Global ancillary revenues look set to exceed $100 billion in the next three years. Growth will be driven by increasing numbers of airlines further unbundling their product, as well as the use of new sales channels and technologies to sell ancillary products and services. Current tariffs of ancillary products and services are analysed here.

Tariffs charged by airlines for ancillary products & services

In 2011, a study by airline consultancy, IdeaWorks, found that worldwide ancillary revenues totalled $32.5 billion; 44% higher than the 2010 figure. The same study found that ancillary revenues had grown by 38% from 2009 to 2010, and by 96% from 2008 to 2010. It is clear, therefore, that ancillary revenues are a rapidly growing sector of airline revenues, and can no longer be ignored by those airlines with few or no streams for generating them.

"It is estimated that total global annual ancillary revenues will have grown to $100 billion in the next three years," says Raphael Bejar, chief executive officer at AirSavings. "This will be driven by the use of new sales channels for ancillary products, as well as market leaders further pushing the boundaries of ancillary revenue streams."

Ancillary revenue streams are now a common and accepted part of many airlines' services. The different ancillary products and services, their tariffs, and their importance to airlines of different types and locations are examined.

Ancillary products

Traditionally, airlines used to offer a fully-bundled product where, along with a seat for travel, passengers could expect services such as checked baggage, seat assignment, and full meal and beverage service to be included in the fare.

Low-cost carriers (LCCs) began unbundling the traditional airline product, by taking these services or 'frills' out of the fare price, and later starting to charge for them separately. This unbundling of the full airline service enabled LCCs to offer a lower cost of travel, and also allowed passengers to select the services they want from a flight. As LCCs have grown over the past 10-15 years, legacy carriers have had to follow suit in many respects to remain competitive, particularly in short-haul markets. Legacy airlines have unbundled their services, and now charge for extras.

Ancillary products and services can be divided into two categories: a la carte products, or direct airline products; and third-party products, which offer commission-based revenue to an airline from third parties.

The range of ancillary products and services available has grown, and they can be acquired at a range of tariffs. The growth in Internet use, particularly on mobile devices and tablet computers, is giving airlines more sales channels than ever to promote and sell ancillary products. This is why ancillary revenues have grown so rapidly over the past five years, and look set to continue growing.

A la carte ancillary products

A la carte ancillary products and services are provided by airlines. These include the frills that were part of the traditional airline fare, such as checked baggage, seat assignment, personalised check-in, and on-board food & beverages. They can also include extra services for which an airline can charge, such as payment by credit card, priority check-in, early boarding, wireless connectivity, in-flight entertainment (IFE), use of emergency exit and window seats, use of business class lounges, and travel class upgrades.

One example has been in place before unbundling began. Airlines have long been conscious of extra fuel and baggage handling costs, and have charged for excess baggage. All airlines in the table *(see table, page 24)* have excess baggage charges in place, with variations coming in whether it is charged for per item, or per unit of weight (usually kilogram).

Delta, for example, charges $125-200 per item for excess bags, whereas Ryanair (LCC) charges €20 or £20 ($25-32) per kilogram *(see table, page 24)*.

Checked baggage, therefore, was an easy target to unbundle. "Checked baggage is now the largest a la carte ancillary revenue source for airlines," says Daniel Greaves, airline distribution strategy manager at Amadeus. "In the US, checked baggage fees alone account for 20% of all ancillary revenues. To put this in context, all other airline ancillary products combined account for another 30% of all ancillary revenues in the US.

"The reason for this is that checked bags are easy to separate from the fare price of the seat, and are a visibly different service from the seat," continues Greaves. "Charging for checked bags is now almost universal in the domestic US market, regardless of whether the airline is a low-cost or legacy carrier. It is still uncommon to charge for checked bags in Europe and other parts of the world, however, except for some LCCs.

"This is because check-in agents in the US are also often sales agents for the airline, and can take cash and card transactions for checked baggage at the check-in desk," notes Greaves. "In Europe and elsewhere, sales agents are traditionally separate from check-in, so charging for checked baggage at the airport is logistically more difficult."

