Case Study: Risk Mitigation on Airline Incentive Contracts

Summary: We de risked the exposure on a very complex airline contract for one of our large North America based agency group.

The Problem:

Will, the CEO of a large North America based agency group was worried about the risk posed by the recent contract signed with a large middle eastern carrier. The risk was completely on their business if they did not put in the right claim amount each month and could cost them thousands of dollars in lost income each week if they got it wrong. The contract stated that the airline would remunerate the agent based on a flat dollar value per "O&D segment" sold based on the RBD of the booking. A segment was defined as to where the passenger originated to the turnaround point of the trip regardless of any sectors flown to get there. The return journey was considered a second segment. The onus was on the agency to make the correct claims less any refunds each month. There were also other complex conditions and exclusions stated on the contract.

The Solution:

Will engaged Airline Metrics to track the value of each trip on this carrier and prepare a detailed report that showed clearly each "segment" value claimed. Airline Metrics' TripCube module combined with the flown revenue sector based information allowed Will to generate the reports with precise accuracy.

One of his senior analyst was able to setup the reporting process at a summary and ticket level each week and it only took him minutes to pull the data out of the Airline Metrics solution.

The Result:

The airline was very impressed with Will's team and started recommending their agency to a number of their customers as the benchmark in terms of numbers and analytics. Will was able to also show some of his corporate customers the feedback from this large carrier that boosted their brand equity without spending anything on marketing. The complexity of the deal went from being a major disadvantage to being used as a USP by Will's sales team to showcase their reporting capabilities to customers and airlines. It setup a 360 degree view on their air sales with relative ease which they were not able to achieve before.