Continental Edges Out American For BTN Survey Honors

BY JAY BOEHMER

Corporate travel buyers this year conferred on Continental Airlines the highest marks in overall performance for negotiating and delivering airline services. The carrier dominated only two of nine categories measured in *Business Travel News'* 11th annual survey, but consistent performance across the board put the carrier in a position to edge out American Airlines by four hundredths of a point.

American Airlines, which topped the list last year, finished a close second and led three categories: meeting price negotiations, contract performance data timeliness and sales rep relationships. Northwest Airlines, meanwhile, finished third, anchored by the strongest performance in negotiating transient pricing.

It was a year when struggling airlines culled corporate contracts, levied fees for services that once were free and increasingly passed along the cost of fuel in the form of ire-inducing surcharges. While those practices would suggest heightened discontent among buyers, survey respondents gave carriers good overall marks when compared with surveys conducted in previous years.

Corporate travel buyers and travel management companies this year said airlines have tightened the screws on contract management and have not been shy about slashing underperforming contracts. Brian Hace, vice president of client service for CWT North America, said he has seen a "tightening of airlines willing to forgive" missed contract commitments. "Carriers also are less willing to go to smaller and smaller accounts with those contracts," Hace said. "We had a much more competitive environment a couple of years ago. Now that they've started pulling down capacity, why do they want to pay for you to fly in their airplane that's already full?"

Hace and some corporate travel buyers said airlines have remained aggressive in some competitive domestic markets and many international markets, while others point to less aggressiveness in discounting domestic business.

At a time when many airlines are trimming their corporate portfolios, Continental Airlines said it continues to grow its number of business clients. "Our portfolio has increased in terms of number of deals," Continental senior vice president of sales Dave Hilfman said. "That doesn't mean we've set a target for an increased number of agreements because it all has to be what ultimately brings a good economic result for the airline."

Several corporate clients said Continental has been aggressive in negotiating deals and offering programs as others have pulled back.

"There are certain parts of the country that are experiencing more challenges than others. Our main focus continues to be that whatever demand is out there, we're working hard to earn it," according to Hilfman. "A lot of this, candidly, is about marketshare shift. If the pie is growing or the tide is rising, everybody benefits, but if the pie is potentially baking smaller or the tide is down, then you have nothing else but to earn more of that existing piece of business. You have to do that by making sure you have responsive corporate discount agreements that recognize there are economic challenges for everybody and that people are looking to save more money. If they're willing to move more business your way, though, then we're willing to discount more and provide different opportunities to do that."

Dominion director of travel and corporate services Donna Kelliher said, "I still think that today, for some carriers, there are opportunities for increasing your discount level. Those opportunities still exist in highly competitive markets."

Northwest Airlines gained the highest score in its flexibility in negotiating transient pricing, followed closely by Continental, though scores in the category generally were low compared with other attributes ranked by corporate travel buyers this year. Some are even finding less value in domestic contracts than they had in the past.

"The air contracts definitely serve a purpose internationally and in the higher-class fares. We take advantage of that and it serves us well," said Sematech travel manager Bill Davidson, "but I would agree that we don't think about the contract too much domestically when we're trying to determine what our rules are going to be. It's rarely invoked. You get a review and they're laying out how many times your applicable discount is utilized, because we're not flying in the right fare code or whatever."

Corporate buyer perceptions of service and amenities took the biggest hit this year and garnered the lowest overall score at 2.8 out of five. It's not surprising considering amenities that once were free have been monetized and placed under the column of ancillary revenue. In addition to new costs being passed to buyers and their travelers, buyers have struggled to set policies around new charges and account for spending on them.

Norm Rose, president of Travel Technology Consulting Inc., said, "When it comes to a la carte pricing, we're literally going to have to take a look at that and say, are we going to support each and everyone of these pricing components? Is that expensable to the company or is there some piece we won't pay for? Back in the old days, it was one ticket, one price and you got it all. No one made an issue of it. Now we have to decide: Will we reimburse for inflight Internet, checked bags, pillows and blankets and food?"

Still, the new fees have given carriers increased opportunity to placate their customers with soft-dollar benefits. "We want the carriers to make money, we want them to be successful," Kelliher said. "Sometimes the soft savings and things like customer service and the preferred status for frequent travelers mean more than the point-of-sale discounts. Whenever I'm tasked with making a decision about anything, this is all about the traveler: How and at what price and service level are they getting from A to B?"

When asked to list one thing their primary domestic carrier has done in the past six months to improve their preferred relationship, many respondents to the survey noted increased and more open communication.

Even as carriers began to charge for bags and increased fuel surcharges, many buyers said they were impressed with their preferred carrier's ability to keep them in the loop and address such changes. One buyer said, "They have listened more and tried to work with us." Another said, "Good communication got even better." The quality of airline communications this year received higher marks than any other attribute, with an overall score of 3.39 out of five, according to the *BTN* survey.

Continental vice president of North American sales Monisa Cline said, "We've been very focused on

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BUYERS RATE DOMESTIC AIRLINES

RANKINGS ON A SCALE OF 1 (POOR) TO 5 (EXCELLENT)

	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	3.22	3.14	**3.15**	3.42	3.38	**3.56**	3.39	3.57	3.22	**3.34**
American Airlines	3.17	**3.17**	3.14	**3.44**	3.36	3.52	**3.46**	3.37	3.04	3.30
Northwest Airlines	**3.25**	2.91	2.89	3.43	3.37	3.55	3.37	3.16	2.91	3.20
Southwest Airlines	2.77	2.71	2.57	2.99	**3.42**	3.47	3.05	**3.69**	**4.00**	3.19
Delta Air Lines	2.85	2.86	2.69	3.20	3.10	3.42	3.04	3.14	2.92	3.02
United Airlines	2.84	2.79	2.78	3.22	2.92	3.32	3.04	2.94	2.81	2.96
US Airways	2.66	2.59	2.36	3.02	2.87	2.87	2.80	2.82	2.70	2.74
Average Attribute Rating	2.97	2.88	2.80	3.25	3.20	3.39	3.16	3.24	3.09	3.11

Rating Criteria Definitions Presented To Respondents

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, and 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 level relative to fares.

