

# The Wire...from AirPlus.

(North America Edition)

## Airline Ancillary Fees.

**AIRPLUS.** WHAT TRAVEL PAYMENT IS ALL ABOUT.



While travel managers accept ancillary fees as a normal part of today's travel, they still grapple with how to acquire reliable data.

Worldwide, airline ancillary revenue was projected to reach \$36.1 billion in 2012—an 11.3 percent increase over 2011—according to research released in late 2012 from global travel and tourism technology solutions provider Amadeus and IdeaWorksCompany, an airline ancillary revenue consultancy.

The ongoing increase in ancillary fees puts continued pressure on corporate travel managers to find better solutions for tracking their company's ancillary fee spend, as well as creating policy that manages such costs while allowing travelers the flexibility to remain productive. AirPlus surveyed 130 corporate travel buyers to see how they are managing these ongoing tensions.

On the whole, more than half of the corporate travel buyers (52 percent) accept that ancillary fees are a necessary part of air travel, and control their usage through policies about what products and services can be reimbursed. Another 27 percent take a more laissez-faire approach, largely leaving the decisions to travelers' discretion, while 20 percent proactively encourage travelers not to use products and services for which there are ancillary fees.

For this issue of *The Wire*, AirPlus International surveyed 130 corporate travel buyers in North America from January 8 to January 11, 2013. 50% of respondents reported annual travel spend above \$10 million and 25% reported spend above \$50 million.

### How is your company current tracking airline ancillary fees?

We are not tracking airline ancillary fee data	30.8%
Relying on travelers to include manually in expense reports	20.0%
Automated capability in expense reporting tools	10.0%
Manually reviewing corporate card data reports for likely airline fee data	10.0%
Including fee menus in expense reporting tools	3.3%
In our TMC reports	15.8%
Data direct from airlines	6.7%
I don't know	6.7%

Which fees corporations choose to reimburse varies considerably. Nearly two-third of the respondents (63 percent) will reimburse for one piece of luggage, but only 5 percent will cover in-flight entertainment and 7 percent will pay for expedited security line access. Nearly half will reimburse for in-flight internet access (49 percent), onboard food and beverage (45 percent), and more than one piece of luggage (49 percent). Few pay for early boarding (12 percent), airport club access (11 percent), or extra legroom (22 percent), although such perks are often available to frequent fliers as part of a loyalty program.

### Which of the following characterize your company's approach to managing ancillary fees? (check all that apply)

Successfully negotiated elimination or reduction of some fees with airlines	8.3%
Unsuccessfully tried to negotiate elimination or reduction of some fees with airlines	15.0%
Encourage travelers not to use services/products for which there are ancillary fees	20.0%
We accept that ancillary fees are part of airline travel and leave use of services/products to traveler discretion and reimburse accordingly	26.7%
We accept that ancillary fees are a part of airline travel but control usage via policies about what services/products can be reimbursed	51.7%
Still trying to find better ways to capture the data	22.5%
We capture some data and that's enough for us	8.3%

Several of the corporate travel managers also noted that policy varies for different kinds of travelers and travel. Senior executives or road warriors, for example, might be able to expense add-ons that other travelers cannot, and those on international or lengthy domestic travel trips might be able to expense comfort features not reimbursable for trips of shorter duration.

One recent development that has the potential to make tracking fees easier is the introduction of "bundled" fares, after years of steady unbundling. In 2012, Delta, for example, introduced its "Lift" package, which offers priority boarding and an extra 1,000 frequent flier miles for \$34, and the \$19 "Ascend" package, which includes priority boarding and a 24-hour Wi-Fi pass.

In December, American Airlines took the concept a step further with the introduction of its Choice options, intended to be available directly in the booking path via the airline's website, GDSs, direct connect partnerships and TMCs. For an additional \$68 roundtrip, Choice Essential includes one checked bag, Group 1 boarding and the ability to change a ticket with no surcharge; Choice Plus includes all those benefits plus a free same-day flight change, same-day standby and a 50 percent AAdvantage mileage bonus.

If such bundling takes off, it will lessen many of the current challenges of tracking airline ancillary fees, which are most often purchased during the course of a trip and difficult to identify. In fact, nearly one-third of the survey respondents (31 percent) said they are not tracking airline ancillary fee data at all.

### For what types of ancillary services does your company reimburse travelers? (choose all that apply)

One piece of luggage	63.0%
Onboard food and beverage	44.5%
More than one piece of luggage	48.7%
In-flight internet access	48.7%
Early boarding	11.8%
Extra legroom	20.2%
Airport club access	10.9%
In-flight entertainment	5.0%
Expedited security line access	6.7%
Bundled packages (e.g., 1 checked bag plus early boarding)	16.0%
None	7.6%

For those who do track ancillary fees, the most common approach is relying on travelers to include them manually in expense reports, used by 20 percent, followed by the 16 percent who get such information from their TMC reporting. Less common approaches include automated capabilities in expense reporting tools (10 percent), manually reviewing corporate card data for likely airline fee data (10 percent), including fee menus in expense reporting tools (3 percent) and using data direct from the airlines (7 percent). Several of the respondents commented that they use a combination of several of those techniques; however, nearly one-quarter (23 percent) are still trying to find better ways to capture data.

Tracking the fees, however, is only part of the challenge for corporate travel managers. Efforts to lessen the fees are also a challenge and often dependent upon good visibility into the existing costs. While 8 percent of the travel managers said they were able to negotiate a reduction of some or all of the fees with airlines, nearly double that number—15 percent—said they had tried and failed to negotiate reductions.

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