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## Airlines Assign Big Revenue Priority to Seat Selection

This report reviews the state of assigned seating fees in the US and how this billion-dollar ancillary revenue business can be improved.

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## About Jay Sorensen, Writer of the Report

Jay Sorensen's research and reports have made him a leading authority on frequent flyer programs and the ancillary revenue movement. He is a regular keynote speaker at ancillary revenue and airline retail conferences and has testified to the US Congress on ancillary revenue issues. His published works are relied upon by airline executives throughout the



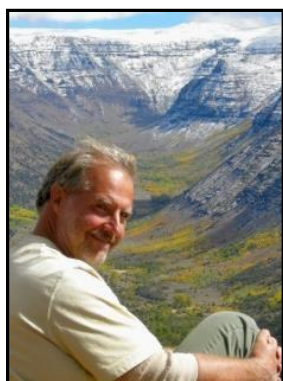
Jay with sons Anton and Aleksei at Artist Point in Yellowstone National Park.

world and include first-ever guides on the topics of ancillary revenue and loyalty marketing.

Mr. Sorensen has 38 years experience in product, partnership, and marketing development. As president of the IdeaWorksCompany consulting firm, he has helped boost airline revenue, started loyalty programs and co-

branded credit cards, developed products in the service sector, and helped start an airline and other travel companies. His career includes 13 years at Midwest Airlines where he was responsible for marketing, sales, customer service, product development, operations, planning, financial analysis and budgeting. His favorite activities are hiking, exploring and camping in US national parks with his family.

## About Eric Lucas, Editor of the Report



Eric Lucas is an international journalist whose work has appeared in Michelin travel guides, Alaska Airlines *Beyond Magazine*, *Epoch Times*, *Westways* and many other publications. Founding editor of *Midwest Airlines Magazine*, he is the author of eight books. Eric has followed and written about the travel industry for more than 30 years. He lives on San Juan Island, Washington, where he grows organic garlic, apples, beans and hay; visit him online at [TrailNot4Sissies.com](http://TrailNot4Sissies.com).

Eric, at his favorite summer retreat, Steens Mountain, Oregon.

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## Airlines Assign Big Revenue Priority to Seat Selection

### HOW DID WE GO FROM \$12 TO BILLIONS?

I never imagined the topic of assigned seating fees would appear in a presidential State of the Union address, but on 07 February 2023 it did. President Biden's speech in the Capitol included this specific reference: *"We'll prohibit airlines from charging up to \$50 roundtrip for families just to sit together. Baggage fees are bad enough – they can't just treat your child like a piece of luggage."* This moment strongly suggested it was time to review the state of assigned seating fees to determine the scale of activity, how these are implemented, and how this ancillary revenue business can be improved.

Among the earliest examples of assigned seating fees is Air Canada's 2003 move to simplify its fares.<sup>1</sup> By 2004 this resulted in a \$12 assigned seat fee for its lowest priced fares for flights in Canada and the US. Northwest Airlines (later merged with Delta in 2008) implemented a \$15 fee for extra leg room seats in 2006. The 2008 *Yearbook of Ancillary Revenue* makes reference to SkyEurope's (defunct in 2009) assigned seating fees which started at €2 for the last cabin row.

There was a time when these fees were in the single digits and industrywide assigned seat revenue was in the millions. Only 13% of airline managers surveyed by IdeaWorksCompany in 2007 said their airlines charged assigned seating fees. Fast forward to today with virtually all airlines – from global network carriers to LCCs – now charging seat fees and achieving a revenue result in the billions. The humble €2 fee from 2008 has indeed become a big business.



*The world's most expensive seat assignment: Seat 1A on Air Force One. Presidential candidates spent \$6.6 billion during the 2020 election cycle.  
Image: The White House*

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<sup>1</sup> "Northwest to Charge Extra for Aisle Seats" *Wall Street Journal* article dated 14 March 2006.

## ASSIGNED SEATING REVENUE RIVALS BAGS

\$4.2 billion is my estimate of the assigned seat fee revenue generated by eight key US airlines (Alaska, Allegiant, American, Delta, Frontier, JetBlue, Spirit, and United) for their US domestic networks in 2022. By comparison, baggage revenue from the same eight airlines is estimated to be \$5.1 billion on US domestic flights. That’s right – assigned seat revenue has reached a level exceeding 80% of baggage revenue.

