

Mid-market technology company saves 7% of total spend by optimizing carrier mix and booking behavior

AIR SOLUTIONS
NORTH AMERICA

THE CHALLENGE

A computer software developer with one preferred carrier wanted to increase its contract market coverage by adding another carrier to its portfolio. However, it needed to identify which additional carrier would maximize savings potential while maintaining manageable overlap and ensuring attainable share goals. Because of its relatively small size, it also sought insight into savings opportunities beyond contract negotiation.

THE SOLUTION

The current program was analyzed by calculating the net effective savings rate (NESR), a weighted average percentage of the preferred supplier discounts, and then by benchmarking contract terms against clients of similar size and spend. Next, a detailed examination of advanced purchase behavior was conducted to identify the top markets with considerable savings opportunities.

CWT Air Solutions completed an opportunity analysis which provided insight into optimizing the carrier mix. It also evaluated the actual versus potential market share and identified route coverage and overlap. Based on this information and the client's top city pairs, CWT was able to determine the best carrier strategy.

Finally, a Small Business Program Analysis was conducted to evaluate savings differences between a negotiated contract and enrollment in the preferred carrier's small business program. The analysis illustrated the significant savings reduction the client would incur by participating solely in the airline's small business program instead of the current agreement.

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THE RESULT

A benchmark assessment assured the client of contract competitiveness. However, the NESR analysis revealed that more than half of the client's preferred carrier spend was receiving only a 2 percent discount, resulting in a very low NESR. This valuable insight gave the client a better understanding of where the savings from the contract is coming from and identified areas to target in upcoming carrier negotiations.

The opportunity analysis revealed a potential to increase market coverage by 22 percentage points while maintaining manageable overlap by adding one specific domestic carrier to the portfolio—saving \$35,000. In addition, CWT also recommended participation in three small business programs to supplement the contract which would generate free airline tickets valuing almost \$26,000.

Analysis revealed significant savings potential from measuring traveler booking behavior, including \$252,000 with increased advance purchases. CWT identified total savings potential of \$313,000 more than 7 percent of the client's total spend.

FAST FACTS

Industry: Computer software development

Scope: Located in 50 countries

Volume: \$4.2 million

Identified savings opportunities:

- \$252,000 by increasing advanced purchase
- \$35,000 by adding one carrier to portfolio
- \$26,000 by participating in three small business programs