

# Continental Ekes Out First-Place Finish, Tops AA Again

BY DAVID JONAS

Continental Airlines completed a three-peat in the *Business Travel News* Annual Airline Survey by again nosing out American Airlines for top honors in 2005. Since the survey's inception in 1998, when *BTN* began measuring perceptions of corporate and travel agency buyers regarding preferred airline relationships, only American and Continental have finished first overall.

United Airlines this year finished third, a noticeable improvement from last year. JetBlue Airways and Southwest Airlines placed fourth and sixth, respectively, driven by industry-leading scores in overall price value (see chart, page 16). Their strong showing reflects shifting perceptions in corporate travel circles as many travel managers place greater emphasis on customer service and reliability while major network carriers de-emphasize or eliminate negotiated programs for many small and mid-market accounts.

More than half of the 265 respondents represented companies with less than \$2 million in annual U.S. booked air volume while almost 30 percent were from companies with volumes between \$2 million and \$12 million. As such, many respondents are not likely to have more than one customized corporate contract with airline suppliers, if any at all, and comparisons between airlines in certain categories therefore are less than perfect. Widely differing response rates from one carrier to the next also make comparisons difficult.

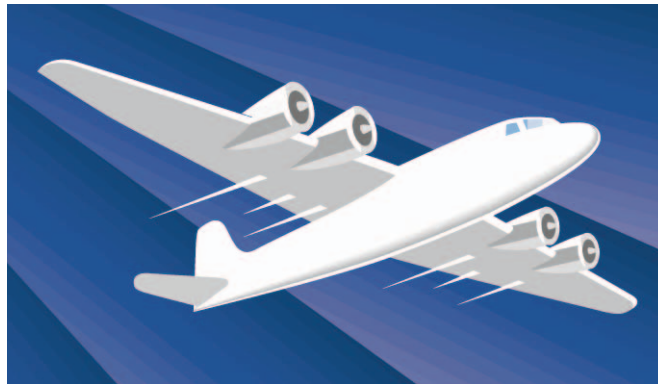
Compared with last year, the airlines as a group achieved lower grades in six comparable categories and higher grades in two. They also performed comparably well in a new category of the survey, quality of customer service.

The fact that all scores did not move in one direction—unlike last year, when aggregate scores were higher in virtually every category and overall for virtually every airline—perhaps reflects a dichotomy in corporate travel buyer perceptions.

On one hand, many recognize the struggles faced by their preferred airlines and understand that financial realities can challenge account management, customer service and other aspects of a relationship. In fact, the aggregate score for value of relationships with account managers was 2.92, above comparable scores from earlier years.

“Our account managers have been fairly good this year,” said one senior purchasing manager. “They have been fairly forthright and the information is

management. “We have seen account management turnover in five of our seven approved airline suppliers,” said a travel manager with a Corporate Travel 100 firm. “Impact from the turnover has resulted in spending resources to educate the new account management on our company’s unique requirements.”



Meanwhile, the score for overall price value was at its highest in years and again highest for any one category. That result was driven not only by particularly strong performances by the low-cost carriers, but also from improved year-over-year numbers for most majors. Despite being discouraged by reduced corporate discounts, many travel managers said they have benefited from a lower average fare paid for much of 2005, even when accounting for suc-

pected, such LCCs as AirTran, JetBlue and Southwest beat the industry average, but Continental, American and Alaska airlines also posted impressive numbers. US Airways did not, nor did Northwest, which was the only carrier to finish with a score below 3 out of 5 in the customer service category.

The airlines as a group also performed comparably well in providing timely and accurate contract performance data. At some airlines, decent scores were driven by continued use of data aggregators. “This is an area where carriers have made tremendous improvements over the past few years,” said Nick Vournakis, director of air solutions in North America for Carlson Wagonlit Travel. “Rarely do we get into a situation where a customer has an issue or complaint with regard to management information that carriers are bringing forward.”

At other airlines, including Alaska, JetBlue and Southwest, data is provided back to travel managers through carrier-direct corporate booking portals.

On the other hand, the industry received what amounted to failing grades in several categories. In particular, overall scores for negotiating both transient and meeting pricing fell to their lowest levels in years, no doubt a result of unilateral changes to corporate contracts enacted by most major carriers in early 2005. Many buyers still are irked by airline demands and impatient after four years of financial crisis.

