

Using eCommerce to deliver increased
ancillary revenues and profits

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What are ancillary revenues?



Revenues beyond the sale of tickets
that are generated by direct sales to
passengers or indirectly
as part of the travel experience



3 main areas of ancillary revenue

A la carte features

Commission based services

Frequent flyer activities

(Source: Jay Sorensen, ideaworks)



Main commission based products

- Hotels
- Car Hire
- Trip/travel insurance



Why are airlines offering these services?



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As simple as A B C

- A – attracting more people to your site with additional products
- B – better bottom line results – more profit per pax
- C – customers want these services!



Attracting more people to your site

- Research shows people visit several sites before booking – will you lose people if you don't offer these services
- Able to offer one stop shop
- Offering range of products gives people more reason to come to your site



ONLINE CHECK-IN

FLIGHTS | HOTELS | HERTZ

Return One Way

Departing from

Going to

Depart Date
02 Nov 2007

Return Date
02 Nov 2007

Number of Passengers

1 Adults

0 Children (under 16 years)

0 Infants (under 2 years)

BOOK CHEAP FLIGHTS

REGISTER FOR OFFERS

My Flight

- Airport Transfer
- Advance Passenger Information
- Find Lowest Fares
- Web Check-In
- Priority Boarding
- Change Flight Details
- Airfares-Ex.Taxes & Charges
- Live Flight Information
- Timetables
- New Routes
- Terms & Conditions
- Where We Fly

50% OFF

OUR LOWEST FARES!

TRAVEL NOVEMBER '07 - MARCH '08

FINAL EXTENSION SALE MUST END MIDNIGHT TONIGHT!

- AVOID AIRPORT QUEUES - WEB CHECK-IN
- RYANAIR'S LOWEST FARE GUARANTEE - BOOK NOW
- RYANAIR GIFT VOUCHERS FROM £20

Flying to Spain from Non-Schengen Countries

From LONDON (STANSTED)		From EAST MIDLANDS	
Fares include taxes, fees & charges		Fares include taxes, fees & charges	
	from		from
Almeria NEW	£5.00	Alicante NEW	£5.00
Altenburg (Leipzig)	£5.00	Bergerac	£5.00
Belfast (City) NEW	£5.00	Cork NEW	£5.00
Brussels (Charleroi)	£5.00	Derry	£5.00
Gdańsk	£5.00	<u>Grenoble Lyon NEW</u>	<u>£5.00</u>
Klagenfurt	£5.00	Knock-IrelandWest	£5.00
Poitiers NEW	£5.00	Nîmes	£5.00
Pula (Istria)(Croatia) NEW	£5.00	Rimini NEW	£5.00

Cheap Car Hire

Hertz

FREE UPGRADE

Hotel Deals

ROOMS FROM ONLY £29/€41

Today's Jackpot

?

Hotel Deals

from

Venice **£18**

Barcelona **£19**

Rome **£19**

Paris **£21**

Dublin **£21**

London **£22**

BOOK CHEAP HOTELS

Prices per person per night

Travel Insurance

Single Trip Cover One Way from **£5.50**

Annual Multi Trip Cover One Way from **£54**

Travel Deals

- AIRPORT PARKING
- CONCERTS & SPORT
- CAR HIRE
- HOTEL DEALS
- CREDIT CARD
- AIRPORT COACH
- B&B'S
- FOREIGN CURRENCY
- TOURS & ACTIVITIES
- RYANAIR MONEY

Special Offer

SAVE ON HOTELS ...SPEND ON PRESENTS

BOOK NOW

Profitability

- Ryanair generate 17% of their revenue from ancillary services
- Revenue from ancillaries at Ryanair growing faster than pax growth
- Expedia – making a 10% margin on sales of over US\$ 5 billion a quarter



	Year ended March 31, 2007	Year ended March 31, 2006
	€000	€000
Non-flight scheduled.....	241,990	166,796
Car hire.....	22,972	19,752
In-flight.....	60,079	45,306
Internet income.....	37,063	27,299
	362,104	259,153

All of the Group's operating profit arises from low fares airline-related activities, its only business segment. The major revenue earning assets of the Group are comprised of its aircraft fleet, which is registered in Ireland and therefore principally all profits accrue in Ireland. Since the Group's aircraft fleet is flexibly employed across its route network in Europe, there is no suitable basis of allocating such assets and related liabilities to geographical segments. Internet income comprises revenue generated from Ryanair.com, excluding internet car hire revenue, which is included under the heading car hire. Non-flight scheduled revenue arises from the sale of rail and bus tickets, hotel reservations and other revenues generated, including excess baggage charges, all directly attributable to the low fares business.

