares require payment of a fee to check a bag, and very often for pre-assigned seating.*  
*\* Exceptions typically apply for passengers having elite frequent flyer status; some airlines only offer select seats to these passengers. Some carriers also provide no-fee assignment during check-in. \*\* Special exemption policies may apply for infant, child, and family travel. Data source: Airline websites reviewed June 2021.*

More than a decade ago, this table would've displayed all carriers in the "no fees" category from standard seat assignments. Over time, the industry has shifted to the right column. There are three broadly defined types of policies for advance seat assignment fees:

- **No fees.** This is the original full service airline method and allows consumers to select any available seat on a flight.
- **Better seats only.** Selecting extra leg room, exit row, and front-of-cabin seating, is available for a fee. Standard seats may be selected without a fee.
- **Standard and better.** This follows the practice of low cost carriers with seat assignment fees applying for all seats in the cabin. Seat assignment might be included in a fare bundle with higher-price bundles offering access to better seats.

It's difficult to summarize the full policy of an airline, as exceptions always exist. These are noted in the right column and at the bottom of the table. Additional details are here:

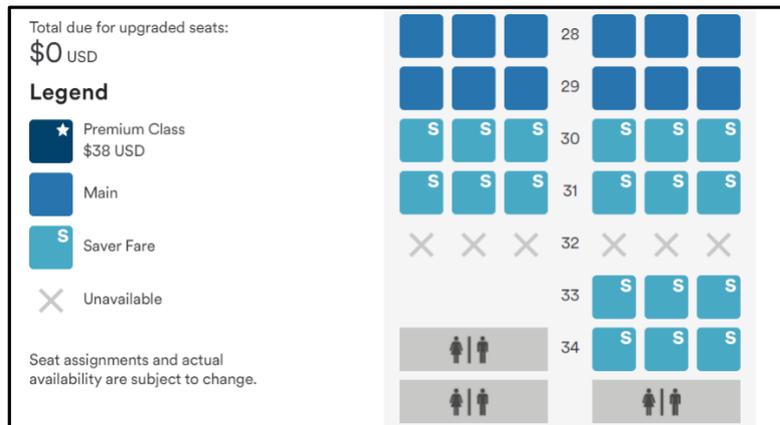
- **Elite status in a frequent flyer program (FFP).** Access to better seats, such as exit row seating, might be held for those having elite FFP status, such as silver and gold. These might become available to all passengers a day or so before departure if the flight is full (when online check-in occurs). Co-branded credit cardholders may also receive similar seat assignment perks.
- **Route limitations.** Airlines may differentiate where seat fees are charged. Shorter haul routes, which have more low cost carrier (LCC) competition, are most often selected by network airlines for fee activity. Long distance routes may have a more traditional pricing profile, which exempts seat assignment fees. These routes tend to have less LCC competition.
- **Fare types.** Lower-priced fares tend to represent an "unbundled product" with fewer features, such as seat selection at time of booking. Higher priced fares may include the ability to select standard and/or better seats.

The arrival of basic economy fares flung open the door for more fee activity by network airlines. This type of fare has redefined travel as a commodity with price being the primary method of comparison between airlines. Airlines must emphasize the sale of a la carte services to bring profitability to acceptable levels. Seat assignment and baggage fees have become the primary tools for these efforts.

