Business Intelligence Services

Ancillary Service Benchmark Program

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Once Upon A Time…

- Incomplete picture of market dynamics
- Lack of flight level insights for effective market segmentation
- Dilution of accuracy on fare information with the increase of bundled “fare family” pricing
- Highly estimated market intelligence on direct sales

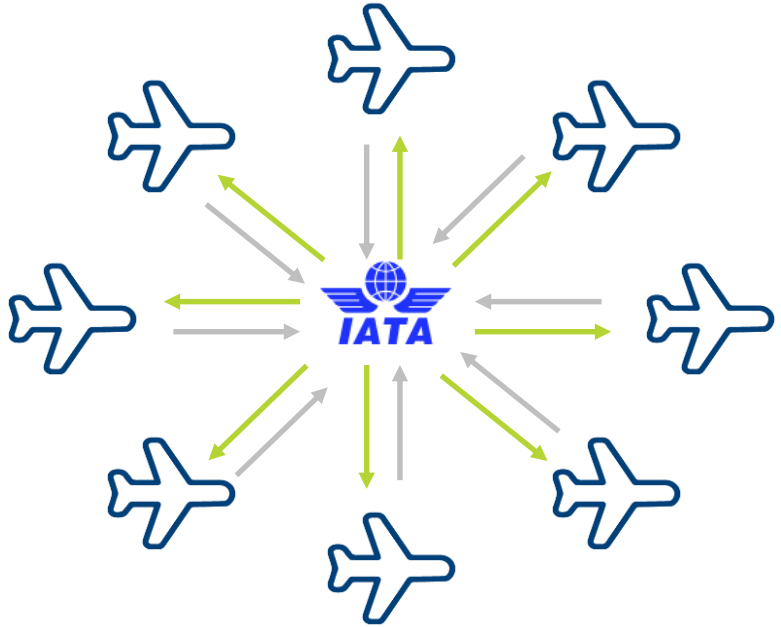
Procompetitive Collaboration for Better Decision Making

DDS Footprint →100 Participating Airlines

TICKETING DATA
GLOBAL COVERAGE

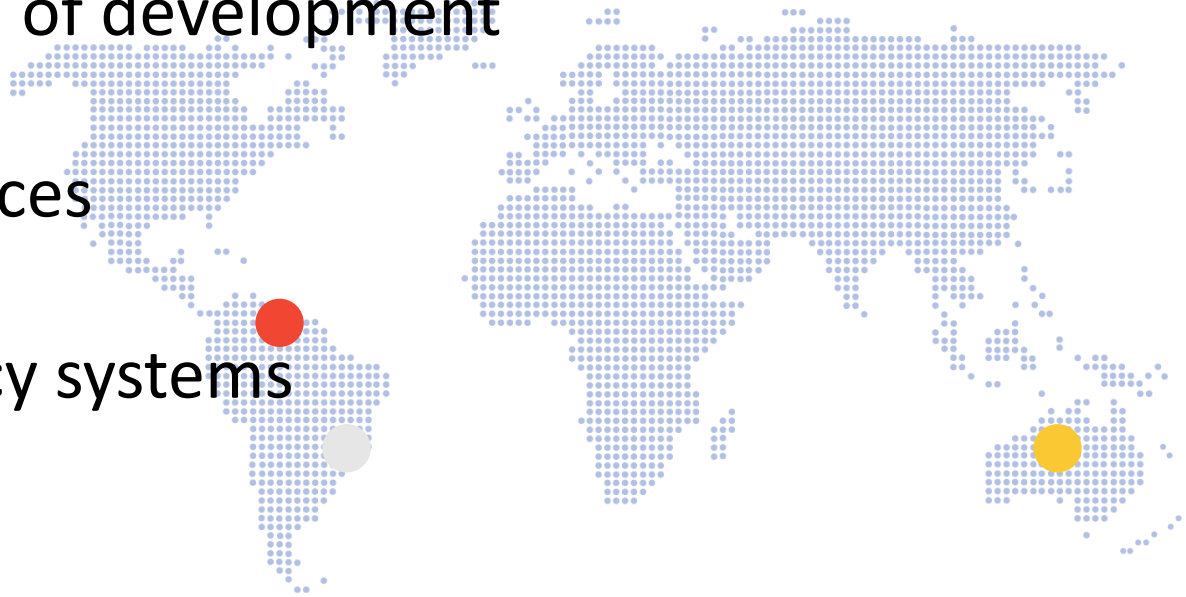
4 SALES DATA SOURCES

- BSP
- ASP
- Airline Indirect
- Airline Direct



Ancillary Revenue Landscape

- Big regional differences in level of development
- Wide variety of business practices
- Technical limitations with legacy systems
- Need for benchmarking



Industry Standards as Key Enablers

- Ticket-related ancillaries vs. 3rd-party products
- Bundle vs. unbundle fare family analysis
- True O&D vs. Segment based reporting
- Interlining challenge
- Apple-to-Apple comparison among pre-defined peer groups
- EMD standards are widely adopted both for BSP and non-BSP sales.

