



SMARTER BUYING

How to get the most from your air spend

This paper is intended to help you get the most from your air spend. It offers simple and clear explanations on what is relevant and important combined with some smarter buying and

traveling techniques that will help maximize savings and enhance the traveler experience, whether you're looking to negotiate via an RFP or direct with airlines.



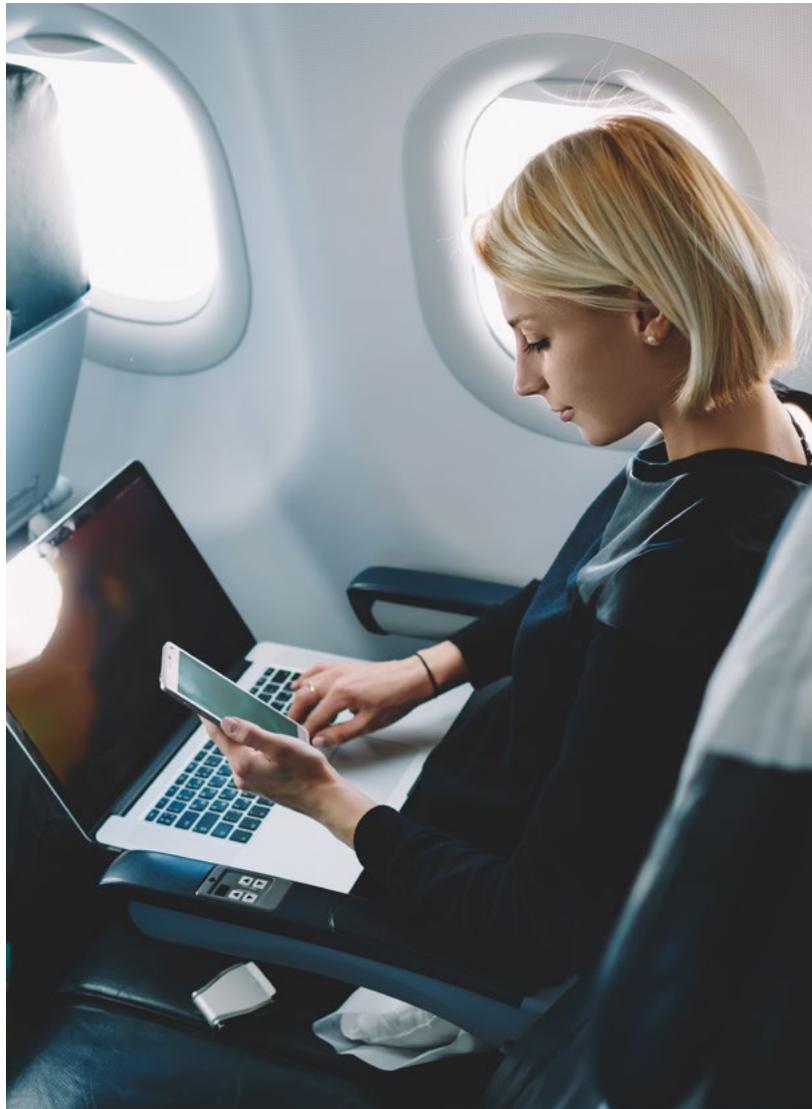


› Policy

Do you have a clear air travel policy – is the policy enforced and managed well? Can you clearly demonstrate to potential suppliers that you have good control over your policy and there is minimal leakage?

What makes a good policy? One size does not fit all – the policy has to be right for your organization’s culture, and it should support its business objectives. These can include cost savings, talent recruitment and retention, improving sales, increasing productivity, growth through acquisition – and will often be a combination – so policymakers need to find a balance. Your travel management company (TMC) should help benchmark your policy against organizations in your sector and other sectors.

Is your policy consistent with any agreements you have with airlines? For example, if your policy states all flights (including low-cost budget airlines) must be booked through the TMC then make sure employees cannot claim flight costs back via expenses. Remember – if you can’t track it, you can’t manage it.



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› A question of class

One of the most contentious parts of an air travel policy concerns which cabin classes employees can book. Typically, for short-haul flights (you need to clearly define what a short-haul flight is; e.g. six hours or less) economy is mandated and the lowest logical fare must be booked.

For longer flights, the extra cost of premium cabins should be weighed against the returns in terms of productivity and well-being. Most long-haul business class services offer full flatbeds, valuable when a decent sleep is needed immediately before attending important meetings or a full working day. They can also offer a larger and better equipped workspace for productive waking hours. Other factors to consider include extra baggage allowance, access to lounges and faster boarding/disembarking.

For mid-haul flights where a flatbed is not necessary, it's worth considering where premium economy offers value, improved traveler experience and meets your program requirements. It can offer enhanced seating, service and catering, but it's important to understand what this fare class offers – the term can vary between a fully separate cabin and service, and economy cabin seats with selected enhancements such as extra legroom. This was particularly the case with US carriers. Increasingly, these carriers offer a fully fledged premium economy product. Be aware that



availability may be patchy, depending on the carrier, route and aircraft.

