

## 2017 Top 10 Airline Ancillary Revenue Rankings

CarTrawler-sponsored analysis shows ancillary revenue has gone beyond tilting the bottom line toward profitability and is now a core component of revenue for fiscally healthy airlines.

Researched and written by Jay Sorensen

Edited by Eric Lucas



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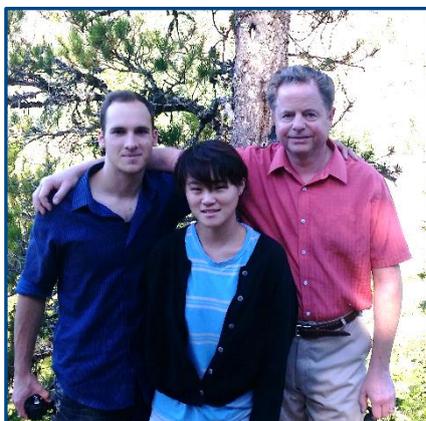
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## About Jay Sorensen, Writer of the Report

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.

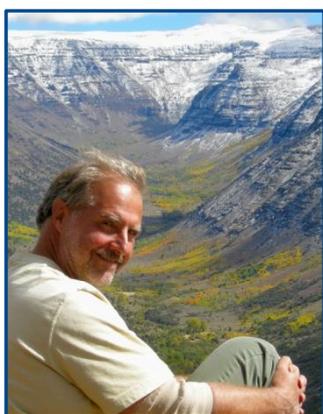


*Jay, with son Aleksei and daughter Annika, in North Cascades National Park in Washington.*

Mr. Sorensen is a veteran management professional with 34 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 *Beyond Magazine*, *Westways* 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](http://TrailNot4Sissies.com).

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

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## 2017 Top 10 Ancillary Revenue Rankings

“Resolute” is a word that perfectly describes the determined and unwavering force known as the ancillary revenue movement. Since IdeaWorksCompany began searching airline financial documents in 2007, ancillary revenue has grown every year. Ten years ago, the top ten airlines, as rated by total ancillary revenue, generated \$2.1 billion. For 2017, the top ten airline total has jumped to \$29.7 billion (shown in Table I). Passenger fares may dip and climb, but ancillary revenue has grown steadily in its contribution to the industry’s bottom line. This report describes the very best of ancillary results on the global stage, whether measured as total revenue, a percent of revenue, or on a per passenger basis.

<b>Table I: Top 10 Airlines – Total Ancillary Revenue (US dollars)</b>			
<b>Annual Results – 2017</b>		<b>Approximate Sources of Revenue</b>	
		<b>Frequent Flyer Program</b>	<b>A la Carte Such As Bags Travel Retail Commissions</b>
United	\$5,749,000,000	41%	59%
Delta	\$5,391,000,000	56%	44%
American	\$5,274,000,000	59%	41%
Southwest	\$3,084,100,000	79%	21%
Ryanair	\$2,304,748,827	None	100%
Air France/KLM *	\$1,971,662,916	20%	80%
Lufthansa Group *	\$1,947,027,128	43%	57%
Alaska Air Group	\$1,339,700,000	64%	36%
Air Canada	\$1,334,461,449	41%	59%
easyJet	\$1,284,402,695	None	100%

*2017 carrier results were based upon recent 12-month financial period disclosures.  
\* IdeaWorksCompany estimate based upon updated past disclosure and other sources.  
Local currencies converted to US dollars at July 2017 rates of exchange.*

Ancillary revenue and a la carte revenue are terms which can be easily confused. Ancillary revenue — as defined on the next page — is not limited to fees for optional services. It also includes other ways in which passengers generate revenue for an airline. The revenue produced by frequent flyer programs represents a very meaningful 26 percent of the total revenue listed in Table I. But not for all carriers, as Ryanair and easyJet have yet to begin the journey of offering loyalty benefits to consumers. However, their continuing focus on business travel strongly suggests this will someday occur.

## Financial documents for 146 airlines were reviewed

Every year since 2007, IdeaWorksCompany searches for disclosures of financial results which qualify as ancillary revenue for airlines all over the globe. Annual reports, investor presentations, financial press releases, and quotes attributed to senior executives all qualify as sources in the data collection process. Of the 146 airlines reviewed, 73 were found to reveal financial results related to ancillary revenue. This represents a nearly threefold increase from the 23 airlines which disclosed ancillary revenue back in 2007.

