

**Congratulations to Jazeera Airways for being named Revenue Innovation Champ for 2016.**  
(See page 7 for details)



## **Airline Ancillary Revenue and Loyalty Guide for 2017**

The best single resource in your quest for revenue success

Researched and written by Jay Sorensen  
Edited by Eric Lucas

IdeaWorksCompany  
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CELEBRATING 10 YEARS  
of Ancillary Revenue Consulting



# Airline Ancillary Revenue and Loyalty Guide for 2017

The best single resource in your quest for revenue success

## Contents

Welcome Aboard – An Introduction by Jay Sorensen .....	7
Path to Profits: How the Best Airlines Promote a la Carte Sales in the Booking Path .....	10
Grocers encourage consumers to fill their shopping carts .....	10
Retail methods can fill airline shopping carts too .....	11
Home pages welcome and immerse the traveler .....	11
Flight and fare selection are the key revenue generators .....	12
Bag fees deliver the most a la carte revenue .....	15
Assigned seating puts a price on valuable real estate in the cabin .....	16
Sumptuous and savory displays sell more food .....	17
This a la carte buffet continues with more delights .....	19
Great store layouts stimulate the appetite .....	21
How Do I Reward Thee? Let Me Count the Ways Dear Traveler .....	23
Your local shopkeeper lives loyalty every day .....	23
It all began with traditional frequent flier programs .....	24
Loyalty is increased through a wide array of solutions .....	25
Good service and value are pre-conditions for sustaining loyalty .....	34
2016 Hotel Loyalty Reward Value Report.....	35
Introduction to the report.....	35
All points are not created equal .....	36
Reward payback extremes were found to range from 2.0% to 39.1%.....	37
Reward queries are based upon a party of two travelers.....	38
Two very distinct reward programs were added this year .....	38
Graph: Simple Value of Reward Points by Loyalty Program.....	39
Graph: Reward Payback for Hotel Credit Cards .....	39
Graph: Reward Payback for Hotel Loyalty Programs by Month.....	40
Graph: Reward Payback Among Top Hotel Brands.....	41
Choice Privileges .....	42
Hilton HHonors .....	44
IHG Rewards.....	46
Marriott Rewards .....	48
Starwood SPG.....	50
Wyndham Rewards.....	52

Appendix – Table of Query Dates Used in This Report.....	54
Reward Seat Availability Report .....	55
Introduction to the Report.....	55
The Survey Queries Saver-Style Reward Availability .....	55
Members Find Fewer Reward Seats during July .....	57
Long-Haul Reward Availability Sees a 17+ Point Jump Since 2010.....	58
Reward Payback Introduces a New Benchmark.....	59
This Report Compares Online Booking Experiences.....	60
Carriers Included in the Analysis .....	60
Components of the Reward Booking Data.....	61
Reward Query Methodology.....	63
Airline Data Section Notes.....	64
Graph: Overall Reward Availability.....	66
Graph: Long-Haul Flights – Reward Availability .....	67
Graph: Flights 251 to 2,500 Miles – Reward Availability.....	68
Graph: 3+ Flights Offered for Reward Travel .....	69
Graph: Overall Reward Availability by Month.....	70
Air Asia – BIG .....	71
Air Berlin – topbonus.....	74
Air Canada – Aeroplan.....	77
Air China – PhoenixMiles.....	80
Air France/KLM – Flying Blue.....	83
Alaska Airlines – Mileage Plan.....	86
Alitalia – MilleMiglia .....	89
American – AAdvantage .....	92
Avianca – LifeMiles.....	95
British Airways – Executive Club .....	98
Cathay Pacific – Asia Miles.....	101
China Southern – Sky Pearl Club .....	104
Delta – SkyMiles .....	107
Emirates – Skywards.....	110
GOL – Smiles.....	113
JetBlue – True Blue .....	116
Korean Air – Skypass .....	119
LAN Airlines – LanPass .....	122
Lufthansa/SWISS/Austrian – Miles & More.....	125
Qantas Airways – Frequent Flyer.....	128