First class, often out of reach for all but the most senior executives, is under threat as more airlines reduce the category and increase business and premium economy cabins. Making policy on first class is again complicated by variation and availability. Where policy restricts this cabin, note that US domestic first class is often included as a segment of an indirect international business class ticket.



› RFP – Just how attractive are you?

If you issue a request for proposal (RFP), there is certain information that airlines will expect you to provide:

- 1. Current air travel policy and any planned changes to the policy during the contract term.**
- 2. The key routes your travelers use, regionally and globally.**
- 3. What ticket types you use (see ticket type section) on each of these key routes.**
- 4. How many carriers do you intend to use on key routes?**
- 5. What is your strategy for non-core routes?**
- 6. What are the current volumes and are you able to commit to targets to achieve certain levels of discounts?**
- 7. What days of the week do your travelers typically travel – how much influence do you have?**
- 8. How you will drive compliance and avoid spend with non-preferred airlines.**

Volume on already congested and high-capacity routes may not be as desirable as volume on new or growth routes for airlines. If your organization is looking to expand globally into emerging and/or mature regions, make sure you include this in any RFP or negotiations.



Be clear on objectives and strategy and how they will be delivered. Be clear if anything has changed in your program and check what changes have occurred in the region since you last issued an RFP, and what impact these will have on your program.

Finally, make sure you understand your key suppliers' strategies and objectives, which ones align best to your organization's, and which don't.

› Apples with Apples

When comparing prices between airlines, make sure you are comparing the same product and total price; e.g. flight only vs another fare that includes baggage, the cost of adding priority boarding and any other ancillary costs.

› Fare Types



Fully Flexible

Fully flexible is the most expensive fare - you are paying a premium for being able to cancel or amend your flight without any penalty.

Therefore, in the first instance, consideration should be given to how much (if any) flexibility is required. Even if you think you may need to change the ticket twice, it may be cheaper to purchase a less flexible ticket and pay the fee for any changes needed.

Semi-Flexible

If you need some flexibility, there are cheaper fares that still allow an element of flexibility. Semi-flexible fares are largely non-refundable but are changeable for a fee.

You could also mix and match fare types on journey legs. However, these must be booked as two tickets otherwise the most restrictive conditions will apply to both legs of the journey.

Fixed Fares

Purchasing fixed fares in either direction, either completely fixed or semi-flexible, should result in a saving over and above purchasing the fully flexible fare. Again, consider how much flexibility you require: additional and/or cancellation fees could cancel out any savings you made by selecting a fixed fare.

The key thing is to understand what flexibility you REALLY need: the more flexible the ticket is, the more expensive it will be. Work with your TMC and evaluate how often you actually change or alter tickets, run a 'what if' exercise on high-cost routes comparing the ticket type bought vs the lower cost options vs cancellations/amendments and see what



savings can be made. Also, using an automated air ticket re-shopping tool (see below) could affect what ticket types best suit your program.

› Bundling vs Unbundling

Airlines have different reasons and strategies for unbundling the fare products they offer travelers.

Unbundling is the removal of certain features of what was historically included in the price of a ticket (such as baggage, ability to earn frequent flyer miles, seat assignments at time of booking, etc.) and making them supplementary chargeable add-ons.

Unbundling is a strategy developed by airlines to create customer segmentation and provide certain price products like Basic Economy or Light fares to customers who are particularly price sensitive, while offering other 'bundled' products for customers who need additional services.

It's important to understand that not all unbundled products such as Basic Economy, Hand Baggage Only or Light fares have the same attributes or restrictions. These will vary so make sure you know exactly what you are buying. Your TMC can help with this.



› Frequent Flyer Programs

While they should not drive choice of airline, frequent flyer programs offer useful traveler benefits such as lounge access and upgrades. Where you are looking to move from one airline to another and have frequent travelers, discuss status matching for certain key travelers as part of your negotiations.

› Stay engaged with your suppliers

Conduct quarterly business reviews with your key suppliers. Focus on performance to contract, such as average ticket prices, seat availability and punctuality. Review your performance to agreed targets and if any changes are needed, be clear on why and agree the changes jointly.





› Distribution and Merchandising

In 2019, travel buyers should continue to work closely with TMCs, technology providers and airline partners to ensure air programmes are supported in certain key areas:

- › **Content:** to access to the widest possible selection from all providers, including GDS and non-GDS sources.
- › **Aggregation for consistency and transparency:** globally aggregated content with clear comparability on fares and value offered. This can be integrated into all point-of-sale tools, whether digital self-service or agent tools.
- › **Simplicity:** avoiding fragmented shopping and servicing environments. As content gets more complex, the display and user experience need to make sense of this and ensure travelers know the best choice for their programs.
- › **Cost efficiency:** economies of scale are vital to maintain low costs on servicing corporate air programs.
- › **Servicing quality:** visibility of travelers is essential in corporate travel programs, both from a duty-of-care perspective and so that TMCs can service them when journeys are disrupted or changes to bookings are needed. Direct bookings can diminish this visibility.