In the domestic US market the

A LA CARTE TARIFFS FOR A SAMPLE OF LEGACY AND LCC CARRIERS WORLDWIDE

Airline	Airline type	Carry-on bags	First checked bag	Second checked bag	Excess baggage	Advance seat selection	Priority boarding	In-flight food & drink	In-flight connectivity
NORTH AMERICA:									
Delta	Legacy	Free	$25	$35	$125-200	Std: Free Prem: $8-180	N/A	Food: $0-10 Alc: $5-7	$12/flight $399.95/year
United	Legacy	Free	$25	$35	$100	Std: Free Prem: $9-63	N/A	Food: $0-9.49 Alc: $6-9	$12.70-39.95
Southwest	LCC	Free	Free	Free	$50-110	N/A	$10	Snacks: Free Alc: $5	$5/flight
Allegiant Air	LCC	OL: $10-30 Apt: $35	OL: $15-30 Apt: $35	OL: $15-30 Apt: $35	$75	$25	$9.99	Food: $2-13 Alc: $7	N/A
EUROPE:									
British Airways	Legacy	Free	Free	$51-119	$60	Within 24hrs: Free Else: $15.60	N/A	Free	Only LCY-JFK: Roaming fees
Finnair	Legacy	Free	Free	$19-100	OL: $19-127 Apt: $38-200	Within 36hrs: Free Else: $7.60-76	N/A	Food: $1.90-19 Alc: $5-12.60	N/A
EasyJet	LCC	Free	OL: $14-25 Apt: £28-50	OL: $22+ Apt: $44+	$15.60/kg	$4.70-19	$22	Food: $1.60-11 Alc: $5.60-25	N/A
Ryanair	LCC	Free	OL: $19-63 Apt: $76-205	OL: $44-79 Apt: $190-236	$25-32/kg	$12.60-15.60	OL: $6.30-7.85 Apt: $7.60-9.50	Food: $2.50-9.50 Alc: $5.70-9.50	N/A
ASIA PACIFIC:									
Singapore Airlines	Legacy	Free	Free	Free	$109-164	Std: Free Prem: $50	N/A	Free	$12-30
Cathay Pacific	Legacy	Free	Free	Free	$10-60/kg	Std: Free Prem: $25-100	N/A	Free	N/A
Air Asia	LCC	Free	$11-34	$11-34	$13.20/kg	$1.90-9.40	N/A	Food: $1.25-5.70	N/A
Tiger Airways	LCC	Free	OL: $12-55 Apt: $24-55	OL: $12-55 Apt: $24-55	$15.80-$23.70/kg	N/A	$4.75	Food: $1.60-7.90 Alc: $4.75	
MIDDLE EAST & AFRICA:									
Emirates	Legacy	Free	Free	Free	OL: $140 Apt: $175	Free	N/A	Free	$2.75-20
SAA	Legacy	Free	Free	Free	$100-$200	N/A	N/A	Free	N/A
FlyDubai	LCC	Free	$13.60-$40.85	$13.60-$40.85	$3.26-$15/kg	$1.36-27.22	N/A	Food: $1.36-5.44 Alc: $4.08-6.81	N/A
Kulula	LCC	Free	Free	OL: $24.50 Apt: $36.70	$55-$68	N/A	N/A	Food: $1.20-5.50 Alc: $1.83-3.67	N/A

Notes:
Tariffs based on short-haul economy class tickets
Values converted to USD at rates as of 29 June, 2012

Key:
SAA = South African Airways. OL: Online price. Apt = At airport price. Std = Standard seating. Prem = Premium seating (i.e. emergency exit rows/front of cabin seats etc.). Food = includes snacks, meals & soft drinks. Alc = Alcoholic beverages.

standard tariff charged by legacy carriers, such as Delta and United, for checked bags is $25 for the first bag, and $35 for the second *(see table, this page)*.

Some US LCCs, however, have a different approach to the tariffs they use. Allegiant Air, for example, offers discounts to those customers that pre-book checked bags online, and charges more to those customers who do not. When pre-booking online, Allegiant Air passengers pay $15-30 (depending on the route), compared with $35 at the airport *(see table, this page)*.

Some LCCs in the US have begun to charge for carry-on bags. Allegiant Air, for example, charges passengers $10-30 online for carry-on baggage, and $35 at the airport *(see table, this page)*. Spirit Airlines also charges for carry-ons, but it is yet to be seen if this will become an industry standard, such as charging for checked baggage.

Other airlines and even US LCCs, such as Southwest, do not charge for baggage. Southwest, for example, offers to fly its passengers with two free checked

Ryanair is an extreme example of a LCC in Europe. While it offers competitive fares, it charges rates as high as $236 per checked bag for passengers who have no pre-arranged to check a bag on-line.

bags *(see table, page 24)*. This goes against the traditional LCC model of unbundling as much as possible. "Some airlines wish to create a positive impact on the perception of their service," says Greaves. "This is done by keeping some products and services bundled in with the seat fare, to differentiate them from other airlines."

