

# Airline Group Pricing & Technology

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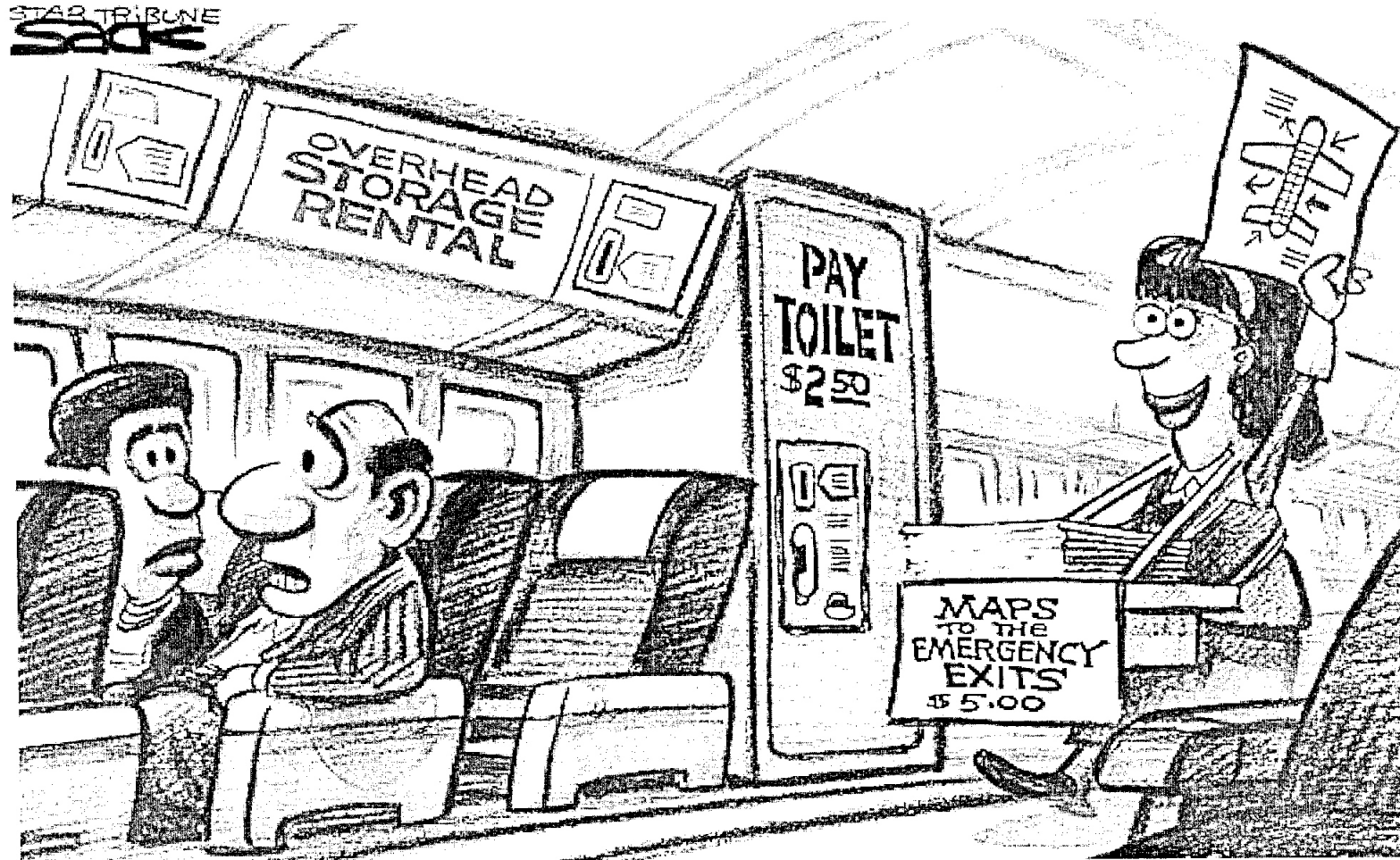
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# Understanding Airline Group Pricing

- How many people here think group pricing makes sense?
- Nevermind group pricing, who thinks any airline pricing makes sense?
- Hopefully shed some light on it today

Airlines don't  
make money,  
and are  
looking for  
every \$\$\$ they  
can get...  
literally!!



