



# KAR 032 – Evolution of Indirect Ancillary Revenue and Profitability for Travel and Tourism Related Businesses

May 2016

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# Executive summary

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Starting with the success of low-cost airlines, ancillary revenue has become critical for traditional players as well with projected global revenue at **US\$59.2** billion. Traditional airlines are expected to make up the majority of this (33.8%). The trend has spread to other sectors of the travel and tourism industry, representing from 20% to 50% of total revenue depending on sector and company model.

In this report, we provide a definition of ancillary revenue by industry pillar, and review the success of key airlines and other industry participants in earning ancillary revenues. We then illustrate key business models, in particular the use of indirect channels such as agencies and the evolution of frequent flyer programs over time. We investigate the future of ancillary services – including products, bundles and revenue management – and introduce a framework to help anticipate further developments. Finally, we look at the important segment of “disruptors” – information-based businesses impacting market share and point of sale.

**Ancillary services profitability.** Analysis of ancillary revenue profitability for several airlines and other travel entities is provided.

**Business models.** Over time, two trends have emerged. First, with the internet, the role of travel agents has diminished and they are now searching for new booking systems and new fee structures. Second, frequent flyer programs have improved airlines’ cash flow through increasing leverage of their customer information and brand.

**Future of ancillary services.** Travel and tourism operators across the globe have been active in providing new ancillary offerings to their customers – at the time of booking, before the journey, in-journey, and post-journey. Improvements in data capture and analytics, coupled with telemetry and interactions available from mobile devices, have introduced a new era of revenue management and travel bundling. Industry operators continue to explore ancillary revenue opportunities, and are creating new collaborative models to expand their range while minimising investments. Platforms such as Google Travel and Facebook Messenger have empowered customers to explore their travel desires and fulfilment options, pushing the boundaries of user experience while unsettling the industry regarding future commercial relationships. Start-ups, such as Dufl and Hopper have demonstrated disruptive models for traveller service and share of wallet, and access to high-value itinerary data.

The future of ancillary revenue will likely parallel the overall industry – built on traveller-defined needs, offered in rich formats and paid via messaging on mobile devices, personalised and timely.

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# Ancillary revenues are an important component for travel & tourism companies

## KEY FACTS

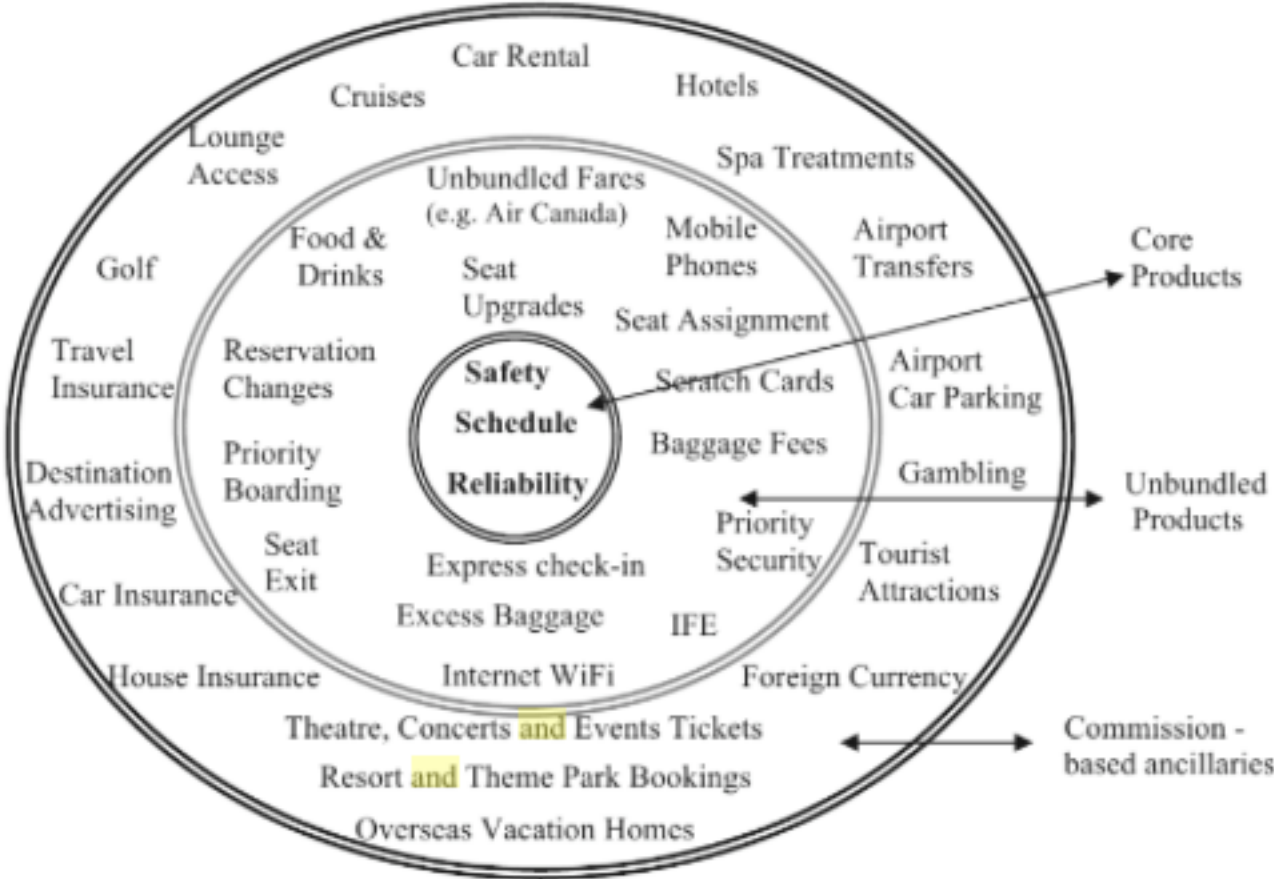
- Projected global revenue: **US \$59.2 billion** – traditional airlines are expected to make up the majority of this (33.8%)
- These revenues can be as much as 40% for airlines and car rental firms, 30% for cruise lines and up to 50% for theme parks
- In Asia Pacific, the estimated airline ancillary revenue is estimated to be **~US\$13.1 billion**
- FFP miles contribute to over half of these earnings in the US
- Globally, baggage fees make up the majority of earnings
- There are seven industry pillars:
  1. Airlines
  2. Cruise lines
  3. Car rentals
  4. Hotels
  5. Train operators
  6. Travel agencies
  7. Theme parks

## THE TRAVEL AND TOURISM LANDSCAPE



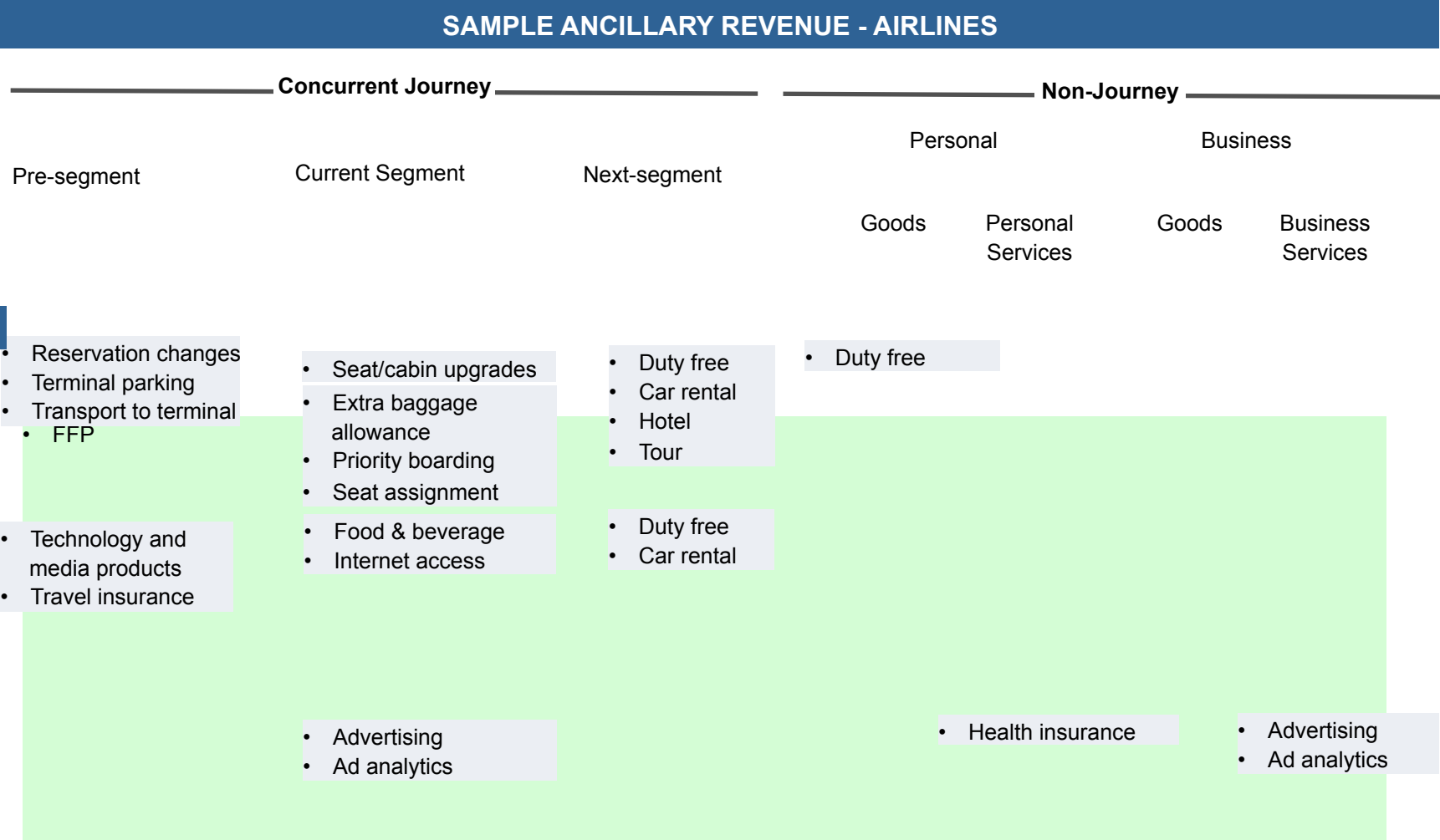
# Ancillary revenues include a myriad of “direct” unbundled products offered by operators, and “indirect” commission-earning products

**Airlines Revenue Segmentation**



Source: Air Transport in the 21<sup>st</sup> Century – Key Strategic Developments, John f. O’Connell & George Williams, Ashgate, 2011

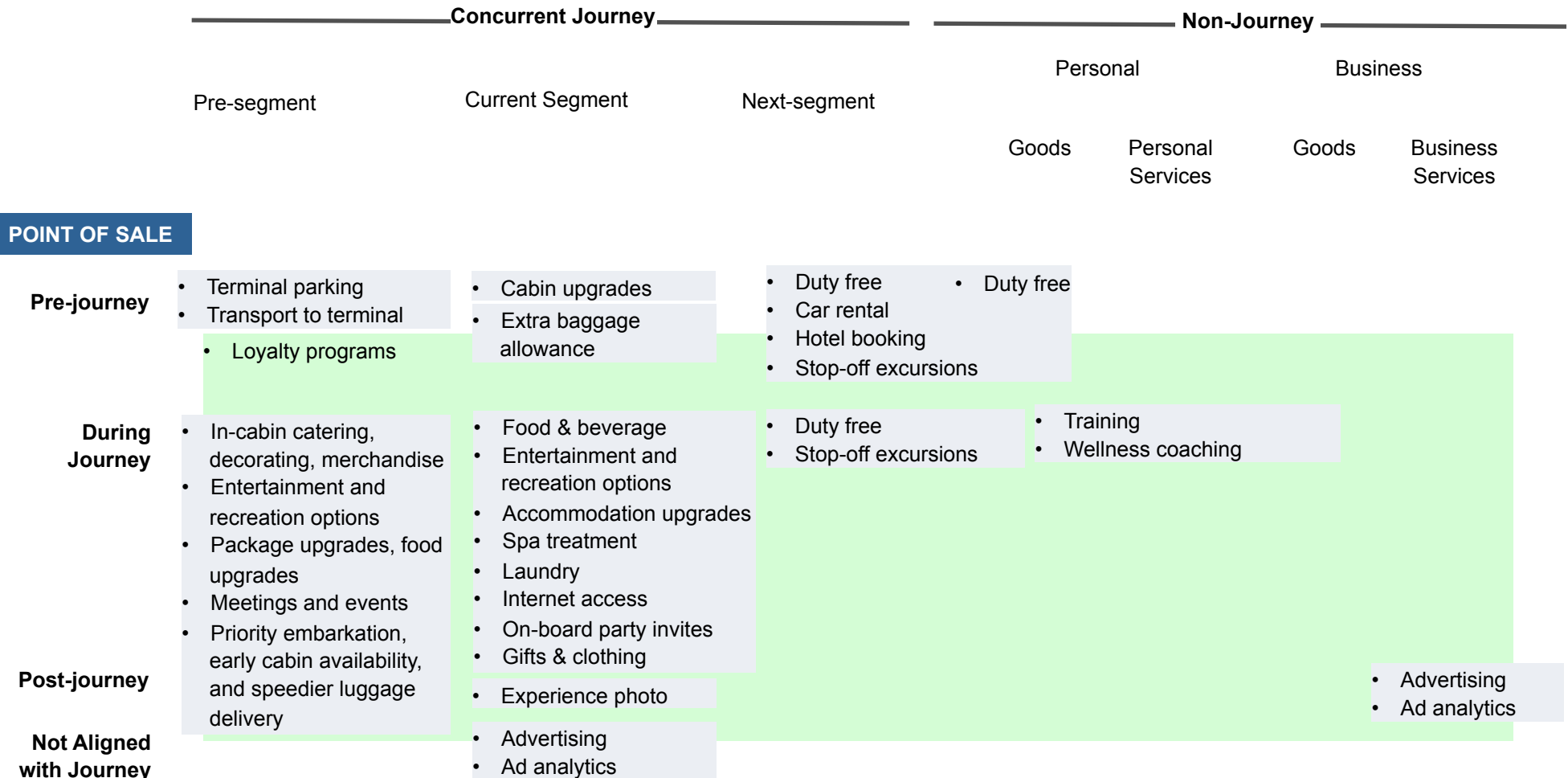
# Ancillary revenue opportunities appear to be expanding both inside and outside the passenger's journey itinerary, based on FFP and brand leverage





# Cruise lines have adopted airlines' tactics, and benefit from greater dwell time of passengers in their care

## SAMPLE ANCILLARY REVENUE – CRUISE LINES



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# In the airline pillar, ancillary revenue has been provided in four categories

## IDEAWORKS' DEFINITION OF ANCILLARY SERVICES IS THE INDUSTRY STANTARD

- Ancillary revenues are “revenues beyond the sale of tickets that is generated by direct sales to passengers, or indirectly as a part of the travel experience”
- There are four categories of ancillary revenues: ‘a la carte’ features, commission-based products, frequent flyer programs and advertising sold by the airline
- Traditionally, most revenues fall under the ‘a la carte’ features category
- Nowadays, new categories emerge such as data/analytics and fees from financial services products

### ‘A LA CARTE’ FEATURES

- on-board sales of food and beverages
- checking of baggage and excess baggage
- assigned seats or better seats such as exit rows
- priority check-in and screening
- early boarding benefits
- on-board entertainment systems
- wireless internet access

### COMMISSION-BASED PRODUCTS

- Commissions earned by airlines on the sale of hotel accommodation, car rentals and travel insurance
- The commission-based category primarily involves the airline’s website, but it can include the sale of duty-free and consumer products on-board aircraft

### FREQUENT FLYER PROGRAMS

- Sale of miles or points to program partners such as hotel chains and car rental companies, co-branded credit cards, online malls, retailers, and communication services. Sales of miles or points made directly to program members also qualify

### ADVERTISING SOLD BY THE AIRLINE

- This is a newer category and includes any advertising initiative linked to passenger travel
- The following are typical activities:
  - revenue generated from the in-flight magazine;
  - advertising messages sold in or on the aircraft, loading bridges, gate areas, and airport lounges
  - fee-based placement of consumer products and samples

# Ancillary revenue in the hotel industry can be distinguished in seven categories

Category	Examples	Additional information
<b>Food and drink</b>	<ul style="list-style-type: none"> <li>• breakfast</li> <li>• meals</li> <li>• beverages</li> <li>• fruit basket</li> <li>• wine/champagne</li> <li>• birthday cake</li> <li>• mini bar</li> </ul>	Breakfast often represents over 50% of total ancillary revenues.
<b>Transportation</b>	<ul style="list-style-type: none"> <li>• airport transfer</li> <li>• limousine service</li> <li>• bike rental</li> <li>• mass transit ticket</li> </ul>	More attractive to leisure travellers than business travellers.
<b>Business and entertainment</b>	<ul style="list-style-type: none"> <li>• Wi-Fi</li> <li>• use of business centre</li> <li>• meeting equipment (projector, microphone, etc.)</li> <li>• on-demand films and games</li> </ul>	
<b>Spa and wellness</b>	<ul style="list-style-type: none"> <li>• treatments</li> <li>• massage</li> <li>• pool</li> </ul>	Often run by a third party. The hotel receives a commission.
<b>Upgrade</b>	<ul style="list-style-type: none"> <li>• room category</li> <li>• package</li> </ul>	
<b>Sports</b>	<ul style="list-style-type: none"> <li>• access to in-house sports facilities (tennis court, golf course)</li> <li>• classes</li> <li>• personal trainer session</li> </ul>	Open to the public. Limited space.
<b>Miscellaneous services</b>	<ul style="list-style-type: none"> <li>• flowers</li> <li>• extra bed/crib</li> <li>• connecting rooms</li> <li>• personal butler service</li> <li>• valet service</li> <li>• animals allowed in the rooms</li> </ul>	Some packages are offered subject to product availability (e.g., the romantic getaway includes flowers and champagne in the room).

# A mix of legacy and low-cost carriers lead the top 10 airlines in terms of total dollar earned from ancillary revenues

Airline	Ancillary Revenue in US\$	Ancillary Revenue in US\$ Rank	% of Total Revenue	% of Total Revenue Rank	US\$ per Passenger	US\$ per Passenger Rank	Region
United	5,861,000,000	1	15%	15	\$42.46	6	The Americas
American/US Airways	4,651,000,000	2	11%	26	\$24.06	17	The Americas
Delta	3,212,909,000	3	8%	30	\$18.75	26	The Americas
Air France/KLM *	2,046,292,309	4	6%	35	\$26.40	13	Europe and Russia
Ryanair	1,906,616,921	5	25%	5	\$21.04	23	Europe and Russia
Southwest	1,885,000,000	6	10%	28	\$13.88	33	The Americas
Lufthansa Group *	1,632,765,608	7	5%	43	\$15.41	30	Europe and Russia
easyJet *	1,457,215,349	8	19%	11	\$22.49	21	Europe and Russia
Qantas Airways (FF)	1,387,084,868	9	12%	21	\$50.16	3	Asia / South Pacific
Alaska Air Group	921,000,000	10	17%	14	\$31.46	10	The Americas

\*IdeaWorks Company estimate based upon past disclosure updated for current Yearbook. (FF) 80% or more of carrier's ancillary revenue is produced by its Frequent Flyer program

# The business model of low cost airlines (value based airlines) relies on ancillary revenue, leading to the top-10 placement in % of revenue

Airline	% of Total Revenue	% of Total Revenue Rank	Ancillary Revenue in US\$	Ancillary Revenue in US\$ Rank	US\$ per Passenger	US\$ per Passenger Rank	Region
Spirit	39%	1	748,220,000	12	\$52.35	2	The Americas
Wizz Air	34%	2	530,038,683	18	\$34.87	9	Europe and Russia
Allegiant	32%	3	368,276,000	23	\$45.16	4	The Americas
Jet2.com	29%	4	344,403,419	24	\$56.28	1	Europe and Russia
Ryanair	25%	5	1,906,616,921	5	\$21.04	23	Europe and Russia
Tigerair	22%	6	118,391,306	47	\$23.03	20	Asia / South Pacific
Jetstar	21%	7	637,231,532	14	\$30.17	11	Asia / South Pacific
Flybe	21%	8	212,868,304	34	\$27.65	12	Europe and Russia
AirAsia X	20%	9	182,852,732	39	\$43.22	5	Asia / South Pacific
Volaris	20%	10	186,000,000	37	\$18.96	25	The Americas

# Top-10 airlines include a mix of full-service and low-cost when it comes to ancillary revenue per passenger

Airline	US\$ per Passenger	US\$ per Passenger Rank	Ancillary Revenue in US\$	Ancillary Revenue in US\$ Rank	% of Total Revenue	% of Total Revenue Rank	Region
Jet2.com	\$56.28	1	344,403,419	24	29%	4	Europe and Russia
Spirit	\$52.35	2	748,220,000	12	39%	1	The Americas
Qantas Airways (FF)	\$50.16	3	1,387,084,868	9	12%	21	Asia / South Pacific
Allegiant	\$45.16	4	368,276,000	23	32%	3	The Americas
AirAsia X	\$43.22	5	182,852,732	39	20%	9	Asia / South Pacific
United	\$42.46	6	5,861,000,000	1	15%	15	The Americas
Virgin Atlantic (FF)	\$39.60	7	243,789,728	30	5%	43	Europe and Russia
Korean Air	\$39.28	8	919,239,157	11	8%	31	Asia / South Pacific
Wizz Air	\$34.87	9	530,038,683	18	34%	2	Europe and Russia
Alaska Air Group	\$31.46	10	921,000,000	10	17%	14	The Americas

# The mix of ancillary revenue differs by airline type – traditional carriers garner more value from loyalty programs

<b>CarTrawler Worldwide Estimate of Ancillary Revenue – by Carrier Type for 2015</b>			
<b>Airline Category</b>	<b>Total Ancillary Revenue</b>	<b>Frequent Flier &amp; Commission Based</b>	<b>A la Carte Activity</b>
Traditional Airlines	\$20.0 billion	\$10.8 billion	\$9.2 billion
US Major Airlines	\$18.1 billion	\$10.7 billion	\$7.4 billion
Ancillary Revenue Champs	\$13.9 billion	\$0.7 billion	\$13.2 billion
Low Cost Carriers	\$7.2 billion	\$0.3 billion	\$6.9 billion
<b>Worldwide Totals</b>	<b>\$59.2 billion</b>	<b>\$22.5 billion</b>	<b>\$36.7 billion</b>
<i>Source: Ancillary revenue statistics applied by IdeaWorksCompany to individual airline revenue results for the year indicated from Air Transport World, Airline Business, and at airline websites.</i>			

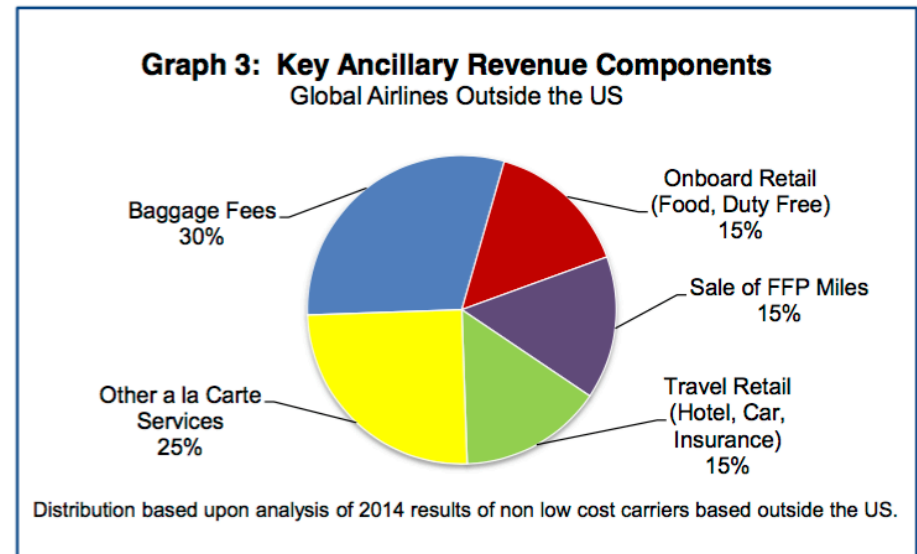
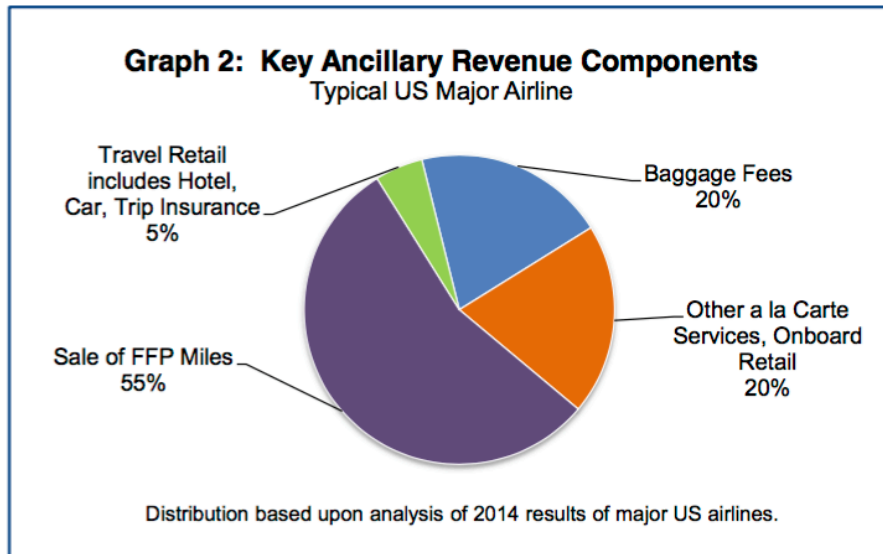


# The mix of loyalty revenue is largest in North America and the Middle East

<b>CarTrawler Worldwide Estimate of Ancillary Revenue – by World Region for 2015</b>			
<b>Airline Category</b>	<b>Total Ancillary Revenue</b>	<b>Frequent Flier &amp; Commission Based</b>	<b>a la Carte Activity</b>
North America	\$22.0 billion	\$11.2 billion	\$10.8 billion
Europe	\$18.3 billion	\$4.1 billion	\$14.2 billion
Asia/Pacific	\$13.1 billion	\$4.9 billion	\$8.2 billion
Africa/Middle East	\$3.6 billion	\$1.6 billion	\$2.0 billion
Latin America/Caribbean	\$2.2 billion	\$0.7 billion	\$1.5 billion
<b>Totals</b>	<b>\$59.2 billion</b>	<b>\$22.5 billion</b>	<b>\$36.7 billion</b>
<i>Source: Ancillary revenue statistics applied by IdeaWorksCompany to individual airline revenue results for the year indicated from Air Transport World, Airline Business, and at airline websites.</i>			

# The mix of ancillary revenue is markedly different outside the US, where loyalty programs have likely been under development longer

## Indicative 2014 Ancillary Revenue Splits



## IATA 2015 Global Passenger Survey

48% purchased additional airline products or services in the last 12 months.  
Top 3 on the list: Checked bag/excess luggage, preferred seating and on board food and beverage

45% are willing to pay internet and IFE  
36% are willing to pay only for Internet access  
14% are willing to pay for stored media  
10% are willing to pay for Live TV

# Indirect ancillary revenue offers are very profitable – low selling costs when using main operators’ and agents’ POS (website for example), with healthy commissions

## Sample Indirect Commission Rates

The revenue upside for travel suppliers from third-party ancillary services is significant, with commissions ranging from:

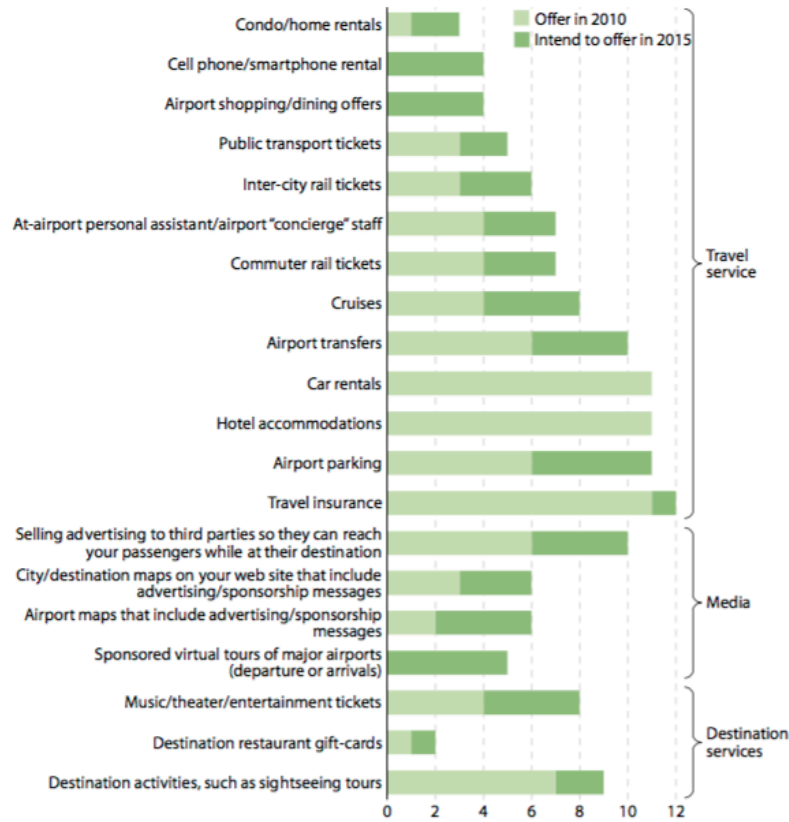
- 5% to 10% for ferry bookings
- 10% to 15% for car rental and hotel bookings
- 10% to 16% for cruise bookings, and
- 30% to 50% for travel insurance.

