

Congratulations
to Allegiant Air
for being named
Revenue Innovation
Champ for 2017.

(See page 7
for details)



Airline Ancillary Revenue and Loyalty Guide for 2018

The best single resource in your quest for revenue success

Researched and written by Jay Sorensen

Edited by Eric Lucas



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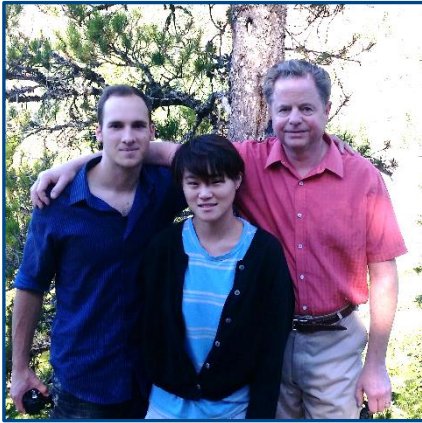
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About Jay Sorensen, Writer of the Report

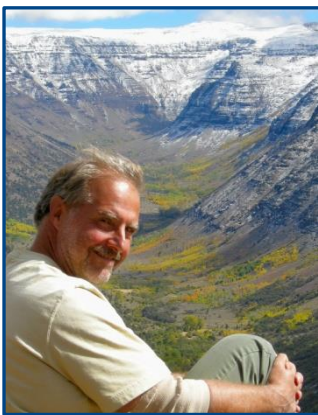
Jay Sorensen's research and reports have made him a leading authority on frequent flyer programs and the ancillary revenue movement. He is a regular keynote speaker at the annual MEGA Event, spoke at IATA Passenger Services Symposiums in Abu Dhabi and Singapore, and has testified to the US Congress on 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.



Jay, with son Aleksei and daughter Annika, in North Cascades National Park in Washington.

Mr. Sorensen is a veteran management professional with 30 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, culture and natural history 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 2017 *Michelin Alaska* guide. Eric has followed and written about the travel industry for more than 25 years. He lives on San Juan Island, Washington, where he grows organic garlic, apples, corn and beans; visit him online at TrailNot4Sissies.com.

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



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"IdeaWorksCompany delivers excellent insights and business-transforming ideas.

"Jay Sorensen's annual surveys and in-depth Master Class sessions provide a global competitive benchmark for many airlines, including Finnair with its global growth plans in the Northern Hemisphere. It's something every airline needs! The status quo is no alternative in today's airline industry."

Juha Jarvinen, Chief Commercial Officer
www.finnair.com

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. Finnair benefited from our expertise in the areas of frequent flyer 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 2017, we assessed the top ancillary revenue producing airlines and the most generous frequent flyer 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 *2018 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. These Top 5 Revenue Innovation Champs for 2017 relied on the work of the front line employees and management teams who delivered exceptional results during the year:

1. **Allegiant** tops this year's list because its latest endeavor creates an abundance of new revenue streams. The airline is building the largest master-planned hotel-condo resort on Florida's west coast to create an airline-airport-resort relationship intended to become a pipeline for revenue. The massive development will fill 20 waterfront acres in Port Charlotte, Florida and include a resort hotel, nine condo towers, restaurants, bars, shops, and a marina. Nearby Punta Gorda Airport (PGD) is served exclusively by Allegiant, which creates an obvious advantage. The airline estimates the Sunseeker Resorts project will bring an additional 300,000 visitors annually to the area with a ten-year economic impact of \$1 billion.
2. **EasyJet** is harnessing the power of long haul partnerships to add customers to its European network. EasyJet beat Ryanair in the connections race with its September 2017 announcement to sell connecting flights at easyJet.com between Europe and Argentina, Canada, Singapore, and the US. Canadian connections are provided by WestJet, while the other long-haul destinations are flown by a major competitor — Norwegian. The relationship is grandly branded "Worldwide by easyJet" and relies upon the GatwickConnects program developed by Gatwick Airport and Icelandic technology company Dohop. IdeaWorksCompany estimates the program will likely generate \$200,000 per week in new revenue.

3. **Delta Air Lines** returns to the top 5 list for a third year. The global carrier has reinvested a portion of its big baggage revenue into a mobile application that allows travelers to view a bag's location, be it in the baggage room, on the ramp, or planeside. The application also pushes out notifications to alert travelers when the bag has been loaded onto the flight and which carousel will receive the delivered bag. Delta also guarantees to deliver checked bags to the carousel within 20 minutes of arrival, and provides 2,500 SkyMiles if the standard is not met. These enhancements treat baggage service as a true consumer product by providing added value for the fees paid by travelers.
4. **Ryanair** and its Ryanair Labs group have obviously been very busy. Its mobile application was the most advanced for ancillary revenue retail efforts among those reviewed by IdeaWorksCompany for the world's top 25 airlines. For instance, Ryanair provides an exceptional example of seat assignment done right. As the consumer scrolls through the rows, the icon and pricing change to reflect the seats being viewed. Color coding readily indicates seat pricing, while double arrows indicate more leg room. Ryanair practices good retailing by using personalized messaging to alert consumers to "on sale" pricing for a la carte items such as select seat assignments and product bundles.
5. **GOL's** new bonus mileage program is called Club Smiles in English. It's a subscription-based mileage accelerator that charges a monthly fee ranging from BRL\$42 (\$13) to BRL\$299 (\$95) for 1,000 to 10,000 bonus miles per month. Membership in *Clube Smiles* is completely voluntary and is intended to augment regular membership, but the airline is offering a generous sign up bonus with a focus on "Plan 2,000" with an extra-large promotional bonus of 8,000 miles. Members must subscribe and pay the monthly fee for a minimum of 6 months. In addition to the benefits listed in the table, Clube Smiles promises select discounts on airline and retail rewards, 10-year validity for miles accrued from Clube Smiles, and no reward issuance fees for up to 5 air rewards per year. The result is a program that lifts loyalty and ancillary revenue to new levels with the powerful combination of a frequent flyer program and subscription plan.

IdeaWorksCompany looks forward to another year of ancillary revenue, a la carte, and loyalty marketing progress. I hope you enjoy reading this copy of the Airline Ancillary Revenue and Loyalty Guide. With 260 pages, it is one of our largest publications 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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