

Modern marketing trends

- Ancillary Revenue



Ancillary revenue

The screenshot shows the Ryanair.com homepage with several ancillary revenue options circled in black. These include:

- Navigation Bar:** CHEAP CAR HIRE, HOTELS, TRIPS & TOURS, TRAVEL INSURANCE, AIRPORT TRANSFER, RYANAIR MONEY, SKI, INSURE CAR.
- Online Check-In:** FLIGHTS, HOTELS, HERTZ.
- Travel Services:** Hotel Deals, Cheap Car Hire, Concerts & Sports, Airport Transfer.

The main banner advertises "1 MILLION 1p FLIGHTS" with "NO HIDDEN CHARGES" and "BOOK UNTIL MIDNIGHT THURSDAY!". It also mentions "RYANAIR'S LOWEST FARE GUARANTEE - BOOK NOW" and "CLICK HERE FOR 1 MILLION 1P FLIGHTS AVAILABILITY".

On the right, there are sections for "Cheap Car Hire" (One free day!), "Hotel Deals" (RED HOT HOTEL SALE! ROOMS FROM £19/€26), "Instant Win Games" (TODAY'S AMAZING JACKPOTS 49.831,57€ PLAY NOW), and "Cheap Car Hire" (Car Hire Specials Shannon from £18).

At the bottom, there are links for "REGISTER FOR OFFERS" and "RYANAIR BARGAINS".

Search results for "Hotel Deals" are shown below the main banner:

City	Price
Prague	€16
Barcelona	€23
London	€20
Rome	€23
Paris	€23
Tenerife	€24

Prices per person per night

Ryanair ancillary 'services'

Fiscal Year ended March 31,			
2010		2009	
(In millions of euro, except percentage data)			
€463.6	69.9%	€425.8	71.2%
€29.9	4.5%	€32.2	5.4%
€86.5	13.0%	€83.2	13.9%
€83.6	12.6%	€56.9	9.5%
€663.6	100.0%	€598.1	100.0%

- 22.1% in 2011 (breakdown)
 - €11.10 per booked passenger
 - Non-flight scheduled revenues including airport check-in, excess baggage, debit and credit card fees, sale of bus and rail tickets, hotels, and travel insurance
 - Car-rental
 - In-flight sales
 - Internet related e.g. commissions on items sold through website
 - Google AdSense to monetize FR search results pages sent to other websites

Passenger and ancillary revenues



	F '10	F '09	Change
Passenger revenue (£m)	2,402	2,151	11.7%
per seat (£)	42.87	40.70	5.3%
Ancillary revenue incl. checked bag (£m)	571	516	10.7%
per seat (£)	10.20	9.77	4.4%

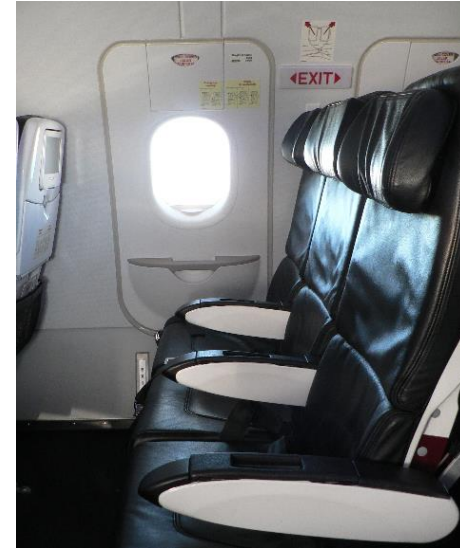
£ change in ancillary revenue per seat	vs 2009
Bag charging	+£0.14
Fees and charges	+£0.53
Partner revenues	-£0.19
In-flight net revenue	-£0.05
Total	+£0.43

Different Ways to Generate Revenues

Baggage



Exit Seat



Holidays



Selling
Food



Selling
Scratch
Cards



**TRAVEL
INSURANCE**

Ancillary opportunities

Flight Related Ancillaries

Baggage fees
In-Flight Entertainment
Lounge Access
Meals/beverages
Travel insurance
Upgrades
Priority boarding
Reservation changes
Seat Assignment
Purchase Middle Seat (Clickair)
Extra legroom
Onboard Selling (Bus, train tickets)
Scratch Cards
Mobile Phones
Payment through Credit and Debit card
Onboard Internet