This effect is usually seen with high quality airlines (usually legacy carriers) keeping products and services bundled in their fare price in order to offer a better value of service to their passengers over their competitors.

"Legacy carriers in particular have concerns over 'brand dilution' from imposing ancillary charges," says John Bowell, chief executive officer at jcba Ltd. "This is where ancillary services and revenues may have negative impacts on brand and customer satisfaction, and could result in a customer backlash resulting in a decline in revenue."

This effect is more visible in Europe and the rest of the world, than in the US, and can be shown in the differences between legacy carriers and LCCs. Airline charges for ancillary products *(see table, page 24)* illustrate the differences between two large LCCs and two legacy carriers in different parts of the world.

For example, both British Airways (BA) and Finnair (AY) offer free carry-on bags, a free first piece of checked baggage, including sports equipment within weight limits, and have no priority boarding costs in place. These two legacy carriers are therefore still broadly following the traditional airline model of bundled fare pricing. One notable exception, however, is that both airlines charge for advance seat selection.

"In terms of ticket-related ancillary products and services, our only additional charges are for advance seat selection and the second piece of checked baggage," says Peter Gabrielsson, vice president, revenue management and pricing at Finnair. "Advance seat selection is still free from 36 hours before departure, but before that there are fees of €6-60 *($7.60-76.0 – see table, page 24)*, depending on the seat location, geographic area and length of the flight." BA charges £10 *($15.60 – see table, page 24)* for advance seat selection, up to 24 hours before flight departure, when it reverts to being free.

"This is to maintain the service standards that our customers expect from their fare price," continues Gabrielsson. "Our biggest demand and potential is on the Europe-Asia Pacific market, so to remain competitive, we must keep most products and services bundled into the fare price. Many of our Asia Pacific customers, particularly from Japan, have high service expectations, so they require certain items to be included in the fare price."

Despite this, Gabrielsson does not rule out Finnair exploiting other ancillary revenue sources in the future. "We are always investigating the market for new ways to drive ancillary revenue," notes Gabrielsson. "Finnair will consider what the customer needs, and what it expects to be bundled into the fare price. We can find this out by conducting customer surveys, competitor analysis, and trials on certain flights and routes."

Similar a la carte ancillary revenue policies can be seen with European legacy carriers, such as Air France, KLM and Lufthansa. Most keep many ancillary products bundled into their fare prices. The only differences between them are in the exact amounts charged for items such as second checked bags, excess baggage, and ticket change fees.

In comparison, the LCCs in Europe, as represented best by Ryanair and easyJet, charge for almost all extras; with the entire fare unbundled. Both charge for checked baggage, with different tariffs depending on the route and season flown. Ryanair, for example, charges its highest checked baggage tariffs (€40 or £40 (*$50-63 - see table, page 24)* when pre-booked online) for its longest routes to the Greek islands, Cyprus and the Canary Islands in the high summer season. Like Allegiant Air in the US, both Ryanair and easyJet offer discounts to those passengers who pre-book checked baggage online, instead of paying at the airport. This is especially steep with Ryanair, which charges up to £130 *($205 – see table, page 24)* to check in a bag at the airport in high season and on its longest flights.

A further difference between LCCs and legacy carriers in Europe is their policy on seat selection and priority boarding. Although they offer no allocated seating as their standard product, both Ryanair and easyJet have recently begun charging for seat selection. Ryanair charges €10 or £10 *($12.60-15.60 – see table, page 24)*, and easyJet charges £3-12 *($4.70-19 – see table, page 24)* depending on the route.

With the standard product being no allocated seating, these LCCs also charge tariffs for priority boarding. Ryanair passengers can pre-book online and pay €5 or £5 *($6.30-7.85 – see table, page 24)* for priority boarding, or pay €6 or £6 *($7.60-9.50 – see table, page 24)* at the airport. EasyJet charges £14 *($22 – see table, page 24)* for priority boarding.

Similar patterns to Europe can be seen in the Asia Pacific, the Middle East and Africa. Almost all legacy carriers in these regions offer bundled products, with only one or two additional extras. Like BA and AY, Cathay Pacific (CX) and Singapore Airlines (SQ) have begun charging for advance seat selection. These are only for certain seats in the cabin, however, and are classified as 'extra legroom' seats by CX and 'preferred seats' by SQ. These seats are often found at the front of each cabin, cabin seat section, and in emergency exit rows. Tariffs for these are $25-100 for CX and

Legacy carriers in Europe and North America have unbundled their full service products and started offering lower fares. Legacy carriers charge less to check bags than LCCs.

