Airline Ancillary Revenue and Loyalty Guide for 2017

The best single resource in your quest for revenue success

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About Jay Sorensen, Writer of the Report

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.

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.

Reach Jay Sorensen direct at Jay@IdeaWorksCompany.com

Avianca is the commercial brand that represents the Latin American airlines integrated into Avianca Holdings S.A. The airline, which is a Star Alliance member, serves 98 destinations in 26 countries throughout the American and European continents with its modern fleet of 173 aircraft, including the Boeing 787 Dreamliner.
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
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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.

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.