Non- Flight Related Ancillaries

Car Rental
Hotel/lodging
Fast track through security
Ground Transportation
Currency conversion
Car Parking (Monarch)
Cruises
Golf, Spa's,
Branded merchandise
Purchase FFPs
Search links on website
(Google Adsense)
Selling adspace on website

3 areas of that offer high potential revenue opportunities

Sell Re-Packaged Choices and Fares

Customers pay for valuable elements of air travel above fare, such as seat choices, meal, baggage, refunds, changes, upgrades

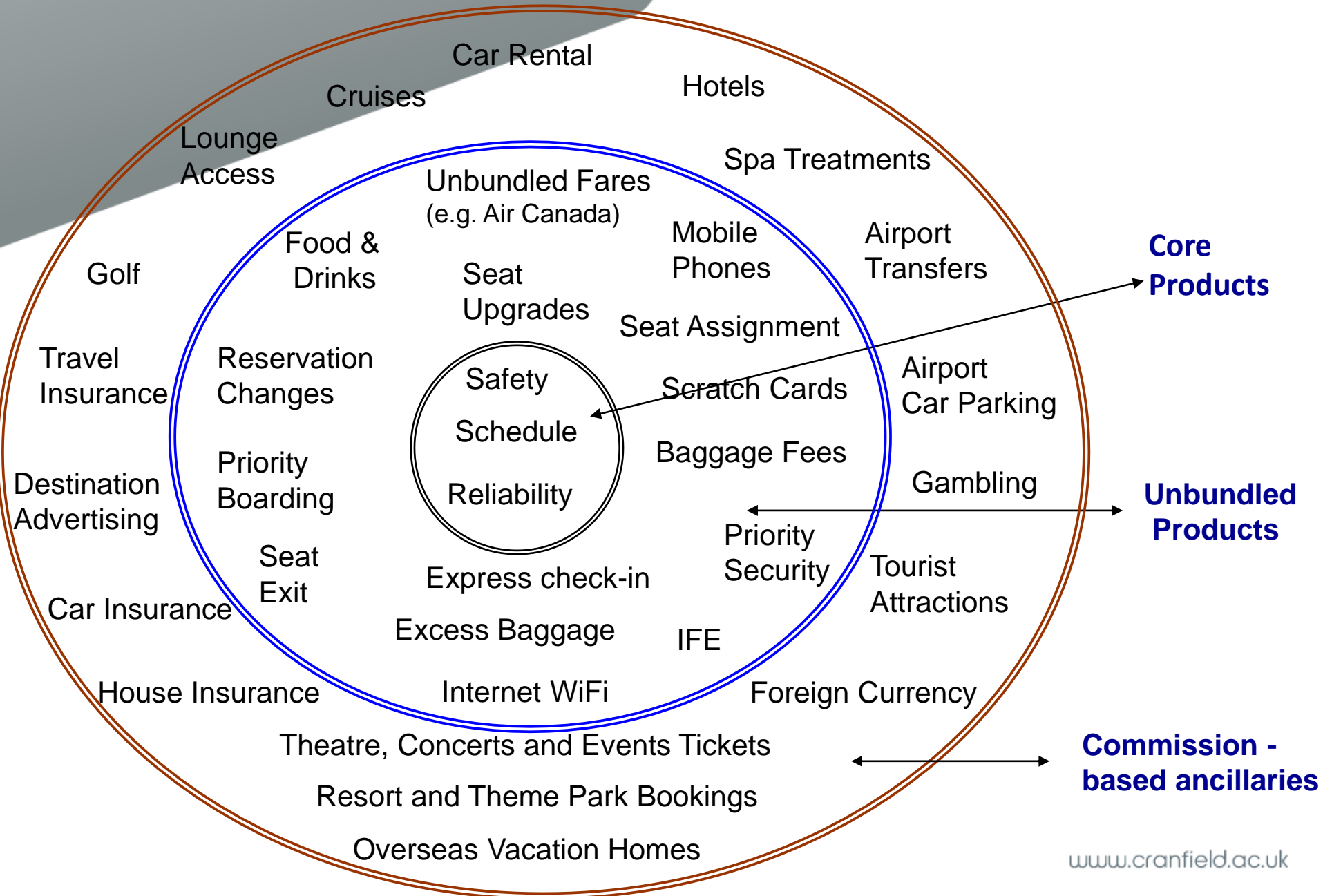
Buy Dynamic Bundling of Travel

Beyond core airline offer – customers can select Packaged bundles of hotels, car rentals, recreation

