



## Airport Lounges Are the Hottest Tickets

The pandemic unleashed consumer craving for sanctuaries created by carriers and even credit card banks; this report evaluates lounge economics and consumer fascination.

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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



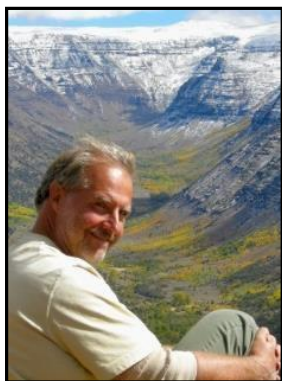
Jay with sons Anton and Aleksei at Artist Point in Yellowstone National Park.

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

Mr. Sorensen has 40 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*, *American Essence*, *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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## BEHIND THE VELVET ROPE

It was the pop artist Andy Warhol who quipped, "In the future, everyone will be world-famous for 15 minutes." It relates to the desire of many to achieve a moment of celebrity status and special treatment. The pandemic introduced us to the need for physical separation while traveling. This encouraged some to upgrade themselves to a premium cabin or an extra leg room seat. Small a la carte luxuries, such as early boarding, an inflight snack, or airport lounge access, help offset the little miseries that can accompany travel today. This report reviews the business of lounges and how they are a "must have" amenity for travelers and airlines.

I visited a Capital One Café during a trip to Washington DC. Capital One is a US-based consumer bank which competes with airlines by offering very popular travel reward credit cards. Their 50+ cafés offer a lounge-like experience with a full coffee shop, lounge space, work stations, meeting rooms, and "Ambassadors" who deliver bank product information. These are the neighborhood equivalent of an airport lounge, but are open to anyone.



*Is it a lounge? Is it a bank? Is it a coffee shop? Is it a plane? No, it's a Capital One Café. Image: Capital One.*

I asked the café's ambassadors about its 8,500 square foot cardholder lounge opened at Washington Dulles Airport in September 2023. These two Capital One representatives excitedly described a consumer thirst for airport lounges and travel reward cards. "Consumers walk into the café and eagerly ask how they can gain access to the Dulles Airport lounge. Many of them have never been to an airline lounge, but they know it's something they need to experience." That's the amazing truth of today – everyday consumers have joined globetrotting premium class travelers in a quest to gain admission behind the velvet rope of airport lounges.

Airport lounges are hot real estate. Social media and news coverage yields images of long queues of travelers snaking down airport concourses waiting to enter a realm of peace and pampering. I'm reminded of a quip by Yogi Berra, the American baseball great known for memorable aphorisms, "Nobody goes there anymore, it's too crowded." Travelers may promise to never subject themselves to another 30-minute wait, but the continuing popularity suggests they always return.

The problem seems most acute in the US, which is enjoying a confluence of contributing activity: the popularity of premium travel and co-branded credit cards. This trend defined the US industry for 2023, and will influence it for many more years to come, to include the rest of the world. Why has this occurred and what are the drivers? I offer five answers to this.



*Crowd control relies upon a velvet rope at this airline lounge. Image: Jay Sorensen*

1. **More wealth among the wealthy.** In the US, household income swelled at a record pace during the pandemic. From 2019 to 2022, the median net worth of American families jumped 37%, after adjusting for inflation.<sup>1</sup> It's the largest increase ever, according to a federal survey of consumer finances. Many upscale consumers simply have more money to spend.
2. **Personal space is more important.** Thanks to the pandemic, everyone wanted more space around themselves. This translates into demand for premium seating on aircraft and more airport lounge use.
3. **Social media makes us vain and envious.** Folks love posting pictures of perfect lives, and this includes selfies while stretched out in business class. Many envy the luxe life and this creates the desire to book something better.
4. **Influencers influence booking behavior.** Bloggers, VIPs, media stars, and self-promoters are so pervasive and convincing that we too can elevate our status through an upgrade.
5. **Airlines are better at retailing, but poorer with service.** Online booking has enabled airlines to sell direct to travelers, and to use pricing and promotion to encourage impulse spending. The service part is interesting because consumers perceive economy travel as "just acceptable" while premium service raises the experience to something that's "aspirational."

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<sup>1</sup> Changes in U.S. Family Finances from 2019 to 2022, US Federal Reserve report, October 2023.

Global network carriers are well-equipped to succeed in this environment. That's because they have the arsenal of hot products: premium cabins, airport lounges, long distance routes, and robust frequent flyer programs. Low cost carriers (LCCs) can find themselves at a significant disadvantage in this environment, and that competitive conflict will make this an interesting space to watch in 2024.

