

Advance Booking Performance: Small Changes, Big Savings

Getting travelers to book earlier can make a significant difference to air travel costs.



Christophe Renard

Senior Director
CWT Travel Management Institute

Here's a multi-million-dollar question: How much can a company save if travelers book air travel further in advance? CWT Solutions Group recently calculated that one global client could cut a staggering US\$24 million (5.5 percent) from its annual air spend by improving advance booking performance on 25 percent of transactions. This may not be as uncommon as it appears.

Significant savings are within reach of most companies according to CWT research. The company's latest in-depth report, *Playing by the Rules: Optimizing Travel Policy and Compliance*, indicates that only 6 percent of companies have an effective policy on advance booking. The research also shows that travelers often book later than they need to. Yet measures to promote earlier booking are simple and effective. In fact, companies that focus on improving their advance booking policy and traveler compliance can save on average 5.7 percent of total travel spend.

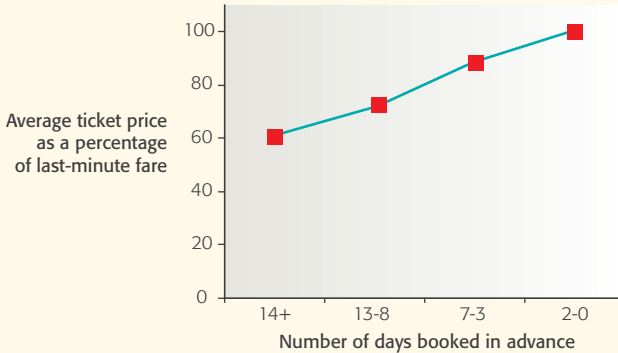
This article summarizes some of the key findings of the CWT research and answers the following questions:

- How much cheaper are tickets purchased in advance?
- How much scope is there for travelers to book earlier?
- What is the best way to promote advance booking?
- How much can companies realistically save by improving advance booking performance?

Advance purchase fares can be more than 50 percent lower

CWT analysis of transactions on 13 major routes shows that ticket prices are, on average, 2 percent lower per day during the two weeks before a flight and can be more than 50 percent lower when booked at least two weeks before. (See the chart on Page 16.)

The average ticket price rises by approximately 2% for each day closer to the departure date



Source: CWT Travel Management Institute

Based on 33,639 transactions by 46 companies on 13 representative domestic and international routes worldwide in 2007

This price advantage is particularly marked for fares booked in economy class and/or in highly competitive markets. For example, domestic carriers in the United States tend to offer discounts that are more than four times the size of those offered in France, where the national airline is the only carrier on many domestic routes.

Advance booking and restricted fares

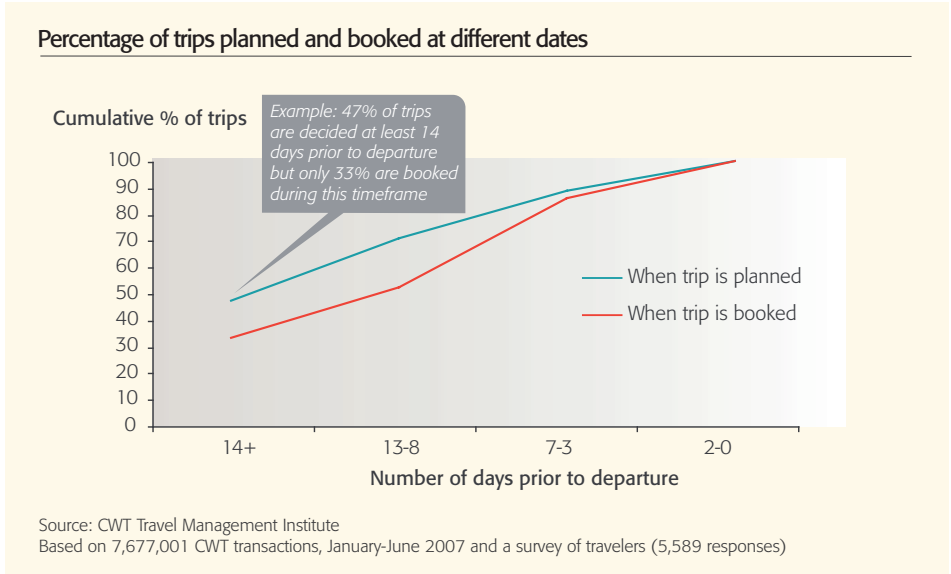
One reason that advance booking brings savings is that early bookers can best take advantage of restricted fares, which are often available on a “first-come, first-served” basis.

An analysis of one company's transactions showed that 49 percent of bookings were made with restricted fares when travelers booked at least two weeks in advance, compared to 28 percent for 13 to eight days and 20 percent for seven to three days.

Restricted fares nearly always reduce air spend, even when the cost of changes or cancellations is taken into account. This is because restricted tickets are considerably less than other fares (sometimes more than 60 percent lower than negotiated fares) and travelers change or cancel relatively few tickets (typically 20-35 percent).