SAS Scandinavian – EuroBonus.....	131
Southwest – Rapid Rewards .....	134
Turkish – Miles&Smiles.....	137
United – Mileage Plus .....	140
Virgin Australia – Velocity Rewards .....	143
Appendix – Table of Query Dates Used in This Report.....	146
2016 CarTrawler Yearbook of Ancillary Revenue .....	148
Summary of the Results.....	148
Financial documents for 135 airlines were reviewed .....	148
Ancillary revenue as a percent of total revenue favors low cost carriers .....	149
Global and low cost carriers earn top ancillary revenue per passenger .....	150
Ancillary revenue will continue to expand by every measure.....	152
Ancillary Revenue Defined.....	154
About Individual Airline Listings.....	155
A la Carte Services Sold Through GDS .....	155
Europe and Russia .....	164
The Americas.....	190
Asia and the South Pacific .....	218
Middle East and Africa .....	240
Currency Exchange Rates Used for the Worldwide Statistics .....	247
Never Say Goodbye; Savvy Airlines Use Email to Sell After Booking.....	248
Promotion doesn’t end after check-out.....	248
38 emails and 16,580 words says a lot . . . perhaps too much .....	249
Hotel and car hire get the most email attention .....	251
General solicitation emails added to frequency .....	252
Aer Lingus is among the more aggressive marketers.....	253
AirAsia promotes its frequent flier program .....	254
EasyJet pushes hard on frequency, hotels, and car hire.....	255
Ryanair’s email strategy may offer the perfect balance.....	256
Spirit focuses on the big revenue generator – bags.....	257
Vueling’s text-heavy emails promote many products .....	257
Maximize consumer attention through respect .....	258
Top Merchandising Innovations to Delight Air Travelers and Boost Profits.....	260
Great retailers know they must continuously evolve .....	260
Merchandising will grow in complexity .....	260
Asia’s Value Alliance integrates booking among 8 budget carriers .....	261
Jazeera moves airport check-in to a valet parking lot.....	263

Anadolujet’s transfer service starts the journey at your home .....	264
Emails reveal consumer interests and behavior .....	265
Remarketing brings customers back to the store.....	267
Vueling’s Pending Passenger holds a companion seat without a passenger name.....	268
American follows Qantas with more credit card choices.....	269
Branded fares encourage consumers to upgrade their experience.....	271
“Without promotion, something terrible happens . . . Nothing!” .....	272

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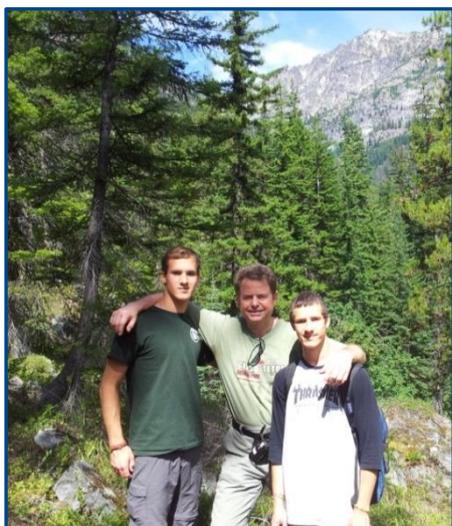
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## About Jay Sorensen, Writer of the Report



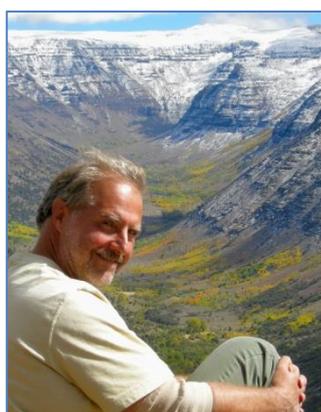
*Jay, with sons Anton and Aleksei, on the North Fork Trail in North Cascades National Park in Washington.*

Jay Sorensen's research and reports have made him a leading authority on frequent flyer programs and the ancillary revenue movement. He is a regular keynote speaker at the annual MEGA Event, spoke at IATA Passenger Services Symposiums in Abu Dhabi and Singapore, and has testified to the US Congress on ancillary revenue issues. His published works are relied upon by airline executives throughout the world and include first-ever guides on the topics of ancillary revenue and loyalty marketing. He was acknowledged by his peers when he received the Airline Industry Achievement Award at the MEGA Event in 2011.

