

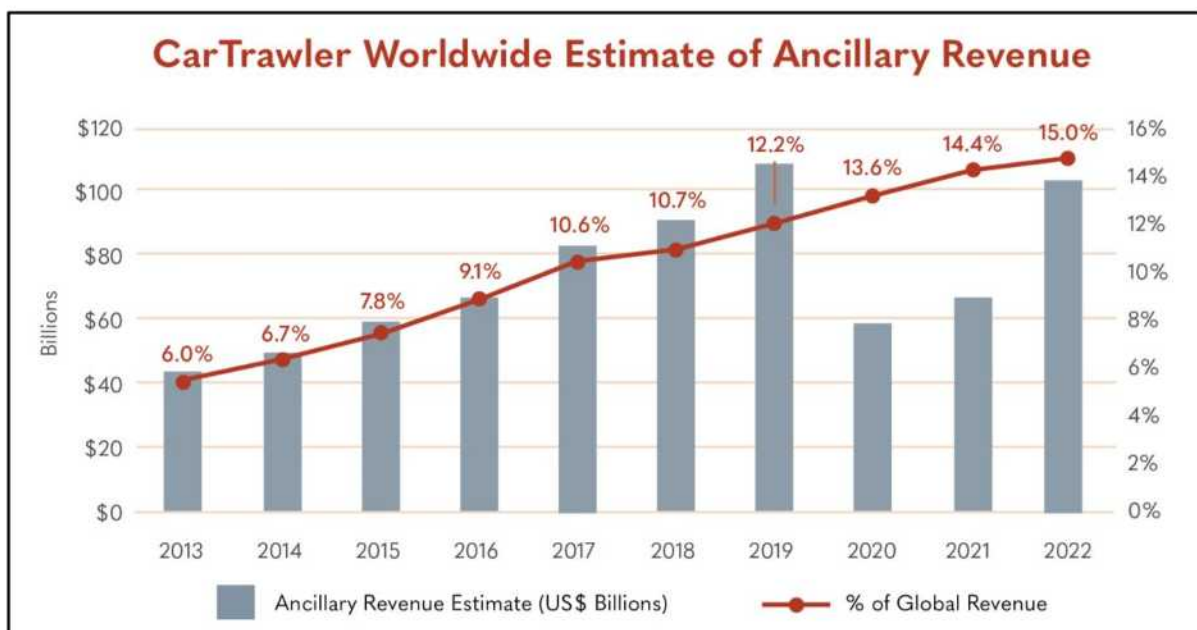


Airline Ancillary Revenue Nears Pre-Pandemic Level with a 56% Increase to \$102.8 Billion for 2022

The CarTrawler global estimate reveals the “double benefit” of ancillary revenue; it provides needed income for airlines and delivers overall lower costs for consumers.

Dublin, Ireland & Shorewood, Wisconsin, 15 November 2022: CarTrawler, the leading provider of online car rental distribution systems, and IdeaWorksCompany, the foremost consultant on ancillary revenue, project airline ancillary revenue will increase to \$102.8 billion worldwide in 2022, compared to \$65.8 billion in 2021 and the \$109.5 billion record of 2019. The **CarTrawler Worldwide Estimate of Ancillary Revenue** represents an increase built upon a 2022 passenger jump, with consumer support for a la carte services and co-branded credit cards showing gains.

Earlier this year, CarTrawler and IdeaWorksCompany reported the ancillary revenue disclosed by 75 airlines for 2021. These statistics were applied to a larger list of 122 airlines to provide a truly global projection of ancillary revenue by the world’s airlines for 2022. Ancillary revenue is generated by activities and services that yield cashflow for airlines beyond the simple transportation of customers from A to B. This wide range of activities includes commissions gained from hotel bookings, the sale of frequent flyer miles to partners, and a la carte services. It’s the a la carte portion, which includes baggage and seat assignment fees, that represents the portion directly paid by consumers.

