

Case Study: Audit Markups and Compliance

Summary:

Implementing Airline Metrics brought in a high degree of transparency on ticket markups as well as the ability to audit compliance of travel policies related to negotiated fares for one of our large travel buyers.

The Problem:

Wes, the CFO of a company that had an annual air spend of over USD 50 million each year wanted to bring in a process to audit negotiated air fares being used and get some transparency on what levels of mark ups were being applied to various tickets by their TMC (Travel Management Company/travel agency). Wes kept hearing back from several carriers with whom he had setup agreements with negotiated airfares that they were not utilising them to the level agreed and they were at risk of losing them. In addition, he was not sure what level of markups were being applied against various tickets by their TMC in addition to the transaction fees being charged. All external reports were currently received either from the TMC or the airline which meant the source data used was not independently verifiable.

The Solution:

Wes brought in Airline Metrics to address the above issues. Airline Metrics sourced data from IATA ARC and BSP files which enabled access to source ticket data used to settle payments between agents and airlines. This meant all transactions – not just tickets but also refunds, exchange tickets, debits and credit memos were available in the data files which could be accessed in detail. The ability to not just query information but also view a ticket image during the audit was a great help. It enabled the business to probe high priced tickets and validate travel compliance as well as any unusual charges applied. Since the system was a global plug and play solution, it could be rolled out to all overseas offices as well which had high air spend.

The Result:

The resulting audit highlighted several areas that needed to be addressed. Firstly, it was true that a number of airfares being used were outside of the negotiated fares agreements. There seemed to be three reasons for this:

- (a) low inventory made available by airlines for those fares
- (b) the TMC was able to source a cheaper airfare on the same carrier in the market (or by using other fares made available to the TMC directly) or
- (c) the TMC had not made those updates in their online booking tool or advised their travel consultants about those which meant further training and process changes were needed at the TMC end.

In addition, Wes found out that various levels of markups were applied to tickets in addition to the transaction fee being paid by the company to the TMC. This was a significant find that added a huge amount of cost to the company which could be renegotiated with a proper framework.

Implementing Airline Metrics brought in significant savings and efficiency to Wes' organisation and he was able to put in a proper process around auditing their air spend.