Many travelers could book earlier

Some business travel will always require last-minute booking. In many cases, however, travelers could book earlier. The CWT research shows that only 33 percent of trips are booked at least two weeks in advance, although the decision to travel is made early enough for 47 percent to be booked within this timeframe. (See the chart below.)



The most room for improvement lies with a small proportion of travelers. One case study revealed as few as 25 percent of travelers made as many as 60 percent of late bookings (those booked fewer than 14 days in advance). In contrast, 30 percent of travelers always booked at least two weeks before departure. Interestingly, travelers book noticeably earlier when they reserve first-class seats: 70 percent are booked at least two weeks in advance, compared to 42 percent for business class and 36 percent for economy.



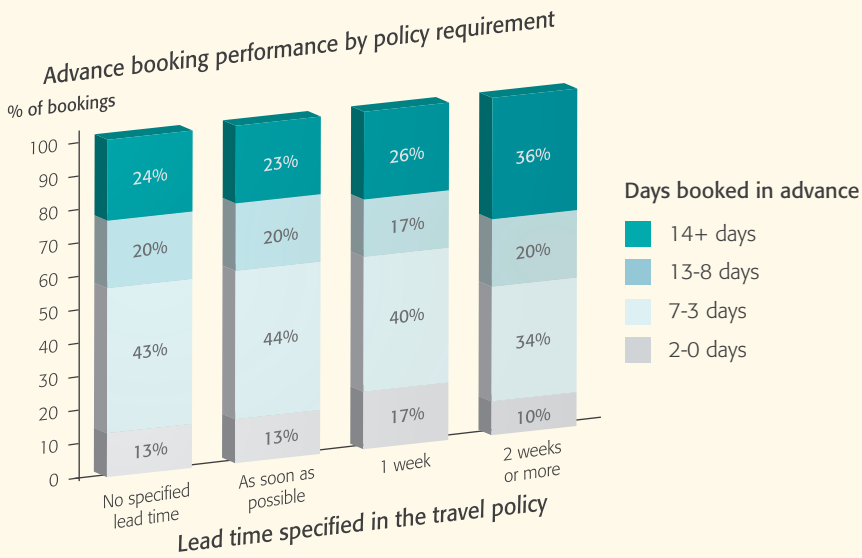
What works? Mandatory 14-day booking with compliance measures

How can companies get travelers to book earlier? Simply asking them to book “as soon as possible” appears to have no impact on booking behavior. On the other hand, companies whose travel policy clearly specifies a two-week deadline have the highest rates of advance booking, as shown in the chart below.

Many companies can improve their policy by being more precise—currently only 50 percent of policies on advance booking specify a lead time (20 percent stipulate one week and 30 percent two weeks or more). In addition, more companies could mandate advance booking—only 15 percent do so for the moment.

At first glance, it appears difficult to require travelers to always book in advance: what if the need to travel arises at the last minute? But some companies have found they can boost advance booking compliance by communicating the financial benefits and asking travelers to plan meetings with a 14-day deadline in mind. In addition, bookings made fewer than two weeks in advance can be considered exceptions that require pre-trip approval.

Companies requiring travelers to book at least two weeks in advance obtain the highest rates of advance booking



Source: CWT Travel Management Institute
Based on a CWT travel policy benchmark and transaction data for 23 clients in Q4 2006

CWT has observed a number of best practices that can help promote advance booking. These include: engaging management throughout the organization; providing travelers with clear, comprehensive guidelines; standardizing the policy regionally or globally; promoting compliance through communications and training; tracking progress and taking corrective action; benchmarking industry performance to improve one's own travel policy and compliance measures; and leveraging travel management company expertise.

Significant savings are within reach

How much can companies realistically save by improving their advance booking policy and traveler compliance? To answer this question, CWT compared average market performance with best-in-class performance, identifying the separate impact of policy and compliance measures on advance booking air performance and savings. It calculated that companies can save on average 2.2 percent of total travel spend (air + hotel) simply by changing policy from booking air "as soon as possible" to "at least 14 days in advance." This policy change results in travelers booking on average 1.6 days earlier (from 9.8 days to 11.4 days before departure). When companies also introduce effective measures to improve compliance, travelers book on average another 2.5 days earlier, bringing a further 3.5 percent savings on total spend. All together, spend can be reduced by an average of 5.7 percent. (For more information on the methodology, please refer to the research report *Playing by the Rules: Optimizing Travel Policy and Compliance*, which is available on www.carlsonwagonlit.com.)

Of course, each company has a different savings potential, depending on its current practices, travel patterns and spend. As mentioned earlier, CWT Solutions Group calculated that one global CWT client could save more than US\$24 million (5.5 percent of air spend) if it produced a 25 percent shift in performance—moving 25 percent of bookings in each time interval to the next earlier booking period. In other words, 25 percent of tickets booked six to zero days in advance should be booked 13 to seven to days in advance, and 25 percent of tickets booked 13 to seven days in advance should be booked at least 14 days in advance. The calculation was made for 14 top countries, as shown in the chart on Page 20, and for domestic, transborder and international routes (not included in this chart).