'IT WAS BAD ENOUGH WHEN THEY STARTED CHARGING FOR IN-FLIGHT MEALS..

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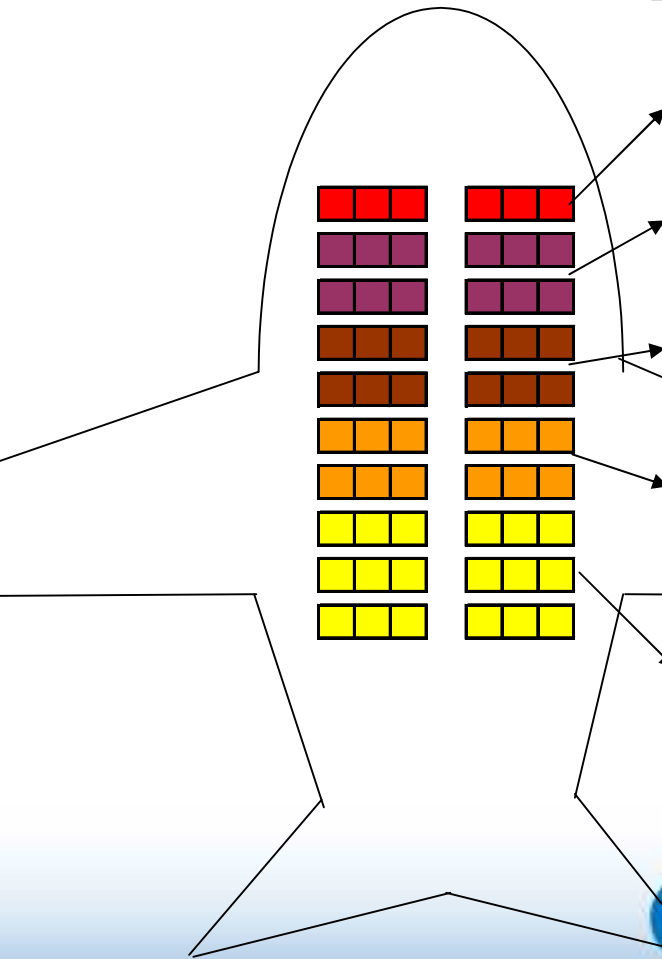
# Bulk Purchase – Airlines vs. Everything Else

- The price for most products goes down when you buy in bulk
  - Household items, food staples, etc
- The price for airline tickets will usually go up when you buy in bulk...why?
- Group fares are often higher than published fares...why?

# Airline Group Pricing

- When you buy other products in bulk, you are just buying more of the same thing
- Airline “seats” on one plane, are really considered several different “products”
- On one flight, there may be 10 or more different fare products

# Airplane Inventory



Full coach - ref, changeable	6 x	\$1,000 =	\$6,000
Reduced coach - ref, changeable, 3 day a/p	6 x	\$800 =	\$4,800
Reduced coach - ref, changeable, 3 day a/p	6 x	\$800 =	\$4,800
Disc coach - nonref, no chgs, 7 day a/p	6 x	\$600 =	\$3,600
Disc coach - nonref, no chgs, 7 day a/p	6 x	\$600 =	\$3,600
Disc coach - nonref, no chgs, 14 day a/p, Sat stay	6 x	\$400 =	\$2,400
Disc coach - nonref, no chgs, 14 day a/p, Sat stay	6 x	\$400 =	\$2,400
Disc coach - nonref, no chgs, 30 day a/p, Sat stay	6 x	\$200 =	\$1,200
Disc coach - nonref, no chgs, 30 day a/p, Sat stay	6 x	\$200 =	\$1,200
Disc coach - nonref, no chgs, 30 day a/p, Sat stay	6 x	\$200 =	\$1,200
<b>Total/Avg</b>	<b>60</b>	<b>\$520</b>	<b>\$31,200</b>