### **Three airlines offer contrasting styles**

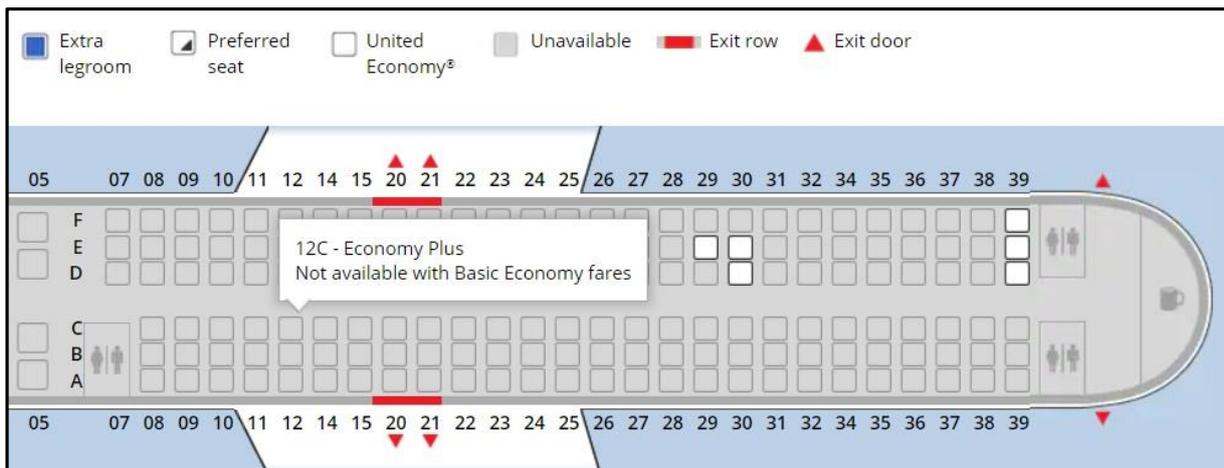
Southwest Airlines does not provide seat assignment of any kind, even during the check-in process. Passengers queue at the gate based upon a boarding number that is assigned during check-in. Early check-in provides a lower boarding number and first access to actual boarding of the aircraft. Once onboard, passengers are free to choose any available seat. The airline says this method allows travelers to board more quickly, reduces turnaround time at airports, and ultimately contributes to lower costs. Southwest provides higher boarding priority to FFP members having elite status. Priority boarding privileges are also sold to non-elite passengers and included in the Business Select fare.

Alaska Airlines joined other major US carriers in the adoption of basic economy fares, which typically don't include an advance seat assignment benefit. However, the airline broke from its industry brethren by allocating a small quantity of seats for its "Saver Fare" passengers. When these are taken, these passengers must wait until check-in. It's a small gesture the carrier hopes will create a distinction from competitors such as American and Delta.



Alaska saves some aft-cabin seats – the very last rows – for basic economy flyers. These are indicated by an “S” in the blue box.

United takes a more casual approach for its Basic Economy seat assignment policy. Similar to American and Delta, it warns consumers about the restrictions associated with basic economy with a box in the booking path. United warns, “Advance seat assignments may be available for purchase during booking and up until check-in opens.”



Not available for you. Seat 12C is available as an extra leg room seat for those buying a regular economy fare, but not offered to those buying basic economy.

The important word here is “may” . . . the airline may offer fee-based seat assignment in the booking path, or it might not. This seems to depend on demand with the few remaining available seats on a flight held for consumers buying higher-priced fares. Likewise, basic economy seat selection is limited to certain seats; access to the best seats is not displayed on the seat map. LCCs are pure in their approach to seat assignment fees; consumers can always expect to pay them. Consumers best appreciate products which are consistent and predictable.

The complexity of the basic economy offer made by network carriers demonstrates an understandable hesitation to completely embrace the methods of LCCs like Ryanair and Spirit Airlines. But, in practice, this complexity confuses consumers who may then abandon their shopping cart or skip buying seats . . . which then may have an unfortunate outcome on the eventual flight. Confusion minimizes revenue, clarity boosts it.

## Revenue is determined by marketing effort

Low cost carriers have a natural a la carte advantage; the entire structure of the business is built to deliver ancillary revenue. LCC online and mobile booking paths focus on presenting offers and encouraging consumers to buy bundled fares or choose checked baggage, seat assignments, early boarding, and meal pre-order. Consumers approach these carriers with the expectation this will occur – it’s understood you literally get what you pay for. Even after the booking is made, emails and mobile app messages provide not-so-subtle reminders that more comfort and convenience can be enjoyed for a few more dollars, euros, or rupees. On the other hand, network airlines need to work harder as many consumers are surprised fees are being charged for standard seat assignment.

Table 3 offers disclosures identified in recent editions of the *CarTrawler Ancillary Revenue Yearbook by IdeaWorksCompany*. With the exception of Air China Group, it’s a collection of low cost carriers. These airlines are more apt to be forthcoming about their a la carte achievements because investors expect more disclosure of ancillary revenue abilities.

