

Air Strategy Reviews help mid-market clients increase soft dollar fund value, reduce goal overlap, and optimize preferred carrier mix

AIR SOLUTIONS
NORTH AMERICA

THE CHALLENGE

Three mid-market clients with annual spend ranging from \$1.9 million to \$7.9 million had specific questions about increasing their overall program value. Client A, a strategy consulting firm, needed to determine the value of contract term-level savings on its top carrier. Client B, a defense and transportation leader, sought to reduce goal overlap by reducing the number of carriers in its overcrowded preferred carrier program. Client C, a manufacturer of homecare and extended care products, wanted to assess the feasibility of adding a preferred carrier to its current mix to increase coverage ratios. In addition, each firm wanted to maximize savings while maintaining manageable coverage overlap and ensuring achievable share goals.

THE SOLUTION

CWT Air SolutionsSM developed a series of client-specific metrics to analyze each program and make corresponding recommendations. For **Client A**, CWT conducted a Net Effective Savings Rate analysis (NESR), a weighted average of preferred supplier discounts levels. Diving deeper into A's key markets, CWT performed an opportunity analysis to determine top strength markets and compare actual market share to fair market share.

To reduce the goal overlap for **Client B**, CWT performed an opportunity analysis to assess coverage and overlap levels on top routes, and then analyzed scenarios in which a preferred carrier was removed and share was shifted to another preferred carrier on a route-by-route basis.

For **Client C**, CWT determined the feasibility of adding another preferred carrier to the current mix by performing an opportunity analysis and assessing coverage and overlap levels, keying-in on C's top routes.

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THE RESULT

Through NESR analysis to determine savings value by term and opportunity analyses to determine coverage levels, CWT recommended **Client A** work with its top carrier to reduce upfront discounts offered on the top markets and, instead, put this savings value toward its soft dollar fund. The increased value of passenger name changes, lounge access and upgrading to business class outweighed the value of having a high discount on top routes.

Removing a preferred carrier for **Client B** lowered its carrier overlap from 35% to 23%, well within the best practices overlap of 30% or less, while decreasing program coverage only from 77% to 70%. The reduction in overlap outweighed the loss of the removed preferred carrier discounts by re-directing travel revenue to other key preferred carriers.

Analysis determined **Client C's** program coverage was at 59%, well below the industry average of 85% of total volume. Adding another carrier to the mix would only increase the overlap a couple of percentage points—still below the industry norms—but would considerably improve program coverage to 84% of total volume.

FAST FACTS

Scope: A: 292 markets covered in US POS
B: 1,192 markets covered in US POS
C: 767 markets covered in US POS

Results at a glance:

- A increased value of soft dollar fund
- B removed one preferred carrier, decreased coverage overlap
- C added one preferred carrier to increase coverage ratio