DELTA IS OUT-INNOVATING ALL OTHER AIRLINES WITH ITS BRANDED FEES

News / Airlines

Airline marketing and ancillary revenue consultancy Ideaworks has announced its list of the top five airline marketing innovators for 2015, and listed Delta as the industry's best at building revenue through ancillary sales, including its "branded fares" and Comfort+ product.

"Delta continues to be an industry leader in product development and providing premium choices for its customers at every price point from Basic Economy to First Class," Ideaworks states in its announcement.

During its Investor's Day, on December 17, Delta's Chief Revenue Officer, Glen Hauenstein, reported the airline would earn an estimated $1.2 billion in revenue from branded fares in 2015.

Comfort+ is a key component of the airline's upsell strategy going forward. Delta allowed up-front purchase of this product as a distinct fare, rather than a product add-on, in November of this year. The airline also stated that it will increase the number of Comfort+ seats available by around 30%, contrasted with First Class which will increase around 10%.

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Ideaworks estimates that Delta sells somewhere in the region of 45,000 Comfort+ seats a day.

As Jay Sorensen, President, Ideaworks explains, the consultancy determined that figure based on the total capacity of Comfort+ seats available in Delta's fleet (21,500 as reported by Delta during its Investor's Day presentation), an average fleet utilization of 6.5 turns (the flights an airplane makes in a day), and the airline's paid Comfort+ load factor (the amount of available Comfort+ seats which are actually sold: 36%), as reported by Delta.

Sorensen believes the amenity extras offered by Delta on Comfort+ have made this a tempting buy for flyers, and that seat comfort upgrades could become a key ancillary revenue strategy for airlines moving forward.

"As we see, the LCCs seem to have reached a 40% ancillary as a percentage of revenue limit," Sorensen tells us. "But the attractiveness of the Delta product in terms of amenities indicates there is more room left for airlines to pursue. This type of product could rival checked bag [fees] at some point for some carriers."

The long-term success of these moderate product upgrades depends on consumer and regulatory tolerance of fees and punitive seating conditions at the back, but both Delta and Sorensen are optimistic over the prospects moving forward. Delta has plans to raise revenue from branded fares to $2.4 billion by 2018.

Sorensen says, "I am very impressed by Delta's offer and believe the numbers here will convince more carriers to pursue this type of opportunity."

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