### IdeaWorksCompany offers a definition of Ancillary Revenue

Revenue beyond the sale of tickets that is generated by direct sales to passengers, or indirectly as a part of the travel experience.

IdeaWorksCompany further defines ancillary revenue using these categories:  
 1) a la carte features, 2) commission-based products, 3) frequent flyer activities,  
 4) miscellaneous sources such as advertising, and  
 5) the a la carte components associated with a fare or product bundle.

From this list, total airline revenue and ridership data were collected to determine the top ten airlines in overall ancillary revenue, as a percentage of company revenue, and on a per passenger basis. The results for the 73 disclosing airlines will be released in September 2018 as the 11th annual *CarTrawler Yearbook of Ancillary Revenue by IdeaWorksCompany*.

### When ranked as a percent of total revenue, low cost carriers dominate

It's a logical corollary that airlines with low average fares achieve the best "percent of total revenue" results. Table 2 identifies the leading low cost carriers in the world. This measurement demonstrates the capacity to generate a major share of ancillary revenue through a la carte activities. It's also a reliable year-over-year indicator because it removes the factor of global currency fluctuations.

**Table 2: Top 10 Airlines – Ancillary Revenue as a % of Total Revenue**

Annual Results – 2017		Notable Ancillary Revenue Activities
46.6%	Spirit	Began dynamic pricing of seats, bags, and bundled offerings.
43.6%	VivaAeroBus	The Viva Credit Card was introduced.
42.4%	Frontier	Per passenger bag revenue jumped 50% above 2016 rate.
41.6%	Wizz Air	Wizz Priority option guarantees space for carry-on bags.
39.8%	Allegiant	The Allegiant World MasterCard was introduced.
34.2%	Volotea	Placement of a la carte in online booking path was optimized.
28.5%	WOW air	Big seats, now called WOW Premium, added to new aircraft.
28.2%	Ryanair	50% now pay for assigned seating, up from 23% in a year.
27.7%	Volaris	Dynamic pricing for bags & assigned seats boosted revenue.
27.6%	Jet2.com	Airline employs 450+ customer helpers at resort locations.

*2017 carrier results and activities based upon 12-month financial period disclosures.*

Ancillary revenue as a portion of total revenue appears to have reached a ceiling of 50 percent with the top producer being Spirit at 46.6 percent. Michael O’Leary has remarked throughout his tenure as CEO of Ryanair that fares could someday be zero; consumer air travel cost would be limited to a la carte fees and other ancillary revenue. Over time, that objective eluded Ryanair, with other airlines doing much better. Spirit’s total ticket revenue was approximately \$110 per passenger for 2017. Of this amount, about \$51 (or 46.6 percent) would qualify as ancillary revenue. It’s easier for a non-global airline to achieve this high rate because the underlying passenger fares are lower for short- and medium-haul travel.

The other airlines in the top 10 list are similar in this regard, with one significant exception. WOW air is a low cost airline with global reach. During 2017 its Iceland-based route network stretched from San Francisco to Israel. For 2018 the carrier will reach even greater distance when it adds India. The privately held airline disclosed its results directly to IdeaWorksCompany for inclusion in this report. WOW air is obviously an ancillary revenue powerhouse with results significantly above other long-haul LCCs; AirAsia X and Scoot don’t appear in this top 10 table.

The ten airlines on this list are low fare champions. These airlines have introduced vast numbers of lower income consumers to the wonder of flight. Evidence of this stunning public service achievement abounds. VivaAeroBus and Volaris actively compete with bus lines in Mexico. Ryanair and Wizz Air provide an economical lifeline for many workers in Western Europe to visit families living in former Soviet countries. WOW air has made headlines in the US with \$99 fares to Europe which allow practically anyone to become a globe-hopping tourist. More traditional carriers would not embrace this low fare mission without a competitive push from LCCs. Ancillary revenue is the elixir that enables airlines to offer headline grabbing low fares while maintaining a predictable revenue flow from the sale of optional extras.



Screen shot from the “A Day in the Life of an Airport Customer Helper” YouTube video by Jet2.com.

