



Airline ancillary revenue projected to be \$59.2 billion worldwide in 2015

The CarTrawler worldwide estimate of ancillary revenue forecasts 18.8% increase above 2014, with \$36.7 billion of the total composed of a la carte fee activity.

Dublin, Ireland & Shorewood, Wisconsin, 9 November, 2015: IdeaWorksCompany, the foremost consultancy on airline ancillary revenues, and CarTrawler, the leading provider of online car rental distribution systems, project airline ancillary revenue will reach \$59.2 billion worldwide in 2015. The **CarTrawler Worldwide Estimate of Ancillary Revenue** represents a giant increase of 163% from the 2010 figure of \$22.6 billion, which was the first year for the ancillary revenue estimate.

Earlier this year, CarTrawler and IdeaWorksCompany reported the ancillary revenue disclosed by 63 airlines for 2014. These statistics were applied to a larger list of 180 airlines to provide a truly global projection of ancillary revenue activity by the world’s airlines in 2015. The **CarTrawler Worldwide Estimate of Ancillary Revenue** marks the sixth year IdeaWorksCompany has prepared a projection of global ancillary revenue activity.

Ancillary revenue is generated by activities and services that yield revenue for airlines beyond the simple transportation of customers from A to B. This wide range of activities includes: commissions gained from hotel bookings, the sale of frequent flier miles to partners and the provision of a la carte services – providing more options for consumers and more profit for airlines.

Revenue from optional services, such as onboard sales of food and beverages, checked baggage, premium seat assignments, and early boarding benefits, was determined to represent \$36.7 billion of the projected global 2015 total. The smaller share, at \$22.5 billion, comes from non-fee activity such as the sale of frequent flier miles to program partners, and commissions earned on the sale of services to travelers, such as hotel accommodations and car rentals.

Worldwide Estimate of Ancillary Revenue					
2015 Estimate \$59.2 billion (7.8% of global revenue of \$763 billion)	2014 Estimate \$49.9 billion (6.7% of global revenue of \$746 billion)	2013 Estimate \$42.6 billion (6% of global revenue of \$708 billion)	2012 Estimate \$36.1 billion (5.4% of global revenue of \$667 billion)	2011 Estimate \$32.5 billion (5.6% of global revenue of \$577 billion)	2010 Estimate \$22.6 billion (4.8% of global revenue of \$474 billion)
<i>Source: Ancillary revenue statistics applied by IdeaWorksCompany to individual airline revenue results for the year indicated from Air Transport World, Airline Business, and at airline websites.</i>					

“These figures show the impact that ancillary revenue has on the bottom lines of airlines, but it is also a critically important element of the customer experience,” says Michael Cunningham, Chief Commercial Officer at CarTrawler. “Airlines that offer a rounded, sophisticated customer experience by drawing on data science insights and the right ancillary offerings have a better chance of backing up revenues with increased loyalty and a stronger brand promise, which in turn leads to increased repeat bookings.”

Analysis performed by IdeaWorksCompany during the past six years reveals natural groupings (or categories) based upon a carrier’s ability to generate ancillary revenue. The “percentage of revenue” results associated with four defined categories have been applied to a worldwide compilation of operating revenue disclosed by 180 airlines.¹ The following describes the four categories:

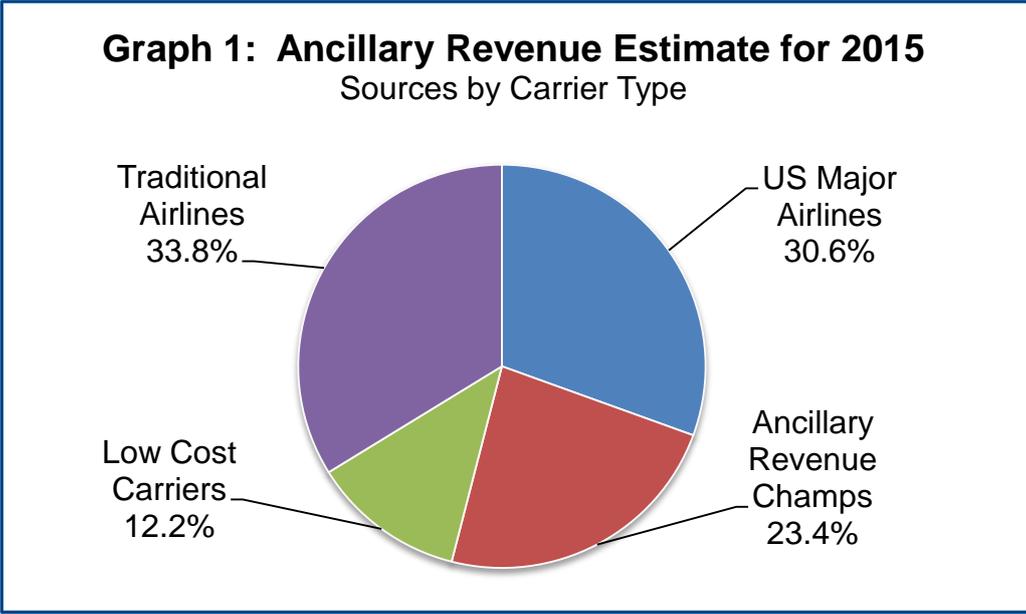
- **Traditional Airlines.** This category represents a catch-all for the largest number of carriers. Ancillary revenue activity may consist of fees associated with excess or heavy bags, extra legroom seating and partner activity for a frequent flier program. The average percentage of revenue increased to 4.1% from 3.6% last year. Examples in this category include Air China, Avianca, Etihad Airways, and SWISS.
- **Major US Airlines.** US-based majors generate strong ancillary revenue through a combination of frequent flier revenue and baggage fees. The percentage of revenue for this group jumped to 11.3% from 9.9% for 2014 due to better revenue management and agency distribution, and more financial disclosures. Examples include Alaska, Delta, and United.
- **Ancillary Revenue Champs.** These carriers generate the highest activity as a percentage of operating revenue. The percentage of revenue achieved by this group grew to 26.1% from 23.6% for 2014. Examples include Spirit Airlines, Tigerair, and Wizz Air.
- **Low Cost Carriers.** LCCs throughout the world typically rely upon a mix of a la carte activity to generate good levels of ancillary revenue. The percentage of revenue for this group was 11.8%, which is slightly below last year’s 12.1%. The percentage dropped because a few better performing airlines were reclassified under the Champs category this year. Low cost carriers include Icelandair, Jazeera Airways, Jeju Air, and Spring Airlines.

CarTrawler Worldwide Estimate of Ancillary Revenue – by Carrier Type for 2015			
Airline Category	Total Ancillary Revenue	Frequent Flier & Commission Based	A la Carte Activity
Traditional Airlines	\$20.0 billion	\$10.8 billion	\$9.2 billion
US Major Airlines	\$18.1 billion	\$10.7 billion	\$7.4 billion
Ancillary Revenue Champs	\$13.9 billion	\$0.7 billion	\$13.2 billion
Low Cost Carriers	\$7.2 billion	\$0.3 billion	\$6.9 billion
Worldwide Totals	\$59.2 billion	\$22.5 billion	\$36.7 billion

Source: Ancillary revenue statistics applied by IdeaWorksCompany to individual airline revenue results for the year indicated from Air Transport World, Airline Business, and at airline websites.

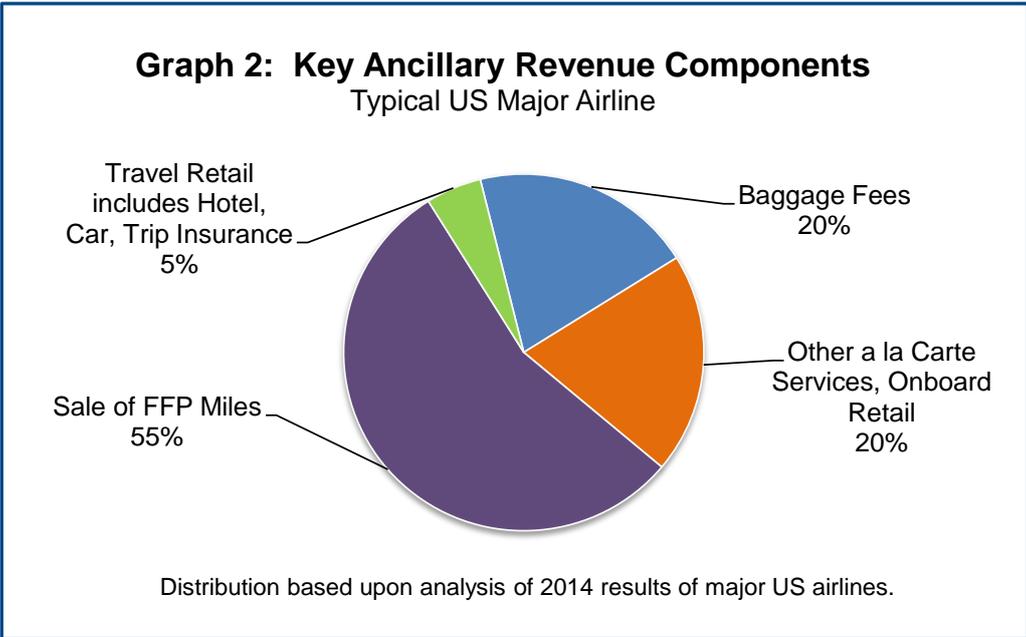
The US Major Airlines category produces a significant share of global ancillary revenue (see Graph 1). The \$18.1 billion result (30.6% of the global total) is generated by just six carriers: Alaska Airlines, American, Delta, Hawaiian, Southwest, and United. These carriers rely upon their frequent flier programs to generate a significant share of ancillary revenue. For example, more than 62% of Delta’s ancillary revenue is produced by its SkyMiles frequent flier program. The largest category at 33.8% is generated by carriers classified as Traditional Airlines. This group consists of 109 carriers out of the total 180 airline sample.

