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Planes, Cars, and Ancillary Revenues

Car rental moves ahead as a lucrative source of ancillary revenue for airlines and the travel industry.

Four Wheels and No Wings

Most airline executives know as much about the car rental business as any business traveler. They might even know less. For those in the car hire business, the opposite is true. The success of any car rental company has traditionally been determined by the health of the airline industry. When the airline industry sneezes, car rental companies usually catch a cold. Car rental executives have always been very aware that air travel is almost always booked first.

When is travel booked?	
Air travel	44.1 days before travel
Hotel accommodations	41.7 days before travel
Car rental	19.4 days before travel
Source: Amadeus study referenced in Travolution Summit 2009 by Gillian Gibson April 2009.	

That's why car rental companies are eager to secure exclusive distribution deals with airline websites and aggressively seek participation in frequent flier programs. These deals have been good for car rental companies . . . but might not be the most lucrative for airlines. This report will help airline executives learn how car rentals can contribute more ancillary revenue for carriers.

Similar to the airline industry, very humble beginnings marked the car rental industry's birth. Martin Sixt started renting cars in Munich in 1912 with a fleet of seven vehicles.[1] The company continues to carry the name of its founder almost 100 years later. A fellow in Nebraska named Joe Saunders is regarded as starting the business in America. He loaned his Ford Model T to a traveling salesman in 1916.[2] Just a few states distant in Chicago, Walter Jacobs started a company in 1918 that grew into a million-dollar business within five years.

[1] "The History of Sixt" reviewed December 2010 at Sixt.com.
[2] "Brief History of Buses and Rental Cars in the U.S." reviewed December 2010 at Duke University Libraries.

That Chicago-based firm was subsequently purchased by John Hertz. General Motors then bought out Hertz's Yellow Truck Company in 1926 and branded it as the Hertz Driv-Ur-Self System.[3] Railways didn't want to be left behind and encouraged the car rental business by providing free rental-office space at train stations. In an early version of toll-free phone lines, the railroads even provided complimentary access to telegraphs to process reservations.

Hertz opened America's first airport location at Chicago's Midway Airport in 1932. America's love affair with the automobile and its newfound taste for air travel hastened the development of the car rental industry . . . and the demise of passenger railways. This crucial air travel connection was even incorporated into the name Warren Avis chose for his new company in 1946 -- Avis Airlines Rent A Car System.[4] Even though the company later dropped "Airlines" from its name, the link to air travel would only grow in importance.

Airlines and car rental companies soon came to share a status as key airport tenants. Relationships with airport landlords are somewhat similar, with both airlines and car rental companies paying fees determined by the amount of space used for operations such as flight check-in and rental counters. Taxes and fees related to airport operations are collected from airline passengers and car renters. But at this point, significant distinctions begin to emerge. Hertz disclosed in its 2009 annual report it pays concession fees based upon a specified percentage of rental revenue generated at an airport. Concession fees are often subject to a minimum annual guarantee which airport authorities use to assign better counter positions to car rental companies. Some taxing jurisdictions even forbid car rental companies from recovering fees from customers. Airlines and car rental companies readily agree that airports are pricey venues to conduct business due to expensive real estate, but they have little choice.

Avis Home Delivery charges a flat £10 for delivery and £10 for pick-up in the UK.

Today's car rental industry is not limiting itself to airports. Off-airport (also called non-airport or local) opportunities represent a significant growth area for the industry. Hertz hopes to build its off-airport revenue to $2 billion within four years in the US.[5] The category already represents a healthy 26 percent of its US car rental business. Avis Europe disclosed that 47 percent of its revenue was from non-airport locations in 2009.[6] As described later in this report, departure from the airport doesn't necessarily keep an airline from capturing ancillary revenue from this growing area of activity.

[3] "Brief History of Buses and Rental Cars in the U.S." reviewed December 2010 at Duke University Libraries.
[4] "A book about the classic Avis advertising campaign of 60s" Henri Holmgren and Peer Eriksson.
[5] Investor Day Presentation dated 7 December 2010 at Hertz.com.
[6] Avis Europe Annual Report 2009.