# Operators have tended to focus on revenue types aligned with their customers' journey needs, and assets available to leverage

## Airlines Forecast in 2010

**Figure 10**  
By 2015, Airlines Plan To Add More Destination Services And Media To Their Third-Party Ancillary Offerings

"Please indicate whether you offer the following third-party ancillary services now, and whether you expect you will offer these services in 2015 — assuming the technology will allow you to do so."



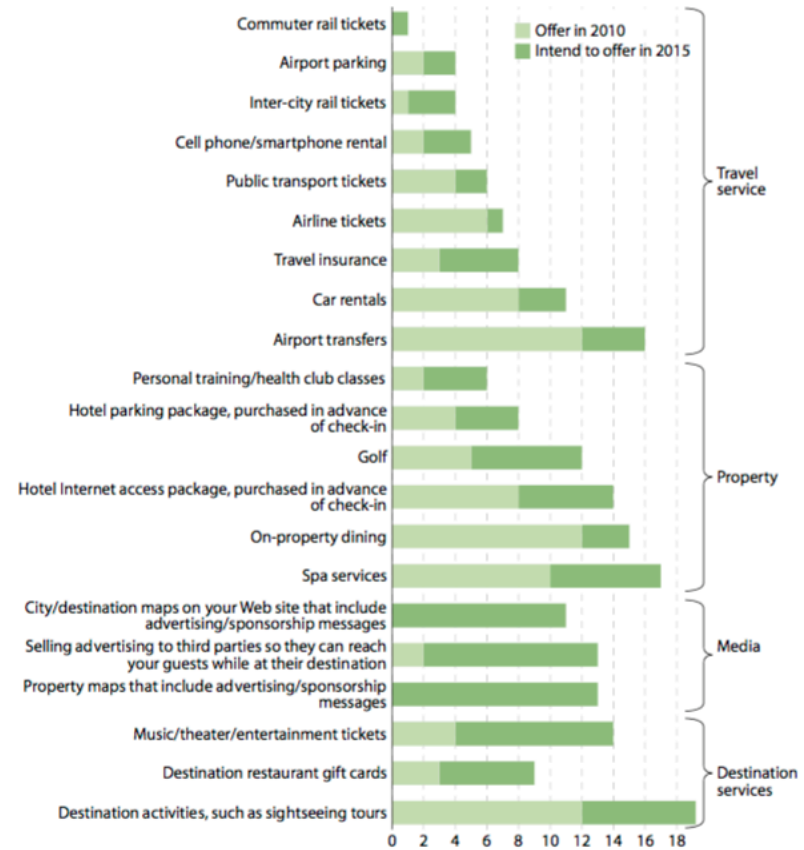
Base: 12 airline marketing, eBusiness, and technology professionals

Source: A commissioned study conducted by Forrester Consulting on behalf of Amadeus, Q4 2010

## Hotels Forecast in 2010

**Figure 11**  
Hotels Anticipate Adding More On-Property Third-Party Services As Well As Media Between 2010 And 2015

"Please indicate whether you offer the following third-party ancillary services now, and whether you expect you will offer these services in 2015 — assuming the technology will allow you to do so."



Base: 19 hotel marketing, eBusiness, and technology professionals

Source: A commissioned study conducted by Forrester Consulting on behalf of Amadeus, Q4 2010

# Ryanair: Company overview and ancillary spending (2012 – 2014)

## COMPANY OVERVIEW

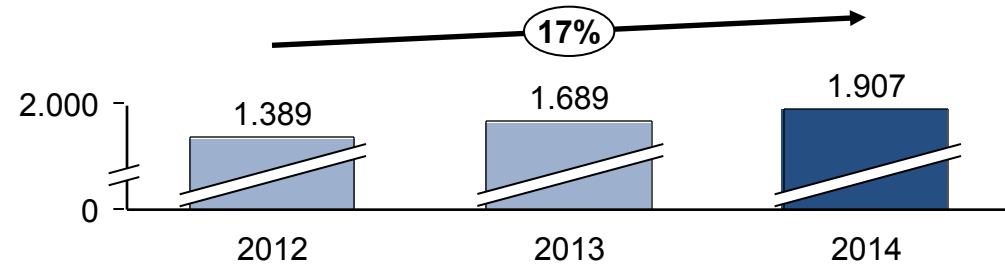
<b>Home base</b>	United Kingdom (Ireland)
<b>Commenced</b>	1985
<b>Alliance</b>	Airlines for Europe (non-flying/sharing)
<b>Fleet size</b>	334
<b>Destinations</b>	192
<b>Employees</b>	9,500
<b>FFP</b>	None

## ANCILLARY SALES ACTIVITIES

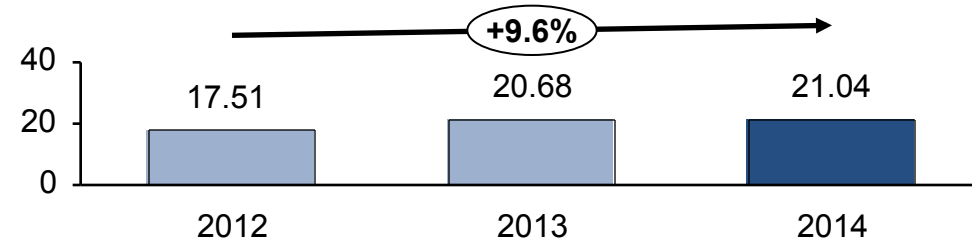
Ancillary revenues comprise revenues from non-flight scheduled operations, inflight sales and internet-related services:

- Revenue from non-flight scheduled operations, including revenues from excess baggage charges, debit and credit card transactions, sales of rail and bus tickets, accommodations, and travel insurance
- Revenue from inflight sales such as drinks, food, and merchandise
- Revenue from internet-related services, primarily commissions received from products sold on Ryanair.com or linked websites.

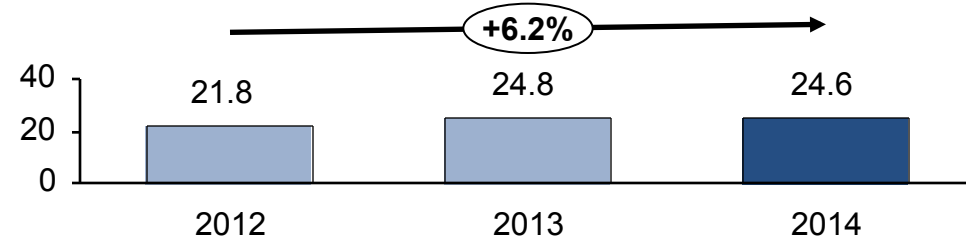
**Total Ancillary Revenue**  
(\$USD Bn)



**Ancillary Revenue per Passenger**  
(USD)



**Ancillary Revenue in Relation to Total Revenue**  
%



# EasyJet: Company overview and ancillary spending (2012 – 2014)

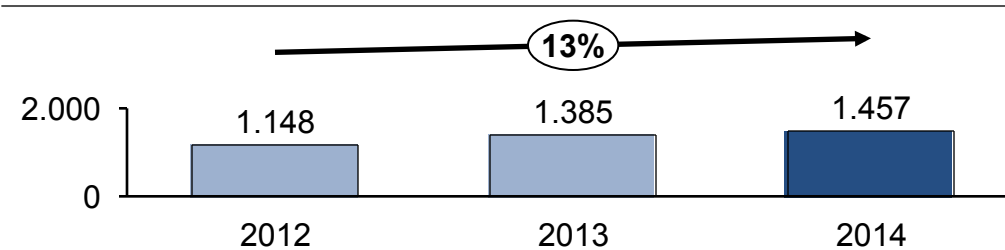
## COMPANY OVERVIEW

<b>Home base</b>	United Kingdom (Great Britain)
<b>Commenced</b>	1995
<b>Alliance</b>	None
<b>Fleet size</b>	223
<b>Destinations</b>	134
<b>Employees</b>	10,000
<b>FFP</b>	EasyJet Plus

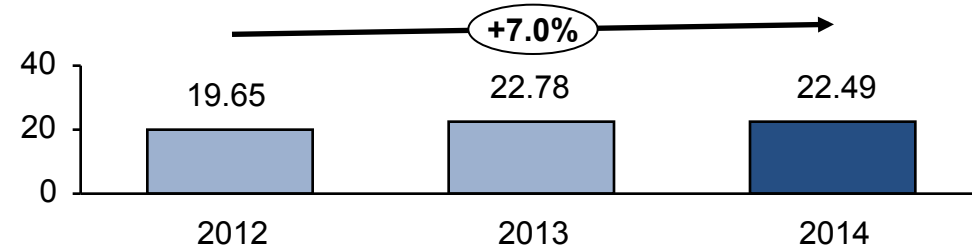
## ANCILLARY SALES ACTIVITIES

- Flexi fare is bundled with checked bag, seat selection, fast track security, larger cabin bag, and speedy boarding
- The standard fare uses the a la carte approach. The following services are available for purchase:
  - Assigned seating
  - Extra Legroom and Upfront seating, includes a larger carry-on and Speedy Boarding
  - Checked bags (piece method, pricing varies by weight)
  - Trip insurance and missed flight coverage
  - On-board café of drinks and snacks
  - easyJet Plus is an annual subscription offer.

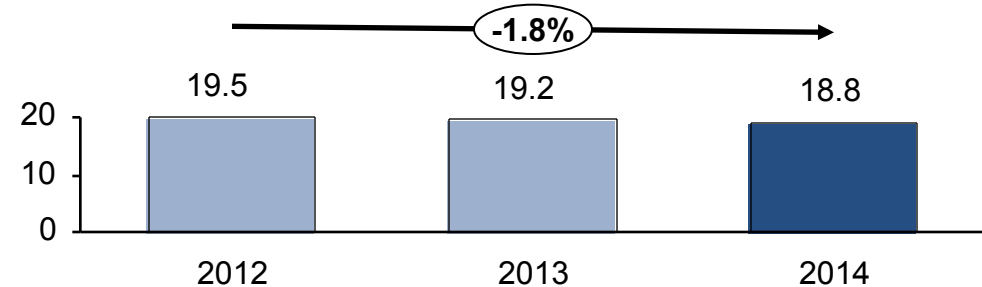
**Total Ancillary Revenue**  
(\$USD Bn)



**Ancillary Revenue per Passenger**  
(USD)



**Ancillary Revenue in Relation to Total Revenue**  
%



# Southwest: Company overview and ancillary spending (2012 – 2014)



Ancillary Services

## COMPANY OVERVIEW

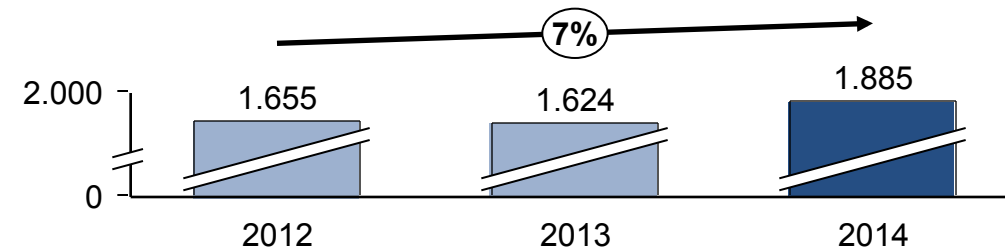
<b>Home base</b>	United States
<b>Commenced</b>	1971
<b>Alliance</b>	Sky Team
<b>Fleet size</b>	751
<b>Destinations</b>	97
<b>Employees</b>	49,500
<b>FFP</b>	Rapid Rewards

## ANCILLARY SALES ACTIVITIES

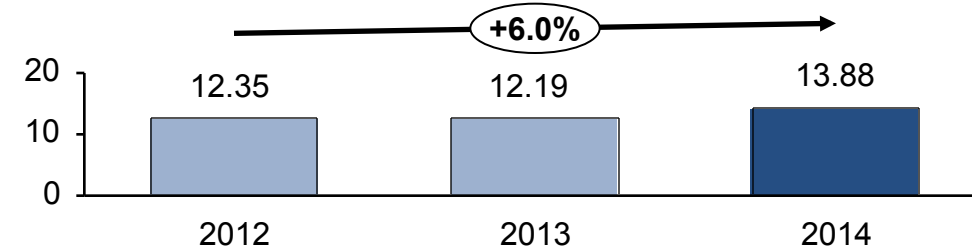
Southwest's ancillary revenue includes:

- Baggage fees (\$143.5 million)
- Unaccompanied minor travel
- Pets are welcome on board – Southwest (PAWS)
- Rapid rewards frequent flyer program
- Business select fares (\$100 million)
- In-flight wifi.

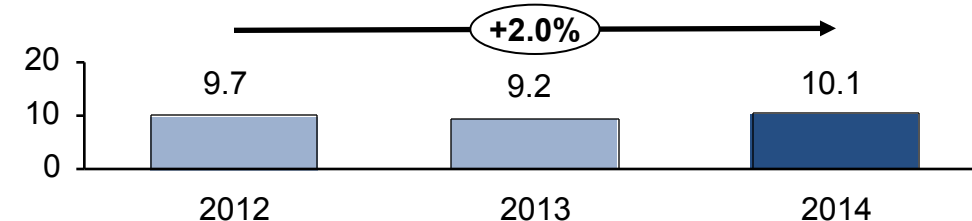
**Total Ancillary Revenue**  
(\$USD Bn)



**Ancillary Revenue per Passenger**  
(USD)



**Ancillary Revenue in Relation to Total Revenue**  
%



# United: Company overview and ancillary spending (2012 – 2014)

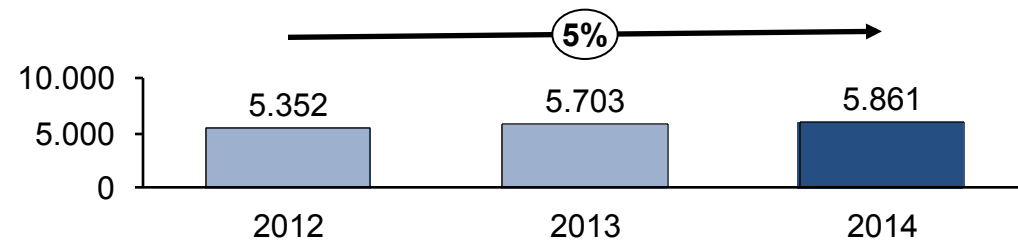
## COMPANY OVERVIEW

<b>Home base</b>	United States
<b>Commenced</b>	1931
<b>Alliance</b>	Star Alliance
<b>Fleet size</b>	718
<b>Destinations</b>	342
<b>Employees</b>	84,000
<b>FFP</b>	MileagePlus

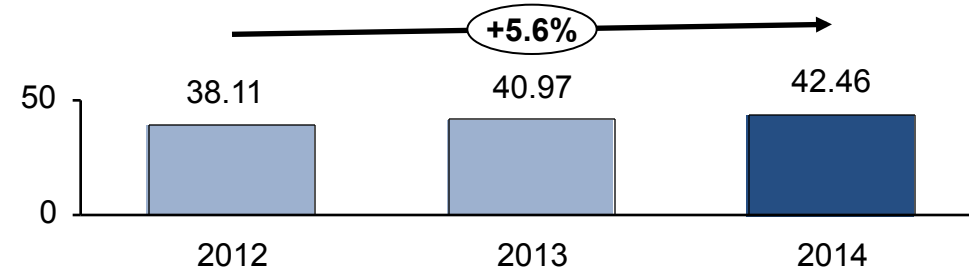
## ANCILLARY SALES ACTIVITIES

- In 2013, United Airlines made \$5.703 billion in ancillary revenue
- From 2007 to 2013, United increased its ancillary sales by 850% - \$600 million in ancillary sales for that year
- Ancillary revenue was ~15% of United's total revenue
- Ancillary revenue consists of:
  - Unbundling (checked bags and meals),
  - In-flight products (wifi and entertainment streaming),
  - Flight personalization and upselling (premier access, United Club, fare lock, and premium cabin selling).

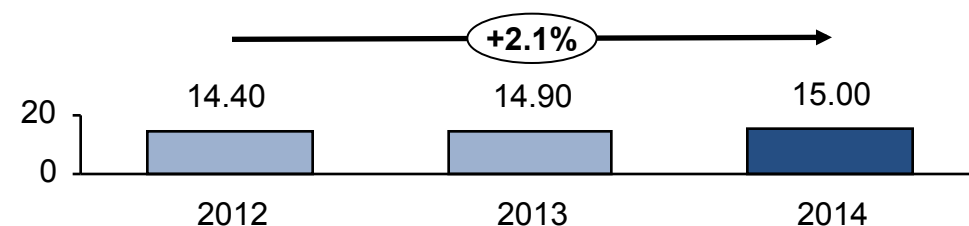
**Total Ancillary Revenue**  
(\$USD Bn)



**Ancillary Revenue per Passenger**  
(USD)



**Ancillary Revenue in Relation to Total Revenue**  
%





# Qantas: Company overview and ancillary spending (2012 – 2014)



Ancillary Services

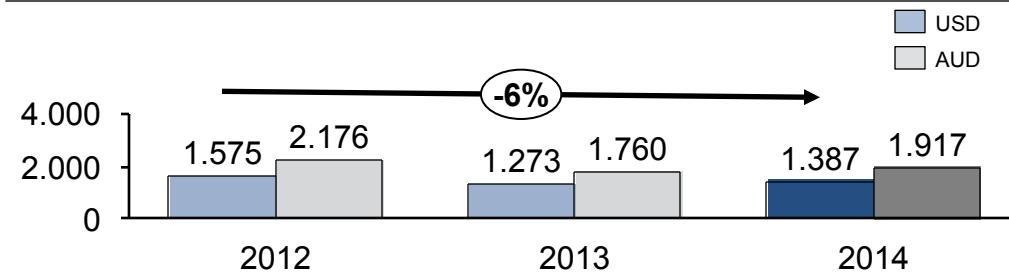
## COMPANY OVERVIEW

<b>Home base</b>	Australia
<b>Commenced</b>	1921
<b>Alliance</b>	One World
<b>Fleet size</b>	131
<b>Destinations</b>	85
<b>Employees</b>	28,622
<b>FFP</b>	Qantas Frequent Flyer

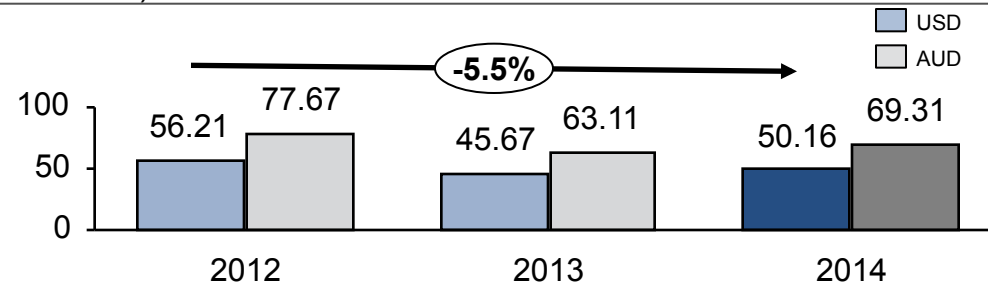
## FREQUENT FLYER program

- Qantas Frequent Flyer was made a separate business segment in 2007 to create a standalone business premise and encourage an entrepreneurial environment
- Efforts to boost membership have paid off: the program added 3.6 million members in 4 years from 2010 to 2014, growth rate over 60%
- The program utilises over 400 partners in order to maximise the retail reach of points
- Until recently, Qantas partnered with Woolworths Limited, enabling members to accrue points with everyday spend.

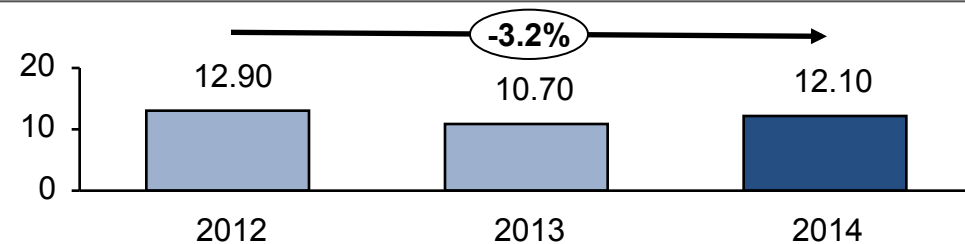
**Total Ancillary Revenue**  
(\$USD Bn/\$AUD Bn)



**Ancillary Revenue per Passenger**  
(USD/AUD)



**Ancillary Revenue in Relation to Total Revenue**  
%



# American/US Airways: Company overview and ancillary spending (2011 – 2014)



Ancillary Services

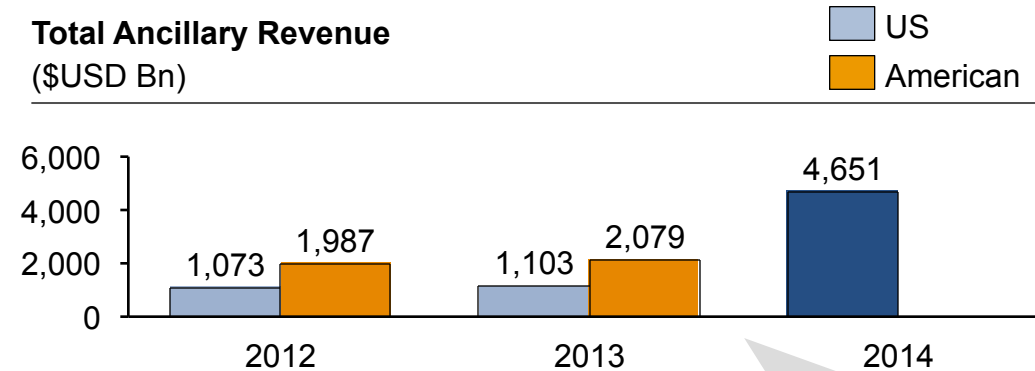
## COMPANY OVERVIEW

<b>Home base</b>	United States
<b>Commenced</b>	1936
<b>Alliance</b>	One World
<b>Fleet size</b>	945
<b>Destinations</b>	344
<b>Employees</b>	113,300
<b>FFP</b>	AAdvantage

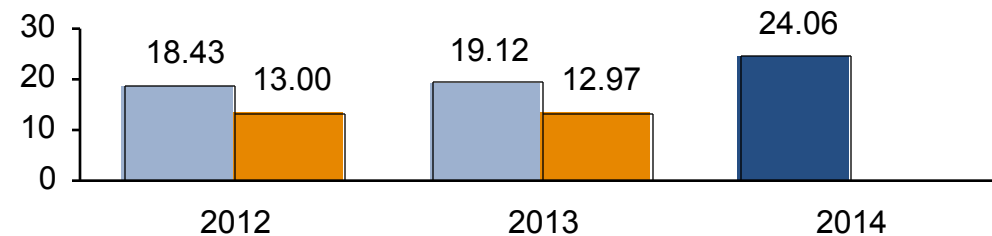
## ANCILLARY SALES ACTIVITIES

- American generates the majority of its ancillary revenue from on-board sales of food, beverages, wifi, and commissions from car rental bookings
- The a la carte category grew to by 5% in 2015 due to more emphasis placed upon comfort-related services such as premium economy seating, buy-on-board food, and priority screening and boarding
- American offers premium economy zones which provide more leg room and other features.

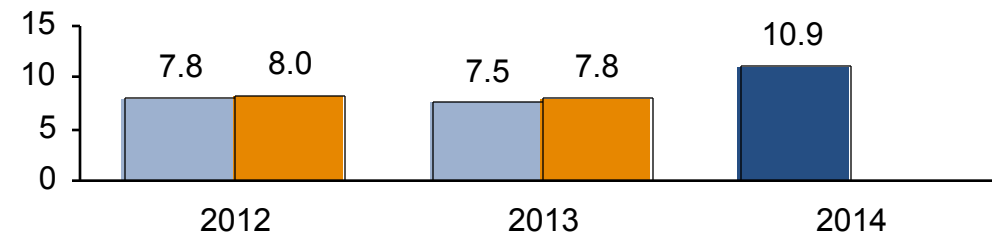
Total Ancillary Revenue (\$USD Bn)



Ancillary Revenue per Passenger (USD)



Ancillary Revenue in Relation to Total Revenue %



# Delta: Company overview and ancillary spending (2011 – 2014)

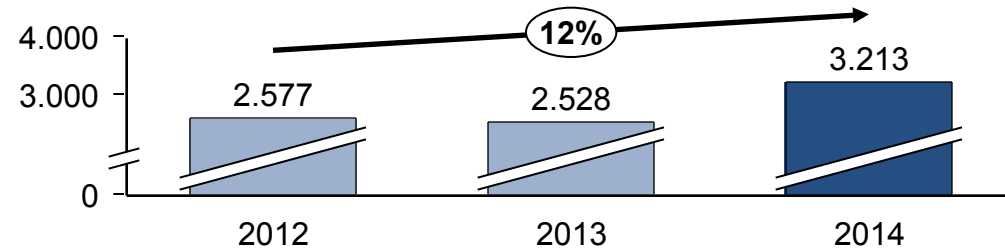
## COMPANY OVERVIEW

<b>Home base</b>	United States
<b>Commenced</b>	1924
<b>Alliance</b>	Sky Team
<b>Fleet size</b>	809
<b>Destinations</b>	334
<b>Employees</b>	80,000
<b>FFP</b>	Sky Miles

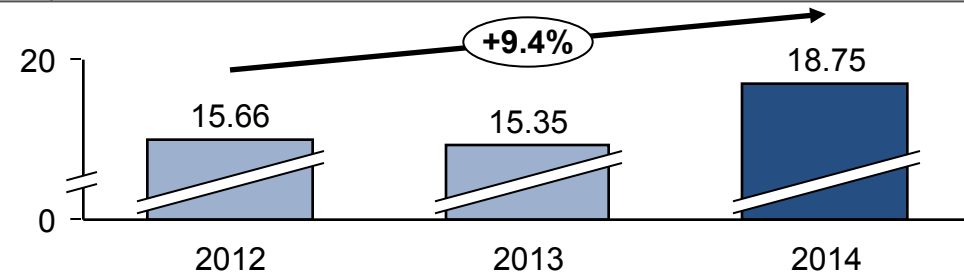
## ANCILLARY SALES ACTIVITIES

- Delta Comfort+
  - Early boarding
  - Front of cabin seating
  - Extra legroom
  - Better snacks
  - Beer, wine and cocktails
  - Premium wifi entertainment.

