

CarTrawler Thought Leadership Series on Revenue and Loyalty for 2017

2017 Top Merchandising Innovations to Delight Passengers and Boost Profits

IdeaWorksCompany explores how airlines are creating profitable products and services, including examples from Allegiant, Delta, easyJet, Gol, Jeju Air, and Tui Netherlands.

Researched and written
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2017 Top Merchandising Innovations to Delight Air Travelers and Boost Profits

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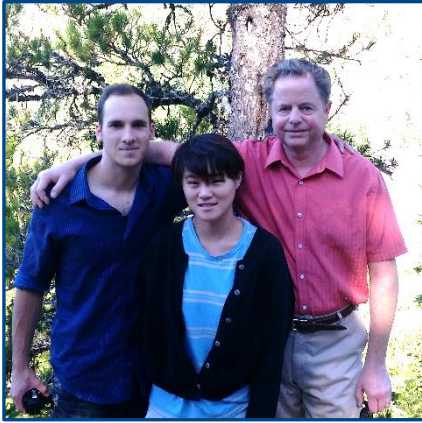
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About Jay Sorensen, Writer of the Report

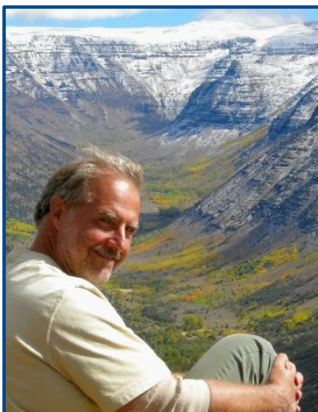
Jay Sorensen's research and reports have made him a leading authority on frequent flyer programs and the ancillary revenue movement. He is a regular keynote speaker at the annual MEGA Event, spoke at IATA Passenger Services Symposiums in Abu Dhabi and Singapore, and has testified to the US Congress on 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 30 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 Magazine*, *Westways Magazine* 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.

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



2017 Top Merchandising Innovations to Delight Air Travelers and Boost Profits

“We are not a disruptive element, we’re an enabling element”

That’s a quote from John Krafcik, who is the CEO of Waymo, the self-driving car unit owned by Alphabet Inc., better known as Google.¹ Top automobile executives all over the world might take exception to Krafcik’s spirit of helpfulness. They perceive Waymo as a threat to their century-old business model of manufacturing cars. Competitors often emerge from the unlikeliest of places by studying an industry at its fringes, determining points of weakness, and applying their own technology in new ways.

But the lesson provided by Waymo and its visionary CEO goes beyond technology. Mr. Krafcik observed that the average large manufacturer earns a profit of about \$1,400 on a vehicle. Krafcik assumed that a vehicle lasts 150,000 miles, in which case the profit is less than a penny per mile. When you consider the effort, liability, and capital required to build a car . . . a penny per mile seems insignificant.



Waymo's “Firefly” which the company unveiled in 2014 as its entry into the self-driving business.

Image source: Waymo.com

Krafcik adds, “The thing that the industry is struggling with right now is that for the 100 years it’s been in existence, it’s been focused on the number of units built. We are moving to a world where . . . it has to be miles driven.” How do we apply this lesson to the airline industry? Bobby Healy, the chief technology officer for CarTrawler, has tirelessly warned the travel industry that if it can’t become a proper retailer, Google is eager to fill that role . . . at a significant price to suppliers. Airlines have always focused on the number of seats they sell. It’s similar to auto manufacturers’ fascination with selling cars.

We shouldn’t focus on seats, but rather the number of days a consumer spends away from home. Instead of claiming a small piece of the business, airlines should broaden their agenda to become complete retailers of travel. This report describes how innovation in other industries, and within the travel business, can help airlines delight travelers and boost profits.

¹ “Google Learns to Speak Detroit” article in the *Wall Street Journal* dated 12 September 2017.

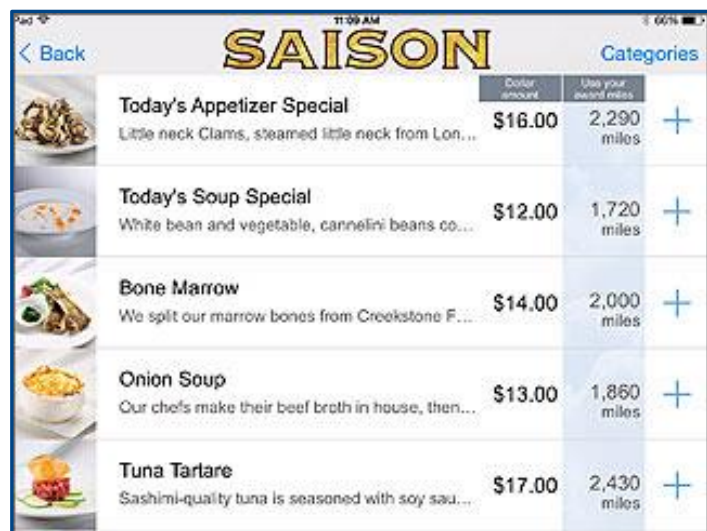
Disruption courtesy of Visa, Amazon, and Taylor Swift