Sell Goods Onboard/Online

Use customer focus on lifestyle experience and onboard seat time (captured audience). Opportunity to market wide variety of non airline goods such as online gaming, scratch cards, online catalogue, Sports tickets, etc

Ancillary Composition



Home Country – Airline is the Local Broker

Think Country

Most consumers welcome a broader and deeper travel offer from an airline that promotes local Talking points and cementing the association

Local Knowledge

Your airline offers better local travel market Knowledge than any competitor – a sustainable adv

Brand Association

A broader involvement in your country travel will strengthen your brand and franchise

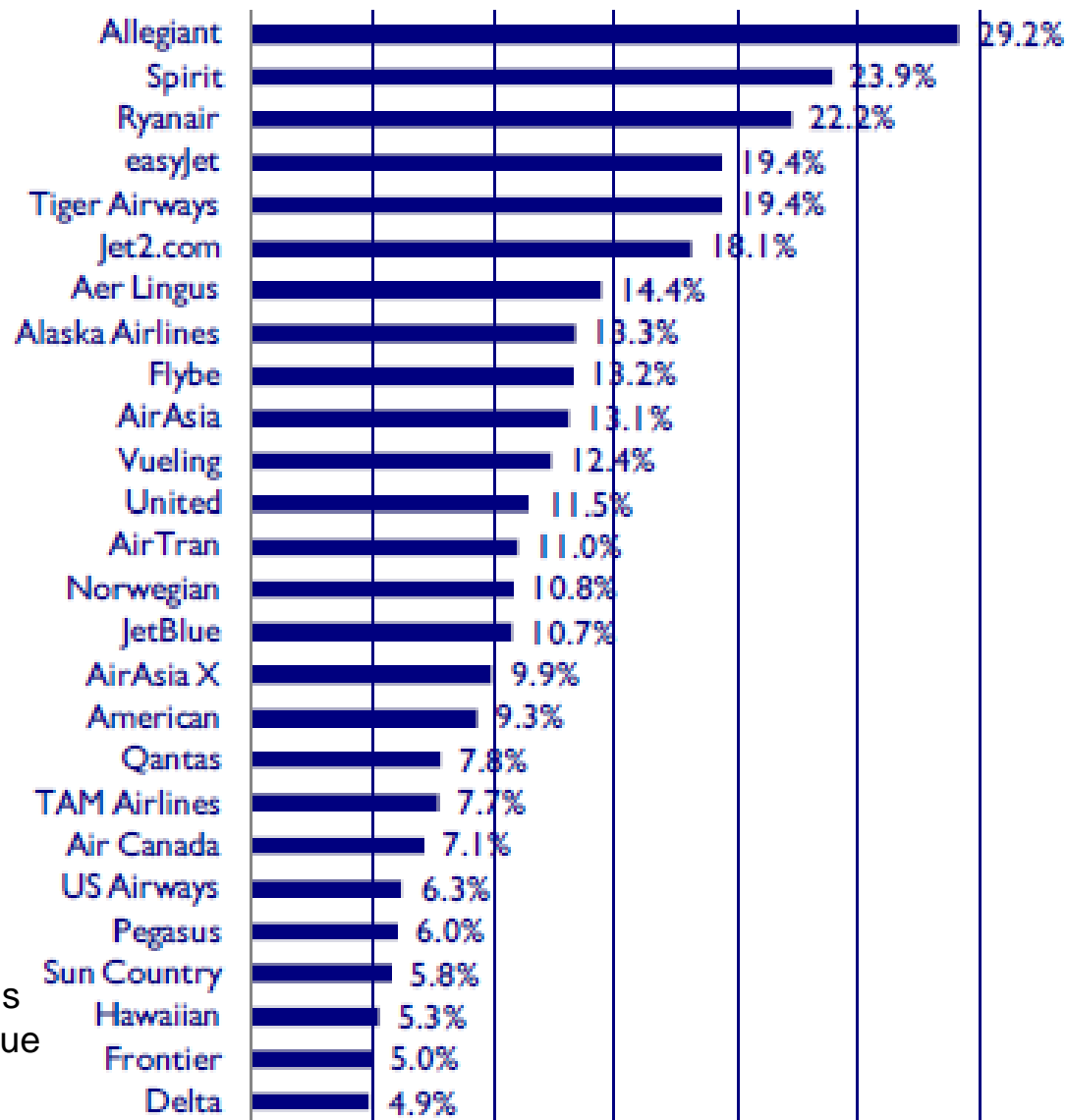
Leverage

Your airline is already online and can leverage technology to strengthen relationships with inbound travel consumers and your database

Commission

This can grow significantly once your airline gains awareness that your offering exceeds that of 3rd parties

Ancillary revenue as % of Total Revenue 2009



Source: 2010 Amadeus
Guide Ancillary Revenue
by IdeaWorks

STAR TRIBUNE
SACK



'IT WAS BAD ENOUGH WHEN THEY STARTED CHARGING FOR IN-FLIGHT MEALS....'

Air Canada's unbundled website

	 TOURIST Our best value	 LEISURE Get up and go!	 LATITUDE PLUS Great value plus flexibility	 EXECUTIVE FIRST LOWEST Value and comfort	 EXECUTIVE FIRST FLEXIBLE Ultimate freedom plus flexibility
Complimentary advance seat selection	\$15	\$15	✓	✓	✓
Priority baggage handling	pay	pay	✓	✓	✓
Extra baggage allowance	pay	pay	pay a little	✓	✓
Access to  Lounges ¹	pay	pay	\$40	✓	✓
Priority check-in and boarding	pay	pay	✓	✓	✓
Refundable ticket ²	pay	pay	✓	✓	✓

Air Canada's unit Revenue rose by 22% from 2003 to 2007 since it launched its branded fares and 48% of customers are buying into a higher fare bracket