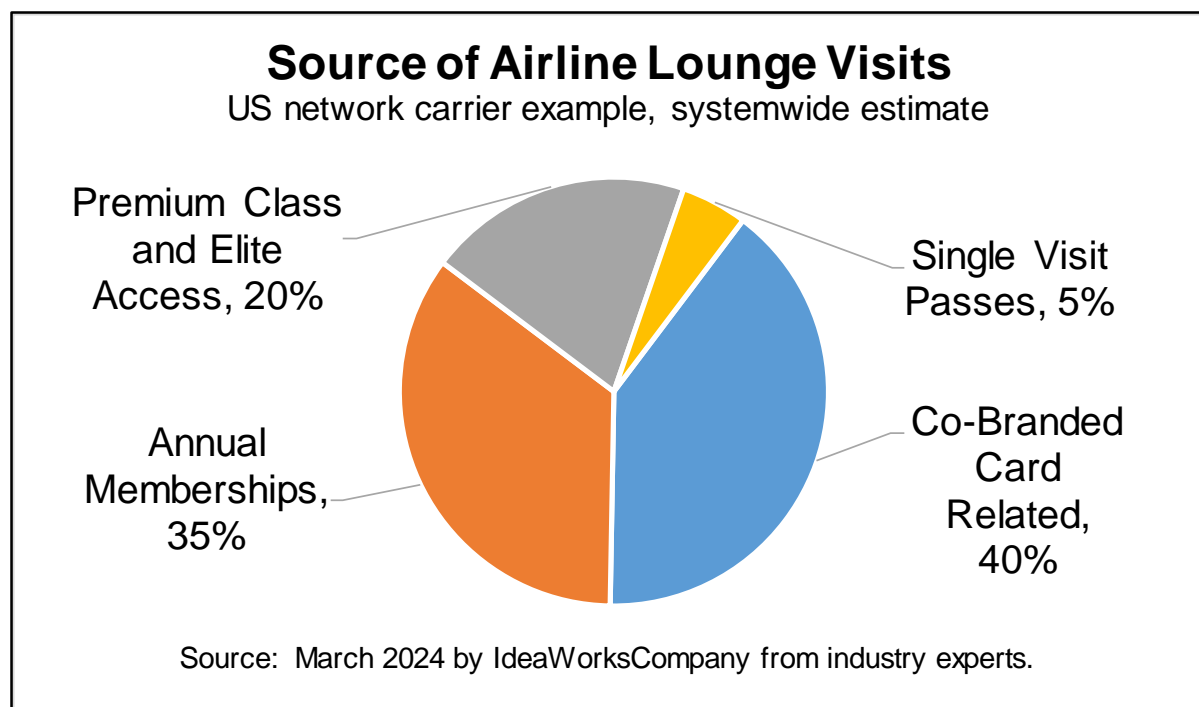
## A BUSINESS WITHIN AN AIRPORT

Airplanes come and go, but lounges are a bricks-and-mortar business focused on place-based hospitality. The lounges operated by airlines and vendors have distinct revenue streams, product design, employees, and management. While this is the most visible corner of the market, it represents just one category in the world of airport lounges. As shown in the table below, lounges can be built to meet the needs of a variety of purposes, guests, and economic models.

Types of Airport Lounges	
<b>Airline Operated</b>	Airline operated and branded lounge for access by premium class travelers, elite program members, lounge members, single-visit pass holders, and guests through airline partnerships. Airline responsible for location, development, operations, staffing, and marketing. This category includes branded lounges operated by the Oneworld, SkyTeam, and Star Alliances.
<b>Shared Use</b>	Lounge is developed, operated, branded, and marketed by an independent vendor such as Airport Dimensions. The vendor sells access directly to the public through single-use passes or participation in lounge access networks, such as Priority Pass. Clients of the lounge also include airline guests as a supplementary source of revenue. The airline pays for visits by premium class travelers.
<b>Airline Sponsored</b>	This is a shared-use lounge which is branded by an airline. Lounge is developed, operated, and marketed by a vendor. Clients of the lounge include airline guests (the airline pays for visits by premium class travelers) and the vendor also sells access directly to the public through single-use passes or participation in lounge access networks. The vendor also sells access directly to the public through single-use passes or participation in lounge access networks. The airline pays a sponsorship fee to the vendor.
<b>Bank Sponsored</b>	Lounge is branded by the bank. Lounge is developed, operated, and marketed by a vendor. Clients of the lounge are exclusively bank cardholders. Participation in lounge access networks can occur if allowed by the bank.



For airline operated lounges, the guest mix is influenced by the route network, airport type, cabin configuration, loyalty program, and customer strategy. Long-haul networks with business class require the supporting role of a lounge amenity. At one time, a focus on business travelers was the singular factor. Today's increased demand for premium experiences by leisure travelers has expanded the customer base. The perks provided by an airline to elite tier loyalty program members will also determine who visits the lounge. Likewise, co-branded credit cards can include lounge benefits which increases the guest load of a carrier's lounge network. The pie chart below displays the typical source of guests for a US network airline.



Airlines have many levers to adjust passenger traffic. Many of these can be readily changed such as flight schedules, size of aircraft assigned to a flight, pricing and inventory management. The same is not true for the lounge business. Yes, an airline can stop selling daily passes, but this represents the smallest slice of the business. Other categories, such as annual memberships, have long validity periods and this explains why moving levers up or down, to increase or decrease lounge traffic, poses challenges.