Visa, Inc. wants more Americans to use credit cards instead of cash with its Visa Cashless Challenge initiative.² The global payments company announced a contest to award \$10,000 grants to restaurants and cafes that best describe how going cashless can help their business. Visa committed \$500,000 to the effort which will generate grants for 50 selected small businesses. The promotion is designed to highlight the potential for cashless transactions to reshape relationships with customers. Restaurants, cafes, and food trucks were invited to apply and submit a short video with their application. Winners are not required to stop accepting cash. However, winners do commit to using the \$10,000 towards the process of going cashless, such as acquiring new point-of-purchase equipment or undertaking a cashless business marketing campaign.

The initiative clearly disrupts the status quo by providing a discussion platform for the topic of a cashless consumer culture. Visa is applying resources to change the behavior of restaurant owners and ultimately consumers. It's obviously beneficial for Visa to encourage credit cards as a primary form of payment. Higher frequency of use for everyday purchases has been shown to boost overall rates of adoption. This truism is also known to United Airlines.

Since 2014, members of the MileagePlus program enjoy the option of using miles to pay for food and beverages at Newark International Airport.³ OTG Management operates more than 55 restaurants and bars in Terminal C, and is also remaking food service on United's concourses at Bush Intercontinental Airport in Houston.

Through its iPad food ordering system, MileagePlus members at Newark or Houston can easily opt to pay with miles instead of cash or credit. For example, today's soup special costs \$12 or 1,720 miles. This adds yet another way in which members may redeem miles and helps create the perception that miles can be as freely spent as cash.



	Dollar amount	Use your recent miles	
 Today's Appetizer Special Little neck Clams, steamed little neck from Lon...	\$16.00	2,290 miles	+
 Today's Soup Special White bean and vegetable, cannellini beans co...	\$12.00	1,720 miles	+
 Bone Marrow We split our marrow bones from Creekstone F...	\$14.00	2,000 miles	+
 Onion Soup Our chefs make their beef broth in house, then...	\$13.00	1,860 miles	+
 Tuna Tartare Sashimi-quality tuna is seasoned with soy sau...	\$17.00	2,430 miles	+

Will that be US dollars or United miles? Image of the iPad menu from the Saison Restaurant at Newark.

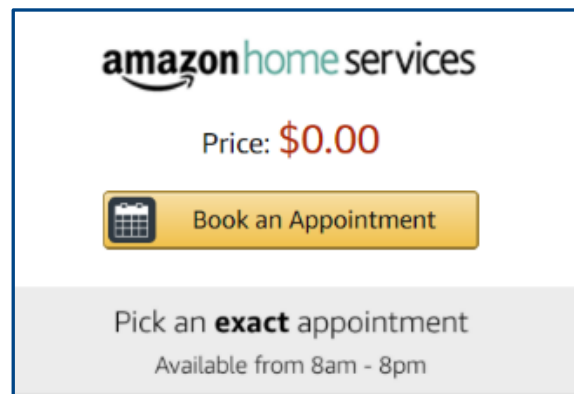
United recently tightened its relationship with OTG Management by opening an invitation-only 36-seat restaurant at Newark Airport.⁴ A very select list of MileagePlus members received an invitation to dine at the restaurant. Qualified members are met by a restaurant employee and shown to their table and may order meals and pay via the iPad system. By creating an exclusive and refined environment, the airline has created a sought-after perk that very likely generates ancillary revenue for the airline.

² "Visa to Help U.S. Small Businesses Go Cashless" press release dated 12 July 2017 at Visa.com.

³ "Passengers can pay with miles at Newark airport" article dated 17 November 2014 at USAToday.com.

⁴ "From United Airlines, an Invitation-Only Restaurant at Newark" article dated 11 September 2017 at NYTimes.com.

Amazon has defined online retail, and yet the company also realizes online has its limits. Few people know about its initiative called Smart Home Consultation. The service was introduced in Seattle in 2016 and is offered in six other cities with more to come.⁵ The service helps consumers understand Amazon's Smart Home suite of products, which includes technology-enabled security, heating/cooling controls, lighting and home entertainment. Each appointment lasts about 45 minutes with an expert assessing homeowner needs and demonstrating popular products which include voice-control through Amazon Alexa.



Amazon comes to you . . . and the service can be booked online and is free of charge.