One company could save more than US\$24 million by shifting 25 percent of air bookings to an earlier time interval

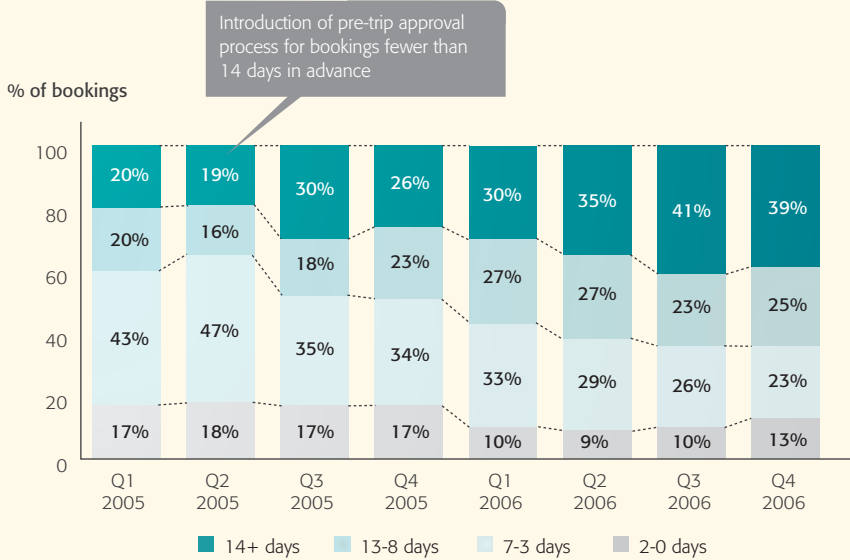
September 2006 - August 2007

Ticketing country	Actual advance purchase performance			% Shift from 0-6 to 7-13	% Shift from 7-13 to 14+	Incremental savings (US\$) by shift from 0-6 to 7-13	Incremental savings (US\$) by shift from 7-13 to 14+	Total incremental savings (US\$)	Savings as % of air spend
	0-6 days %	7-13 days %	14+ days %						
U.S.	37	27	36	25	25	6,784,014	3,315,612	10,099,626	4.7
Canada	35	27	38	25	25	531,664	289,534	821,198	4.7
Brazil	67	16	18	25	25	286,917	107,014	393,931	4.0
U.K.	64	18	18	25	25	3,172,315	615,334	3,787,649	5.4
Germany	52	20	28	25	25	2,440,141	347,740	2,787,880	7.8
Spain	73	14	13	25	25	1,467,747	218,601	1,686,348	6.4
France	53	22	25	25	25	442,720	187,192	629,913	3.5
Sweden	78	10	12	25	25	434,476	43,214	477,690	8.7
Italy	77	14	9	25	25	1,140,399	175,333	1,315,732	4.8
Australia	80	10	10	25	25	258,106	38,815	296,922	10.5
China	79	14	7	25	25	189,680	99,938	289,618	4.9
India	73	17	10	25	25	1,095,846	330,457	1,426,303	24.1
Japan	92	6	2	25	25	371,574	41,086	412,660	7.5
Singapore	59	27	15	25	25	96,222	93,610	189,833	4.4
Total						18,711,820	5,903,482	24,615,302	5.5

Source: CWT Travel Management Institute
Based on airfares and transaction data for a global CWT client

Another global client generated an estimated US\$5.8 million (6.6 percent of air travel spend) after introducing pre-trip approval—requiring travelers to obtain management sign-off for any trip booked fewer than 14 days in advance and state their reasons for doing so. This process included daily auditing of late bookings by the corporate travel team who communicated results to senior management. Subsequently, the proportion of advance air bookings increased significantly from quarter to quarter, with a 20 percent increase over 15 months (from second quarter 2005 to third quarter 2006), as shown in the chart on Page 21. The savings were calculated on the basis of 2 percent for each additional day booked in advance.

Another company saved 6.6 percent on air spend after implementing pre-trip approval



Source: CWT Travel Management Institute
Based on a CWT travel policy benchmark and transaction data for one CWT client (all routes, travelers and classes)

Advance booking performance is worth considering

Companies that have already optimized their air sourcing strategy may be surprised at how much they could save by reviewing their advance booking policy and supporting it with appropriate measures to increase traveler compliance. Many of the best practices observed by CWT are within reach of all companies and may be worth considering. [n](#)

For more information on how CWT experts can help your company optimize travel policy and traveler compliance, please contact your CWT sales or program manager or email: tmi@carlsonwagonlit.fr. The full report, *Playing by the Rules: Optimizing Travel Policy and Compliance*, is available on www.carlsonwagonlit.com.