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By Carol Pucci

## Airlines hope credit cards will help bail them out of financial crisis

*IdeaWorks contributed information to this article - - see italics.*

Who hasn't felt guilty handing a harried flight attendant \$20 for a \$5 drink, then sat there waiting as he or she runs around the cabin asking other passengers for change?

Alaska Airlines' recent decision to accept credit and debit cards for drinks, movies and meals sounds like a good deal.

But there's more to the story. As part of what it's calling the "cashless cabin," the airline joins some others in no longer accepting cash for onboard purchases. In other words, pack the plastic next time you fly, or be prepared to skip the Margarita.

What's this all about?

*For a clue, consider what Ryanair, the big European discount airline, sells besides airline tickets -- life insurance, vacation rentals and scratch cards for gambling.*

*"It's like the Grand Bazaar," says Jay Sorenson, president of Milwaukee-based IdeaWorks, an airline-industry consultant. "They sell everything but the kitchen sink."*

*If air travel these days feels like a ride on a flying Greyhound bus, get ready for the next phase: Shopping in the airborne equivalent of Wal-Mart.*

*"This is the only thing they can do right now," says Sorensen. With fuel prices double what they were a year ago, fares are about as high as they can go. There's little left to squeeze by cutting costs -- as US Airways proved in announcing plans to rip out in-flight entertainment systems to save on weight.*

*That leaves what's called "ancillary revenues," money raised from things other than selling tickets -- everything from credit cards tied to frequent-flier miles (banks pay the airlines for these miles) to commissions on rental cars to fees for aisle seats or checking bags.*

*IdeaWorks last year estimated these extras generated \$2.45 billion among 75 airlines worldwide, and that's before adding in new fees for checking bags.*

*"It's been proven that people spend more when they're charging something," Sorensen notes. "They're going to be selling more and you'll see higher value things being added."*

Who benefits?

Alaska isn't the first and won't be the last airline to go cashless. Southwest will stop accepting cash onboard in September, joining JetBlue, Virgin America and Frontier. Delta, Northwest, United and the other major carriers still take cash, but I predict they won't by this time next year.

"Compared to when we were taking cash, we've seen 100 percent increase in revenue," says Sam Kline of JetBlue, which so far sells only alcoholic drinks and headsets. Using a hand-held device, flight attendants swipe a card through in a few seconds with no signature required.

Getting rid of cash not only eliminates the hassle of making change, it makes for easier accounting and tracking of what sells and what doesn't. Insiders say theft prevention also comes into play, not a huge problem now but a potential one in the future if the airlines start selling more expensive items.

"The handling of cash without a cash register is tough," says Alaska Airlines Vice President Steve Jarvis. "We have wonderful employees, but we put them in a situation where they have little ability to track and reconcile a fistful of cash and items for sale on the cart."

All understandable, but eliminating cash as an option will be an inconvenience for some, and the move comes as many struggle under the weight of big credit-card balances with high interest rates.

It's a good time for consumers to take a hard look at the value of airline-affiliated MasterCard, Visa and American Express cards tied to accumulating frequent-flier miles.

Some of these cards carry high interest rates and annual fees that cancel out the reward benefits for those who don't pay their bills in full each month. Others have strings attached to redemption policies. With the airlines cutting back on the availability of frequent-flier seats and some charging \$25-\$50 to book award travel, it might just be better to use a card that offers a cash rebate on purchases and use the money to buy an airline ticket.

In any case, resist the temptation to sign up for an airline credit card without reading the fine print, and check Web sites such as [www.bankrate.com](http://www.bankrate.com) and [www.cardtrack.com](http://www.cardtrack.com) to compare offers. If you travel out of the country, be aware that many of the cards carry a 3 percent transaction fee on foreign purchases.

And what about people who don't have credit or debit cards?

For now, Alaska will sell \$5 vouchers at its ticket counters, but only in Alaska and just temporarily. Soft drinks are still free, but parents of kids flying alone will have to figure out something else -- pack their lunch or maybe prevail on a fellow passenger willing to swap cash for a credit-card purchase.

The airline hasn't ruled out selling vouchers online in the future, Jarvis said.

``We're going to do a little crawling here before we can walk or run, but we'll get there."''

No doubt, plastic is here to stay. Who benefits besides the banks and the airlines is still a question.