There's no charge for the consultation but installation support is available through Amazon for a fee. Reading the customer reviews reveals the service is a winner with consumers with 96% rating it 5 stars. Installation services are only provided by Amazon employees, not by contractors. As any good retailer does, the installation services are backed with a "happiness guarantee" which ultimately promises a refund for unsatisfied consumers. Best Buy, the giant US-based consumer-products retailer, also has plans to roll out in-home consultation service across the country.

Self-service delivers operational savings for any company, but generating better sales through this method is a challenge. Thankfully we humans still fill a role in selling stuff to each other. Amazon knows the human element is especially helpful to introduce new products. The lesson for airlines is elemental — there are initiatives where employing sales people might be very helpful. Frequent flyer program managers know this, that's why you see representatives promoting credit cards on airport concourses. It's an expensive method, but it works. While network carriers have been reducing sales staff, low cost carriers are actually hiring sales people to visit corporate accounts. For virtually all airlines, the airline sales office in big cities has disappeared. That's an idea they might want to revisit, but perhaps by using co-located counters in partnership with a retailer, just as banks do now with grocery stores.

Imagine a location where higher income business travelers congregate every day. A place where attractive consumers with disposable income sit and actually wait for time to pass — it's called the airport lounge. Airlines aspiring to become retailers of travel must first create a range of attractive travel products to compete with online travel agents. Next, they need to actively sell these products and disrupt complacency by deploying salespeople. What better place for a retail presence than the exclusive real estate of your lounge? It's an idea to consider — to place tastefully designed retail locations at airports that promote the holiday package products of an airline with concierge-like professionals.

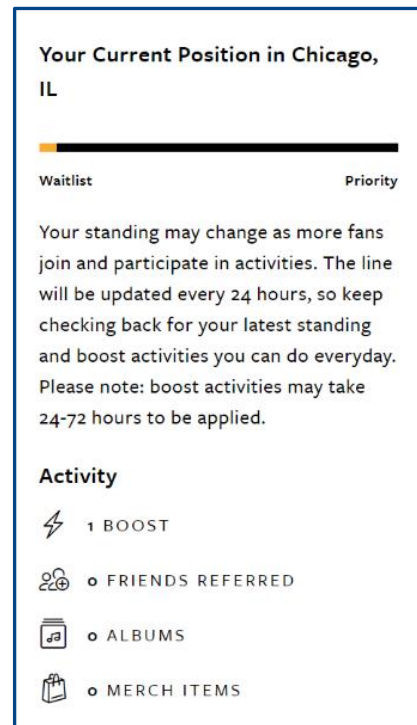
Ticketmaster is a global online retailer of entertainment tickets. The company works to ensure only true fans buy tickets to events and strives to prevent intermediaries (called "scalpers" in the business) from holding and reselling ticket inventory. Ticketmaster has developed a method to qualify and reward true fans with early access to top events.

⁵ "Gadget Sellers Make House Calls" article dated 29 August 2017 in the *Wall Street Journal*.

Verified Fan was introduced in early 2017 and has already been used by more than 50 artists since introduction.⁶ Artists include Taylor Swift, Katy Perry, Bruce Springsteen, and Harry Styles (ask your teenage daughter). The program has dramatically reduced the quantity of tickets sold through intermediaries. Prior to implementation, about 30 to 50 percent of tickets were resold by scalpers. With Verified Fan implemented, this has dropped below 5 percent.

Ticket to events are first released to Verified Fans; that's the primary benefit for participation. There's been some negative reaction as fans believe the program guarantees access to events. It doesn't – it just improves a fan's chances.

Fans boost their standing by completing activities such as watching videos, referring friends, posting on social media, and buying merchandise. Each activity is scored as a low, medium, or high boost. You might guess, buying merchandise provides the highest boost. Activities are tallied each day; members can watch their position move from "waitlist" to "priority." The idea is to duplicate the activities that real fans exhibit. Included among fan activities for Taylor Swift is a "medium boost" opportunity to watch an AT&T advertisement featuring the artist. Perhaps a tad mercenary, but it certainly boosts the excitement of her sponsors. However, the boost earned may take up to 72 hours to post . . . that's not fast enough and the goal should be almost-instant recognition.



Verified Fan offers a dashboard so members can instantly see their standing and completed activities.

It's easy to see the similarity to the elite tiers offered by frequent flyer programs. But Verified Fan has truly tapped into the online elements of loyalty and merchandising. Every activity can be accomplished online and mostly through YouTube and Facebook. The program promises, "You can sign up and boost your place in line without making any purchases." That's a major distinction from the typical silver, gold and platinum airline tiers which can only be achieved by the biggest ticket spenders. Verified Fan demonstrates the value derived from a program to urge everyday consumers – or fans – to share enthusiasm for your products and experiences.