Airlines want to improve how content is displayed to bookers. Part of this evolution is new distribution capability (NDC), a technology standard developed by IATA to try and standardize how air content is distributed.¹ The API would help airlines control offers, but in isolation makes it difficult for bookers to compare fares across airlines. With NDC, there is also no visibility of inventory classes and availability as this would take place within the airlines' systems. Corporate clients should think about how to maintain transparency and reference fares to compare their NDC offers. All three GDSs have launched NDC programs and are working with airlines, TMCs and online booking tools to scale if there is demand.

To push bookings towards NDC connections, some airlines levy a surcharge on bookings made via indirect channels, such as the GDSs. This leads to fragmentation and added cost. It does not help travel management.

NDC should make ancillaries and bundled fares, such as the purchase of seat selection, meals and hold baggage, easier to accommodate. But monitoring spend and implementing policy on ancillary purchases is still a challenge for travel managers. For NDC to support corporate programmes, scalable solutions are needed. TMCs should continue to negotiate with airlines and GDSs to avoid distribution surcharges and restrictions on fares available to corporate customers.²



› Buy smart, travel smart

Negotiating with airlines on ticket prices is only one aspect of your successful air program. To continually drive savings you need to travel smart – here are some great tips that will save you money and support traveler wellbeing:

Book early: the earlier you book the lower the fare, the better the choice of carrier and even the seat. Where possible, booking two weeks or more in advance can significantly reduce costs. Booking domestic and regional fares in that time frame more than two weeks in advance can save up to 30%, and up to 10% on international flights.

Regional airports: utilize a regional airport if practical as they often prove to be a cheaper alternative to the larger city airports, with lower landing charges reflected in the price. Airlines see many regional airports as good growth opportunities as capacity at larger city airports continues to be a challenge. This is a good opportunity to drive real savings and enhance business relationships with some airlines.

Consider the total cost for travel, including airport transfers and parking.

Direct vs indirect: using indirect routes when fares are lower and departure and connecting times make sense is a good option. But take advice on factors that can frustrate your plans: the time required to clear US immigration checks could make it impossible for your traveler to catch a connecting flight.

When to fly: identify the prime traveling times on key routes. For example, traveling on a Friday in the UK is typically more expensive than Monday to Wednesday.

Avoiding international flights on a Sunday and Monday can reduce costs and avoids travelers losing part of their weekend – an important consideration for traveler wellbeing.

Holidays can impact the cost of travel to smaller destinations, especially during school and public holidays, and should be considered when internal travel is booked.

Air fares to large cities can be costly in the run-up to big events: your pricing strategy should include internal blackout periods when all but essential travel is blocked at times when big events are taking place.

Another element to consider is how busy your destination is and whether traveling in an alternate week is an option. Consider organizing your meeting via audio/videoconferencing where possible.



To continually drive savings you need to travel smart



› Global Entry/TSA PreCheck

For frequent travelers arriving into the US, Global Entry should be considered. Global Entry is a US Customs and Border Protection program that allows pre-approved, low-risk travelers to receive expedited clearance upon arrival into the country. As of October 2017, Global Entry was available at 54 US airports and 15 preclearance locations.

Members of Global Entry (along with members of NEXUS and SENTRI) may use TSA PreCheck on all participating airlines by entering their Customs and Border Protection ID number (found on their Global Entry card) into their flight reservation information or frequent flyer account under KTN (Known Traveler Number).³

› Use technology and keep shopping!

There are a number of systems available allowing you to take advantage of price drops after a ticket is booked. Air Re-Shop Expert by American Express GBT is one such example; in essence, the tool constantly monitors prices on air tickets booked and if a lower price becomes available, the system alerts you and can automatically rebook and reissue a ticket, saving you money.



› Don't lose unwanted tickets

Solutions such as Air Track Expert allow you to automatically identify unused tickets and obtain a refund or a credit instead of the ticket value going to waste.

Some key ways your TMC can add value:

- 1. Scenario modeling to ensure you are optimizing spend and maximizing savings.**
- 2. Identify opportunities to use alliances such as Oneworld and Star Alliance, and partnerships such as Delta/Virgin/Korean Air and British Airways/American Airlines, to reduce costs and improve your program.**
- 3. Audit your contract with each airline to ensure charges and all key agreed terms are being applied consistently.**
- 4. Audit the agreed fares that have been loaded on the Global Distribution Systems.**
- 5. Benchmark your program with selected peer groups to identify opportunities to continually improve your program spend.**

Summary

Data and visibility on spend are vital when looking to issue a formal RFP or negotiate with airlines. Be clear on your objectives and the level of control you have. Agreed targets need to be realistic and achievable: don't be tempted to agree volumes that you have little chance of reaching.

Make sure your policy, as well as being in tune with your organization's objectives, is also aligned with your airline agreements, and continually work with those airlines through open communication and dialogue. It's a similar picture internally; clear communication and engagement with your stakeholders and travelers on the policy, its objectives and the benefits it brings, are key to compliance and a successful, effective air program.



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Bibliography

1. New Distribution Capability. IATA (iata.org).
2. For more information, see *The Evolution of Air Distribution: how will it impact your travel programme?* ACTE Global in collaboration with American Express Global Business Travel. October, 2018.
3. U.S. Customs and Border Protection (cpb.gov).



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