

# TRAVEL WEEKLY

September 29, 2022

## Airlines continue to find ways to increase ancillary revenue

By Robert Silk

*This article is based upon a report issued by IdeaWorksCompany.*

*Even as the pandemic sent airline ticket prices into decline in 2020 and 2021, carriers were able to increase their per-passenger intake of ancillary revenue, a new study has found.*

The Car Trawler Yearbook of Ancillary Revenue, undertaken by consulting firm IdeaWorks, found that in 2021 the average airline ancillary revenue per passenger was \$29.96, up 39% from the 2019 average of \$21.54 per passenger.

The study included 75 airlines that disclosed ancillary sales results for 2021. It includes sales of traditional ancillary products such as checked and carry-on bags, reserved seat assignments and WiFi, but also includes loyalty revenue, earned primarily by the sale of frequent flyers points to bank partners as part of co-branded credit card partnerships as well as other non-ticket revenues, such as commissions from rental car sales.

Substantial income from co-branded credit cards enabled the Big 3 U.S. airlines to lead the globe in terms of overall ancillary revenue in 2021, IdeaWorks found. American posted \$5.9 billion in ancillary revenue in 2021, including \$4.3 billion in frequent-flyer revenue.

Delta earned \$5.8 billion in ancillary sales, including \$4.1 billion in loyalty revenue. United brought in \$5.5 billion, including \$3.3 billion from its frequent-flyer program.

When it comes to ancillary revenue per passenger, however, budget carriers led the way.

At \$88.21 per passenger, Hong Kong Express achieved the highest figure globally, IdeaWorks said. Among U.S. carriers, Allegiant was tops with \$64.30 in ancillary revenue per passenger, fifth best in the world. Hawaiian (6th), Spirit (7th), Frontier (8th) and United (10th), were also in the top 10.

When ancillary revenue is measured as a portion of an airline's total revenue, Frontier was second at 54.9%, Spirit third at 54.3% and Allegiant fourth at 51.3% among the 75 airlines included in the study. Discount Hungarian carrier Wizz topped that list with 56% of revenue coming from nonticket sources.

Each of those airlines increased the portion of their revenue that came from ancillary sales by at least 4.9 percentage points between 2019 and 2021. They did so via a variety of means, including expanding their ancillary product offerings, adopting better retailing methods, raising prices as consumer demand allowed, and applying effective revenue-management techniques.

Spirit, for example, has implemented dynamic pricing of some ancillary offerings.