“I am so angry with most airlines, that I no longer think of it as negotiations,” according to Suzanne Puccino, vice president and director of corporate services at Parsons Brinckerhoff. “We have always made our commitments, but then an airline comes back and asks for another 2 percent market share or else they take something away, even though our business has not changed. It is frustrating that the partnership value does not seem to be recognized by the airlines.”

“Frankly, corporates are not happy with the domestic amendments that came through in the earlier part of this year,” added Eclipse’s Kuchibhotla. “Travel managers and procurement people said their hands were tied. Some airlines did a better job than others in explaining it, giving clear examples of how the fare structure changed and providing data on top routes to show how spend and savings might shift. Some travel managers may not have agreed with the numbers, but at least the good airlines came with numbers, but the discouraging part is that the value of domestic programs has gone down.”

One buyer described corporate air travel as “the strangest thing I have ever

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## INDIVIDUAL AIRLINE ON-TIME PERFORMANCE

*Includes aggregate flight arrivals worldwide, Jan. 1 - Oct. 31*

	FLIGHTS	ON TIME	LATE	VERY LATE	EXCESSIVE	AVG. DELAY	CANCELLED
Frontier	65,463	86.2%	6.9%	2.7%	3.9%	47 min.	0.2%
America West	175,015	82.1%	8.3%	3.3%	4.9%	46 min.	1.2%
Southwest	859,536	81.9%	9.2%	3.7%	4.9%	42 min.	0.1%
United	482,017	78.6%	7.9%	3.8%	8.6%	59 min.	1.0%
American	701,944	77.3%	8.2%	4.2%	9.1%	58 min.	1.0%
Northwest	471,662	77.1%	9.4%	4.4%	7.5%	51 min.	1.4%
Continental	316,080	77.1%	9.3%	4.2%	8.3%	55 min.	0.9%
Delta	634,118	76.8%	8.5%	3.9%	8.1%	54 min.	2.6%
US Airways	409,893	76.2%	9.1%	4.5%	8.1%	51 min.	2.0%
JetBlue	89,814	76.1%	11.0%	4.8%	7.7%	51 min.	0.1%
AirTran	158,813	72.2%	9.2%	4.9%	13.4%	64 min.	0.1%
Alaska	155,050	71.0%	10.8%	5.5%	10.9%	57 min.	1.7%
<b>Total</b>	<b>3,702,412</b>	<b>78.4%</b>	<b>8.9%</b>	<b>4.0%</b>	<b>7.2%</b>	<b>52 min.</b>	<b>1.2%</b>

Note: An “on-time” flight is defined as one that arrived less than 15 minutes after the scheduled time of arrival. “Late” is between 15 and 30 minutes late, “Very Late” is between 30 and 45 minutes and “Excessive” is greater than 45 minutes.

Source: FlightStats

Furthermore, overall survey scores this year incorporated other aspects of an airline’s performance and perception in the market, including network coverage, trust, professionalism and business travel orientation.

Survey respondents represented all domestic U.S. geographic regions, though response rates were higher from the Southwest and Midwest, and lower in the Northwest.

flowing. If anything, their communication efforts have been better.”

“There does not seem to be a lot of flexibility when you are handed your deal from the airlines,” added one corporate travel manager, “but even though there is less leverage in the negotiating arena, there still is a partnership.”

The scenario varies by company, and some buyers said the stresses of the industry have hindered airline account

cessive fare hikes.

“If you buy a lot of short-notice tickets, the fact that fares are down is encouraging,” said Prashanth Kuchibhotla, senior manager of air procurement at Eclipse Advisors, a division of American Express. “Your discount may be lower, but you are spending less.”

The second-highest industry score was attained for quality of customer service, a new category for 2005. As ex-

