



## European Airlines Lead 2018 a la Carte Revenue Estimate at \$22.5 Billion with Asian Carriers 2<sup>nd</sup> at \$18.8 Billion

*CarTrawler Global Estimate of a la Carte Revenue yields regional details from the worldwide total of \$65 billion.*

**Dublin, Ireland & Shorewood, Wisconsin, 19 February 2019:** IdeaWorksCompany, the foremost consultancy on airline ancillary revenues, and CarTrawler, the leading technology platform providing full end to end transport solutions for online businesses, recently estimated airline a la carte revenue at \$65 billion worldwide for 2018. The **CarTrawler Global Statistics of a la Carte Revenue** adds regional details and 2014 comparisons to the figures from the earlier November 2018 release.

Each year IdeaWorksCompany, through the sponsorship of CarTrawler, analyzes the ancillary revenue disclosures for airlines all over the world. These results are applied to a larger list of carriers (which numbered 175 for 2018) to estimate ancillary revenue activity for the world’s airlines. A la carte activity is a significant component of ancillary revenue and consists of the amenities consumers can add to their air travel experience. These include fees paid for checked baggage, assigned seats, buy-on-board meals, early boarding, and onboard entertainment.

CarTrawler Global Statistics of a la Carte Revenue - Estimates			
Airlines Based in:	2018	2014	2018 over 2014 Increase
Europe	\$22.5 billion	\$11 billion	+105%
Asia/Pacific	\$18.8 billion	\$6.5 billion	+190%
North America	\$16.5 billion	\$8.2 billion	+100%
Africa/Middle East	\$4.2 billion	\$1.4 billion	+194%
Latin America/Caribbean	\$2.8 billion	\$1.4 billion	+107%
<b>Global Totals</b>	<b>\$64.8 billion</b>	<b>\$28.5 billion</b>	<b>+128%</b>
Source: A la carte revenue statistics derived by IdeaWorksCompany from 2017 and 2013 airline revenue results.			

Aileen McCormack, CarTrawler’s chief commercial officer, said: *“A la carte revenue, or the optional extras consumers can add to their airline shopping carts, has demonstrated outstanding growth globally. The overall revenue number has more than doubled in a short five year period. It’s no surprise the amount has grown in Europe and North America. The largest increases have occurred in Asia, Africa, and the Middle East. The passenger growth on airlines in these regions is responsible for a good portion of the results. But clearly, something else is happening here, with traditional airlines engaging in more a la carte activities, and the increased presence of low cost carriers. Ancillary revenue is indeed changing the airline business all over the world.”*

The 2018 Global Regions Snapshot table further demonstrates how a la carte activity varies by region. The prevalence of low cost carriers in a region actually drives the level of ancillary revenue; a higher concentration of low cost carriers (LCCs) boosts ancillary revenue and a la carte results.

- **Europe** leads the world for a la carte activity and LCCs generate nearly 25% of operating revenue for airlines based in Europe and Russia. The region is home to some of the largest ancillary revenue champs in the world: easyJet, Eurowings, Norwegian, and Ryanair. Recent moves by Europe’s global network carriers, such as Air France/KLM, British Airways, and the Lufthansa Group, to implement basic economy fares on transatlantic routes, supports the highest level for a la carte activity in the world.
- **North America** has lower LCC penetration (at 10.5%), but this would jump to nearly 22% if Southwest were tallied as a low cost carrier. But the carrier’s “bags fly free” policy deters significant a la carte results. The latest development for the big 3 global network airlines (American, Delta, and United) is to encourage upgrades to standard economy fares by restricting or charging for access to seat assignments. This upgrades activity, along with assigned seating fees, is lifting ancillary revenue for these airlines.

