

Premium Economy: a Class of its Own

Premium economy offers some of the comforts of business class at prices closer to coach. Is it worth negotiating these fares with airlines?



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For some, “premium economy” seems a misnomer, like “plastic glasses,” “dry cleaning” (which uses a fluid called naphtha) or “speedy boarding” (which is not necessarily fast).

In terms of service features and price, premium economy arguably remains closer to the “economy” end of the scale than the “premium.” Depending on how you look at it, this “in-between” class of service could either be an unaffordable luxury compared to regular economy (coach) class or a relatively cheap way to buy more comfort without paying business-class prices.

As the latter, premium economy is worth investigating. This article looks at the benefits of premium economy and provides advice to companies considering it for their travel program.

Which services come at a premium?

As many airlines trim away the free services offered in coach class and reduce capacity, making flights fuller, the improved services offered in premium economy can make a big difference to the traveler’s experience.

The main benefit has to be **more comfortable seating**. Travelers get more legroom, with a seat pitch—defined as the distance between a row of seats—typically measuring 38 inches (96.5 centimeters) or 20 percent more than in coach. Seats are also wider at 18.5-21 inches (47-53 centimeters) and have 2-3 inches (5-7.6 centimeters) of additional recline, making premium economy seating comparable to old-generation business class seats.

Moreover, many premium economy fares include **priority check-in**, boarding and disembarking; **complementary beverages**; priority meal service; and, in a few cases, higher-quality meals. Travelers who want to work usually find **personal laptop power outlets**, while those who want to relax often enjoy improved in-flight entertainment

with personal TV screens and video-on-demand. Some airlines also provide **lounge access** and **priority baggage reclaim**, as well as extras such as noise-cancelling headphones and special amenity kits.

Which airlines offer premium economy?

Pioneered by Virgin Atlantic as far back as 1992, premium economy is still offered by only a dozen or so carriers, mainly on mid- or long-haul routes. A handful of airlines actually use the term “premium economy,” notably Air New Zealand, All Nippon Airways, bmi, Japan Airlines, Qantas Airlines, Virgin Atlantic and Virgin Blue.

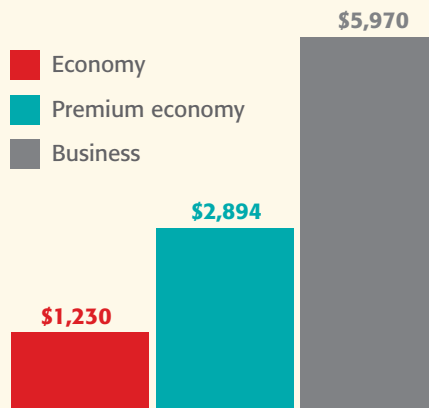
Furthermore, some airlines promote cabins that are distinct from regular coach and business without using the term “premium economy.” Air France, for example, markets an “Alizé” class on specific routes. British Airways sells “World Traveller Plus” while sister carrier OpenSkies calls its middle cabin “Prem+.” Other airlines offering upscale coach class include Air Mauritius (“Club Mauritius”), EVA Air (“Elite Class”) and SAS Scandinavian Airlines (“Economy Extra”).

On the other hand, United Airlines’ “Economy Plus” fare provides extra legroom but otherwise is identical to its regular coach service, with the same seats and amenities.

What premium do customers pay compared to coach?