Mr. Sorensen is a veteran management professional with 33 years experience in product, partnership, and marketing development. As president of the IdeaWorksCompany consulting firm, he has enhanced the generation of airline revenue, started loyalty

programs and co-branded credit cards, developed products in the service sector, and helped start airlines and other travel companies. His career includes 13 years at Midwest Airlines where he was responsible for marketing, sales, customer service, product development, operations, planning, financial analysis and budgeting. His favorite activities are hiking, exploring and camping in US national parks with his family.

## About Eric Lucas, Editor of the Report



Eric Lucas is an international travel, natural history and business writer and editor whose work appears in Michelin travel guides, *Alaska Airlines Magazine*, *Westways Magazine* and numerous other publications. Founding editor of *Midwest Airlines Magazine*, he is the author of eight books, including the 2013 *Michelin Alaska* guide. Eric has followed and written about the travel industry for more than 25 years. He lives in Seattle, Washington, where he grows organic garlic and heirloom corn; visit him online at [TrailNot4Sissies.com](http://TrailNot4Sissies.com).

*Eric, at his favorite summer retreat, Steens Mountain, Oregon.*

Much of the material in this Guide is based on reports originally commissioned by CarTrawler and Switchfly. The views expressed in this Guide are the views of the author, and do not represent the official view of CarTrawler and Switchfly.



# Exceeding Expectations

**“IdeaWorksCompany exceeded our training expectations.**

Managers and board members attended Jay Sorensen’s workshops to learn from his expertise. His insight brought new dimension to our knowledge of industry trends and client-oriented service innovation. The key takeaways of the workshop provided our team of vice presidents with a clearer roadmap on how to develop our new AAA – Avianca Ancillary A la Carte – program.”

Estuardo Ortiz  
Chief Revenue Officer



Airlines all over the world choose IdeaWorksCompany for a revenue boost.

IdeaWorksCompany is a leading consulting resource for ancillary revenue and loyalty marketing. Our client list spans the globe – Europe, Middle East, Americas, South Pacific, and Asia – and every type of carrier. Avianca benefited from our expertise in the areas of frequent flier programs, ancillary revenue, and a la carte services.

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## Welcome Aboard – An Introduction by Jay Sorensen

IdeaWorksCompany continues a year-end tradition by identifying the airlines that have shown the greatest prowess in ancillary revenue, a la carte pricing, and loyalty marketing. Throughout 2016, we assessed the top ancillary revenue producing airlines and the most generous frequent flier programs; our reports described the industry's service and product innovations; and we offered practical advice for airline executives.

The culmination of this work is The 2017 Airline Ancillary Revenue and Loyalty Guide. The Guide includes every published report and survey issued by us during the year. In reviewing this material, IdeaWorksCompany found that a select group of airlines clearly stood apart in their quest for new sources of revenue success. This list of the Top 5 Revenue Innovation Champs for 2016 reflects the work of the front line employees and management teams who delivered exceptional results during the year:

1. **Jazeera Airways** tops this year's list because its marketing and product presence goes far beyond what one might expect from an airline operating just 7 aircraft. This Kuwait-based airline is solidly profitable with an operating margin in excess of 20%. The big news for 2016 was the September opening of its Park & Fly facility. From drive-up through drop-off, this facility is truly designed to meet the needs of Gulf passengers. Park & Fly offers more than 500 covered parking spaces which protect customer vehicles from scorching sun while they are away. The uncluttered check-in process occurs in an air conditioned private building packed with amenities such as a Starbucks, cash machine, news agent, and money exchange. It's an exceptional example of an airline building ancillary revenue from services and retail activity, while gaining even more by attracting higher yield business travelers.
2. **Ryanair** is also on this year's list to acknowledge the significance of its "My Ryanair" customer profile initiative. More than 11 million customers have opened online accounts which allow the airline to fulfill its potential for personalized merchandising. Customers may build profiles which go far beyond the usual name, address, and form of payment. My Ryanair encourages consumers to describe the "who, what, why, where, and how" of their journeys. The Preferences section uses a breezy and speedy style to ask more than 15 questions to build the customer's profile. The data collected allows Ryanair to create offers designed to boost ancillary revenue. But the information also undoubtedly helps the consumer experience a higher plane of personalized travel. During September 2016 the carrier offered a €10 flight credit to motivate enrollment and profile completion.

