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By Lori Ranson

Airlines See Potential Revenues In IFE Services

IdeaWorks wrote the report that is the basis for this article.

Carriers appear poised to seize on ancillary revenues from onboard entertainment including videos, movies and live television, according to a recent survey of airline executives, as product unbundling broadens its reach in airline operations.

IdeaWorks, whose staff includes former Midwest executives, conducted an online survey of more than 140 airline managers last month. About 80% of the respondents were outside the U.S., with Europe and Russia having the largest response rate at 44%, followed by the U.S. and Canada at 20%. Asia and the South Pacific accounted for 15% of the respondents, followed by the Middle East and Africa at 14% and Central and South America and the Caribbean and Mexico at 7%. Responses to the six-question survey ranged from a low of 55 to a high of 142.

Respondents were given 10 different categories and asked whether their airline currently charged for those items, or planned to so in the future. About 33% of respondents said they plan to start charging for inflight entertainment, while 19% of the participants already charge for those services. The survey didn't clarify if current offerings would switch to a la carte pricing or if new services would have fees attached.

Pointing to Ryanair's failed attempt to introduce fee-based movies on its mostly short-haul service, the authors who reported on the study's results noted, "This suggests the feature is more attractive on medium- and long-haul flights."

The second-largest opportunity for charging customers is tagging on a fee for use of call centers, with 28% of the managers indicating their carriers are planning to charge for that option in the future, and 52% of those polled saying their carriers already charge for bookings made through those outlets.

Two categories ranked third in terms of ancillary revenue potential, both related to seating. Results show 24% of respondents plan to charge for both pre-assigned premium seats, such as those in exit rows, and pre-assigned seats in general. Currently, 29% of the survey's participants charge for premium pre-assigned seats, while 13% opt for a fee on non-premium pre-assigned seats.

So what's likely to remain included in an airline ticket price in the future? Despite the fact that some low-cost carriers are already instituting charges for checked baggage, most carriers probably won't opt to unbundle that option for customers. Only 8% of respondents believe their airline will charge for checked baggage, while 8% currently charge for that item. The authors reporting on the surveys results found that somewhat surprising, given "the cost of carrying baggage can be readily quantified by handling costs, lost baggage liability, and added fuel consumption." Those authors also point out passengers already accept that excess baggage fees are charged for overweight items.