Let's examine the difficulties. Annual memberships have a one-year timeline, elite status likely represents a 2-year window for changes, and co-branded card agreements with a bank can have 8- to 10-year terms; and lounges require years to build. Business success with premium travel, elite tier programs, and credit card portfolios can overwhelm lounge networks which are inherently challenged by a surge of visitors. Thus we have social media coverage of guests waiting in line. Oddly, the obvious popularity of this perk and fear-of-missing-out has contributed to the popularity of lounges, as suggested by the Yogi Berra quote at the beginning of this report. Airlines hate this imagery and are eager to bring it under control.



Airline operated lounges encourage loyalty, provide enhanced service, define a carrier's brand, and support claims for providing premium service. Building new lounges takes time and can require piles of money. Delta and Atlanta's international airport announced a \$33 million lounge project in 2021.<sup>2</sup> The total price swelled to \$92 million by 2022, which now involves additional concourse-related components. As of 2024, the 20,000 square foot lounge won't open for years and is part of a massive project to improve Atlanta's concourse D.

Delta is also planning to open a second Sky Club at Seattle at 21,000 square feet.<sup>3</sup> Construction began in the 3<sup>rd</sup> quarter of 2022 and is expected to be completed by the end of 2024. The total cost of construction, which includes a new "Club SEA" lounge sponsored by the airport, is currently estimated at \$126 million.

Nancy Knipp, President of the Americas for Airport Dimensions, estimates construction, finishing, and fixtures cost at \$1,400 to \$1,800 per square feet for modestly appointed lounges in the US market. Even when a lounge is simply renovated, the cost is high. Delta filed a construction permit for \$18.7 million when it renovated and expanded its Sky Club in Nashville in 2020.<sup>4</sup> Building in an airport environment became much more expensive within the last 4 years.

Airlines are the primary tenants of airports and this provides an advantage when negotiating access for lounge space. Other tenants are concessionaires and airports seek to maximize rent and commissions from them. Key lounge operators globally include Airport Dimensions and Plaza Premium.

Lounge operators and sponsors, such as banks, are often required to promote their business case in RFPs (Requests for Proposal) submitted to airports. The RFP will describe the operator's plans for the space in terms of fixtures, facilities, and services. Airports place a strong emphasis on local culture and locally sourced food and beverages.

According to Nancy Knipp, leases of this type with facility improvements typically have a duration of 10 to 15 years, with requirements to refurbish the lounge at the midterm of a lease. Beyond facility rent, the airport can receive commissions on sales activity, which can be 10% to 20%.



*Sleep 'n Fly at Dubai adds sleeping compartments to the airport experience. Image: Airport Dimensions*

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<sup>2</sup> City of Atlanta, Georgia, Ordinance 22-O-1808, adopted 21 November 2022.

<sup>3</sup> "Concourse A Building Expansion for Lounges" at the Port of Seattle website reviewed March 2024.

<sup>4</sup> "BNA's Delta lounge set for major update" *Nashville Post* article dated 05 February 2022.

The counter staff at an airline operated lounge are usually employed directly by the airline. This key customer facing position, along with premium cabin crew, has regular contact with the highest revenue producing customers. Carriers place a priority on these interactions and fill lounge positions with knowledgeable, empathetic, and service-oriented people. Other positions, such as cleaners, food service, and shower attendants, are filled by employees provided by vendors. Sodexo and Compass Group are global service providers in this category.

The lounge business extends far beyond the reach of airline operated lounges into the categories listed in the earlier table. Within the airline category, these are the lounge networks described by the big global alliances: Oneworld with 600+ lounges, SkyTeam with 750+ lounges, and Star with 1,000+ lounges – a total of more than 2,350.<sup>5</sup> The LoungeReview.com website lists a global collection of more than 3,500 lounges, which include all types of lounges from airline operated to those sponsored by banks.

Shared lounges are popular with travelers because these offer access to everyday travelers. You don't need elite status or a business class ticket to enter, just buy a daily pass or join a lounge membership program, such as LoungeKey and Priority Pass. Two lounge operators dominate this space: Airport Dimensions and Plaza Premium Group. They operate networks of proprietary-branded lounges such as The Club (Airport Dimensions) and Plaza Premium Lounge. Operators can also support lounges sponsored by airlines, banks, and other entities.

## CREDIT CARDS AND LOUNGES ARE FELLOW TRAVELERS

High-spending consumers, premium travel, credit cards with perks, and lounge access are swirled together in a complicated relationship involving airlines and card-issuing banks. There should be no surprise that big money is the overlap of this Venn diagram. Globally, the revenue produced by co-branded credit card programs associated with airlines exceeds \$35 billion.<sup>6</sup> That's the money paid by banks to airlines for the miles and points accrued by cardholders, along with a host of other activities. Cards of all types can now include lounge access perks with those having the highest annual fees promising unlimited access.

This report focuses on the partnership between Delta Air Lines and American Express. That's because their financial disclosures are more robust than other airline-bank tie-ups. In its 2023 annual report, Delta disclosed \$1.104 billion of miscellaneous revenue which it said primarily comprised lounge access, including access provided to certain American Express cardholders." Let's assume 70 percent of this, or more than \$772 million, is generated by its Sky Club lounges. That's in addition to the billions received for SkyMiles mileage accrual from the SkyMiles AMEX credit card portfolio.