3. **Delta Air Lines** appears for a second year as a top innovator determined to capture more revenue through continuous creativity. The airline has broken ranks with most others by investing a healthy \$50 million of the revenue windfall from bag fees to actually improve service for the customer. Delta now attaches RFID tags to bags everywhere the airline flies. The tags transmit a bag's whereabouts to the traveler via a mobile phone app. Reading the message "your bag has been loaded" provides a sense of tranquility that truly allows travelers to "sit back and enjoy the flight."
4. **Vueling** seems to share Delta's DNA for innovation. Savvy airlines use a la carte methods to meet customer service needs with new products. But Vueling's new "Pending Passenger" feature is beyond savvy, because it fills a need that's not yet anticipated by consumers. Imagine you are looking to book a flight for a trip with a good friend . . . but you don't know which pal is going to say yes to the invitation. For the easy-to-digest price of €2, Vueling allows you to book and confirm the seat and return within 72 hours to provide the travel companion's name. Pending Passenger entices consumers to book Vueling . . . even when all the details of a trip are not yet confirmed.
5. **Qantas** completes this year's top innovators with a health insurance and wellness offer tied to its frequent flyer program. Customers who purchase a Qantas Assure health insurance policy may download an app that delivers frequent flyer miles for remaining physically active. The program is endorsed by Australia's National Heart Foundation and the campaign features actor Christopher Walken. Program members can accrue up to 15,000 Qantas points in a year (depending on the policy purchased) for walking, running, or even dancing. The program provides a powerful combination of benefits for Qantas by encouraging frequent flyer participation, generating policy revenue, and building the brand as one that cares for its customers.

IdeaWorksCompany looks forward to another year of ancillary revenue, a la carte, and loyalty marketing activity and will announce its 2017 selections in December. I hope you enjoy reading this copy of the Airline Ancillary Revenue and Loyalty Guide. With 275 pages, it is our largest publication to date and remains the only single resource dedicated to the topics of ancillary revenue and loyalty marketing. I thank you for your support of my consulting firm and its mission to boost revenue through innovation.



President  
IdeaWorksCompany.com LLC

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## Path to Profits: How the Best Airlines Promote a la Carte Sales in the Booking Path

### Grocers encourage consumers to fill their shopping carts

We've all done it . . . we go to the grocery store for a couple of items and return home with bags of goodies. What began as a simple stroll through store aisles ends with a full shopping cart at checkout. Shopping on an empty stomach can encourage this behavior. But you should know your local grocer is applying a specialized science to boost your spending from the moment you walk into the store.

The layout of a grocery store – and the booking path of a travel site – should motivate consumers to spend. This report will use airline website examples from all over the world to display best practices for the key components of the booking path. Some of these design elements are inspired by the business of selling everyday goods to consumers. There are lessons to be learned from an industry that started using shopping carts long before the internet arrived.



*This Whole Foods Market in Milwaukee offers a textbook example of providing a great first impression at the entrance.*

The entrance area of a grocery store is known as the “decompression zone.” It’s designed to relax shoppers by immersing them in a welcoming environment of color and aroma. This is accomplished by placing the floral and fresh produce departments up front. The shopper is consciously separated from the stress of the world outside the store. Now relaxed, the consumer is primed to spend more.

The path through the store is strategic because the necessities of life, such as milk and bread, are placed in the back of the store. Along this path lie all the high margin departments — the butcher shop, take-away foods, and the delicatessen. Attractive displays at the ends of aisles are the most visible. Suppliers pay a premium to grocers to display products here. Every retailer knows the additional effort of stimulating the senses of sight, smell, or taste is rewarded with higher take rates and sales.