New to this year’s report is a column in Table 2 which lists notable 2017 activities that contributed to each carrier’s results. The list includes the introduction of co-branded credit cards, improved bag and assigned seating results, and market-determined a la carte fees. The most novel in the group is the hiring of 450+ “customer helpers” by Jet2.com at its sun destinations.

UK-based Jet2.com obviously takes its holiday package business very seriously. Airline staff are stationed at airports and resorts to help guests in every way. Arriving flights are greeted, guests are directed to motor coaches, and concerns are addressed. At the resorts, customer satisfaction is assessed, excursions and holiday extras are recommended and booked, and on-property check-in is available for the return flight.

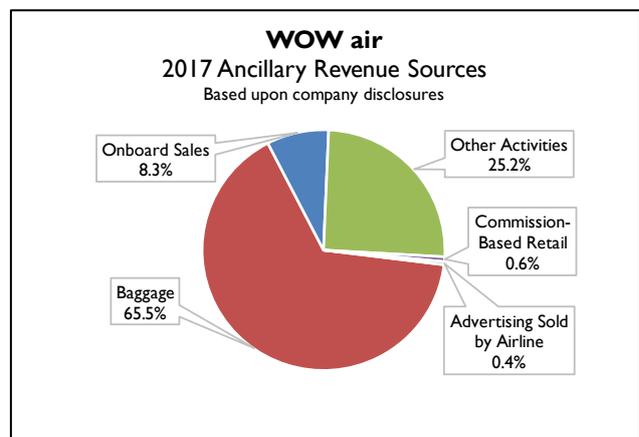
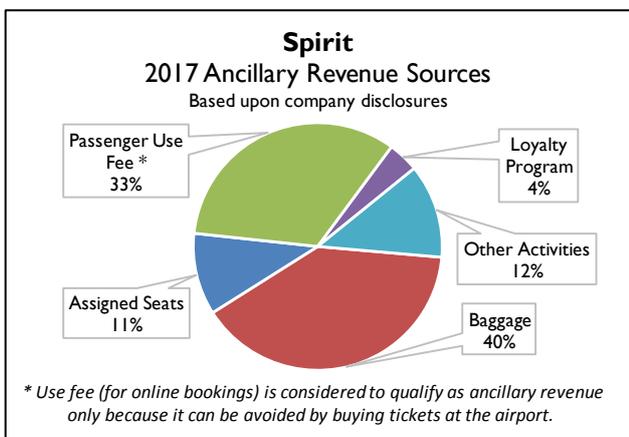
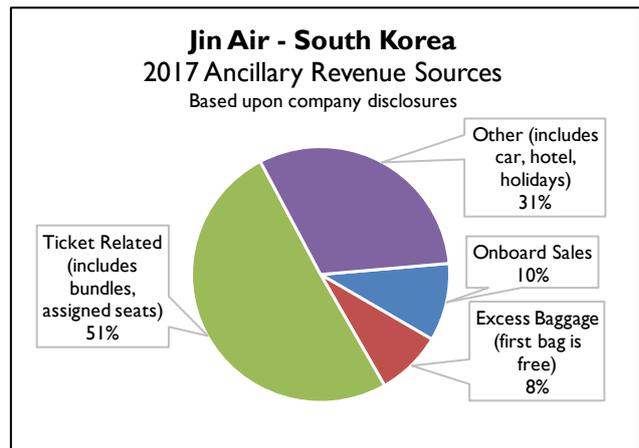
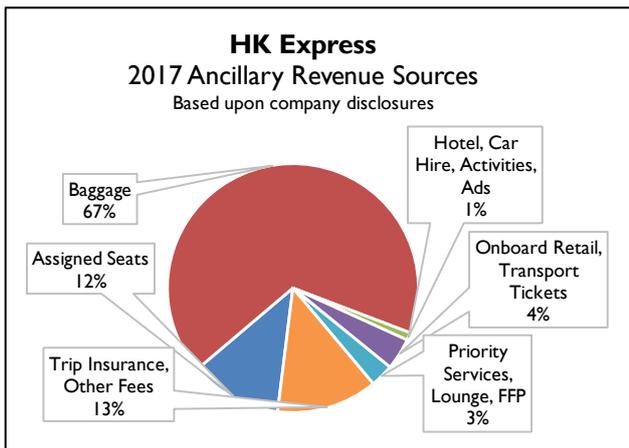
The resort check-in service was introduced in summer 2016, and was expanded to more than 180 hotels for summer 2017 — a notable achievement. This service allows Jet2holidays customers to check in baggage at their hotel, letting them enjoy their final day, bag and hassle free. Jet2.com is not only an ancillary revenue champ, it’s also a total travel retailer.