<b>Table 3: Seat Assignment Revenue Disclosures and Estimates</b>			
Amounts may include revenue from extra legroom seating			
<b>Airline</b>	<b>Per Passenger</b>	<b>Annual Revenue</b>	<b>Notes</b>
Spirit	\$6.63	\$229 million	2019 disclosure
HK Express	\$3.83	\$14.5 million	2017 disclosure
Wizz Air	\$3.50	\$121.1 million	30% paid for assigned seating, assumes €10 average fee. 2017 disclosure.
Ryanair	\$2.34	\$325.5 million	50% paid for assigned seating, assumes €4 average fee. 2017 disclosure.
T’Way Air	\$0.71	\$6.5 million	2019 disclosure
Jin Air	\$0.62	\$3.6 million	2019 disclosure
Air China Group	\$0.20	\$23.5 million	2019 disclosure

*Calculations based upon statistics from the CarTrawler Ancillary Revenue Yearbook by IdeaWorksCompany. Annual revenue calculated using reported passenger traffic. Wizz Air and Ryanair average fee assumptions based upon a simple review of fee ranges.*

Earlier in this report, seat assignment revenue of £5 per passenger was estimated for British Airways (which assumes a 30% rate of purchase). The same \$6 statistic might be applied to United Airlines, which discloses seat assignment fees ranging from \$7 (standard seats) to \$299 (Economy Plus) per flight.<sup>4</sup> When multiplied by United’s 2019 passenger traffic, the revenue result is approximately \$975 million. Advance seat assignment has become nearly a billion-dollar revenue item for mammoth carriers like United.

Major airlines generate seat assignment revenue from direct sales to consumers, as a component of fare bundles, and from the amenity payments received from the co-branded credit card issuing bank. Yup, that’s correct, seat assignment requests can trigger payments by the bank to the airline at negotiated rates.

<sup>4</sup> Review of “Service charges for other optional services” at United.com May 2021.

The primary methods to gain revenue from seat assignment activity are essentially the same for LCCs and network airlines. The inclusion of a frequent flyer program with elite tiers and participation in global distribution systems adds unique complexity for network airlines. LCCs have a far simpler task of selling through direct channels (such as airline websites and mobile apps) and treating all passengers the same without regard for elite status. The tools and methods we recommend can be summarized as the four Ps – pricing, presentation, promotion and prioritization:

- **Pricing.** Glance back to Table I for a reminder of how dramatically pricing can vary for the “real estate” of seat locations. The better the location, the higher the fee. The price charged can also be affected by flight length and the fare paid. Passengers will pay for more comfort, and this becomes far more important on 3+ hour flights. Also, consumers have a habit of considering how the fee compares to the fare paid. The €4 fee charged by Ryanair on a €40 ticket is far more acceptable than charging a €20 fee with that fare. British Airways understands how consumers compare value when placing an aggressive £79 fee on a pricey £1,800 one way business fare.
- **Presentation.** Later in this report, you will see an example of a seat map presentation which equips consumers with information to make an informed purchase. Airlines, as travel retailers, should view seat assignment as a service which needs to be promoted. Beyond the presence of a higher price, airlines frequently neglect to describe “why” a preferred or up-front seat is better. The inclusion of improved features helps consumers make the emotional leap from expecting no fees to paying fees. The airline industry has neglected this element of consumer behavior. It’s surprising how often airlines fail to provide general information on seat assignment policies. For example, family travel policy sections were found to routinely omit reference to seat assignment procedures for children.
- **Promotion.** Presentation occurs in the booking path, while promotion occurs elsewhere. Notably, seat assignment is promoted in emails and mobile app messaging occurring after the booking has been made. There is one critically important criterion . . . promotion should only occur when the consumer has not paid for seat assignment. Nothing deflates a post-booking relationship more than an airline which flogs seat assignment to those who have already purchased. It’s as careless as a waiter approaching diners at the end of the meal and inquiring, “What entrée would you like?”
- **Prioritization.** This is the controversial tool among the four. It’s a natural outcome of the travel process to withhold some seats for assignment at the airport. Airlines block access to seats on the aircraft for a number of reasons. Better seats might be allocated to those having elite status in the FFP. Bundled fares, which include an assigned seat, may have exclusive access to seats in the front of the cabin. Seats can also be blocked to give airport staff an advantage when sorting out the need for families and groups to be seated together. Airlines can also artificially reduce availability to create the impression of scarcity, which suggests a “select now” message to consumers. Only less attractive choices will remain if seats are not selected quickly.

