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Why Booking Directly With Airlines Can Be More Expensive

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IdeaWorksCompany contributed information to this article - - see italics.

Early in the pandemic, many travelers experienced headaches while trying to rebook air travel purchased through third parties such as Orbitz and Kayak. Overloaded customer service centers and constantly changing airline policies resulted in a big mess at these agencies, prompting many travelers to book directly through the airline to avoid future issues.

Yet as the dust settles on the pandemic and travel begins to return to normal, air passengers are experiencing a different reality: Booking directly through airlines involves navigating a maze of fees, add-on offers and confusing seat selection choices. The resulting price at checkout is often higher — much higher — than the advertised price.

The issue has become so problematic that even President Biden has joined the fray. “You should know the full cost of your ticket, right when you’re comparison shopping,” he said in a press conference announcing a new Department of Transportation initiative to force airlines to disclose these fees. “So you can pick the ticket that is actually the best deal for you.”

Efforts to rein in airline fees are nothing new. The Obama administration tried and failed to enact similar regulations. And until meaningful changes are made, airline customers will be the ones footing the bill, especially if they use the airlines’ own websites and apps to make their purchases.

The fee era

Since the rise of budget airlines such as Spirit and Frontier, U.S. airlines have dramatically shifted how they make money. Rather than earning profit margin on airfare itself, which is highly competitive, airlines are increasingly focused on “ancillary revenue” from add-on fees, credit card rewards programs and seat upgrades.

Between 2019 and 2021, ancillary fees as a percentage of total revenue for major U.S. airlines jumped six percentage points, from 16.1% to 22.2% , according to a report by IdeaWorksCompany, an airline industry reporting firm. That follows a steady drumbeat of increased fee revenue going back to at least 2007.

The upshot for customers: Saving money on air travel depends less on the base cost of the ticket itself and more on the add-ons avoided while checking out. Some of these add-ons, such as fees for carry-on bags, are relatively simple to avoid, while others, such as the difference between basic economy and regular economy (or “main cabin”), can be far more complex decisions.

Mismatched priorities

Airlines want customers to book through their own websites and apps for a simple reason: They tend to spend more money on ancillary fees. In a Security and Exchange Commission filing, American Airlines made this preference clear, citing its dependence on third parties such as online travel agencies as a potential risk factor.

“We are also dependent upon the ability and willingness of these distribution channels

to expand their ability to distribute and collect revenues for ancillary products (e.g., fees for selective seating),” the filing read.

Basically, American Airlines admits that it makes a lot of money from ancillary fees, and is worried that third-party sellers won’t push these fees as aggressively as it does. And this mismatch is exactly what provides an opportunity for savvy customers.

Third-party services have an incentive to clarify rather than obscure these choices for customers, explained Melanie Fish, a spokesperson for Expedia, a third-party travel booking platform.

“When shopping for flights in the app, travelers can select a fare and see what’s included by the airline in the ticket price, such as seat selection, cancellations or changes, as well as the cost for checked baggage, if applicable,” Fish said by email.

The choice between basic economy and main cabin fares offers an example of how airlines’ interests are mismatched with those of their customers. Airlines want to promote lower basic economy fares in search results and then persuade shoppers to upgrade to more expensive main cabin fares during checkout. This not only increases the cost of the ticket, but makes comparison shopping difficult. Online travel agencies can clarify these differences and save customers money.

“Travelers can scroll through the various available fare choices such as basic economy, economy, etc., and view all the options, costs or add-ons side-by-side, making it easy to select the best fare for their needs,” Fish explained.

Of course, online travel agencies have their own incentives to add on extra charges, like rental cars or trip protection. So customers should still be wary of add-on costs, even when booking through these platforms. But while airlines continue to push ancillary fees and travel booking platforms have more incentive to show you the costs of flights upfront in their search results, travelers can save money by booking through third parties.