Generating this estimate was a complex task and includes numerous assumptions. Table 1 below represents the first step of the evaluation. We conducted 180 total booking queries for the airlines listed to collect a sample range of prices for assigned seating. Each airline had the same profile of flights queried in terms of distance (600-800, 900-1,100, and 1,600-1,800 miles) and advance booking windows (100, 75, 50, 25, and 15 days) for domestic US markets. The results in the table are an apples-to-apples comparison, and therefore are best evaluated across the different carriers and seat types. The data does not reflect a statistically valid average of assigned seating fees for the individual carriers.

<b>Table 1: Sample of Assigned Seating Fees</b>			
Selected US airlines, various route lengths & advance booking windows			
<b>Airline</b>	<b>Preferred Seat *</b>	<b>Exit Row</b>	<b>Last Row</b>
Allegiant	\$29	\$34	\$15
American	\$31	\$55	\$11
Frontier	\$40	\$64	\$28
JetBlue	\$17	\$82	\$10
Spirit	\$36	\$50	\$23
United	\$46	<i>Not allowed for basic</i>	\$20
<b>Average</b>	<b>\$33</b>	<b>\$48</b>	<b>\$18</b>

*Notes: Sample of 30 booking queries per carrier, equally distributed among route lengths (600-800, 900-1,100, and 1,600-1,800 miles), and advance booking windows (100, 75, 50, 25, and 15 days) for domestic US markets, aisle seats. \* First row of the preferred seating zone (not extra leg room zone).*

The following definitions of seating types are offered to enhance your understanding of the data:

- Extra Leg Room Zone:** Alaska, American, Delta, Frontier, JetBlue, and United have created multiple rows of seats which offer extra leg room (such as 5 to 7 inches) at the front of the cabin. Alaska, American, and Delta include earlier boarding and a free beer or wine, which attempts to create a mini business class experience. Elite members are usually provided fee-free access to these seats. American brands these seats “Main Cabin Extra” and JetBlue calls them “Even More Space.”

- **Exit Row:** Every airline offers extra leg room seating in their exit rows due to safety provisions for seat layouts. When an airline offers an extra leg room zone, these seats are included in the category.
- **Preferred Seats:** This branding has been largely adopted by the industry as defining seats behind the extra leg room zone and ahead of the exit row. They are “preferred” for one reason; because they are in the front, exiting the aircraft is much faster upon arrival.
- **Standard Seats:** These are seats behind the exit row stretching to the last row of the cabin. For Table 1, the last row of the standard seat zone was queried. Passengers in these seats are the last to leave the aircraft upon arrival.

Alaska and Delta are missing from the Table 1 queries because these airlines do not allow consumers who have purchased a basic economy ticket to select and pay for an assigned seat. Thus, we could not query fees for basic economy bookings.

An average assigned seat price was designated for each of the airlines. For traditional airlines, a fee of \$20 was used, and this was increased to \$25 for LCCs. The lower price for traditional airlines reflects an attempt to accommodate assigned seats included in the cost of higher-priced standard fares. For basic economy fares, the price is transparent because it's displayed on the seat map. For standard fares (which are higher-priced to include various amenities) the assigned seat component is bundled within the fare. For traditional airlines, the \$20 rate was assigned as a blended rate to reflect a la carte purchases and when assigned seats are included in the standard fare.

Then we viewed the seat maps for American and Spirit a day before departure of a flight. This allowed us to observe assigned seating activity prior to the free seat assignment routine that occurs during check-in. For American, about 65 percent of seats had been assigned, and for Spirit it was around 35 percent. This could suggest traditional airlines achieve a higher level of assigned seat activity than LCCs. But there's another adjustment that must occur before that can be assumed.