Navigating the Car Rental Business

The industry's first customers overwhelmingly comprised businessmen booking cars at railway stations and airports. This distinction disappeared as families began to enjoy holidays that began with an airline trip. Today's business and leisure rental activity largely focuses on airport locations. However, the once clean distinction between these two types of travel has become blurred as consumers increasingly combine business and pleasure. The same blended trend regarding travel purpose is occurring in the airline business. But in other ways, the business models of these two industries remain distinctly different.

While there is only one method to book and pay for an airline flight, the same can't be said of the car rental business. The payment method is largely defined by the residency of the consumer and how and where the car is to be rented. Americans largely pay when the car is returned to the rental location. Europeans generally pay partly or fully when reserving the vehicle.

Car Rental Payment Methods	
Prepaid	The predominant model for Europe. Customers pay the complete cost of the rental when booked. Online price includes damage waiver and tax. Global distribution systems have difficulty with this method as they can't process credit card payments. Credit card fraud is a concern for all parties with a financial interest.
Post Paid	The predominant model for the US, Canada, Africa and Australia. Customers pay when the vehicle is returned to the car rental location. Renter chooses a la carte items, such as what insurance they require, etc. No-shows are a major problem, with almost 30 percent of reserved cars not canceled and not picked up by consumers. This adds to a car rental company's cost through extra vehicle inventory and lower utilization.
Part Paid	This method is offered for Europe and Asia. The customer pays a portion (deposit) up front and the balance on collection of the vehicle. Similar GDS issues as with prepaid. Fraud and no-shows are mitigated by collecting a partial payment up front, and cash flow is improved.

Exceptions do exist with Europeans booking prepaid all inclusive rates at European websites for travel in the US. (Americans booking a car in Europe have access to prepaid and other rates.) Europeans enjoy the security of paying the complete cost upfront and have no worry over hidden charges or exchange fluctuations. Americans have largely had access only to the a la carte approach.

Traditional business and leisure rentals do have unique characteristics that place different demands on car rental companies. Leisure rentals are longer in duration and generate more revenue per transaction but can be seasonal. Demand peaks around select periods such as year-end holidays and summer months. Important service attributes for leisure travelers include price, quality of service, and vehicle selection.

Business travelers rent for shorter periods within a Monday through Friday pattern. Rental activity is relatively constant throughout the year with obvious drops during holidays. As in the airline and hotel industries, corporate rates are available, speedy processing at the rental counter is expected, and loyalty program benefits are crucial.

Off-airport rentals largely grew from the auto repair replacement car rental business that was pioneered by local independent local rental companies and then mastered by Enterprise. The reasons for off-airport rentals have expanded beyond providing short term transportation while a personal automobile is undergoing repair. The industry calls these customers "replacement renters" and companies provide a higher service level with pick-up and vehicle delivery services in connection with these rentals. Local facilities are also popular with the corporate customers, who require delivery to their offices rather than airport pick-up. Broad geographic coverage through neighborhood locations is crucial for this market.

Ancillary revenue is an important part of a car rental company's profit mix. A la carte options sold online and subsequently promoted at the counter include supplemental equipment such as child seats, GPS navigation systems, and ski racks. Avis Budget Group disclosed revenue of $60 million (€45.5 million) from these activities during 2009.[7] Avis Budget also reports 4 percent of its revenue in the US was derived from loss or collision waivers purchased by customers.

Car rental companies are experimenting with 24-hour self-service car sharing services in urban areas. Customers enroll as members at a website, reserve a car on an hourly basis, and pick it up at a nearby lot. Car share has its roots in Europe where nonprofit providers introduced the concept in Switzerland, Germany, and Sweden. US-based Zipcar is now the worldwide leader with 500,000 members and 8,000 vehicles in urban areas and college campuses throughout the US, Canada and the UK.[8] Traditional car rental companies have launched similar services such as Connect by Hertz, operating in the US and Europe, and WeCar from Enterprise with locations in the US and the UK.

The car rental business has always had close ties to automobile manufacturers. Hertz was owned by General Motors from 1926 through 1953, with Ford Motor Company owning shares from 1884 through 2005.[9] Chrysler acquired Dollar and Thrifty in 1990 and sold the pairing through a stock offer in 1997.[10] Volkswagen owned Europcar from 1999 to 2006.[11] Daimler recently launched a car sharing service called Car2Go with locations in Texas and Germany.[12] This pattern of involvement has dramatically altered the economics of the car rental business.