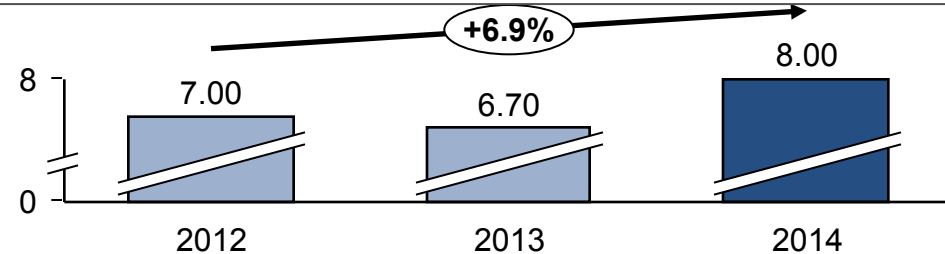
**Total Ancillary Revenue**  
(\$USD Bn)



**Ancillary Revenue per Passenger**  
(USD)



**Ancillary Revenue in Relation to Total Revenue**  
%



# Air France/KLM: Company overview and ancillary spending (2011 – 2014)

Ancillary Services

## COMPANY OVERVIEW

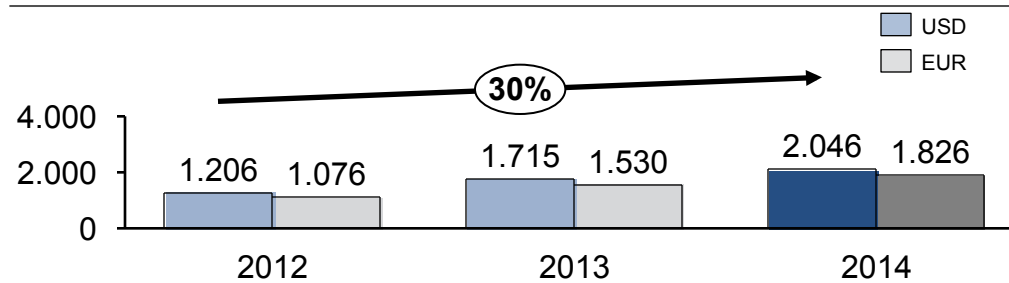
<b>Home base</b>	France/Holland
<b>Commenced</b>	2004
<b>Alliance</b>	Sky Team
<b>Fleet size</b>	572
<b>Destinations</b>	255
<b>Employees</b>	94,600
<b>FFP</b>	Flying Blue

## ANCILLARY SALES ACTIVITIES

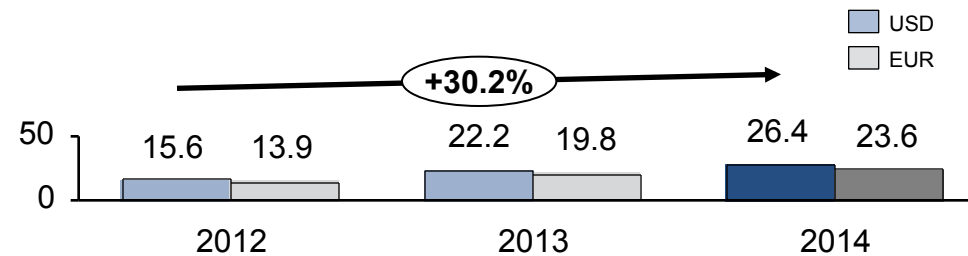
Air France/KLM offers an array of ancillary revenue activities:

- Pre-flight: Book preferred seats, meals, etc.
- Baggage: excess baggage beyond the free limitation and baggage delivery to home
- Airport: lounge access and meet and assist
- On-board: wifi, premium economy upgrades, Set Plus, etc.
- Destination: Hotel bookings, car rentals, etc.

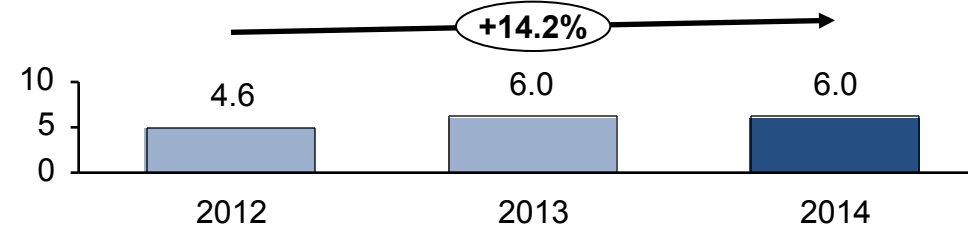
**Total Ancillary Revenue**  
(\$USD Bn/€EUR)



**Ancillary Revenue per Passenger**  
(USD/EUR)



**Ancillary Revenue in Relation to Total Revenue**  
%



# Emirates: Company overview and ancillary spending (2012 – 2014)

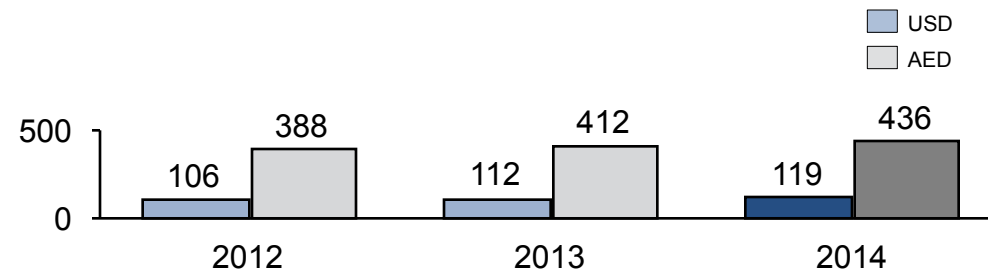
## COMPANY OVERVIEW

<b>Home base</b>	United Arab Emirates
<b>Commenced</b>	1985
<b>Alliance</b>	None
<b>Fleet size</b>	234
<b>Destinations</b>	164
<b>Employees</b>	56,700
<b>FFP</b>	Skywards

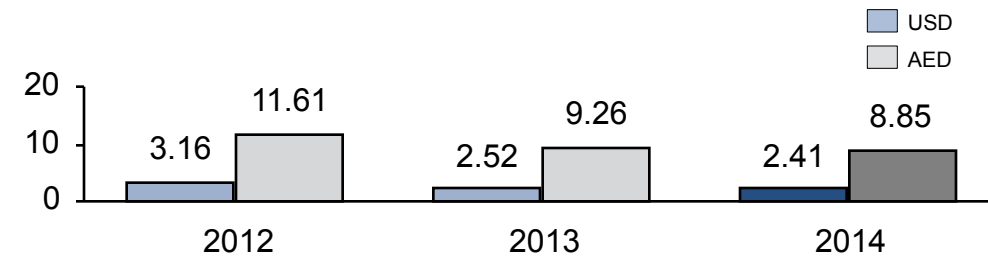
## ANCILLARY SALES ACTIVITIES

- Emirates did not specifically disclose ancillary revenue, but it did list 2014 revenue from excess baggage charges: AED 436,000,000
- The Group has holdings in a diverse array of businesses worldwide, such as restaurants (Catalina, Grab & Go, and World New Café), hotels (JW Marriott Marquis Dubai and Premier Inn locations in the UAE), and airline catering kitchens. These have not been included as contributing to ancillary revenue because these are general consumer activities and are not primarily directed to Emirates' passengers.
- Revenue for 2014/2015 fiscal year was AED 88,819,000,000.

## Total Ancillary Revenue (\$USD MM/AED MM)



## Ancillary Revenue per Passenger (USD/AED)



## Ancillary Revenue in Relation to Total Revenue %



# Deep dive into Emirates 2011 – 2015

The way in which the airline reports revenue has become less explicit and as a result ancillary revenue may have been under-reported in recent years

The Group has holdings in a diverse array of businesses worldwide, such as restaurants (Catalina, Grab & Go, and World New Café), hotels (JW Marriott Marquis Dubai and Premier Inn locations in the UAE), and airline catering kitchens.

These have not been included as contributing to ancillary revenue because these are general consumer activities and are not primarily directed to Emirates' passengers

Reporting period	Fiscal year ended 31 March 2012	Fiscal year ended 31 March 2013	Fiscal year ended 31 March 2014	Fiscal year ended 31 March 2015
Source and Type	Multiple ancillary revenue activities	Multiple ancillary revenue activities	Multiple ancillary revenue activities	Checked baggage fees
Ancillary Revenue	€ 309,447,000 (\$384,406,211)	\$105,652,400	\$112,187,600	\$118,704,061
As a % of Revenue	2.3%	0.5%	0.5%	0.5%
Revenue per Passenger	€ 9.11 (\$11.32)	\$3.16	\$2.52	\$2.41
Total Revenue	€ 13,470,252,000 (\$16,733,232,298)	\$19,376,595,700	\$22,501,782,800	\$24,181,596,304
Passengers	33,981,000	33,391,000	44,537,000	49,292,000
Information Source	Annual Report 2011-2012 of The Emirates Group for the period ended March 31, 2012	Annual Report 2012-2013 of The Emirates Group for the period ended March 31, 2013	Annual Report 2013-2014 of The Emirates Group for the period ended March 31, 2014	Annual Report 2014-2015 of The Emirates Group for the period ended March 31, 2015
Ancillary Revenue Definitions and Other Notes from Financial Reports	<p>Emirates did not specifically disclose ancillary revenue, but it did list many <b>qualifying activities</b> in its annual report:</p> <ul style="list-style-type: none"> <li>• Sale of consumer goods/duty free: AED 1,081,000,000</li> <li>• Revenue from excess baggage charges: AED 332,000,000</li> <li>• The total ancillary revenue calculated by IdeaWorks is AED 1,413,000,000</li> <li>• Revenue for 2011/2012 fiscal year was AED 61,508,000,000</li> </ul>	<p>Emirates did not specifically disclose ancillary revenue, but it did list revenue from <b>excess baggage charges</b>:</p> <ul style="list-style-type: none"> <li>• AED 388,000,000 .</li> <li>• Revenue for 2012/2013 fiscal year was AED 71,159,000,000.</li> </ul>	<p>Emirates did not specifically disclose ancillary revenue, but it did list 2013 revenue from <b>excess baggage charges</b>:</p> <ul style="list-style-type: none"> <li>• AED 412,000,000</li> <li>• Revenue for 2013/2014 fiscal year was AED 82,636,000,000</li> </ul>	<p>Emirates did not specifically disclose ancillary revenue, but it did list 2014 revenue from <b>excess baggage charges</b>:</p> <ul style="list-style-type: none"> <li>• AED 436,000,000.</li> <li>• Revenue for 2014/2015 fiscal year was AED 88,819,000,000</li> </ul>

# Cruise ship: Norwegian & Carnival Cruises



## NORWEGIAN CRUISE LINES

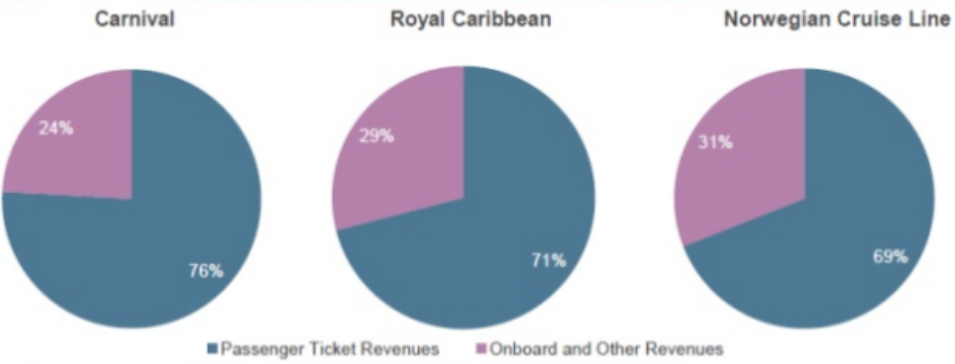
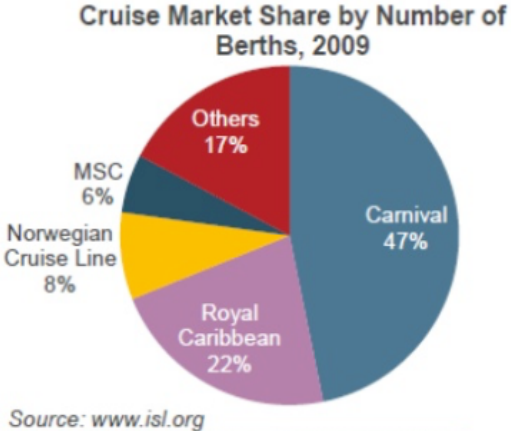
- Cruise prices are typically inclusive of sleeping accommodation, meals in certain dining facilities, and many on-board activities such as entertainment, poolside activities, and sports programs
- Norwegian generates additional revenue on its ships principally from casino operations, beverage sales, specialty dining, shore excursions, gift shop purchases, and spa services
- This “on-board and other revenue” yields more than \$51 per cabin day
- Revenue managers on ships and in headquarters monitor spending and work in real time to increase the revenue produced by individual cabins during the cruise. For example, they may create offers for the occupants of an individual cabin
- Norwegian’s Freestyle Cruising provides complimentary meals in main dining rooms, buffets and for room service. Premium dining is available for a “cover charge” of \$10 to \$30 per person in a variety of upgraded dining experiences

Norwegian Cruise Lines			
Ancillary Revenue Share of Revenue	29.6%	Premium dining, spa, casino, beverages, and excursions	\$ 656 million
<i>NCL Corporation Ltd. Form 20-F for the year ended 31 December 2011</i>			

## CARNIVAL CRUISE LINES

- The “Faster to the Fun” service offered by Carnival Cruises provides priority embarkation, early cabin availability, priority dinner reservations, express access to the guest services desk, and faster luggage delivery
- It was introduced August 2012 on a pilot basis. Carnival commented in its press release, “The program was developed based on extensive passenger surveys, indicating a strong interest in a fee-based package of priority access and benefits”
- The service will be provided as a free perk for top tier members of Carnival’s loyalty program, much like the frequent flyer programs offered by many airlines.

# Cruise lines achieve 25%-30% ancillary revenue mix





# Resort example: Disney Parks



## DISNEY

- Ancillary revenue is defined as “merchandise, food, and beverages”; Disney makes nearly 50% of its revenue from the sale of these items
- Disney gains ancillary revenue from on-premise parking, lodging, dining, and souvenir shopping
- Disney benefits from the unique allure of its brand; customers are offered features such as behind the scene tours and a “magic morning” option which, similar to early boarding, provides early admission to the park
- Guests receive post-trip emails that offer souvenirs if a gift-buying opportunity was missed at the park
- Disney allows customers to arrange admission to competing theme parks such as Universal Studios, SeaWorld, and Legoland – unprecedented in the airline industry.

## Disney Parks & Resorts

Ancillary Revenue  
Share of Revenue

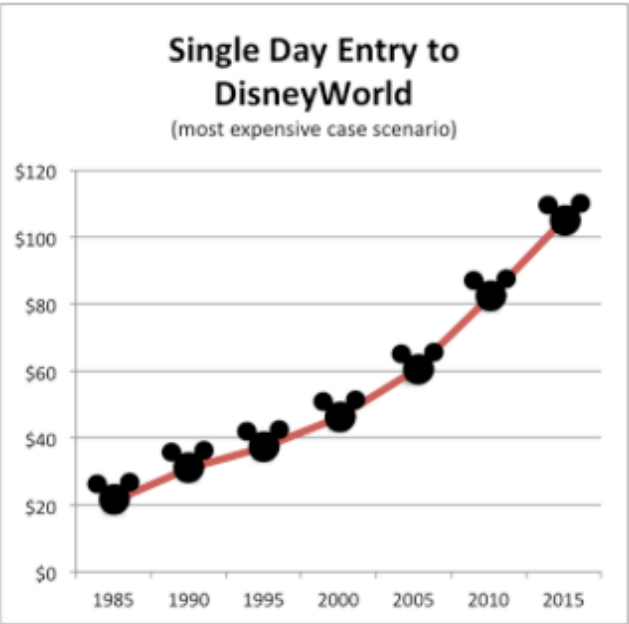
49.1%

Merchandise, food, and  
beverage revenue

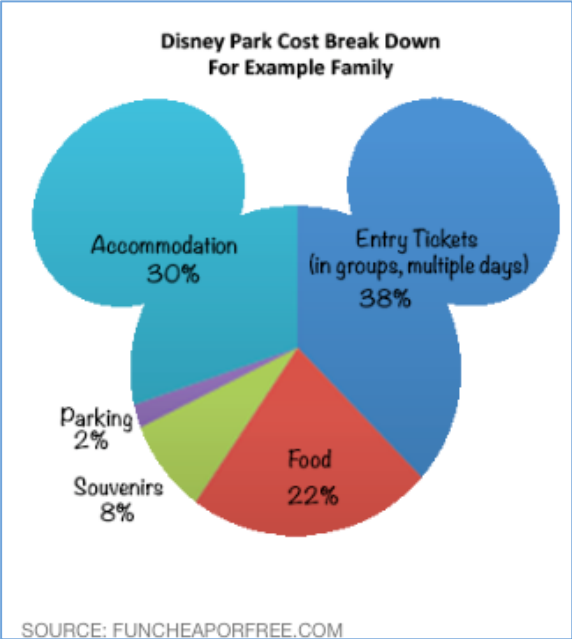
\$3.738 billion

*Walt Disney Company 2011 annual financial report*

# Disney's fast-rising park entry prices are being leveraged into substantial ancillary revenue contributions



INFO SOURCE: DISNEY/TIME MAGAZINE



SOURCE: FUNCHEAPORFREE.COM

# In the hospitality industries, opportunities for ancillary sales at each point of contact during the travel cycle are numerous

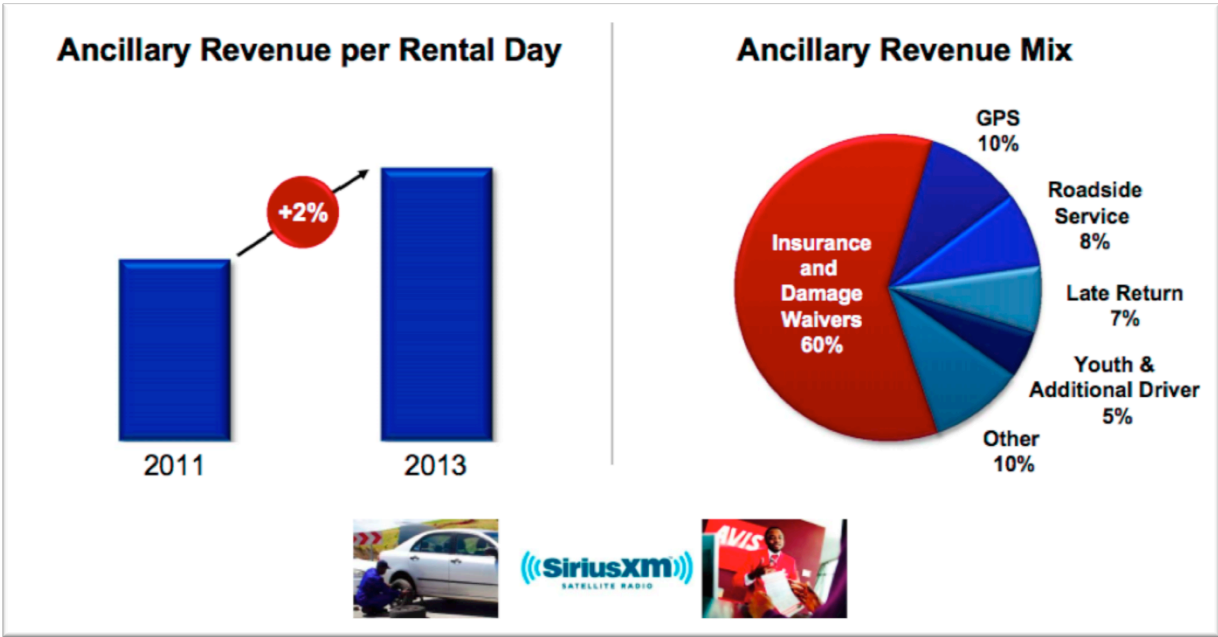
THREE KEY POINTS IN THE CUSTOMER JOURNEY		
Before the stay	During the stay	After the stay
<ul style="list-style-type: none"><li>• inspiration and planning</li><li>• booking</li><li>• departure</li></ul>	<ul style="list-style-type: none"><li>• check-in/check-out</li><li>• concierge services</li><li>• in-room services</li><li>• services offered inside and outside the establishment</li></ul>	<ul style="list-style-type: none"><li>• feedback form</li><li>• loyalty program</li><li>• customized email promotions</li></ul>

## OPPORTUNITIES TO INCREASE ANCILLARY REVENUE

- Upgraded beauty products such as name-brand shampoo, conditioner, oils and cleansers
- Perks such as spa treatments, massages and facials
- Shoe-shining services
- Laundry and same-day dry cleaning services
- All-inclusive bar and meal opportunities
- Local activities such as tours, excursions and sporting events
- Self-service bars and vending machines
- Resort fees that cover a range of ancillary offers

In the car rental pillar, ancillary revenues have been steadily increasing, making up 40% of the total

AVIS BUDGET GROUP 2013



# Airports have realised the potential of ancillary revenue and have been ramping up their offers



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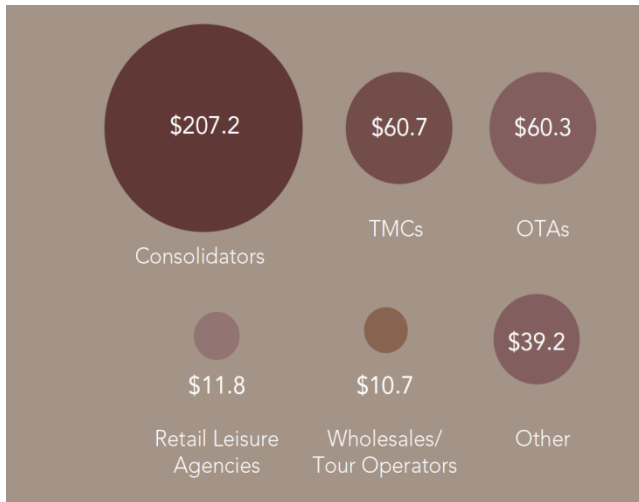
Section	Component
1	<b>Executive Summary</b>
2	<b>Evolution of Indirect Ancillary Revenue and Profitability for Travel and Tourism Related Businesses</b>
2a	<b>Ancillary Products</b>
2b	<b>Business Models</b>
2c	<b>Future Trends – Product, Bundling, Revenue Management</b>
3	<b>Disruptors</b>
4	<b>Appendix</b>

# Operators are displacing travel agents as the main POS for core and ancillary products

## KEY POINTS

- In 1995, the world's travel agencies processed more than **60% of airline tickets**
- In 2014, agencies accounted for just **30% of airline tickets** issued worldwide

## ANNUALS SALES (IN MILLION USD) IN 2014



## POINT OF SALE VS TIME IN THE JOURNEY

	PRE-JOURNEY	DURING	UNRELATED
DIRECT	<ul style="list-style-type: none"> <li>• Website</li> <li>• Reservation centre (phone)</li> </ul>		<ul style="list-style-type: none"> <li>• E.g. bundle wifi</li> </ul>
INDIRECT	<ul style="list-style-type: none"> <li>• Eg. travel agent</li> </ul>		

Shrinking

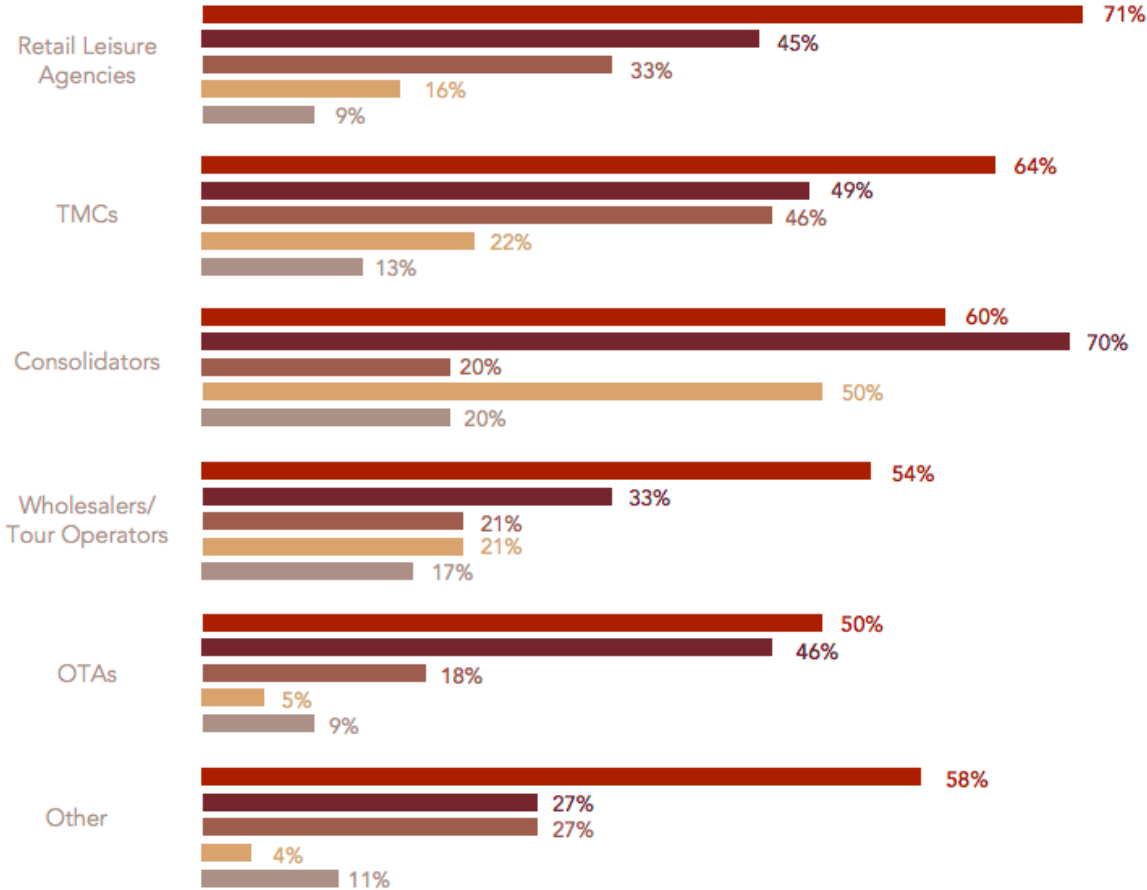
# Agents are tied to operator's POS to access operator's ancillary products, making them less efficient ...