AirAsia X – A la Carte Options		
A la Carte Feature	Economy Class	Premium Class
Pick a Seat <ul style="list-style-type: none"> • Standard Seats (<i>assigned seat</i>) • Hot Seats (<i>exit row and bulkhead</i>) 	MYR 25 (€6) MYR 100 (€25)	Complimentary seat assignment.
Comfort Kit – Pillow & Blanket <ul style="list-style-type: none"> • Booked Online • Purchased Onboard 	MYR 25 (€6) MYR 35 (€9)	Complimentary but for onboard use only.
Checked Baggage – Booked Online <ul style="list-style-type: none"> • Up to 15 kg. • Up to 20 kg. • Up to 25 kg. • Up to 30 kg. 	MYR 30 (€7) MYR 50 (€12) MYR 80 (€20) MYR 120 (€30)	Complimentary Up to 20 kg. Economy fees apply for more than 20 kg.
Checked Baggage – Booked Online <i>London Flights Only</i> <ul style="list-style-type: none"> • Up to 15 kg. • Up to 20 kg. • Up to 25 kg. • Up to 30 kg. 	MYR 39 (€10) MYR 60 (€15) MYR 100 (€25) MYR 150 (€37)	Complimentary Up to 20 kg. Economy fees apply for more than 20 kg.
Checked Baggage – Paid at Airport <ul style="list-style-type: none"> • Up to 15 kg. • Up to 15 kg. London Flights Only • Each kg. over 15 kg. (<i>per bag</i>) 	MYR 40 (€10) MYR 50 (€12) MYR 20 (€)	Same as above.
Standard Hot Entrée <ul style="list-style-type: none"> • Booked Online • Purchased Onboard 	MYR 10 (€3) MYR 12 (€3)	Complimentary meal and mineral water.
Beverage Examples <ul style="list-style-type: none"> • Soft Drink • Red or White Wine, 175 ml. 	MYR 6 (€2) MYR 18 (€4)	Economy fees apply.
Personal Movie/TV/Music Player	MYR 30 (€7)	Economy fees apply.
Priority Check-In	Not applicable	Complimentary
Express Boarding	Not applicable	Complimentary
Priority Baggage Delivery	Not applicable	Complimentary

Prices in Malaysia ringgit converted to euros: 1.0 MYR = 0.247 euro.
 Source: AirAsia.com website September 2010.

