



Reported Airline Ancillary Revenue Surged to \$27.1 Billion in 2012—Up 19.6% in One Year

Analysis from IdeaWorksCompany, sponsored by CarTrawler, adds Air France/KLM, Korean Air, and Virgin Atlantic to the list of top ancillary revenue carriers for 2012.

Dublin, Ireland & Shorewood, Wisconsin, USA, 05 June 2013: IdeaWorksCompany, the foremost consultancy in the area of airline ancillary revenues, and CarTrawler, the leading provider of online car rental distribution systems, today announce the results of the **CarTrawler Review of Ancillary Revenue Results for 2012**. IdeaWorksCompany researched the financial filings made by 116 airlines all over the world, 53 of which disclose ancillary revenue activity, to reveal that ancillary revenue¹ reported by airlines grew to \$27.1 billion in 2012. This represents a more than doubling (101 percent increase) of the ancillary revenue of \$13.47 billion from 2009.

Once largely limited to low fare airlines, ancillary revenue is now a priority for many airlines worldwide with new activity among global carriers in Europe. The disclosures of ancillary revenue, which IdeaWorksCompany has analyzed since 2007, demonstrate how far the industry’s approach to ancillary revenue has developed in the past six years.

Annual Financial Disclosures of Ancillary Revenue					
2012 Results Posted by 53 Airlines \$27.1 billion	2011 Results Posted by 50 Airlines \$22.6 billion	2010 Results Posted by 47 Airlines \$21.46 billion	2009 Results Posted by 47 Airlines \$13.47 billion	2008 Results Posted by 35 Airlines \$10.25 billion	2007 Results Posted by 23 Airlines \$2.45 billion
<i>Annual results are associated with a fiscal period that ended in the year indicated.</i>					

“The blueprint for an airline business has changed dramatically over the past 10 years,” says Mike McGearty, CEO of CarTrawler. “Consumer demand for choice and convenience of complimentary products has forced the travel industry to reinvent itself with airlines leading the way. Consumers are more loyal to carriers that address their needs. Unbundling boosts profit margins through the sale of optional services, as do the commissions earned through the booking of ancillary products such as car rental. In the past 12 months alone, CarTrawler has provided 250 million airline passengers with access to car rental through their airline of choice. This figure continues to grow as the aviation industry embraces the benefits of expanding their retailing reach in response to consumer demand.”

¹ The figures in this release relate to the revenue earned by the 53 airlines which disclosed through financial filings some type of ancillary revenue activity in 2012; including a 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.

“Statistics help tell the ancillary revenue story, and every year key numbers are getting larger,” says Jay Sorensen, President of IdeaWorksCompany. “The most aggressive airlines easily have more than 20 percent of their revenue produced by a la carte fees. The best performers realize more than \$30 per passenger from ancillary revenue. This can be almost totally generated through optional extras as with Spirit and AirAsia X, or largely achieved through the co-branded credit cards held by consumers at Qantas and Virgin Atlantic. Whatever the source, it is revenue desperately needed by airlines during troubled economic times.”

ANCILLARY REVENUE: RESULTS BREAKDOWN

Gone are the days when low cost carriers posted the largest ancillary numbers. The top 10 “Total Ancillary Revenue” list (see Table 1) is dominated by the major brands of global network carriers. Joining the list for 2012 are Air France/KLM and Korean Air, which disclosed ancillary revenue activity linked to a wide array of optional extras such as bag fees, onboard retail, and premium seating.

