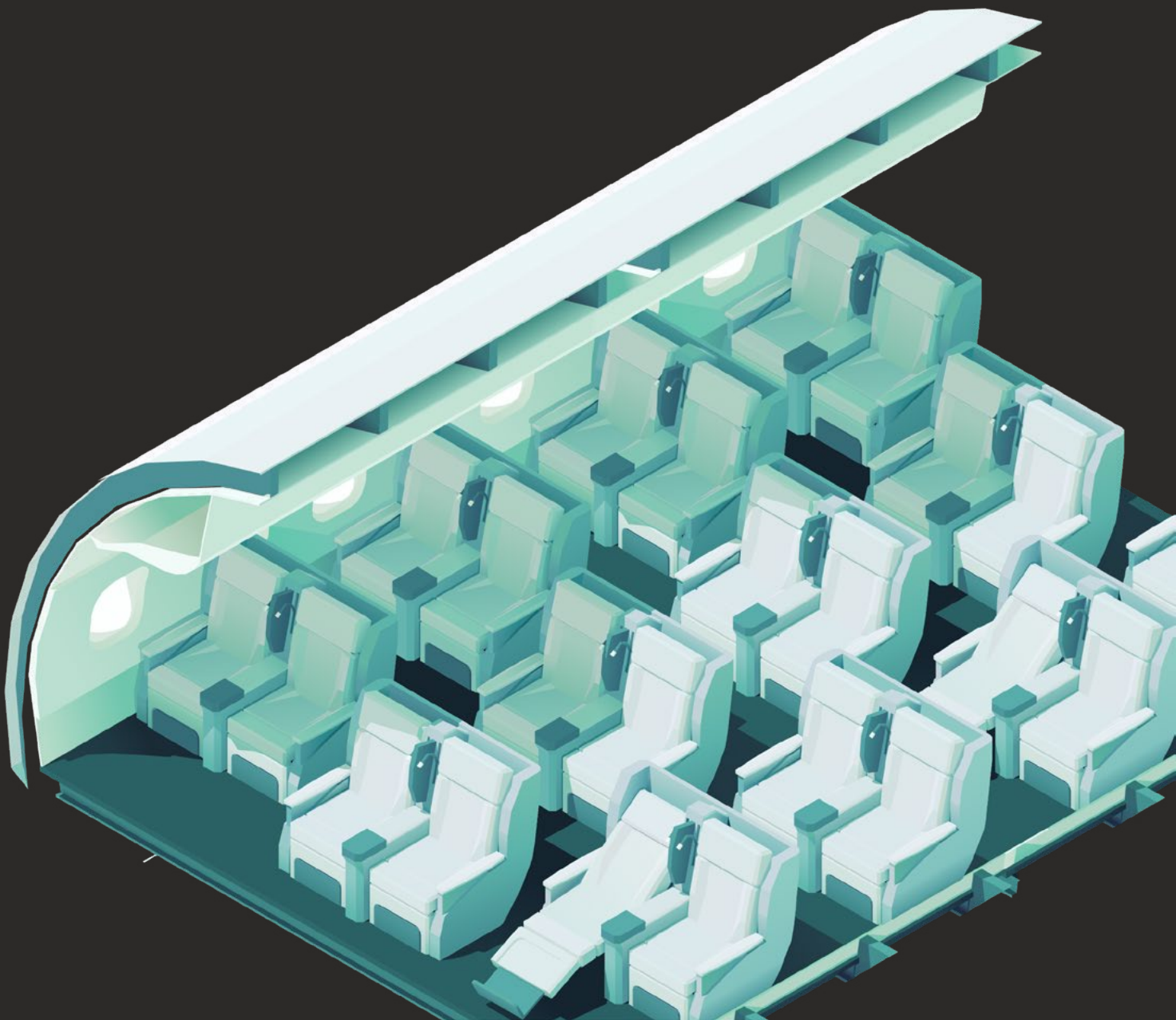




Data insight report:  
Can Premium Economy drive  
future airline growth?



