Case Study: Coupon Level Audit Reveals Underreporting by Airline

Summary: Our customer used coupon level audit to catch a major airline underreporting their incentive revenue to the tune of several million dollars!

The Problem:

Frank was repeatedly puzzled as to why his numbers for a major Asian carrier seemed to be falling short of the mark. Frank was the Airline Supplier Relationship manager of a major Travel Agency Consortium/Group and even though they had a diverse set of agents in their network ranging from TMCs to retail and home-based agents, their consolidation and OTA division were also strong performance. Surprisingly their revenue on this airline showed growth year on year in a linear manner. It was therefore extremely disappointing to see no pattern as to why they kept falling short of the top tier for incentive commissions.

The Solution:

Frank had introduced Airline Metrics into the group six months ago and had also loaded up historic data files. This meant he could go back to two years and compare performance for current year. The more he looked at the numbers the more he was suspicious of something not being quite right. He had repeatedly asked the carrier to verify their reports and they kept coming back saying that their reports looked fine. So finally he wanted to lay the matter to rest as the differences between Airline Metrics estimated flown revenues and the carrier reported numbers kept varying between different months. At this time he sat down with the airline account manager and laid out the numbers in front of him and insisted that they carry out a coupon level audit for three months of data which showed the highest variance. Initially there was resistance but since the travel group was a major producer for the airline they could bring enough pressure to bear on the airline to agree to this audit. So after much toing and froing the airline after another four months sent out the three months of coupon level information as requested by Frank.

The Result:

The audit revealed some shocking results! Frank found that the airline reported exchange tickets (or rather flown coupons which were for exchange tickets) at zero value! Which means the original tickets sold retained all the value which were never flown. Instead of reassigning the value of the flight coupons to the sectors that were exchanged these coupons were not being counted towards the revenue generated. The result was a major discrepancy in the airline incentives being paid to the group as the revenue not counted because of the exchange ticket error ran into millions of dollars. As you can imagine this created a huge ruckus on both sides and a proven breach of a contract resulted in a threat of a lawsuit on the carrier. To limit the damage the airline not only repaid the agency group the amount owing on the current contract but also back paid the amount for the past two years as by using Airline Metrics' projected flown revenue reports which re-prorates exchange tickets they could come up with the exact amount of incentives they had been underpaid. The ROI on the group's Airline Metrics investment was in the multiple hundreds of percentile just by this use case.