AirAsia X – A la Carte Results

A la Carte Feature	Typical Spend	Purchase Channel	Revenue per Passenger	Annual Revenue	% of Operating Revenue
Pick A Seat	€7 (\$9)	51% Booked Online	€3.57 (\$4.39)	€3,691,000 (\$4,540,000)	2.1%
Comfort Kit	€7 – 9 (\$9-11)	6% Booked Online 2% Purchased Onboard	€0.60 (\$0.74)	€620,000 (\$736,000)	0.3%
Baggage	€10.50 (\$12.90)	81% Booked Online 5% Purchased at Airport	€9.03 (\$11.11)	€9,337,000 (\$11,485,000)	5.2%
AirAsia Cafe	€4.50 (\$5.54)	51% Booked Online 35% Purchased Onboard	€3.87 (\$4.76)	€4,002,000 (\$4,922,000)	2.2%
Systemwide			€17.07 (\$21.00)	€17,650,000 (\$21,683,000)	9.9%

Source: Based upon disclosure by AirAsia X management direct to IdeaWorks, except average spending for the Pick A Seat feature was estimated by IdeaWorks.

- American Airlines generated \$70 million in extra revenue during the 3rd quarter of 2008 from the fees for a first piece of checked baggage.
- United realised \$300 million in additional revenue during 2009 from its new baggage fees.
- Delta was initially reluctant to initiate a fee for the first piece of baggage. However, it joined other U.S. major airlines in December 2008 with a \$15 fee for the first piece.

Revenues (in \$US millions) from baggage fees collected by U.S. major airlines

4 th Quarter 2009 Rank	Airline	4 th Q 2008	1 st Q 2009	2 nd Q 2009	3 rd Q 2009	4 th Q 2009	Percentage Change 4 th Q 2008 to 4 th Q 2009	Total 2009 Revenue from Baggage Fees (US\$ Millions)
1	Delta	60.5	102.2	118.4	129.5	131.1	116.7%	481.7
2	American	113.9	108.1	118.4	119.5	129.2	13.4%	475.2
3	US Airways	93.8	94.2	104.1	111.4	122.5	30.6%	432.3
4	Northwest	63.6	59.8	67.2	78.9	79.9	25.6%	285.8
5	Continental	49.3	55.6	63.2	66.0	67.9	41.4%	254.5
6	United	58.8	59.1	67.4	77.9	64.6	9.9%	269.0
7	<u>AirTran</u>	12.7	30.9	40.5	40.2	34.3	170.1%	146.0
8	Alaska	5.5	5.4	6.2	25.2	21.8	296.4%	58.7
9	Frontier	10.0	12.5	13.5	14.9	14.4	44.0%	55.2
10	Spirit	N/A	N/A	16.2	16.4	14.3	N/A	46.8
Industry Total*		498.6	577.9	669.6	739.8	736.1	47.6%	\$2,723.4

* A total of 21 carriers reporting their revenues from baggage fees

Source: Bureau of Transport Statistics, Form 41; Schedule P1.2.