## The best ancillary revenue pie includes a big slice of baggage

In the process of collecting data for this report, IdeaWorksCompany makes note when details regarding the sources of ancillary revenue are identified. The activity associated with each of the 73 airlines will be presented in the annual *CarTrawler Yearbook of Ancillary Revenue*. For some airlines, such as Jin Air and Spirit, disclosures from financial filings provide a rather complete picture of their ancillary revenue. Some airlines, such as WOW air and HK Express, have chosen to directly reveal their ancillary revenue to IdeaWorksCompany for inclusion in the *Yearbook*.

IdeaWorksCompany reviews the collected data and makes a few adjustments. Throughout the results in this report, revenue from cargo and change fees was subtracted from results when possible. Specifically for Spirit, change fees were removed from the ancillary revenue total and not shown in the pie chart below, which presents ancillary revenue details for four low cost carriers: HK Express, Jin Air, WOW air, and Spirit. Colors assigned to pie slices vary, but red shading always designates baggage revenue.

### Low Cost Carrier Examples



Red dominates three of the pie charts, which strongly indicates the importance of revenue from baggage fees. The slice of red for Jin Air is small because the carrier provides a free checked baggage allowance. WOW air with its long-haul network generates a hefty \$32 per passenger from bags, while Spirit is in excess of \$20. Designing a baggage policy that delivers maximum revenue, while balancing customer expectations and operational feasibility, is a difficult task. The challenges faced by Ryanair and Wizz Air in this regard are covered later in this report.

Assigned seating has become a major revenue producer, with HK Express and Spirit disclosing it provides 11 to 12 percent of ancillary revenue. On a per passenger basis, that's \$5.45 for Spirit and \$3.84 for HK Express. The range of products sold includes extra leg room seats in the exit row and seats in the front of the cabin. Travelers have demonstrated their desire to pay a premium for being earlier off the aircraft upon arrival. That's the perfect demonstration of the magic of ancillary revenue – it identifies those areas where consumers are willing to spend more to enjoy greater comfort and convenience. This is just one of the tools airlines use to generate a reasonable profit for their investors.

### LCCs dominate the top ten list for ancillary revenue per passenger

The top performing airlines are largely low cost carriers, with a couple of global network airlines appearing, when ancillary revenue is expressed on a per passenger basis (Table 3 below). Top producers, from various ancillary revenue sources, by global region are: WOW air \$48.87 (Europe & Russia), Spirit \$50.97 (Americas), and AirAsia X \$33.12 (Asia & South Pacific). The definition of ancillary revenue includes the results produced by a carrier's frequent flyer program and this can provide a substantial benefit for global airlines such as Qantas and United. For Qantas, a perennial best performer on this list, its Qantas Loyalty segment achieved revenue in excess of AUD \$1.5 billion (nearly \$1.16 billion) for fiscal year 2017. That's a stunning \$98 per member or almost \$39 per passenger.

**Table 3: Top 10 Airlines – Ancillary Revenue per Passenger**

Annual Results – 2017 (in US dollars)		Ancillary Source	2008 Comparison (in US dollars and % increase above 2008)	
\$50.97	Spirit	Various	\$18.61	+174%
\$48.87	WOW air	Various	<i>Airline did not operate in 2008</i>	
\$48.33*	Frontier	Various	\$3.70	+1,206%
\$48.67	Allegiant	Various	\$26.66	+83%
\$43.00	Jet2.com	Various	\$19.04	+126%
\$42.55	Qantas Airways	FFP	\$15.83	+169%
\$38.83	United	Various	\$22.86	+70%
\$33.12	AirAsia X	Various	\$21.00	+58%
\$32.52	HK Express	Various	<i>Not available</i>	
\$31.15	Wizz Air	Various	<i>Not available</i>	

*2017 and 2008 carrier results were based upon 12-month financial period disclosures.*

*\* IdeaWorksCompany estimate based upon past disclosure and updated for current report.*

*Local currencies converted to US dollars at July 2017 and July 2008 rates of exchange.*

Low cost carriers rely upon a la carte activity by aggressively seeking revenue from checked bags, assigned seats, and extra leg room seating. The best producers focus their a la carte effort on those leisure travelers who are willing to spend more. Ryanair and easyJet have moved to capture more business travelers . . . and they don't appear on this list. These two airlines have lower ancillary revenue per passenger, but this can be easily overcome by selling more tickets to business travelers attracted by the less aggressive approach. Real revenue gains would be enjoyed by the airline that successfully entices business travelers and gets them to spend more while maintaining a vigorous a la carte approach.

