

## Press Release

### Ancillary Revenue reported by airlines grew to €18.23 billion in 2011 and jumped 66% in two years

*Analysis from IdeaWorksCompany, sponsored by Amadeus, reveals that United, Delta, American and Qantas are top ancillary revenue carriers for 2011 and 2010.*

**Madrid, Spain & Shorewood, Wisconsin, USA, 23 July 2012:** IdeaWorksCompany, the foremost consultancy in the area of airline ancillary revenues, and Amadeus, a leading travel technology partner and transaction processor for the global travel and tourism industry, today announce the results of the Amadeus Review of Ancillary Revenue Results for 2011. IdeaWorksCompany researched the financial filings made by 108 airlines all over the world, 50 of which disclose ancillary revenue activity, to identify that the ancillary revenue<sup>1</sup> reported by airlines grew to €18.23 billion in 2011. This represents ancillary revenue growth of 66% in two years from the 2009 result of €10.95 billion.

Once largely limited to low fare airlines, ancillary revenue is now a priority for many airlines worldwide, and the Review announced today shows how far the industry's approach to ancillary revenue has developed in recent years.

Annual Financial Disclosures of Ancillary Revenue				
2011 Results Posted by 50 Airlines €18.23 billion (\$22.6 billion)	2010 Results Posted by 47 Airlines €15.11 billion (\$21.46 billion)	2009 Results Posted by 47 Airlines €10.95 billion (\$13.47 billion)	2008 Results Posted by 35 Airlines €7.68 billion (\$10.25 billion)	2007 Results Posted by 23 Airlines €1.72 billion (\$2.45 billion)
<i>Annual results are associated with a fiscal period that has ended in the year indicated.</i>				

“We’ve seen the industry move swiftly to grasp some clear opportunities for providing ancillary services, such as baggage fees, extra legroom and on-board catering. The next wave of innovation in ancillary services will come from those airlines which develop new products that support their brand positioning and deliver value to the traveller by meeting their individual needs and preferences,” says Holger Taubmann, Senior VP, Distribution at Amadeus. “A multi-channel approach to the distribution of ancillary services is key to realising this. Amadeus is working with the 46 airlines that have signed up for Amadeus Ancillary Services Solution to deliver an offer that will tailor the travel experience and provide new revenue sources, now and in the future.”

<sup>1</sup> The figures in this release relate to the revenue earned by the 50 airlines which disclosed through financial filings some type of ancillary revenue activity in 2011 including à la carte, or unbundled, services, commission-based services – such as hotel or car rental bookings – and other ancillary services revenue from co-branded credit cards, loyalty programs and other activities.

Jay Sorensen, President of IdeaWorksCompany, says: “Our first report into ancillary revenue was issued in 2007, when only 23 airlines worldwide disclosed ancillary revenue activity in financial filings, and the result was a modest €1.72 billion (\$2.45 billion). Four years later, 50 airlines today disclose ancillary revenue activity of €18.23 billion (\$22.6 billion). It’s clear that airlines recognize the importance of ancillary revenue and are developing increasingly innovative ways to generate this.”

## ANCILLARY REVENUE: RESULTS BREAKDOWN

Big companies generate big results, and the current analysis confirms the largest ancillary revenue results are delivered by large airlines. The top 10 “Total Ancillary Revenue” list (see Table 1) is dominated by major brands in the global network and low fare categories. American and Delta attain their status through a blend of activities which notably features checked baggage and the sale of frequent flier miles to bank partners. Qantas and TAM are unique because frequent flier program revenue is the primary reason for placement in the top 10. IdeaWorksCompany adds a “Primary Source” column to this year’s tables to identify each carrier’s primary ancillary revenue methods. “Various” describes a range of activities, while “FFP” indicates more than 75 percent of disclosed ancillary revenue relies upon partner revenue generated from a frequent flier program. Tables expressed in US dollars are provided at the end of this press release.