## DOMESTIC AIRLINES

	Percent usage	Flex. in negotiating transient pricing	Flex. in negotiating meeting pricing	Flex. in negotiating services and amenities	Availability of of timely, accurate contract performance data	Complaint/problem resolution	Quality of airline communication	Value of relationships w/acct. mgrs., sales reps	Quality of customer service	Overall price value	Overall average
Continental Airlines	43%	2.97	2.97	3.19	<b>3.53</b>	3.32	<b>3.57</b>	<b>3.28</b>	3.67	3.40	<b>3.48</b>
American Airlines	53%	2.96	3.01	<b>3.30</b>	3.44	3.24	3.44	3.21	3.54	3.26	3.47
United Airlines	50%	2.88	2.77	3.08	3.35	2.98	3.30	3.11	3.19	3.17	3.29
JetBlue Airways	14%	2.55	3.19	2.58	3.26	<b>3.63</b>	3.21	2.84	<b>3.79</b>	<b>3.97</b>	3.21
Alaska Airlines	14%	<b>3.08</b>	2.94	3.11	3.36	3.36	3.06	3.00	3.58	3.33	3.20
Southwest Airlines	33%	2.56	2.70	2.51	3.28	3.13	3.29	2.83	3.61	3.91	3.19
Delta Air Lines	54%	2.77	2.66	2.89	3.15	2.90	3.06	2.88	3.14	3.21	3.17
America West Airlines	23%	2.77	2.80	2.93	3.00	2.92	3.08	2.92	3.30	3.43	3.11
AirTran Airways	12%	2.76	3.13	2.79	2.91	3.15	3.03	2.97	3.42	3.64	3.10
US Airways	33%	2.82	2.75	2.89	3.00	2.95	3.22	2.99	3.02	3.01	3.08
Northwest Airlines	37%	2.63	2.59	2.77	3.23	2.78	3.18	2.91	2.99	3.05	3.06
Frontier Airlines	11%	2.87	<b>3.24</b>	2.83	2.80	3.20	3.00	2.73	3.37	3.67	2.97
<b>Average Attribute Rating</b>		<b>2.76</b>	<b>2.80</b>	<b>2.88</b>	<b>3.18</b>	<b>3.11</b>	<b>3.19</b>	<b>2.92</b>	<b>3.41</b>	<b>3.46</b>	

## Airline Survey Glossary

**Percent usage:** Percent of respondents who had done business with the specified airline in the past year

**Flexibility in negotiating transient pricing:** The airline's demonstrated ability to customize business travel program discounts and other negotiated pricing elements

**Flexibility in negotiating meeting pricing:** The airline's demonstrated ability to customize meetings travel discounts and negotiated pricing

elements for a preferred business travel buyer

**Flexibility in negotiating services and amenities:** The airline's demonstrated ability to provide a preferred business travel buyer with additional offerings, soft dollar benefits, and special VIP treatment for individual travelers inflight and at the airport

**Availability of timely and accurate contract performance data:** The airline's demonstrated ability to provide

business travel buyers with the most comprehensive information and up-to-date contract performance data

**Complaint/problem resolution:** The airline's demonstrated ability to respond quickly and effectively to concerns expressed by both business travel buyers and corporate travelers

**Quality of airline communications:** Demonstrated performance in informing business travel buyers about changes in airline management, products, programs, sales and service

**Value of relationships with account managers and sales reps:**

Demonstrated performance in the productivity and frequency of meetings with local, regional, national and other airline representatives as well as the representatives' power to negotiate agreements, offer options and make decisions regarding price and service

**Quality of customer service:** Overall perception of airline based on timeliness, reliability and cleanliness of service; support from airline personnel; and communication to travelers

**Overall price value:** The perceived worth of an airline's service levels relative to fares

## METHODOLOGY

The eighth *Business Travel News* Annual Airline Survey is a unique measure of corporate travel buyer perceptions of airline performance in negotiating for and delivering service, and maintaining preferred relationships. This year, for the first time, *BTN's* sister company ACNielsen conducted the survey by inviting via e-mail a randomly selected subset of qualified readers and members of the *BTN* research council. Of 9,100 total invitees, a total of 265 respondents completed an online questionnaire during August and September 2005.

The domestic survey contained a list of the 16 largest domestic airlines as identified by the U.S. Department of Transportation, excluding the regional affiliates of major carriers. Airlines that elicited answers from less than 10 percent of the survey base

were excluded from this report.

Asked to grade only those airlines with which they had done business in the past year, respondents ranked the carriers on a scale of one (poor) to five (excellent) in 15 categories addressing services and value to the corporate travel manager. Several new categories were included this year, including quality of customer service. Scores in other new areas—covering airline options, coverage, trust, professionalism, business travel orientation and understanding—were factored into the final overall average score for each carrier but not presented in this report.

Presented categories were developed through a series of exchanges with travel buyers, corporate agency managers and airline sales executives to reflect more clearly the way in which corporate air travel buyers perceive each airline.

Not every respondent rated every airline in every category, and those who left out a category in their

ratings were not included in the average rating for that category or airline. All categories were weighted equally when calculating overall score.

An international segment included those U.S. carriers with extensive overseas operations, as well as the largest foreign carriers serving U.S. points. Airlines that elicited answers from less than 10 percent of the survey base were excluded from this report.