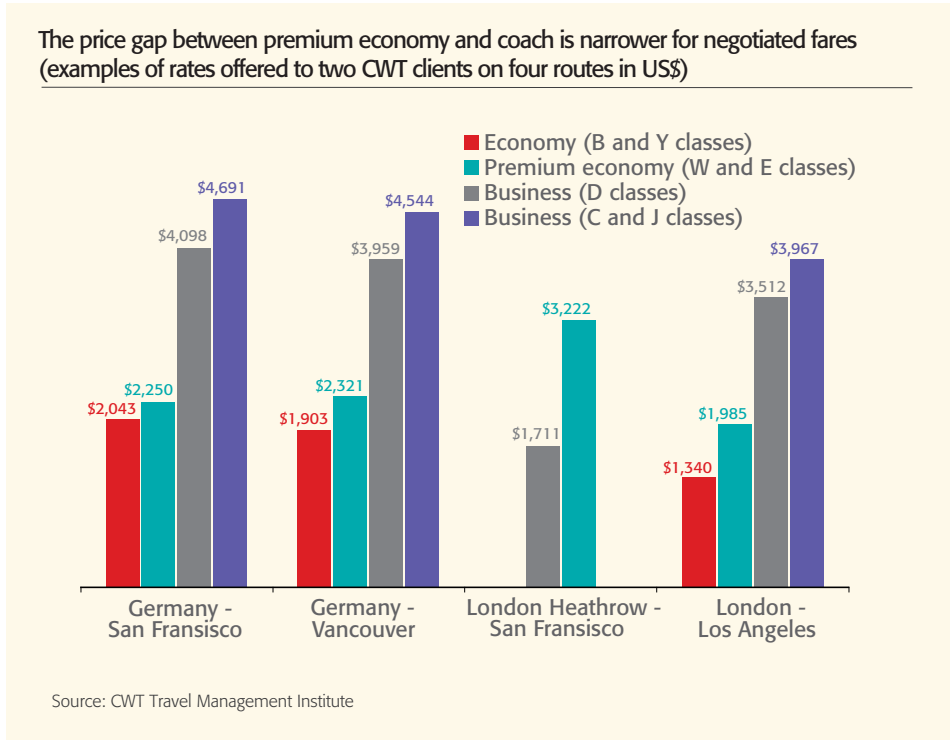
CWT analyzed client spend on 1,149 transatlantic routes served by British Airways and Virgin Atlantic between January and June 2008. On these routes, the average ticket price (ATP) paid in premium economy was more than twice the price paid in coach and half the average fare paid in business. (See the following chart.) These ATPs include both published and corporate negotiated fares.

The average ticket price paid for premium economy by CWT clients on transatlantic routes was half the ATP for business class between January and June 2008 (in US\$)



Source: CWT Travel Management Institute
Based on 1,149 routes between Europe and North America or Latin America served by British Airways and Virgin Atlantic, January - June 2008

When corporate fares are compared, however, the gap between premium economy and regular coach class narrows, as shown in the chart below.



How can travel managers best integrate premium economy into the travel program?

So far, only a handful of CWT clients have negotiated premium economy fares. The main reason is that premium economy is available on a limited number of airlines and routes worldwide. In addition, companies can find it challenging to integrate premium economy into their travel policy when they could be seen as discriminating between travelers in different home locations. In other words, why should a manager taking a transatlantic flight from Paris be allowed or required to travel in a different class than a colleague from London attending the same meeting? Citing the limited availability of premium economy as justification may not suffice.

Companies may find premium economy worth exploring when they have one or more of the following characteristics:

- **A policy that authorizes classes of travel based on the duration of a flight.** For example, business class travel may only be authorized on nonstop flights lasting more than eight hours. For shorter transatlantic or intraregional flights, premium economy enables travelers to preserve a certain level of comfort while reducing costs.

- **A high degree of cost-consciousness.** When employees are highly motivated to contain costs, they are more likely to accept the trade-off in comfort involved in switching from business to premium economy class. Using an online booking tool can help reinforce cost-consciousness by playing on “visual guilt,” whereby travelers are more likely to choose cheaper options when they see the price differences on the screen.
- **A significant number of travelers using the relevant routes to make premium economy fare negotiations worthwhile.** This said, airlines will sometimes propose a special premium economy fare even if negotiations have focused on other types of fares. Premium economy flights can also be used as a back-up solution when other classes of seats are fully booked.

To make the most of premium economy, travel managers may wish to consider the following tips:

- **Define premium economy in your travel policy.** If travelers use routes served by premium economy class, they need clear guidelines on whether to consider premium economy as a form of economy class, an alternative to business class or quite simply a class of its own.
- **Recommend, not mandate, premium economy when it is an appropriate class of service for travelers.** Many companies are uncomfortable with a mandate that varies the level of authorized comfort based on a route not the travel time. Travel managers may find it best simply to recommend that travelers consider premium economy class as a cost-effective alternative to business class.



- **Propose premium economy for specific types of trips.** One Europe-based CWT client recommends that travelers take business class on outbound transatlantic flights and premium economy on the return portion when it is available. Similarly, companies can recommend business on night flights, when a traveler needs to sleep, and premium economy on day flights. Companies could also choose premium economy for a specific meeting or event that involves numerous participants.
- **Communicate on the potential savings offered by premium economy compared to business class.** When travelers understand the stakes, they are more likely to play along with any recommendations made in the policy.

Although premium economy can be a challenge to integrate into the travel program, it can bring worthwhile benefits. With airlines stripping their coach service to the bare essentials and increasing fares across the board, travel managers may increasingly consider this class of air travel as good value for money given the extra services available at a relatively low price. Travelers, for their part, may be more willing to choose premium economy over business for certain trips if they are aware of the substantial savings their company can realize. Premium economy has been slow to take off in managed travel but it may just happen yet. ■