$50 for SQ *(see table, page 24)*. Legacy carriers in the Middle East and Africa, such as Emirates (EK) and South African Airways (SAA), are similar and still have fully bundled products.

LCCs in these regions also follow the patterns set in Europe, and charge for checked bags as well as food and drink. One notable difference between LCCs in Europe and those in Asia, Africa and the Middle East is that priority boarding and advance seat selection charges are still not common. Air Asia and FlyDubai do, however, offer advance seat selection at tariffs of RM6-30 ($1.90–9.40), and AED5–100 ($1.36–27.22) respectively *(see table, page 24)*.

One relatively new ancillary product that legacy carriers worldwide want to implement and charge for is in-flight connectivity services. "WiFi and on-board communications are increasingly likely to come to the forefront with technological advancements," says Bowell. "Due to its innovative nature, however, it is difficult just yet to estimate its potential in terms of pricing and therefore the additional revenues that airlines could achieve."

As such, few airlines currently offer in-flight connectivity services, although installations have begun at several. SQ charges tariffs of $11.95 (10MB data usage) and $29.95 (26MB data); while EK charges $2.75 (5MB data), $10 (30MB) and $20 (100MB). These tariffs are charged per flight *(see table, page 24)*.

Delta offers WiFi connectivity tariffs from $12 per flight, $34.95 per month, and even a tariff of $399.95 for the entire year *(see table, page 24)*. United, also supplied by in-flight connectivity provider GoGo, has similar tariffs *(see table, page 24)*. Southwest offers in-flight WiFi for $5 per flight *(see table, page 24)*.

In-flight connectivity is still not common in other areas of the world, however. BA currently only offers in-flight WiFi connectivity on its London City (LCY) to New York JFK (JFK) route, with mobile roaming charges applying. Several carriers included in this article do not yet have WiFi connectivity on their aircraft, but have announced plans for installation across their fleets. This includes LCCs Ryanair and Kulula, as well as legacy carriers, Cathay Pacific and South African Airways.

Rebundling

One effect of unbundling the traditional full service and charging for frills individually is that it allows an airline to rebundle certain frills back into different service levels and so fare classes, as a way of offering more choice, and better value for the passenger. "Traditional fare classes are often too detailed and complex for passengers to understand," says Greaves. "There may be several different fare classes available to both business and leisure passengers, and the differences between them are often not immediately visible.

"Unbundling the fare, therefore, allows fare classes to be rebundled with certain products and services included in different, distinguishable fare prices, or fare families," continues Greaves. "Fare families can be branded to simplify the choice and be recognisable to the passenger. The cheapest fare family will of course be the most unbundled fare, with ancillary products and services charged for separately. Higher price fare families will include extras such as seat selection, checked-in bags, and on-board meals. This will allow the passenger to choose which fare family suits them best, and to pay for any extras separately.

"The big advantage of rebundling certain products and services into fare families is that it allows the airline to target specific traveller segments," explains Greaves. "Fare classes are traditionally broadly segmented into business and leisure segments. Within these, however, there are other segments which branded fare families allow airlines to target more effectively."

Examples of rebundling into branded fare families include easyJet and Air Canada. easyJet offers its basic fare as a seat-only purchase, with additional extras such as checked bags and priority boarding (branded 'speedy boarding').

However, easyJet also offers its 'flexi fare' with checked baggage and speedy boarding included, as well as no extra booking fees (credit card fees) and unlimited date changes within four weeks of the flight. This fare is aimed at business travellers, and bundles in services to attract that market, while the basic fare is aimed at more price-conscious leisure passengers.

Another example is Air Canada, which now offers five distinctive, branded fare families: Tango; Tango plus; Latitude; Executive class lowest; and Executive class flexible.

Tango, the cheapest economy class fare, is non-refundable and has limited products and services included beyond the seat itself, with most extras charged for separately. Air Canada frequent fliers, for example, only acquire 25% of the standard air miles when travelling with a Tango fare. Advance seat selection costs $18 per seat and a prepaid meal voucher for domestic and US travel costing $7. Tango fares also incur the highest flight change fees ($75 plus the difference in fare price) and highest charges for access to Air Canada airport lounges ($45).

