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À la carte airfare: More fees in your future?

Bare bones or the full meal deal; it's up to you

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IdeaWorks contributed information to this article - see italics.

Silly me. I thought it was the road to hell that was paved with good intentions. Turns out it's the corridor to baggage claim.

But I repeat myself — which I guess is what happens when you decide to be a nice guy, pay \$15 to check a bag you probably could have carried on and find out it never made the trip. When it's late at night, the baggage belt has lurched to a stop and your luggage is nowhere to be seen, those good intentions can seem like a really bad idea.

And if that's what unbundled airfares and à la carte pricing get you, there's going to be hell to pay this winter.

Fasten your seatbelt and secure your wallet

Mind you, I'm not suggesting that one errant bag constitutes an industry trend — only that the airlines have discovered there's gold in them thar bags, beverages and blankets. And while \$2 for a can of pop or \$7 for a blanket probably won't break the bank, we're all going to have to give more thought to the services we want — and are willing to pay for — when we fly.

Say, for example, you're a skier flying from Dallas to Denver in mid-January. Last week, you could fly United for \$259 roundtrip, unless, that is, you actually decided to take a suitcase and ski bag. That would cost you \$15 for the first bag and \$50 for the second or \$130 roundtrip. And heaven forbid your suitcase weighs 52 pounds: That would be another \$125 each way, bringing your roundtrip baggage bill to a wallet-busting \$380.

Of course, there are ways around the fees — buying a higher-priced ticket, being an elite mileage plan member, flying Southwest — but many fliers would do well to include a calculator in their standard travel kit. As airline consultant Mike Boyd puts it, "In the airline business today, your ticket is just a down payment on your trip." On average, he says, ancillary fees are likely to boost the cost of the typical plane ticket by 15 percent or more.

Fifteen percent here, \$50 there; pretty soon, you're talking real money. Continental Airlines expects to take in more than \$100 million from its \$15 first-bag fee alone. Northwest Airlines predicts its add-on baggage fees will bump its bottom line by \$150–\$200 million. And US Airways anticipates as much as \$500 million in annual revenue from its increasingly à la carte pricing program.

A seat and a seatbelt or something more?

The airlines aren't about to give that up. (One exception: Air Canada rescinded its fee for a second bag last month.) According to a recent survey conducted by IdeaWorks, a consulting company that promotes ancillary revenue opportunities, 69 percent of airline executives said they expect that charging separate fees for services and amenities will become more prevalent.

“It's here, and it will increase,” says IdeaWorks president Jay Sorensen, who argues that à la carte options offer more consumer choice. “Buying a plane ticket will be like buying a car. You start with a stripped-down model and pay for the features you want.”

Air Canada, for example, uses a system in which customers can choose from four fare categories and then pay more for the services they want (e.g., a meal or assigned seat) or less for those they're willing to forgo (checked luggage, mileage-plan credit, etc.). “It's a shopping experience based on choice,” says spokesman John Reber, adding that 49 percent of Canadian customers choose a higher fare than the lowest-priced option, up three percentage points from a year ago.

Meanwhile, Frontier Airlines is getting set to unveil a new fare structure that will group amenities by service levels. “Some people just want a seat and a seatbelt — no extra amenities — while others want more,” says spokesman Steve Snyder. “If they want the absolute lowest price, we'll have it. If they don't like [add-on fees], we'll have a fare that includes everything.”

And if Jay Sorensen is correct, even more unbundling is on the horizon: “Look for more preferred handling services — early boarding, upgraded coach experiences, more food choices.” The catch, of course, is that for most of us, there will be additional fees involved. “If you turn left when you get on an airplane, those rules won't apply,” says Sorensen. “If you turn right, be prepared to take out your wallet.”

Whether that constitutes nickel and diming or freedom of choice is ultimately a matter of perspective. And let's face it, despite the grumbling, most of us are adjusting to the new reality and deciding for ourselves which amenities and services are worth the expense.

Fifteen bucks for a checked bag? I don't like it, but I can see the logic. Fifteen bucks for a checked bag that doesn't show up until a day later? That's a lousy deal and a “service” I've decided I won't pay for ever again.