In the 30 years since its introduction by Virgin Atlantic and EVA Air, Premium Economy has grown in popularity with passengers as more airlines have added the cabin class. Positioned between the economy and business classes both physically and conceptually, it has become the sweet-spot cabin for long-haul flying for both passengers and airline revenue analysts.

As air travel begins to rebound after the Covid crisis, what are the prospects for Premium Economy cabins in the changed travel environment? Will the demand to fly Premium Economy increase? Is there greater scope for airlines to embrace it? Our report aims to answer these questions.

This report features insights and analysis focused on commercial aircraft configured with cabins marketed as Premium Economy, with a separate cabin to economy class and distinctly different from any 'economy plus' or extra-legroom seats.

This report uses data from Cirium's Fleets Analyzer extracted in early-July 2022.



PREMIUM ECONOMY SEATS ON A FINNAIR A350

## Premium Economy at a glance

Cirium fleet data shows that 63 airlines currently offer Premium Economy. Of the 22,447 Airbus and Boeing aircraft currently in service or storage, 7.5% have a Premium Economy cabin installed. By comparison, 21% of these aircraft have a first class cabin and 40% a business class cabin.

Of the 1,689 aircraft with Premium Economy, 96% of aircraft belong to airlines while the other 4% are with entities classified under “Finance & Professional”, including lessors with off-lease aircraft. At the beginning of July 2022, four-fifths of the Premium Economy fleet was in service.

The slower resumption of long-haul travel following the pandemic has meant that widebodies are being reactivated at a slower pace than narrowbodies. Although some widebodies will re-join their airlines’ active fleets in the coming months, some others will not, having been either retired or returned off-lease amid capacity cuts. This has particularly impacted four-engine types like the Boeing 747, Airbus A340 and A380, numerous examples of which operated with Premium Economy cabins before the pandemic.

Five years ago, in June 2017, there were 42 airlines operating aircraft equipped with Premium Economy. The 84% rise in the number of aircraft carrying this type of cabin has resulted not only from existing operators’ expanding their fleets but also from additional airlines launching their own version of the class.