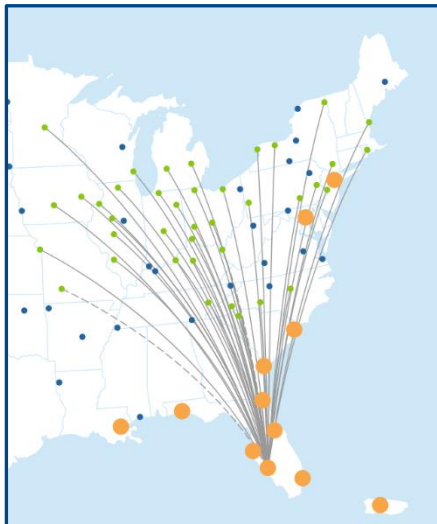
Allegiant builds a resort to build revenue

Actually, the airline is building the largest master-planned hotel-condo resort on Florida's west coast.⁷ The massive development will fill 20 waterfront acres in Port Charlotte, Florida and include a resort hotel, nine condo towers, restaurants, bars, shops, and a marina. Nearby Punta Gorda Airport (PGD) is served exclusively by Allegiant which makes the airline-airport-resort relationship oh-so-attractive and a veritable pipeline for profits. The airline estimates the Sunseeker Resorts project will bring an additional 300,000 visitors annually to the area with a ten-year economic impact of \$1 billion.

⁶ Live Nation Entertainment reports second quarter 2017 financial results.

⁷ Allegiant Airlines press release dated 29 August 2017.

Airlines have owned hotels before. United Airlines once owned the Westin and Hilton International brands. The current list of airline groups that own hotels includes Air Transat, Emirates, Icelandair, Korean Air, TUI Group, and even an LCC – AirArabia. But Allegiant’s activities seem very different from mere ownership of a hotel . . . the airline is developing Sunseeker Resorts from the ground up as a massive ancillary revenue generator.



Allegiant currently flies nonstop to 39 cities from Punta Gorda Airport.

The ancillary revenue generated from the property’s 75-room hotel represents the type of holiday package activity already known to Allegiant.⁸ But things get very bold and different with the addition of approximately 720 condo units which range in price from \$650,000 to \$1.1 million. The sale of a condo also creates an annuity-like stream of cash as condo owners will undoubtedly fly Allegiant to Punta Gorda Airport which is only 5 miles from the resort complex. Competitor airlines will find it difficult to copy the various attributes of this plan; none of them have the holiday destination experience that powers Allegiant’s attractive margins.

There is abundant risk here (including hurricanes) because the development requires added expertise in real estate, lodging operations, and condo sales — not activities one would normally associate with an airline.

But if the airline masters this development, the skies are suddenly cleared for considerable growth opportunities. The hotel-condo resort model could be repeated across the carrier’s sun-drenched holiday network which features focus cities such as Orlando/Sanford, Tampa/St. Petersburg, Phoenix/Mesa, Fort Lauderdale, and Las Vegas.

⁸ “Why This Airline Is Building a Massive Florida Resort” article dated 31 August 2017 at Fortune.com.

EasyJet gets its connecting groove via Gatwick

Back in May 2017 Ryanair announced a deal to allow consumers to book long haul flights on Air Europa.⁹ From Madrid, 20 routes would be featured to 16 countries in North, Central and South America, including Argentina, Brazil, Cuba, Mexico and the US. Ryanair noted these initial markets did not include connecting flights on Ryanair. The ability to connect via Madrid would be added later in 2017.

EasyJet beat Ryanair in the connections race with its September 2017 announcement to sell connecting flights at easyJet.com between Europe and Argentina, Canada, Singapore, and the US.¹⁰ Canadian connections are provided by WestJet, while the other long-haul destinations are flown by a major competitor – Norwegian. The relationship is grandly branded “Worldwide by easyJet” and relies upon the GatwickConnects program developed by Gatwick Airport and Icelandic technology company Dohop.

The screenshot displays a flight search result for a round trip from Edinburgh (EDI) to Singapore (SIN) via London (LGW). The total price is \$876.01 per person. The itinerary is split into two legs: a departure on December 4, 2017, and a return on December 11, 2017. The departure leg consists of a 1h 30m flight from EDI to LGW on easyJet (EZY812), followed by a 3h 30m wait at GatwickConnects, and a 12h 40m flight from LGW to SIN on Norwegian Air UK (DI7409). The return leg consists of a 14h 10m flight from SIN to LGW on Norwegian Air UK (DI7408), followed by a 3h 15m wait at GatwickConnects, and a 1h 25m flight from LGW to EDI on easyJet (EZY813). A 'Select' button is visible on the left, and a 'Details' link is on the right.

