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Airlines set course for more nickel-and-diming

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

Maybe you've seen the new Southwest Airlines commercials that mock the growing trend by airlines to charge for amenities most companies used to offer for free.

A passenger sitting in an airline seat has to put a coin in a slot in order for a tray table to be extended or a window shade to open.

Many of my travel compadres have bemoaned the practice of being nicked-and-dimed by the airlines and are hoping it doesn't spread.

But in all likelihood, it will. In fact, a new report by Wisconsin-based IdeaWorks, a brand development company that helps companies build market share through research, indicates it's likely that more airlines will charge fees for certain services in a bid to build ancillary revenue as a hedge against rising fuel costs and falling air fares.

Even Southwest is considering some a la carte pricing in the future. And, Las Vegas-based Allegiant Air may be one of the drivers of the trend since it has been successful in developing a formula that generated \$15.8 million in its last quarter.

IdeaWorks' report comes in the form of an online survey conducted with more than 140 airline managers from around the world in July. Of the managers surveyed, only 20 percent were from within the United States or Canada, indicating this could be a global phenomenon.

According to the report, 63 percent of those surveyed said charging extra for amenities is becoming more prevalent, while 37 percent said they perceived no clear trend. But none of them said including free amenities is becoming more prevalent.

The most popular feature being charged extra for is making a booking via the airline's call center, with 52 percent saying they already charge a fee.

Meanwhile, 39 percent say they charge for onboard meals or sandwiches, 29 percent charge extra for pre-assigned premium seats or in roomier exit rows, 26 percent charge for onboard light snacks and 26 percent charge for onboard beverages. According to

the survey, 20 percent charge a fee for an online payment with a credit card, 19 percent charge extra for onboard video, movies or live television and 13 percent charge for any pre-assigned seat.

Only 8 percent charge for the first piece of checked luggage (most companies charge extra for more than two pieces of luggage or bags over a certain weight limit) and 5 percent charge for making a booking on the airline Web site.

Will there be more fees sought in the future? The IdeaWorks survey indicates that most executives believe onboard video, movies and live TV is where more fees are coming, with one-third of those surveyed believing future charges are in store.

About 28 percent believe more airlines will charge for making bookings via the call center.

About a quarter of those surveyed believe pre-assigned seating, including the premium exit rows or front-of-the-plane seats (to get off the aircraft faster) will see extra charges.

Only 11 percent think more airlines will start charging for soft drinks and even fewer - 8 percent - expect there to be more extra charges for snacks. About 8 percent also believe charges are ahead for checking the first piece of luggage.

"Low-cost carriers have clearly chosen to distinguish their products by offering rock-bottom fares and a la carte pricing," the IdeaWorks report says. "Traditionally, major airlines fought this competitive threat by hyping the value of the amenities included in the price of their tickets."

But times have changed.

With fuel costs a constant concern and competition growing, even the big airlines are looking at how they can make money in somewhat unconventional ways.

IdeaWorks said another element has supported the ancillary-revenue trend - younger Internet-savvy consumers unfamiliar with how flying used to be embrace the low fares and the ability to get just what they want with a la carte pricing.

Look for airlines to charge extra for Internet access on planes, a growing trend in the industry and one the Internet crowd would be drawn to.

Between the airlines' need for cash and the new consumers' willingness to buy into it, nickel-and-diming appears to be the wave of the future.