Daimler's Car2Go car sharing service features its Smart Car.

[7] Avis Budget Group Inc. Form 10-K for 2009.
[8] Media Kit at Zipcar.com reviewed December 2010.
[9] "Hertz History" at Hertz.com reviewed December 2010.
[10] "Corporate Background" at Dollar.com reviewed December 2010.
[11] "Our History" at Europcar.com reviewed December 2010.
[12] "Daimler starts mobility concept for the city" press release dated 21 October 2008 at Daimler.com.

Vehicle ownership is a car rental company's largest single cost. Hertz boasts it operates the world's largest fleet with more than 440,000 vehicles in 2009.[13] As can be imagined, ownership by auto manufacturers dictated which automobile brands comprised some fleets. Dollar and Thrifty customers had a choice of Chryslers, and Hertz offered Fords. The manufacturers offered buy-back programs that kept assembly lines busier and car rental fleets young. Car rental companies benefitted financially from manufacturers eager to place cars. That was when Detroit dominated the car business. This all changed as Ford, Chrysler, and General Motors fell on hard times. Now, car rental companies have a far more complex challenge to find the right combination of short leases (3 and 6 months), long term leases (12 and 18 months), outright purchase (called "risk vehicles"), and less generous buy-back programs.

Car rental companies are dealing with these financial challenges by casting a wider net for customers through distribution deals and by adding brands. Many airline websites include a car rental function that provides a single brand or multiple choices. Hertz and Avis aggressively seek exclusive deals with airlines all over the globe. CarTrawler has become a primary distribution platform by offering travelers access to a dizzying array of more than 550 car rental providers within its booking engine. The larger rental companies pursue a corporate strategy to have a brand for every consumer segment. Enterprise purchased National to serve corporate customers and bought Alamo to rent cars to holiday travelers. Airlines can tap into this frenzied activity to add revenue to the bottom line.

The Car Rental Opportunity

Relationships between airlines and car rental companies blossomed in the online era. Before this, airline reservation agents could book a car through a cumbersome interface. Most often, though, the agent would simply transfer the caller to the car rental company. The process was everything but seamless. Frequent flier programs opened the door to bonus partnerships and airlines sold miles, points, and credits to car rental companies eager for more exposure. But caution is warranted because there is more at stake than cash from a quick deal. It's a complex industry of big players and a surprising number of smaller brands. Airlines are well advised to be guided by what consumers are seeking . . . the right car at the best price.

Let's begin with an overview of the supplier landscape. IdeaWorks analyzed financial reports to create the list of major car rental companies appearing on the next page. Hertz estimates worldwide industry revenue to be $35 billion (€26.45 billion) for 2009 and this amount was accepted for this analysis. As a point of comparison, that's significantly more than the $31.9 billion (€24.1 billion) generated by Lufthansa Group for 2009.[14] The top three brands (Enterprise, Hertz, and Avis) realize more than 54 percent of worldwide car rental revenue. Surprisingly, 12.6 percent of revenue - - and the majority of rental locations - - is represented by a diverse collection of hundreds of car rental brands and independent operators. As individual companies, Enterprise, Hertz, and Avis are certainly dominant forces in the industry. But even limiting consumer choice to one of these behemoths through an exclusive deal denies consumer access to the full array of prices offered by competitive players.

[13] Hertz 2009 Annual Report.
[14] World's Top 25 Airlines 2009, Air Transport World, July 2010.

