

The Evolution of Travel Retail

Introduction

From disruptive environments emerge new ways of doing things. Technology has driven travel suppliers to change the way they do business again. This report takes a look at the rise of ancillary revenues in the travel industry, gives a snapshot of where we are today and provides a few practical tips for those companies ready to take the next step.

Firstly, ancillary revenue is far more than baggage fees, its relevance reaches far wider than the Low Cost Carriers (and airlines in general) and it's far from being mature. Ancillary revenue didn't really exist in the airline business a decade ago, well not on the level it does today, but it has gradually been securing its place in the boardroom. Some companies are certainly becoming more strategic in their approach as we see ancillary revenue streams shift from being a revenue trickle to a significant profit. It's one of those things that's become both a science and an art. And, although some level of experimentation in all travel sectors can be identified, we certainly expect there to be a lot more innovation in this space over the next few years.

The real engine behind the ancillary evolution is online travel distribution. Travel suppliers are competing with OTAs for traffic and they're becoming so successful at driving direct distribution through the web, they're now realising new ways to capitalise on it. It's the LCCs that drew our attention towards these ancillary revenues, but in the last couple of years we've seen innovations stem from this and spread around the globe. Now legacy carriers are recording enormous figures from ancillary fees and unpredictable yet dynamic consumers seem to be playing game. And, hotels are also looking at how to take their approach to the next level.

The talk is about 'unbundling' and up-selling creative value-add propositions, branded bundles targeting different travel segments and the cross-selling of non-core commission-based products. So as travel companies start to apply slick e-commerce tactics to all their ancillaries, and ever-increasing communication touch-points throughout the travel cycle are explored, the evolution of travel retail has really only just begun. Companies from across the travel industry (some more seriously than others) are thinking about ways to increase their share of that lucrative travel wallet. And, working out the best way to reach the travel consumer.