## KEY POINTS

- Airlines' websites offer the most complete selection of ancillary products
- An agent is forced to toggle between a GDS (Global Distribution System), where the agent books the flight, and an airline's website, to book the ancillaries
- The process is inefficient, reducing agent productivity, driving up agency costs, and frustrating travel agency executives – and, by extension, the travellers the agency serves.

- Airline websites
- GDS
- Calling airlines directly
- "Direct connection" to airline res system
- Other distribution channel

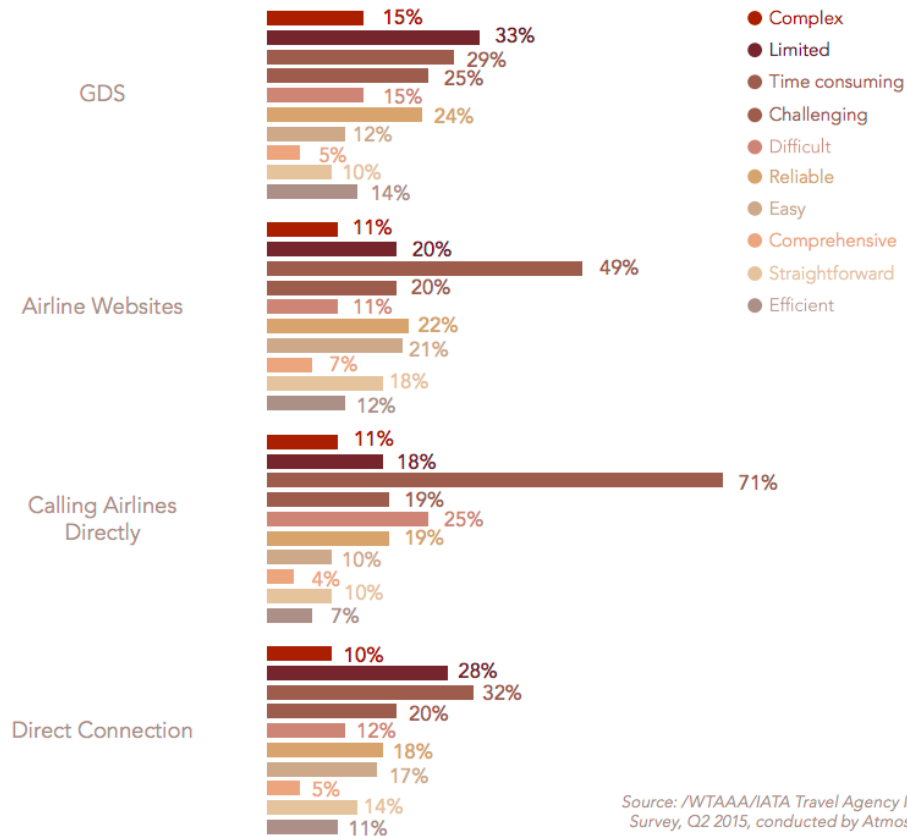
## HOW AGENCIES BOOK FOR ANCILLARY PRODUCTS



Source: NDC: Travel Agencies' Enabler to Success, IATA, 2015



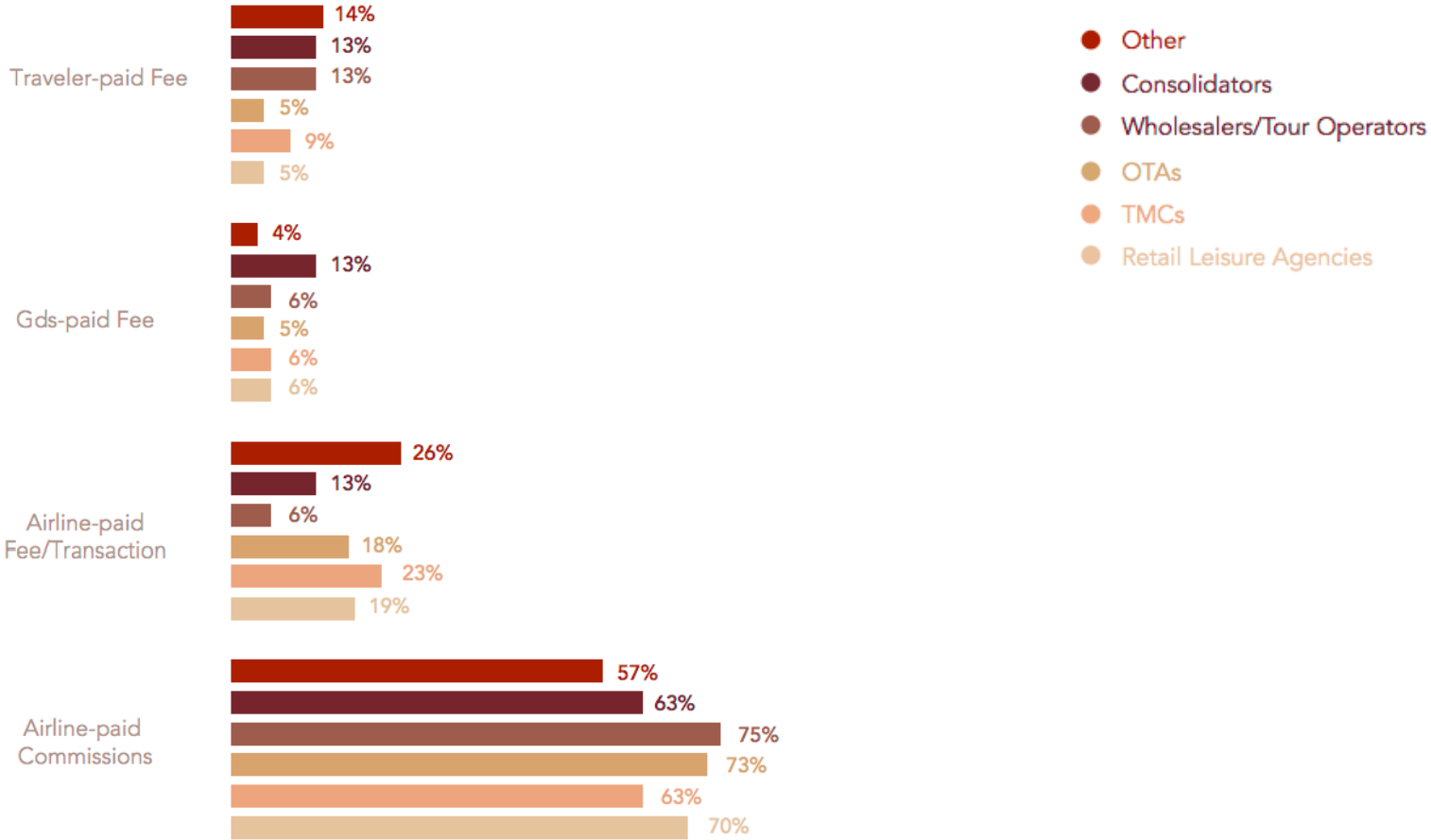
HOW AGENCIES BOOK FOR ANCILLARY PRODUCTS



Source: /WTAAA/IATA Travel Agency NDC Awareness Online Survey, Q2 2015, conducted by Atmosphere Research Group

# Airline-paid commissions top agencies' preferred form of compensation to sell ancillaries





## FOUR POSSIBLE COMPENSATION APPROACHES



Source: NDC: Travel Agencies' Enabler to Success, IATA, 2015

# Cruise ships: Premium brands have a compelling value proposition for both customers and travel agents

## CUSTOMER SEGMENTS ARE SOMEWHAT DIFFERENT BUT THE OVERALL COST IS COMPARABLE

Value Proposition to Customers	Celebrity  Cruises®	 PRINCESS CRUISES	 OCEANIA CRUISES	 <i>Regent</i> SEVEN SEAS CRUISES
Suite Size (Sq Ft)	248	323	282	301
Cruise Fare <sup>(1)</sup>	\$2,249	\$2,699	\$4,599	\$8,599
Air Fare and Ground Transfers <sup>(2)</sup>	\$1,635	\$1,444	Included	Included
Shore Excursions	\$834	\$834	\$659 Unlimited Package	Included
Taxes and Gratuities	\$183	\$169	Taxes included \$105 Gratuities	Included
Alcohol, Bottled Water and Soft Drinks	\$282	\$282	\$282	Included
Alternative Dining	\$75	\$75	Included	Included
<b>Total Cost</b>	<b>\$5,319</b>	<b>\$5,607</b>	<b>\$5,645</b>	<b>\$8,599</b>
<b>Cost Per Day</b>	<b>\$760</b>	<b>\$801</b>	<b>\$806</b>	<b>\$860</b>
<b>Value Proposition to Travel Agents</b>				
Commissionable Amount	\$2,049	\$2,524	\$2,997	\$7,369
Average Commission %	15%	15%	15%	15%
<b>Travel Agent Commission</b>	<b>\$307</b>	<b>\$379</b>	<b>\$450</b>	<b>\$1,105</b>
<b>Commission Per Day</b>	<b>\$44</b>	<b>\$54</b>	<b>\$64</b>	<b>\$111</b>

Substantially superior product offering at a comparable cost per day

1. Based on June 2015 sailings in the Mediterranean.

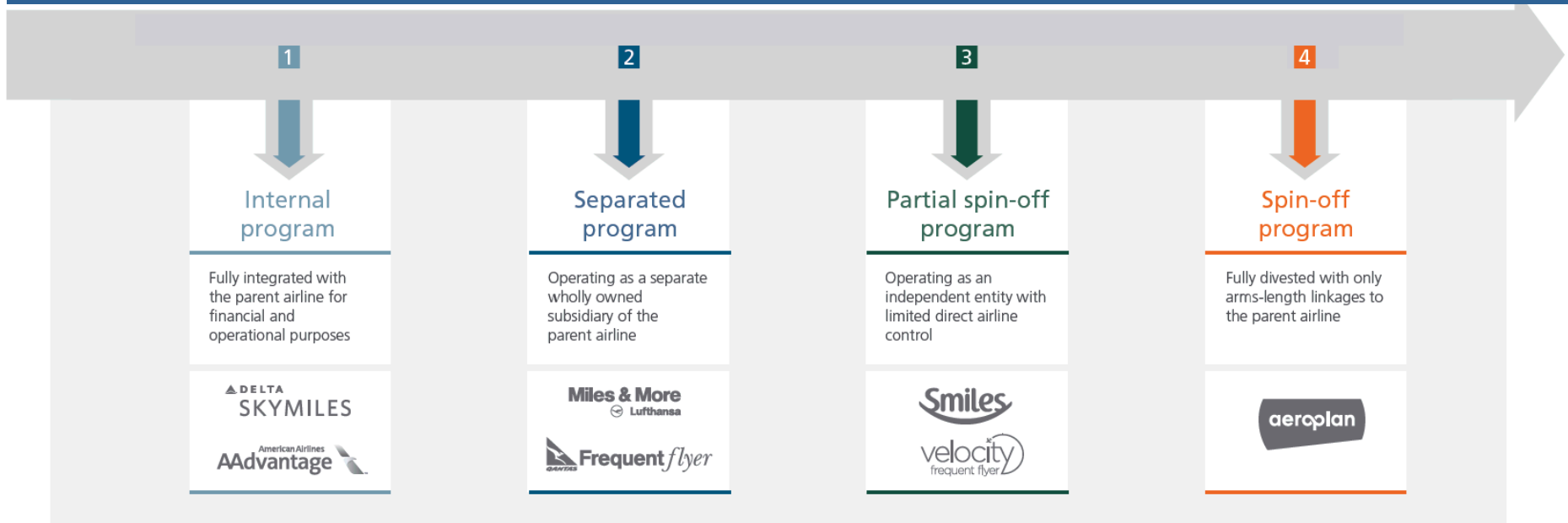
2. Assumed flight from U.S. east coast including air carrier imposed surcharges and other taxes

# Over time, airlines have been prompted to monetize FFP

## STRATEGIC RATIONALE FOR FFP SEPARATION
















- Raising significant funds quickly
- Driving improved managerial focus
- Creating greater investor transparency.

## LOYALTY PROGRAM DEVELOPMENT



# Over the past decade, airlines have derived nearly \$3 billion from partial or full loyalty program separation

## GLOBAL FREQUENT FLYER PROGRAM MONETIZATION DYNAMICS

RANK (by amount raised)	AIRLINE	PROGRAM	SPIN-OFF YEAR	NUMBER OF MEMBERS *	AMOUNT RAISED (% of equity sold)	IMPLIED VALUATION (value per member)
1	 AIR CANADA		2005	-5.0M	US\$998M (100%)**	US\$2.9B (US\$200 / member)^
2	 GOL <small>Linhas aéreas brasileiras</small>		2013	-9.3M	US\$450M (40%)	US\$1.1B (US\$121 / member)
3			2010	-9.4M	US\$297M (27%)	US\$1.0B (US\$116 / member)
4	 virgin australia		2014	-4.5M	US\$293M (35%)	US\$838M (US\$186 / member)
5			2012	-2.0M	US\$252M (70%)	US\$30M (US\$180 / member)
6			2014	-4.0M	US\$142M (75%)	US\$190M (US\$48 / member)
7	JET AIRWAYS 	JetPrivilege	2013	-2.5M	US\$150M (50%)	US\$300M (US\$120 / member)
8	 AEROMEXICO		2010	-2.9M	US\$88M (49%)	US\$180M^^ (US\$62 / member)
					<b>~US\$2.7B</b>	<b>~US\$6.9B</b>

Note: \*Approximate number of members at time of spin-off; \*\* While only ~35% of Aeroplan shares were sold through offerings, ACE gave out shares as dividends and reduced its stake to 0%; ^ At spinoff valuation, ^^ Implied value, 2013 fair value was US\$518M, AIMIA bought equity at a significant discount

# Two types of frequent flyer loyalty programs exist

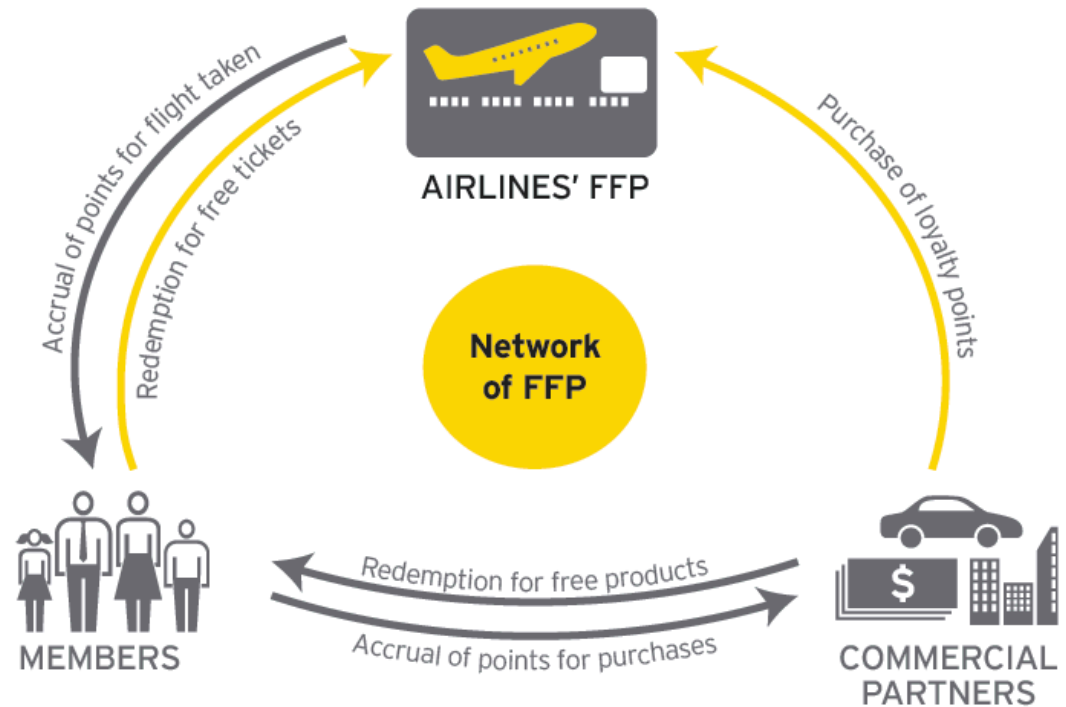
## TWO TYPES OF LOYALTY PROGRAMS

- Two main forms of loyalty programs exist
- **“stand-alone” programs** enable the accumulation and the redemption of points from a single provider
- **“coalition” programs** (see diagram opposite) allow members to accrue and redeem points with many commercial partners affiliated to the network.

## BENEFITS OF COALITION PROGRAMS

- Members have more opportunities to accumulate and redeem points leading to a better perception of the value of the program
- Commercial partners can collect data on customers at reduced marketing costs, allowing them to optimize the impact of their marketing campaigns
- The coalition program offers commercial partners the ability to acquire and retain at lower member cost
- Companies can also increase the exposure of their individual brand through this network association.

## COALITION PROGRAM



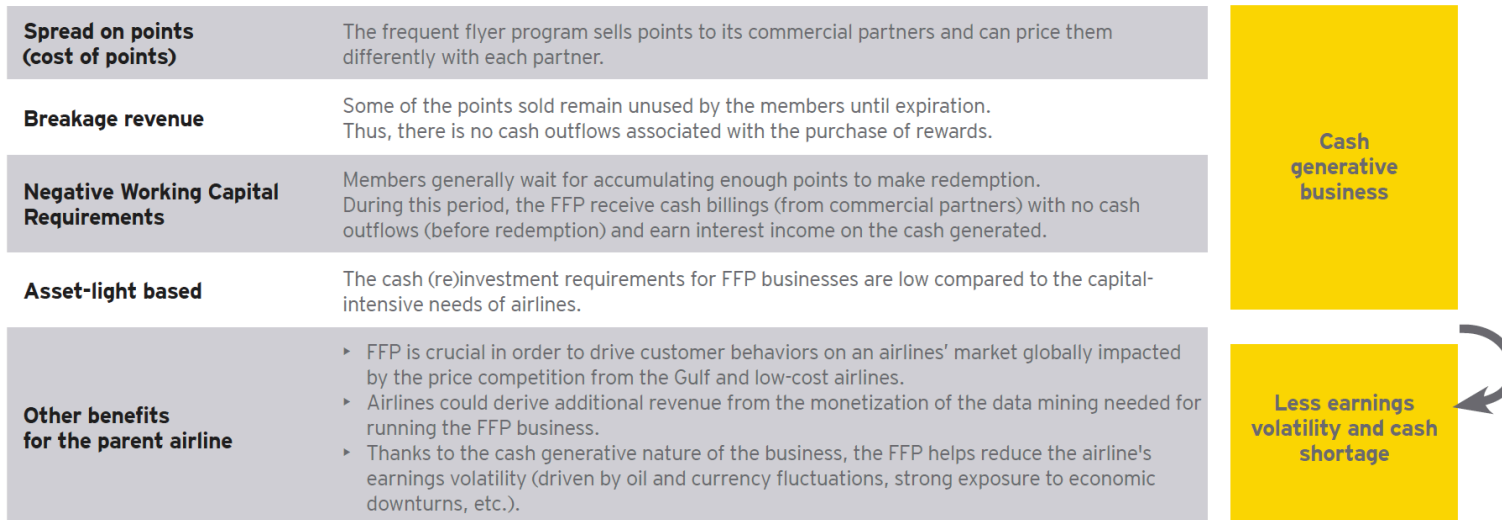
# A FFP could be a very attractive and cash generative business

## THREE MAIN SOURCES OF CASH FLOWS FOR FFP

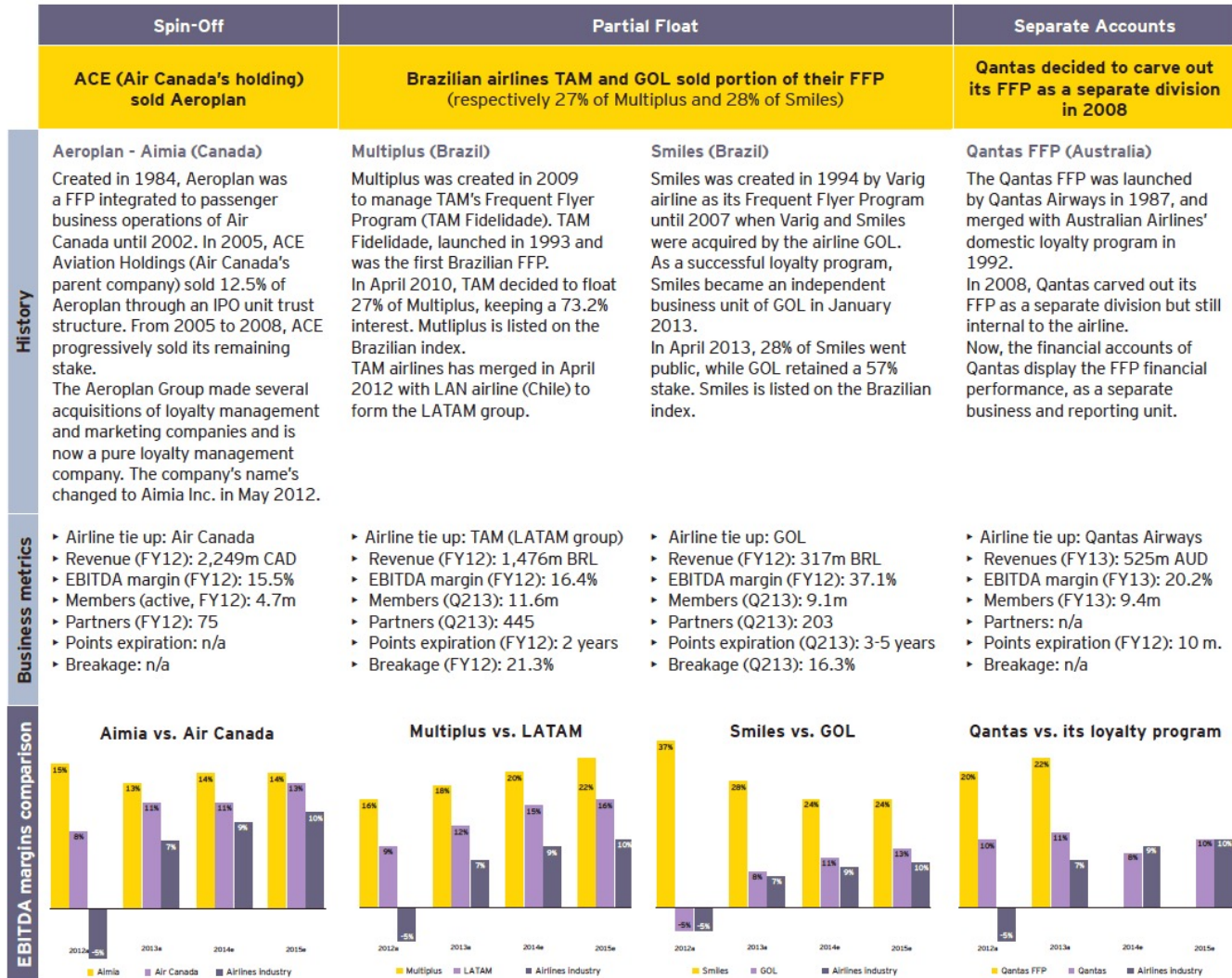
- The **gross margin on points** redeemed i.e. the spread between the cost of points and the price for which they are sold to commercial partners
- The **working capital benefits** i.e. interest on positive float stemming from the received cash from the sale of points (an average of 10 months to 2.2 years before redemption of points)
- The **breakage** i.e. the expiration of unused points (which usually takes place 6 to 36 months after issue) which results in no reward on these points and no associated costs.

The main cash outflow results from the purchase of rewards (free airline tickets or products/services from commercial partners).

## CASH GENERATIVE BUSINESS MODEL



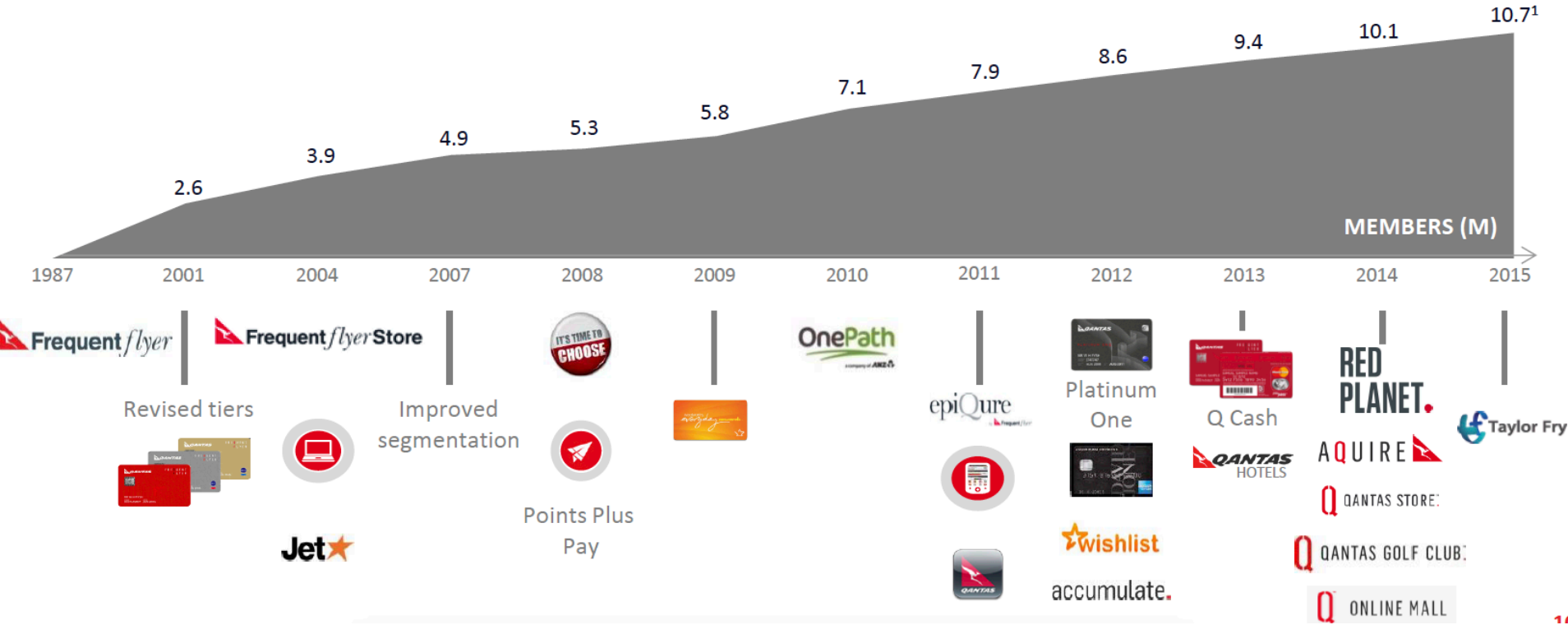
# Partial sell-down or separate financial reporting can benefit the whole airline group perception





# The history of Qantas' loyalty program is a good case example of innovation within a captive market (see Appendix)



## QANTAS LOYALTY FROM 1987 TO TODAY

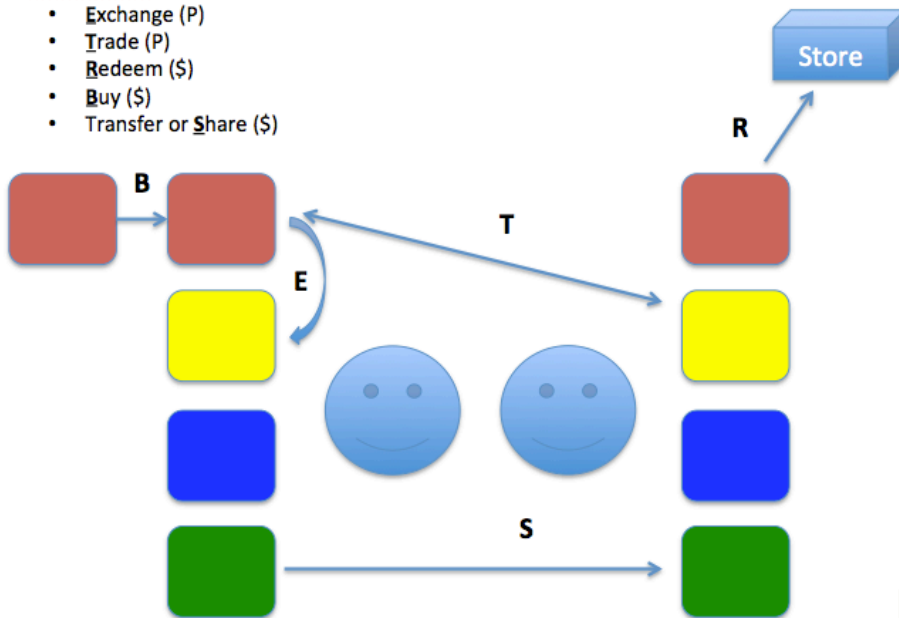


# In the more competitive North American market, operators are participating in loyalty business models that provide greater liquidity for points redemption


## NORTH AMERICAN MARKET EXAMPLES

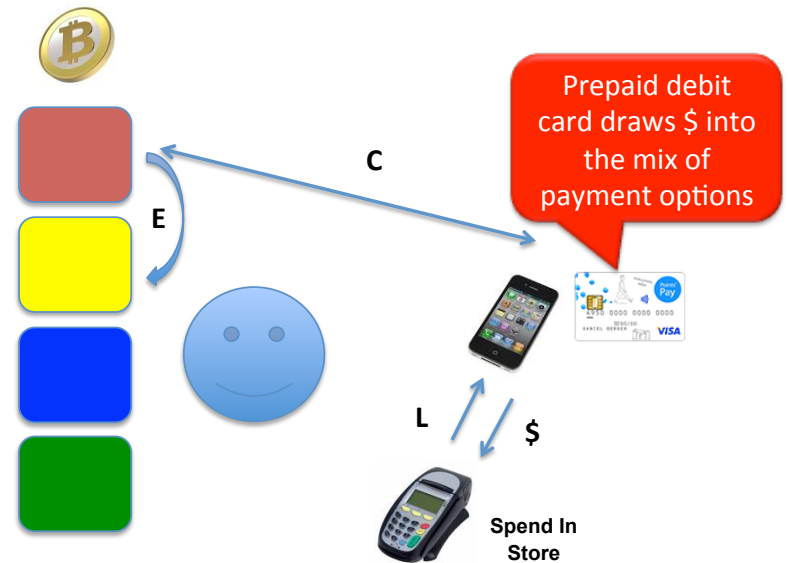
### Loyalty Points Trading Platform – TSX Listed

- **Points.com:** ~\$275m sales, \$9m EBITDA, VISA aligned 
- Exchange (P)
- Trade (P)
- Redeem (\$) 
- Buy (\$)
- Transfer or Share (\$)



### Personal Currency Exchange – Proprietary

- **Shiftpayments.com,** VISA aligned 
- Exchange (P)
- Convert (P-\$)



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# Five travel trends are being shaped by digital transformation of travel experiences – technology, social and collaboration

## THE FIVE TRENDS

### Silent Traveler

- Travelers are no longer speaking up and are voicing their concerns online without saying a word.
- Travelers who use digital tools to jump across industry-defined silos, no longer need human hand-holding.
- The hospitality paradox: as human service becomes less important with the rise of the digital traveler.