Major Car Rental Companies – Ranked by 2009 Revenue				
Rental Companies	**Company Revenue**	**Global %**	**Locations**	**Location Coverage**
Enterprise	€7.63 billion ($10.1 billion)	28.8%	6,000	US: 5,000 Canada, Germany, Ireland, UK: 1,000
Hertz	€4.44 billion ($5.87 billion)	16.8%	8,100	US: 3,285 International: 4,815
Avis (Avis Budget Group)	€2.34 billion ($3.1 billion)	8.9%	2,200	US: 1,300 Australia, Canada, Caribbean, Latin America, New Zealand: 900
Europcar	€1.9 billion ($2.51 billion)	7.2%	3,100	Europe: 2,000 Africa, Middle East, S. Pacific: 1,100
Alamo & National (Enterprise Holdings)	€1.51 billion ($2 billion)	5.7%	1,600	US, Asia, Canada, Caribbean, Latin America, Mexico. Europcar supports the brands elsewhere.
Avis Europe	€1.4 billion ($1.85 billion)	5.3%	2,900	Operates Avis and Budget locations in Europe, Africa, Middle East, and Asia.
Budget (Avis Budget Group)	€1.21 billion ($1.6 billion)	4.6%	1,800	US: 820 Australia, Canada, Caribbean, New Zealand: 980 Avis Europe supports the brand elsewhere.
Dollar Thrifty	€1.17 billion ($1.55 billion	4.4%	929	US & Canada: 794 Elsewhere: 135
Sixt	€961 million ($1.27 billion)	3.6%	1,923	Germany: 530 Europe and elsewhere: 1,393
Localiza	€559 million ($740 million)	2.1%	454	Brazil: 383 Latin America: 71
All Others	€3.33 billion ($4.41 billion)	12.6%	12,000*	Primarily outside the US and northern Europe.
Total Revenues**	€26.45 billion ($35 billion)	100%		

Sources: 2009 results from corporate websites reviewed November 2010.
** Estimate of rental company locations provided by CarTrawler.*
***Worldwide estimate from the 2009 Hertz Annual Report.*
US$1 = 0.7557 euro. Company Revenue and Locations may include non-company owned facilities operated by licensees.

Fortunately for airlines, the negotiating door has been flung open by the power of carrier websites and the increased emphasis on ancillary revenue. Airlines now have many choices of how to offer car rental services to customers. Exclusive relationships limit brand choice to a single supplier. Consumers have fewer price choices and car availability is sometimes a problem. But the airline receives a revenue package that might include annual marketing payments and higher sales commissions paid to the airline. It's an easier path to take; managing a single supplier is simpler and up-front marketing payments are tempting to cash-starved airlines. Multi-supplier and broker methods provide more choices for consumers. They also might include an upfront payment and the commission level might be less, but the hoped-for higher sales conversion yields better overall results.

Hertz is one of the leaders in the category of exclusive deals. For example, it's the sole booking partner for Aer Lingus, Air France, and Ryanair. The company paid €29.9 million to Ryanair for the carrier's fiscal year ended 31 March 2010.[15] The Ryanair agreement is highly unusual because of its terms -- Hertz pays the airline a fee based upon passengers carried, not a commission on bookings generated at its website. The relationship may work well for Ryanair because it often relies upon remote airport locations with limited public transport. Exclusive car rental company deals usually yield a commission to the airline of up to 12 to 18 percent on the base rental rate. For example, easyJet reportedly realized an 18 percent margin on its single-source relationship with Europcar during 2007.[16]

Exclusive relationships may have the unintended consequence of creating big queues when partner flights arrive.

Exclusivity provides a seemingly generous payout that includes a couple of caveats. Rental companies might add the cost to the price paid by the consumer for bookings at the airline website. This contributes to uncompetitive pricing for consumers which reduces online sales success. Also consider the factor of consumer choice. Imagine shopping for a car rental at Expedia.com and limiting yourself to a single brand before hitting the "search" button. Which brand would you choose? You might get lucky, but surveys indicate consumers usually shop around for rates. The lack of choices gives the transaction a spin-of-the-roulette-wheel feel. It's practically impossible for one brand to be all things all the time. Exclusive deals are good for a car rental company, but fall short on converting customers from lookers to bookers.

Multi-supplier and broker methods place the consumer in the driver's seat by offering an array of choices comparable to an online travel agency such as Expedia or Opodo. The broker method represents a bridge between exclusive and multi-supplier arrangements. Multiple brands are offered but the identity is not initially disclosed to the consumer. This opaque method displays the brand of the broker online. The actual brand of the supplier is disclosed to the consumer <u>after</u> the booking has been made. Consumers can easily be confused by this and left to wonder which brand actually provides the vehicle at the airport.

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[15] Ryanair Annual Report for the fiscal year ended 31 March 2010.
[16] "Ancillary Revenue or Hidden Fares" ABN AMRO report dated 23 July 2007.

For example, consumers at websites such as HolidayAutos.com, ArgusCarHire.com, and AutoEurope.com learn if they have booked with Avis or Europcar after the booking has been paid and completed. This method offers benefits for suppliers seeking to discount through an opaque channel. But it presents an awkward solution for airlines that wish to maintain a transparent relationship with customers and frequent flier program partners.