The numbers suggest WOW air might be doing that. The Iceland-based carrier began to install big reclining leather covered seats in their signature purple color in early 2017. The airline originally kept the amenities to a minimum and just included baggage and items off the buy-on-board trolley. The product was re-branded in 2018 as WOW Premium and is certainly designed with the business traveler in mind.

The flexibility sought by some business travelers is now part of the package. This includes refunds in the event of an emergency and no penalty for changing flights (pay only the higher fare). Priority boarding is added systemwide and fast track is now provided in Iceland.

The airline offers 13 gateways in the US which include smaller cities like St. Louis and Cleveland. These connect with destinations in Europe, Israel, and soon New Delhi. For example, Newark flyers can choose 20 destinations in Europe along with Iceland. While WOW Premium is not a lie-flat bed, it does offer a budget friendly splurge for holiday-makers and a sensible choice for business travelers who are conscious of the bottom line.

*WOW Premium offers a 37-inch pitch and can best be compared to premium economy on other transatlantic carriers.*

The right side of Table 3 compares 2017 results to the troublesome year of 2008. The global airline industry was in tatters due to unprecedented jumps in the price of oil. In the US alone, Aloha, ATA, Frontier, and Skybus declared bankruptcy that year.<sup>1</sup> The Frontier Airlines that appears under the 2017 heading is a very different operation from the failed carrier in 2008. Back then, its business model only generated ancillary revenue of \$3.70 per passenger. Across the entire table, the increases demonstrate the growing importance ancillary revenue plays in the revenue mix of these carriers.

<sup>1</sup> "Frontier to Fly Amid Bankruptcy Filing" article dated 12 April 2008 in the *Wall Street Journal*.

## Ryanair and Wizz Air see bag revenue decline

Getting baggage right is a big deal for any airline today, but it's a huge issue for low cost carriers. Ryanair and Wizz Air were known for their eager enforcement of bag policies. It's an economic necessity, as LCCs offer consumers the promise of low fares . . . with the hope additional revenue can be gained from bags. Both airlines were known for their "baggage police" approach and used bag sizers at gate areas to limit the size of carry-ons. These efforts were rewarded with robust baggage revenue and actually had an influence on the size of baggage sold within Europe. Roll-on bags became smaller to accommodate LCC policies.

Let's review a little ancillary revenue history. Wizz Air introduced a controversial €10 fee for large carry-on bags back in 2012.<sup>2</sup> Around the same time, headlines were made in Europe by a Ryanair traveler who was forced to pay more than £200 because she forgot to print boarding passes before arriving at the airport.<sup>3</sup> Low fare airlines, while delighting travelers with low fares . . . were perceived as being too aggressive with some fees.

Ryanair was first to concede with CEO Michael O'Leary admitting, "We should try to eliminate things that unnecessarily piss people off."<sup>4</sup> Ryanair initiated its "Always Getting Better" program in 2014 with a promise to be a kinder and gentler airline for travelers. Baggage policies were relaxed and a Business Plus product was introduced which included fast track, priority boarding, and flexible tickets.<sup>5</sup>

The hope of attracting more business travelers has influenced LCC attitudes towards customer service. While leisure travelers are almost totally lured by low fares . . . business travelers expect no hassles and more convenience. Ryanair has learned the benefits of becoming more business friendly, and this has encouraged relaxed baggage policies. If leisure travelers are more satisfied as a result, that's another happy outcome of the pursuit of business traffic.



Ryanair tries to simplify a policy that many found difficult to understand.

Ryanair broke with LCC tradition in September 2017 by announcing a radical approach to baggage.<sup>6</sup> The image provided on this page was designed by Ryanair to better explain the new policy after many consumers were confused by its introduction. Passengers who purchase Priority Boarding for €5 will also get the benefit of bringing a medium sized roll-on bag weighing up to 10 kg. (22 pounds) and a small hand-held item such as a purse.