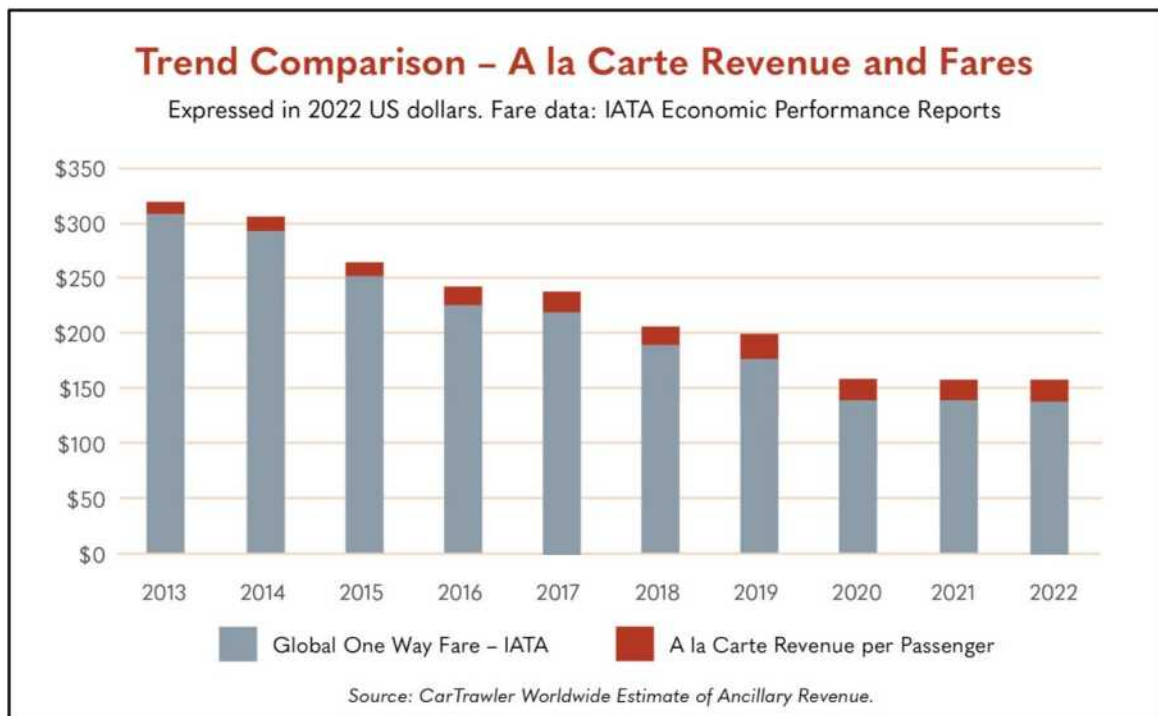


“It’s very exciting to see that ancillary revenue has recovered so strongly following a difficult couple of years, almost reaching 2019’s record of \$109.5 billion,” says Aileen McCormack, Chief Commercial Officer, CarTrawler. “In 2022, ancillary revenue reached \$102.8 billion, a 56% increase on 2021, thanks to the industry’s agile response to unprecedented difficulties. This ability to respond quickly, pivot strongly, and implement change at pace, is a key reason why ancillary revenue – and travel generally – has been able to recover so well. We are delighted to continue supporting our partners in maximising their ancillary revenue generation whilst also providing the best service to their customers.”

Consumers and Airlines Benefit

The double benefit of ancillary revenue creates a stable income source for airlines and contributes to lower fares for consumers. Airlines generate indirect and direct sales from ancillary revenue activity. When customers use a co-branded credit card or book car hire at an airline website, this generates indirect revenue. Partners share a portion of the sales generated from these activities with an airline. Direct sales represent the sale of optional extras (called a la carte by the industry) to consumers. The extras include checked and carry-on baggage, seat assignments, extra leg room seats, buy-on-board meals, Wifi access, and early boarding

Today’s ancillary revenue methods are based upon more than a decade of retail practice by low cost carriers (LCCs). Airlines of all types, especially global network carriers in the US and Europe, have turned to this method due to competitive necessity. The result has lowered the overall cost of travel for consumers as shown in the graph below. Expressed in current US dollar values (inflation adjusted for 2022) the 2013 global average one-way fare was \$306.20, plus optional extras at \$9.64, for a combined consumer cost of \$315.84. Fast forward to 2022, the one-way projected by IATA is \$140.69, with optional extras at \$17.68, for a total of \$158.37. That’s an amazing 50% inflation-adjusted reduction over ten years.



