

Airline Sector

The value of revenue generation from non-core products and services

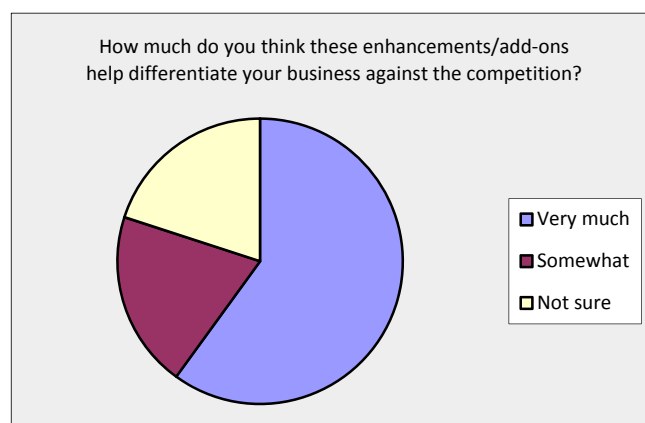
Collinson Latitude recently conducted a survey amongst representatives from the airline sector to understand their thoughts on how they generate ancillary revenue. Airlines have been active in this space for some time and are well established in utilising partnerships and third party product sourcing in order to generate new, non-competing revenue. Airlines are now well positioned to make the next step in ancillary revenue and take this further by really optimising their passenger value proposition.

Acquisition of new passengers has been identified as the key business objective for airlines in 2010 – more so than retention of existing ones. Brand differentiation, and leveraging customer base to achieve new revenue streams are also rated as higher priorities than retention – going as far as 38% of respondents rating this as ‘not very important’.

86% of brands currently offer enhancements or add-ons to core products and services and the main reason identified for this was to generate additional revenue for the business, prioritised higher than increasing the value proposition for passengers. The profitability of each passenger is the main focus for airlines.

When asked if these enhancements offer brand differentiation against competitors, 80% believe that they do, where as the remaining 20% are unsure – as depicted by the chart.

Of those respondents that do not currently offer enhancements or add-ons, two thirds have considered doing so, but are unaware of how they could benefit or implement such a strategy. Complexity of implementation was also identified as a barrier.



Promotional mechanisms are widely used to keep passengers engaged with airlines; tokens, vouchers and coupons being popular. Online prize draws and auctions are also being used by a small number of brands, with a number of other airlines looking into implementing these to retain online engagement.

As vouchers and coupons are currently used, it is no surprise that offering passengers ‘instant benefits’ from third party providers is something that over 70% would be interested in. 70% of brands are also interested in offering their passengers annual packaged benefit bundles is believed to be the next step in ancillary revenue and added value product extensions.

“Airlines most concerned with revenues, not retention”