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<sup>5</sup> Oneworld, SkyTeam, and Star Alliance websites reviewed March 2024.

<sup>6</sup> "2023 CarTrawler Worldwide Estimate of Ancillary Revenue," press release dated 23 January 2024.

There are multiple ways to gain entry to a Sky Club, with a prevalent method being the purchase of an annual pass. This has proven too popular and elite status has been added as a criterion to reduce crowding. Those having Medallion status (Silver, Gold, Platinum, and Diamond) are allowed to purchase an individual annual membership for \$695 or \$1,495 for Executive membership which provides access for two guests. Membership provides unlimited access. To further reduce crowding, Sky Club stopped selling daily passes. It's a painful move, as these are regarded as offering the best operating margin.

Credit cards have become an extremely popular lounge membership alternative. My visits to Sky Club lounges in March 2024 as a prospective member were met with Delta employees eager to promote American Express cards offering lounge access. Employees would describe card lounge entry benefits courtesy of a laminated brochure kept at the counter. They would then suggest an American Express card, and didn't express a preference for the Delta SkyMiles card. The importance of the relationship is abundantly clear, as equal promotion was given to AMEX's proprietary Centurion and Platinum AMEX cards, along with Delta's own SkyMiles Reserve card.

Delta Sky Clubs and Credit Cards	
Card and Fee	Delta Lounge Access
<b>AMEX Centurion</b> \$10,000 initiation, then \$5,000 annually	<ul style="list-style-type: none"> <li>• Unlimited access (includes AMEX lounge network).</li> <li>• Must be traveling on a Delta operated flight.*</li> <li>• Guest fee: \$50 (family or up to 2 guests).</li> </ul> <i>Card is invitation only.</i>
<b>AMEX Platinum</b> \$695 annually	<ul style="list-style-type: none"> <li>• Unlimited access (includes AMEX lounge network).</li> <li>• Must be traveling on a Delta operated flight.*</li> <li>• Guest fee: \$50 (family or up to 2 guests).</li> </ul>
<b>Delta SkyMiles Reserve</b> \$650 annually	<ul style="list-style-type: none"> <li>• Unlimited access (includes Centurion lounge network).</li> <li>• Effective 2025: Limit of 15 visits (multiple lounge entries during a 24-hour period are a single visit).</li> <li>• Must be traveling on a Delta operated or marketed flight (excludes Basic Economy fares).</li> <li>• For travel on partner flights (such as Air France) not operated by Delta, lounge fee of \$50 applies.</li> <li>• Guest fee: \$50</li> </ul>
<i>Notes: Review of Quick Reference Guide provided at Sky Club locations, March 2024. * Delta-marketed flight operated by WestJet also qualifies.</i>	

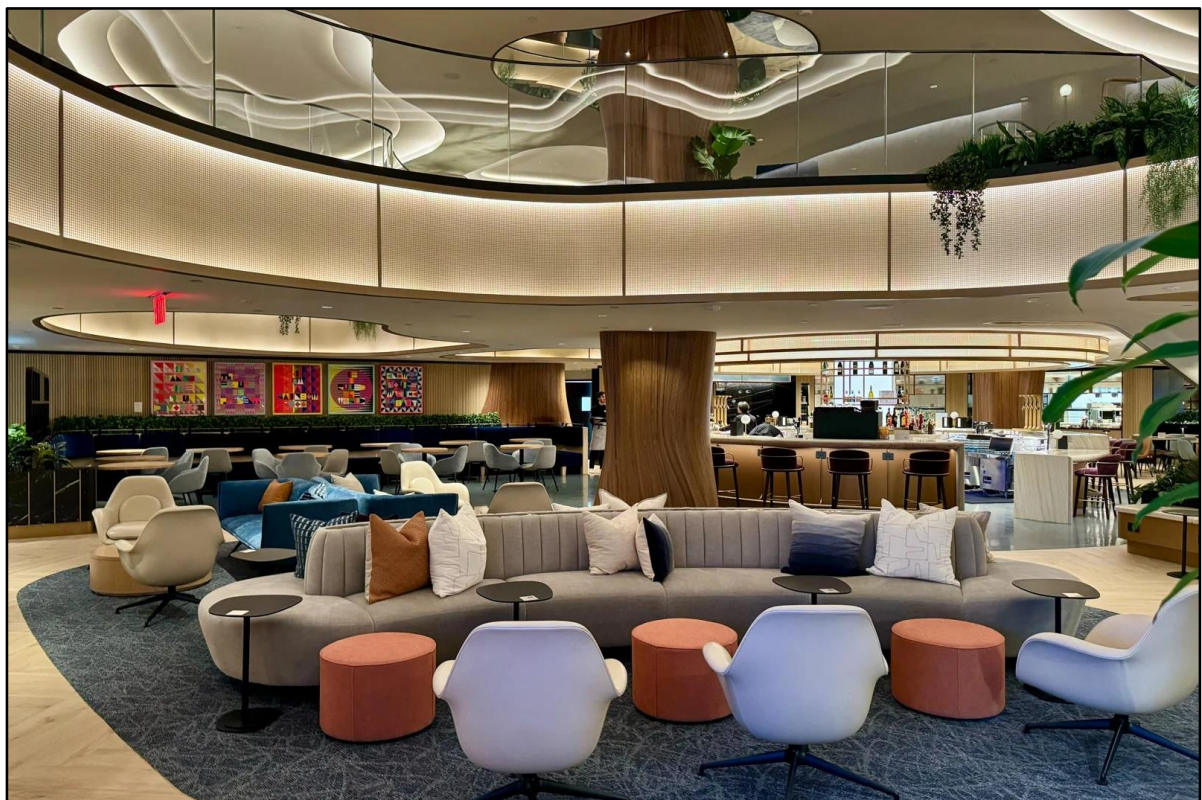
Among the levers to adjust lounge traffic is the access provided by credit cards. Peak crowding at hub locations has prompted Delta to limit visits by Delta SkyMiles Reserve cardholders to 15 visits annually starting in 2025. As of yet, the same restriction has not been announced for the AMEX Centurion and Platinum portfolios.