Prioritization is an opaque tool and has similarity to revenue management. Airlines, through decades of practice, are not ethically obligated to sell all seats on a flight at the same price. Consumers understand the law of scarcity; items of limited supply sell for a higher price if warranted by demand. In theory, blocking seats to create the same outcome is credible if the airline expects strong demand for a flight.

However, a passenger boarding a largely empty flight, which was displayed to be virtually sold out during the seat assignment process, will be justifiably upset. It comes down to this . . . does the brand of your airline discourage this type of customer relationship? Your brand should define how you use these tools; your marketing behavior should not define the brand.

### **Complexity causes consumer confusion**

If every consumer exclusively visited your website and took abundant time to carefully consider their booking before hitting the confirm button . . . all would be well in Airline-land. But's that's a fairytale destination and real life prevails upon all of us. Bookings are made at home while holding a squirming toddler on a lap. They also occur in the hustle and bustle of the subway while on a mobile phone. Or they are made by a travel agent completing the transaction through the old-style green screen of a GDS desktop terminal.

Complexity can generate higher yields. A labyrinth of fees for every type of itinerary can squeeze more revenue from the market. We also know when consumers are overwhelmed, they tend to “shut down” and skip a la carte purchases. Or they simply opt for the cheapest price when the task of comparing choices becomes too difficult. In our review of seat assignment fees, we found the industry's usual deadly sins of sloth, gluttony, and creating consumer wrath.

Sloth, for being too lazy to provide consumers adequate information about service attributes and processes. Gluttony, for merely converting a formerly free service to fee-based without making improvements. Consumer wrath, for failing to understand how consumers can be ill-served by seat assignment fees, especially as these apply to family travel. As has happened in the airline business numerous times before, left untreated, these sins will eventually be addressed by government regulators.

It is possible to overwhelm consumers with details. Last year and prior to the pandemic, we received an email sent by a global network airline prior to departure. It was a timely message, and at first glance, seemed an impressive effort to promote an a la carte service. However, clicking the “Details” link yielded a dense 1,200+ word page of text. There was no graphic showing the seat types offered along with content to summarize service benefits. Nope, just a “short story” of terms and conditions. Good retailing provides the amount of detail desired by the consumer. If complexity causes confusion, then clarity reduces it. United offers a helpful website page describing its economy class service that's easy to understand for first-time flyers. Its description of preferred seats is eloquent and brief:

***Choose a spot that's closer to the front of the aircraft by purchasing preferred seating. Located in the first few rows behind Economy Plus, preferred seating allows you to receive earlier service on board and get on your way faster once your plane pulls up to the gate.***

Jetstar goes even further with these images and descriptions placed in the booking path:

**Quick select for all passengers**



**Standard seats**

✓ Choose now for best availability, sit together

**\$8.00** Choose



**Upfront seats**

✓ Perfect for quick exits

**\$18.00** Choose



**Extra legroom**

✓ Unwind and relax, more room to stretch

**\$29.00** Choose

Jetstar's Quick Select feature provides instant seat assignment for all persons in the booking (when a fare bundle is chosen); the consumer may choose the traditional self-select method using a seat map. Source: Jetstar.com site

Singapore Airlines has a complex structure for seat assignment fees which is linked to the type of fare. More expensive fares have access to better seats. This is efficiently promoted in the fare comparison box found in the online booking path; the seat selection policy is highlighted in the red box placed in the graphic image below.