Table 1: Top 10 Airlines – Total Ancillary Revenue (euros)				
Annual Results – 2011		Primary Source	Annual Results – 2010	
€ 4,162,655,000	United Continental	Various	€ 3,530,000,000	United Continental
€ 2,039,870,000	Delta	Various	€ 2,612,200,000	Delta Air Lines
€ 1,700,965,000	American	Various	€ 1,379,524,000	American
€ 1,141,720,000	Qantas Airways	FFP	€ 1,087,268,000	Qantas Group*
€ 949,900,000	Southwest	Various	€ 834,492,000	US Airways
€ 890,122,000	easyJet	Various	€ 801,600,000	Ryanair
€ 886,200,000	Ryanair	Various	€ 654,824,400	easyJet
€ 874,230,000	US Airways	Various	€ 426,240,000	Emirates
€ 537,315,924	TAM Airlines	FFP	€ 390,065,000	Alaska Air Group
€ 491,050,000	Alaska Air Group	Various	€ 359,489,220	TAM Airlines

*Currency exchange based upon rates in effect for 2011 and 2010.  
2011 carrier results were based upon recent 12-month financial period disclosures, which may have ended during 2011 or 2012; the equivalent criteria apply for 2010 results. \* Qantas Group includes Jetstar.*

As a group, these 10 airlines delivered revenue in excess of €13.7billion, or 75 percent of the total amount disclosed by airlines for 2011. Airlines generally moved up the chart for 2011 in terms of overall ancillary revenue produced. easyJet passed Ryanair for the first time. Delta's ancillary revenue results decreased during 2011 for a combination of reasons. The airline refined how it discloses ancillary revenue results, now excluding revenue from some aviation-related businesses. IdeaWorksCompany also believes the large advance payment received from American Express during 2010 boosted the cash amount registered that year.

Southwest is a new member of the top 10 list for total ancillary revenue, although the carrier has steadily and gradually moved up the rankings since it first appeared in the 2009 list. Whilst Southwest has chosen not to generate revenue from checked baggage fees, it has embraced the sale of convenience-adding services.

Revenues produced by Southwest’s EarlyBird service, which provides early boarding for a \$10 fee, were \$142 million (€114 million) during 2011. The Business Select product is designed to attract commercial travellers and provides a package of benefits such as priority airport screening, early boarding, and a welcome cocktail. Ancillary revenue from this initiative was \$96 million (€77 million) for 2011. The most effective means by which Southwest has generated ancillary revenue has been its revamped Rapid Rewards frequent flier program. Management has expressed satisfaction over the \$250 million (€201 million) revenue bump from improved co-branded credit card results realized during 2011.

Low fare airlines dominate the “% of Total Revenue” top 10 list (see Table 2), as ancillary revenue is naturally a larger piece of the revenue pie for a lower-fare carrier such as easyJet or Tiger Airways. Spirit Airlines rose to the top of this list for 2011. The carrier broke the elusive 30 percent barrier with a very solid 33.2 percent.

Consumers choosing a low fare airline can pay a small fare for basic transportation, or opt for everything on the a la carte menu and pay a price comparable to those charged by a global network competitor such as American Airlines or British Airways. Some even promote a €1 fee to have a flight itinerary sent to a mobile phone. With 15 to 33 percent of revenue produced through these methods, ancillary revenue success is a matter of financial survival for these low fare airlines.

<b>Table 2: Top 10 Airlines – Ancillary Revenue as a % of Total Revenue</b>				
<b>Annual Results – 2011</b>		<b>Primary Source</b>	<b>Annual Results – 2010</b>	
33.2%	Spirit	<i>Various</i>	29.2%	Allegiant
27.1%	Jet2.com	<i>Various</i>	22.6%	Spirit Air
27.0%	Allegiant	<i>Various</i>	22.1%	Ryanair
20.8%	easyJet	<i>Various</i>	21.0%	Jet2.com
20.5%	Ryanair	<i>Various</i>	20.5%	Tiger Airways
19.1%	Tiger Airways	<i>Various</i>	19.2%	easyJet
17.8%	AirAsia Group	<i>Various</i>	18.7%	AirAsia Group
17.0%	Flybe	<i>Various</i>	18.1%	AirAsia X
16.5%	AirAsia X	<i>Various</i>	15.7%	Flybe
15.3%	Jetstar	<i>Various</i>	14.7%	United Continental

*2011 carrier results were based upon recent 12-month financial period disclosures, which may have ended during 2011 or 2012; the equivalent criteria apply for 2010 results.*

The only global giant on last year’s list – United Airlines – was edged off by the addition of Jetstar. The Qantas Group provided sufficient disclosures in its annual report to allow the inclusion of value-based Jetstar in this year’s analysis. The 16.5 million passenger airline generates ancillary revenue from a variety of sources. Jetstar uses the traditional a la carte approach by charging for onboard dining and entertainment, checked bags, and extra legroom seats. It has also learned from the success of its parent by offering a co-branded MasterCard that provides cardholders a choice of Qantas Frequent Flyer Points or Jetstar Dollars redeemable for Jetstar flight vouchers.

The “Per Passenger” top 10 list (see Table 3) provides an interesting mix of global giants, low fare airlines, regional carriers, and traditional network airlines.