### Curation Comes to Travel Listings

- With so many hotel rooms, airline seats and restaurants to choose from organizing offerings is critical.
- Travelers are overwhelmed by choices online: mobile is creating a need for a better curated experience.
- Sellers must deliver targeted information to travelers through the use of personalized data.

### Optimizing Guest Social Amplification

- User Generated Content (UGC) gains position as the #1 destination differentiator.
- Visuals are the new language of the digital era. Travel is uniquely suited to visual media.
- Consumers value other's opinions more than anyone's marketing.

### Innovative Disruption Turns to Collaboration

- Uber and Airbnb are mainstream now they must go legit.
- Disrupters will evolve from sharing to collaboration, better defining these companies' use of resources.
- With everyone trying to stand out by being innovative the successful companies will be collaborating.

### Metasearch

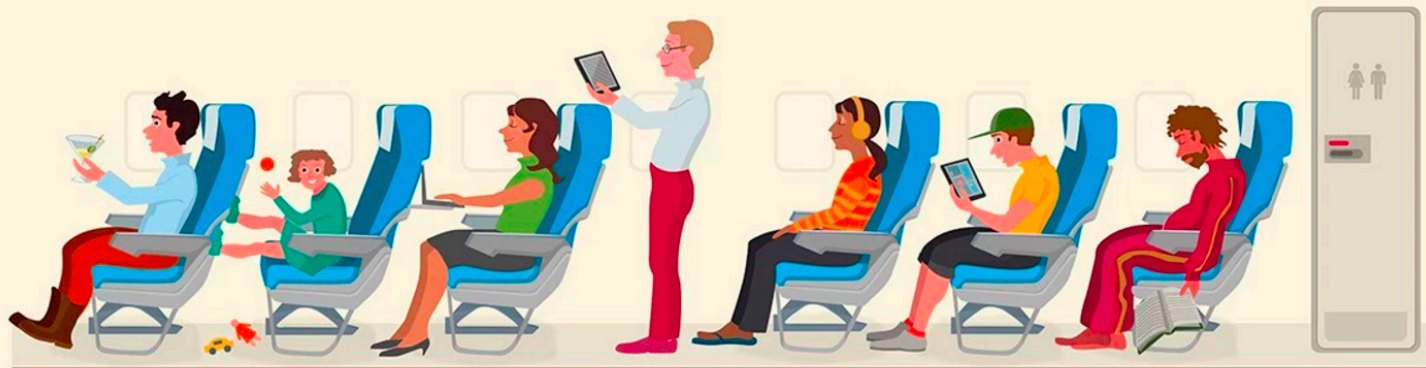
- Travel metasearch will build as Priceline acquired Kayak, Expedia bought Trivago and TripAdvisor rounded out its user reviews with a hotel comparison shopping engine.
- Consumers will view OTA metasearch as an efficient way to get a quick view of the market.

# Millennial travel habits point to further ancillary opportunities

## KEY RESULTS FORM A SURVEY OF OVER 1,400 TRAVELLERS

### PASSENGER PREFERENCES ✈️

What are Millennials willing to pay extra for when they fly? Hipmunk surveyed travelers between the ages of 18 to 34 to find out what would motivate millennials to pony up cash on their next flight.



**40%**

would pay more to have an open bar on a plane.  
*Party on!*

**25%**

would pay up to \$50 more for a child-free plane.  
*Sorry kids.*

**75%**

would prefer to sit next to a woman versus a man.  
*Hello, ladies!*

**30%**

would be willing to stand on a flight to save money.  
*Now what seat number are they?*

**80%**

would rather sit silently than talk with the person sitting next to them.  
*Watch it chatter boxes!*

**45%**

would like to be able to digitally connect with other passengers.  
*Friend Me!*

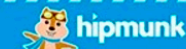
**85%**

prefer dressing casually and comfortably.  
*Track suits for everyone!*

**70%**

would sit next to restrooms on a plane for a reduced fare.  
*It is convenient.*

"Hipmunk is the best travel site on the Web. Period." — Forbes



## BUSINESS MILLENNIAL TRAVELLER

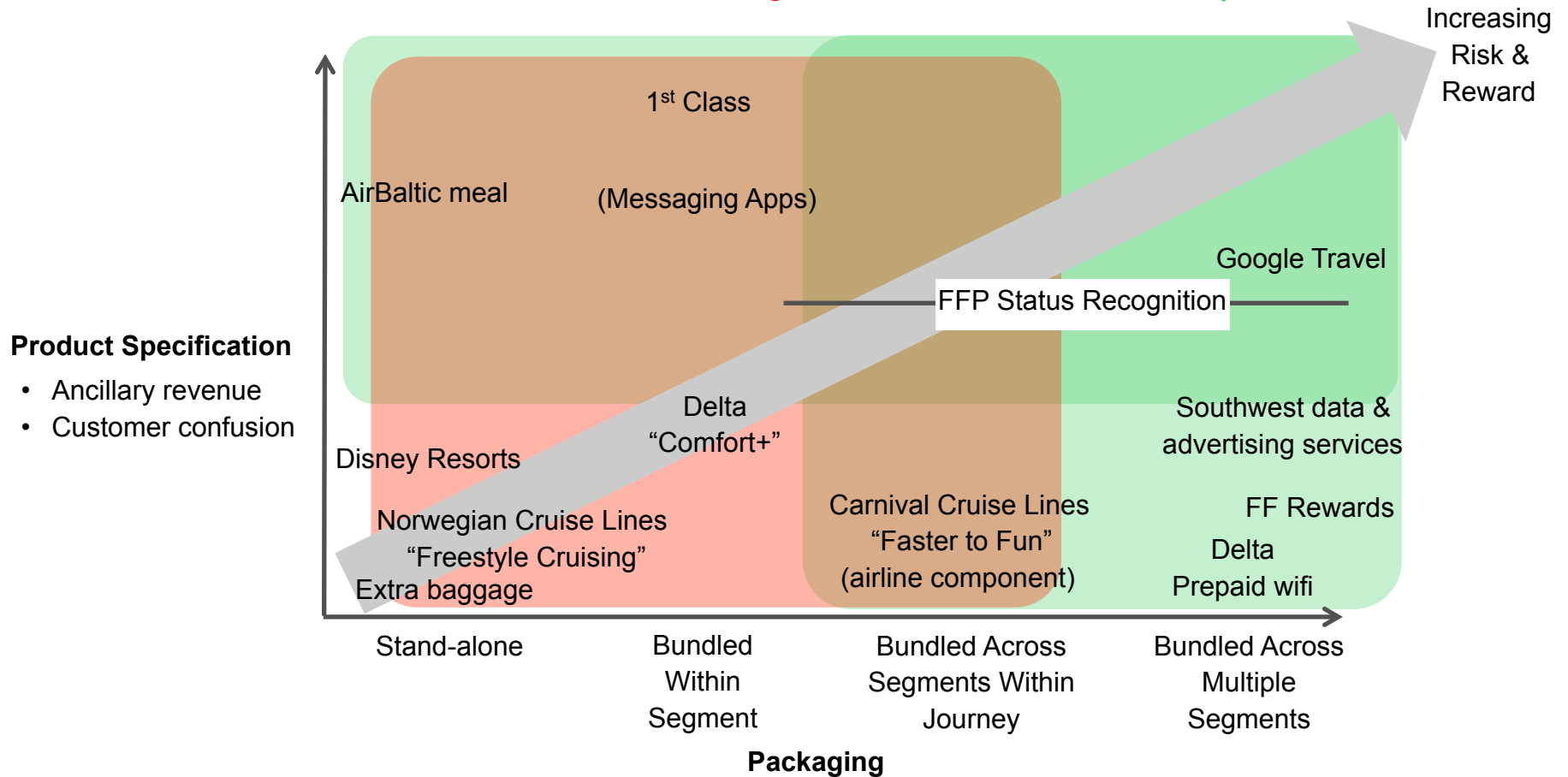
60% of travelers would be willing to pay more for ancillary conveniences, including

- priority baggage claim (37%)
- curbside rental car pickup (35%)
- the option to temporarily check baggage at the gate so that they can freely dine and shop (40%)

Future opportunities are likely to be developed in higher specification products, more complex bundling arrangements, and improved revenue management

### Ancillary Revenue Segments & Opportunities

Advances in Revenue Management    Further Product Development



# Risk/Reward trade-offs will be mitigated by leveraging alliances, coupled with ICT and data analytics to access real-time purchases and “micro moments”

## Ancillary Revenue Opportunities

### Further Product Development

- Higher-specification products
- Business products (SW)
- Data/information products (SW)
- Wellness products (QF)
- More complex bundling
  - Greater coordination between segments/providers (Google Travel)
    - o Levels of product specification
    - o Coordinated timing at POS
  - More variety of bundles within a provider
    - o Segmented by purpose of travel (Bus, VFR, tourism)
    - o Offered to individuals, businesses, groups
    - o Pre-sales of “value”, with in-journey options



### Advances in Revenue Management

- Real-time customer engagement via mobile devices (Hyatt WeChat)
- Best/next best offer contextually presented (KLM/ Facebook, Jovago/Whatsapp, Viber, LiveChat)
- Loyalty-building freeware, contextually provided (Google)
- Loyalty-building information freeware (SilverCar)

#### Assets available to leverage:

- PAX purchase information, including FFP
- PAX travel information & context
- PAX relationships (referrals)
- PAX demographics
- PAX location & environment
- Alliances with other providers (understand PAX purchase patterns)
- Underutilised capacity, fixed costs.



# Jetstar offers you Price Watch – which may be a Hopper white label


## ADVERTISEMENT



### Price Watch

Got your eye on a fare? As soon as it drops, we'll let you know

Sign up >

 **Price Watch** Close x

**Brisbane to ...**

**Get email updates on the price of your flights**

Destination Airport \*

Under AU\$^  Email \*

Total all passengers

We won't send you more than one price alert a day and you can unsubscribe at any time. [See privacy policy](#)

1 Adult ▼ 0 Children ▼ 0 Infants ▼

**Choose dates**




# At the time of booking, Jetstar 'preselect' for you premium services that you can opt out (1/2)

## LOW COSTS OFFERING PREMIUM SERVICES

- Jetstar offers several preselected (opt out) bundles that are closer to full service airline than a low cost airline
- Recommended package is a Plus bundle which includes no change fees, frequent flyer points, seat selection, meal, and baggage
- Other options that are offered at the time of booking
  - hold the fare for 96 hours
  - prepay for meal on board (vouchers)
  - prepay for amenities kit
  - prepay for entertainment

Starter fare includes	Plus bundle Enjoy the extras and save a bundle \$70 with \$107 of included value* <small>MOST POPULAR bundle</small>	Max bundle Our fully flexible fare with the lot \$365
<ul style="list-style-type: none"><li>Comfortable leather seat</li><li>7kg carry on baggage <small>strict weight and size limits apply for carry-on baggage</small></li><li>Checked baggage not included <small>Checked baggage not included, can be purchased on the next page.</small></li></ul> <p><small>Starter fares are non-refundable. Date, time and name changes are permitted for a change fee and fare difference. <a href="#">View Starter Fare rules</a></small></p>	<ul style="list-style-type: none"><li>No change fees for date, time &amp; name changes (fare difference applies)</li><li>3,900 Qantas Points and 40 Status Credits* or Emirates Skywards Miles* or a AUD \$25 Jetstar Flight Rewards Voucher*. <a href="#">Find out more</a></li><li>Free standard seat selection</li><li>Meal included on <a href="#">available flights</a></li><li>20kg checked baggage</li></ul> <p><small>Plus bundles are non-refundable. <a href="#">View Plus Bundle rules</a></small></p>	<ul style="list-style-type: none"><li>Fully flexible fare <small>No fees for date, time, name, origin &amp; destination changes (fare difference may apply)</small></li><li>Refundable (fee applies)</li><li>5,200 Qantas Points and 60 Status Credits* or Emirates Skywards Miles* or a AUD \$25 Jetstar Flight Rewards Voucher*. <a href="#">Find out more</a></li><li>Free seat selection of all seats</li><li>Meal included on <a href="#">available flights</a></li><li>30kg checked baggage</li></ul> <p><small><a href="#">View Max Bundle rules</a></small></p>
<input checked="" type="checkbox"/> Included	<input type="button" value="Add to booking"/>	<input type="button" value="Add to booking"/>

 We have pre-selected an optional 20kg checked baggage per passenger for you. **Please review your baggage allocation before continuing.**

Manage baggage allocation per passenger

Departing: Sydney to Bali (Denpasar)

All passengers

20kg checked baggage AUD \$35 AUD per passage

✓ Added

Remove ✕

Returning: Bali (Denpasar) to Sydney

All passengers

20kg checked baggage AUD \$34 AUD per passage

✓ Added

Remove ✕

# At the time of booking, Jetstar 'preselect' for you premium services that you can opt out (2/2)

## VOUCHERS AND PREPAID SERVICES



### Hold this fare for 96 hours

Not ready to commit but don't want to miss out on this great price?

For \$16 per passenger you can lock in the price of your selected flights and place them on hold for up to 96 hours.

### Sydney to Bali (Denpasar)

Purchase drinks & snacks onboard

10% OFF

No Voucher

\$5 AUD voucher  
for \$4.50 AUD

\$10 AUD voucher  
for \$9 AUD



In-flight entertainment comes packed with movies, TV shows, music and more!

On most flights you'll get an iPad. On some flights entertainment comes via the seat-back screens.

### Sit back, relax and let us entertain you!



Up to  
**\$9** per person per flight  
On flights where available  
and not included in fare

Add to booking

or Manage by passenger or flight

### Keep comfortable and arrive refreshed!



from image)

Our comfort pack is yours to keep and includes a great range of items to keep you comfortable during and after your flight (products on-board may differ

A blanket will also be provided for use during your flight.



Up to  
**\$10** per person per flight  
On flights where available  
and not included in fare

Add to booking

or Manage by passenger or flight

# However Jetstar may have topped out ancillary revenue and appear to be driving for share and profitability

## KEY POINTS

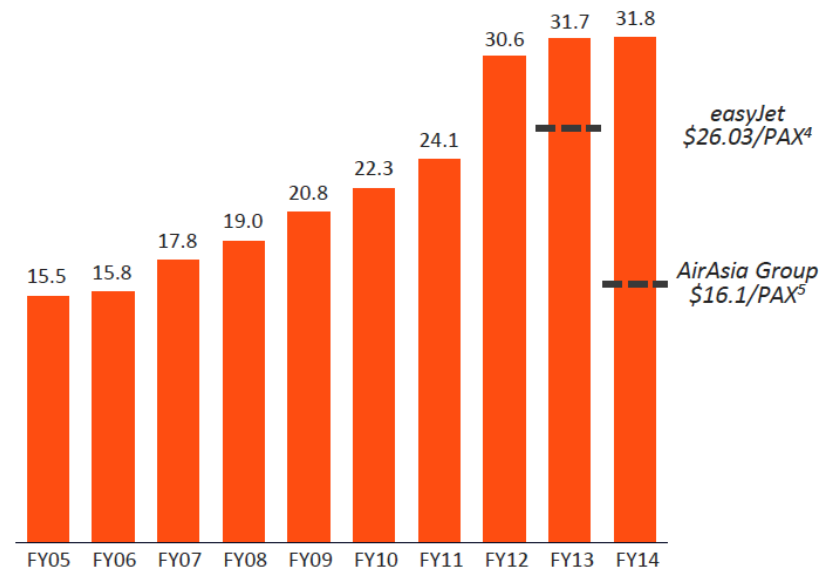
### Total ancillary revenue continues to grow

- Ancillary revenue up 6%; ancillary EBIT margin up 5%<sup>1</sup>
- Ancillary revenue/passenger is flat due to changing consumer behaviour

### New, advanced retailing capabilities will drive next wave of growth

- Data-led customer targeting through personalised offers and bundles
- Jetstar digital suite<sup>2</sup> redesign to create an improved travel shopping experience
- Next-Gen booking engine to simplify flight purchase
- First phase deployed in market from 2QFY16

### Ancillary Revenue Performance<sup>3</sup> Versus Other LCCs



1. 1H15 versus 1H14. 2. Jetstar.com (web and mobile) and Jetstar app suite. 3. Calculation of Ancillary Revenue per Passenger was changed in FY14 to treat catering revenue as a net margin (previously presented as gross revenue). This accounting change resulted in a restatement of FY10-FY13 Ancillary Revenue per PAX. 4. September 2012- September 2013, IDeaworks 2014 Yearbook, converted to AUD using closing 30 September 13 rates. 5. December 2013 to December 2014 based on company announcements, converted to AUD using closing 31 December 14 rates.

# AirAsia offers both a 'Value Pack' and a 'Premium Flex', with a marginal price difference on a typical Sydney-Bali flight

## VALUE PACK OR PREMIUM FLEX CAN BE ADDED AT THE TIME OF BOOKING

You've selected Low Fare. Add-ons are available on the next page with additional cost.

Value Pack + 61.00 AUD	Premium Flex + 94.00 AUD
<b>Add now</b>	<b>Add now</b>
Normal price 64.00 AUD	and get many more benefits:
20kg baggage allowance	20kg baggage allowance
1 meal*	1 meal
Standard seat selection	Hot Seats selection
	2X change of date/time*
	Xpress baggage
	Xpress boarding
<small>*Value Pack comes with a pre-selected sandwiches for AK, FD, OZ, PQ,Z2 and I5 flights. A pre-selected hot meal will only be provided for D7, XJ, and XT flights. Terms and Conditions of Carriage apply.</small>	<small>*Flight change up to 2 hours prior to departure is subject to fare difference only. Xpress booking only available when all trips in the booking are Premium Flex. Hot Seats are subject to availability. Terms and Conditions of Carriage apply.</small>

## Premium Flex

Greater flexibility with greater perks! Premium Flex is designed to give you flexibility that you want for a convenient and fuss-free journey.



### Premium Flex guests get great perks:

- Flexi-flight**  
Flexibility to change your flights
- Pack More**  
20KG baggage allowance
- Favourite Seat**  
Complimentary Pick A Seat
- Xpress Boarding**  
Be at the front of the line and board first
- AirAsia BIG Point**  
Earn BIG Points  
RM 1 = 3 BIG Point
- Premium Flex Counter**  
Dedicated counter for your convenience
- Inflight Meal**  
Complimentary inflight meal
- Express Baggage**  
Priority baggage collection at check-out
- Fast Track**  
Dedicated Immigration counter. Available in klia2, Senai International Airport & Kuching International Airport. [Read More](#)

# AirAsia offers great flexibility in the selection of the seat, standard services otherwise

## EXAMPLES OF AIRASIA ANCILLARY OFFERS

**Selection key**

- 69.00 AUD Quiet Zone Hot Seats**  
Extra legroom with minimal noise, less disturbance, special ambience lighting and priority boarding
- 59.00 AUD Hot Seats**  
Enjoy extra legroom and priority boarding
- 29.00 AUD Quiet Zone Standard seat**  
Minimal noise, less disturbance and with special ambience lighting.
- 19.00 AUD Standard seat**  
Choose your preferred seat

Selected  
  Not available  
  Bassinet seat  
  Quiet Zone

**Inflight comfort**

Comfort kit includes neck pillow, eye shade and blanket  
 Material: Eye-shade: Nilon, Blanket: acrylic, Neck Pillow: Plush/PVC  
 Dimension: Blanket: 160cm X 100cm, Neck Pillow: 11" x 11.5"  
 Duvet dimension: 177cm X 130cm

SYD - DPS  
  DPS - SYD

**John Speeden**    15.00 AUD

**Comfort Kit**

**Checked baggage**

Get the best fare when you pre-book now and avoid paying more for it later! Learn more about checked baggage on AskAirAsia.com.

- ✓ Baby buggies/prams/strollers and other mobility devices can be checked in for free!
- ✓ Pre-book now to avoid charges for excess baggage
- ✓ Earn BIG Points

**IMPORTANT:** The option to include checked baggage has been pre-selected for your booking. If you would like to remove baggage, please select "No, thanks".

SYD - DPS  
  DPS - SYD

**John Speeden**   Up to 20kg - 39.00 AUD

No, thanks

**Travel Insurance by AirAsia**

**IMPORTANT:** The option to include travel insurance has been pre-selected for your booking. If you would like to remove insurance you must select "No, Thanks. I would like to proceed without Travel Insurance by AirAsia."

- ✓ Luggage Cover and Travel Cancellation Expenses Cover (If unforeseen and not including cancellation by AirAsia)
- ✓ Up to AUD 500,000 Overseas Medical Expenses Cover (Round Trip only)
- ✓ Loss or Damage to Baggage and Personal Effects Cover
- ✓ 24-hour Worldwide Travel Assistance Services
- ✓ \*Terms, Conditions and Exclusions apply

The following guest(s) are eligible for travel insurance

**John, Speeden 63.00 AUD**

Yes, I want to purchase Travel Insurance by AirAsia for all eligible persons.

I confirm that I have read the **Travel Insurance by AirAsia Policy Wording and Product Disclosure Statement (PDS) and Financial Service Guide (FSG)** and I/we understand and accept the terms, conditions and exclusions of the PDS. I/We agree to receive PDS and Certificate of Insurance by email. I confirm that the information submitted is complete and correct. I/We understand that this information will be passed to ACE, who will handle in accordance with the **ACE Privacy Statement**.

Note: ACE Insurance Limited ABN 23 001 642 020 AFSL No 239687 (ACE) insures this product. AirAsia X BHD and PT Indonesia AirAsia (AirAsia) promote this product. ACE and AirAsia provides general advice only and do not consider your objectives, financial situation or needs. To decide if this product is right for you, please read the Travel Insurance by AirAsia Policy Wording and Product Disclosure Statement (PDS) and Financial Service Guide (FSG).  
Terms, Conditions and Exclusions apply

No thanks, I would like to proceed without Travel Insurance by AirAsia










# AirBaltic offers passengers a choice from more than 70 dishes

## HOW IT WORKS

- 'Exquisite' menu offers more than 70 dishes to choose from
- Meals are ordered no later than 24 hours prior to the flight
- Meals and drinks will be served individually prior to the general service on board
- During the flight, the meal will be cooked by the chef using the freshest ingredients and delivered on board.