Phase	Date	Time	Origin	Destination	Airline	Flight No.	Duration	Stop
DEPART	December 4, 2017	6:55p	EDI	Edinburgh	easyJet	EZY812	1h 30m	
		8:25p	LGW	London				
		3h 30m			Wait - GatwickConnects			
		11:55p	LGW	London	Norwegian Air UK	DI7409	12h 40m	
		8:35p	SIN	Singapore				
RETURN	December 11, 2017	9:30a	SIN	Singapore	Norwegian Air UK	DI7408	14h 10m	
		3:40p	LGW	London				
		3h 15m			Wait - GatwickConnects			
		6:55p	LGW	London	easyJet	EZY813	1h 25m	
		8:20p	EDI	Edinburgh				

The online presentation is very attractive in its simplicity. Consumers simply enter an origin and destination as they would for any flight search. Booking specific travel dates can be a challenge because Norwegian and WestJet often don't operate daily long-haul services. The Dohop software delivers a user-friendly display of itinerary options with low fare pricing and adds a £34.50 fee for the connection. The only a la carte option offered is the choice to check bags on easyJet; Norwegian and WestJet both build a checked bag into their pricing. Norwegian even adds a meal and assigned seating to the bundle.

The most important feature of GatwickConnects is the care provided for airport connections. The airport provides expedited security screening to speed passengers between flights. If an inbound delay or cancellation causes a flight misconnection, the program promises to get passengers to their destination at no additional cost, with food and hotel vouchers provided for a large delay. Gatwick Airport also involves its retail tenants; the Caviar House provides a complimentary glass of wine or a soft drink and there are discounts for airport lounges and shopping.

⁹ “Ryanair Website to Sell Air Europa Long Haul Flights” press release dated 17 May 2017 at Ryanair.com.

¹⁰ “EasyJet announces ‘Worldwide by easyJet’” press release dated 13 September 2017 at easyJet.com.

The effort has the potential to deliver attractive revenue. IdeaWorksCompany reviewed nonstop schedules for Norwegian and Westjet for the peak summer months of 2018. Departure and arrival activity at London Gatwick is around 150 flights per week. If one assumes easyJet can contribute 20 passengers per long-haul flight (easyJet does fly 110 routes to Gatwick) this generates 3,000 connecting passengers a week.

Multiplying this result by the company's approximate average revenue of £49 (\$66) per passenger yields a nearly \$200,000 revenue boost each week based upon these modest assumptions. EasyJet has plans to broaden the effort to include its major hubs, such as Amsterdam, Barcelona, Geneva, Milan Malpensa, and Paris CDG. It's easy to understand how Worldwide by easyJet could eventually produce revenue in the millions.

By the end of 2017, consumers will also be able to book travel to new long-haul destinations through these additional easyJet partners: NEOS (Italy departures), La Compagnie (Paris-New York), and Corsair (Paris departures).¹¹ Regional destinations will also be available through Guernsey-based Aurigny Air Services along with easyJet connections via London Gatwick. The four airlines will add 30 regional and long-haul destinations as bookable destinations.

Worldwide by easyJet is a good first effort. Connections are also offered with Scottish airline Loganair and easyJet says more long-haul airlines are planned for the future. However, easyJet's flights at Gatwick often don't align efficiently with long-haul services. Plenty of Europe – US itineraries were observed with 6- to 9-hour layovers. The minimum connection time allowed by easyJet is 2 hours 30 minutes. In addition, the booking path doesn't provide the ability to add a la carte options such as seat assignment. Baggage must also be claimed at Gatwick and checked again (within the same bag claim area) for the next connecting flight.

These are all challenges to be smoothed, presumably, when easyJet introduces future enhancements. For now, the airline has implemented an innovative method to create new traffic and boost the availability of destinations for its website visitors. How it handles the relationship with Norwegian may be the most fascinating element of this service . . . will the two airlines peacefully cooperate or does Worldwide by easyJet represent a trial of the long-haul market for easyJet?

Delta adds mobile functionality as a benefit for checking a bag

The US based global network airlines made an unfortunate error in 2008 when fees were added without any consideration for improving the baggage experience. Fortunately for airlines, consumers largely forgave the move because everyone knew fuel prices were spiraling out of control. Yes, the industry was in a financial tailspin for a few years. But nearly a decade has passed, with Delta being the only airline to make continued effort to position baggage as a service product – rather than merely an opportunity to charge more.

Green means go, red says off-load, and yellow indicates the system is functioning.



¹¹ 29 September 2017 press release at easyJet.com.

