



Helping airlines create revenue and stay competitive since 2001

Airlines, Meet Your Customers

*A new survey by Airsavings shows a path forward
for airline ancillary revenue*

December 2010
www.airsavings.net

From travel to retail, virtually every industry was shaken by the recent recession. For the airline industry in particular, demand sank to momentous lows, fixed costs skyrocketed and age-old business strategies were put to the test, failing in many cases. But as the economic climate begins to stabilize, those industry practices that survived the recession are redefining the very nature of the air travel, transforming the industry into one that relies less on traditional ideas of the past and more on unbundled airfares, a la carte fees and ancillary revenues.

Many airlines took a heavy-handed approach to this new evolution, bolstering their revenues through the institution of fee (after fee after fee). This approach earned airlines the anger of customers, and effectively painted them into a corner when it comes to the possibility for growth — after all, there is a limit to the fees that can be earned with the unbundled airfare. Because of this, airlines are being challenged to offer an alternative and more sustainable solution, particularly by finding new commissionable services that are both profitable to airlines and attractive to clients. Additionally, airlines are realizing the benefits of improving their already existing, and most lucrative, ancillary services: hotel reservations, car rentals and travel insurance.

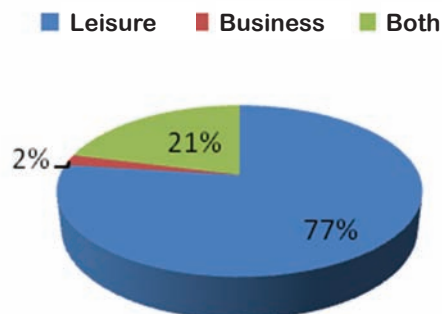
Getting to Know Today's Air Traveler

A recent survey conducted by Airsavings, a company that specializes in providing ancillary revenue solutions for global air carriers, sheds some light on what air travelers want and expect in terms of ancillary offerings, and provides airlines a glimpse as to which approaches might be most effective at delivering these services. In an industry increasingly focused on identifying and fulfilling customer needs as a method of generating revenue, this information is incredibly valuable to every airline worldwide.

Business vs. Leisure?

According to the results, nearly three-quarters of the surveyed travelers (74%) took a trip 4 times a year or less. Meanwhile, 23% of travelers reported traveling 5 to 8 times per year, and just 3% reported traveling more than 9 times per year. The survey also indicates that the vast majority of consumers travel for leisure; in fact, 98% of respondents traveled at least partly for leisure (77% reported traveling for leisure purposes only, 21% said their travels included both business and leisure). Only 2% of respondents indicated that their sole reason for traveling was business.

Types of Travelers



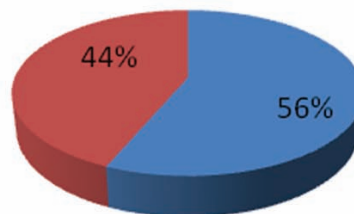
For the airline industry, these statistics illustrate that there is ample opportunity for earning ancillary revenue by targeting the leisure set. Furthermore, these results hint at the effectiveness of innovative methodologies for presenting ancillary offerings to leisure travelers, including the bundling of services with high-yield ancillaries like travel insurance. Leisure customers may also be more interested in fun and attractive incentives for purchasing a service like trip insurance than the average business traveler.

Online – Here, there and in the air

The Airsavings survey also explored the importance of wireless internet access to travelers. According to the results, 68% of those surveyed expressed that having Wi-Fi access during trips was important to them, with most respondents finding it more important to be able to connect at the airport than onboard.

Where is having Wi-Fi access most relevant?

■ Airport before boarding ■ Hotel or other hotspot during trip



Knowing the premium passengers place on extras such as wireless internet access is a good starting point. The question remains, though, as to how such ancillaries can be best and most profitably delivered to the consumer. Should it be sold a la carte, in the manner of baggage fees? Or should WiFi access be paired with a complementary ancillary offering as a value-add incentive?

Better in Bundles

Here again, Airsavings' survey offers valuable insight. The survey asked consumers what they thought of a travel insurance policy that came with 30 minutes of complimentary Wi-Fi internet access. An impressive 71% responded that they liked the idea. For airlines, these results reinforce the fact that the adoption of this type of ancillary service is profitable because it is both attractive to the consumers and easy (and cost-effective) to implement for the airlines. While consumers receive something tangible they can use immediately - regardless of whether or not the need arises to use their travel insurance policy - airlines have the potential to gain revenue from the sale of travel insurance policies themselves, which have historically enjoyed the highest profit margin of any ancillary revenue source.

Keeping in touch (and staying healthy) on the go

Overall, the Airsavings survey suggests that it is more effective for airlines to offer relevant, desirable services in conjunction with high-margin services, in order to maximize sales of both. This would seem to contradict the conventional wisdom concerning ancillary revenue development, which is often too focused on creating more and more a la carte offerings. The survey is indicative, however, of the mood of the air travel consumer, who has anecdotally demonstrated their displeasure with the fee-happy state of airlines today.

Products like WIFIBONUS, a service that increases conversion rates on travel insurance by bundling it with 30 minutes of complimentary Wi-Fi that can be used in airports and at certain destination hotels, represent the way forward for airlines seeking to meet consumer expectations while developing sustainable ancillary revenue streams. By leveraging a value-added service in conjunction with a consistently high-performing product category like travel insurance, these hybrid products effectively address customers' needs and desires indicated by the Airsavings survey while simultaneously yielding significant profit for the airlines.

It is these types of ancillary services that will be beneficial in improving the relationships that airlines have with their customers, a key factor in long-term profitability. These innovations in how ancillary offerings are delivered to the consumer are the hallmark of the new evolution in airline operations, sustainable and welcome, relevant and profitable.

And for both airlines and consumers, they couldn't have come a moment too soon.



Helping airlines create revenue and stay competitive since 2001

About Airsavings – Ancillary Revenue Solutions for Global Carriers

Airsavings specializes in facilitating the two fundamental operational imperatives of the airline industry: cost reduction and revenue generation. As the air travel industry has become more competitive and more reliant on emerging technology at both the front end (sales and distribution) and the back end (procurement and purchasing), Airsavings has helped airlines maintain their competitive edge and begin to evolve toward a new, e-commerce operating model. By assisting airlines in unbundling their core services and providing a speedy, cost effective platform on which to offer ancillary services, the company allows its clients to swiftly and easily develop alternative revenue streams. And by employing one of Europe's most successful group buying systems, Airsavings helps member airlines obtain competitive pricing on critical goods and services.

For more information, visit: www.airsavings.net.

Or please contact:

Airsavings

Raphael Bejar, CEO
29, Rue. des Peupliers
92100 Boulogne Billancourt
Tel: + 33 1 41 41 96 87
Mobile: + 33 6 11 74 26 48
rbejar@airsavings.net
www.airsavings.net

Media Contact

Vanessa Horwell
ThinkInk for Airsavings
Tel: +1.305.776.8817
vanessa@thinkinkpr.com
www.thinkinkpr.com