## EXAMPLE OF BREAKFAST OPTIONS

airBalticMeal
SPECIFY YOUR FLIGHT   HOW IT WORKS   CELEBRATE ON FLIGHT

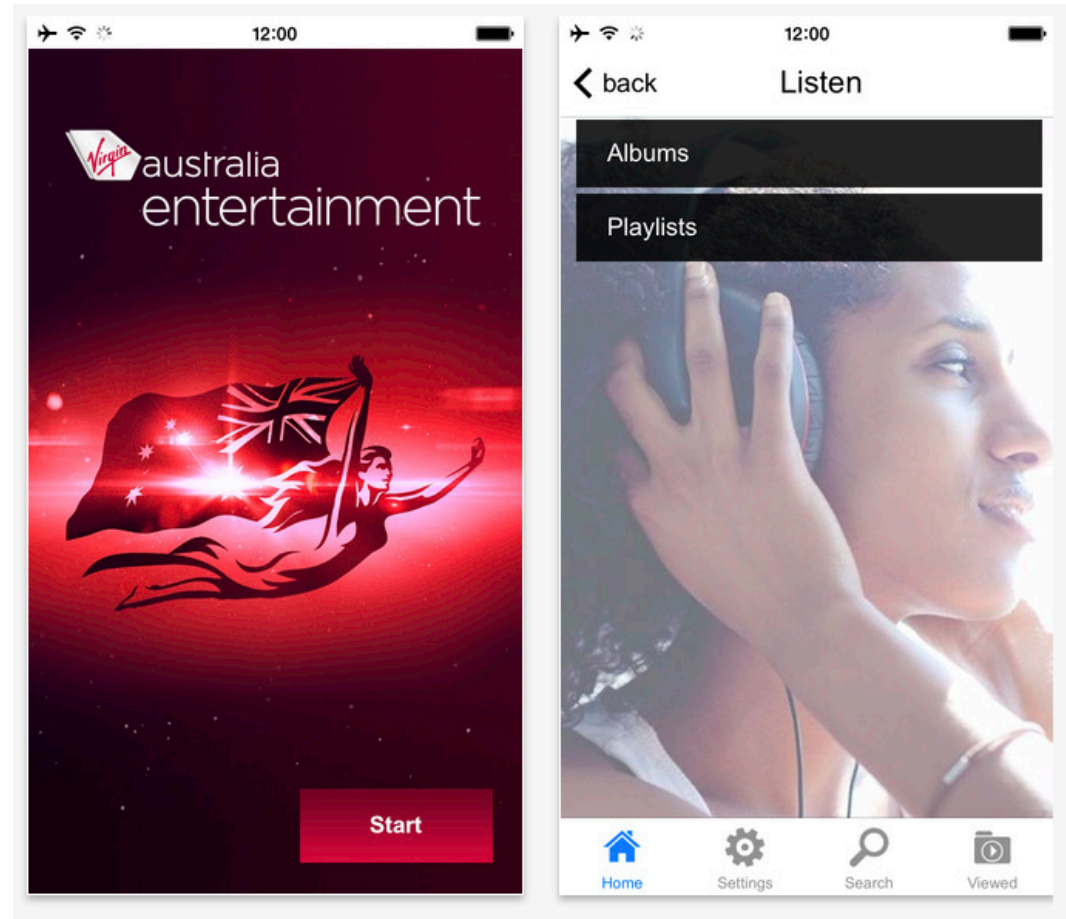
Breakfast <span style="float: right;">9 &gt;</span>	 <p><b>Sky Brunch</b> Assorted cheese, Fuet sausage, ham, juicy vegetables</p> <p>15.00 € <span style="background-color: #00a651; color: white; padding: 2px 5px;">SELECT</span></p>	 <p><b>Countryside Breakfast</b> Cheese omelette with fried potatoes</p> <p>12.00 € <span style="background-color: #00a651; color: white; padding: 2px 5px;">SELECT</span></p>	 <p><b>German Breakfast</b> Ham, cheese, vegetables and boiled egg</p> <p>8.00 € <span style="background-color: #00a651; color: white; padding: 2px 5px;">SELECT</span></p>
Salads 9	 <p><b>Garden Gifts Breakfast</b> Fresh seasonal fruit plate</p> <p>8.00 € <span style="background-color: #00a651; color: white; padding: 2px 5px;">SELECT</span></p>	 <p><b>Happiness Breakfast</b> Pancakes with fresh berries and jam</p> <p>15.00 € <span style="background-color: #00a651; color: white; padding: 2px 5px;">SELECT</span></p>	 <p><b>Italian Breakfast</b> Omelette with ham and goat cheese</p> <p>15.00 € <span style="background-color: #00a651; color: white; padding: 2px 5px;">SELECT</span></p>
Cold starters 9	 <p><b>Scandinavian Breakfast</b> Pancakes with salmon and caviar</p> <p>15.00 € <span style="background-color: #00a651; color: white; padding: 2px 5px;">SELECT</span></p>	 <p><b>Summer Basket Breakfast</b> Fried pancakes with fruits</p> <p>12.00 € <span style="background-color: #00a651; color: white; padding: 2px 5px;">SELECT</span></p>	 <p><b>Sunny Morning Breakfast</b> Hot oatmeal, muesli and pancakes</p> <p>10.00 € <span style="background-color: #00a651; color: white; padding: 2px 5px;">SELECT</span></p>
Meat 9			
Seafood 9			
Kids' Menu 8			
Dietary 9			
Special meals 9			
Water 8			
Juices & drinks 15			
Beer 8			
Wine & Champagne 8			
Alcoholic beverages 21			

# Virgin Australia: Buy and view in-flight entertainment with your personal smart device

## KEY POINTS

- Virgin Australia offers Wireless In-flight Entertainment on equipped Boeing 737-800 and Embraer 190 aircraft, operating on domestic and international short haul routes
- Hundreds of hours of movies, TV shows and music, all available on passengers' own devices
- Access via Wi-Fi-enabled iPad, iPhone, iPod touch devices; Android devices; and laptops with Microsoft Silverlight
- Offers a limited number of In-flight Entertainment Tablets available on selected flights for complimentary use by Business Class guests
- For guests travelling on equipped A330 aircraft, the entertainment system is free-of-charge.

## IPHONE APP



# KLM 'Wanna Gives' let you surprise a loved one, a colleague or friend on board



## KEY POINTS

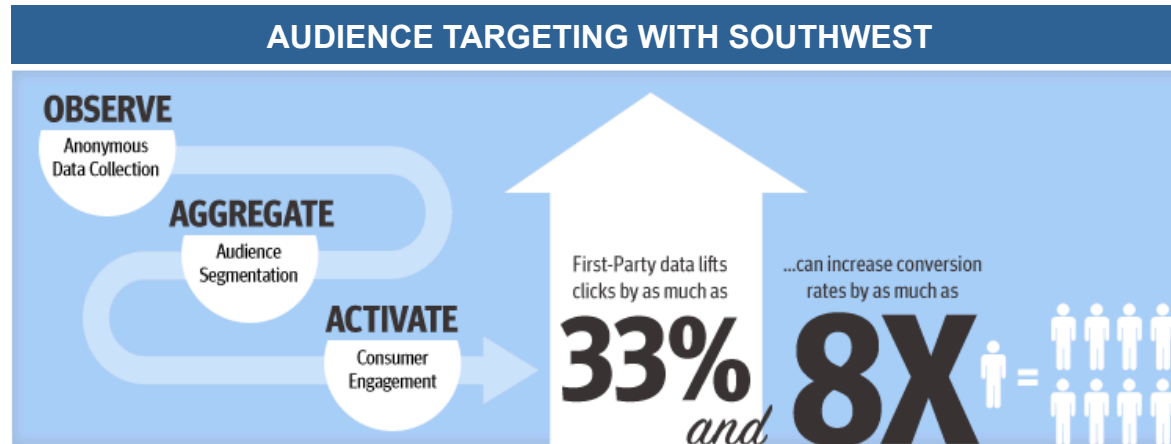
- Allows passengers to surprise a friend, colleague or loved one on board by selecting a special gift which is then delivered at an altitude of 10,000 meters. The gift may also be sent to the home address of the person that they want to surprise
- Deliver gifts in flight or at a home address
- Guests can pay with frequent flyer miles.

## HOW IT WORKS





# Southwest is supplementing its advertising offer with a business analytics service to optimize business customer investment



## Audience Network



**Contact Info**  
Contact SWAN  
214.792.5223

You can also contact us by email at:  
[southwestmediasales@wnco.com](mailto:southwestmediasales@wnco.com)

## Benefits

Brand Loyalty

Audience Composition

Audience Targeting

Media Planning

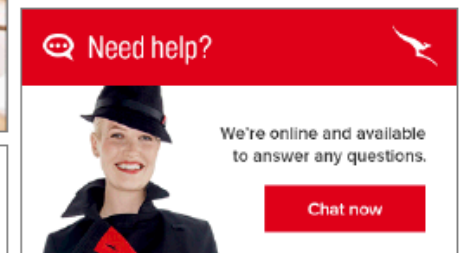
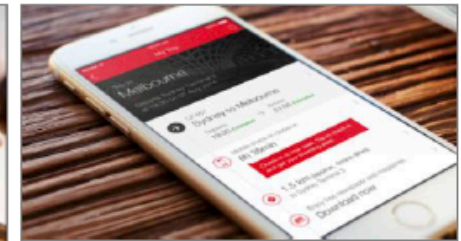
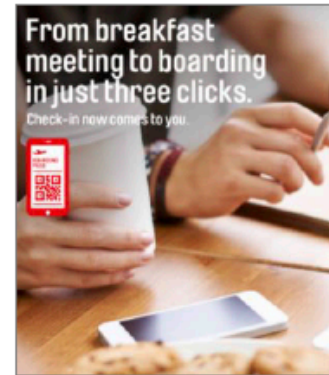
## Our strength is in our numbers.

- 85% of our Customers booked travel via **southwest.com**
- 80% of Southwest Customers checked in online or at a kiosk
- 66% of Fortune 500 companies are enrolled in SWABIZ
- #1 airline site – averaging 9 million unique visitors/month (comScore, December 2012)
- #5 overall travel site in terms of unique visitors (comScore, December 2012)
- 15+ million subscribers to Southwest's weekly Click 'N Save and RR emails
- First US Airline to reach 3MM Facebook Fans

# Qantas is emphasizing data to drive customer experience and loyalty for the airline journey and bundling ancillary revenue

## QANTAS GENERATION AND USE OF DATA

- **Auto check-in on mobile:** industry-leading; drives customer advocacy; reduces footprint at major airports
- **RedApp:** provides customer history and information directly to cabin crew and ground staff on iPads
- **Webchat:** Australian industry-leading; proactively tracks and assists customers through online booking process
- **Mobile travel companion:** app provides personalised assistance on day of travel
- **Cross sell through digital channels:** utilise customers data for personal offerings
- **New targeted marketing technology:** enabling more tailored, personalised and effective marketing for Jetstar
- **Loyalty-led innovation:** across Qantas Frequent Flyer and adjacent business



# Both Qantas and Virgin offer cash cards that allow customers to earn points and lock in (special) rates

## QANTAS VS VIRGIN CASH CARDS OFFERING

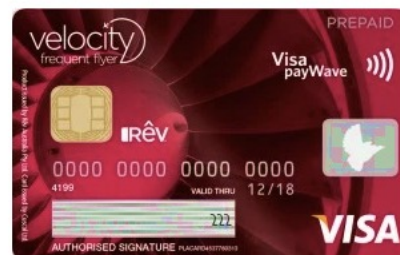


### QANTAS Cash

\$0 load fee

- Included with QANTAS Frequent Flyer
- Earn QANTAS Frequent Flyer points
- Lock in exchange rates
- Choose from 11 different currencies
- No domestic ATM fees
- Q-Chip for faster QANTAS check in
- Prepaid MasterCard

[Click Here to Apply](#)



### Velocity Global Wallet

\$0 load fee

- Free to request with Velocity membership
- Earn Velocity Frequent Flyer points
- Lock in exchange rates
- Choose from 11 different currencies
- Supplementary Card (\$10.00 fee)
- Global Wallet iPhone & Android app
- Prepaid Visa

[Click Here to Apply](#)

## KEY POINTS


- Both cards offer 1 point for every 2.00AUD spent or 1 point per equivalent of 1.00AUD spent in foreign currency
- These cards are attractive offers also to international students in Australia, which would not otherwise be eligible for a local credit card (education is the third biggest export in Australia)
- Qantas regularly runs special rates on foreign currencies for limited times.

# Delta offers 'Comfort +' fares as well as the option to prepay for wifi for up to a year


## DELTA COMFORT+

- From May 2016, Delta offers 'Delta Comfort+' fares, making it the **first U.S. Legacy airline to sell extra legroom seats as its own fare**
- Customers will be able to select Comfort+ seats straight from the booking system
- Customers can take advantage of Sky Priority Boarding instead of boarding in Zone 1
- There is dedicated overhead bin space for Comfort + customers and extra leg room
- Free wine, spirits, and regional craft beers for customers 21 and over
- Snacks on all flights with a premium snack basket being offered on flights over 900 miles
- Complimentary access to everything on **Delta Studio**, premium entertainment that is usually available for purchase


## PREPAID WI-FI



**DELTA 24 HOUR WI-FI PASS**  
Perfect for the longer journey. Enjoy a day of unlimited Wi-Fi on all Gogo® equipped Delta flights.



**DELTA MONTHLY PLAN WI-FI PASS**  
Non-stop Wi-Fi, all month long. Pay one low monthly rate and get unlimited Wi-Fi access when you fly.



**DELTA ANNUAL PLAN WI-FI PASS**  
Our best value for Delta frequent travelers. Now you can buy Wi-Fi access for an entire year for one special price.

**\$16<sup>00\*</sup>**  
Each

**\$538<sup>95\*</sup>**  
Each

**\$49<sup>95\*</sup>**  
Each

Tuesday, May 17, 2016 | 1 Passenger

Outbound : ATL ▶ SEA  
Atlanta, GA (ATL) to Seattle, WA (SEA)

SHOW PRICE IN \$ USD MILES MILES + CASH

Total price is per passenger and includes taxes and fees. Additional baggage fees may apply.

1 - 20 of 43 flight results : < 1 | 2 | 3 >

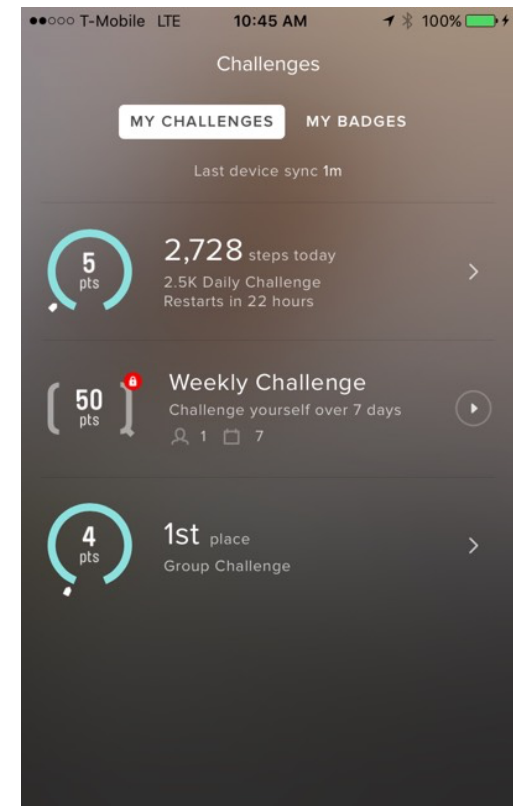
SORT BY		BASIC ECONOMY	MAIN CABIN	DELTA COMFORT+™	FIRST
Best Match					
FARE COMPARISON CHART					
<b>LOWEST FARE</b>					
DL 1929					
7:40 AM ▶ 9:56 AM					
5h 16m					
ATL SEA NONSTOP					
NOT AVAILABLE					
			\$366 <sup>20</sup>	\$494 <sup>20</sup>	\$1,233 <sup>20</sup>
			SELECT	SELECT	SELECT

# Qantas and Nib are offering a more exciting & rewarding health insurance experience

## GAMIFICATION OF FFP

- Qantas Assure is a new health insurance program offered by Qantas in partnership with Nib
- Targeted to up to 11 million Qantas Frequent Flyers
- Wearable technology used to reward Frequent Flyer members with Qantas Points for staying active
- It will feature travel insurance under the same umbrella, which the airline already offers to more than half-a-million customers a year
- Through the deal, Nib will provide its health insurance, risk assessment and underwriting capability
- Qantas Loyalty provides its marketing, data and customer retention expertise
- Value will be shared equally between the parties.

## QANTAS ASSURE APP



# JetBlue launched JetBlue Technology Ventures to incubate, invest in and partner with early stage startups

## KEY FACTS

- JetBlue Technology Ventures will invest in, incubate and partner with early stage startups at the intersection of technology, travel and hospitality
- Launched in February 2016
- New offerings and disruption in ancillary revenues are likely to come out of start-ups operating within these incubators.



### Customer and crewmember experience

JetBlue is a company known for award-winning customer service, delivered by helpful and friendly crewmembers. Future technologies to power **seamless customer and crewmember interactions across the entire digital and physical travel experience** include personalization, geolocation, customization, messaging, virtual reality, improved tools for our crewmembers to deliver magnificent service or enhanced ways to **extend the JetBlue brand and culture**.



### Connectivity, digital and data

Imagine a travel experience free of bag tags, tickets, lines and instead a connected world that anticipates customer needs, powered by the **Internet of Things, artificial intelligence, big data and predictive analytics**.



### Operations and logistics

Behind every exceptional customer experience is a precise operation. The future includes planning and logistics powered by **machine learning, artificial intelligence** and technology enhancements in **logistics, mobility and next generation navigation**.

# Qantas offers frequent flyer points when you purchase a car as well as post-purchase service and parts

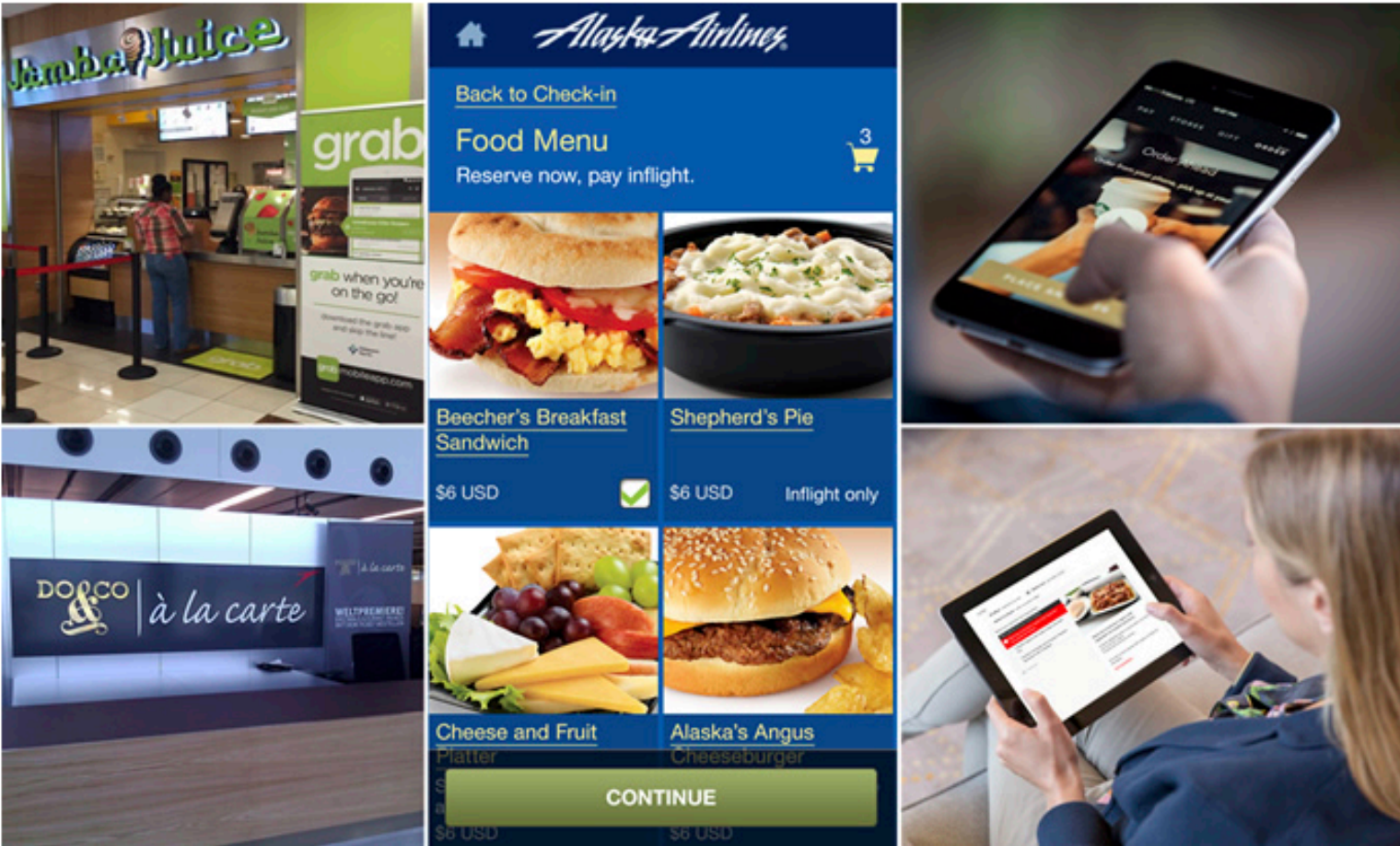
## CAR DEALERSHIPS OFFER FREQUENT FLYER POINTS

- “Buy a new eligible vehicle from Trivett and drive away with Qantas Points” offer
- Trivett is Australia's largest prestige automotive group offering a large range of luxury imported vehicles
- Customers can earn 1 Qantas Point for every \$2 spent on eligible purchases, service or parts at one of the Trivett group's dealerships



# Alaska is slicing into terminal revenue by offering land-based meals via smartphone for delivery in airport before or after a flight

FROM SELECTING A MEAL TO DRAG AND DROPPING ITEMS INTO THE DIGITAL TRAY

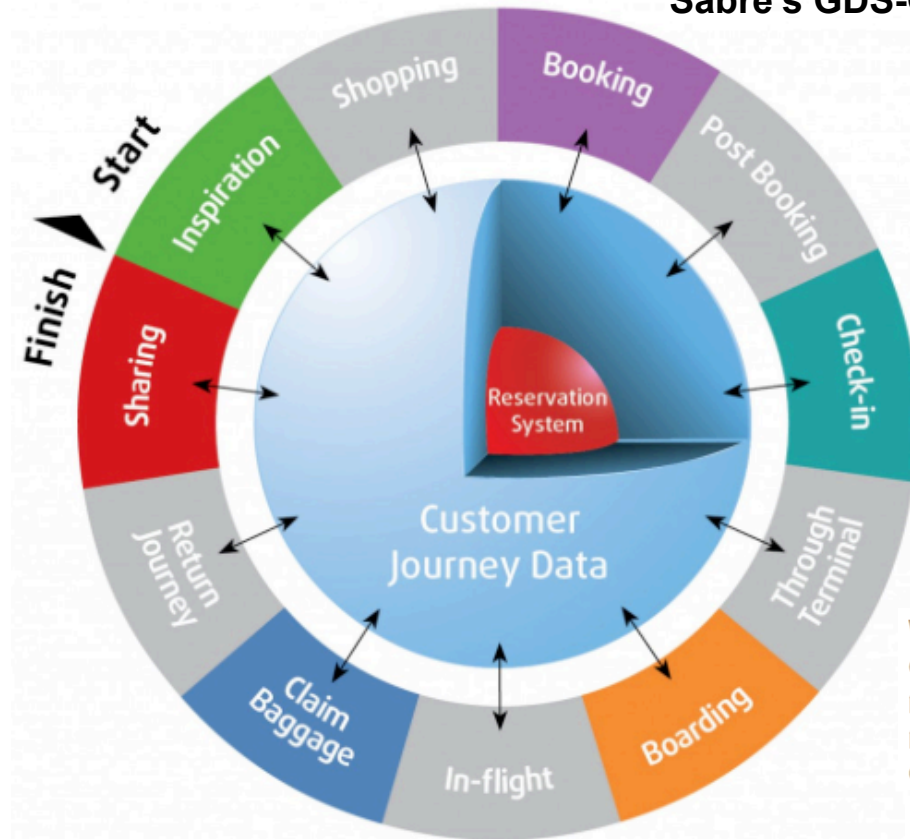


Source: <http://www.airlinetrends.com/2016/01/15/choice-convenience-food-beverages-pre-ordering-airlines-airports/>



# In Sabre's view, airlines (and by implication other key operators) have the potential to "own" the customer and drive ancillary revenue through leverage of analytics

## Sabre's GDS-Centric View of Ancillary Revenue



- Omni channel/Omni device marketing & POS
- Customer grazing for travel experiences
- Airline portal dominant
- Customer centric:
  - Customization
  - Predictive
  - Drives loyalty
  - “Owns” the customer
- Provides travel suggestions ... not necessarily itineraries.

While Gen Z is constantly looking for new exciting experiences, the short attention span has empowered technology to make more of our decisions. But in travel, there are other factors besides previous trips that come into play when choosing a place to go: current weather, relationship status, present state of mind, budget, hobbies...there are many factors that determine what is the best current option for a future trip.

Despite all that, I still believe that the final decision to book a trip should always sit with a human. I truly believe that we can be successful in using predictive technology to find the most relevant options for each individual without relying only on a predictive solution that eliminates the travel planning experience. There's still magic in travel, and it's about using technology to enhance and amplify that inherent magic.

Source: Joakim Everstin, Sabre EMEA's Head of Innovation and Technology Evangelist

# Google Travel is introducing user-focused destination search & book

FT  
Bundling

## GOOGLE TRAVEL

### DESTINATIONS ON GOOGLE

- Activated within Google Search when user adds the words “destination” or “travel” to a search
- Provides pictures and description of named and surrounding destinations
- Provides pictures and ratings of local “Top sights”

### PLAN A TRIP ON GOOGLE

- Appears below “Top sights”
- Provides three click through options – flights (based on user’s location), hotels (with price ranges) and restaurants (US site has more elaborate pricing and planning features)

### GOOGLE FLIGHTS

- Lists flights available
- Provides listings for flight merchants, including airlines, travel agents, travel portals

### GOOGLE HOTEL SEARCH

- Provides a filter for dates, price range, class, rating
- Provides local map with flags keyed to hotels
- Lists hotels with Google user rating, brief description, picture and lowest pricing
- Clicking hotel provides Google Hotel site with more information and ratings detail, plus booking merchants (such as Booking.com)

### GOOGLE RESTAURANT SEARCH

- Provides a filter for rating
- Provides local map with flags keyed to restaurants
- Lists restaurants with Google user rating, brief description, picture
- Clicking restaurant provides more information and ratings detail, direct contact information

### WHEN TO TRAVEL

- Appears below “Plan A Trip” options
- Popularity with travellers by month
- US site shows more information such as weather and temperature averages by month.

# Google Travel's apparent strategy is to create an improved advertising medium for large and small travel & tourism companies ... but not act as a merchant

## Responding to a shift to mobile, in micro moments

“... one trend that we see across all of Google when we look back across all verticals, including travel, but not exclusively to travel, is a shift to mobile. Everybody is on his or her phone all the time. Whether they're standing in the supermarket, they're sitting at their sofa at home, in a restaurant, in the bathroom, wherever. People are on their phone all the time so there are multiple changes.

The obvious change was screen sizes are small, it's harder to type stuff. The not-so-obvious thing is actually the session lengths have changed. In the past I might have done travel planning at home in front of my desktop computer the whole evening, or a full day on the weekend to plan everything. That's happening less and less. It's increasingly happening in what we call **micro moments**, small moments of time in between. There are many more of them, naturally, but they're so much shorter.”

## Focus on UX to provide a comprehensive travel portal – on mobile

“Sixty percent of users start their travel planning on Google, and we're committed to give them the best possible experience, and we're happy if this number goes up.”

“If you just think about general travel planning it's much bigger an interest than just finding a flight or a hotel. People end up using Google or other search engines as part of that planning. If you are going to Thailand you need a visa, you need vaccinations and other things. There are plenty of other questions that you end up using in search to figure out.”

## Creating a more valuable advertising vehicle

“The key difference, and that's important to stress, we're actually not the merchant or the seller. We're really facilitating the transaction. We want the airline, or the hotel, or the online travel agency to own the customer relationship. They'll be sending the email to the user, they get the email address, credit card information and all of it. They own the customer relationship. The difference is the conversion happens on a Google-hosted page instead of a seller-hosted page, and the advantage of that is it's easier to convert. Fewer clicks, more likelihood of payment with entry setup.”

# Google Travel's strategy is seen as a winning strategy

Nicholas Ward, co-founder and president of Fort Worth, Texas-based Koddi, a bid automation platform for metasearch publishers, thinks four trends — improvements in flight search, comprehensiveness in hotel search, the rollout of search by interests and insights through tapping into crowdsourcing and data — are converging within Google's travel initiatives that will eventually create "a killer travel experience."

Google's contextual travel searches, meaning searches by interest such as beach destinations or romantic hotels, will "get good to great," Ward says. Google is making strides in adding relevant destination content through crowdsourcing and leveraging "insights based off real-time data," he says.

"When these four forces do converge, Google will have a killer travel experience," Ward says. "They would have to work hard to brand individual travel products. When it's a great seamless experience, that's just Google being Google, and I think that platform will be more than enough to continue winning users."