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IATA's Role in the Data Ecosystem

- **Data collection**: at airline level, by breaking silos and helping build the business case.
- **Data aggregation**: at industry level, facilitating data sharing programs as a neutral, trusted body.
- **Data use**: business translators through a holistic approach to addressing the industry problems

The Solution: Ancillary Service Benchmark Program

Solution Design:

1 Monthly Interactive Benchmark Tool

2 Raw Data Feed

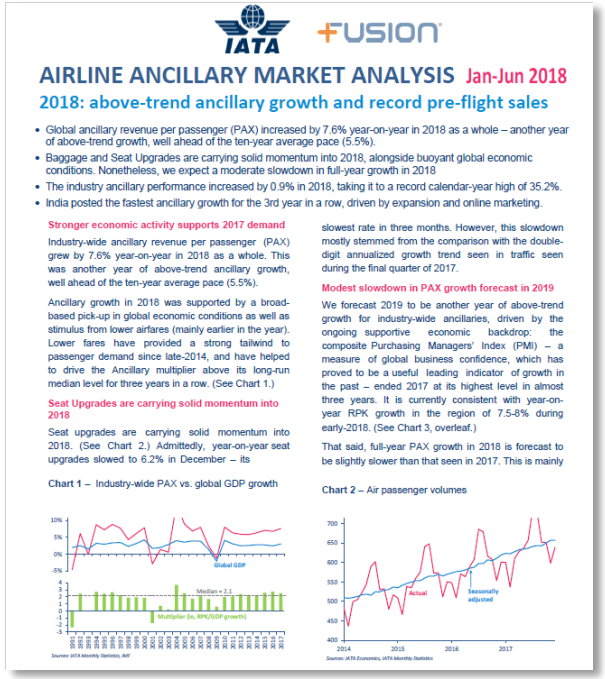
A regular raw data delivered directly to airline server to feed into airline's own data warehouse or BI analytical tools.

IATA business and legal rules apply

Give-to-get rule applies

3 Monthly Infographic

4 Annual Industry Report



IATA FUSION

AIRLINE ANCILLARY MARKET ANALYSIS Jan-Jun 2018

2018: above-trend ancillary growth and record pre-flight sales

- Global ancillary revenue per passenger (PAX) increased by 7.6% year-on-year in 2018 as a whole – another year of above-trend growth, well ahead of the ten-year average pace (5.5%).
- Baggage and Seat Upgrades are carrying solid momentum into 2018, alongside buoyant global economic conditions. Nonetheless, we expect a moderate slowdown in full-year growth in 2018
- The industry ancillary performance increased by 0.9% in 2018, taking it to a record calendar-year high of 35.2%.
- India posted the fastest ancillary growth for the 3rd year in a row, driven by expansion and online marketing.

Stronger economic activity supports 2017 demand

Industry-wide ancillary revenue per passenger (PAX) grew by 7.6% year-on-year in 2018 as a whole. This was another year of above-trend ancillary growth, well ahead of the ten-year average pace (5.5%).

Ancillary growth in 2018 was supported by a broad-based pick-up in global economic conditions as well as stimulus from lower airfares (mainly earlier in the year). Lower fares have provided a strong tailwind to passenger demand since late-2014, and have helped to drive the Ancillary multiplier above its long-run median level for three years in a row. (See Chart 1.)

Seat Upgrades are carrying solid momentum into 2018

Seat upgrades are carrying solid momentum into 2018. (See Chart 2.) Admittedly, year-on-year seat upgrades slowed to 6.2% in December – its slowest rate in three months. However, this slowdown mostly stemmed from the comparison with the double-digit annualized growth trend seen in traffic seen during the final quarter of 2017.

Modest slowdown in PAX growth forecast in 2019

We forecast 2019 to be another year of above-trend growth for industry-wide ancillaries, driven by the ongoing supportive economic backdrop: the composite Purchasing Managers' Index (PMI) – a measure of global business confidence, which has proved to be a useful leading indicator of growth in the past – ended 2017 at its highest level in almost three years. It is currently consistent with year-on-year RPK growth in the region of 7.5-8% during early-2018. (See Chart 3, overleaf.)

That said, full-year PAX growth in 2018 is forecast to be slightly slower than that seen in 2017. This is mainly

Chart 1 – Industry-wide PAX vs. global GDP growth

Chart 2 – Air passenger volumes

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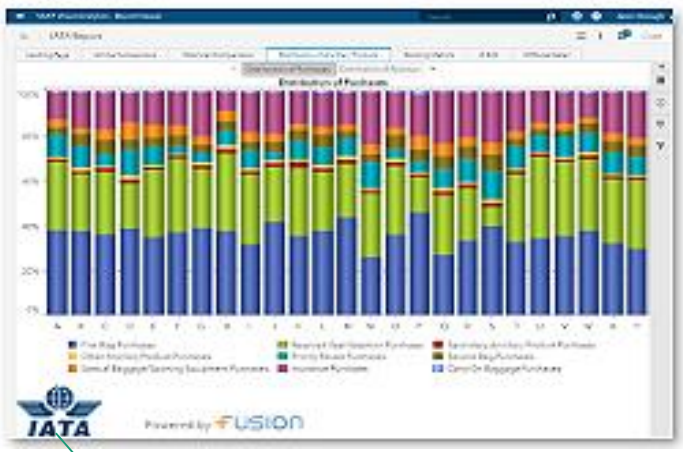
1 • Interactive Benchmarking Tool



