Best Practices in Corporate Airline Negotiations

Due to the increasing consolidations of airlines, negotiating corporate travel agreements has become even more difficult. This environment has created continuing challenges for travel buyers, since current contracts with preferred vendors may not be suitable for a company. Acendas created a guidebook to assist companies with the complex process of airline negotiations.

Preferred airlines are not only concerned with the total travel spend a company can provide, but also the worth of its volume. Travel buyers need to consider any expected volume changes or other future patterns that could lead to additional benefits for airlines. After setting the groundwork, a travel buyer should establish practical objectives for negotiations that are based on the size and scope of the program.

Acendas recommends the following best practices to assure successful airline agreement negotiations:

- **Confirm contract goals are achievable.** Corporations with lower volume can attain savings for certain routes. However, the company must produce the volume to gain the greater discounts and increased savings.

- **Move market share.** Carriers might be eager to negotiate better discounts for corporations that can guarantee extra volume. This method is contingent on the corporation's travel patterns and market conditions. The company's capability to add volume, whether via a new route or by transferring market share to another airline will attain the greatest discounts, rebates, and other value-added advantages. If changing to another airline, a traveler's eagerness to switch might be lured with equal frequent flyer status from the new supplier. Volume can also be steered to preferred carriers through a solid travel policy, online booking tools that are customized to the company's policy, and effective communication and enforcement of the policy.

- **Negotiate outside of airfares and discounts.** Carriers have been unwilling to provide better discounts on lower fares and restricted tickets. For corporations that impose advance purchase and lowest fare regulations, it may be challenging to obtain savings on its program.

- **Analyze ongoing savings and performance.** If savings is lower than expected or the contract is not achieving the desired results, a corporation should work with its Travel Management Company (TMC) to analyze the top markets and associated options to determine what strategies can be altered. The plan should include the company's guarantee to maintain share objective obligations.

- **Prevent over-negotiation.** Rather than having an abundance of negotiated rates, a company should examine travel spend and concentrate on attaining greater savings on city pairs with substantial volume.

- **Utilize online booking tool to promote preferred supplier compliance.** Your TMC can customize the online tool to display preferred carriers as the first or highlighted option in searches. Most tools allow non-preferred airlines to be blocked or hidden during the booking to encourage policy compliance.

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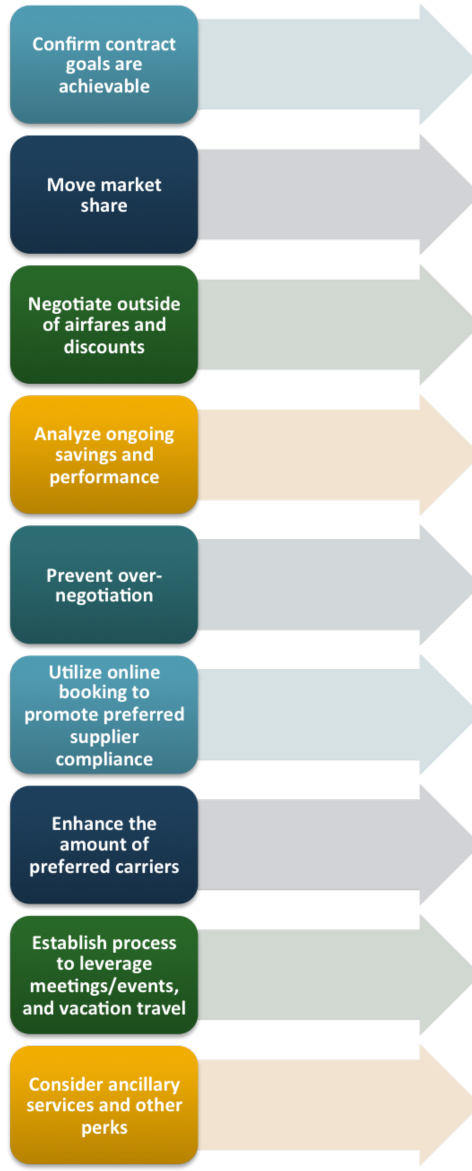
- **Enhance the amount of preferred carriers.** A corporation should balance the contracts in order to achieve requirements. However, low cost carriers and other suppliers must be measured as possible opportunities.

- **Establish a process to leverage meetings and events, and vacation travel.** Significant savings can be achieved when incorporating meetings and vacation spend into the airline agreements. Furthermore, merging meetings and events reduces risk by creating consistent contracts.

- **Consider ancillary services and other perks.** A greater total ticket fee that includes normal services can yield more savings than cheaper tickets that have fees added. Certain companies could negotiate elite-level frequent flyer level that can exclude specific ancillary fees or allow for services like checked luggage to be removed. These amenities could also include frequent flyer status matching and upgrades.

Conclusion

Once agreements are in place, the Travel Manager or buyer will need to review current contracts before the negotiating process starts over. This process can expose possibilities such as further advantageous contracts with preferred airlines or a chance to switch to another vendor. It is recommended to establish continuous performance reviews that include contract compliance with preferred airlines. A company should work with its TMC to communicate with the airlines about various aspects of the program that might have issues. This procedure allows for significant changes to occur and may produce additional savings or enhance total results. As part of managing the airline program, Travel Managers should communicate with travelers about preferred partners and policy requirements. Applying these processes will certainly demonstrate increasing savings for a company.



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