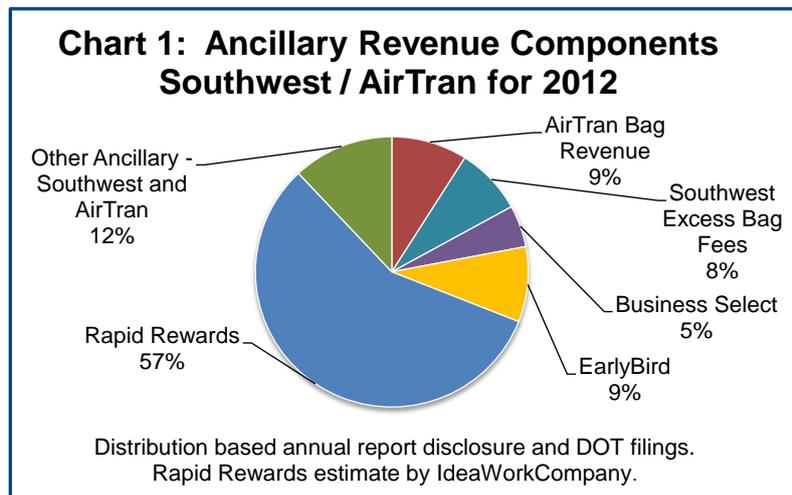
The trend for 2012 indicates increased disclosure of ancillary revenue results by airlines. In addition to Air France/KLM and Korean Air, the list includes four new global airline additions to the total of 53 disclosing carriers. easyJet flew against this trend by opting to not provide ancillary revenue results for 2012. easyJet results were estimated by IdeaWorksCompany using last year’s reported ancillary revenue with adjustments applied for a la carte initiatives described by the company for 2012. The airline simply has too large an ancillary revenue presence to be excluded from the top 10 lists.

Annual Results – 2012		Primary Source	Annual Results – 2011	
\$5,352,000,000	United	<i>Various</i>	\$5,171,000,000	United
\$2,576,660,000	Delta	<i>Various</i>	\$2,534,000,000	Delta
\$1,987,000,000	American	<i>Various</i>	\$2,113,000,000	American
\$1,655,000,000	Southwest	<i>Various</i>	\$1,418,285,709	Qantas Airways
\$1,574,698,320	Qantas Airways	<i>FFP</i>	\$1,180,000,000	Southwest
\$1,388,674,580	Ryanair	<i>Various</i>	\$1,105,741,611	easyJet
\$1,205,727,600	Air France/KLM	<i>Various</i>	\$1,100,869,561	Ryanair
\$1,147,743,960	easyJet*	<i>Various</i>	\$1,086,000,000	US Airways
\$1,073,300,000	US Airways	<i>Various</i>	\$667,473,195	TAM Airlines
\$720,900,000	Korean Air	<i>Various</i>	\$610,000,000	Alaska Air Group

*Currency exchange based upon rates in effect when financial information was reviewed for each annual period.
2012 carrier results were based upon recent 12-month financial period disclosures.
* IdeaWorksCompany estimated easyJet 2012 amount based upon 2011 results and subsequent disclosures.*

IdeaWorksCompany provides a “Primary Source” column 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.

As a group, these 10 airlines delivered ancillary revenue in excess of \$18.2 billion, or 68.5 percent of the total amount disclosed by the 53 airlines for 2012. Airlines generally moved up the chart for 2012 with the exception of American and US Airways. The decreases are minimal and might be explained by fluctuations in the baggage fees (and other items) reported to the US DOT which are used to calculate these rankings. For 2013 American's results will likely improve; it will sell its Preferred Seats and Main Cabin Extra products through the Travelport and Amadeus agency networks. Southwest Airlines jumped by \$475 million on better results from its Rapid Rewards program, more EarlyBird sales (priority boarding), and the inclusion of AirTran bag fee and frequent flier program revenue. Chart 1 provides details on how the airline achieved these remarkable results for 2012.



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 Ryanair or Jetstar. Spirit Airlines maintained its top position with a nearly 10 point lead over its closest low-cost peer. Consumers continue to choose the carrier’s “ultra low cost” methods; traffic is up more than 22 percent and load factors were virtually unchanged for 2012 compared to the prior year.

Holding the 2nd and 3rd spots on Table 2 are two carriers that concentrate on bundling holiday package components with the sale of tickets. Allegiant thinks of itself foremost as a vacation package company and secondly as an airline. Jet2.com placed new a la carte focus during 2012 on the packages sold through Jet2Holidays brand. Carriers wishing to break through the 25% barrier might consider more emphasis on holiday vacation sales. Allegiant and Jet2.com have undoubtedly tapped a repeat source of leisure client support by becoming the “go-to brand” for holidaymakers . . . be it a flight from Laredo to Las Vegas on Allegiant or Leeds to Lanzarote on Jet2.com.