Respondents represented companies with annual U.S. booked air volumes of all sizes. Air program size distribution was as follows: Less than \$2 million, 54 percent; \$2 million to \$12 million, 29 percent; \$13 million to \$30 million, 11 percent; more than \$30 million, 6 percent. The geographic distribution of represented companies was as follows: Northeast, 23 percent; South, 19 percent; Midwest, 25 percent; Northwest, 8 percent; Southwest 25 percent.

All 2005 Annual Airline Survey results were compiled and tabulated by ACNielsen.

## CONTINENTAL SQUEAKS PAST AMERICAN AGAIN

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sourced,” saying the customer rarely is in a favorable negotiating position, even when fully prepared. “If an airline is intent on doing something, there are very few companies that have enough leverage to prevent it,” he said.

Unsurprisingly, more favorable pricing/lower fares was the most-cited action an airline could undertake to drive new or incremental business.

Respondents also asked for better service and more flexibility. “Show our frequent travelers service that is above and beyond what a regular traveler receives,” said one travel manager. “Whether it be an upgrade, no middle seat or priority boarding, they need to give our travelers special status.”

### INDIVIDUAL AIRLINE PERFORMANCE

In securing the highest overall score for the third consecutive year, **Continental** garnered top marks in three categories and failed to surpass the industry average in only one—overall price value. Sources were not surprised by an-

other strong showing: They credited Continental for an effective salesforce, a competitive inflight product and mature corporate client data handling.

“We continue to show that we are competitive, both on price and on service,” said Monisa Cline, who recently was promoted to staff vice president for North America sales. “At a lot of the carriers that are restructuring, you have seen a lot of internal focus and reorganizations. For us, it was key to stay externally focused on the customer. People always debate pricing and we need to continue to emphasize that we are competitive with low-cost carriers.”

Like Continental, **American** fell short of the industry average only in overall price value, but easily beat the industry average in all other categories. It led all carriers in flexibility in negotiating services and amenities. “We continue to invest,” said Frank Morogiello, AA vice president of global accounts. “As an example, we have 10 percent more seating in Admirals Clubs, and just opened up a few new ones, and the inflight prod-

## INTERNATIONAL CARRIERS: OVERALL FLEXIBILITY, SERVICE AND PERFORMANCE

	CONTRACTING WITHIN PAST 12 MONTHS FOR INTERNATIONAL SERVICE	OVERALL MEAN SCORE
Continental	16%	3.98
Lufthansa	18%	3.98
British Airways	17%	3.84
American	26%	3.79
United	25%	3.67
Northwest	15%	3.54
Delta	22%	3.53
Air France-KLM	12%	3.45

Note: Carriers contracting with less than 10 percent of the survey base within the past year are excluded.

uct still is pretty strong.”

AA placed second in value of relationships with account managers and sales reps, with a score well above its marks in comparable categories from years past. “When something breaks, or does not work, you do not call the name of the airline,” Morogiello said. “You call the name of your sales executive. You call the person you trust, who you know can go fix the problem. We have been extremely consistent on that.”

American’s score for transient pricing was in the top three, though some sources said its corporate-discounting approach—which, unlike those of some other major carriers, is not based on a multi-tier structure—reduces flexibility. Morogiello countered with AA’s customer-retention rates and strong corporate revenue growth.

After finishing ninth in overall score in the 2004 survey, **United Airlines** vaulted into third, powered by above-average scores in transient pricing, services/amenities and contract performance data.

“United has gotten much better,” said one travel manager at a large multinational firm, citing the carrier’s improved inflight product, notably a revamped premium transcontinental service. “We do not even have a deal with them anymore and they still have been giving us a lot of attention.”

United’s three-tier discount transient pricing structure has been welcomed by many. “What United has done in terms of domestic discounting makes the most sense,” said Barry Rogers, senior consultant with TCG Consulting in Chicago. “The biggest fares get the biggest discounts, the lowest fares get nominal discounts and the bulk of business fares fall somewhere in between.”

“United made the shift,” added CWT’s Vournakis. “After holding steady, they decided to discount all fares. That was done to promote a price differential.”

**JetBlue** does not negotiate pricing and fields a very small salesforce. As a result, the airline ranked poorly in negotiating price and achieved a below-average score in value of relationships with account managers.