The multi-supplier option was pioneered by CarTrawler. This model relies upon an intermediary to operate a car rental marketplace that provides full disclosure to consumers. For example, CarTrawler negotiates rates with car rental companies, provides a booking interface for the airline, takes responsibility for customer service, and determines the price offered to consumers. It's a system that delivers tangible benefits to consumers and airlines at the expense of the exclusive deals preferred by car rental companies.

CarTrawler offers a road map for ancillary revenue

CarTrawler was an early evangelist within the ancillary revenue movement. The company is built upon two travel consumer statistics. First, CarTrawler believes more than 50 percent of consumers book a car as soon as they reserve an airline seat.[17] Second, more than 80 percent always shop around when renting a car.[18] CarTrawler created a multi-supplier system to meet these needs while delivering a higher level of ancillary revenue to its airline partners.

The Dublin- and Seattle-based company says it "offers the largest selection of car rental options from more than 550 leading and independent car rental suppliers in 175 countries and 25,000 city and airport locations."[19] It seeks to offer the best of all worlds by including global car rental brands such as Alamo, Avis, Budget, Europcar, National and Sixt, and adding an array of independent car rental companies. CarTrawler relies on many independent brands to fill in gaps left by the major brands in key vacation destinations around the world:

Some of the independent brands sold by CarTrawler
Ace (Mexico) • Alpha (Australia) • Auto Union (Greece) • Centauro (Spain) Cicar (Canaries) • Gold Car (Spain) • Guerin (Portugal) • Jucy (New Zealand) Maggiore (Italy) • Payless (USA) • Red Spot (Australia)
Source: CarTrawler, December 2010

CarTrawler's technology is compliant with all payment methods used worldwide and relies upon net rates provided by car rental suppliers. These rates are negotiated with individual car rental companies or represent the net price realized after a sales commission has been deducted. CarTrawler applies a markup to the net cost based upon its real time revenue management system that monitors the car rental marketplace. This software, which the company dubbed KOIOS after the Greek god of intelligence, is the heart and soul of the CarTrawler business model.

[17] Survey of 1,000 consumers conducted by Empathy Marketing (March 2008), commissioned by CarTrawler.
[18] Survey of 1,000 consumers conducted by Empathy Marketing (March 2008), commissioned by CarTrawler.
[19] Company Overview from CarTrawler dated 2009.

Consumers book a car rental at the airline website and sometimes pay a booking deposit. The consumer pays the balance when the car is picked up. When a booking deposit is paid, the amount paid at the rental counter represents the net price paid to the car rental company. The booking deposit represents revenue to CarTrawler and this is shared with the airline partner. CarTrawler also provides car rental booking service to hotel operators, tourism organizations, online travel agents, and railroad, ferry, and airport websites.

CarTrawler is designed to serve both consumers and website partners. Consumers booking travel at an airline website are presented the opportunity to reserve a car within the actual flight booking process or through a micro-site at the carrier's website. KOIOS processes the request and assembles a selection of car types, prices, and rental brands using criteria agreed upon with the airline. The selection is designed to provide competitive pricing while maximizing the markup available to the airline. The system delivers a best price to the consumer using all available brands. Alternatively, a two-step method (preferred plus) can be used which presents preferred providers first and allows the consumer to "click through" to view prices from all vendors.

Consumers embrace the multi-supplier platform with higher levels of booking activity. Hawaiian Airlines participated in a unique experiment with CarTrawler to monitor car rental booking activity as its website went from an exclusive relationship to the step-by-step addition of two, three, four, and five car rental brands. The conversion rate (car rental bookings as a percent of airline bookings) increased noticeably as the offer ramped up to five car rental brands.[20] Hawaiian is not alone in the results achieved by conversion to the multi-supplier method.