# Premium Economy

A S N A P S H O T



July 2022

## 63 airlines

currently offer Premium Economy

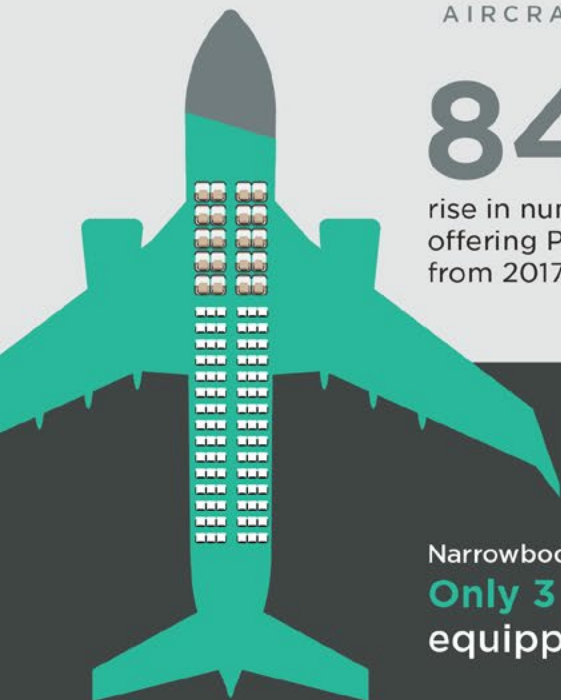
VS

July 2017

## 42 airlines

with Premium Economy cabins

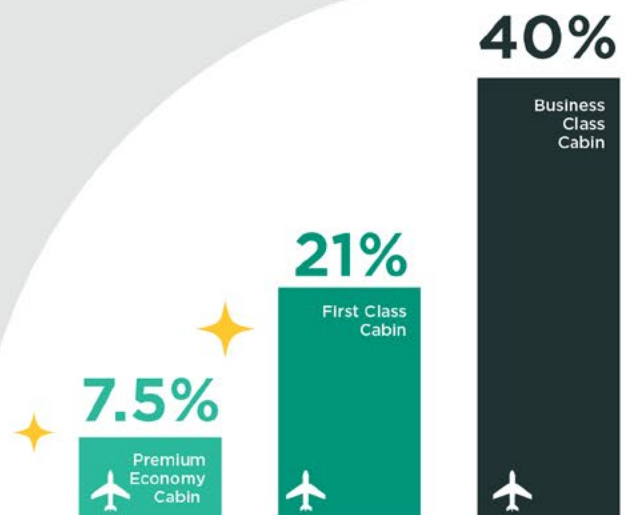
AIRLINES



AIRCRAFT

## 84%

rise in number of aircraft  
offering Premium Economy  
from 2017 -2022



Premium Economy cabins feature dominantly on **Widebody Aircraft**

Narrowbody Aircraft

**Only 3 SAS Airbus A321LRs**  
equipped with **premium economy**



LOW COST AND START UPS

Start-ups and low-cost airlines are also introducing Premium Economy offerings

 **AIR PREMIA**

**56 Premium Economy seats**

LOW-COST CARRIERS:  
**Eurowings Discover, French Bee, Norse Atlantic** - 20 widebody aircraft in service

# Global Premium Economy cabin highlights



## REGIONAL SNAPSHOTS

### Premium Economy Cabins



#### Asia Pacific

The adoption of Premium Economy by Asia Pacific airlines has resulted in it becoming the second largest region by fleet size after Europe. Since 2017 the number of aircraft equipped with the cabin class has grown by 39% to a current fleet size of 500 aircraft. Asia Pacific is also home to the most Airbus A350's offering a Premium Economy cabin, with 142 examples operated by eight airlines. The biggest growth in the region over the past five years can be attributed to China. The major Chinese carriers have all debuted Premium Economy, with the cabins introduced via brand-new A350s and 787s. Currently, 69 Chinese widebodies featuring Premium Economy are in service.

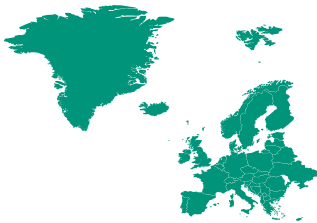


## United States

The US carriers have contributed most to the big growth in this cabin segment. American Airlines and Delta Air Lines each began to operate aircraft with new Premium Economy cabins in 2017. United Airlines followed suit in 2019. From the first few aircraft five years ago, there are 346 Premium Economy-equipped widebodies now in service with the three US majors, our data shows. Rollout of these new cabins by the three airlines has been achieved both through the acquisition of brand-new aircraft and through retrofitting older widebodies.

United officially started operating its 'Premium Plus' offering in March 2019, and Cirium data shows that 155 aircraft are now equipped with the product. The majority have been retrofitted with the new cabins during maintenance. Research using Cirium's Ground Events data reveals that between early 2019 and mid-2022, 102 United widebodies visited HAECO's MRO facility at Hong Kong, where some of the installations took place.

There are more Premium Economy-equipped aircraft operating with the US majors than in any other country. They account for a quarter of the aircraft in our sample.



## Europe

The largest European airlines have offered Premium Economy for many years, but recently two more flag carriers have invested in their own new cabins and are now putting the reconfigured aircraft into service. SWISS recently installed Premium Economy on its Boeing 777-300ERs, with retrofits of all 12 aircraft completed during the first half of 2022. Retrofit work has also begun on Finnair's Airbus A330-300 and A350-900 fleets. The 27 aircraft are receiving new Premium Economy cabins together with a brand-new business class. HAECO is supplying seats for both cabins.

Both Swiss and Finnair have debuted brand-new seat models in these cabins. Seat OEMs are evolving their products as the Premium Economy concept matures. The ZIM PC-02 seats for Swiss are the first from a large order placed by the Lufthansa Group. The German flag carrier introduced Premium Economy in 2014 and, eight years on, the latest-generation seats are part of the group's plan to refresh this cabin.

Dutch flag carrier KLM is to install the new 'Premium Comfort' cabins together with new business class seats on its 777 and 787 fleets.



## Middle East

Middle Eastern operator Emirates plans to retrofit 120 aircraft with new Premium Economy cabins. Installations are set to begin in the winter. Premium Economy cabins already feature on six factory-fresh Emirates A380s, the last examples of the double-decker aircraft to be built.