# ARC is beta testing a mobile app in NA to counter the power of airline and Google platforms in controlling ancillary revenue access – made available as a brandable offer to travel agents

An inventory of ancillary services offered independently from main operators ...



ARC MarketPlace®



Plus signing up additional services provided by main operators ...

Air Canada to Offer Ancillary Products Through ARC's Better My Trip Mobile App Offers to Include Seat Upgrades and Lounge Day Passes for Travel Agency Clients



Made available via a white-label mobile app

## Product Offerings

- Destination Activities
- Car Rentals
- Passports & Visa Services
- Agency Tools, including discounts on Business Services
- Learning Center

## Commission

Everything you book through ARC MarketPlace earns you a commission for that sale.

- Activities and Excursions: 6%
- Car Rentals: 5%
- Passports & Visa Services: 15%

## Affiliate Program

Your clients can quickly and easily purchase thousands of activities and tours, including shore excursions and ground transfers, as well as car rentals around the world. The one-time set up is quick and easy, and every purchase your clients make directly through the links on your company's website earns you commission – just as if you booked it for them! [Learn more](#) >

BetterMyTrip

Email address  Password

Forgot your password?

By checking this box you agree to the [Terms & Conditions](#)



## Announcing the BetterMyTrip app!

Better My Trip is a mobile application designed to help agents stay engaged with their clients in the post-ticketing phase of their trip by providing a simple mobile interface for itinerary management, bookable content and easy agent contact.

## What value does BetterMyTrip offer agents?

It has been challenging time for travel agencies as many travelers have migrated to direct travel booking. Better My Trip will assist agencies in improving the overall travel experience for business and leisure travelers.

## What value does BetterMyTrip offer travelers?

The app will allow travelers to have up-to-the minute travel information, from flights to other aspects of their trips, as well as the option to contact the agency at any given time!



# Expedia has developed an ancillary platform for airlines

## 'UPGRADE OPTIONS'

- “Upgrade Options” is intended to help would-be passengers customize and understand the full cost of their trips
- At first, the new service will be a partnership between the booking site and Delta Air Lines and AirBerlin
- While Upgrade Options features a plethora of airline ancillary fees, Expedia has singled out checked baggage costs in a separate tool to be released later this year
- The “Baggage Calculator” provides flyers with a list of fees and policies for different airlines

## Review your trip

**Wed, Nov 11** From **Detroit Metropolitan Wayne County (DTW)**  
To **Fort Lauderdale - Hollywood Intl. (FLL)**

**DELTA** Web Fare

8:19pm DTW → 11:28pm FLL 3h 9m, Nonstop

[Show flight and baggage fee details](#)

[Change flights](#)

### Trip Summary

2 Tickets: One way

Traveler 1: Adult	\$78.10
Traveler 2: Adult	\$78.10
Expedia Booking Fee	\$0.00
<b>Trip Total:</b>	<b>\$156.20</b>

Rates are quoted in US dollars

✔ Best Price Guarantee

### Select your fare

Note: Fare is for all travelers.

<b>Basic Economy</b> Cabin: Coach <a href="#">Show more</a>	<span>📦 Bags</span> <span>✖ Seat Choice</span> <span>✖ Cancellation</span> <span>Included</span> <span>Book</span>
<b>Main Cabin</b> Cabin: Coach <a href="#">Hide</a>	<span>📦 Bags</span> <span>✔ Seat Choice</span> <span>🕒 Cancellation</span> <span>+\$30.00</span> <span>Book</span>


Included	Fee Applies
✔ Seat Choice	📦 Bags
✔ Snacks	🕒 Cancellation
✔ Carry On Bag	🍷 Alcoholic Drinks
✔ Bonus Miles	📶 Wi-Fi
	👤 Priority Boarding

<b>First Business</b> Cabin: First Class <a href="#">Show more</a>	<span>📦📦📦 Bags</span> <span>✔ Seat Choice</span> <span>🕒 Cancellation</span> <span>+\$562.00</span> <span>Book</span>
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### Important Flight Information

- Tickets are **nontransferable**. Name changes are not allowed.
- **Delta Basic Economy Fare Rules:**
  - Seats assigned after check-in
  - Changes not permitted
  - No same-day confirmed or same-day standby travel changes
  - No paid or complimentary upgrades to Delta One™, First Class, Business Class, Delta Comfort+™, or Preferred seats
  - No priority boarding for purchase
- [Estimated fees for baggage](#) and other optional services.

**Get \$100 off this trip**  
as a statement credit on your purchase of more than \$100 with the Expedia+ Voyager Card from Citi



Trip price:	\$156.20
Statement credit:	-\$100.00
<b>Your cost after savings:</b>	<b>\$56.20</b>

# Analytics are being leveraged for revenue management of ancillary products

## THREE APPROACHES TO ANCILLARY OPTIMIZATION THROUGH ANALYTICS

- **Ancillary Demand Forecasting** – leveraging customer data, historical ancillary purchases, competitive pricing, and utilizing the latest statistical demand forecasting models provides airlines with the ability to predict demand for ancillary products at a granular level and across their network
- **Price Sensitivity Modeling** – developing sophisticated market response models to explicitly measure price sensitivity and predict consumer response to price changes. Additionally, developing price elasticity curves at an airline day-of-week/booking window level allows airlines to truly measure the demand and return on investment of each ancillary. Once complete, incorporating elasticity into the forecast will help to create a price sensitive forecast
- **Ancillary Price Optimization**– combining critical optimization inputs such as the demand forecast, price elasticity, and competitive pricing are essential to produce the optimal ancillary price and better manage the required inventory of a specific ancillary product

## CASE STUDY: SOCIAL PRESSURE DRIVE SHOPPING

- By analyzing the sales data from in-flight purchases, it became apparent that
  - customers seated in the center of the cabin were much more likely to buy something than those in the front or rear seats
  - customers in aisle seats appeared to make more purchases than those sat in the middle of a row
- Once identified in advance, passengers with a higher-than-average spend could be seated where there is a greater observed sales impact
  - passengers with preferences for specialty meals or in-flight services should be quickly served with their 'usual' order once on board the aircraft
  - passengers who rarely make in-flight purchases could be incentivized to increase in-cabin spending by seat placement, or through the actions of neighboring travellers.

# Table of Contents

Section	Component
1	<b>Executive Summary</b>
2	<b>Evolution of Indirect Ancillary Revenue and Profitability for Travel and Tourism Related Businesses</b>
2a	Ancillary Products
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2c	Future Trends – Product, Bundling, Revenue Management
3	<b>Disruptors</b>
4	<b>Appendix</b>



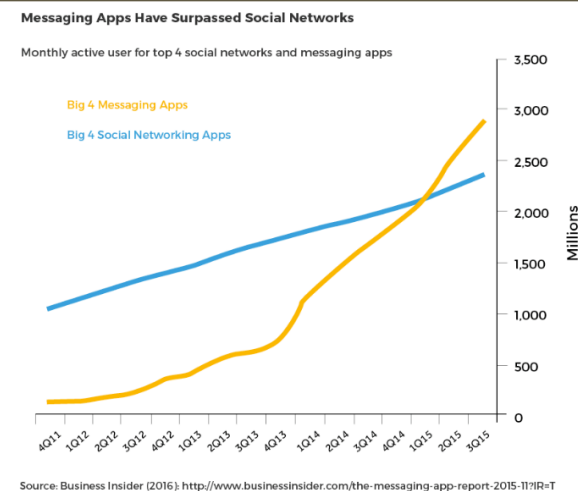
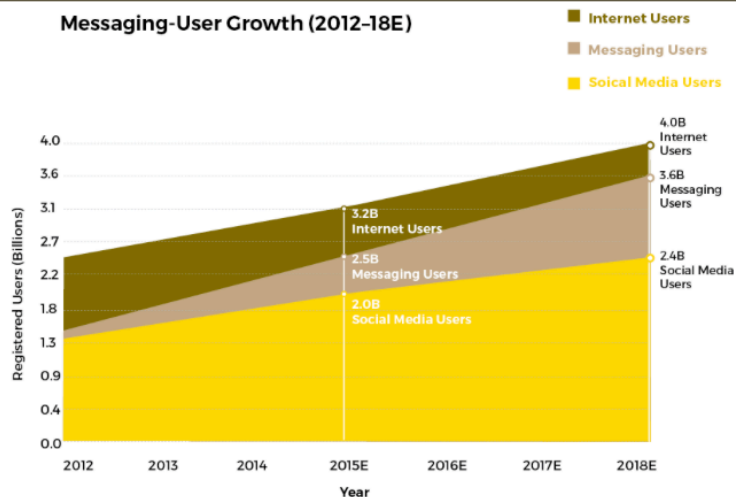
# Traditional players in travel & tourism – operators and agents – are being disrupted by information-based companies and value propositions

---

- Point of sale – payment fees, loyalty programs, and customer information
- Competing, unbundled providers of ancillary services – airports, vehicles (Uber), accommodation (AirBnB)
- Services that capture customer journey information independent of operators & bookings.

# Messaging is impacting travel & tourism bookings and ancillary revenue – opening to door to key message platforms (FB, OSX, etc)

Messaging a fast-growth vehicle for mobile touch points



Uses for messaging

- Bookings & conversions
- Marketing & operations (CX & loyalty): In-trip interactions, revenue management, Facilitate/Access travel groups

Key drivers of messaging take-up

- Ubiquity of platforms (native and 3<sup>rd</sup> party) which keeps growing
- Improved media richness and UX with ICT advances (handset, network)
- App development to leverage GDS
- Data and analytics potential based on device, user and usage
  - Combining direct (user), adjacent (user groups) and environmental (weather, traffic, etc.) data
  - Improving UX and enterprise value

Slow implementation in T&T

- Southwest: PAX – airline comms: complaints/compliments handling (interactive), ticket and change notification (one-way)
- Silvercar: PAX – rental car comms: push notifications to PAX depending on location and need for information
- Hyatt: Guest – hotel comms (closed platform in China “WeChat”): complaints/compliments, bookings
- Uber: PAX – car comms: pricing, booking, rating

Ancillary Revenue Potential

- Real-time upgrades, in-travel options/special event options (Checkmate, ALICE)

# 3<sup>rd</sup> Party Loyalty providers have emerged as competition for FFP points programs

Disruptors

## FiveStars Gets \$50M To Help Small Retailers Run Loyalty Programs Like Their Bigger Rivals

- 2011 launch
- \$105 million funding to date
- 10k merchants in NA: marketing & analytics
- 10m consumers: discounts, coupons, perks

Here's how it works.



We help you create a custom rewards program.

From simple to complex, we help you craft the perfect rewards program for your business. This lays the groundwork for your customer engagement system and allows you to communicate with your customers regularly.



Your rewards program is displayed on a sleek tablet.

FiveStars merchants face the Customer Touchscreen towards their customers, and the device works alongside and/or integrates with your point-of-sale.



Customers easily sign up and check in with their phone number.

When customers are able to sign themselves up, your business collects more accurate customer information without slowing down your line.

### Customer Loyalty



#### Customer Loyalty - Promotions

5 Promotions to Send to Attract New, VIP and Lost...

Research shows there are two motivating factors that drive repeat business...



Customer Loyalty - Promoting Your Program  
4 Unique Ways to Advertise Your Loyalty Program



Customer Loyalty - Getting Started - Signing up Customers  
How to Ask Customers to Sign up for Your Rewards

### Customer Retention



#### Customer Retention - Promotion Ideas

3 Quick Ways to Win Back Lost Customers

Losing a customer is costly. In fact, research shows the average cost of a...



Customer Retention  
Just How Valuable Are Your Loyal Customers?



Customer Retention  
4 Marketing Efforts You May Not Be Doing That Keep...

# Passenger terminals are targeting travellers' share of wallet, partly based on the gap in operator offerings, and using mobile channels

Disruptors

## AIRPORTS ARE CASHING IN ON ANCILLARY REVENUE – WHILE UNDERGOING DIGITAL TRANSFORMATION

### Future of Terminal Retailing

- Must-have convenience (food, wellbeing, entertainment)
- e-tailing showrooms/virtual showrooms (Henneman Duty Free)
- Click & collect points (Doodle Parcel Service, UK)
- Value-added convenience – shop here in exchange for faster transiting (Eindhoven Airport)
- Real-time traveler engagement via social media & messaging

## TIME WELL SPENT.

You know we have over 1,500 daily flights from more than 170 cities, but you may not know that at DEN, we help you make the most of your time during your travel journey. We have 140 shops and restaurants including new farm-to-table restaurants, a wine bar, local craft brew pubs and spas for massages, facials and manicures. We have carefully designed work spaces and relaxation areas that reduce stress and save time. There are art exhibits, water bottle refill stations and over 2,000 charging units (by March 2016) that help make the time you spend with us... time well spent.

And now open, the stunning 519-room, Westin Denver International Airport, located just steps from the Jeppesen Terminal along with the commuter rail to downtown Denver, opening in April 2016. DEN offers you a unique experience that embraces both global sophistication and the beauty and spirit of the modern West.

LIVE LIFE. TRAVEL WELL.

FLYDENVER.COM

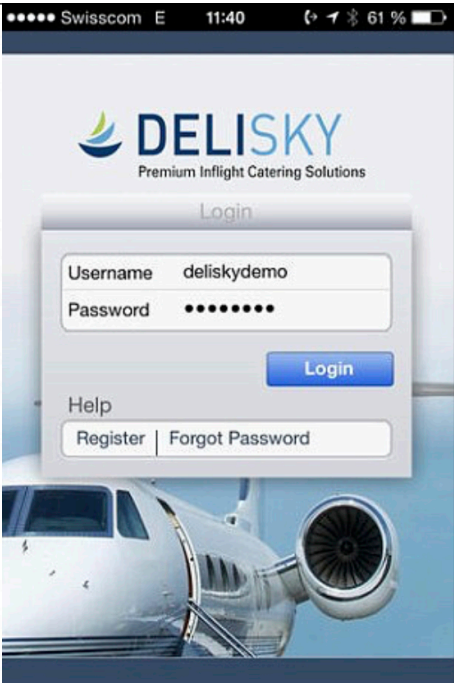
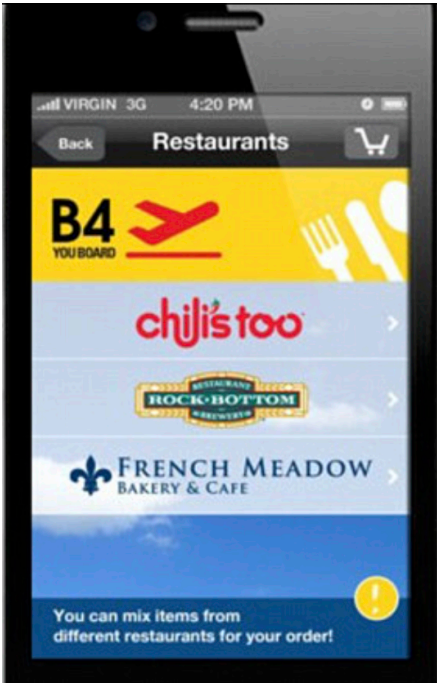
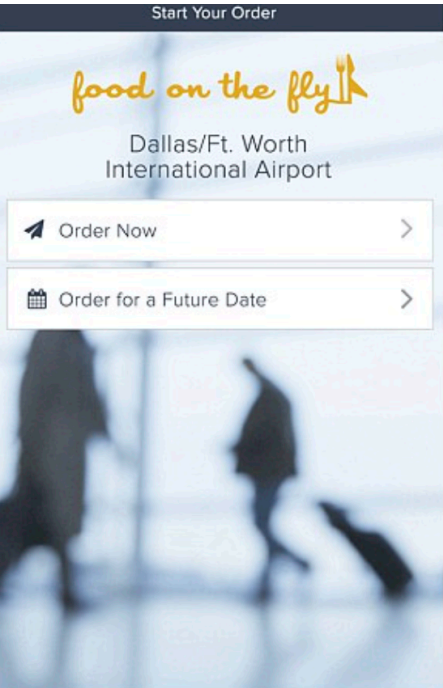


MOST EFFECTIVE BRAND ON SOCIAL MEDIA  
2015 Skyscrape Winner



# Non-aligned apps are emerging to fill this gap as well

## SAMPLE OF APPS



# Routehappy helps differentiate and better monetise flight shopping

## SCORE AND AMENITIES

8.5

Routehappy has created the definitive, unbiased [Flight Score](#), by cabin, for every flight worldwide. Flight Scores are comprised of aspects of the flight experience that flyers care about, including aircraft, seat, amenities and trip duration. We continuously research and validate fragmented data from hundreds of sources to offer a reliable and personalized measure of flight quality.

Routehappy provides comprehensive data within and across basic [Flight Amenities](#), including sentiment to make it easy for flyers to understand key differences between flights.



Aircraft



Seats



Entertainment



Power



Wi-Fi



Fresh food

We license our Flight Scores & Flight Amenities for integration with desktop or mobile applications. Our data covers every flight worldwide, with research centered on 225 [focus airlines](#), including LCCs, comprising approximately 85% of all flights worldwide and nearly all in key connected, global markets.

## ROUTEHAPPY HUB

While we take responsibility for Flight Scores and Flight Amenities, we recognize that airlines offer unique, innovative products and services above and beyond the basics.



Upgrade to  
Clipper Bed



Pre-order a  
fresh meal



VIP Status  
for only \$25

We've built a tailor-made platform for airlines to manage and distribute their own unique product content — [Universal Product Attribute](#) — targeted down to individual flights or routes. UPA uses include integration into airline.com search results, digital advertising and distributor websites. Simply create UPAs and decide where the content can appear, you're in full control.

# Routehappy comparison in action

The screenshot shows the Routehappy website interface for a flight search from Sydney, Australia to Hong Kong. The search parameters are: Depart Apr 22, Economy class, 1 traveler, and Return Optional. The results are sorted by 'Happiest' and filtered for 'Nonstops' and 'Happy & Cheap'. Five flight options are displayed, each with a 'Select' button, a happiness score, total price, airline, route, duration, aircraft, and amenities.

Flight Option	Happiness Score	Total Price	Airline	Route	Duration	Aircraft	Seat	Amenities
Cathay Pacific SYD to HKG Nonstop	8.1	\$4,154	Cathay Pacific	9:55p → 5:15a+1	9h 20m	777-300E	Roomier (32"+W)	In Seat (AVOD), Power outlet + USB, None
Qantas SYD to HKG Nonstop	7.9	\$469	Qantas	11:20a → 6:45p	9h 25m	A330-300	Standard (31")	In Seat + BYO (AVOD), Power outlet + USB, None
Qantas SYD to HKG Nonstop	7.7	\$469	Qantas	10:05a → 5:20p	9h 15m	747-400	Standard (31")	In Seat (AVOD), Power outlet + USB, None
Singapore SYD to HKG 1 stop: SIN	7.2	\$465	Singapore	11:00a → 10:15p	13h 15m	A380-800	Roomier (32"+W)	In Seat (AVOD), Power outlet + USB, Basic Wi-Fi (\$)
Qantas SYD to HKG 1 stop: BNE	6.9	\$481	Qantas	7:35a → 6:00p	12h 25m	A330-300	Standard (31")	In Seat + BYO (AVOD), Power outlet + USB, None

# Optionaway lets you make several aspects of your travel decision more flexible

## OPTIONAWAY VALUE PROPOSITION

### Need time to decide?

Watch our short video to learn how Options Away can save you money while giving you time to decide on your travel plans; it'll be just a minute of your time.

[Watch now.](#)

### Lock in today's price.

Not ready to book? Hold today's price and take your time to decide. If your airfare drops, you'll pay the lower price. If you decide not to travel, simply do nothing and let your hold expire.

[Learn more.](#)

### We'll watch your flight.

Flight availability and airfare can change quickly. We'll help you save time and money by notifying you if we see your fare drop, or if we find a better itinerary.

[Learn more.](#)

### Book when you're ready.

If you decide to take your trip, return at any time before your hold expires to book your flight. While you're deciding, you'll have access to great deals on hotels and rental cars.

[Learn more.](#)

### Full service travel agency.

Our customer service team is available by phone Monday through Friday from 7am-12m CT, and available by email 24/7.

[Learn more.](#) [Chat Now.](#)



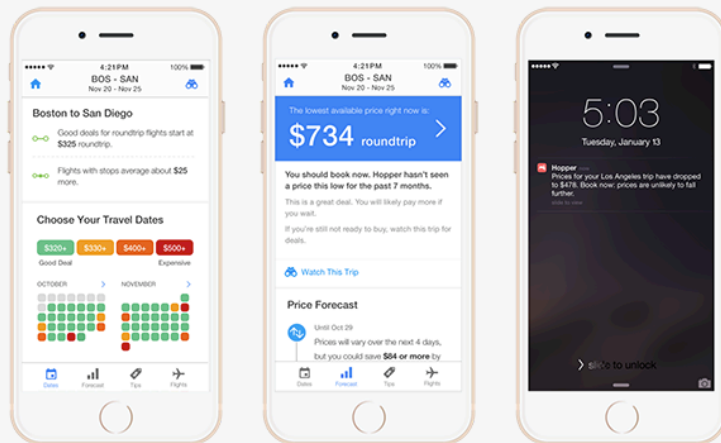
# Hopper provides a value-added booking portal, with potential to expand into bundled journeys

## HOPPER PROVIDING PREDICTIVE PRICING BASED ON TIMING, ROUTING ... PLUS BOOKING CAPABILITY

### What is Hopper?

Hopper is the award-winning mobile app that doesn't just let you book flights from your phone: It also tells you when is the best time to buy. No spam. No ads. No popups. No time wasted. Just the confidence that you're booking smart and saving money.

### Here's How Hopper Works:



First, search for a trip by tapping dates on the color-coded calendar.

Then, get Hopper's prediction about when your flight will be cheapest. We'll recommend whether you should wait or book.

If we say **WAIT**, tap the binoculars to watch. Hopper will keep an eye on that trip for you and send you notifications the instant prices drop. If Hopper says **BUY**, choose your flights and book in just a few taps and a swipe. Save your passenger and payment info so future flight booking is even quicker.

- Founded 2007, launched 2015
- Predicts best time to fly user-defined routes to achieve best price
- Provides notifications based on price changes for targeted routes
- Provides flight booking within the app
- Mobile only
- Total venture funding to date \$US38million
- Future developments will provide greater personalization regarding layovers, airports to target/avoid, price ranges.

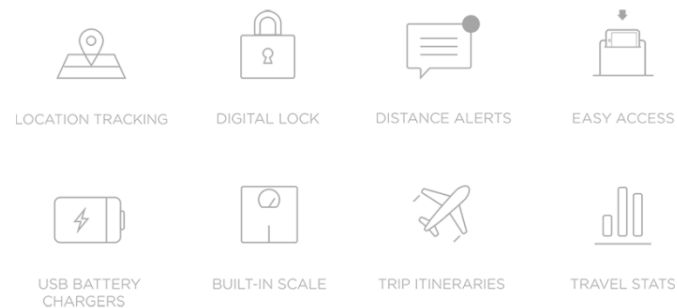
# Bluesmart smart luggage has the potential to capture full travel data, regardless of travel provider or merchant

## BLUESMART CAN BE CONTROLLED BY YOUR PHONE, AND CHARGE YOUR PHONE AS WELL



### Who knew your suitcase could do so much

Control your suitcase from your phone to lock and unlock it, track its location, weigh it, get distance alerts, and much more.



- Carry on suitcase
- Trackable globally via GPS connection
- 37 Watts lithium-ion battery for charging mobile devices
- Digital proximity tracking and locking keyed to mobile device
- Built-in digital scales
- Quantified travel tracking: number of countries visited, time spent in each, airports visited, total miles traveled, useful real-time travel data such time since left home, time until next flight leaves
- \$1 million crowd funded
- Targeted at high-value customers, addressing needs: safe, stress/complexity
- Bluesmart captures customer details of habitual travelers including: airline and hotel choices, travel patterns, travel friction

# DUFL virtual valet has the potential to capture high-value business travel data, regardless of travel provider or merchant

## DUFL PROVIDES A VIRTUAL VALET SERVICE RELIEVING TRAVELLERS OF PACKING AND CLEANING

### DUFL SAVES YOU TIME

Find that 25th hour of the day by eliminating time spent packing, cleaning and managing your bag.

### DUFL ELIMINATES HASSLE

Breeze through the airport without worrying about checking or retrieving your bag – or boarding early to secure a spot in the overhead bin.

### DUFL GIVES YOU PEACE OF MIND

Track your bag's whereabouts in the DUFL app at all times.



### DUFL IS SAFE AND SECURE

Our storage facility offers 24/7 security with state-of-the-art tracking and inventory systems to keep your items safe.

### DUFL CLEANS AND PACKS

Your clothes will be professionally cleaned and stored in your virtual closet and then freshly packed when you schedule a trip.

### DUFL MAKES YOUR LIFE EASIER

Your bag meets you at your scheduled destination allowing you to focus on business.

- Client sends clothes/accessories inventory to Dufl
- Dufl creates visual inventory, professionally stores
- Client communicates travel plans (flights, hotels) and chosen inventory elements to Dufl
- Dufl deploys clothes to that location in secure, robust luggage via FedEx
- Upon departure, Dufl arranges pick up of client's pack, launders/ dry cleans contents ready for next trip
- Client can switch out contents at any time
- Set up free, \$100/trip, \$10 monthly storage
- \$2.5 million crowd funded
- **Targeted at high-value customers, addressing needs: time/convenience, weight/strain, stress/complexity**
- **Dufl captures customer details of habitual travelers including: airline and hotel choices, travel patterns**

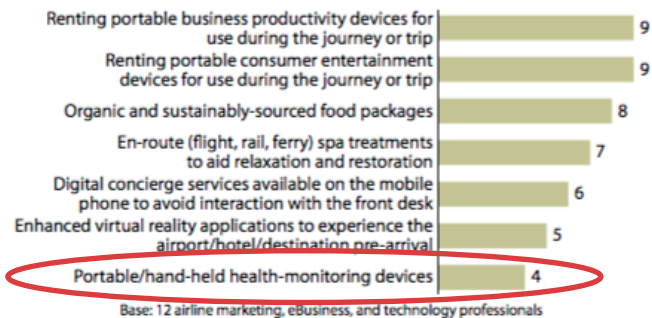
# A key risk is underestimating the pace of development in enabling channels, and bundling opportunities

## 2010 – Airlines Consider Renting Portable Health-monitoring Devices by 2020

## 2015 – Airlines Introduce Loyalty Incentive Based on Customer's Own Wrist Mounted Health Monitoring Device

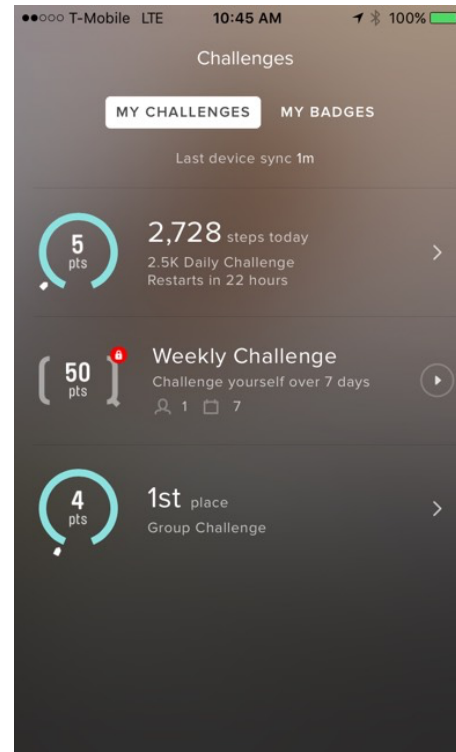
**Figure 14**  
Among Extreme Third-Party Ancillary Services, Entertainment And Productivity Devices Most Interest Airlines

"Looking out ten years to 2020, do you anticipate any of the following third-party ancillary services to be made available by your company?"



