



TRACKING DOWN THOSE EXTRA REVENUES

To help airlines get the most out of that seat sale, **Patrick F. Murphy** identifies a variety of non-ticket revenue sources.

...how to optimize that seat sale

a changing world

It wasn't so very long ago that ticket sale was the main source of airline revenue. But now, with the advent of the internet plus the proliferation of low-cost air travel and resulting expansion in airport infrastructure, all that has changed. Recent years have witnessed a revolution in passenger profile. These days, affordable low fares and easy on-line booking facilities have enticed the general public to travel by air as casually and routinely as they would by bus or train. This trend has seen huge increases in passenger traffic in all shapes and sizes. Everyone is flying these days, and Everyone has a broad profile - which means that the potential for generating extra revenue has never been better.

the captive market

From the moment of booking to the moment of arrival the passenger is a prospective customer for a broad range of products and services, and it's the shrewd airline which recognises and capitalises on this ideal state of things. Key to success in the revenue enhancement game is judicious identification of which products and services can be marketed, and where. Get this right and the sky quite literally is the limit. Here are some examples where airlines can take advantage of today's exploding passenger market.

online booking

The internet booking site is the ideal place to catch the passenger's eye even before he or she leaves home, with a range of add-ons which might be needed on the journey such as hotel booking, car rental, insurance and other travel services. But while we're at it, why not also offer a tempting array of mail-order products and samples? Better still, when it comes to payment airlines can score another hit with a credit card service fee. And to really get the most out of credit card payment the burden of standard charges can be diluted with a co-branded card.

ticket-related charges

Telephone bookings, changes in bookings, upgrades and even a paper ticket if the passenger so prefers are all extra revenue earners. Again, if the passenger uses a credit card then so much the better.

check-in and seat selection

Here lurk opportunities for all manner of revenue enhancement. Given today's usually crowded airports passengers are unlikely to quibble at a small charge for hassle-free personal check-in service, and interline passengers will doubtless appreciate one-off check-in for themselves and their bags through to end-destination. Many too must be the passenger who would pay a small premium for securing the seat location of choice, especially on long haul flights where the bulkhead might afford a chance of at least a few hours' sleep!

checked baggage

Another item ripe for re-thinking is the checked bag. Whilst today's ticket price includes a checked baggage allowance, why not revise the pricing formula to do away with it since so many passengers these days are traveling short-haul for short stays and can easily carry their effects in their hand-baggage? Why not instead give the passenger the choice, and levy a charge for each checked bag? Indeed, from mid-March Ryanair with its fleet of brand new 737s equipped with big overhead lockers charges €7 for each checked bag and €3.50 if booked in advance, to encourage passengers to take their bags on board. Combined with their new on-line check-in option, this means fewer passengers at check-in, less check-in staff, fewer baggage handlers, and faster airport turnarounds – savings which the airline is passing on to its customers in the form of a 9% across-the-board fare reduction.

on-board sales

Now the passenger really is captive and likely to be in need of food, drink and entertainment which he can't get elsewhere at this precise moment. No-frills airlines already charge extra for these items. Legacy carriers could follow suit and reflect this in their own ticket price.

In-flight entertainment affords an almost endless list of potential earners. There are of course the familiar regulars of movie and radio channels, newspapers and magazines, but with a bit of imaginative thinking all sorts of innovations could be introduced such as TV programmes, comics, games, scratch cards and even on-screen gambling.

Most passengers would readily admit that in the main air travel is downright boring. So a little retail therapy might help relieve the monotony, and here airlines could really pull the stops out by matching high-street prices on popular items over and above the familiar liquors and tobacco, perfumes and watches. Electronics, books, DVDs and CDs are of course always in demand in the mass marketplace, but no matter what gets sold the key is always desirable merchandise at competitive prices.

on-board advertising

Given the numbers of people flying today, there is great scope for attracting advertising revenue. Whilst we're all used to in-flight magazine commercials, why not put other handy media to work and show advertising on monitors, on seats, on overhead bins - even on the aircraft fuselage? Promotional flyers can sit comfortably in the seat pocket along with the safety instructions and the in-flight magazine, and there's no reason why commercials shouldn't be shown during TV programmes and movies.

marketing assistance

It is rather stating the obvious, but people travel by air to get from one place to another relatively quickly rather than for the vicarious thrill of flying! So airports, destination towns and regions and their tourist bodies are only too pleased to pay in return for sales promotions through advertising, competitions, brochures and the like. For example, some airlines regularly promote a particular region and its airport in the broadsheet press, with the local tourist board footing the larger part of the bill; and we've all seen those in-flight magazine features extolling the attractions of destination cities in a mutually profitable promotional ploy.

THE REWARDS

So, with some imaginative thinking and energetic marketing, airlines can tap into alternative sources of revenue by exploiting the myriad opportunities that lie beyond ticket sale and turning them into solid money-spinners. It is estimated that implementation of all the ideas outlined above can add as much as 35% to revenue earned from ticket sales.

About Patrick Murphy



Patrick Murphy

Patrick Murphy is on the International Advisory Board of Performance Consultants International and is Chairman of Aviation Performance Consultants. Patrick has over 30 years experience with the airline industry including as Chairman of the Board of Ryanair; as Director, Corporate Development with the International Air Transport Association (IATA); and managing commercial operations at Aer Lingus. He has been a speaker at airline conferences and has been engaged by a number of airlines to advise on competing against low cost airlines, future trends in air transport, environmental sustainability, and improving performance. A full background is available at:

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