Most frequent flyer programs offer fee-free access to assigned seating for elite members. For traditional airlines, elite members represent a significant number of passengers on each flight. We assumed 20 percent of passengers on a traditional airline flight have elite status and don't contribute to assigned seat revenue. This activity was subtracted from the overall assigned take-rate of 65 percent to yield an adjusted take-rate of 45 percent. This adjustment was not made for Allegiant, as the airline does not have an elite tier. The elite status factor for loyalty programs with newer elite tiers (Frontier, JetBlue, and Spirit) was much lower.



*Main Cabin fares on American include standard seating, or you can pay more for preferred seats.*

The \$4.2 billion assigned seating revenue estimate was generated by multiplying the figures assigned for each airline: 2022 passenger traffic, assigned seat price, and adjusted take-rate. The average per passenger revenue for the group of eight airlines was \$9.12. By comparison, the per passenger rate for baggage is \$10.94. Please remember these figures apply for US domestic operations of the eight airlines, and don't include international flights, which undoubtedly fetch higher fees for assigned seating. You might imagine a global total adds billions more to the result.

### THE PATH TO AN ASSIGNED SEAT IS COMPLEX

Consumers begin the booking path with a choice that determines their travel fate through arrival at their destination: the fare. I recommend airlines adopt the branded fare method which displays a good, better, and best choice to consumers. It's an intuitive approach which instantly conveys the initial array of features. Table 2 describes the two primary methods US airlines use to sell assigned seats. Among the eight airlines listed, only JetBlue uses the classic branded fare method.

<b>Table 2: Assigned Seating Methods Used in the Booking Path</b> Selected US airlines, economy cabin			
<b>Basic Economy Pricing Model</b>			
<b>Airline</b>	<b>Basic Economy</b>	<b>Standard Fare</b>	<b>Notes</b>
Alaska	Not allowed *	Includes assigned seat	Basic economy fare not always sold
American	Fee for seating		
Delta	Not allowed		
United	Fee for seating		
<b>Bundled Pricing Model</b>			
<b>Airline</b>	<b>Base Fare</b>	<b>Notes</b>	
Allegiant	Fee for seating	3 higher-priced bundles include assigned seat	
Frontier	Fee for seating	2 higher-priced bundles include assigned seat	
JetBlue	Fee for seating	2 higher-priced branded fares include assigned seat	
Spirit	Fee for seating	2 higher-priced bundles include assigned seat	
<i>Review of airline websites, April 2023. * Preferred zone seats for a fee ( but not standard seats).</i>			

The basic economy pricing model borrows from the branded fare method, is used by the largest US traditional airlines, and features an unfortunate inconsistency. Basic economy is not always available for sale for every query and appears to be often used as a discounting tool in highly competitive markets.



Thus, consumers sometimes encounter a basic economy fare and sometimes only see a standard fare. Ask any grocer, and a primary rule of retail is to ensure shelves are fully stocked with products. The “sometimes” approach to offering basic economy creates consumer confusion and inconsistency in the booking path.

The screenshot shows a flight search results page. At the top, there are filters for 'Depart', 'Arrive', and 'Duration'. Below these, the flight details are: ORD to DFW, 5:00 AM to 7:26 AM, 2h 26m, Nonstop. The aircraft is AA 760, a Boeing 737. The 'Basic Economy' fare is listed as 'Not available'. To the right, there are two fare options: 'Main Cabin' for \$168 and 'First' for \$428, both for a one-way flight. There are also links for 'Details' and 'Seats'.

*Not on the shelf. Basic Economy was not found for the nonstop flights queried in American’s hub-to-hub market of Chicago to Dallas Fort Worth in March for an August departure.*

When a traditional airline offers a basic economy fare the consumer must click through a message which warns of the fare’s restrictions, such as lowest boarding priority and a requirement to pay for assigned seating. It’s an awkward message which suggests these fares are not an appropriate offer for a traditional airline to make. It’s unusual to find an equivalent “warning” when navigating the booking path of an LCC. That’s because the consumer enters the “store” knowing it’s a Walmart and not a high street department store.