The Qantas Frequent Flyer Program generates an amazing amount of revenue on a per passenger basis, notably from the power of its Australian network of co-branded credit cards. The airline takes the novel approach of maintaining multiple bank relationships, unlike the usual method of selecting one bank per consumer market. The program achieved revenue of AUD 1.148 billion (€896 million) during fiscal year 2011. With 8 million members, that's AUD 143.50 (€112) per member.

The airline also generates a fair amount of revenue from traditional a la carte activities. The Qantas Club collection of airport lounges posted AUD 84 million (€66 million) and retail / advertising activities contributed AUD 54 million (€42 million) during fiscal year 2011. Qantas results for 2011 exclude Jetstar, which was included under the Qantas Group results listed for 2010.

<b>Table 3: Top 10 Airlines – Ancillary Revenue per Passenger (euros)</b>				
<b>Annual Results – 2011</b>		<b>Primary Source</b>	<b>Annual Results – 2010</b>	
€ 40.91	Qantas Airways	FFP	€ 29.45	AirAsia X
€ 33.61	Spirit	Various	€ 26.24	Qantas Group*
€ 33.30	Jet2.com	Various	€ 24.23	United Continental
€ 30.79	AirAsia X	Various	€ 24.20	Jet2.com
€ 29.36	United Continental	Various	€ 23.20	Allegiant
€ 27.37	Allegiant	Various	€ 17.76	Spirit Airlines
€ 19.81	Alaska Air Group	Various	€ 17.67	Aer Lingus
€ 18.80	Jetstar	Various	€ 16.72	Alaska Air Group
€ 17.73	Aer Lingus	Various	€ 16.06	Delta Air Lines
€ 17.65	Flybe	Various	€ 14.84	Flybe

*2011 carrier results were based upon recent 12-month financial period disclosures, which may have ended during 2011 or 2012; the equivalent criteria apply for 2010 results. \* Qantas Group includes Jetstar.*

Airlines have become more active retailers of travel. Jet2.com, a holiday-oriented airline based in the United Kingdom, and Allegiant Airlines in the US, reside in the top 10 list largely based upon their ability to sell vacation packages. Allegiant has dubbed itself as a travel company that happens to own an airline. This list proves there are many ways to reach the top, and the results described in this report are indicative of the evolution that is occurring in how travel is sold to consumers.

IdeaWorksCompany believes the results described in this press release portray the evolution that is occurring in how travel is sold to consumers. The gold rush mentality of “grab every buck, quid, or kopek while you can” from consumers is becoming a relic of the past. It's a shortsighted view that invites the scrutiny of regulators and the eventual exit of consumers. Successful companies serve their customers successfully, and that's a lesson learnt by every airline executive.

## Tables 1a and 3a - US Dollars

The following tables reflect actual dollar disclosures by US-based airlines. All other financial disclosures have been converted to US dollars using rates in effect for 2011 and 2010. Carrier rankings remain the same as euro-based tables but year over year changes for individual carriers will be different due to exchange rate fluctuations.

<b>Table 1a: Top 10 Airlines – Total Ancillary Revenue (US dollars)</b>				
<b>Annual Results – 2011</b>		<b>Primary Source</b>	<b>Annual Results – 2010</b>	
\$5,171,000,000	United Continental	<i>Various</i>	\$5,000,000,000	United Continental
\$2,534,000,000	Delta	<i>Various</i>	\$3,700,000,000	Delta
\$2,113,000,000	American	<i>Various</i>	\$1,954,000,000	American
\$1,418,285,709	Qantas Airways	<i>FFP</i>	\$1,532,846,000	Qantas Group*
\$1,180,000,000	Southwest	<i>Various</i>	\$1,182,000,000	US Airways
\$1,105,741,611	easyJet	<i>Various</i>	\$1,130,256,000	Ryanair
\$1,100,869,561	Ryanair	<i>Various</i>	\$926,239,400	easyJet
\$1,086,000,000	US Airways	<i>Various</i>	\$603,840,000	Emirates
\$667,473,195	TAM Airlines	<i>FFP</i>	\$552,500,000	Alaska Air Group
\$610,000,000	Alaska Air Group	<i>Various</i>	\$509,069,792	TAM Airlines

*Currency exchange based upon rates in effect for 2011 and 2010. 2011 carrier results were based upon recent 12-month financial period disclosures, which may have ended during 2011 or 2012; the equivalent criteria apply for 2010 results. \* Qantas Group includes Jetstar.*