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# Group Pricing Example

- For a group of 30 from the example, the group fare would be \$280

Fare Description	Qty	Fare	Total
Full coach - ref, changeable	6 x	\$1,000 =	\$6,000
Reduced coach - ref, changeable, 3 day a/p	6 x	\$800 =	\$4,800
Reduced coach - ref, changeable, 3 day a/p	6 x	\$800 =	\$4,800
Disc coach - nonref, no chgs, 7 day a/p	6 x	\$600 =	\$3,600
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Disc coach - nonref, no chgs, 30 day a/p, Sat stay	6 x	\$200 =	\$1,200
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<b>Total/Avg</b>	<b>60</b>	<b>\$520</b>	<b>\$31,200</b>

Group	Fare	Total
6	\$400	\$2,400
6	\$400	\$2,400
6	\$200	\$1,200
6	\$200	\$1,200
6	\$200	\$1,200
<b>30</b>	<b>\$280</b>	<b>\$8,400</b>

# Group Pricing Example

- So the lowest published fare is \$200, but there are only 18 seats available at that price level
- For the total group of 30, you have to buy 18 seats @ \$200 and 12 seats @ \$400 which averages to \$280
- Also, this example assumes no seats are already sold to anyone else at the \$200 level, otherwise the price goes up

# Revenue Management

- If every seat was sold at the same price, groups would be simple
- Revenue management means we have different products for different types of customers
  - Business, leisure, etc
- Revenue management is a necessary evil, without it, airlines wouldn't survive

# Group Technology

- Group technology has lagged other areas in the airline business
- Groups are still considered a low yield or leisure type product so airlines are slower to invest in technology
- However, things are beginning to change...

# Group Technology – Coming Soon

- Online check-in
  - Expect to see online check-in for more airlines in the next year or so
- Online seat selection
- Online real-time fare requests
  - Online form for groups with automatic fare quote
  - Automatic sending of group contract via email

# Best Way To Book Groups

- No magical solution here
- Travel agency or airline should get you the same fare
- Online forms today are efficient, and most probably have 24-72 hour turnaround
- Same advice as buying published – buy as far in advance as possible, non-peak days and season if possible
- Flexibility can mean a lower fare
  - Split your groups up over flights

# Split Group Example

- Splitting the group from the earlier example reduces the group fare:

Rate Description	Qty	Fare	Total
Full coach - ref, changeable	6 x	\$1,000 =	\$6,000
Reduced coach - ref, changeable, 3 day a/p	6 x	\$800 =	\$4,800
Reduced coach - ref, changeable, 3 day a/p	6 x	\$800 =	\$4,800
Discount coach - nonref, no chgs, 7 day a/p	6 x	\$600 =	\$3,600
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<b>Total/Avg</b>	<b>60</b>	<b>\$520</b>	<b>\$31,200</b>

Group 1 - Flight #1

Group	Fare	Total
6	\$200	\$1,200
6	\$200	\$1,200
6	\$200	\$1,200
<b>18</b>	<b>\$200</b>	<b>\$3,600</b>

Group 2 - Flight #2

Group	Fare	Total
6	\$200	\$1,200
6	\$200	\$1,200
<b>12</b>	<b>\$200</b>	<b>\$2,400</b>

# What Can Airlines Offer Groups?

- Dedicated group check-in
- Airport signage
- Group meeting rooms
- Onboard announcements
- Tour conductor tickets
  - Ask for a free ticket for every 30-40 people in your group
  - More likely to get this for international groups

# Group vs. Meeting

- Groups are defined as everyone traveling together on the same flight
  - Usually 10 or more passengers
- Meetings are when people travel to the same destination, but on different flights and from different origins
- Meeting pricing differs from group pricing, and can have more benefits

# Typical Meeting Product

- Discounts off published fares
  - Usually single digit % off, but can be higher
- Flat rate “zone” fares
  - Can be higher, but are sometimes refundable and don’t require a Saturday night stay (good for business conferences or incentive package pricing)
- Back-end Incentive
  - Meeting organizer can earn travel rewards including tickets, upgrades, airport lounge passes, and inflight currency

# Questions?

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