



July 22, 2010

## Airlines fly high on ancillary services in 2009, says new report

By Mary Jane Pittilla, Brands Editor

*This article is based upon a report issued by IdeaWorks.*

INTERNATIONAL. International airline revenues jumped +43% to €11 billion (US\$13.5 billion) in 2009, according to analysis from IdeaWorks, the airline ancillary revenues consultancy, and Amadeus, a leading travel technology partner and transaction processor.

The findings show that United, American, Delta, Qantas and Ryanair were top ancillary revenue earners for 2009.

According to the preliminary results of the Amadeus Guide to Ancillary Revenue by IdeaWorks, the airline industry's ancillary "revenue tidal wave" continued in 2009 with more carriers disclosing millions – and billions – in ancillary receipts in financial reports. The +43% upswing over 2008 also reflects new a la carte fees and commission-based services.

During 2009 ancillary revenue became a crucial component of the revenue mix for all types of carriers, from major to small, worldwide to regional, low-cost carrier to full service, according to the full report, which will be available in autumn 2010.

Early results from an analysis of 2009 financial filings made by 96 airlines indicate ancillary revenue increased €3.32 billion from 2008 to a total of €11 billion (US\$13.5 billion) for 2009. These estimates include revenue from a la carte features such as baggage fees and food sold onboard aircraft, commissions from the sale of hotel accommodations, car rentals, and travel insurance at airline websites, and partner revenue generated by frequent flier programmes.

Worldwide Review of Ancillary Revenue – Based on Financial Disclosures	
€11 billion (\$13.5 billion) Total Annual Result – 2009	€7.68 billion (\$10.25 billion) Total Annual Result – 2008
<small>2008 results were calculated in euros, re-stated based upon a €1.0 = \$1.33 exchange rate for the period. 2009 results were calculated in euros, re-stated based upon a €1.0 = \$1.23 exchange rate for the period.</small>	

IdeaWorks' findings on the top 10 list of airlines show subtle changes from the 2008 ranking. US-based network airlines fill the top three positions courtesy of robust partner revenue from frequent flier programmes and a stronger emphasis on baggage fees. But revenue from this mature group has stabilised, the report says, while the revenue produced by lower-ranked carriers has jumped dramatically.

The fourth place slot is now held by Qantas at a +25% revenue premium above the same position held by Ryanair in 2008. The annual revenue required to join the top 10 club now begins at €300 million. US Airways and Air Canada are new to the list, displacing JetBlue and Emirates.

Top 10 Airlines – Total Ancillary Revenue			
Annual Results – 2009		Annual Results – 2008	
€1,527,310,000	United	€1,650,000,000	American
€1,507,750,000	American	€1,200,000,000	United
€1,117,120,500	Delta	€1,125,000,000	Delta
€782,903,000	Qantas	€625,350,240	Ryanair
€663,600,000	Ryanair	€458,622,000	Qantas
€608,796,693	easyJet	€396,468,000	easyJet
€540,589,500	US Airways	€262,500,000	JetBlue
€534,143,000	Air Canada	€207,298,140	Emirates
€368,869,000	Alaska Airlines	€184,888,900	TAM Airlines
€356,742,400	TAM Airlines	€184,275,000	Alaska Airlines

*Source: Worldwide Review of Ancillary Revenue Statistics from the Amadeus Ancillary Revenue Guide by IdeaWorks. Some carrier results were based upon the most recent fiscal year.*

Large network carriers can generate huge ancillary revenue numbers. But ancillary revenue success is better measured by reviewing activity as a “percentage of revenue” or on a “per passenger” basis.

Spirit Airlines and Tiger Airways joined the “% of total revenue list” for 2009 because the carriers only recently disclosed ancillary revenue results. Spirit is a privately held carrier and disclosures are rare and Tiger made disclosures for 2009 due to its initial public offering.

Eight carriers in the 2008 list scored higher percentages for 2009. Of the two that dropped off the list, SkyEurope ceased operations and Germanwings was folded into Lufthansa Group during 2009.

Top 10 Airlines – Ancillary Revenue as a % of Total Revenue			
Annual Results – 2009		Annual Results – 2008	
29.2%	Allegiant	22.7%	Allegiant
23.9%	Spirit	19.3%	Ryanair
22.2%	Ryanair	15.5%	easyJet
19.4%	easyJet	14.8%	Jet2.com
19.4%	Tiger Airways	14.1%	Vueling
18.1%	Jet2.com	13.0%	Germanwings
14.4%	Aer Lingus	11.0%	Aer Lingus
13.3%	Alaska Airlines	10.3%	JetBlue
13.2%	Flybe	9.8%	Flybe
13.1%	AirAsia	9.6%	SkyEurope

*Source: Worldwide Review of Ancillary Revenue Statistics from the Amadeus Ancillary Revenue Guide by IdeaWorks. Some carrier results were based upon the most recent fiscal year.*

The carriers in this top 10 list pursue a robust ancillary revenue agenda that includes baggage fees, buy-on-board cafes, assigned seating fees, and commissions from the sale of hotel accommodations and car rentals. Alaska is the only network airline in the list; the carrier has a less aggressive a la carte approach but benefits from powerful frequent flier and co-branded card programmes.

Overall “per passenger” activity for 2009 clearly increased with top and bottom results better than 2008. Allegiant continues to achieve strong growth with a nearly +25% upswing over 2008 results.

UK-based carrier Jet2.com climbed +58% while Qantas posted a +72% jump. A major upset occurred with ancillary revenue champ Ryanair falling off the top 10 list and arch-rival easyJet entering the list at the number 10 slot for 2009.

By every measure the ancillary revenue movement is growing. More airlines are using a la carte fees and disclosing financial activity. Existing practitioners are boosting revenue streams by adding services, testing price limits, and becoming better marketers.

Philippe Chérèque, Executive Vice President Commercial of Amadeus, the sponsor of this ancillary revenue analysis, commented: “Amadeus is fully committed to helping airlines maximise revenues and profits and deliver unmatched levels of customer service with a comprehensive and multi-channel ancillary services solution.”

Top 10 Airlines – Ancillary Revenue per Passenger			
Annual Results – 2009		Annual Results – 2008	
€24.89	Allegiant	€20.00	Allegiant
€22.51	Jet2.com	€17.14	United
€22.35	Spirit	€14.97	Aer Lingus
€20.37	Qantas	€14.75	American
€18.76	United	€14.28	Jet2.com
€17.23	Air Canada	€11.98	JetBlue
€16.72	Aer Lingus	€11.87	Qantas
€16.47	Alaska Airlines	€10.84	Ryanair
€14.43	American	€10.61	Delta
€13.47	easyJet	€10.55	Vueling

*Source: Worldwide Review of Ancillary Revenue Statistics from the Amadeus Ancillary Revenue Guide by IdeaWorks. Some carrier results were based upon the most recent fiscal year.*

He continued: “This month we have announced major milestones to support this initiative, including the launch of our comprehensive Electronic Miscellaneous Documents (EMD) solution with Finnair and an extensive pilot of a la carte pricing within the travel agency and direct channels with Corsairfly.”

The Amadeus Guide to Ancillary Revenue by IdeaWorks will be available for online purchase September 2010 at US\$449 per copy. Order details will be available at [IdeaWorksCompany.com](http://IdeaWorksCompany.com) at a later date.

The IdeaWorks Company President Jay Sorensen will speak on “Moving to Merchandise Methods in the Cabin” at the global Amadeus airline conference “Horizons” which will be held in San Francisco from 13 to 15 October 2010.