<b>Table 3a: Top 10 Airlines – Ancillary Revenue per Passenger (US dollars)</b>				
<b>Annual Results – 2011</b>		<b>Primary Source</b>	<b>Annual Results – 2010</b>	
\$50.82	Qantas Airways	<i>FFP</i>	\$41.60	AirAsia X
\$41.75	Spirit	<i>Various</i>	\$37.00	Qantas Group*
\$41.37	Jet2.com	<i>Various</i>	\$34.32	United Continental
\$38.25	AirAsia X	<i>Various</i>	\$34.24	Jet2.com
\$36.47	United Continental	<i>Various</i>	\$32.86	Allegiant
\$34.00	Allegiant	<i>Various</i>	\$25.16	Spirit
\$24.61	Alaska Air Group	<i>Various</i>	\$24.91	Aer Lingus
\$23.35	Jetstar	<i>Various</i>	\$23.68	Alaska Airlines
\$22.02	Aer Lingus	<i>Various</i>	\$22.75	Delta
\$21.92	Flybe	<i>Various</i>	\$20.99	Flybe

*Currency exchange based upon rates in effect for 2011 and 2010. 2011 carrier results were based upon recent 12-month financial period disclosures, which may have ended during 2011 or 2012; the equivalent criteria apply for 2010 results. \* Qantas Group includes Jetstar.*

## Innovative ancillary services identified by this review

Airlines are increasingly innovative in their approach to ancillary revenue. During the course of its global review of ancillary revenue activities, IdeaWorksCompany uncovered some unique services. For example:

- KLM allows passengers to pre-order upgraded meals on intercontinental flights from Amsterdam. Economy class passengers can opt for one of five selections, such as the Bella Italia meal for €12 to €15 extra.
- AirAsia rolled out a Red Carpet Service offering elite-style perks from a low fare airline. Starting at MYR 80 (€21), passengers can enjoy fast track security, lounge access, early boarding, and a ride to the plane in an electric cart.
- Vueling will hold the middle seat empty, board you early, and provide a drink and snack for €60.
- Qantas sells its Q Bag Tag for AUD 49.95 (€39) as a permanent baggage tag with wireless RFID technology that links to a traveler's booking and permits easy self-checking of bags on flights within Australia.
- United offers a MileagePlus Explorer Visa card providing a free checked bag, two annual airport lounge passes, early boarding, bonus miles and more for a \$95 annual fee the second year.

**See blog post on the Amadeus Review of Ancillary Revenue by Jay Sorensen:**

<http://www.amadeus.com/blog/23/07/ancillary-revenue/>

**Please note:** Amadeus and IdeaWorksCompany will release a 70-page compilation of results and overall rankings from the 50 disclosing airlines during summer 2012.

**Disclaimer:** IdeaWorksCompany makes every effort to ensure the quality of the information in this report. Before relying on the information, readers should obtain any appropriate professional advice relevant to their particular circumstances. Neither IdeaWorksCompany nor Amadeus guarantee, or assume any legal liability or responsibility for the accuracy, currency or completeness of the information.

### Notes to the editors

**Amadeus** is a leading transaction processor and provider of advanced technology solutions for the global travel and tourism industry.

Customer groups include **travel providers** (e.g. airlines, hotels, rail, ferries, etc.), **travel sellers** (travel agencies and websites), and **travel buyers** (corporations and individual travellers).

The group operates a **transaction-based business model** and processed more than 947 million billable travel transactions in 2011.

Amadeus has central sites in Madrid (corporate headquarters), Nice (development) and Erding (operations – data processing centre) and regional offices in Miami, Buenos Aires, Bangkok and Dubai. At a market level, Amadeus maintains customer operations through 73 local Amadeus Commercial Organisations covering 195 countries.

Amadeus is listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and trades under the symbol "AMS.MC". For the year ended December 31, 2011 the company reported like-for-like revenues of €2,712 million and EBITDA of €1,039 million. The Amadeus group employs around 10,000 people worldwide, with 123 nationalities represented at the central offices.

To find out more about Amadeus please visit [www.amadeus.com](http://www.amadeus.com)

To visit the Amadeus Investor Relations centre please [www.investors.amadeus.com](http://www.investors.amadeus.com)

## **About IdeaWorksCompany**

The IdeaWorksCompany was founded in 1996 as a consulting organization building airline revenue through innovation in ancillary revenue, loyalty marketing, and a la carte shopping. Its international client list includes airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorksCompany specializes in ancillary revenue improvement, brand development, customer research, competitive analysis, frequent flier programs, and on-site executive workshops. Learn more at [IdeaWorksCompany.com](http://IdeaWorksCompany.com).

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