<sup>2</sup> "Wizzair to extend hand-baggage fee" article dated 03 October 2012 at *BusinessTraveller.com*.

<sup>3</sup> "Woman forced to pay £200 to print out Ryanair tickets" article in *The Telegraph* dated 22 August 2012.

<sup>4</sup> "Ryanair unveils new strategy: 'be nice to customers'" article dated 20 September 2013 at *Reuters.com*.

<sup>5</sup> "Always Getting Better" page at *Ryanair.com* reviewed June 2018.

<sup>6</sup> Ryanair press release dated 06 September 2017.

That's the easy-to-understand part of the policy. Passengers who don't purchase Priority Boarding can also bring the same two bags to the gate. However, the medium carry-on will be tagged and checked at the gate – free of charge. These passengers may only carry onboard a single small hand-held item as a purse or laptop. Concurrent with this, Ryanair also lowered the price of checking a full size bag at the counter from €35 to €25 and raised the weight limit to 20 kg. Twenty percent of consumers now pay the modest €5 Priority Boarding fee which includes the ability to carry on the medium-sized bag.<sup>7</sup>

Wizz Air dropped its carry-on bag fee in October 2017.<sup>8</sup> Jozsef Varadi, CEO of Wizz Air, commented, “Charging for cabin bags was one of the critiques we had been getting from customers, now we are falling in line with the rest of the industry.”<sup>9</sup> Passengers would now be allowed to bring a medium-sized bag as a carry-on with a weight limit of 10 kg. The airline said this represented a 50 percent larger bag size than the prior free-of-charge carry-on limit. Purchasing Wizz Priority allows travelers to bring a 2<sup>nd</sup> piece, which is limited to a small hand-held item. Pleasing your customers may bring more traffic, but relaxing bag fee policies naturally leads to lower baggage revenue.

Ryanair admitted “a steep decline in baggage revenue due to few travelers checking bags and bag fee declines” during its 24 July 2017 investor earnings call. This was due to the carrier’s ongoing consumer friendly initiatives. Wizz Air recently disclosed during its fiscal 2018 presentation reduced baggage revenue due to the 2017 policy change. Revenue from paid checked-in bags reduced from €10.10 per passenger for FY 2017 to €8.10 for FY 2018.

Ryanair’s new policy of checking bags at the gate had a predictable outcome. Michael O’Leary added these comments on the new policy during the annual report Q&A on 21 May 2018: “During bank holiday, peak periods, there are many flights where we now have to put 100, or 120 gate bags as free charge into the hold . . . But there is no doubt, both the feedback from the cabin crew and from customers is that nobody is struggling to find space on board in the overheads or under the seats when they board the aircraft, and that’s good.” The negative commentary conflicts with the carrier’s CFO, who indicated the new bag policy has “actually gone very well.”

Iain Wetherall, Wizz Air’s CFO, made an almost identical comment during a 30 March 2018 Q3 FY 2018 earnings call, “People don’t want to pay for bags and the challenge the industry faces across all markets is that essentially these aircraft are unable to take one bag per passenger, so an A320 can probably only take about 100 bags versus 180 seats.” Wizz Air hopes its new Wizz Priority product will eventually work to reduce the operational issues.

**HAND LUGGAGE**



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55 x 40 x 23 cm  
max 10 kg

**FREE**

- No more fees for hand luggage
- Bigger Free Hand luggage  
50% increase in volume\*
- Standard size in the industry

Wizz Air used a word you rarely see applied to baggage policies . . . "free."

<sup>7</sup> Fiscal Year 2018 Ryanair Holdings PLC Earnings Video Presentation dated 21 May 2018.

<sup>8</sup> Wizz Air press release date 19 July 2017.

<sup>9</sup> “Wizz Air CEO on IQ Results, Baggage Fees, Growth” transcribed from interview dated 19 July 2017 at Bloomberg.com.

Ryanair and Wizz Air deserve kudos for trying innovative solutions to their baggage issues. While the revenue they generated from earlier bag policies was certainly attractive . . . eventually consumers pushed back. Travelers love carry-on bags and there’s a feeling that these should be free of charge. Both carriers disclosed a la carte revenue losses from the relaxation of bag policies – there’s no surprise there. The friendlier posture has placed Ryanair and Wizz Air closer service-wise to their global network brethren, such as British Airways and Lufthansa. Perhaps these LCCs should attract more customers who were once reluctant to fly the “LCC way.” Capturing more flyers becomes even more attractive if some are higher yielding business travelers.

