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The Importance and Consequences of Ancillary Services to the Airline Industry

What benefits and risks are associated with “unbundling” of ancillary services?

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Executive Summary

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Airlines all over the world have realized the potential for generating additional revenue that is available to them by offering more legroom, faster boarding, or warm meals. These ancillary services offer revenue opportunities that are complimentary to the core business of transporting passengers, and are becoming an increasingly important contributor to airline profit margins.

Although this “unbundling” trend was started by Ryanair and EasyJet, these additional revenues are no longer limited to the low-fare segment and no end to the growth is in sight. Nevertheless, this development has significant consequences for the processes of all market players, primarily in the area of tourism. The airlines and their sales partners, such as travel agents, face major organizational and technical challenges.

The management consultancy PROLOGIS that has specialized in the area of aviation for over 15 years and now supports more than 50 international airlines in over 40 countries, has analyzed this topic in greater detail. While conducting this study, meetings were held with many leading airlines and travel agents in Europe, including Germanwings, Vtours, Transavia, TUIfly and Vueling, but also technology vendors and flight brokers such as AMADEUS, Peakwork, Pribas and Involatus. In this study report we focus on current challenges, changes and trends with respect to the sale of ancillary services in different company categories, as well as the following key questions:

- What are the influences of the ancillary services business on aviation for leisure travel?
- What are the technical prerequisites for selling ancillary services successfully?
- How will ancillaries change processes in the area of revenue management?
- What challenges do airlines and their sales partners face with respect to sales processes and distribution systems?
- What strategies do market players employ in order to be able to meet these challenges?

One of the main findings from the study is that unbundling cannot be considered a passing phenomenon, but rather a deep fundamental change in the product and price strategies of airlines.

Ancillary services will become even more important in the future. This is particularly true due to the massive expansion of market capacities and its resulting competition, especially in the area of tourism.

To obtain the full length study in German, please contact:

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