

Case Study: Fair Market Share V True Market Share

Summary:

We helped redefine a key measurement criteria to enable a company to take back negotiating power during contract discussions with market dominant airlines.

The Problem:

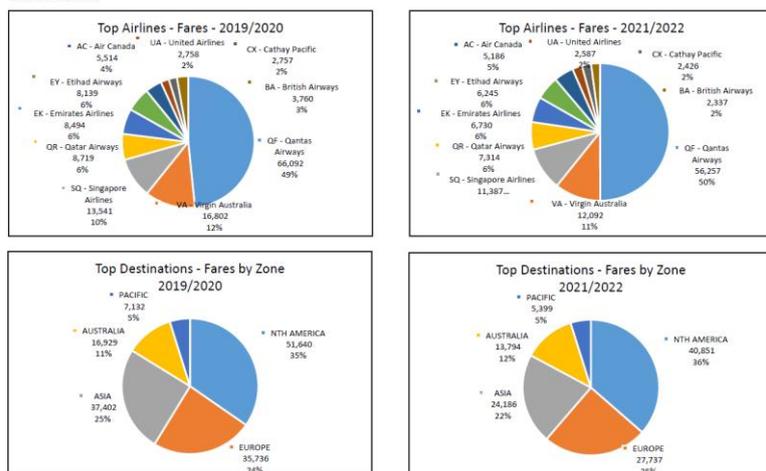
Most of the large airlines in the North American market have been using the concept of FMS or Fair Market Share for a long period of time as the basis for measurement of corporate air spend. This concept not just confounded Michael a travel buyer for a large company, but most of his peers within the travel procurement industry. After doing a lot of research, reading up available literature and talking to numerous “experts”, he concluded that it was an extremely one sided, convoluted and opaque set of standards cloaked in “statistical validation” that carriers have been using to hold the upper hand during contract negotiations. The FMS concept has been so entrenched that it was just an accepted norm and it stacked the deck against the corporate travel manager. How then could Michael wrest back some control during negotiations and use a different data set that brought in more transparency and set the terms which would be clearly understood by both parties especially in the post pandemic world?

The Solution:

After looking at various solutions available in the market Michael settled on Airline Metrics. There were two different options he could use – one was a reporting service that provided him a monthly set of reports and the other was their online cloud-based solution which he could use to deep dive into for data analytics. Using Airline Metrics Michael introduced a concept of “True Market Share” which he branded TMS. This was based on multiple data points. It would cover not just spend by airline to various destinations and on various sectors but it could also provide him with the number of passengers travelling with a breakdown per carrier used. This provided him with better insights on not just spend value but also passenger volumes by carrier. In addition, he could access sector by sector reports and break them down by cabin and booking class. By stacking this information into a TMS graph, Michael could provide a completely different data set to the airlines based on factual transactional ticket data. This differed widely to the statistical model presented by airlines based on assumptions.



International Fares Chart (\$000s)



The Result:

Michael was able to successfully challenge carriers using information that differed significantly to the TMS model. Each ticket and flight coupon could be tracked and assigned back to the new model that he presented making his arguments fact based. This was a new concept for airlines who had never been challenged about their data set before and they found it hard to counter this transparent system. This enabled Michael to have several wins in negotiations as he would not just accept information provided from the airline systems. Whilst these negotiations were not easy, they did enable Michael to bring some balance into the discussions. Whilst carriers were not willing to instantly change their model, he was able to gain significant concessions and added perks for his colleagues when travelling on flights with contracted carriers. Michael's management team recognised his efforts and he won the company's innovation award that year.