The screenshot shows a 'BASIC Economy' fare message. On the left, there is a photo of a man and a woman at an airport. The text reads: 'BASIC Economy' with a list of restrictions:
 

- No changes allowed<sup>1</sup>
- Pay to choose any seat on American flights (or we'll assign seats at no charge during check-in)<sup>2</sup>
- Pay to check bags<sup>3</sup>
- Board in last group<sup>3</sup>
- AAdvantage® miles

 On the right, the price is shown as 'One way \$129 per person' and 'Total \$128.90 (all passengers)'. There is a button that says 'Accept restrictions'.
 

<sup>1</sup> Changes for trips that begin in Europe allowed with a fee (excludes Finland, Estonia, Latvia and Lithuania).  
<sup>2</sup> Complimentary for AAdvantage® members based on status.  
<sup>3</sup> If you're an AAdvantage® status member or AAdvantage® credit cardholder, your bag benefit and boarding group applies if higher based on status. (Benefits may not apply on partner airlines.)

*This is one of two basic economy messages encountered in American’s booking path. The other describes the benefits of upgrading to a Main Cabin fare.*

If the consumer chooses basic economy, the booking path for American and United presents a seat map for the flight. This occurs after the consumer identifies themselves as a member of the frequent flyer program. If the traveler has elite status, the seat map displays the fee-free seats available and the fees if an upgrade to a better seat is desired. For Alaska and Delta travelers, the booking path does not present the option to select a seat for basic economy; these are provided by the airline after check-in. For passengers choosing a higher-priced standard fare, the seat map offers all of the seats assignable for that fare. Again, the opportunity is presented to upgrade to a better seat for a fee.

There are also terms and conditions associated with assigned seats. This adds another level of complexity to the decision process. The process is more transparent on a laptop, but this added detail presents comprehension challenges on the smaller screen of a mobile phone. Table 3 lists some of the terms and conditions associated with US-based airlines. Some airlines offer additional details through a link on the seat map page and for some, these could not be found.

**Table 3: Examples of Assigned Seat T&Cs**

- We make every effort to ensure you get your chosen seat, but seat assignments are not guaranteed.
- If a customer voluntarily changes his/her flight or seat selection once purchased, no refund for the original purchase will be provided.
- We reserve the right to change seats for operational, safety or security reasons. Refunds will be issued to any reassigned customer if the customer is not moved to a comparable or better seat.
- Seat assignments are not guaranteed and are subject to change without notice.
- Fees for seats are non-refundable with some exceptions.

*Review of airline websites, April 2023*

The lack of disclosure and the onerous terms and conditions invites regulators to focus on ancillary revenue. Throughout my career of offering advice to airlines, I have repeated the words of Sy Syms, who operated a chain of menswear stores in New York City. The slogan for Syms was “*An educated consumer is our best customer.*” This wisdom truly applies to this portion of the assigned seating story. More effort can be made to create a better experience for travelers. The terms and conditions described in Table 3 should be replaced with guarantees that the product purchased will be delivered, and that those returned to the shelf are refunded. There is sufficient margin here to ensure a better sense of fair dealing for consumers.

#### TO SEAT OR NOT TO SEAT, THAT IS THE QUESTION

Concurrent with the complications of the booking path there are emotional elements associated with selling seat assignments. Prior to landing on the seat map page the consumer has entered their origin and destination, departure date, and number of passengers. Next up is flight selection, quickly followed by the major choice of a fare, be it basic economy, branded, or bundled. Perhaps checked or carry-on bags are selected next. Finally, personal details are offered, which almost always generates an error message because something has been missed. Thus depleted of cash, comprehension, and patience . . . the seat map pops up on the next page.

It's no wonder by this time, the consumer will gladly defer a decision to the future; this is human nature. Since most bookings occur weeks before departure, they are probably peering at a seat map that shows a sea of available seats. No worries say they, and they happily click to advance to the car rental and hotel page. The moment to make a quick sale has passed, and now the airline will need to sell the seat through a subsequent contact delivered as an email solicitation or during the check-in process.

Those of us in the airline business often fail to see our airlines through the eyes of the everyday consumer. I was discussing this report with my college intern and he looked at an example of Spirit's seat map. He quickly observed that the assigned seat fees were highest in the front of the cabin, and lowest in the back, "Why are the seats in the front more expensive?" I replied, "Well they're preferred." He replied, "Why?" He asked a similar question about exit row seats. This simple exchange reveals the retail challenge. We think we are designing elegant systems, when in reality, many consumers are bewildered or simply don't care. Complexity is the cause of this.