Table 2: Top 10 Airlines – Ancillary Revenue as a % of Total Revenue				
Annual Results – 2012		Primary Source	Annual Results – 2011	
38.5%	Spirit	Various	33.2%	Spirit
29.9%	Allegiant	Various	27.1%	Jet2.com
26.5%	Jet2.com	Various	27.0%	Allegiant
21.8%	Ryanair	Various	20.8%	easyJet
20.8%	Tiger Airways	Various	20.5%	Ryanair
19.5%	easyJet*	Various	19.1%	Tiger Airways
18.7%	AirAsia X	Various	17.8%	AirAsia Group
18.6%	Jetstar	Various	17.0%	Flybe
18.2%	AirAsia Group	Various	16.5%	AirAsia X
17.7%	Flybe	Various	15.3%	Jetstar

*2012 carrier results were based upon recent 12-month financial period disclosures.
* IdeaWorksCompany estimated easyJet 2012 amount based upon 2011 results and subsequent disclosures.*

The “Per Passenger” top 10 list (see Table 3) provides an eclectic mix of mostly global brands and low cost carriers brought together by a common purpose to maximize the ancillary revenue captured from every passenger. Qantas and Virgin Atlantic accomplish this task largely through the sale of frequent flier points or miles to program partners. Spirit and Jetstar drive revenue through attention-getting low fares and by promoting the option for consumers to choose more comfort and convenience through a la carte services. United and Alaska choose a balanced combination of all the above.

Table 3: Top 10 Airlines – Ancillary Revenue per Passenger (US dollars)

Annual Results – 2012		Primary Source	Annual Results – 2011	
\$56.21	Qantas Airways	FFP	\$50.82	Qantas Airways
\$48.72	Spirit	Various	\$41.75	Spirit
\$46.31	AirAsia X	Various	\$41.37	Jet2.com
\$45.83	Jet2.com	Various	\$38.25	AirAsia X
\$38.86	Allegiant	Various	\$36.47	United Continental
\$38.11	United	Various	\$34.00	Allegiant
\$30.94	Korean Air	Various	\$24.61	Alaska Air Group
\$30.47	Virgin Atlantic	FFP	\$23.35	Jetstar
\$29.60	Jetstar	Various	\$22.02	Aer Lingus
\$26.10	Alaska Air Group	Various	\$21.92	Flybe

*Currency exchange based upon rates in effect when financial data was reviewed for each annual period.
2012 carrier results were based upon recent 12-month financial period disclosures.*

The most revealing development of 2012 is the addition of Air France/KLM to this report and the ancillary revenue revolution that it represents for Europe’s global airlines. According to a 15 May 2013 article from Reuters, the euro zone has now endured the longest recession since recordkeeping began in 1995. Similar to the fuel price crisis that gripped US airlines in 2008, economic troubles force airlines to change their playbooks.

Air France, while long singing the praises of optional extras, made the additional leap of excluding checked bags from its lowest fares on select routes within Europe. KLM took a similar approach by assessing bag fees for consumers not belonging to its frequent flier program. Even British Airways jumped on the trend by offering carry-on only fares from London Gatwick. Lufthansa took the most dramatic approach by handing over European flying to its low cost Germanwings subsidiary with the exception of flights from its Frankfurt and Munich hubs. Lufthansa passengers are being switched to a frugal style of service that assesses fees for checked bags, seat assignments, food and drinks. Lufthansa Group will quickly change from a company that dabbles in ancillary revenue to one which drives a meaningful level of sales from the very same activities associated with Ryanair, easyJet, and Vueling.

This revolution won’t be stopping in the heretofore comfy confines of Europe’s global airlines. Pegasus, a low cost airline thriving in Turkey on the edge of the Europe market, filed its first annual report with abundant references to ancillary revenue. Further afield in India, the government opened the ancillary revenue floodgates by blessing the adoption of a la carte pricing for an industry serving more than 1.2 billion people. Watch for amazing events in an airline market that has been revolutionary for many years. Simply said, easyJet’s decision to pass on the reporting of ancillary revenue for 2012 may be more wishful than realistic. This is a revolution like any other, one that is borne of difficult times when traditional methods are no longer effective at propping up the status quo.

Tables 1a and 3a – euros

The following tables reflect actual euro disclosures by Euro-zone airlines. All other financial disclosures have been converted to euros using rates in effect for 2012 and 2011. Carrier rankings remain the same as dollar-based tables but year over year changes for individual carriers will be different due to exchange rate fluctuations.