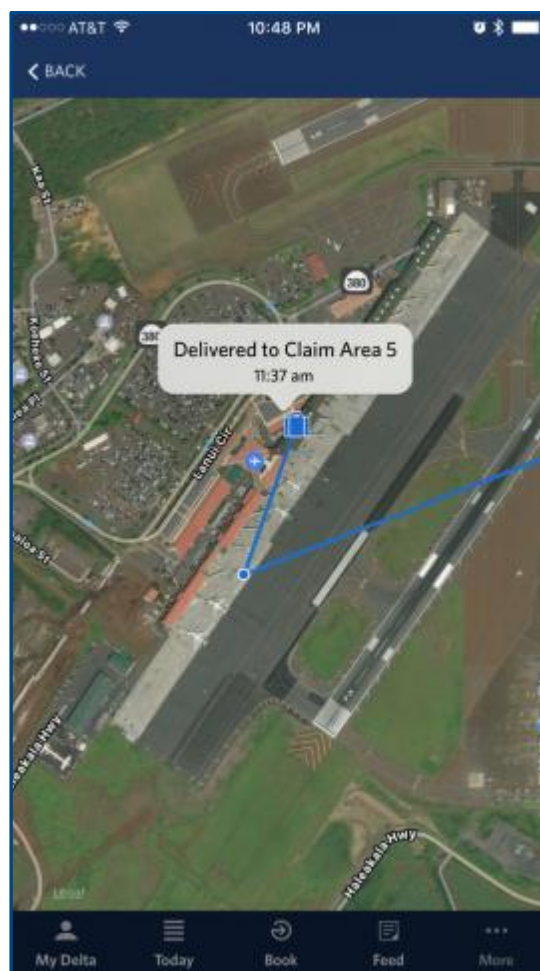
Back in 2015 Delta introduced a guarantee to deliver checked bags to the carousel within 20 minutes of arrival.¹² The airline provides 2,500 SkyMiles if the standard is not met. To be fair, Alaska was actually first with this idea in 2010. Delta made another improvement to its baggage service in 2016 when it starting using RFID (radio frequency ID) tags to track baggage from departure to arrival. Bags are also scanned just prior to aircraft loading. The system gives a red light (and stops the belt loader) if the bag is about to be loaded on the wrong aircraft. RFID and belt loader control are installed at Delta's largest 84 domestic US airports and have already led to better baggage reliability.

This service was significantly enhanced with a new mapping function in Delta's mobile application in October 2016. The app maximizes the versatility of mobile devices by providing a map view of a bag's journey.¹³ Travelers can view a bag's location be it in the baggage room, on the ramp, or planeside. The application also pushes out notifications to alert travelers when the bag has been loaded onto the flight and which carousel will receive the delivered bag.

For 2017 Delta is testing biometric machines at its Minneapolis hub that allow travelers to self-check their bags.¹⁴ The airline will realize baggage-related labor savings with the machines and consumers should enjoy shorter wait times from a robust deployment of equipment.

Airline customers now routinely pay fees all over the world to check baggage. The service is moving from a regular inclusion to an a la carte product. When customers pay for a service, this creates an expectation of value; the pain of a lost or delayed bag is multiplied after \$25 or €25 was paid to check it.

Airlines have enjoyed a windfall of newfound cash from these fees. Savvy airlines – like Delta – take the opportunity to invest a portion of that cash to demonstrate they are moving from a fee-based mentality to value-oriented retailing.



A birds-eye view of baggage tracking on Delta's mobile app. Image: Delta

¹² "Delta to keep 20-minute 'guarantee' for checked bags" article dated 03 April 2015 at usatoday.com.

¹³ "Delta gives customers first-ever map view of bag's journey" Delta News Hub posting dated 25 October 2016.

¹⁴ "Delta plans biometric-based self-service bag drop" Delta News Hub posting dated 15 May 2017.

Tui Netherlands easily deploys wireless buy-on-board solution

The human touch remains the best choice to boost onboard sales from drinks to snacks to merchandise. Flight attendants who were hired based upon willingness to sell, are paid a sales commission, and are familiar with the product sold, represent an excellent ancillary revenue resource. Seatback ordering systems have become a good method to encourage impulse sales when the trolley is not going down the aisle. But seatback systems require significant investment, add weight to the aircraft, and can be problematic to maintain.

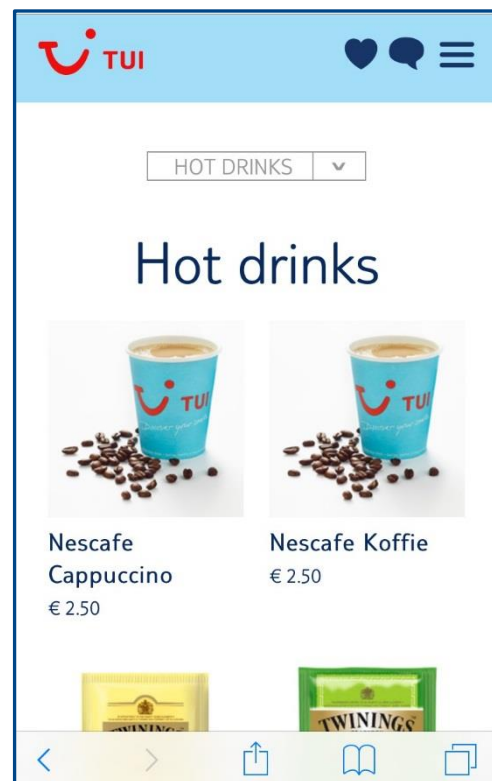
AirFi is a Netherlands-based company that provides a uniquely portable inflight entertainment system that can support onboard retail. The heart of the solution is the AirFi Box that is completely self-contained and about the size of a large shoe box. The AirFi Box is a battery-powered wireless router that wirelessly transmits stored content to the aircraft cabin.