Tango Plus is the middle tier of economy class and is also non-refundable. Advance seat selection is included for free, and frequent fliers acquire 100% of their miles for the flight. Flight change fees are less at $50 plus the fare difference, and access to the lounge is $10 cheaper at $35 for Tango Plus passengers. Prepaid meal vouchers are still $7, however.

Unlike LCCs in Europe, North American LCCs charge low rates for checked bags. Southwest does not actually charge to check bags.

Latitude is the most expensive economy-class fare family and is fully refundable. It includes priority check-in, 100% frequent flier miles, no change fees, and on-board food. Access to the airport lounge is further reduced to $30.

The difference between the business fare families of ‘executive class lowest’ and ‘executive class flexible’ is primarily to do with flexibility. Both fare classes offer 150% frequent flier mileage accrual, priority check-in, free access to airport lounges, two complimentary checked-in bags, free advance seat selection, and free on-board meals.

The ‘executive class lowest’ fare family, however, is non-refundable and incurs a flight change fee of $50 plus the fare difference. With an ‘executive class flexible’ fare, it is refundable and offers complimentary flight changes.

It is likely that many airlines will follow this branded fare family pattern to allow effective targeting of passenger segments, while still maximising ancillary revenue potential.

Third-party ancillaries

Third-party ancillary products and services are those not provided by airlines. “Unlike a la carte ancillaries, the third party is the one that sets the tariffs charged to the customer, and the airline receives a commission from this for selling the product, usually via its website,” says Bejar.

The tariffs charged for third-party products and services can vary widely, depending on variables such location and season. For example, hotels and car hire in London are likely to command higher tariffs during the Olympic Games, due to it being a special event, and occurring in high season (summer). The same third-party tariffs are likely to be lower during off-season. Since the airline simply takes a commission on third-party sales, it is still in their interest to offer these all year round, and to drive third-party sales as high as possible.

“The airline acquires ancillary revenue through third parties by taking a commission of the sale, which is usually 10-20%, depending on the deals an airline has with content providers,” notes Brett Proud, executive vice-president, new markets and products at GuestLogix.

This is confirmed by Bowell, who states: “It was found that airlines receive an average of 10% commission on revenue from new customers as a result of such partnerships. This reflects the standard model whereby the airline receives a fee for bringing new custom to partners.

“An interesting alternative to this structure, maybe unsurprisingly from Ryanair, was to charge the partner for each passenger carried,” continues Bowell. “This, therefore, creates a more constant revenue stream. For example, in 2007, Ryanair earned €40 million ($50.5 million) just from these forms of ancillary revenues.”

The ‘big three’ traditional third-party ancillaries are travel insurance, car hire and hotels. “Travel insurance is the largest revenue earner for most airlines offering third-party ancillary products and services,” says Greaves. “This is because demand for travel insurance is relatively high with many passengers wanting to be insured against the risks of travel. Added to this is that insurance is a completely electronic transaction, with nothing physical to deliver, unlike car hire and hotels. This means there is no fulfilment element to the transaction, so the airlines do not need to follow up or make any further confirmations once the transaction is made. This reduces the costs of providing insurance as a third-party ancillary product.” Examples of this include easyJet offering travel insurance for a tariff of £11.89 ($18.57) for a weekend trip in July, and £15.69 ($24.50) for a one-week trip in July.

“Car hire is the second highest third-party ancillary revenue earner, followed by hotels,” continues Greaves. “These are more physical transactions that involve checking and confirming to ensure the passenger receives the correct product. This means there is a small margin for error in these transactions, which increases the overall cost to the airline.” Ryanair, offers car hire tariffs as low as £9 ($14) per day when booked with a Ryanair flight.

Another third-party ancillary product and service is co-branded airline credit cards. “Co-branded airline credit cards have the potential to drive significant indirect revenues for an airline,” says Bowell. “Airlines benefit from credit cards through additional revenue from share of fees, as well as increasing brand loyalty and third-party partner relationship building.”

Airlines must have a website and IT system capable of handling these requests to sell third-party ancillary products and services. At first, airlines’ websites may have had ‘click-throughs’, where the passenger is presented with a list of hotels or car hire companies, and a link to those external websites. The airline would then take a small fee for the ‘click-through’ to the third-party website.

Click-throughs are now considered out-dated, however, and have been superseded by dynamic packaging technology. Dynamic packaging allows a customer to select all the additional products it would like, including a la carte options, such as checked bags and seat allocation, together with third-party options, such as insurance, car hire and hotels. The customer is then given a total price for all services and carries out one single transaction.