Methodology

The 11th *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, *Business Travel News* again contracted Equation Research to conduct and tabulate the survey.

Business Travel News invited by e-mail a randomly selected subset of qualified readers and members of the *BTN* research council. *BTN* in September and October invited more than 5,000 travel management professionals by e-mail and contacted more than 1,400 travel management professionals by phone, with a total of 381 respondents, 189 of which indicated air spending in excess of $500,000.

Though respondents represented companies with annual U.S. booked air volumes of all sizes, respondents whose organizations spent less than $500,000 on air travel were excluded from the results in an effort to capture managed travel programs. This marked a change in methodology from previous years, when respondents with less than $500,000 in air spending were included in the results.

Air program size distribution among the 189 respondents included in the final results was as follows: $500,000 to $1.9 million, 52 percent; $2 million to $11.9 million, 29 percent; $12 million or more, 19 percent.

The domestic survey contained a list of the 15 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 35 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 domestic carriers on a scale of one (poor) to five (excellent) in nine categories that address service and value to the corporate travel manager. *Business Travel News* weighted equally and averaged scores in each category to create the overall score for each carrier. Not every respondent rated every airline in every category, and those who left out a category or airline were not included in that average rating.

The categories presented in the questionnaire 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.

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all the areas that we have control over. Communication is the number-one priority for us. We're always getting input from our customers—the road warriors and the buyers."

Continental's Hilfman noted several ways the carrier has kept their biggest buyers in the loop, including its corporate advisory board comprised of "volume buyers and key corporate accounts," regular newsletters aimed at corporate buyers and frequent e-mail alerts to complement direct communication with the sales force.

While Southwest Airlines finished fourth overall, the carrier surpassed all others by high margins in its overall price value, gaining a 4.00 in that category, with Continental's 3.22 as the distant second. Southwest helped to lift the overall score in the category to 3.09. The carrier took top honors in *BTN*'s annual survey in 2006, thanks in large part to a respondent base comprised of smaller companies—those with less than $500,000 in annual air spend.

Four Corporate Travel 100 companies this year listed Southwest among their preferred carriers, the airline's largest presence yet on *BTN*'s annual list of the biggest spenders on corporate travel in the United States.

Southwest director of corporate sales Rob Brown said the carrier's refusal to match competitors in baggage and reservation fees has served as a sticking point with corporate buyers and business travelers. "A focal point of the conversations that we're having is the fees that the industry is being hit with right now. The fact is that on Southwest Airlines we don't have any of those fees like change fees, first- or second-bag fees and all the other fees that are being implemented. There is an inherent value in savings that corporations can receive just because we don't charge those. That's a prominent part of the discussion that we're having with a lot of the corporate buyers today."

Carriers, with growing confidence in their models, are structuring deals and monitoring corporate contracts with an increasing degree of analytical rigor (*BTNonline*, Feb. 25). As those tools have evolved, giving carriers and buyers a more precise lens with which to view performance, buyers largely are satisfied with the timeliness and accuracy of contract performance data. Respondents gave airlines in this category the second-highest overall rating.

American, which ranked the highest in that category, said it has refined its approach to managing data and sharing it with clients.

"It's the nature of our company. We're very analytical and always have been," said American vice president global sales Frank Morogiello. "Everybody can get, and most people use, quote, 'the same data,' but how you turn it into information and process it is a whole other art. When you go in to a procurement guy, you have to prove yourself, and it costs more money to do that. That means the relationship matters more when times are worse. That doesn't mean you golf or just have a beer, but when there are bad times, you have be frank. That doesn't mean we get along on every topic."

Dominion's Kelliher even welcomed airlines' tightening of contract management and those frank, but honest, discussions.

"The one thing I find to be refreshing is that the airlines are looking at these contracts in a way that if they're not working, they're eliminating them. That is the way it always should have been done," Kelliher said. "Even today, we have a conversation with a legacy carrier and they want X percent marketshare in a market where we are very open about serving three or four carriers in that market. I say, 'This is not a realistic target.' At least that is in the conversation and we keep that candor—from both sides—every quarter or when the time arises."

Continental in the past year brought a portion of its revenue management department under the corporate sales umbrella, which Hilfman and Cline said have empowered sales reps to tailor deals to specific corporate clients.

Hilfman said the organizational move was "to help us even more keenly focus on our programs, our discount agreements, that we can be even more responsive to what our buyers are telling us. That doesn't always mean we always say yes, but we are always trying to find programs that ultimately provide great cost savings and bring business to Continental."

American, meanwhile, surpassed its peers in buyer ratings of account manager relationships.

As carriers slash positions from the top to the bottom, American's Morogiello said the carrier has preserved much of its corporate sales staff this year.

"We've had consistency in keeping our people," Morogiello said. "If you're handling a territory or however many accounts and you leave and someone else takes over, there's a learning curve even if the information is pristine. Then, it's a matter of how you deliver and how the customer wants to talk about it." ■

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