AirlineMetrics
Maximising Margins

# Case Study: Airline Report Audit

**Summary:** Auditing an Airline Contract using Airline Metrics resulted in the inclusion of an additional 70% of revenue by an airline.

**The Problem:**

One of our consolidator customers in Canada had a long-standing relationship with one of the major carriers in their market. They had an incentive contract in place for many years – more than a decade or so and these were renewed each year without them looking into the many changes in the actual body of the contract because of time constraints, limited resources and other priorities. Jane, the CCO of the business, decided that they needed better visibility of what was being remunerated and what wasn't as the contract was getting more and more complex and cumbersome to manage.

**The Solution:**

Jane introduced the Airline Metrics solution to the business. Her first agenda after doing so was to make a presentation to the top management and company board about how the strategy to manage the air business was going to change from here onwards.
She opened her presentation by stating, "Please be prepared that we may terminate the contract with this airline" sending the entire room into a shocked and pin-drop silence. And before those present could start objecting to her statement she dropped her next bombshell saying, "We have not been paid on 70% of our revenue over the past five years".
And before she could be challenged by any of them she presented on the screen the projected flown revenue numbers by RBD for the carrier per month for the past three years extracted from Airline Metrics.


Jane then stated that over the years the carrier had excluded the top two RBDs from their incentive contracts for the past five years that were responsible for almost 70% of their revenue. She said there was no conceivable reason for those exclusions as they were not internet farers nor were they cheap. Quite the opposite as these were high yield fares used a lot by the business sector. For them to lose

that much income in incentives over so many years due to lack of visibility and a clear move by the airline to insert those exclusions led her to believe there was no way out but to reconsider the relationship with the airline if they were not remunerated properly.

**The Result:**

Jane had unanimous support from the company's management team and board to do as she proposed. She confronted the airline with the data and asked for a viable reason why these were excluded in their incentive contracts. The airline amended the contract with immediate effect to include both those RBDs retroactively from the start of the current year contract period and also brought into the agreement 50% more in terms of marketing support which was unconceivable at the beginning of the year. Just by ensuring that an audit was conducted on each airline's contract triggered a huge gain for the business.