**Big Front Seat\*** It's The Best Deal In The Sky  
Get extra legroom and a wider seat up front

Premium Standard Unavailable

\$0 Included for Silver Member \$0 Included for Gold Member

**Flights**

Chicago (ORD) - Los Angeles (LAX)

1 GEORGE WASHINGTON CHOOSE SEAT →

**SEATS TOTAL** \$0.00

**Saver\$ Club Seats** \$0.00

Discounts on seats, and more...  
Seat Savings \$0.00  
Trip Savings \$22.00

CONTINUE WITH SAVER\$ CLUB\*

Standard Seats \$0.00

	A	B	C	Front	D	E	F
Up to 11 inches more leg room	\$79	\$79		1	\$79	\$79	
	\$79	\$79		2	\$79	\$79	
	\$22	\$22	\$22	3	\$22	\$22	\$22
				4			
				5			
	\$22	\$22	\$22	6	\$22	\$22	\$22
	\$22	\$22	\$22	7	\$22	\$22	\$22
	\$22	\$22	\$22	8	\$22	\$22	\$22
	\$22	\$22	\$22	9	\$22	\$22	\$22
	\$22	\$22	\$22	10	\$22	\$22	\$22
	\$22	\$22	\$22	11	\$22	\$22	\$22
Up to 10 inches more leg room	← Emergency Exit Row →			12	\$29	\$29	\$29
	← Emergency Exit Row →			13	\$29	\$29	\$29
Up to 10 inches more leg room	\$21	\$21	\$21	14	\$21	\$21	\$21
	\$21	\$21	\$21	15	\$21	\$21	\$21
	\$21	\$21	\$21	16	\$21	\$21	\$21
	\$21	\$21	\$21	17	\$21	\$21	\$21
	\$21	\$21	\$21	18	\$21	\$21	\$21
	\$21	\$21	\$21	19	\$21	\$21	\$21
	\$21	\$21	\$21				

Simply perfect or too much? Spirit's seat map hits all the right notes by using prices to communicate the attractiveness of seats and special notation and color to call out extra leg room seats.

My thinking is evolving on the topic of booking path complexity. Branded fares are attractive because the good, better, and best presentation is easily understood by consumers. However, if the list for each fare is loaded up with too many benefits, this method can easily tilt to deliver less than optimum results. I think the same logic applies to seat maps. Too much complexity simply overwhelms the consumer. Simplicity and transparency should guide the design of seat maps, to include the branding applied to seat types and the pricing assigned to individual seats. When this is not accomplished, the consumer simply moves to the next page, deferring the decision to another day.

The assigned seat process includes the challenge of two levels of availability: visible and latent. Visible availability is displayed on the seat map, and months or weeks before departure, it displays a comforting supply of seats. But operating in the background is the “latent” availability of seats, which is determined by how many tickets have been sold for the flight. The seat map can display lots of “empty” seats, but true availability is far different if the flight is nearly sold out. This is due to the “double sale” nature of assigned seats; the first sale occurs with the purchase of the fare and the second is the assigned seat itself.

Ironically, the provision of no-fee assigned seating for a parent and child (under 13 years) in the US may help this issue. This policy reflects the plans of the US Department of Transportation (USDOT) and President Biden, as reflected in his State of the Union address. The provision of these seats will reduce visible availability on seat maps and perhaps encourage other consumers to pay for assigned seats in the booking path.

Commitment for Fee-Free Family Seating										
	Carrier									
	Alaska	Allegiant	American	Delta	Frontier	Hawaiian	JetBlue	Southwest	Spirit	United
Guarantees adjacent seats for child 13 or under and an accompanying adult at no additional cost for all fare types <a href="#">subject to limited conditions</a>	✓	✗	✓	✗	✓	✗	✗	✗	✗	✗

The USDOT calls this graphic the Airline Family Seating Dashboard. It’s intended to provide at-a-glance information for consumers, but it also has the effect of encouraging airlines to embrace the Biden Administration’s desire to ensure children under 13 are not seated apart from a parent.