But the fascinating element is the complexity of these airline-bank friendships; the banks are also direct competitors of airlines. The big three banks that have relationships with top carriers (AMEX, Citibank, and Chase) also operate their own travel reward portfolios. Each offers reward cards that accrue points based upon charge activity in a manner similar to frequent flyer programs. Points can be redeemed to book flights, hotels, car rentals, and more, at online portals operated by the banks.

The Chase Sapphire Reserve Credit Card charges a \$550 annual fee and a recent online offer adds 60,000 bonus points. Booking through the Chase Travel portal delivers bonus points, such as 5X on flights and 10X on hotels. Very tellingly, the card includes a lounge benefit: “Complimentary access to 1,300+ airport lounges worldwide with up to two guests, including every Chase Sapphire Lounge by The Club location, after an easy one-time enrollment in Priority Pass Select.”

Beyond travel-related accrual and redemption, AMEX and Chase offer a network of their own branded lounges. The AMEX Centurion-branded network has 40+ locations and Chase, a more recent arrival, has six Sapphire Lounges open. The flagship location for Chase is the recently opened lounge at New York’s LaGuardia Airport, which is less than 10 miles from the bank’s global headquarters.



*The Chase Sapphire Lounge at LaGuardia, opened in January 2024, features a full buffet, circular bar, kids’ arcade, wellness spa, and a la carte private suites. The lounge is operated by Airport Dimensions for Chase.*

*Image: Chase*

The narrative so far has not mentioned Capital One. Let's compare portfolio sizes. Delta SkyMiles AMEX had 7.5 million cardholders in 2023.<sup>7</sup> Capital One has more than 100 million customers, and if it purchases the Discover Card, it will add 300 million more.<sup>8</sup> Adding Discover will also allow it to develop a card network to compete with Visa and MasterCard. Capital One labels its reward currency "miles" in an effort to compare itself to airline reward programs. In addition to its 50+ Capital One Cafes, the bank has started building airport lounges, which are generally operated by Plaza Premium Group or TAV Operations Services.

Capital One Lounges are open at Dallas/Ft. Worth, Denver, and Washington Dulles. The Venture X card, with a \$395 annual fee, offers unlimited Capital One Lounge visits and access to the Plaza Premium and Priority Pass networks. The bank also announced new sit-down dining lounges planned for New York LaGuardia and Washington Reagan airports.<sup>9</sup> Among the big card-issuing banks, Capital One is unique because it doesn't have a co-brand relationship with an airline. It's free of any conflict which may allow the bank to morph into a major travel retailer . . . with airport lounges, cafes, travel booking portal, and hundreds of millions of cardholders. At this rate, maybe the bank will start an airline.



*Capital One Lounges feature food stations, full bar, and grab & go food.*

*Image: Capital One*

## A GROWING CUSTOMER BASE IS UNCERTAIN

Research has shown when travelers are happy with the airport experience, they will spend more time there. Airport Dimensions conducts surveys to learn about airport travelers. Their November 2023 survey reached 9,300+ travelers in 16 countries, who took a minimum of two roundtrip flights during a 12-month period. When queried about trip purpose, 48 percent were leisure travelers, 25 percent visited friends and relatives, 22 percent traveled for business, and the remaining 5 percent were commuters or had other purposes. The survey identified a distinct trend for younger travelers to replace waiting at the gate with other airport activities.

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<sup>7</sup> "Airline Loyalty Becomes a Multi-Billion Dollar Club" IdeaWorksCompany report dated 16 April 2024.

<sup>8</sup> What to Know About Capital One's Proposed Acquisition of Discover," *New York Times* article dated 20 February 2024.

<sup>9</sup> "Capital One Just Announced New Airport Lounges and Major Perks at 'Premier Collection' Hotels – What to Know" article in *Travel + Leisure* magazine dated 18 October 2022.

Boomers, those born between 1946 and 1964, disclosed spending 33 percent of their time waiting at the gate or in a public area before boarding.<sup>10</sup> For younger generations, the result drops dramatically to 22 to 26 percent. Younger age cohorts spend more time browsing online content, gaming, sleeping, and finding something else to actively occupy time in the airport. The most important response in the survey reveals what percentage spend time in lounges:

- Boomers (age 60-78): 15 percent.
- Generation X (age 44-59): 12 percent.
- Millennial (age 28-43): 9 percent.
- Generation Z (age 12-27): 7 percent.