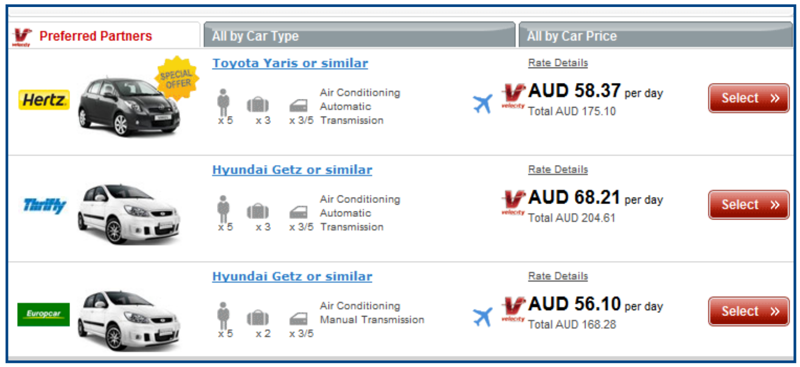
Bmibaby, a low cost carrier based in the UK, boosted conversion rates by 65 percent when it changed from a single supplier to CarTrawler's multi-brand platform. Virgin Blue experienced a 38 percent increase to its rental bookings when it moved from a single supplier relationship. Airlines moving from other multi-supplier providers have also improved booking results. CarTrawler's car rental expertise and the power of its KOIOS software lifted Norwegian's rental conversion rate 400 percent when it switched from a prior car rental provider. While actual before-and-after booking activity was not disclosed by CarTrawler, the conversion increases are consistent.

Virgin Blue drives a great bargain

Virgin Blue worked closely with CarTrawler to create a new type of car rental booking offer that engages the power of its Velocity frequent flier program. This "preferred plus" platform provides an exceptional booking solution for consumers, car rental suppliers, and airlines. Consumers are presented an innovative multi-tab search process. Virgin Blue's preferred partners, Europcar, Hertz, and Thrifty, are always displayed within the flight offering. These brands also include the promise of frequent flier points for every rental. The consumer's thirst for even more choice is easily quenched by choosing the "all by car type" or "all by car price" tabs.

[20] Conversion rates provided by CarTrawler, December 2010.

Virgin Blue limited its preferred partner selection to car rental companies in the carrier's frequent flier program. Airlines can capitalize on the preferred positioning by assessing partners a separate marketing fee which may include benefits such as banners on the car rental page, inclusion in the booking path, and participation in post-booking solicitation emails. Car rental companies are always happiest with an exclusive relationship, but realize that a shared premium position is better than none at all.



Clicking the "All by Car Price" delivers competitive rates from CarTrawler's inventory of 500 leading and independent car suppliers.

Frequent flier perks create another reason for consumers to book rentals at a carrier's website.

While Virgin Blue rewards the loyalty of its customers with Velocity points, it also rewards its car rental partners with the perk of placement. The carrier places its car rental offer into the booking path with a simple solicitation appearing below the flight selection box. Virgin Blue understands car rental is a simple product that often represents a "yes or no" consideration for the consumer.

Virgin Blue's booking path remains uncluttered and dedicated to the task of selling airline seats. Consumers simply opt to view car rental rates on a screen following flight selection. The brevity of presentation omits the option to view all brands. That feature is only offered at the website's general car rental section. Virgin Blue and CarTrawler boost consumer confidence in the quote with a "price promise" made possible by the effectiveness of the KOIOS software. If a lower rate for the same brand is found elsewhere, the consumer can request a price match, 1,000 bonus points, and a free rental day or upgrade voucher valid for a future rental.

CarTrawler's preferred plus platform represents an exceptional solution for carriers seeking to maximize their revenue and take a step beyond the tradition of an exclusive supplier relationship. Consumers benefit from the offers presented by major brands, the perk of a frequent flier bonus, and full access to all-industry pricing. The airline enjoys the triple crown of ancillary revenue from a share of car rental profits, sale of frequent flier credits, and the possible addition of marketing fees for preferred partner access. In addition, the method provides consumers multiple global brands and little chance of the dreaded "no cars available" reservation response. These benefits are delivered at the expense of an exclusive deal for car rental companies. Even they will probably admit that part of a larger piece of cake is better than none at all. But sales improvement and consumer satisfaction are key drivers to success for the airline and its car rental partners.

Driving tips for generating bookings

Car rentals are part of the troika of top commission-generating services sold at airline websites. Every carrier should consider adding the ability to sell hotel, car rental, and travel insurance at its website. These commission-based services should join the internal a la carte services sold by airlines such as checked baggage, priority boarding, seat assignments, and pre-order meals. For example, car rental commissions are ranked third as the highest ancillary revenue activity for easyJet. Not surprisingly, the fourth and fifth categories are the commissions earned on travel insurance sales and hotel bookings.