Ancillary Product Distribution

Booking Window and Trip Length analysis

O&D Route analysis

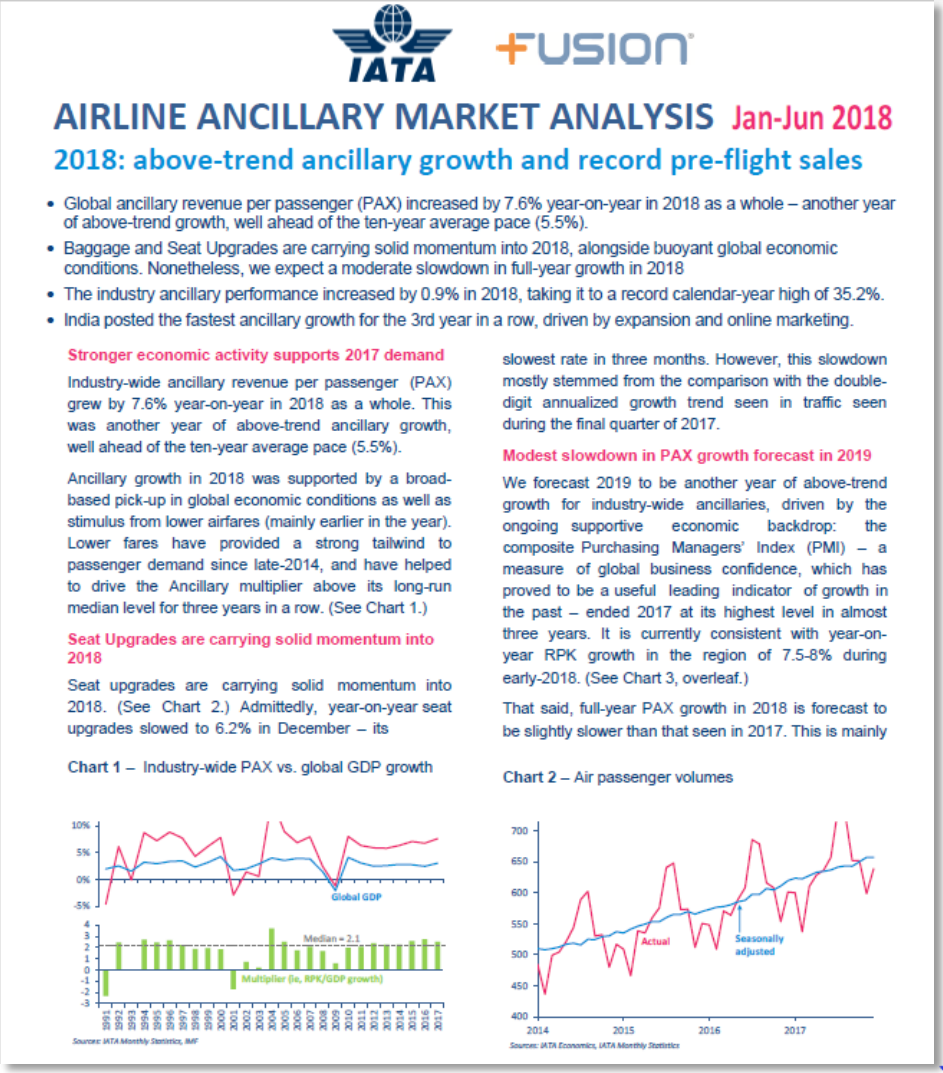
- Understand the contribution of each ancillary product and how this compares to the peer group
- Gain insight into product performance down to an O&D level
- Overview of key booking factors such as trip length and booking window
- Demographic breakdown by product versus peer group

3 • High- level Infographic Monthly Report

- Key highlights of ancillary trends
- Structured to look at key region trends (i.e. Europe, Middle East, Asia Pac, Africa, North America, South America) and by airline type (i.e. Full Service, LCC, Hybrid)
- Highlights key insights and analysis captured from other sources outside the benchmarking service

4 • Annual Industry Report

- Comprehensive industry report produced annually to highlight key trends in ancillary revenue across the industry
- Ancillary distribution trends, new products, new commercial models, key strategies (i.e. bundles versus unbundled etc)
- The report will provide a complimentary view of the standard web tool report that can be shared with C-level executives
- The report will analyze trends on a regional basis and also look at various peer group types such as Full Service, LCC etc
- The report will provide additional analysis not available in the standard web tool report



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