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ANCILLARY SALES DRIVE PANDEMIC RECOVERY FOR MANY AIRLINES

By Kathryn Walson

This article is based upon a report issued by IdeaWorksCompany.

Sales of add-ons drove an increase in revenue last year as airlines sought to recover pandemic losses.

Total ancillary revenue reached \$48.4 billion in 2021 – up 54.2% from 2020, but 28% lower than 2019, a new study reveals.

Overall airline revenue rose 32% to \$462 billion from 2020 to 2021. But 2021 still trailed 2019 revenue by about half, according to a report by CarTrawler, a B2B provider of technology solutions for the global travel industry.

The 2022 CarTrawler Yearbook of Ancillary Revenue, produced by IdeaWorksCompany, analyzes data from 75 international airlines.

When broken down per passenger, average ancillary revenue reached \$29.96 per person among the 75 airlines disclosing results for 2021 – an increase of \$8.42 over 2019.

Out of 67 airlines disclosing ancillary revenue results for 2019 and 2021, nearly 80% posted a better 2021 result for ancillary revenue as a percentage of total revenue, the study shows.

Aileen McCormack, chief commercial officer at CarTrawler, says the findings make it clear that ancillary revenue was “a key driver of revenue” for airlines in 2021.

“The report shows significant increases in ancillary revenue as a percentage of total revenue across all flight carriers – up to 35.5% for high-performing low-cost carriers and 22.2% for major U.S. airlines, which is a very encouraging result for the industry,” McCormack says.

Ancillary revenue accounted for more than half of 2021 revenue at four airlines: Wizz Air, Frontier, Spirit and Allegiant.

Table 3: Top 10 Airlines – Ancillary Revenue as a % of Total Revenue				
Rank	Airlines	2021 Result	2019 Result	Change from 2019
1	Wizz Air	56.0%	45.4%	↑ 10.6 points
2	Frontier	54.9%	43.6%	↑ 11.3 points
3	Spirit	54.3%	47.0%	↑ 7.2 points
4	Allegiant	51.3%	46.5%	↑ 4.9 points
5	Viva Aerobus	44.8%	45.0%	↓ 0.2 points
6	Ryanair Group	44.7%	34.5%	↑ 10.3 points
7	Volaris	42.9%	38.5%	↑ 4.4 points
8	GOL	33.0%	17.0%	↑ 16.0 points
9	easyJet	31.4%	21.6%	↑ 4.4 points
10	Pegasus	30.8%	26.4%	↑ 10.2 points

2021 and 2019 carrier results were based upon 12-month financial period disclosures for each year.

Airlines grew ancillary sales by expanding product offerings such as carry-on fees, extra leg room, subscription-based benefits, freeze-your-price and prepaid-change flexibility; adopting better retailing methods for mobile apps, web sites and online travel agencies to facilitate easier booking and more visibility; and raising prices.

However, an analysis of whole figures shows a different finding: Of the 10 airlines with the largest ancillary revenue totals, nine saw ancillary revenue drop from 2019 to 2021. Of the top 10, only Frontier saw a rise in ancillary revenue from 2019 to 2021, by 3.3%.

Frequent flyer programs were also a solid revenue source as consumer spending rebounded in 2021, with co-branded credit cards accounting for “more than 90% of this cash bonanza,” CarTrawler says.

Co-branded credit cards associated with large programs - especially in the U.S. - generate revenue from everyday consumer spending, which preserves cashflow even when passenger traffic or fare revenue drops, according to the report.

The five largest U.S. airlines - Alaska, American, Delta, Southwest and United - generated revenue of \$16.4 billion last year from their frequent flyer programs. That equates to an average of \$30.88 per passenger – up from \$25.71 per passenger in 2019. However, the 2021 total of \$16.4 billion still lags 2019 by 13.7%.

Per-passenger totals can reflect more positively than other metrics because the per-passenger amount can rise with fewer passengers, the study points out.