

Expert insights. The power of advance purchase.



For SMEs (small to medium sized enterprises) that are keen to keep a tight reign on their air travel spend, one of the proven strategies to boost savings is implementing an advance airfare purchase policy in your travel program.

Whether your business uses a preferred carrier or has opted for an open sky policy, there are significant savings on airfares to be made by being prepared, planning ahead and booking early.

Fare classes – how they work

Over the years, airlines have developed complex strategies for managing yield and, as part of this, seats throughout the aircraft are grouped in ticket booking classes. Generally airlines will sell only a small amount of ‘headline’ fares for the cheapest seats in Economy Class. The remainder of Economy Class seats are staggered in price with fully-flexible Economy Class tickets costing more. Generally, last-minute tickets are more expensive, as the cheaper seats, which are fewer in volume sell out first. The availability of different booking classes on airlines around the world is dictated by a range of factors including season, demographic, fare restrictions, market

(domestic or international) and inter-airline agreements.

While a fully-flexible ticket may cost more, they are refundable and can be changed at any time. When booking in advance travellers need to be mindful that a cheaper, restricted ticket will have more conditions attached to it, therefore travellers need to know their plans aren’t going to change to ensure no additional fees are incurred through booking changes. Restricted fares won’t be suitable for all business travellers, particularly those who frequently make changes to their schedules. Corporate Traveller recommends working with your travel manager to implement a fare purchasing strategy that not only suits your business travel needs and patterns but sits within your travel policy and budget parameters.

Price impact of advance airfare purchasing

A Corporate Traveller study indicates that businesses can save on average up to 54 per cent on the cost of their tickets by booking 21 days or more in advance of their departure date. The study, which was conducted in June and July 2011

Businesses that implement advance purchase strategies within their organisations are saving more on airfares.

using fares for 12 major domestic routes, compared ticket prices for bookings made one day in advance, two to five days, six to 10 days, 11 to 20 days and more than 21 days in advance.

Using a departure date of 5 July, the study tracked advertised fares for flights between 6am and 8am by three major Australian airlines.

The results show clearly that bookings made two to five days in advance and one day prior to the departure date were on average significantly higher for all three airlines.

According to the study:

- Passengers travelling on airline ‘A’ would have paid on average 54 per cent more
- Passengers travelling on airline ‘B’ would have paid on average 46 per cent more
- Passengers travelling on airline ‘C’ would have paid on average 28 per cent more.

It’s important to note that savings on domestic tickets across carriers will fluctuate throughout the year according to daily prices, however the snapshot of fares used in this study is a good

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indication of how businesses can boost savings through forward planning. In addition, variations in ticket prices also reflect the differences in product and service offered by each airline.

Reducing your ATP

Your travel manager can show you how to reduce your ATP (average ticket price) by using advance purchase. If you have implemented an open sky policy in your travel program and therefore use Best Fare of the Day, there are still savings to be made, particularly if booking during peak periods.

Corporate Traveller's study shows that average ticket prices during times of low capacity will almost always rise five days prior to the departure date, with the lowest fare for the route generally advertised 21 days or more out from

departure. During peak travel periods, fares start to rise much sooner, making advance bookings a particularly important cost cutting strategy. During peak and high capacity periods, such as Christmas, last minute fares can more than double.

Fly with your preferred carrier and save

Your travel or account manager can identify opportunities to save by negotiating an airline agreement with your preferred carrier that may include cheaper, restrictive fares that can be booked in advance.

By booking in advance businesses with market share agreements can effectively increase their volume of travel, but continue to meet their contracted targets. This means that businesses can invest



in more face-to-face meetings, increase the frequency of their travel, have more people travelling or fly in a higher cabin class.

Include advance purchase in your policy

You can enhance the way you and your people travel by including guidelines in your policy around advance purchase. Communicate your policy clearly and effectively to all your travellers and make sure they know what is expected of them. The impact of the GFC has seen a number of SMEs introduce two week advance booking policies into their travel programs. You will also need to consider what non-compliance measures will be taken if people do not adhere to your policy.

Booking in advance isn't always going to work in the case of emergencies and unforeseen events, but when travellers

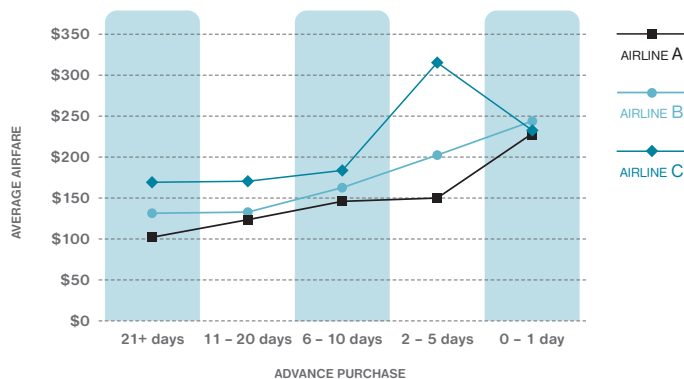
know an event is happening a few months or weeks ahead, best practise demonstrates it's wise to book as early as possible.

Change management

There needs to be a common mindset in your business when it comes to advance bookings and educating your employees is a crucial part of this. Your travel manager can help you proactively inform your travellers and travel bookers on your policy and how it affects them, what your company's goals are, the benefits of your travel policy and the savings that are achieved as a result of compliant travel behaviour.



ADVANCE PURCHASE IMPACT



Based on flight departures 6am - 8am on 5 July 2011.

REDUCE YOUR ATP WITH GOOD ADVANCE PURCHASE BEHAVIOUR

	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Advance purchase <5 days prior to date travel	35%	43%	40%	49%
Saver fares use	83%	81%	80%	80%
Flexi and full economy use	17%	19%	20%	20%
Average sector price	\$188	\$194	\$203	\$211

The table above shows the price impact on ATP when more full economy fares and less discounted fares are used.

about corporate traveller.

Corporate Traveller is a leading travel management specialist for the SME market. We offer a unique combination of expert advice, local personal service and global negotiating strength to maximise your savings.

The Corporate Traveller team is the best in the business. Our travel experts are highly experienced and have exceptional product knowledge to deliver airfare and accommodation options that will have an immediate and positive impact on your bottom line. Our flexible business model is shaped to match the distinctive needs of SMEs, enabling us to better understand your travel requirements, offer tailored solutions and build long-term partnerships.

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