As present there is a DOT rulemaking effort to regulate assigned seating benefits for families for all fares, to include basic economy. Airline executives outside the US should anticipate similar regulatory moves around the world from local government agencies. The airlines committing to fee-free family seating fulfill the obligation prior to check-in through automation. Future enhancements will likely use the same method currently offered by Ryanair and Singapore Airlines, which allow parents to select their own fee-free seats for children in the booking path.


Consumers experience various motivations to encourage paying for an assigned seat. The two which provide the most attractive results for an airline are comfort and convenience.

A la carte sales markedly improve for flights longer than 2 hours and 45 minutes. That duration makes seat comfort, entertainment, and food more important. Convenience is defined by being seated in the front of the cabin for quicker exit upon arrival (preferred seat zone). Travelers also have a personal preference for aisle or window seats.

Fear is also a motivating factor but it's unattractive from the perspective of branding and very likely might produce unattractive outcomes.

Couples and families fear the prospect of being seated away from each other. Likewise, a short connecting time at a hub might cause a traveler to worry about the delay of exiting the aircraft from the last row. Or a person with anxiety issues might avoid a middle seat which places strangers on both sides. These travelers might be eager to spend, but as we all know, fear is an unpredictable motivator. Extra leg room and preferred seats have natural advantages and perhaps no controversy. I believe standard seats give airlines the biggest challenge because these have nothing to offer beyond the removal of worry.

**American Airlines**  

AADVANTAGE PLATINUM 

## Choose your seat

Enjoy an assigned seat for your upcoming trip to Raleigh/Durham on April 11. See below for options and amenities that work for you.\*

Main Cabin Extra (\$\$\$)	Preferred (\$\$)	Main Cabin (\$)
17 seats	10 seats	31 seats
<ul style="list-style-type: none"> <li>✓ Extra legroom</li> <li>✓ Dedicated overhead bin space</li> <li>✓ Favorable location</li> <li>✓ Water &amp; soft drinks free upon request</li> </ul>	<ul style="list-style-type: none"> <li>✓ Favorable location</li> <li>✓ Water &amp; soft drinks free upon request</li> </ul>	<ul style="list-style-type: none"> <li>✓ Water &amp; soft drinks free upon request</li> </ul>

Basic Economy seats are fee-based — If you don't want to purchase an assigned seat now, we'll assign one for you at no charge after check-in.

