



Air Transport World Daily News

Legacy carriers lead LCCs in generating ancillary revenues

by Perry Flint

October 16, 2006 - - Although Ryanair and other low-cost carriers generate large amounts of revenue from "nonticket sources," legacy airlines derive significantly more by selling frequent-flier miles to partners, typically via co-branded credit cards, says a recent study by IdeaWorks Co.

According to the report, Europe's top four LCCs raised €470 million (\$589.1 million) in ancillary revenues last year by charging for things such as seat assignments, checked baggage, credit card usage, onboard snacks and beverages and other items. IdeaWorks estimated that Ryanair's "aggressive use of a la carte pricing" generated ancillary revenues of €7.76 per passenger in 2005, placing it well ahead of Aer Lingus (€5.99) SkyEurope Airlines (€4.38), easyJet (€4.37) and Air Berlin (€2.51).

Yet these performances were eclipsed by United Airlines, which generated €9.40 per passenger from its Mileage Plus frequent-flier program, and Alaska Airlines, which generated €8.55 from its Mileage Plan credit card. In fact, the consultancy estimated that 70% "of the miles earned by Mileage Plan members are now generated by charge activity tied to" Alaska's co-branded card. In total, US frequent-flier programs generated "an estimated €2.5 billion."

IdeaWorks said the figures suggest that "even greater ancillary revenues may reside in an activity traditionally scorned by LCCs...frequent-flier programs." The full report is available at IdeaWorksCompany.com.