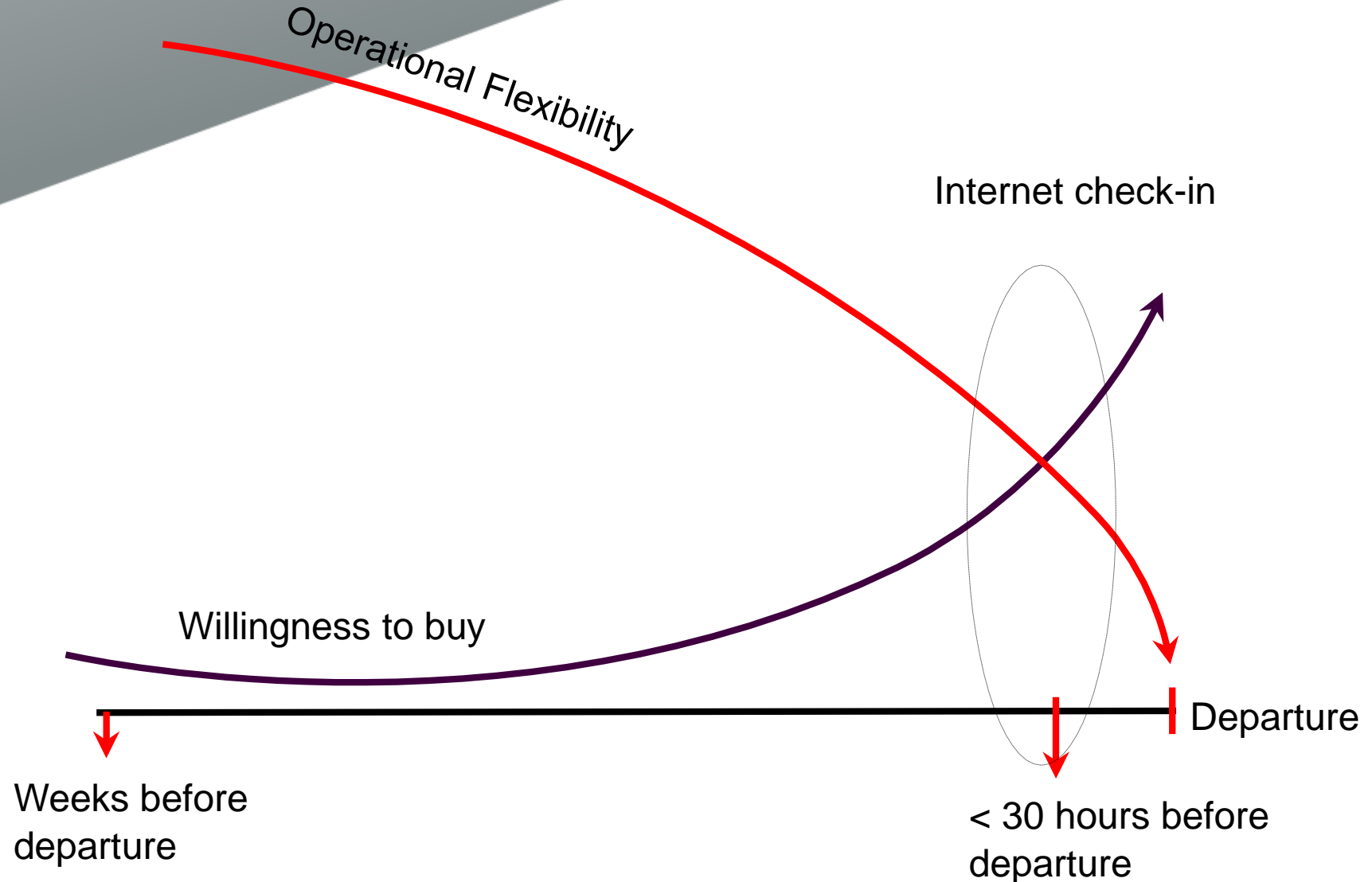
Reservation Change Fees (in \$US millions) collected by U.S. major airlines

4 th Quarter 2009 Rank	Airline	4 th Q 2008	1 st Q 2009	2 nd Q 2009	3 rd Q 2009	4 th Q 2009	Total 2009 Reservation Change Fees (US\$ millions)
1	Delta	4.5	86.9	100.7	112.0	106.5	406.0
2	American	114.5	115.9	109.6	120.4	104.0	449.9
3	Northwest	107.1	101.2	105.0	100.5	91.2	397.9
4	United	81.9	78.1	81.1	79.4	71.2	309.9
5	US Airways	68.3	66.5	64.0	61.0	57.3	248.8
6	Continental	N/A	59.6	59.8	56.0	52.6	227.9
7	JetBlue	34.3	32.2	30.0	28.7	30.4	121.3
8	<u>AirTran</u>	5.8	4.8	12.3	12.2	13.5	42.8
9	Alaska	17.1	16.3	15.3	15.6	13.4	60.6
10	Spirit	5.6	5.8	5.9	5.9	5.9	23.6
Industry Total*		459.9	587.5	606.5	613.5	563.7	2,371.1

* A total of 19 carriers reporting their revenues from baggage fees

Source: Bureau of Transport Statistics, Form 41; Schedule P1.2.

