

Case Study: Move more traffic towards the direct channel

Summary:

We enabled one of our airline customers to boost direct channel web sales from 8% to 15% over the previous year in a static and competitive market.

The Problem:

Lena is the Sales Manager for a mid-sized European airline. She was pondering the fact that the cost of sales on four of the key routes she was managing was increasing and the yield was declining over the past four years due to higher competition. The challenge was where best to channel the costs – on the direct channel via their website or the indirect agency channel with higher incentives. She considered the indirect channel very valuable for the reach and depth of clients it could produce but it was challenging to manage the position with higher commissions and incentives as it was going to blow out her budget. The problem to ponder was how to strike the right balance and drive more revenue through the direct channel without losing the support of the indirect channel.

The Solution:

Lena had access to Airline Metrics which produced sales and forward revenue numbers on each sector by channel and IATA number. So she started looking at the mix of business from the four sectors that accounted for most of her revenue volume. Breaking down the business source not just at a channel level but also at a RBD and fare level in Airline Metrics showed a clear pattern of yields on each of those

Flight No	Fare Basis	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Gr
YY41	OLSGUQV	18,193.12	13,568.36	13,159.72	9,327.26	15,530.88	7,001.00	4,328.06	12,096.00	2,662.19	8,775.96	9,732.28	0.00	114
YY94	IZK9A	15,397.61	13,925.34	2,678.54	13,078.78	6,633.77	0.00	23,599.42	2,797.68	0.00	16,184.28	6,926.80	0.00	101
YY41	OUTCG	9,011.91	18,368.45	17,812.28	13,410.26	10,724.77	3,235.65	3,221.45	4,229.52	7,888.80	6,061.13	1,445.90	0.00	95
YY93	IZK9A	13,813.99	10,553.81	0.00	13,317.75	6,517.35	20,863.42	8,548.90	5,738.63	3,581.50	3,698.92	0.00	7,177.96	93
YY42	OLSGUQV	0.00	10,843.00	13,861.22	12,098.83	12,383.54	10,322.50	1,106.00	8,212.56	5,346.50	3,858.50	12,398.26	2,734.48	93
YY42	OUTCG	191.42	9,844.20	16,705.70	14,370.69	11,891.02	9,211.16	1,166.58	4,702.38	6,068.53	9,339.92	5,872.22	936.30	90

routes. She noticed particularly on two routes that a higher percentage of fares were sold at the lower end as they were primarily used for short lesuire trips while the other two routes attracted higher yeilding corporate fares. This completely clarified how she could approach the market. She pushed in higher incentives for her agency partners for those two higher yeilding routes and lowered them for the lesuire oriented ones. The savings from the above she channeled into direct marketing in those cities to reflect the retail focus of those flights.

The Result:

It was a very clever move because within a few weeks the direct web based sales from those two cities started climbing higher which lowered here customer acquisition costs. On the other hand because she had boosted the incentives for her agency partners on the higher yielding fares, they were more than happy to support all four sectors for the rewards gained. Not only did Lena manage to turn drive higher sales from their website but also kept the agency partners onside without losing any goodwill to achieve the best of both worlds. Her costs were contained and targets achieved without any major compromise.