FARE CONDITIONS	ECONOMY LITE	ECONOMY VALUE	ECONOMY STANDARD	ECONOMY FLEXI
Baggage	25kg	25kg	30kg	30kg
Seat selection	From EUR 12.50	From EUR 12.50	Complimentary (Standard Seats)	Complimentary (Standard & Forward Zone Seats)
Earn KrisFlyer miles	3,332 KrisFlyer miles	3,332 KrisFlyer miles	4,997 KrisFlyer miles	6,663 KrisFlyer miles
Upgrade with miles	Not Allowed	Not Allowed	Allowed ⓘ	Allowed ⓘ
Cancellation	Not Allowed	EUR 249.20	EUR 166.10	EUR 83.10
Booking change	Complimentary	Complimentary	Complimentary	Complimentary
No show	Not Allowed	EUR 249.20	EUR 83.10	EUR 83.10
View PPS Club / KrisFlyer privileges	EUR 673.09 <span style="border: 1px solid gray; padding: 2px 10px;">SELECT</span>	EUR 753.09 <span style="border: 1px solid gray; padding: 2px 10px;">SELECT</span>	EUR 856.09 <span style="border: 1px solid gray; padding: 2px 10px;">SELECT</span>	EUR 1,116.09 <span style="border: 1px solid gray; padding: 2px 10px;">SELECT</span>

This is the screenshot from Singapore's booking path observed May 2021 for a Paris-Singapore query. The Economy Lite and Value fares have fees starting at €12.50, with Economy Standard including standard seat assignment, and the top-priced Economy Flexi fare offering access to standard and forward zone seats.

The survey of retail practices conducted for this report offered disappointing results in a presentation sense. Seat maps remain the primary method to present the seat assignment service. But beyond this, most traditional airlines continue to treat seats as a minor feature and include little opportunity for consumers to gather information. This is not helpful and leads to lost sales as this a la carte category becomes more complex. A small portion of the millions gained in revenue can be spent to improve the experience for consumers at every step. This is especially true for the prickly combination of families and basic economy fares. When they don't add paid seat assignments, the outcome at the airport is rarely positive.

### Ryanair provides an example of seats done right

Ryanair has clearly responded to the complaints of parents, regulators, and the media in the design of its seat assignment process. The airline developed Family Plus as a bundle designed for family travelers. That's good . . . but how the airline is serving budget shoppers is even better. When a child age 2-11 is added to a query, the booking engine automatically engages a special seating policy. The image below displays the addition of this special text: **+€6.00 for adult seat(s) if Value fare or Family Plus fare are chosen (refer to the red box):**

**Free seats for kids under 12 (for up to 4 kids on this booking).**  
If reserved seats are not included in the chosen fare, at least one adult must buy a seat (for a price of between €4 and €6 or local currency equivalent) and children must sit next to adults.

**Dublin to Barcelona** Sort by Earliest departure

10 Jul Saturday €43.87	11 Jul Sunday €43.87	12 Jul Monday €24.99	13 Jul Tuesday €24.99	14 Jul Wednesday €24.99
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Ryanair 06:15 Dublin → Barcelona 09:40 Flight no. FR 6875 Type Direct  
Duration 2h 25m

5 seats left at this price  
Value Fare €51.24  
**€49.99**

**+€6.00 for adult seat(s) if Value fare or Family Plus fare are chosen. Subject to availability**

The airline helpfully includes a banner above the flight display to describe the special family benefit. The fare paid by the adult is increased to accommodate a mandatory standard seat assignment fee. In this Dublin-Barcelona example, the fee is €6. However, the fees are waived for children who accompany the adult; up to 4 children are allowed for every adult. The consumer can select standard seats under this offer (marked “included” on the seat map), or pay regular fees for other seats in the cabin, such as extra leg room.

The booking engine includes logic which prevents the consumer from continuing if seats are not selected for children. This is a well-designed effort to prevent drama at the gate or on the aircraft and works to ensure children have seats adjacent to their parents.

*This pop-up box appears if the consumer attempts to continue the booking without selecting any seat (free or paid).*

**Please select your seats.**

Seats selection is required for 1 adult and all children under 12.

**Okay, got it.**

## Other methods to protect families are less precise

Let's begin this section with a story of service innovation tied to a la carte fees; it's a tale we have repeated many times in our reports. Alaska Airlines was worried about the effect of implementing baggage fees back in 2008. During that time, US airlines were rushing to add fees for checked bags. Here's where Alaska Airlines diverged from the standard practice of other airlines and embraced its contrarian streak. Rather than merely add a new fee, Alaska opted to design a new service.