Passengers use their devices, such as laptops or mobile phones, to view free and paid content such as television programs, movies, destination videos, and publications. The AirFi Box can be swapped out before flight departure by ground or catering crew with a freshly charged unit that has updated content. AirFi says battery life of the latest version of the box is 24 to 30 hours. The system is activated by the crew to create a wireless LAN on the aircraft. AirFi has added onboard ordering capabilities to the system.

Passengers use their device to access the carrier's wireless portal and view the buy-on-board menu. Orders for beverages, food, and merchandise are transmitted after the passenger adds their seat location. Payment can be made by cash or credit card. The AirFi Box makes a mobile connection after landing to complete credit card transactions.

TUI Netherlands offers buy-on-board food on selected flights with Condor and Thomas Cook active with non-food onboard retail. AirFi reports around 30 percent of passengers access the portal during a flight, with 4 to 6 percent willing to pay for movies. Evening flights see very good café activity because passengers can order using their mobile without disturbing those sleeping around them.

Orders are transmitted to a mobile point of sale tablet operated by cabin crew. The full advantage of wireless retail is realized when the airline wishes to update onboard menus. This is easily accomplished via a web-based portal and is wirelessly updated when swapped out by airport staff. The AirFi crew interface also tracks inventory, provides a resource for catering, and solicits crew member feedback. Wireless ordering isn't a replacement for trolley sales but certainly can augment the efforts of a trained and motivated cabin crew.



AirFi uses the power of mobile to bring retail to virtually every passenger.

Image: AirFi

Jeju Air creates the economy sleeper

Jeju Air is a low cost carrier based in Korea. Back in 2014 IdeaWorksCompany noted the carrier’s offer to block an adjacent empty seat for a fee. Since 2015, Jeju Air has added the ability to block two adjacent empty seats to create a suitable place to sleep. The feature is modestly priced at 100,000 Korean won or \$100 and is offered on eight longer haul routes such as Incheon – Guam (4 hours, 30 minutes) and Incheon – Bangkok (5 hours, 45 minutes).



Jeju Air blocks seats using onboard placards and headrest covers.

The service includes two empty seats, a blanket and pillow. Jeju Air has made this an easy to implement service by restricting sales to airports, with the request being made no less than one hour prior to departure. This allows Jeju Air to monetize seats that would otherwise go empty by allowing passengers to block one or two seats for added comfort. Asian LCCs Scoot and Peach offer similar plans without the added benefit of a blanket and pillow. Vueling now offers the ability to book an extra seat online.

“Club Smiles” subscription plan delivers bonuses (and revenue) all year

The Portuguese name for GOL’s new bonus mileage program is simply *Clube Smiles*. It’s a subscription-based mileage accelerator that charges a monthly fee ranging from R\$42 (\$13) to R\$299 (\$95). Membership in Clube Smiles is completely voluntary and is intended to augment regular membership, but the airline is offering a generous sign up bonus with a focus on “Plan 2,000” with an extra-large promotional bonus of 8,000 miles.

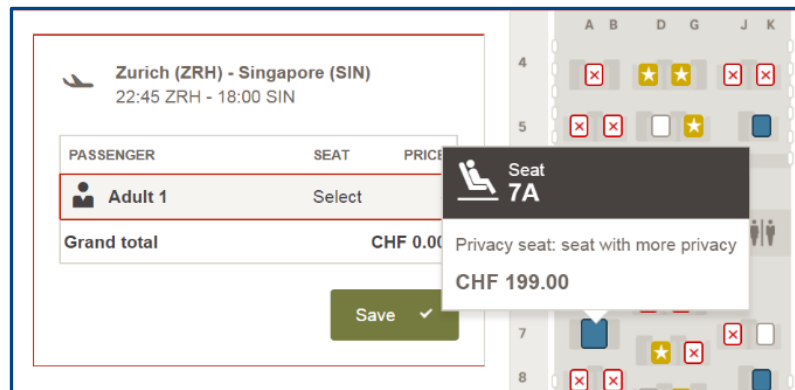
Clube Smiles – Program Features and Pricing					
Features	Plan 1,000	Plan 2,000	Plan 5,000	Plan 7,000	Plan 10,000
Monthly Bonus Miles	1,000	2,000	5,000	7,000	10,000
Launch Promotion	5,000-mile bonus	8,000-mile special bonus	5,000-mile bonus	7,000-mile bonus	10,000-mile bonus
Elite Qualifying Miles	100 miles per month	200 miles per month	500 miles per month	700 miles per month	1,000 miles per month
Price per Month	R\$42 (\$13)	R\$78 (\$25)	R\$162 (\$52)	R\$219 (\$70)	R\$299 (\$95)
<p><i>Program details reviewed at smiles.com.br/clube-smiles during September 2017.</i> <i>Web page displayed in Portuguese and translated to English using Google. R\$1 = \$0.3186 (US).</i></p>					