Emirates Airline president, Tim Clark, has lauded the new cabin class as a hit with passengers. On services operated with the initial Premium Economy equipped A380s, some economy class passengers have been allocated these seats, granting them a preview of the new onboard product prior to its official launch in August.

## The commercial potential of Premium Economy

Lufthansa has indicated how valuable the class is to them. In 2019, the group's Chief Customer Officer for network airlines, Harry Hohmeister, dubbed Premium Economy its "money-generating machine". Premium Economy is Lufthansa's most productive cabin for revenues per square metre, 33% higher than economy and 6% higher than business. Three years on and the airline has reported that demand for premium classes is recovering faster than demand for economy, despite the return of business travel lagging behind that of leisure travel.

Airlines that have been hesitant to introduce Premium Economy, for fear that business travellers would trade down from business class offerings, may find those fears realised. Reduced business travel budgets and evolving staff travel policies will dictate how business travellers take long-haul trips going forward. If business travel fails to regain pre-pandemic levels, there may well be a greater reliance on Premium Economy to capture revenue from premium leisure travel instead.

In June 2021, HSBC suggested that European legacy carriers could counter a reduction in long-haul business class revenues by expanding Premium Economy cabins, either through replacing a portion of business class seats or by removing loss-making first class cabins entirely.

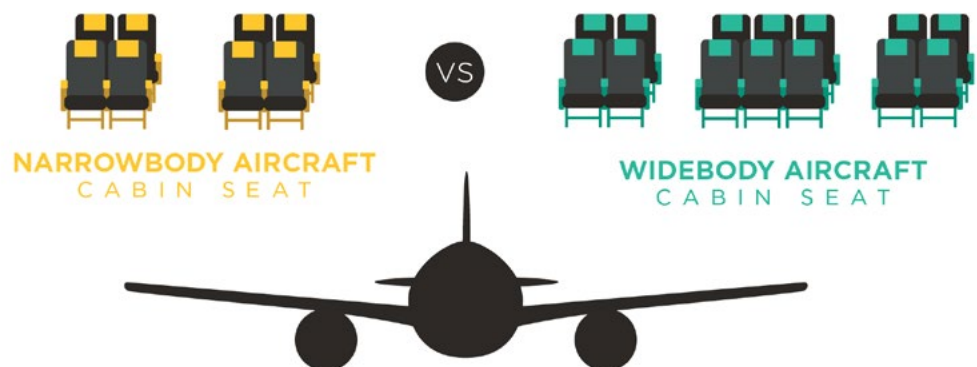
## An opportunity for narrowbody aircraft

Premium Economy cabins have typically featured dominantly on widebody aircraft, as the service class would only be part of an airline's seat offerings on long-haul, intercontinental routes. Two exceptions in recent years include the Boeing 757-200s operated by Paris Orly-based OpenSkies and the short-lived Primera Air Scandinavia Airbus A321neos.

Both airlines configured their narrowbodies with small Premium Economy cabins, featuring seats in a 2-2 arrangement, and operated their small fleets of these aircraft on transatlantic services between major cities in Europe and the eastern seaboard of the USA and Canada. Since the carriers' demise the 'narrowbodies configured for long-haul' concept is regaining traction, but this time driven by larger, legacy carriers.

SAS recently received three Airbus A321LRs which include a 12-seat Premium Economy cabin in a 2-2 configuration. Our data shows that these are currently the only narrowbodies equipped with Premium Economy. The three-class layout of the A321LRs complement the configuration of SAS's widebody fleet, and they have been acquired to operate alongside its A330s and A350s on long-haul routes: specifically for long and thin routes where passenger demand would not warrant the use of a widebody, and to open new markets too. SAS launched Toronto services in June with A321LRs operating across the Atlantic from Copenhagen and Stockholm.

It seems likely that more narrowbodies will be configured with Premium Economy. That trend is partly driven by the upcoming A321XLR, the aircraft's latest variant, which offers the longest range of any Airbus narrowbody to date. United Airlines has confirmed that its A321XLRs will include 'Premium Plus' between the business and economy cabins. Cirium fleets data shows that the first examples are set to be delivered in 2024, when they begin to replace United's Boeing 757-200s, which have been deployed on long and thin international routes for many years.