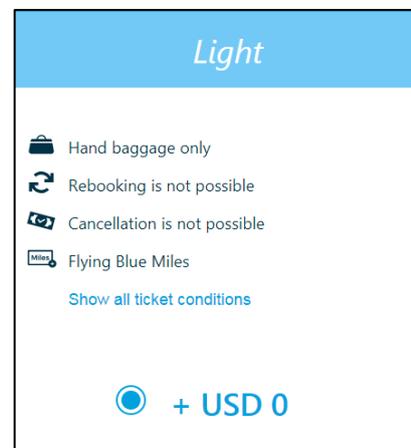
The solution these airlines may eventually identify will likely be something less exotic than the innovations they tried. Everyday sensible pricing for checked bags with attractive online booking discounts will reduce activity at departure gates. Subscription products and co-branded credit cards that include checked bag benefits encourage repeat travelers to check rather than carry. Pre-departure email and text messaging reinforces the pre-payment discount offer and reminds travelers that big carry-on bags are a no-go item. Airlines should also build new features into their baggage handling process to add value to the fees by implementing service guarantees and tracking capabilities through a carrier’s mobile app.

### Basic economy fares are a hedge against the unknown

Basic economy fares were developed by network airlines to compete against the bare fares offered by low cost carriers. Within Europe, these were introduced by Air France, KLM, and British Airways on intra-Europe routes in 2013.<sup>10</sup> Air France’s “New Economy Offer” was implemented February 2013 to 58 destinations on its short- and medium-haul European network. Customers could choose from an all-inclusive “Classic” product or a new “Mini” product which did not accrue Flying Blue miles, nor provide pre-assigned seating, and only allowed carry-on bags.

IdeaWorksCompany has long predicted bag fees would expand beyond domestic markets in North America and Europe to the transatlantic and eventually the world. Not surprisingly, the catalyst was the entry of long-haul low cost carriers into the US-Europe market. Leading the charge has been loss-making Norwegian Air, which started US flights in 2013 and is flying approximately 60 routes to 14 US destinations for summer 2018.<sup>11</sup> Added to this onslaught are the route additions of WOW air, Primera Air, and Westjet.

The young low fare affiliates of Air France/KLM, British Airways, and Lufthansa Group are not yet large enough to generate a meaningful transatlantic response. Unlike their European alliance partners, US-based carriers have not developed low fare affiliates. The quick solution that evolved from this competitive struggle has global network airlines adding basic economy fares to their transatlantic repertoire.



*KLM uses a friendly branded fares approach to presenting its Economy Light option in its online booking path.*

<sup>10</sup> “Bag Fees Sprout this Spring in Asia, Europe, and America” IdeaWorksCompany report issued 08 July 2013.

<sup>11</sup> “Ultralow-cost transatlantic carriers multiplying, but will they last?” article dated 29 April 2018 at [TravelWeekly.com](http://TravelWeekly.com).

The list of carriers that offer basic economy fares on transatlantic routes as of June 2018 includes: Aer Lingus, Air France/KLM, Alitalia, American, Austrian, British Airways, Brussels, Delta, Finnair, Iberia, Lufthansa, SAS Scandinavian, SWISS, TAP Portugal, and United. Of course, this is in addition to the low cost carriers that have always sold travel this way. For global network airlines, basic economy typically allows a medium size carry-on bag weighing 8 to 10 kg (18-22 pounds) with maximum dimensions of 23 x 36 x 55 cm (9 x 14 x 22 inches).

Checking a bag costs extra, and many charge for booking a seat assignment before check-in. These passengers usually receive the same economy meal as standard fare passengers, but will board the aircraft in the last group. Frequent flyer perks may be restricted and changes and cancellations are not allowed. United, at present, tosses in free advance seat assignments; management has cautioned that perk might someday disappear. The following table compares pricing and features for four primary competitors between New York and London.

