

À-la-carte Pricing...a couple of thoughts

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Ancillary Revenues – Not applicable to Legacy Airlines!?

- Quite a few legacy airlines already implemented fees for services that once were included in the price of a ticket
- The relatively high level of passenger acceptance surprised carrier management teams
- Checked baggage, ASR, Lounge Access, Insurance become very popular...



Ancillary Revenues – Not applicable to Legacy Airlines!?

- SQ announced a fee of US\$50 per sector to reserve exit row seats in Economy!*
- Europe: an offering of Special Economy including A 3-course meal box and drinks, at a higher price...*
- BA's Willie Walsh: ...we are only scratching the surface at BA regarding Ancillary Revenues...*

*Jay Sorensen - IdeaWorks



Is it New Revenue?

- Ancillary Revenue
 - Revenue other than through the sale of tickets that is generated by direct sales to passengers, or indirectly as a part of the travel experience
- A-la-carte Revenue
 - Revenue generated from selling products or Services separately, which have traditionally been included in the price of the airline ticket

For many Legacy Carriers it is indeed!



Services

- **Flight Related Service**
 - **Products that enhance the flight experience such as seat selection, meals, blankets and beverages**
 - Reservation for a seat in an area where there are no children and babies 10 rows ahead and behind me!
 - Reservation for a seat in a no-mobile phone area
- **Ticket Related Service**
 - **Items associated to the purchase of a ticket such as lounge access or travel insurance**
 - Lounge access has already become a classic



Optional Services/Ancillary Revenue

...generated through À-la-carte pricing...

- Sales of optional services on airline's websites today
- Direct web sales represent only 15 – 30% of total sales
- Multi-channel sales and distribution solution is required
- The single biggest strategic initiative in airline pricing

| | AA | Maple Leaf | Delta | nwa | United |
|---------------------------------|----|------------|-------|-----|--------|
| <i>Airport Discount Parking</i> | | ✓ | | | |
| <i>Credit Cards</i> | ✓ | | ✓ | ✓ | ✓ |
| <i>Gift Cards</i> | ✓ | ✓ | ✓ | ✓ | ✓ |
| <i>Inflight Entertainment</i> | ✓ | | ✓ | ✓ | ✓ |
| <i>Lounge Access</i> | ✓ | ✓ | | ✓ | |
| <i>Meals</i> | ✓ | ✓ | | | |
| <i>Merchandise</i> | ✓ | | ✓ | ✓ | ✓ |
| <i>Miles</i> | ✓ | ✓ | ✓ | ✓ | ✓ |
| <i>Premium Seating</i> | | ✓ | | ✓ | |
| <i>Prepaid Excess Baggage</i> | ✓ | ✓ | | | |
| <i>Priority Check-in</i> | | ✓ | | | |
| <i>Rule Flex/Flight Change</i> | ✓ | ✓ | | | |
| <i>Standby</i> | ✓ | ✓ | | ✓ | ✓ |
| <i>Travel Insurance</i> | ✓ | ✓ | ✓ | ✓ | ✓ |
| <i>Upgrades</i> | ✓ | ✓ | ✓ | ✓ | ✓ |



Are customers willing to pay?

- Passenger has to be convinced that the ancillary product has a real value and is of excellent quality
- Yes, they are, as long as they can see a saving on the airfare



Will the airline reputation suffer?

- A clear concept is required of which passenger type to attract with ancillary revenues
- A clear differentiation between Premium and Leisure Passengers is required
 - You do not want to cannibalize First/Business
 - Economy is by nature the product to tackle without losing the Legacy Carrier image



Enjoy the conference

- This was just a very superficial look at the entire issue
- Many of your questions will be answered by our excellent speakers
- We will have panel discussion in which you can actively participate
- Do it! And see all of us for additional questions, we look forward to it!