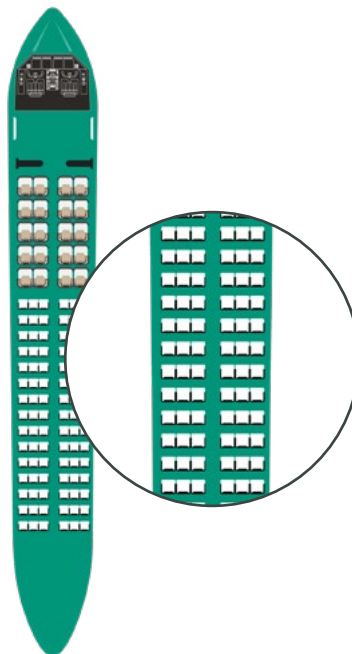


## Premium Economy - driving cabin size evolution

A key characteristic of Premium Economy cabins has been the relatively low number of seats installed. The small cabin size is tailored to create a quiet, exclusive space, a part of the product's premium positioning. Most cabins have up to 40 seats, but in the past few years seat counts have been rising. Part of the Qantas A380 retrofit work has involved expanding the Premium Economy cabin from 35 to 60 seats, at the expense of removing 30 seats from the economy cabin. British Airways has doubled the size of Premium Economy in some of its three-class 777-200ERs, from 24 to 48 seats.

Of course, it is not just retrofits; brand-new aircraft are also receiving amply sized Premium Economy cabins. ANA's A380s include 73 Premium Economy seats, as part of a configuration designed specifically for the leisure-orientated demand of the Tokyo Narita to Honolulu route on which these aircraft exclusively fly.

The largest Premium Economy cabins currently flying could be considered anomalies, given the very specific use of the aircraft on which they are installed. Singapore Airlines operates some of the world's longest flights from its Changi hub, using seven specially configured A350-900ULRs. Equipped with 94 Premium Economy and 67 Business class seats, these ultra-long-range aircraft have a premium-heavy configuration to match the premium nature of the flights they operate.



## Start-ups and low-cost carriers



### START-UP CARRIERS

Traditionally, Premium Economy has been introduced by established airlines, typically between existing cabin classes. But now even start-up airlines are incorporating Premium Economy into their initial operating strategies. In 2018, Korean newcomer Air Premia announced its intention to commence operations with aircraft featuring both Economy and Premium Economy cabins from its planned launch in 2020. Cirium's fleet data shows that Air Premia has configured its first Boeing 787-9 with 309 seats, the Premium Economy cabin containing 56 seats.



### LOW-COST CARRIERS

In contrast to the traditional full-service airlines, low-cost carriers have also begun to introduce Premium Economy, although currently just five LCCs offer their own take on the cabin class. Beyond Air Premia, the other four are all European: Eurowings Discover, French Bee and Level are all subsidiaries of other airlines, with the exception of recently launched Norse Atlantic. Only 20 aircraft are currently in service across these five airlines; all widebodies operated primarily on long-haul routes.

## Premium Economy – the way forward

It will take time for passenger traffic to return to pre-pandemic levels, and the make-up of demand is expected to be significantly different than before. Airlines face a huge challenge in determining how to adapt to this evolving marketplace. They will need to assess business and leisure traffic levels across different markets and find an optimal balance of seating capacity across different cabin classes.

Against this backdrop, the outlook for Premium Economy looks promising. There will be further installations – albeit not, perhaps, at the same high rate of the past few years, as the US majors have retrofitted most of their aircraft. Airlines will expand Premium Economy cabins on widebodies – installing new seat models with the latest IFEC and power equipment – while taking delivery of new narrowbodies featuring the cabin class and deploying them into new markets.

In the event of business travel not regaining pre-pandemic levels, or as growing demand for premium leisure offerings increases, airlines may find that adopting Premium Economy offerings into their strategies could enable them to capture crucial revenue opportunities.

**Analysis and commentary from James Mellon, Senior Aviation Data Analyst.**

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