



Ancillaries' Next Generation

Privilege Outlet, Airsavings, and the future of airline ancillary revenue

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A new revolution in airline ancillary revenues is underway.

While fee-based ancillaries have been revenue drivers for airlines in the past few years (think checked baggage fees), and commission-based ancillaries centered largely on the booking path have been touted as the growth avenue of the future (think hotel reservations), Privilege Outlet, a new ancillary revenue program offered by Airsavings, draws on the best aspects of both to deliver a unique experience for passengers and a viable revenue stream for airlines.

The importance of ancillary revenues to airlines cannot be overstated. According to the International Air Transport Association (IATA), non-seat revenues represent:

- More than 12% of all airline revenues (and that figure is climbing)
- 15 % of all revenues for leading low cost carriers
- A high-growth area for most airlines, including LCC leaders like easyJet, who enjoyed 38.2% growth in ancillary revenues in 2009 as compared to 2008.
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But the growth curve of revenues obtained through compulsory fees is, by definition, destined to flatten out (airlines won't be able to rediscover baggage fees two years from now). So airlines across the world are looking for new, innovative ways to preserve and increase this crucial percentage of sales.

Enter Privilege Outlet.

Developed by Airsavings, SA, the leading provider of ancillary revenue development and group purchasing solutions to the airline industry, Privilege Outlet allows selected passengers to shop online from a selection of their favorite brands at a substantial discount. Like other, non-airline-related private event retail (PER) programs, Privilege Outlet features items from high-value lifestyle brands like Lacoste and Gucci at up to 70% off their traditional retail price. Unlike ground-bound PERs, though, invitees to the Privilege Outlet program can earn frequent flier miles and loyalty points from several of their favorite airlines.

Privilege Outlet builds on the best aspects of traditional private event retailing programs, including offering members a referral bonus for friends' purchases and real-time sale notification via email. Both the members-only exclusivity aspect and the opportunity for substantial discounts make the program ripe for revenue generation. The real impact Privilege Outlet is having, however, is on the airline industry itself.

In-cabin retail sales are a crucial component of many airlines' ancillary revenue programs. In the Asia-Pacific region, for instance, 71% of airlines rely on a duty-free model of in-cabin sales to generate their non-seat revenue.





A private event retail program like Privilege Outlet can help extend this kind of retail sales beyond the seatback catalogue and airport store, and into the booking path, the loyalty program and beyond. Privilege outlet is providing an additional, long-lasting consumer touchpoint- which airlines sorely need right now.

Whether private event retailing becomes the next best ancillary revenue generator for airlines only time will tell. But programs like Privilege Outlet that are creating value for both the consumer and the airline hint at a grand new evolution in ancillary revenue thought, and provide a glimpse into what ancillary revenues may become for airlines around the world.

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