¹Operating revenue results were drawn from the World Airline Report published in the July 2015 issue of Air Transport World and the World Airline Rankings in the July-August 2015 issue of Airline Business. Additional sources were used, such as disclosures made at airline websites, to complete the list of 180 airlines. Adjustments were made to prevent duplicate reporting associated with regional affiliates. Pure cargo carriers, such as FedEx and UPS Airlines, were not included. Airlines are assigned to specific categories each year based upon an assessment of a carrier’s ancillary revenue profile.

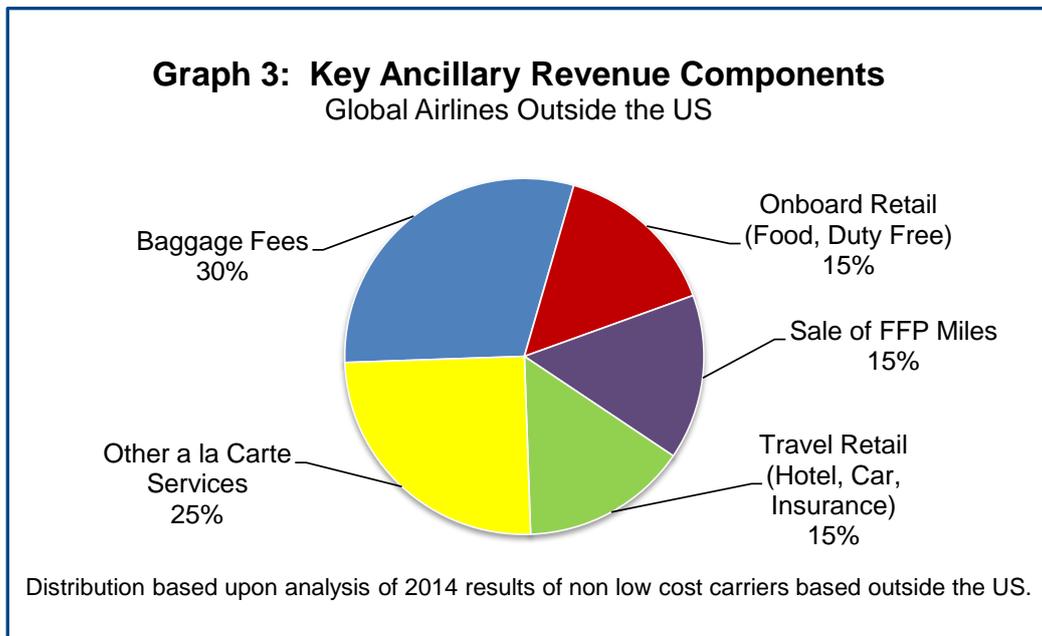


Graph 2 displays the typical ancillary revenue sources for carriers such as American, Delta, and United. Baggage fees for US carriers represent approximately 20% of their ancillary receipts. The remaining revenue is produced by an array of a la carte and commission-based products.