“The advantage of dynamic packaging is that it is one single price,

Few airlines have in-flight connectivity on their aircraft. Once this is achieved they can potentially offer features such as in-flight shopping, and generate revenues from commissions received from a range of third party ancillary products.

and the customer does not know the individual price of any one item, says Greaves. "This is particularly useful when selling certain products (such as hotels) cheaply during periods of low demand. Since the customer does not know the individual prices, they do not see which ones are cheap, and therefore have no expectation of lower prices on their next booking."

A provider of dynamic packaging solutions for airlines is AirSavings. "AirSavings works with our airline customers to provide a dynamically packaged solution," says Bejar. "It can be complicated for airlines to deal with many third-party companies in terms of insurance, car hire, and hotels, and then offer the right deals to the right customers via their website. By using AirSavings, an airline does not have to deal with this because AirSavings negotiates the third-party deals and ensures that the brand image of an airline is matched to the hotel and car hire brands offered. This makes it much simpler for the airline.

"A large portfolio of ancillary products and services is then offered through an airline's website at the same time the passenger goes to book their air travel," continues Bejar.

Airlines do not negotiate commissions from the individual third-party partners, but instead deal only with AirSavings. "Revenue sharing is about 70/30 in favour of the airline, in terms of the commission that each transaction generates," says Bejar.

Other third-party ancillary products and services include airport transfers and taxis, train tickets, theatre and museum tickets, and third-party airport lounge access, among others. Allegiant Air, in the US, is particularly good at this, and offers typical tariffs of $60-150 for items such as theme park and theatre tickets.

Ancillary revenue importance

In terms of the importance of ancillary revenues to overall revenue, there is a wide range of values for airlines worldwide. "For traditional or legacy carriers, an average of 2.9% of revenues comes from ancillary products and services," says Greaves. "For LCCs, however, the average is 6.5%. There is a wide variation with these figures though, with airlines such as Allegiant Air and Spirit Airlines gaining almost 30% of their revenues from ancillaries."

Those airlines with a large number of unbundled services now rely on ancillaries to generate much of their revenue. At the end of 2010, 29.2% of Allegiant Air's revenue came from ancillary products and services, and is likely to be even higher by the end of 2012. In Europe, the top performers were Ryanair and easyJet, with 22.1% and 19.2% of their revenues accounted for by ancillary products, while in the Asia Pacific region, the best performers were Tiger Airways, with 20.5%, and Air Asia, with 18.7%.

United Airlines is the highest performing legacy carrier by this measure; with 14.7% of revenues from ancillaries. US major legacy carriers as a whole also performed well, with 11.9% of all revenue generated by ancillaries.

This is due to the common policy of charging for checked bags on domestic routes, and charging for in-flight food and beverages on many domestic routes.

In the future, however, it is unlikely that even the highest performers will be able to drive higher ancillary revenues as a percentage of total revenue. "It is likely that those airlines that earn most from ancillaries will plateau," says Greaves. "It is unlikely, therefore, that these airlines will have more than 30% of their total revenues accounted for by ancillaries. Growth in total global ancillary revenues will be driven by those airlines with only 2% or 3% of their revenues being ancillaries, capitalising on further unbundling, personalisation of ancillary offers and new technologies, such as selling through IFE screens and mobile applications."

In terms of ancillary revenues that an airline can expect to earn per seat, there is a wide range of values. "The average range of ancillary revenues per seat is €6-22 ($7.50-27.50)," says Bejar. "The LCCs account for most of the higher values in this range, while the legacy carriers are lower. The best LCCs in this respect, such as Allegiant Air, may average even higher values than this."

In fact, the highest value of ancillary revenue per seat at the end of 2010 was Air Asia at €29.45 ($36.80), followed by Allegiant Air with €23.20 ($29) per seat. Other high performers include Qantas at €26.24 ($32.77), United at €24.23 ($30.25), and Jet2 at €24.20 ($30.23).

Summary

A la carte ancillary products are relatively easy to implement, and revenue streams for those airlines that have already implemented them have plateaued. There is still room for growth in this area, however, for those airlines that are yet to implement various a la carte ancillary products, such as charging for bags or on-board food and drinks.

For third-party products, however, there is still a long way to go in terms of revenue growth opportunities for many airlines. To make the most of third-party ancillary revenues, the right technologies have to be available and in place, such as dynamically packaged websites, or through on-board connectivity and new sales channels such as mobile devices. AC