The overall average for the survey was 11 percent. These results do provide concern for the future of consumer demand. Today's airports have become more attractive venues for dining, drinking, and retail. There is opportunity for lounges to attract this spending. Most dramatic is the trend of younger travelers to be less engaged in loyalty. These are the responses to the survey question "Are you a member of a frequent flyer program?"

- Boomers (age 60-78): 61 percent.
- Generation X (age 44-59): 55 percent.
- Millennial (age 28-43): 50 percent.
- Generation Z (age 12-27): 38 percent.

The results display a definite trend. Loyalty program participation leads to applying for a co-branded credit card, which has the potential to include airport lounge perks. Airline executives know about this worrying trend and will work diligently to reverse it.

There is a practical reason for lower lounge and loyalty potential among young consumers – less disposable income. They are earlier in their careers and most have not reached peak earning years as others have.

On the plus side of this ledger is the continuous improvement of lounge facilities and amenities. In addition, lounge access is actively promoted like never before, with options now presented through an array of credit cards and fare bundles.

These efforts will attract new paid users, with the increased popularity of premium travel adding even more.



*How will airlines attract younger travelers, and convert them to become loyal lounge users and premium cardholders? Image: Capital One Travel*

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<sup>10</sup> Age cohort definitions: Research Guides, Library of Congress, reviewed March 2024.



## DELTA DELIVERS THE SKY WITH ITS CLUBS

The idea for this report began with a Delta annual report disclosure of revenue generated by its Sky Club lounge network. As described earlier, the carrier said it had 2023 miscellaneous revenue of \$1.104 billion, which was “primarily composed of lounge access, including access provided to certain American Express cardholders, and codeshare revenues.” Thus began my search to compose a story about airline operated lounges. Significant research was required to assess the scope and size of Delta’s US lounge network, along with visits to lounge locations. The table below summarizes the results of the calculations which were vetted by industry experts to assess reasonableness.

Delta Sky Club Network – Business Calculations		
Lounge Network Metrics		Basis of Metric
Sky Club Locations	55	US domestic network, February 2024
Average Club Size	12,000 square feet	Estimates calculated from size and/or seating data found for 39 of 55 locations. In addition, airport maps were reviewed to determine size, along with in-person visits.
Average Seating	240	
Average Square Feet per Seat	49	
Guest Turnover by Lounge Category		
Turnover factor is used to estimate daily guest traffic for Delta network		
Spoke City – Smaller	3X factor	Such as Kansas City, Milwaukee, Raleigh
Spoke City – Larger	5X factor	Such as Chicago, Denver, Miami, Newark
Hub and Major City	7X factor	Such as Atlanta, Boston, Orlando, Seattle
Lounge Visits		
Estimated Visits	82,900 daily 30.3 million annually	Turnover factor multiplied by seat capacity for each individual lounge location
Lounge Financials		
Net Paid Visits	24.2 million annually	Assume 80% are paid (credit card benefit or membership) and 20% are elite status or premium cabin guests
Annual Revenue	\$772.8 million	Assume 70% of \$1.104 billion miscellaneous revenue
Revenue	\$31.91 per visit	Annual revenue divided by net paid visits
Operating Expense	\$25.00 per visit	Assumption based upon industry expert, does not include capital expense
Operating Profit	\$6.91 per visit	Per-visit revenue less expense
Sources: Delta 2023 financials and IdeaWorksCompany research and assumptions.		

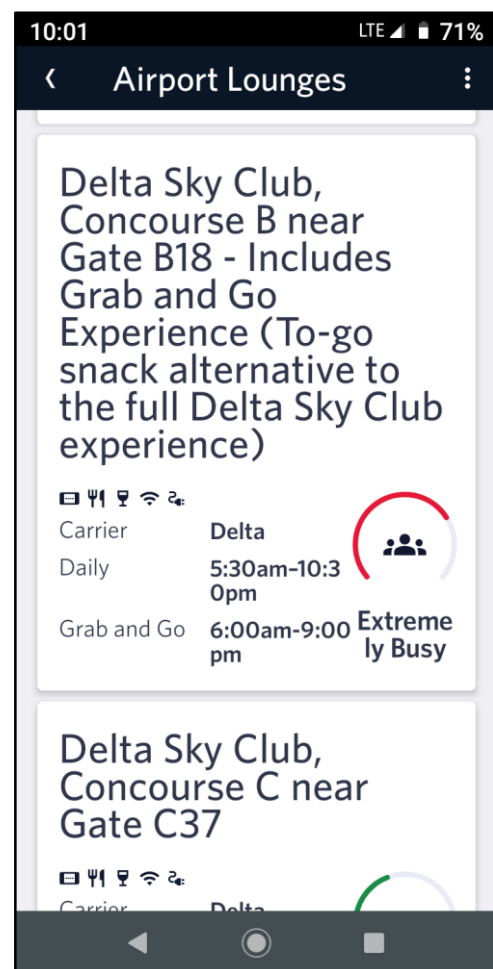
Delta is understandably proud of the lounge network it has created. Press releases announcing new locations or renovations often include details such as square feet and seating capacity. These details were found for 39 of their 55 US locations; sometimes both were identified for a lounge, or just seating capacity or square footage. For lounges with complete details, the average square feet of lounge per seat was found to be 49, and this result aligns with industry standards. The average metrics for Delta's domestic network are estimated to be just under 12,000 square feet, with a seating capacity average of 240 guests.