Many months after most competitors assessed fees for the first checked bag, Alaska carefully announced a \$15 fee for a first bag on 23 April 2009 and disclosed details of a new Baggage Service Guarantee (BSG).<sup>5</sup> Rather than merely pocket all the proceeds from a new bag fee, the airline would deliver enhanced service.

Customers received 2,500 Alaska Mileage Plan miles or \$25 off a future flight when luggage did not arrive at bag claim within 25 minutes after a flight checked in at the gate. The results were so positive, the guarantee was later reduced to 20 minutes. The guarantee created a new benefit for consumers which provided some rationale for the fee. Prior to this, bag delivery time was not a service standard promoted to travelers.

This is the innovative magic that's missing from the current round of airline fee additions. With few exceptions, the world's airline industry has layered on new seat assignment fees without taking the opportunity to reposition the service as a valuable product. When airlines enhance a service, the consumer is far more accepting of new fees.

Instead, too many airlines today take the opposite approach and have degraded their customer service premise. Cancellation penalties have become part of the seat assignment process. The refund policy is often not disclosed on the seat assignment page but buried in the terms and conditions. For some airlines the refund question could not be answered after a diligent search was made. It's true, airlines want to avoid booking path clutter. But the absence of a disclosure suggests to the consumer these fees are refundable. Even when the airline changes equipment, and the paid seat is no longer available, a refund might not be forthcoming. You can guess the outcome when the consumer is surprised by the result . . . it's another black eye for the industry in the media. Airlines should do better here, and at a minimum, provide refunds in the form of a travel credit or loyalty miles/points.



**FASTER THAN THE  
SPEED OF 20 MINUTES.  
GUARANTEED.**

**BAGGAGE SERVICE GUARANTEE**  
At Alaska Airlines and Horizon Air your time really is money. That's why we are the only ones to offer a Baggage Service Guarantee. We'll get you your bags and we'll get them to you fast. In most cases, before you even get to the baggage carousel. But definitely less than 20 minutes from the time you arrive at your gate. Guaranteed! And if we don't? Well, then we'll give you a \$300 Discount Code for use on a future flight, or 2,000 Mileage Plus® Bonus Miles. For full details and to learn more, visit [alaskaair.com](http://alaskaair.com).

**20**  
MINUTES OR LESS

*Alaska Airlines | Horizon Air*

*Alaska boldly proclaims and protects what most airlines don't want to talk about. Here is an earlier ad for the guarantee offer.*

<sup>5</sup> "Bag Fees Sprout this Spring in Asia, Europe, and America" report by IdeaWorksCompany dated 08 July 2015.

There are opportunities to enhance services in the seat assignment category; but little innovation exists. This is especially true for the challenge of seat assignment for families. The following summarizes the primary methods airlines use to address the problem of itineraries which don't include seat assignments for children:

- **Seats are selected during check-in.** Airlines which charge for seat assignment typically allow consumers to select seats free of charge during check-in. (Seats might be auto-assigned by the carrier). The window for this activity usually opens 24 hours before departure. As many families know, that small window defines the problem. Seats that are together are not available and this causes a parent to panic, adding to the stress of family travel.

The result creates drama at the airport counter, departure gate, and maybe on the aircraft. Unfortunately, this is the prevailing method used by airlines. Airline managers should remember that family travel often multiplies every a la carte fee by a factor of four.

- **Early assignment by airline staff.** This can be accomplished through an automated or manual process. Bookings which include child travelers without seat assignments are given special handling before the general check-in process begins. Here's the explanation found at the Air France website:

*If you are traveling as a family with a child (14 years old or younger), we will reserve your seats, free of charge, 2 days before your flight. We will do everything we can to make sure you can travel together and sit next to each other. To make this possible, all of your family members must be included in the same booking file.*

This notice is typically provided in the information section of an airline website, and usually does not appear in the seat assignment part of the booking path.

