AirlineMetrics
Maximising Margins

Case Study: Spend Optimisation using Booking Class Analysis

Summary:

Using Airline Metrics helped one of our travel manager customers to balance air travel budgets against the growing need for employee travel without imposing cuts on trips.

The Problem:

Joanne like most other travel managers for companies with significant air travel spend were caught off guard not just by the incredible demand for travel but also massive price increases by airlines post pandemic. The two years of the pandemic had cut travel and subsequently travel budgets dramatically and the rebound was not estimated to be that strong during annual budgets by the company's management team. Whilst their own business picked up the travel budget was being spent at an alarming rate by the company's executives. Joanne was asked mid-year to cut air travel costs by up to 30%. How could Joanne balance the need for travel by her colleagues in face of business growth against the mandate of cutting air costs then?

The Solution:

Joanne settled on Airline Metrics' Snapshot Analytics which provided a monthly reporting service. The information provided a well-rounded set of graphs and reports that provided a clear lens into the air spend of the company. One of these set of analytics pertained to spend by cabin. Joanne noticed that a big chunk of the budget was being spent on business class fares and most of those were attributable to top management. That was a tricky situation as to how to get these executives to cut their own travel to meet the budget target set by the same group? She therefore dug deeper into the data set and found that on one of the airlines which accounted for a major share of the air budget the business class fares were consistently booked using "H"class (or RBD as the industry referred to it). This fare was very expensive as it was always available for booking, fully refundable and offered flexibility of date changes with no penalty. Her discussions with their travel agent showed that this booking class had been set to default on both their online booking tool as well as if employees called their agents to make a booking. She also found out that by booking "K"class instead there were savings of around 30% despite that booking class also being a business class fare. This fare allowed flexibility and date changes but was available by planning ahead a bit better. Joanne concluded that a majority of the bookings would not be impacted by changing to "K"class and would result in the savings she was targeting. She immediately changed travel policy for all business class travel on that carrier to be booked in "K"class.

Spend by Cabin Graph ($000s)

The Result:

By looking at the story that the data was telling within the Airline Metrics report suite, Joanne was able to keep finding further savings. Due to the dynamic nature of the airline industry she noticed carriers keep adding and removing capacity on key routes and the availability of fares across their route network keeps changing allowing for "tweaks" to travel policy resulting in significant savings. Joanne was considered a "wunderkid" by her management team when she was able to deliver the required budget cuts with hardly any trimming of trips undertaken. And yes she did earn a significant pay rise for her efforts in what was considered a tough year.