“We do not have the type of set-up in

which we can meet with corporate travel managers every day, and we do not do deals. Sometimes that does interfere with the perceived value,” said Noreen Courtney-Wilds, JetBlue director of sales. “There is an overall thought that if you give a lot of business to someone, you should get some type of different pricing than the general public would get, but that does not fit into the model.”

True to form, however, JetBlue again topped the industry in complaint/problem resolution, quality of customer service and overall price value. It also beat the industry average in quality of communication and posted a decent score for availability of contract performance data. More than 500 companies use the CompanyBlue online corporate portal, which offers travel management reports.

**Alaska Airlines** also offers reporting tools through its corporate portal, EasyBiz, and beat the industry average in availability of contract performance data. In fact, the carrier posted higher year-over-year scores in most categories and experienced a noticeable jump in overall score from 3.01 to 3.20. Alaska had very low usage among the survey base, which may have skewed its scores. The carrier also finished with the lowest on-time performance in 2005 through October, among carriers covered in the survey (see chart, page 14).

**Southwest’s** on-time performance ranked third among the 12 carriers, an impressive showing given its more than 850,000 flights this year through October were more than 20 percent higher than those of the second-most active carrier. Southwest also ranked near the top in quality of customer service and overall price value. Like JetBlue, without discounts or a large corporate salesforce, it scored poorly in transient pricing and value of relationships with account managers. With its no-frills approach, its last-place score for services/amenities also is not surprising.

**Delta Air Lines** again finished in the bottom half of the pack, scoring below the industry average in most categories. Its 2.77 score for flexibility in negotiating transient pricing was a hair above average. Delta sparked airfare reform—

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## DELTA, NORTHWEST BATTLE CH. 11 STIGMA

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and subsequent corporate contract reform—in the domestic market in early 2005 and was, at first, applauded for attempting to simplify pricing. Over time, some perceptions soured as Delta raised fare caps to accommodate price hikes, and as the carrier's financial crisis deepened. Some sources also suggested Delta's mediocre performance was hindered by substantial turnover in its corporate sales department.

Delta sales executives pointed out that many respondents, by virtue of their small air volume, are more suited for telesales or Internet small business programs that do not offer many components covered by the survey.

"About 83 percent of the accounts surveyed would not have a direct sales account executive relationship and they typically are not in a highly managed corporate-contracted environment where performance data is reviewed on a monthly basis," according to Pam Elledge, Delta vice president of sales and distribution. "That said, there was a lot of very positive work that has taken place with our corporate account base this year. For the 1,000 accounts that we have, we went through an organizational realignment in 2005, redefined the account base and brought in accountability for each sales executive to make sure they frequently called on their account portfolios."

**America West** and **US Airways** were judged by survey respondents prior to their official merger. The results indicate that the renewed US Airways has much work to do in order to consistently serve its customer base. For example, AWA scored much higher in quality of customer service and overall price value while US Airways drew better ratings for negotiating transient pricing and airline communications.

**Northwest Airlines** this year finished with scores at or below 2004 results in every category. It beat the industry average in only one area, but some buyers recognized the difficulties faced by Northwest as it attempted to remain competitive on price and product while failing to avoid bankruptcy.

"The airlines made more of an effort to partner with me this year," according to Gerry Williams, director of travel and expense reporting for Medtronic, based in Northwest's Minneapolis hub. "In many ways, communication has been a lot better."

Northwest vice president of sales Steven Sear said that communication "remains one of our key strengths." In noting a mechanics strike and the bankruptcy filing that occurred while this survey was in the field, Sear said customers have praised their Northwest sales reps for keeping them informed.

One area in which Northwest scored relatively well was in contract performance data. "There is a maturity to the CorpNet system," Sear said, referring to Northwest's corporate sales platform.

"As both our salespersons and customers get used to it, it is that much more effective."

Denver-based **Frontier Airlines** finished last overall among carriers with at least a 10 percent response rate, despite scores in some categories that were above the industry average. For example,

the airline received an industry-leading score for its flexibility in negotiating meeting pricing, an area it will focus on further in the future as it expands its network to more meetings destinations.

Of the carriers used by at least 10 percent of the survey base, Frontier also had the best on-time performance during the first 10 months of the year. To be fair, Frontier flies only a fraction of the

total flights operated by the largest carriers. Nevertheless, its average delay was among the lowest in the industry, as was the percentage of its flights deemed very late or excessive.

Meanwhile, response rates for **ATA**, **Independence**, **Midwest** and **Spirit** airlines each were too low to generate any meaningful comparisons with their larger competitors.

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