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AIRLINE ANCILLARY REVENUE HIT $69B IN 2022, BEATING 2019 LEVELS

By Linda Fox

This article is based upon a report issued by IdeaWorksCompany.

Airline ancillary revenue increased more than 50% in 2022 versus 2021 and beat pre-COVID levels.

The increase, released in the CarTrawler Yearbook of Ancillary Revenue in partnership with IdeaWorks Company, is a mark of the recovery in the airline industry with carriers reaping almost $69 billion in revenue from add-ons and loyalty programs compared to $45 billion in 2021.

The report, which analyzed 65 airlines, also revealed that ancillary revenue was up by about $10 billion versus 2019 levels.

Possible reasons for the increase suggested in the report include a desire from travelers for their own personal space driving the purchase of ancillaries such as priority boarding and car rentals.

Low-cost carriers saw significant gains with Ryanair, Southwest and Spirit all increasing ancillary revenue by 40% or more. EasyJet, meanwhile, saw a hike of 273%, with the airline driving up revenue through the introduction of new products and services including its Standard Plus leisure fare in 2021 and increasing its inflight retail conversion and profit.

Full-service carriers Delta, United and American Airlines led the ancillary revenue leaderboard with gains of 37%, 44% and 31%, respectively. The loyalty programs of these airlines as well as co-branded credit card programs helped drive the increases.

The CarTrawler/IdeaWorks report revealed that the five largest U.S. airlines - Alaska and Southwest plus the three above - generated almost $23 billion from their loyalty programs in 2022.

This breaks down to an average of $33 per passenger, which is up from 2019’s figure of almost $26 per passenger.

Peter O’Donovan, CEO, CarTrawler said: “It’s clear that airlines are looking beyond ticket sales to ensure their business models are supported by diversified and resilient revenue streams in a post-COVID travel era. As passenger demand increases, so too do opportunities for additional revenue generation, and we expect to see ancillary revenue as a percentage of overall revenue continuing to increase over the next few years.

“For me, the key trend to watch into 2024 is loyalty. While low-cost carriers have always had the edge on driving ancillary revenue streams, many of the top U.S. airlines are catching up and seeing real returns from their loyalty programs and frequent flyer benefits.”