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Airlines Take In \$22 Billion from Add-On Fees and Partnerships

By Frances Romero

This article is based upon a report issued by IdeaWorks.

Revenue from add-on fees and partnerships with hotels and credit cards jumped 38% in 2010 for 47 of the world's biggest airlines.

Yes, airlines are hurting because of increasing fuel prices and issues involving sleeping air traffic controllers, but a study (PDF) by Wisconsin-based IdeaWorks reveals that they're making up for it in other ways.

Over the past several years airlines have increasingly charged for things like checked baggage, in-flight food and entertainment, pillows and blankets and even seats with extra leg room. And although there was a backlash by air passengers outraged that what was once standard issue had become a luxury, the airlines persevered — and it has paid off. The \$22 billion that was generated in 2010 is 96% higher than the ancillary revenue in 2008 — when much of the extra cash airlines earned came from partnerships with hotels and credit cards.

But the number of airlines surveyed in 2007 and 2008 was also smaller than the number (47 airlines across the globe) who released revenue information this time around. So while the revenue generated by fees and partnerships has increased significantly, so too has the willingness of airlines to be transparent about what they earn.

And it's clear that add-on fees won't be going anywhere. The top five airlines earning the most in ancillary revenue in 2010 were UnitedContinental, Delta, American, Qantas and U.S. Airways. The airline industry will continue to evolve so that the costs once absorbed by carriers are passed on to consumers. On recent report found that foreign airlines, such as British Airways now even pass fuel costs onto those who are redeeming award flights, something that hasn't caught on in the U.S. yet.

Air industry analysts have speculated for years that the era of budget airfare is dead, which seems more and more like it's coming true. Even if travelers manage to snag cheap flights, if they plan to eat, check a bag or watch a movie, they'll be paying something like full price in the end.