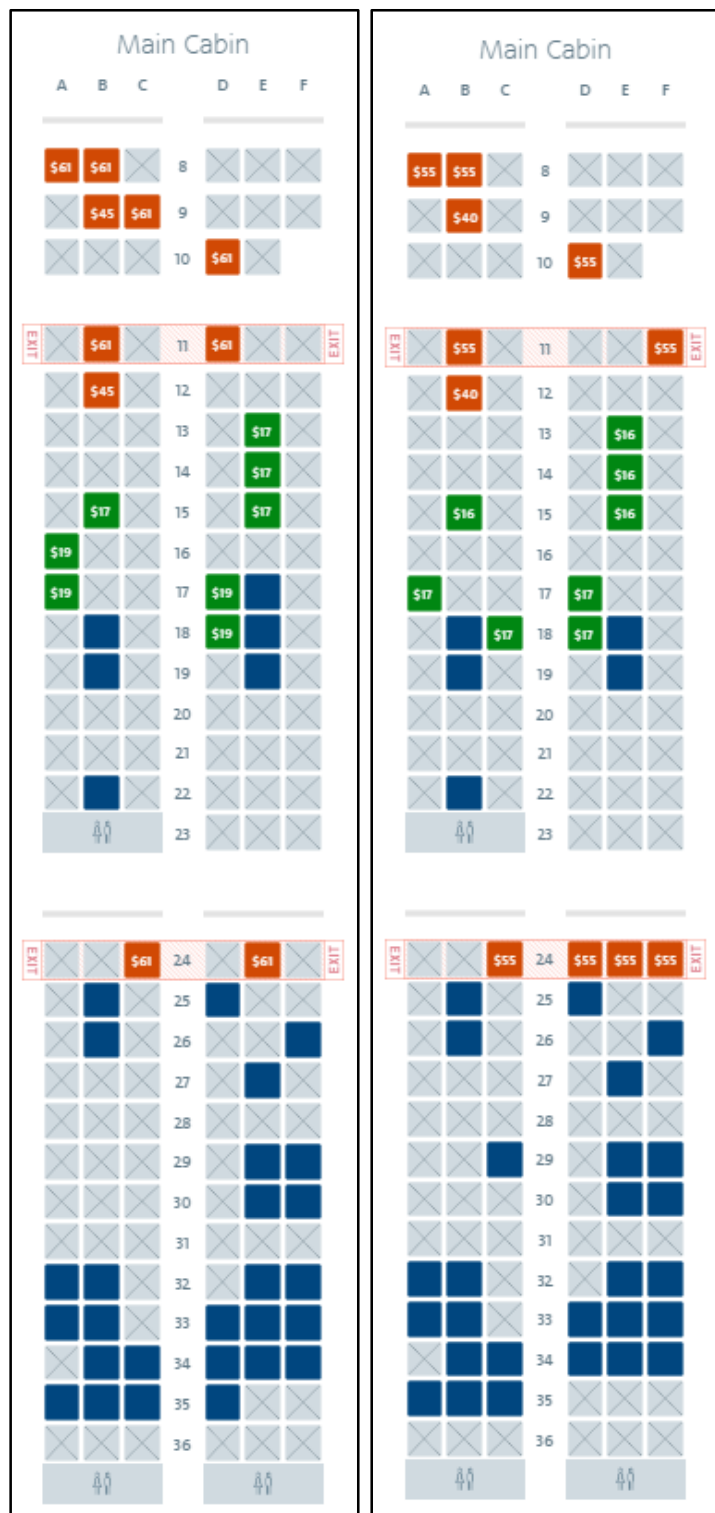
[Choose your seat](#)

*Here's a well-intentioned email from American to remind a traveler to select seats about 2 weeks before departure. This particular traveler had already chosen their seats and qualified for no-fee assigned seats because of their platinum status.*

## REVENUE MANAGEMENT IS EVOLVING

The science of revenue management for air fares is well established through decades of practice. By comparison, dynamic pricing (another phrase for revenue management) is less established. The eight airlines in the pricing survey seem to assign prices based upon city pairs. This includes the factors of flight length and airline competition. Longer flights should command a higher price for extra leg room seats. On an individual flight basis, cabin layout is also a factor, as well as anticipated demand.

Ticket revenue management is largely based on historical booking trends, including the timing of bookings, along with recent booking trajectory. The same logic is applied to the pricing of assigned seats. Among the eight airlines observed in the pricing queries, American and Spirit had the most significant variation within a market and for a specific flight departure. For these two, seat fees would vary among flights operating in the same market. Furthermore, as a flight aged, prices would vary as well, which is demonstrated in the seat map images to the right.



*These are seat maps for the same American flight from DFW to Raleigh departing on a Thursday. On the left is the map 3 days before departure, and the map on the right is 2 days before departure. Every price dropped 2 days before departure.*

It's important to remember, months or weeks before departure, the visible seat availability of a seat map doesn't reflect a flight's actual load. Significant dynamic pricing activity occurs close to departure as assigned seats become scarce.

The price designated for a seat should provide generous motivation for consumers to act while in the booking path. That's because their wallet is open and it's easier to pay. Experience has demonstrated a la carte fees can increase with fares. The higher the fare, the less hesitancy a consumer has for buying a higher-priced a la carte service, such as assigned seating. There's another dynamic to consider, and that's the relationship of prices within the seating zones of the cabin. A large leap in price from standard to preferred can encourage a consumer to stay with standard, or perhaps to not buy a seat assignment at all. Too high a price, especially for LCCs with far fewer elite members, can lead to unpurchased exit row seating.

The complexity can be overwhelming which explains why many airlines choose to keep prices static. Software companies working in this space like to capture and devour client-airline data and use machine learning and statistical forecasting to generate optimum price management.