Table 1a: Top 10 Airlines – Total Ancillary Revenue (euros)				
Annual Results – 2012		Primary Source	Annual Results – 2011	
€ 4,139,236,800	United	Various	€ 4,162,655,000	United Continental
€ 1,992,788,844	Delta	Various	€ 2,039,870,000	Delta
€ 1,536,745,800	American	Various	€ 1,700,965,000	American
€ 1,279,977,000	Southwest	Various	€ 1,141,720,000	Qantas Airways
€ 1,213,260,120	Qantas Airways	FFP	€ 949,900,000	Southwest
€ 1,064,200,000	Ryanair	Various	€ 890,122,000	easyJet
€ 924,000,000	Air France/KLM	Various	€ 886,200,000	Ryanair
€ 880,903,848	easyJet*	Various	€ 874,230,000	US Airways
€ 830,090,220	US Airways	FFP	€ 537,315,924	TAM Airlines
€ 560,700,000	Korean Air	Various	€ 491,050,000	Alaska Air Group

*Currency exchange based upon rates in effect when financial information was reviewed for each annual period.
2012 carrier results were based upon recent 12-month financial period disclosures.
* IdeaWorksCompany estimated easyJet 2012 amount based upon 2011 and subsequent disclosures.*

Table 3a: Top 10 Airlines – Ancillary Revenue per Passenger (euros)				
Annual Results – 2012		Primary Source	Annual Results – 2011	
€ 43.30	Qantas Airways	FFP	€ 40.91	Qantas Airways
€ 37.68	Spirit	Various	€ 33.61	Spirit
€ 35.74	AirAsia X	Various	€ 33.30	Jet2.com
€ 35.18	Jet2.com	Various	€ 30.79	AirAsia X
€ 30.06	Allegiant	Various	€ 29.36	United Continental
€ 29.47	United Continental	Various	€ 27.37	Allegiant
€ 24.06	Korean Air	Various	€ 19.81	Alaska Air Group
€ 23.39	Virgin Atlantic	FFP	€ 18.80	Jetstar
€ 22.80	Jetstar	Various	€ 17.73	Aer Lingus
€ 20.18	Alaska Air Group	Various	€ 17.65	Flybe

*Currency exchange based upon rates in effect when financial information was reviewed for each annual period.
2012 carrier results were based upon recent 12-month financial period disclosures.*

Specific ancillary services identified by this review

Airlines are increasingly more revealing about their approach to ancillary revenue. During the course of its global review of ancillary revenue activities, IdeaWorksCompany uncovered the following examples:

- **Aeroflot** sold \$171.3 million of duty free goods on its flights during 2012 and attained a 115% mark-up on cost.
- **Air Berlin** realized income of €184.4 million (not revenue) from its topbonus frequent flier program during 2012.
- Economy comfort seating on **KLM** contributes €65 million annually on its transcontinental routes.
- IdeaWorksCompany estimates 18 passengers pay for assigned seating on a typical **Ryanair** flight.
- **Vueling** generates ancillary revenue through the licensing of its brand to a hotel in Barcelona. Hotel Vueling BCN by HC (Hoteles Catalonia) opened March 2013
- **Norwegian** owns a portion of Norwegian Finans Holding ASA which operates as Bank Norwegian. During 2012 the bank paid commissions of NOK 40,049,000 (\$6.9 million) for activity related to the Bank Norwegian Visa card.
- EarlyBird boarding provided \$161 million for **Southwest** for 2012.
- Buy-on-board contributed INR 278.81 million (\$4.9 million) to **SpiceJet's** 2012 revenues.

Please note: CarTrawler and IdeaWorksCompany will release an 80-page compilation of results and overall rankings from the 53 disclosing airlines during summer 2013.

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About CarTrawler

CarTrawler powers profitable car rental partnerships for travel brands all over the world. This year we will provide over 300 million airline passengers with direct access to car rental at 30,000 locations in 174 countries. That's more cars in more cities than you will find anywhere else. Aviation partners such as Emirates, Virgin Australia, Norwegian Air Shuttle, Wizz Air, Vueling, Transavia and West Jet trust CarTrawler to satisfy consumer demand for choice and convenience for their car rental programs. Learn more at 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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