Other sources include onboard sales of food, beverages, Wifi, and commissions from car rental bookings. The a la carte category grew to 20% (from 15% for 2014) due to more emphasis placed upon comfort-related services such as premium economy seating, buy-on-board food, and priority screening and boarding. Alaska, American, Delta, Hawaiian, and United offer premium economy zones which provide more leg room and other features. For example, “Delta Comfort+” includes early boarding, front of cabin seating, extra leg room, better snacks, beer, wine and cocktails, and premium Wifi entertainment.



The Traditional Airline Category (for carriers outside the US) is the largest piece of the pie at \$20 billion. The revenue profile for these carriers (see Graph 3) is distributed across a variety of a la carte activities. Many are adopting baggage fees with significant activity occurring within Europe where low cost competition continues to climb. Air France, Austrian, British Airways, Finnair, KLM, Lufthansa, SWISS, and Scandinavian all have intra-Europe options which offer additional savings by excluding a checked bag. Travelers may include a bag by paying the a la carte fee or booking a fare bundle which includes baggage. IdeaWorksCompany believes the revenue potential of this trend will encourage adoption in other regions of the world such as Asia and South America.



The largest share of ancillary revenue growth for 2015 can be attributed to the improving results posted by the world’s airline industry with more passengers and revenue projected by IATA for the year. This represented 47% of the \$9.3 billion increase from 2014. Nearly 24% of the increase was generated by traditional airlines improving their ancillary revenue results, mostly through the addition of bag fees. As described earlier, US-based airlines also improved their results, and this was responsible for 21% of the 2015 increase.

CarTrawler Worldwide Estimate of Ancillary Revenue – by World Region for 2015			
Airline Category	Total Ancillary Revenue	Frequent Flier & Commission Based	a la Carte Activity
North America	\$22.0 billion	\$11.2 billion	\$10.8 billion
Europe	\$18.3 billion	\$4.1 billion	\$14.2 billion
Asia/Pacific	\$13.1 billion	\$4.9 billion	\$8.2 billion
Africa/Middle East	\$3.6 billion	\$1.6 billion	\$2.0 billion
Latin America/Caribbean	\$2.2 billion	\$0.7 billion	\$1.5 billion
Totals	\$59.2 billion	\$22.5 billion	\$36.7 billion

Source: Ancillary revenue statistics applied by IdeaWorksCompany to individual airline revenue results for the year indicated from Air Transport World, Airline Business, and at airline websites.

Regardless of the region, airlines all over the world rely now upon ancillary revenue. The International Air Transport Association (IATA) predicts net profits of \$29.3 billion for the world's airline industry,² which is dwarfed by ancillary revenue of \$59.2 billion. IdeaWorksCompany estimates overall ancillary revenue activity will contribute \$16.72 per passenger, while a la carte activity alone represents a very meaningful \$10.36 per passenger.

These amounts easily cover IATA's global net profit estimate of \$8.27 per passenger. The bulk of the industry's profits are represented by the turnaround that has occurred for US airlines. Profit margins for North America are projected to be 7.5%, while those outside North America are far lower at 3.1% or less. Only within the last year did the industry finally deliver positive returns on invested capital . . . which IATA indicates is a first-ever event for the industry.

"The biggest news for 2015 is the rapid acceptance of ancillary revenue within Europe as a tool for network airlines," says Jay Sorensen, President, IdeaWorksCompany. "Major players, such as Lufthansa, SWISS, and Austrian, have embraced a particular method called branded fares. This allows airlines to present distinct product options to consumers. In effect they can choose a fare that meets their needs, such as seat-only without a checked bag, or a fare packed with all kinds of extras. Look for this retail style to be adopted by airlines all over the world, which should boost ancillary revenue even higher for 2016."

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About CarTrawler: CarTrawler connects business and leisure customers and online travel retailers with more road and rail transport solutions than they will find anywhere else. Over 70 international airlines and 2,000 travel retailers around the world trust CarTrawler to provide their customers with real-time access to over 1,500 leading and independent car rental agents, coach transfers, rail networks and chauffeur drive services at 30,000 locations in 174 countries. CarTrawler also owns and operates the Cabforce, Holiday Autos and Argus Car Hire brands. The company headquarters and Customer Centre of Excellence are located in Dublin, Ireland, with additional offices in Boston, London and Helsinki. CarTrawler is private equity backed by BC Partners and Insight Venture Partners. For further information, please visit www.cartrawler.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.

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² "Economic Performance of the Airline Industry" released by IATA on June 2015.