Some might wonder why Southwest Airlines, which carries the most US domestic traffic, is not included in this report. That's because the carrier does not offer seat assignments and uses a globally unique method of open seating. Those first to board the aircraft have first choice of seats. Southwest sells early boarding privileges and provides this as an elite perk. These passengers also have earlier access to overhead bin space, which is less crucial as Southwest includes two checked bags for all fares. IdeaWorksCompany estimates the airline generated \$750 million from its Early Bird Check-In and Upgraded Boarding services during 2022 based upon disclosures made in a 3<sup>rd</sup> quarter 2019 investor call. That's an amazing development for an airline that's largely known for its all-inclusive approach to pricing and retail.

## CREATE A PRODUCT, NOT JUST A FEE

Back in 2009 Alaska Airlines lagged behind other airlines in adopting fees for a first checked bag in the US market. When the airline introduced bag fees it added a guarantee for speedy delivery to the bag belt upon arrival.<sup>2</sup> In the event bags did not reach baggage claim within 25 minutes of arrival, the traveler could choose a 2,500-mile frequent flyer voucher or a \$25 travel voucher. The guarantee worked so effectively that the airline later reduced the delivery window to 20 minutes. Alaska management confessed they didn't want to simply start adding a fee for checked baggage. Rather, they sought to change the dynamic by reinventing baggage as a standalone service backed by a guarantee. This concept has been lacking for the airline industry in its development of assigned seating fees.

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<sup>2</sup> Alaska Air Group Reports First Quarter Results press release dated 23 April 2009.

Delta Air Lines later matched the offer, and this was likely caused by the competitiveness of the Seattle hub it shares with Alaska. It's an enduring example of airlines using a portion of newfound revenue gains to measurably improve a service to customers. With this guarantee, these two traditional airlines also found a method to distinguish their airlines from low cost competitors.

Assigned seat fees are now a billion-dollar component of the ancillary revenue revolution. Consumers have come to know these are consistent with the a la carte methods used by LCCs. Global network carriers rapidly copied and embraced these fees. Likewise, basic economy fares provide more evidence of the competitive struggle faced by traditional airlines. This moment in time represents a good opportunity for traditional airlines to assess whether their basic economy fares are consistent with what their brands mean to consumers. For all airlines, the opportunity always exists to continue the endless search to improve customer value. The exceptionally attractive margins provided by assigned seating makes this very doable. The happy outcome for airlines pursuing this strategy is the double benefit of satisfied customers and a stronger brand distinction.



*Alaska had an idea that was perfect in every way. Shown here is the advertising the airline placed at its baggage belts.*

## Assigned Seating: How This Business Can Be Improved

- **Encourage purchase with miles/points:** Allow your frequent flyer program to do its magic by integrating assigned seats as a bonus offer.
- **Create a product:** Guarantee travelers will receive their assigned seat or a truly equivalent replacement. If not, a refund is automatically issued and bonus miles/points or a travel voucher is issued.
- **Accommodate families:** Guarantee that an adult and child will receive no-fee assigned seats in the booking path.
- **Strive for effective but simple seat maps:** Marking each seat with a price implies value. But give the consumer a nudge with graphics which quickly describe the benefits of preferred and exit row seats.
- **Reduce and simplify rules:** It's just a simple seat assignment, not a major life event for the consumer. Making assigned seats refundable will greatly decrease complexity.



# IdeaWorksCompany connects key ancillary revenue destinations

IdeaWorksCompany knows all the ancillary routes, from the Airport to A la Carte, Bundled to Branded, and Commission-based to 3rd Party.



**IdeaWorksCompany offers the hands-on-experience** of a team of former airline executives and the innovative spirit of a leading travel consultancy. Since 1996 we have helped 70 client companies including airlines, loyalty programs, passenger railroads, and hotel brands. Jay Sorensen has presented on-site workshops in Europe, the Middle East, South America, Asia, and North America, and has issued 96 reports, 15 yearbooks of ancillary revenue, and more than 20 other publications on frequent flyer programs and travel industry statistics.

**IdeaWorksCompany clients do better.**

Contact Jay Sorensen for more information.

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