Revenue opportunity before departure



Average days purchased prior to consumption

Airfares	44 days
Hotel	42 days
Destination content	24 days
Rental Cars	19 days

Source: Amadeus, July 2008

Pre-departure email

Itinerary

Choose Seat

Change Flight

Hotel

Car Rental

Insurance

Purchase Excess Baggage

Destination Content (golf, spas)

Cheap Phone Bills

Send email or text message for reconfirmation

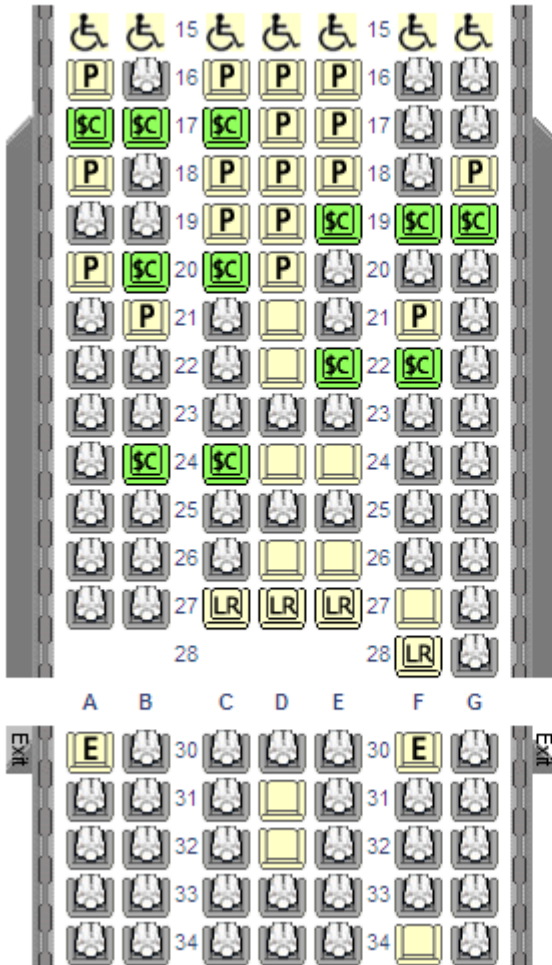
Make it attractive for customers to opt in before they set off on their Journey









Make it to the point

Northwest Airlines - Selling the best seat

DETROIT TO LONDON, ENGLAND

Flight: 782, 76C Duration: 8 hour(s), 00 minute(s)



-  Available seat
-  Limited Recline
-  Occupied seat
-  Premium seat
-  Disability seating ?
-  Exit row seat
Federal Aviation regulations prohibit customers traveling with a child in a car seat from sitting in the row directly in front of or behind an exit row.
-  Coach Choice SM Exit Seat available for purchase
(Available within 24 hours of departure).
-  Coach Choice SM Seat available for purchase
(Available within 24 hours of departure).

Pay \$15 per flight for
Selected aisle or exit rows

Fee is waived for elite
Members

United Airlines does the
same thing

Selling Meals

- Many airlines now sell meals on their short-haul flights
- British Airways is even investigating charging passengers extra for the option of an 'upgraded' in-flight meal.
- Air Berlin offers complimentary snacks, meals, and beverages to economy passengers. However it also uses 'Sansibar gourmet meals'. Customers may “upgrade” their dining experience by ordering a specific gourmet entrée before departure.

Gambling On Board – Selling Scratch Cards ?

- 8 out of every 10 people gamble every year
- 1.3% of disposable income is spent on gambling
- Gambling is a \$279 billion dollar business
- Internet Gambling represents 6% of this \$279 billion
- Estimated that \$26.6 billion will be spent during 2012

Ancillary Items that did not work

- JetBlue - Travel Pillow and Blanket (\$7)
- United - Transatlantic Buy on Board
- US Airways - Buy on Board Soft Drinks (\$2)