



First Ancillary Revenue Conference Held Monday, December 17, 2007

At a time, when **Ryan Air** is hailed as an innovator in developing new revenue streams which is now being copied by **Mesa Airlines**, it is no surprise that a conference on raising ancillary revenue was held to teach airlines how to increase profits, loyalty programs and co-branding credit cards as well as through revenue diversification also known as ancillary revenue – unbundling of services normally a part of the ticket and offering of new ones.

The first Ancillary Revenue Airline Conference (ARAC), held in Frankfurt, hosted big and small airlines from around the world wanting to learn about one of the easiest and fastest ways for carriers, low-cost or otherwise, to generate profits, according **Airsavings**, which recently published *Going, Going Gone: Profits, Expectations and Ancillary Revenue Generation, the New Operational Imperative*. At a time when operating costs remain inflexible and there is cost cutting has already achieved all it can, developing additional revenue streams becomes a fiscal imperative, it said.

By default, Ryanair was the first low-cost carrier and still remains the poster child for the industry, followed closely by **easyJet** and **Southwest**. Using the failures of the giants as examples of what not to do, these low-cost carriers shunned the traditional airline business model with very positive and profitable results – like squeezing as much as an extra €5- €10 per customer and growing revenues by almost 50 percent - while revolutionizing air travel in the process, all with ancillary revenues.

For low-cost carriers, anything not travel related, i.e., water, drinks, pillows, blankets, food, even checked baggage, is now considered to be ancillary and therefore potentially profitable, said **Airsavings**. Increasingly, passengers don't expect all amenities built into their ticket prices - they just want to get where they're going, fast – and by offering travelers low-cost fares, these carriers have effectively lowered the expectation threshold (so their customers won't mind paying for extras). It is, after all the customer's choice and offering them a wide range of products and services will actually enhance their perception of the airline, even though they end up paying more for added services.

Since its inception six years ago, the Paris-based company created a number of products and services that provide the greatest potential for bottom-line growth, like group buying strategies. Most recently, **Airsavings** adapted a purchasing model used in the hospitality and automotive industries, to the airline industry. This new model – a behavioral targeting and recommendation engine - is also set to revolutionize the way in which carriers interact with their customers, by moving into the customer's psyche. Carriers are now able to offer many additional services within the purchase path, not just the standard car hire or insurance. Up-sell (optional or upgraded food and drink, headphones, priority check-in) and dynamic cross-sell of additional services and products will become the norm as opposed to the exception, said **Airsavings**, which added the new breed of airlines start to think more like marketers than just providers of seats. Its clients include **Atlas-Blue, Clickair, SkyEurope, Aer Arann, VLM, Virgin Express, Spanair** and **Air Europa**

Airsavings has eliminated the need for carriers to take on the back-end development of ancillary revenue programs, limiting their time and technology investment to virtually zero.

Airsavings recently developed a fully integrated group purchasing and dynamically packaged ancillary revenue model for the **SkyEurope** in a matter of months. And because the airlines are using “plug-and-play” technology already developed by **Airsavings**, they're able to offer an increasingly growing number of profitable services that customers are willing to pay for including hotels, budget hotels (in keeping with its customers needs), car-hire, transfers, insurance, airport lounges, guides, entertainment and gaming. It expects the next generation ancillaries to include flight status notification, one-day sky lounge passes, and online gaming.