- **No-charge/discounted seat assignment for families.** The booking engine uses logic which waives or discounts seat assignment fees when the itinerary includes children. Singapore Airlines is very proactive and thoughtful because it advises consumers of this feature in the booking path before a flight and fare are selected. This allows the consumer to purchase the Economy Lite fare and receive the seat assignment benefit. Here's the pop-up explanation found in the booking path at the Singapore website:

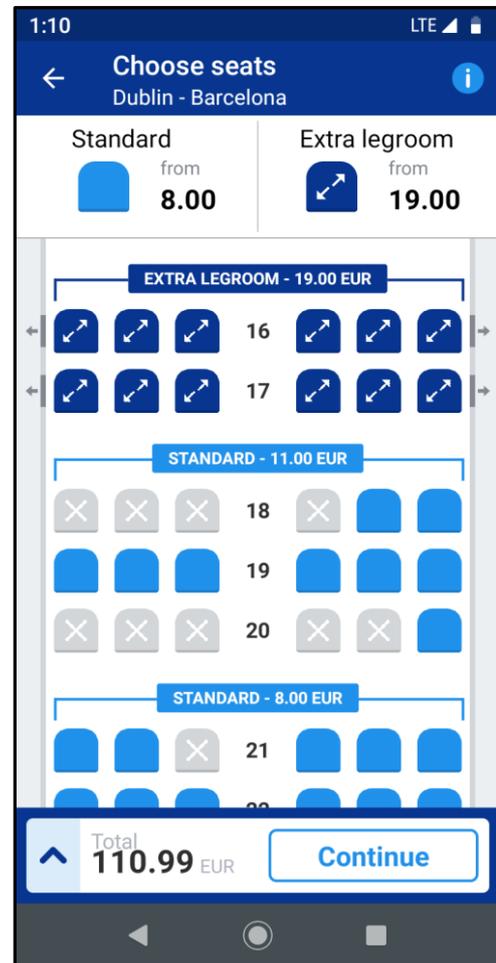
*Your travel party enjoys complimentary Standard Seat selection as you're travelling with a child.*

The Singapore booking path allows consumers to purchase a better seat, such as extra leg room or in the forward zone, if desired. Emirates applies a 50% discount on seat assignment fees for child travelers within the booking path, but doesn't promote this benefit prior to seat selection.

## Use these four tools to maximize seat assignment revenue

Ancillary revenue in the millions has already been tallied by airlines adding seat assignment fees. Implementation seems to follow the logic of “if another airline is doing it, then we should too.” This isn’t follow-the-leader, but rather the mere copy-and-pasting of an industry template onto your airline brand. This will produce results, but these will be sub-optimal. Instead, think of seat assignment as a new service which deserves investment and innovation. Here are recommendations to further your journey.

- **Pricing.** Manage pricing to maximize revenue per flight, in the same manner done for airfares. If standard seat pricing is too high, consumers will delay and merely wait until check-in. Provide meaningful child discounts to encourage early seat assignment selection for families.
- **Presentation.** Build a seat map that easily associates seat features with the fee charged. The price of the seat must be displayed along with the main feature of the product in an easy to comprehend manner. Ryanair provides an excellent example of this (see image at right). Seat assignment also deserves a dedicated information section on the website similar to that provided for baggage.
- **Promote.** Only send post-booking messages to those who have not purchased a seat assignment. Build features to redefine seat assignment as an enhanced service, rather than the replacement of “free with fee.” Perhaps you can add a guarantee if the seat selected is not available – for any reason, even aircraft swaps – or award bonus frequent flyer points tied to purchase.
- **Prioritization.** Provide better access to seat assignments for elite status FFP members; this is a much-appreciated and intuitive benefit. When blocking seats to create economic scarcity, be certain this behavior aligns with your brand.



*Never out of sight. The seat assignment page in Ryanair’s mobile app provides an icon which updates as you scroll up and down the seat map.*

For many airlines, revenue from seat assignment activity has crawled up the income statement from a minor presence to a strong #2 spot. This has been an economic gift that has required little investment. However, the infant has grown into a teenager, with all the great potential and unexpected challenges the natural process of maturity brings. It’s time for airline management to change their parenting skills to allow seat assignment fees to grow to full potential. For some, this can be a billion-dollar result, and for every other airline it’s a multi-million-dollar business.

# Build your revenue through innovation

We build revenue through innovation in product, partnership and marketing for airlines and travel companies. We add knowledge and expertise to management teams through on-site workshops and consulting. We have served airlines and the travel industry since 1996; our international client list includes these travel industry service companies:



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