2018 Global Regions Snapshot - Estimates			
Airlines Based in:	Low Cost Carriers Revenue Share (Among all Airlines)	A la Carte as % of Operating Revenue (Among all Airlines)	Top 3 for A la Carte Revenue (Alphabetical Order)
Europe/Russia	24.7%	9.7%	easyJet, Lufthansa Group, Ryanair
North America	10.5%	7.1%	American, Delta, United
Latin America/Caribbean	19.7%	7.3%	GOL, LATAM, Volaris
Asia/Pacific	13.7%	6.6%	AirAsia, China Southern, Jetstar
Africa/Middle East	4.4%	4.9%	Emirates, Etihad, Qatar

*Estimates based upon ancillary revenue statistics derived by IdeaWorksCompany from 2017 airline revenue results. \* Southwest not tabulated as a low cost carrier for this snapshot calculation; the result would be 21.9% if counted as an LCC. Source: Research and calculations by IdeaWorksCompany*

- Within **Latin America**, baggage fees are now permitted on domestic flights within Brazil, and these have been implemented by the country’s major carriers: Azul, GOL, and LATAM. Low cost carriers and a la carte methods are becoming more prevalent. The following LCCs began operations in the region within the last two years: Flybondi (Argentina), JetSmart (Chile), Norwegian Air Argentina, and Viva Air Peru.
- The **Asia/Pacific** region has a significant number of low cost carriers surpassing \$1 billion in revenue: AirAsia, AirAsia X, Cebu Pacific, Indigo, Jetstar, Scoot, SpiceJet, Spring Airlines, and Vietjet. More LCC activity is now occurring in China with the development of 9 Air, Beijing Capital Airlines, China United Airlines, Lucky Air, and West Air. With all of this activity, it is surprising that global network carriers have been slow to adopt ancillary revenue methods.
- **Africa and Middle East** carriers have traditionally been fee-adverse and LCC activity in the region has trailed the rest of the world by a large margin. However, this is slowly changing with the big three carriers of the Gulf (Emirates, Etihad, and Qatar) all introducing assigned seating fees for the lowest-priced fares. These airlines still include a checked bag in these fares.

Newton's third law of motion states, "For every action, there is an equal and opposite reaction." The "action" in the case of ancillary revenue worldwide is the relentless spread of low cost carriers. Norwegian, Eurowings, and WOW Air have truly upset the established pricing regime across the North Atlantic. Within Europe, the likes of easyJet, Ryanair, Volotea, Vueling, and Wizz continue to activate European consumers with a la carte savings. The "opposing reaction" has been the surprisingly quick embrace of all-things-ancillary by the biggest and oldest names in commercial aviation. Like the fall of a row of dominoes, Air France/KLM, American, British Airways, Delta, Lufthansa, and United have rolled out their own versions of basic economy fares.

These fares are designed to mimic their low cost cousins by essentially offering a seat-on-a-flight. The addition of a checked bag, seat assignment, and priority boarding cost extra and therefore contribute to a la carte revenue. At present the action and reaction are largely limited to flights within Europe and the US, and on transatlantic routes. Asia, Africa, and the Middle East have yet to be affected by the spread of basic economy. This reference suggests similarity to a virus, but ancillary revenue is actually an effective treatment. The global economy seems eager to deliver unstable fuel prices, which might plummet or unexpectedly rise. The future also suggests tough economic times due to political uncertainty or mounting trade wars.

Ancillary revenue, which includes the boost provided by the sale of a la carte extras, operates like a hedge against all this risk. It removes the fluctuations of airfares from a portion of a carrier's revenue stream. It adds rewards for airlines when they exercise merchandising vigor. Best of all, it provides consumers the ability to choose the total trip price that's best for them. Ancillary is an inoculation against the virus of financial failure, which seems ever present in the airline business.

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**About CarTrawler:** CarTrawler is the world's leading B2B travel technology platform. Its award-winning technology platform brings opportunities to life by creating global online marketplaces for its 4,000 travel partners, 2,500 transport suppliers and 1 billion end customers. CarTrawler acts as a facilitator of relationships by connecting in real time to every significant transport supplier globally. These include car rental, on-demand and pre-booked taxis, shared shuttle services, bus and rail products. CarTrawler's partners include over 100 airlines, 53 of which are in the top 100 largest globally. CarTrawler is private equity-backed by BC Partners and Insight Venture Partners. For more information visit [www.CarTrawler.com](http://www.CarTrawler.com).

**About IdeaWorksCompany:** IdeaWorksCompany boosts airline profits through innovations in ancillary revenue, a la carte pricing, and loyalty marketing. The firm was founded in 1996 and has an international client list of airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorksCompany enjoys a reputation as a global resource for ancillary revenue strategy, on-site executive workshops, and research reports. Learn more at [IdeaWorksCompany.com](http://IdeaWorksCompany.com).

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