18 Staff numbers and costs

The average weekly number of employees, including the executive director, during the year, analysed by category, was as follows:

	Year ended March 31, 2007	Year ended March 31, 2006
Flight and cabin crew.....	3,052	2,271
Sales, operations and administration.....	939	792
	3,991	3,063

Ryainair 2007 figures

- Car Hire – 23 million euros
- Non flight scheduled revenue – 242 million
 - Includes rail, bus tickets
 - Hotel reservations
 - & other charges including excess baggage
- Internet income – 37 million euros which includes income generated from website

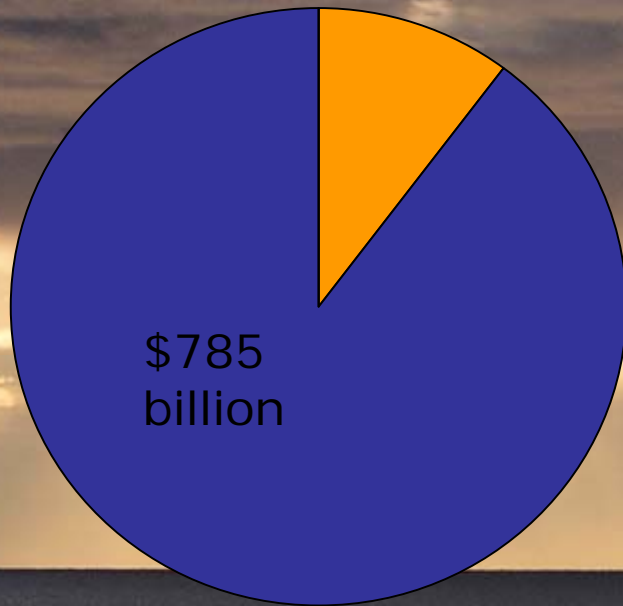


Customers want these products!

- European travel insurance market worth over US\$4 billion – when do customers want insurance – when they travel!
- Expedia estimate the worldwide travel market (including flights) is worth US\$875 billion



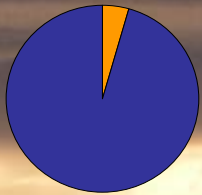
Worldwide travel industry market worth US\$ 875 billion



**Only 10% of
market is
currently sold
online - \$90
billion**

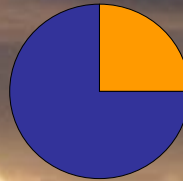


Expedia's market size estimates



Asia Pacific
\$264 Billion

5% (\$12B)
online



United States
\$209 Billion

25% (\$52B) online



Europe \$265
Billion

9% (\$24B)
online

Source : 2004 estimates; Company estimates; IAC/Interactive S4/A filed June 17, 2005; PhoCusWright 2004 market estimates for leisure & unmanaged business travel.



Breakdown of travel market

- Flights largest at approx 60%
- Hotels – 17% of revenue
- Packages – 12%
- Insurance – 6%
- Car hire – 6%



Using eCommerce to deliver ancillary revenue

- Passive model
 - Simple hyperlinking
 - eMarketing using standard tools
- Semi passive model
 - Microsites



Using eCommerce to deliver ancillary revenue

- White labels
 - Integrated
 - non integrated
- Build your own



eCommerce approaches

Pro's and cons

- Passive approach
 - Easy to set up
 - Get up and running quickly
 - Easy to get income (low cost)
 - Limited investment from airline
 - Low impact on existing systems



eCommerce approaches

Pro's and cons

- Passive approach
 - Not integrated
 - Customer goes off site
 - Low cost but less commission
 - Who “owns” the customer?
 - Control of branding/image



eCommerce approaches

Pro's and cons

- White labels
 - Scope of product range
 - Hotels/car hire worldwide
 - Wide variety of other product offers
 - Used to dealing with airlines
 - Back end admin all in place
 - Relatively quick to get up and running



eCommerce approaches

Pro's and cons

- White labels
 - Agenda of white label companies?
 - Branding/product control
 - Sharing commission income
 - Customer ownership



eCommerce approaches

Pro's and cons

- Build your own
 - Control over branding/content
 - Better integration
 - Allows possibility of dynamic packaging
 - All the commission income



eCommerce approaches

Pro's and cons

- Build your own
 - Other IT/system priorities
 - Can be out with skill set of airline IT team
 - Timescales
 - Managing inventory/content



Conclusions

- A B C
- Large, growing, profitable market
- Lots of routes to market
- Numerous challenges but plenty of solutions



Thank you

For more information to maximise your opportunities in ancillary revenue please contact:

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