LCCs Perfected the Ancillary Revenue Method

Shopping for airline travel today is similar to walking into a grocery store and filling up a shopping cart. The hallmark of the regulated era was a simple price structure in which the base fare included checked baggage, seat assignment, inflight food and beverages, and more space between seat rows. The deregulation of the US airline industry occurred in 1978 and its influence gradually grew to encompass the world. Early LCC pioneers included Laker Airways, People Express, and Southwest. Established airlines fought back to preserve yields but consumer attraction to low fares allowed a new generation of carriers to tilt the industry in their favor.

AirAsia, easyJet, Ryanair, Spirit, and Wizz Air, tapped the preference by a majority of consumers to tailor air travel to individual needs. Those seeking the lowest price buy basic fares and skip the optional extras promoted in the booking path. Typically, about 45% of consumers choose to spend more by adding services such as checked baggage, large carry-on bags, advance seat assignment, priority boarding, food and beverages, and Wifi access. These airlines became skilled at selling travel on an a la carte basis, with the most effective easily generating half of their revenue from these activities. The last two decades have witnessed virtually every other airline adopting more and more pages from the LCC playbook.

The ancillary revenue method represents a powerful airline retail system. The base fare will fluctuate as determined by supply and demand, while the ancillary revenue components provide a layer of stability in the topsy-turvy world of a global business. The very best airline practitioners follow these consumer-oriented strategies:

- **Thoroughly describe optional extras** with the ability for consumers to click for more detail.
- **Offer bundles** using a “good, better, and best” approach to speed the shopping process, and only describe bundled savings which are legitimate.
- **Honor the consumer’s right to choose**, and allow unwanted items to be easily removed from a shopping cart.
- **Fully disclose** the pricing of individual items prior to check-out.
- **Automatically refund** the optional extras which the airline fails to provide during travel and compensate travelers for inconveniences experienced.
- **Treat ancillary revenue like a business** by investing a portion of the margin to improve the delivery and quality of services sold.

The industry must not forget that educated, satisfied, and confident customers will always generate the best results in terms of airline profitability, flight operations, and passenger loyalty. It’s also vitally true, that airlines are intended to be profit-making ventures and should strive to maximize revenue from every flight. The \$102.8 billion the industry is estimated to generate in 2022 from the array of ancillary revenue activities represents an admirable achievement when it is gained by providing consumers good value for the price paid.

The graphs appearing on page one and two of this press release are available as JPG image files at the press release section of the IdeaWorksCompany.com website.

About CarTrawler: CarTrawler is the leading global B2B provider of car rental and mobility solutions to the travel industry. Our purpose is to drive successful partnerships.

CarTrawler's end-to-end technology platform expands our airline and travel partners' offerings to their customers, creating substantial ancillary revenue opportunities. We provide unrivalled breadth and depth of content worldwide, including car rental, private airport transfer and ride-hailing services.

CarTrawler creates innovative, data-led solutions for some of the largest travel brands in the world, including United Airlines, American Express, easyJet, Alaska Airlines, SWISS, Hotels.com and Emirates. As a B2B company we focus solely on helping our airline and travel partners build their brands, not our own.

About IdeaWorksCompany: IdeaWorksCompany boosts airline profits through innovations in ancillary revenue, a la carte pricing, loyalty marketing, and airline retail. The firm was founded in 1996 and has an international client list of airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorksCompany enjoys a reputation as a global resource for ancillary revenue strategy, on-site executive workshops, and research reports. Learn more at IdeaWorksCompany.com.

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