Lounge activity varies by location category and size of lounge. Smaller airports have fewer passengers and flights, and smaller lounges. "Turnover" is a tool to estimate the number of guests. For example, the turnover factor used for smaller airports, such as Nashville, was 3X. Multiplying Nashville's 275-seat capacity by 3 generates a result of 825 guests per day. The 13,500 square foot lounge was renovated in 2022, and its feet-to-seat ratio is calculated at 49. Larger non-hub cities, such as Denver and Newark, have more activity, and a higher turnover factor of 5X. Hub locations endure the highest level of guest activity due to successive banks of flights, and have the highest assigned factor of 7X. The calculations for one lounge at Atlanta generated a result of 1,120 daily guests. A visit to the lounge and conversation with front desk staff revealed the actual number is 1,300.

Delta's US lounge network was estimated to accommodate 30.3 million guest visits during 2023. The actual number of individual travelers is lower because guests may make more than one visit per one-way trip. It's fascinating to compare the scale of their lounge operations, as Frontier Airlines flew a total of 30.2 million passengers the same year. Sky Club traffic rivals major airlines on a standalone basis.

Annual lounge revenue is estimated to be \$772.8 million, which is 70 percent of the \$1.104 billion miscellaneous revenue disclosure. Direct

revenue is provided by individual memberships. Indirect revenue largely comes from American Express; when cardholders check into a lounge the bank pays a negotiated fee to Delta. The specifics of this fee are not known and payment caps may limit AMEX's exposure for cardholders who make very frequent visits.



*A timely tool for travel. Delta's mobile app offers advice on lounge availability.*

Total lounge visits are reduced to 24.2 million annual when non-paid lounge visits are deducted. Non-paid visits are generated by business class travelers and elite tier members who receive the perk of a lounge visit. There may be internal transfers to compensate Sky Clubs for this activity, but the visits don't generate external cash.

On an operating basis, Sky Clubs likely generate profits for Delta. But when capital costs are included, such as building new lounges at a cost of \$50+ million, net income is certainly elusive. But these lounges serve needs that go far beyond a pro-forma income statement. They are becoming branding icons to attract premium class passengers and to grow co-branded credit card portfolios. That they appear to keep their head above water on an operating basis is definitely a plus and may explain why US carriers have so eagerly improved features such as food and beverages. The viability of lounges as a standalone business has even tempted more LCCs to consider the business.

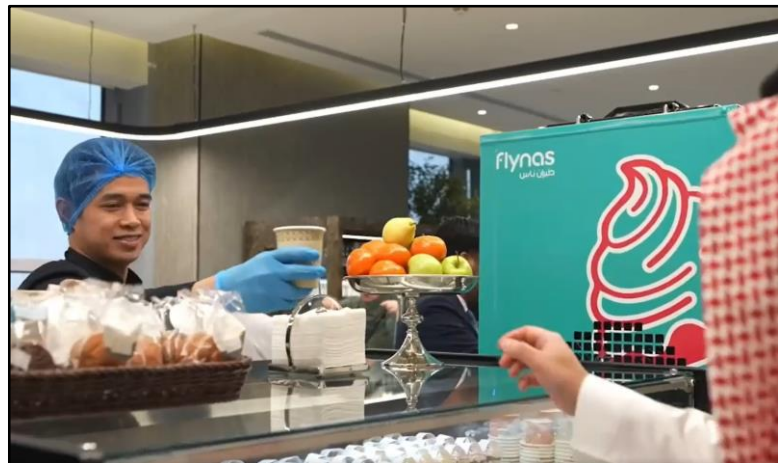
## ME TOO: LOUNGES BY LOW COST CARRIERS

Global network airlines are reaching for price-sensitive travelers with basic economy fares. Likewise, LCCs are seeking premium travelers with a la carte and bundled options for better seating, food and beverages, and airport lounges. Whereas the list of carriers operating lounges was once restricted to traditional airlines, the table below identifies eight LCCs that offer lounges:

<b>Airport Lounges – Low Cost Carriers</b> Airline Operated and Airline Sponsored					
Airline	Lounge Name	Airports	No Charge Admission Policies *		
			Premium Cabin	Elite Tier or credit card+	Passes
Azul	Lounge Azul	Viracopos	Business	Elite tier and credit card	Single visit
EasyJet	The Gateway	Gatwick	Flexi fares		Single visit
Flydubai	Business Class	Dubai	Business	Elite tier	
Flynas	Flynas Lounge	Dammam, Jeddah, Riyadh	Premium	Elite tier and credit card	Single visit
GOL	Lounge GOL Smiles	Rio de Janeiro, Sao Paulo	Premium Economy	Elite tier and credit card	Single visit
Icelandair	Saga Lounge	Keflavik	Saga	Elite tier and credit card	
Jazeera Airways	Pearl Lounge	Kuwait City	Business (Cairo flights)		Single visit
SpiceJet	SpiceLounge	Delhi, Kochi, Hyderabad		Credit card	Single visit
WestJet	Elevation Lounge	Calgary	Business	Elite tier and credit card	Single visit
<i>* Policies described are for primary travel; companion policies are not described. + Access varies by elite tier or credit card type. Policies reviewed at airline websites March 2024.</i>					



Lounges operated by LCCs, not surprisingly, are designed to be mindful of profits. These are functional spaces that offer the usual amenities without the grandeur increasingly associated with the lounges of global network carriers. In this regard, they do help reinforce the brand by presenting affordable luxury.



*The Flynas lounge in Riyadh is open 24 hours a day, 7 days a week, and includes the treat of soft serve ice cream.*

Some LCCs are seeking premium travelers by adding business class cabins. The usual path of development starts with a shared use lounge where the airline buys passes for its premium travelers. This can grow into airline-sponsored or airline-operated models as success is found in the premium market.

	<b>Lounge</b> Want to relax and unwind before your flight? Purchase flynas discounted business lounge access here
<b>Amman</b> <input checked="" type="checkbox"/> All passengers	
<b>Abraham Lincoln</b> <input checked="" type="checkbox"/> 125.00 SAR	

*The Flynas lounge is in the booking path; the box is below pre-order meals and above trip insurance. 125 Saudi Arabian Riyals is about \$33.*

Flynas in Saudi Arabia offers lounges at three airports for its premium class passengers and elite tier FFP members. Access is also offered as an amenity for Flynas Signature credit cardholders, and sold through the Priority Pass program. Its newest lounge opened March 2024 in Riyadh's King Khalid International Airport.

## PREMIUM TRAVEL IS FOREVER


I know, it's a bold statement. But the pandemic helped this genie to escape the bottle, and it won't be put back. The pandemic taught all of us the value of placing space between each other. Extra leg room seating, premium economy, and airport lounges were tools to achieve what some considered to be lifesaving amenities. This behavior continued as the world exited the pandemic with many consumers feeling the need to reward themselves for years of worried living. The good news for the airline industry is . . . people became comfortable with these extra comforts.

Airlines are eager to respond to the opportunity because they know a sizeable piece of business travel was taken by other new habits developed during the pandemic. Work-from-home became a necessity and a valued employee perk and opened us to the technological wonder of Google Meet, Microsoft Teams, and Zoom. Business travel was crimped because meetings of all types could occur from the comfort of a kitchen table. Many published statistics reveal 80 percent of the 2019 volume of business travel has returned, with 20 percent still missing. This has led to fewer high yield travelers in business class coupled with a smaller presence in lounges.

Premium travel has more than filled the gap in a traffic sense. Airlines have been increasing the size of premium economy cabins and have become ready retailers of extra leg room seats. Business class is being priced to appeal to upscale leisure travelers. These are activities which will naturally lift demand for lounge access, which is a fellow traveler on the premium path to profits.

CHASE CREDIT CARDS


Sign in



Sign in to apply faster

Apply as a guest

[\\* Offer Details](#) [† Pricing & Terms](#)



**United Club<sup>SM</sup> membership – up to a \$650 value per year**

United Club locations offer a place to work, relax, and enjoy complimentary beverages and snacks. Before you fly, you, as the primary Cardmember, and your eligible travel companions will enjoy access to all United Club locations and participating Star Alliance<sup>TM</sup> affiliated lounges worldwide.‡ For an updated list of United Club locations and any temporary closures, please visit [united.com](https://united.com).

*Behold the amazing alchemy of cards. The annual fee for the United Club Infinite Card is \$525 and it includes access to United Clubs. Membership alone for the lounges costs \$650 annually.*

The major development in the lounge business has been the influence of credit cards and the banks that issue them. Higher fee co-branded cards now feature lounge access. This includes portfolios associated with airlines and the proprietary cards issued by banks such as Chase Sapphire Reserve. Airlines are understandably excited by the revenue stream provided by these upscale trends. The new ideal customer is a cardholder paying a big annual fee for a card with club perks, who books premium seats, and spends a lot on the card. Lounges have grown from a gift given to the few, to a strategic tool that delivers billions in premium class and co-branded revenue. Be forewarned – your customers will have high expectations.

Think small.

**Our little consulting firm isn't much  
of a novelty any more.**

Dozens of major airlines and travel companies all over the world have hired us for consulting and research projects.

Now, when we attend conferences, we actually get to speak when the room isn't empty.

Clients no longer tease us for not having a big fancy booth in the exhibit hall.

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That's because once you know us, you realize we use every ounce, penny, and pound of our expertise to serve clients with the best of creativity, wisdom, and honesty.



*Building Revenue Through Innovation*

**For more information: [Jay@IdeaWorksCompany.com](mailto:Jay@IdeaWorksCompany.com)**