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## **Consultancy predicts 2010 ancillary revenue will reach \$22.6 billion worldwide**

By: Air Transport World Staff

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

Airlines around the world will generate \$22.6 billion in ancillary revenue this year, more than double the amount generated in 2008, according to Shorewood, Wis.-based IdeaWorks.

The consultancy has partnered with Amadeus on its latest ancillary revenue report, which predicts further strong increases going forward. Amadeus Executive VP- Commercial Philippe Chereque said that while \$22.6 billion is "significant," it is "still less than 5% of the operating revenue generated by the airlines in this study...We expect to see ancillary revenues grow significantly as airlines are only now beginning to use the high-yield travel agency channel to sell their range of ancillary services." He predicted that carriers worldwide could potentially generate aggregate ancillary revenue of more than \$105 billion annually.

IdeaWorks noted in its 2009 ancillary revenue report that such revenue jumped from \$2.29 billion in 2006 to \$10.25 billion in 2008. It said in this year's report that "the numbers for 2011 will certainly increase" again.

Citing industry best practices, it noted that AirAsia X earns more than €17 (\$23.9) per passenger from ancillary fees, pointing out that 80% of its passengers prepay baggage fees. It credited Ryanair for selling "carry-on compliant luggage from Samsonite on its website." KLM, it said, is testing "pre-order a la carte meal options for €10 on long-haul routes."

Chereque said, "Looking to the future, we expect the mobile channel to emerge as a significant platform for ancillary service sales as it offers the ability for airlines and travel agencies to push context-sensitive solutions to clients." He cautioned that "successfully translating ancillary revenue into additional profit rests on" carriers' ability to "efficiently" manage services that comprise "more and more layers." Rebooking a cancelled flight now involves re-accommodating "a plane full of passengers each with their own combination of assigned seats, inflight entertainment, additional bags and preferred meals," he commented.