<b>Table 4: Basic Economy Fares Revenue Comparison</b>				
New York – London, travel on 01-08 October 2018, roundtrip travel				
<b>Airline</b>	<b>American</b>	<b>Norwegian</b>	<b>United</b>	<b>Virgin Atlantic</b>
City Pair	JFK-LHR	JFK-Gatwick	Newark-LHR	JFK-LHR
Basic Fare	\$334	\$239	\$334	\$412
Regular Fare *	\$424	\$419	\$424	\$492
% Savings Off Regular Fare	21.2%	43%	21.2%	16.3%
Selected a la Carte Optional Extras				
Assumes traveler requires a medium bag, assigned seat, and food/drink for roundtrip travel				
1 <sup>st</sup> Bag Fee	No charge for medium carry-on bag ** + small hand bag	No charge for 10 kg. medium carry-on bag **	No charge for medium carry-on bag ** + small hand bag	No charge for 10 kg. medium carry-on bag **
Carry-On				
Seat Assignment <i>lowest fee choice</i>	\$24	\$90	No charge	\$80
Meal	Included	\$56 †	Included	Included
Revenue Summary				
Total Revenue <i>fare + a la carte items</i>	\$358	\$385	\$334	\$492
Fare %	93.3%	62.1%	100%	83.7%
a la Carte %	6.7%	37.9%	n/a	16.3%
<p>* Regular transatlantic fare includes checked bag, regular seat assignment, and medium size carry-on.  ** Medium carry-on bag is typically limited to 23 x 36 x 55cm (9 x 14 x 22 inches) and 22 pounds.  † Sandwich, salad, wine, and coffee from a la carte menu.  Queries performed June 2018. Fares do not include taxes, but include carrier imposed charges (CICs).</p>				

Table 4 displays the travel expectations of a typical budget-oriented consumer with certain assumptions. They are not traveling with a large bag, but can survive on the contents of a medium size roll-on. They want the certainty of early seat assignment to prevent being stuck in a middle seat at time of check-in. The 7-hour flight between New York and London is a bit long on an empty tummy, so food is desired. This requires pulling the credit card out on Norwegian to buy snacks. The other airlines still include some type of edibles on a tray. Under this single October 2018 itinerary scenario, Norwegian doesn't offer the best deal. American and United deliver an overall lower price, which includes carrier surcharges but is net of taxes and government fees.

The "revenue summary" area of the table details the not-so-obvious value of the basic economy method. You can visit a movie theatre and walk pass the snack bar . . . but most patrons don't. You can order a cheese pizza and skip the extra toppings . . . but most people don't. Likewise when buying an airline ticket – it's hard to skip the extras. The basic economy fare is an oh-so-inviting offer which places a traditional airline on par with a LCC. Next comes the role of effective merchandising which hopes to upgrade a consumer's initial modest spending intentions. As consumers work their way through the booking path, they are encouraged to add assigned seats, a checked bag, early boarding, pre-ordered meal, and maybe book a car and hotel. All of this activity delivers revenue beyond the low base fare.

Airline fares are a competitive tool; they can be moved up or down. Predictable and high-yield revenue in a market can be quickly replaced by pricing mayhem when an LCC announces new service. Average fares will certainly decrease when a new carrier enters a market. But the portion of revenue generated through a la carte activity will likely remain stable. Ancillary revenue acts as a hedge against the unpredictability of airline fares. More ancillary revenue – on a per passenger basis or as a percent of revenue – protects against market volatility.

The top ten performers in this report, such as Spirit, VivaAeroBus, Frontier, and Wizz Air, protect more than 40 percent of operating revenue from fare fluctuations. American, Delta, United, and Qantas also benefit from non-fare revenue due to the billions generated by frequent flyer programs. Rather than being reliant upon the travel business, their frequent flyer programs are more connected to consumer spending and the banking industry. That's an amazing distribution of risk.

Ancillary revenue originally provided a nice revenue boost that often tilted airlines to profitability during difficult times. As it has grown, it has become a core component of a carrier's fiscal health. Ancillary revenue is something investors now expect from airline management teams. This goes hand-in-hand with a la carte, which has also emerged as an expectation . . . but on behalf of consumers. That's because it allows consumers to book travel that fits their individual needs.

**Please note:** CarTrawler and IdeaWorksCompany will release a 90+ page compilation of results and overall rankings from the 73 disclosing airlines during September 2018. A companion report, scheduled for November 2018, will use these results to extrapolate the total ancillary revenue generated by a global list which exceeds 180 airlines.

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