Top Ancillary Revenue Activities for easyJet – 2007 Estimates	
Annual Revenue	**Description of Activity**
£57.8 million (€67 million)	Booking and credit card fees.
£37.1 million (€43 million)	Baggage fees and excess baggage.
£13.3 million (€15.4 million)	Car rental commissions (single supplier).
£11.1 million (€12.9 million)	Travel insurance commissions.
£10.8 million (€12.5 million)	Hotel accommodation commissions.
£7.5 million (€8.7 million)	Speedy boarding revenue.
£1 = 1.16 euro. Source: "Ancillary Revenue or Hidden Fares" ABN AMRO report July 2007.	

This high level of sales success has been achieved through a single supplier relationship. One wonders what level could be achieved if easyJet adopted a multi-supplier method. But easyJet certainly boosted the ancillary revenue potential of car rental by placing it directly in the booking path. Every car rental company or supplier yearns for this type of premium placement because the results easily dwarf all other methods.

CarTrawler Bookings by Client Airline Activity	
45%	Quote offer placed into the airline booking path.
23%	Home page car rental tab with options such as air, hotel, and car.
13%	Solicitation appearing on the confirmation page.
6%	Car rental micro-site at the airline website.
6%	Solicitation within airline confirmation email.
4%	Banners and other website links to micro-site.
2%	Follow-up emails and newsletters.
Source: Review of 20,000 bookings processed by CarTrawler at client websites including Air Malta, Blue 1, bmibaby, Finnair, Frontier, Gulf Air, Hawaiian, Norwegian, and Spanair, during a period in 2010.	

CarTrawler disclosed statistics associated with 20,000 car rental bookings recently processed through its system. The results represent activity at a collection of client websites such as bmibaby, Finnair, Frontier, Gulf Air, Hawaiian, Norwegian Airlines, and Spanair. This provides a first-ever peek under the hood of the car rental booking process. Not every client airline uses each of the activities listed which may under-represent less popular methods. But the overwhelming trend is clear . . . aggressive placement generates big results.

This is probably true of any ancillary revenue activity. The statistics may provide an acceptable proxy for the promotion of other commission-based and a la carte features on an airline website. The biggest revenue gain occurs when items are sold during the travel booking process or promoted on the home page. Making one last request for the sale on the confirmation page isn't a bad idea either. But airlines should show restraint and judiciously consider how many ancillary revenue activities are best within the booking path.

More is not always better. Adding clutter to the booking process with ancillary revenue offers can confuse customers. Airlines should avoid disrupting the booking flow with complicated bookings such as adding resort accommodations for a family vacation. Some airlines, such as Allegiant, have made a science of this and focus solely on vacation travelers. Most other airlines should tread carefully when adding a la carte items to the process of booking airline seats. It's fascinating to see the direct correlation between time and revenue. The sales opportunity continues to decline with the passage of time. But tasty revenue morsels are available through the smart use of follow-up emails and newsletters.

Building ancillary revenue one mile at a time

Woe betide any airline executive who believes that car rental is merely a follow-up activity to the purchase of an airline seat. This lack of awareness simply leaves ancillary revenue on the table in an era where every dollar, euro, and peso is precious. It's the presence of significant ancillary revenue that has finally awakened airlines to the opportunity.

As with most activities in life, success is determined by finding the right balance. Single supplier relationships might remain the best solution for some airlines. That's a shame, because these carriers may be overlooking an opportunity to achieve better revenue results and boost customer satisfaction. Most airlines are undoubtedly better served by the multi-supplier method. When given the choice, consumers respond positively to a larger array of brands, vehicles, and prices. And better response rates contribute to higher levels of rental activity and ultimately larger commission checks.

But filling the booking path with a dizzying array of goods will probably bewilder the consumer and lead to abandoned shopping carts. This is where the preferred plus option provided by CarTrawler looks especially attractive. It is designed to offer a three-legged balance of consumer choice, preferred partner benefits, and ancillary revenue potential. In your search for ancillary revenue, you should always buckle up and drive carefully.

About the IdeaWorks Company: IdeaWorks was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing, and building profits through financial improvement and restructuring. Its international client list includes airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorks 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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