Source: A commissioned study conducted by Forrester Consulting on behalf of Amadeus, Q4 2010

## QANTAS ASSURE APP



- API works on OSX, Android platforms
- Smart phone, Apple Watch, Fitbit
- Earn FFP
- Gateway to ancillary revenues
  - Health insurance
  - Travel insurance
- Collaborative partners
  - nib insurance (underwriter)
  - Apple (watch offer)

### Acceleration Beyond Expectations – Key Lessons

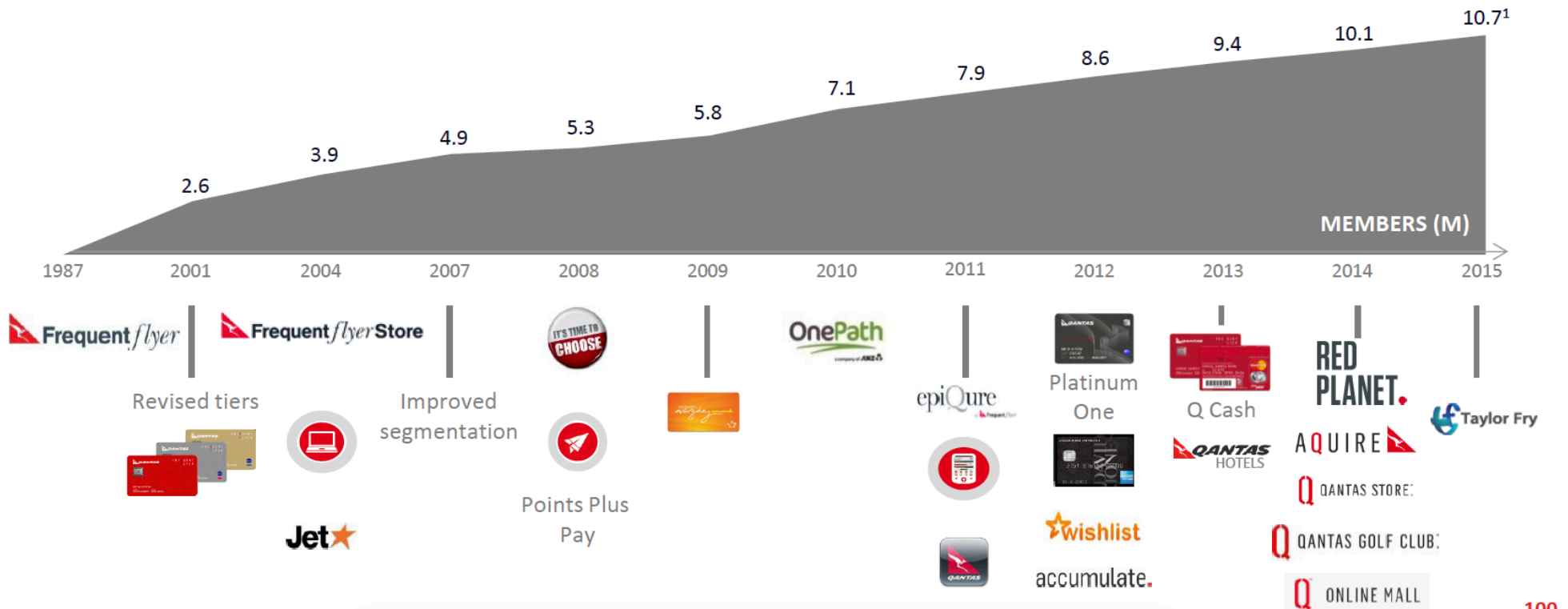
- Developments and uptake in personal mobile computing
- Innovation pace for mobile application platforms
- Collaborative value propositioning
- Customer franchises as commercial platforms

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2a	Ancillary Products
2b	Business Models
2c	Future Trends – Product, Bundling, Revenue Management
3	<b>Disruptors</b>
4	<b>Appendix</b>

# Qantas Loyalty: a history of continuous innovation

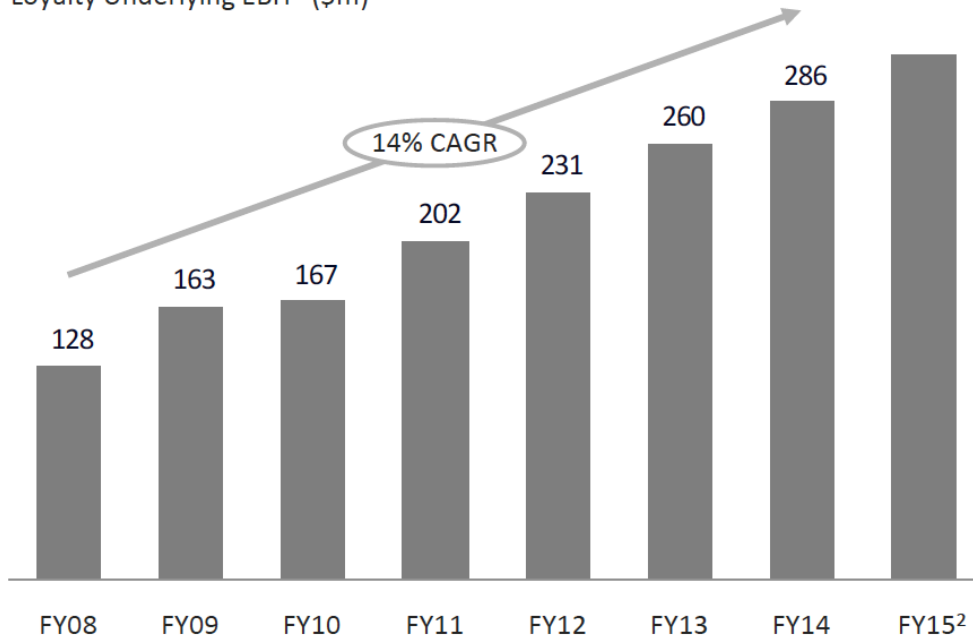
## QANTAS LOYALTY FROM 1987 TO TODAY



# Qantas Loyalty: track record of growth and consistent cash flow contribution

## KEY POINTS

Loyalty Underlying EBIT<sup>1</sup> (\$m)



- Consistently delivered growth and targeted continued double digit Underlying EBIT growth
- Underpinned by QFF billings, underlying system growth and program enhancements
- No EBIT generated from Qantas airline billings
  - 66% of billings externally generated, contribute 100% of QFF EBIT<sup>3</sup>
- Core innovations delivering important contribution, and growing
- Highly cash generative business

1. Underlying EBIT results compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009. 2. FY15 forecast. 3. FY14, remaining 34% represents airline billings, predominantly to Qantas Group airlines.

## THE TWO SIDES OF QUANTAS LOYALTY: ANALYTICS AND MARKETING

### Analytics

- 15+ segmentation models
- 34,000 market research online posts
- 1.5 billion customer transactions

- Exclusive access to Classic Flight Rewards and Points Plus Pay – Flights to 1000+ destinations
- Qantas Store with over 3,000 products

### Marketing

- 7.8 million valid email addresses
- 7.2 million members receive eDMs
- Over 335 million email communications with 33% open rate

- Qantas and Jetstar
- 35+ airline partners including Emirates and oneworld affiliates
- All major credit card issuers
- Primary supermarket
- \$1.3B billings > 66% external<sup>4</sup>

*Earn partners may become reward suppliers, increasing range of valuable rewards*

*Valuable rewards attract members and enhance engagement*

*Large, quality member base attracts new earn partners*

*Large, quality earn partner network increases opportunities to earn, increasing engagement*

- 10.7m members, 50% of Australian households<sup>1</sup>, primary program for 61% of members<sup>2</sup>
- Highly affluent skew: We have 79% penetration of Australia's most affluent households<sup>1</sup>
- Ability to reach members (e.g. 7.8m valid email address, 33% open rate)
- Record satisfaction (NPS)<sup>3</sup>
- Breakage at industry lows

Source: Qantas Loyalty analysis. Note: All figures are as at April 2015 unless otherwise stated. 1. 50% as at February 2014. Source: Experian. 2. As at March 2015. 3. For March 15 quarter. 4. FY14 billings.

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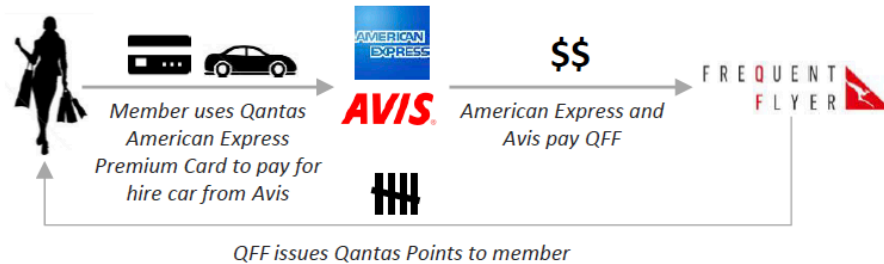
# Qantas Loyalty is a highly attractive business model

## HOW QANTAS LOYALTY WORKS

Business model is based on two key activities:

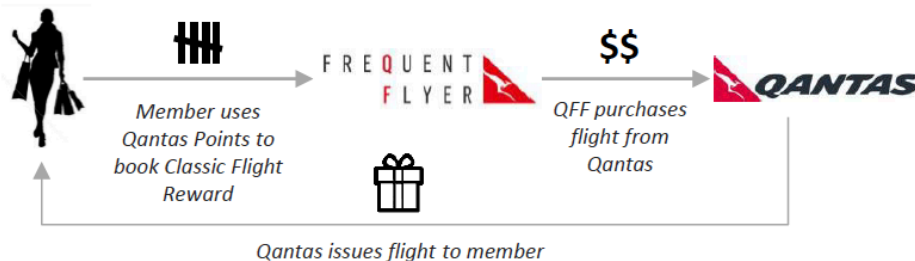
1

Issuing Qantas Points (cash in)



2

Providing Awards (cash out)



Attractive financial features of business model

- Highly cash generative
  - Cash received upfront when Qantas Points issued
  - Earn interest on negative working capital position
- Favourable correlation with inflation
  - As prices increase, the number of Qantas Points purchased increases
  - Exposure to input price increases can be mitigated
- Multiplier effect for a single transaction
  - Card Partners create opportunity to earn from multiple earn partners with a single transaction
  - Potential to earn both Qantas Points and Aquire Points on single transaction
- Low capital intensity
- Highly scalable, transaction based model

# Qantas Loyalty: Multiplier effect and favorable correlation with inflation

## WHY POINTS ARE SO VALUABLE

### Number of members



*More people participating*

### Level of members' expenditure



*... and spending more*

### Number of loyalty participants (e.g. Earn partners)



*... and engaging with loyalty programs in more ways*

### Use of loyalty affiliated payment methods



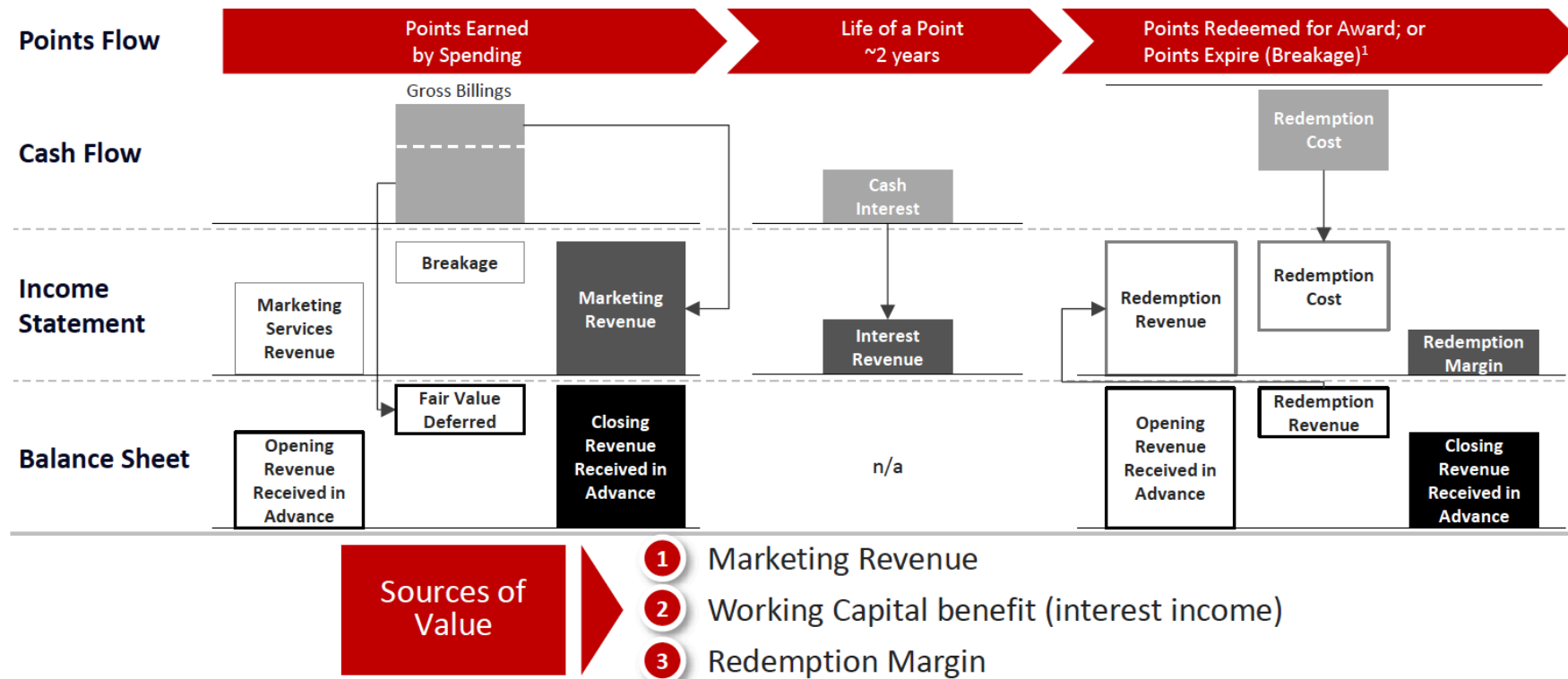
*... and with more payment methods to earn points*

...each supported by macroeconomic and industry specific factors

- Population growth
- Loyalty program participation
- Affluence of members
- Level of expenditure
- Discretion about where to spend
- Competition and concentration in industries
- Quality of earn partners (e.g. market share, profit margin)
- Technological development
- Recognition of the value of loyalty marketing
- Availability of credit cards linked to loyalty programs
- Merchant acceptance of different payment methods
- Level of credit card spend

# Qantas Loyalty: overview of cash flow and accounting treatments









## FROM POINTS TO BALANCE SHEET



Note: above diagram highlights unique QFF accounting items only. Diagram excludes other revenue (e.g. membership revenue) and operating costs below gross margin. 1. Breakage is recognised at the time of points earn / issuance based on an estimated breakage rate. There is no further recognition of breakage at the time of points expiry. However, the actual rate of breakage is used to inform the estimated breakage rate for initial recognition. 147

# Qantas Loyalty provides a substantial contribution to the Qantas Group in comparison to competitors

## COMPETITORS ANALYSIS

		 (Canada segment only) <sup>1</sup>		
Primary airline affiliation				 <small>Linhas aéreas inteligentes</small>
Global alliance affiliation	<b>oneworld® Alliance</b>	Star Alliance	<b>oneworld® Alliance</b>	<b>None</b>
Current membership base	10.7m <sup>2</sup>	>5m	13.8m	10.3m
Implied population penetration	45.4%	14%	6.8% <sup>3</sup>	5.1% <sup>3</sup>
FY14A Breakage rate	<10%	12% <sup>4</sup>	17.8%	16.5%
FY14A billings (A\$m) <sup>5</sup>	1,306	1,357 <sup>6</sup>	1,003	543

# Red Planet is the new digital marketing business

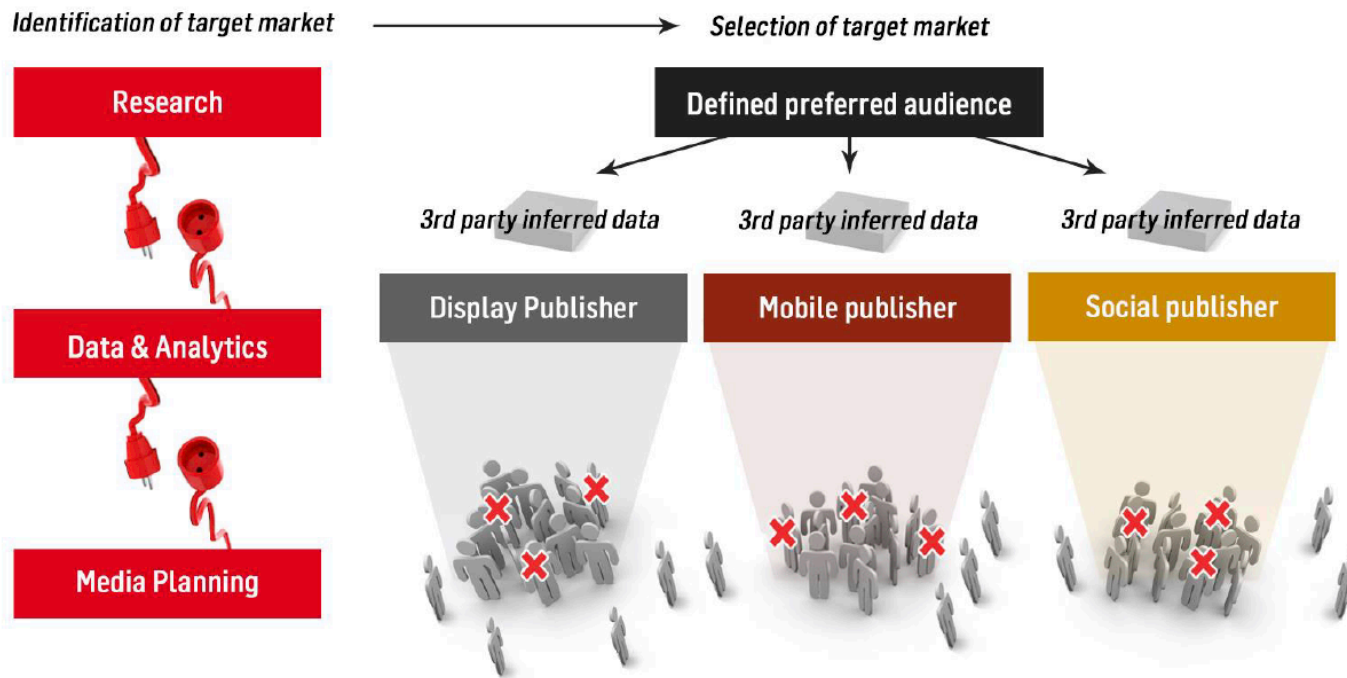
## Delivering media, analytics and research services

### KEY POINTS

# RED PLANET.

- Integrated media, analytics and research services
- Directly and individually targets customers leveraging the unique strengths of Qantas Loyalty
  - Unparalleled reach in market
  - Rich proprietary data from 27 years
  - Sophisticated customer-led capability
- Expected to deliver profit in first year

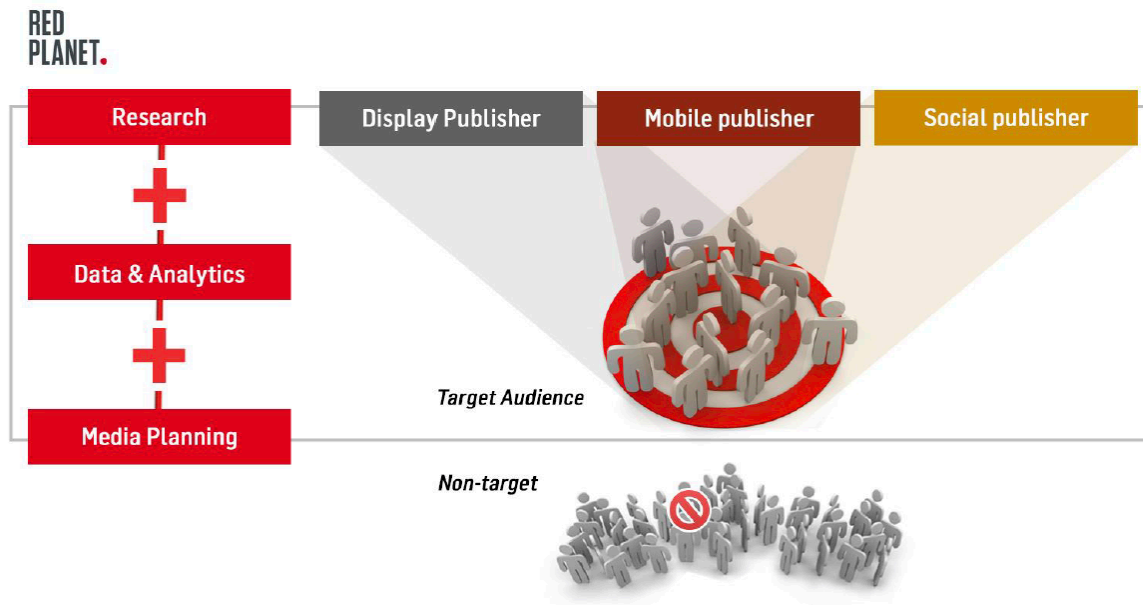
## TRADITIONAL APPROACH AND ITS SHORTCOMINGS



### Shortcomings

- Significant inaccuracy in reaching target audience
- No ability to run true multi-channel coordinated messaging
- No ability to employ robust measurement techniques to measure campaign effectiveness

## KEY BENEFITS



### Benefits

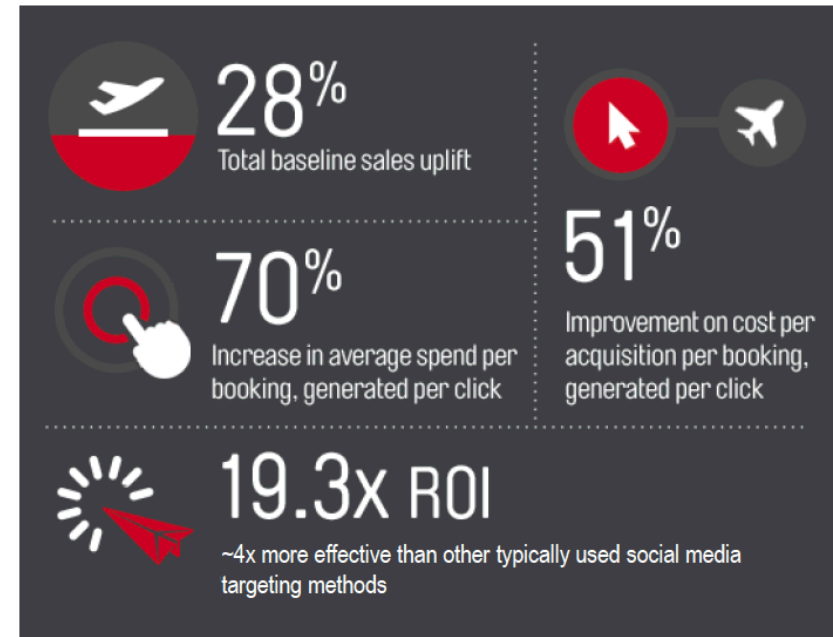
- **Efficient:** ability to reach target audience and suppress advertising to non-target
- **Effective:** ability to run true multi-channel coordinated messaging
- **Measureable:** ability to employ robust measurement techniques

# Red Planet delivers value for both Qantas and its partners, even though they might be in a dying business

## KEY QUANTIFIABLE BENEFITS FROM RED PLANET



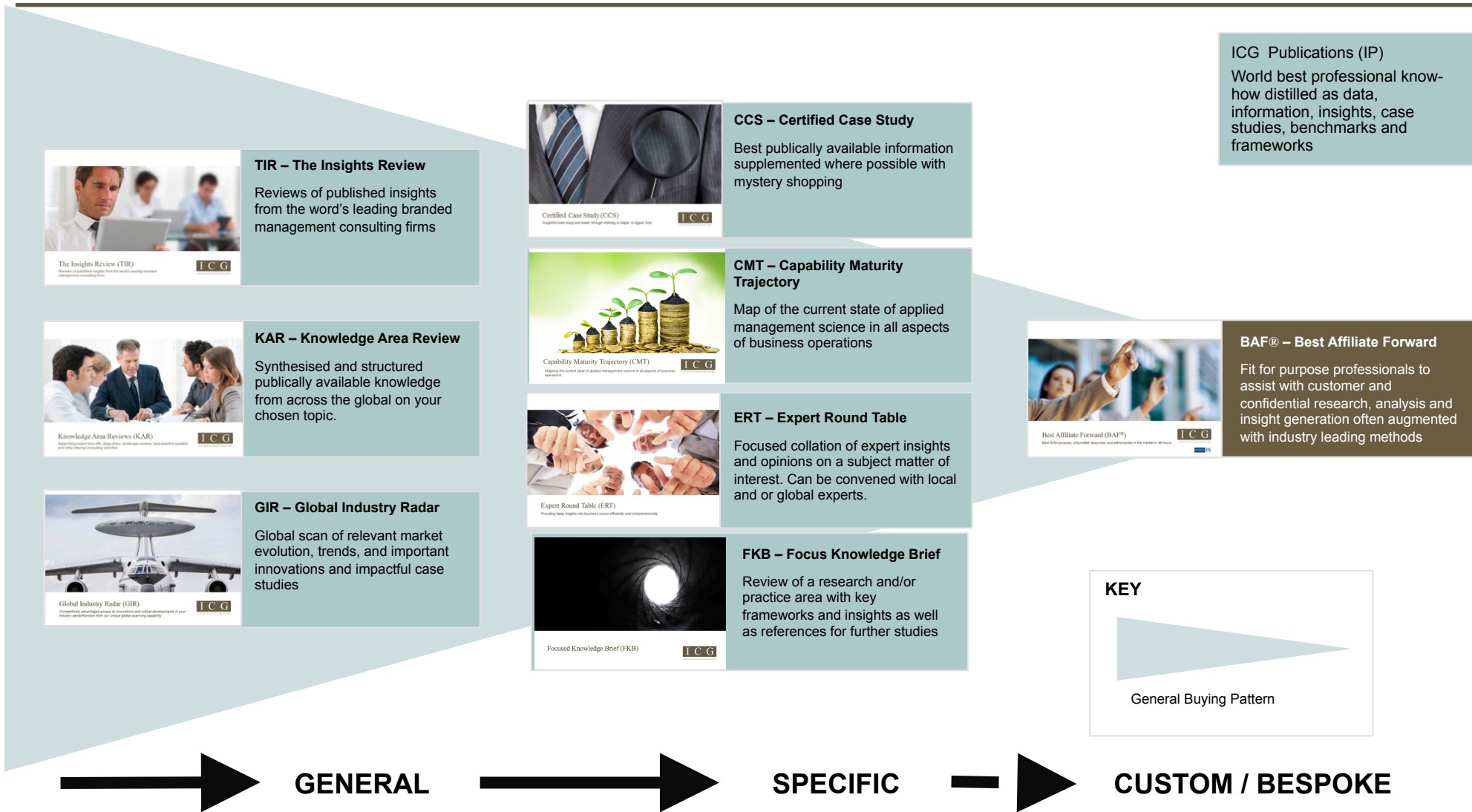
Source: Qantas Loyalty analysis



Source: Qantas Loyalty analysis



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