Members must subscribe and pay the monthly fee for a minimum of 6 months. In addition to the benefits listed in the table, Clube Smiles promises select discounts on airline and retail rewards, 10-year validity for miles accrued from Clube Smiles, and no reward issuance fees for up to 5 air rewards per year. The result is a program that lifts loyalty and ancillary revenue to new levels with the powerful combination of a frequent flyer program and subscription plan.

Swiss charges a premium fee for a premium seat

A la carte fees in the premium cabin are understandably rare because tradition has made this an all-inclusive experience. British Airways has charged seat assignment fees to lower-fare business class passengers for years, but additional examples are difficult to find. As of March 2017, Swiss joined the list

with a seat assignment fee ranging from 99 to 199 Swiss francs (\$102 to \$205) for a business class seat that's been nicknamed the "throne."¹⁵



These are extra spacious solo business class seats on the carrier's Airbus 330, Airbus 340, and Boeing 777-300ER aircraft which the airline brands a Privacy Seat. The seating configuration of the cabin provides ample table space on both sides of the seat to produce the look and feel of a throne.

These seats were always the first selected for assignment, which reflected the value assigned by customers. Preference is shown to Miles & More members with HON Circle and Senator elite status by waiving the fee for them. The Throne perfectly demonstrates the power of the marketplace; the fee ensures the seat goes to the highest bidder rather than merely the first person booking the flight. Airlines thinking of making a similar move might pair the offer with a mileage bonus to better recognize the expenditure made by premium customers.



Swiss intercontinental flights feature a few seats fit for a king or queen at a premium fee.

Image: Patrick Lindon GmbH

Seek to delight travelers and boost profits

The examples in this report reinforce the need to include creativity in the pursuit of ancillary revenue. For example, the idea of an airline owning a hotel has existed in the industry since the Pan Am era. But Allegiant's plan is so very different because it combines the elements of exclusive airport access, cash from the sale of condominiums, and the continuous passenger revenue generated by owners making repeat trips to a vacation home. Allegiant will profit from all this activity, but a consumer benefit must also exist. Thousands of consumers will delight in the attractive experience of a low cost flight to an uncongested airport that's less than five miles from their holiday home.

¹⁵ "Swiss introduces 'throne' seat reservation fee" article dated 27 February 2017 at BusinessTraveller.com.

Consumer delights can be major — like a \$1.1 million Florida condo — or can be far smaller. The passenger paying a \$25 bag fee will feel better about the expense knowing the location of their bag and being advised it's loaded on their flight. Or consider the traveler who arrives at Incheon Airport with eyes drooping and in dire need of sleep. For \$100 they can reserve a row, crawl under a blanket, and fluff a pillow on their Jeju Air flight to Bangkok. Even the fee charged by Swiss for a throne-like seat in business class can cause delight for a business traveler who didn't book early and normally would have missed the best seats. Chances are, the 99 Swiss franc fee might ensure one of these remain for their choice and comfort. Or they can opt to assign themselves another business class seat at no fee. That's the beauty of ancillary revenue done right . . . it honors the consumer's right to choose.

Above all, the consumer seeks value and fair treatment when considering the products associated with ancillary revenue: 1) ensure prices for goods are readily displayed, 2) provide access to information so consumers can click to learn more, 3) make products easy to place "back on the shelf" before check-out, and 4) guarantee services will actually be delivered and monitor this. Do all these things — and include creativity — and your airline will be rewarded with delighted consumers and loads of ancillary revenue.

Alaska



Rapid Revenue Learning

"IdeaWorksCompany helped us sharpen our game, and offer choice to our guests.

"Alaska Airlines leads the way in offering technology that takes the hassle out of air travel and delighting our guests. One way we do that is by offering choice. Our ancillary revenue management was good, but the acquisition of Virgin America required us to be better. Jay Sorensen worked with our cross-functional team from marketing, product, finance, customer service, pricing, and planning to understand benchmark methods used by the best airlines around the globe. With Jay's help, we've sharpened our game."

Toni Freeberg, Director of Distribution & Ancillary Strategy, Alaska Airlines

Airlines everywhere choose IdeaWorksCompany for a revenue boost.

IdeaWorksCompany is a leading consulting resource for ancillary revenue and loyalty marketing. Our client list spans the globe – Europe, Middle East, Americas, South Pacific, and Asia – and every type of carrier.

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