



# AIR ACCLAIM

Buyers are more satisfied with every carrier in  
BTN's 2010 Airline Survey than they were last year.  
How will consolidation change that?

By Jay Boehmer

**C**ONTINENTAL AIRLINES FOR THE THIRD CONSECUTIVE YEAR SECURED TOP HONORS IN *Business Travel News*' Annual Airline Survey, while its merger partner and new namesake, United Airlines, once again landed at the bottom of the heap. Roughly two months into their integration, the carriers face the challenge of preserving the goodwill Continental has developed among corporate travel buyers, as demonstrated by a consistently strong performance in the 13 years *BTN* has measured buyer satisfaction with airline negotiating and service delivery.

Continental has finished first in the annual survey six times, tying American Airlines, which placed second this year, for the most number of wins, while United—rated this year ahead of only one carrier, US Airways—has hovered in the middle or bottom of the pack.

"It will be interesting to see whether good or evil prevails," said Advisory Board Co. information systems managing director and travel buyer Steven Mandelbaum of United and Continental's pending corporate sales integration. "I don't know if there's anything you'd want to borrow from the United side, except for the fact that they have more planes and more locations."

Other respondents similarly were critical of United.

Asked what their preferred airline could do in the next 12 months to improve their relationship, one Continental client responded, "Remain independent of United Airlines."

That won't happen, and respondents were divided as to the merger's impact on their travel programs, according to a separate survey of 189 travel buyers *BTN* fielded in May. While 36 percent expected the merger to have no impact and 30 percent said it would provide new opportunities and network coverage, 34 percent viewed it in a negative light, fearing increased pricing, reduced capacity and degraded service levels. One respondent to the May survey said, "We feel that Conti-

ental is one of the top airlines from a customer-service standpoint, with United and US Airways at the bottom. Our concern is this merger will not only negatively impact the already depleted competitive marketplace, but the quality of service of Continental. If United's lack of customer care filters over to Continental, we are going to be in trouble."

Some United clients, though, see the possibility of better corporate customer service. Westinghouse Electric Co. global travel manager and travel buyer Dan Cooper, who is negotiating his corporate air deals, said he is encouraged by Continental's strong performance in the survey. "We've historically had a partnership with

United, and looking at Continental sitting on top of the ratings this year as well as many other years, we're very excited about that aspect of the merger," he said. "It was good news from a travel management perspective to hear that the sales team at the new United will have such a Continental influence."

## UNITED'S CHALLENGE

The challenge is not lost on senior vice president of worldwide sales Dave Hilfman, who is heading the merged carrier's corporate sales efforts. Asked about Continental's results versus United's, Hilfman said, "You can certainly look and recognize the difference. What I'm most focused upon, having the privilege to lead the new United's worldwide sales effort, is going forward. Clearly, our team is going to be tasked to focus on those areas where we can improve so that we can achieve across the new airline the top ranking. We're going to have to look top to bottom within our sales processes and within our approach to the market to make sure that the new airline, now the world's largest and working to be the world's leading airline, replicates those things that were very much appreciated and recognized by our key corporate buyers."

The new United sales team has Continental DNA all over it. Of the three vice presidents named by press time—John Slater for the Americas; Charles Duncan, who handles Europe, the Middle East, India and Africa; and Jim Mueller, who covers Asia/Pacific—only Mueller previously was a United employee. All report to Continental vet Hilfman, who reports to former Continental chief marketing officer Jim Compton, now United's chief revenue officer. At the top sits president and CEO Jeff Smisek, formerly the chief of Continental. The new United plans to determine its next layer of leadership in early December, appointing managing directors, a head of distribution and other key positions.

Hilfman said getting the right people in place is key to the success of the merged carrier's sales efforts. He expects the rest of the corporate sales positions—"all the way down to our front-line sales professionals"—to be filled by early next year, advancing the merged carrier's goal to "have one voice in the market within the first quarter of 2011."

According to the survey results, Continental this year led its peers in the value of respondents' relationships

with the carrier's account managers and sales reps, which is "really the front line for corporate travel buyers," Westinghouse's Cooper said.

The United management team also is "evaluating and reviewing a lot of things we do today at both airlines, and we're trying to pick the best of everything we do at both, because you want to be at the highest common denominator," Hilfman said. "You want to have the best stuff, and I think the market will start to see that as we make our way out of the first quarter."

Transitioning corporate contracts to the new United likely would follow the internal organizational changes. "We'd love to be expeditious, but you want to make sure you get things right," Hilfman said.

Integration will be a challenge. Regarding Continental, Mandelbaum said, "I don't think there's anything special about them. It's not like when you go to Vegas and some hotels have fountains in front of them and some don't. There's no gee-whiz with them, but what they do, they do very well, and that's what impresses people. They get the basics right, and the basics are the easiest thing to screw up in an integration."

## DELTA'S MODEL MERGER

Pointing to the most recent U.S. mega-merger between Delta Air Lines and Northwest Airlines, Mandelbaum said, "United and Continental can only hope to be half as successful as Delta was." Though Mandelbaum in last year's survey was critical of some aspects of the Delta-Northwest merger process, claiming they advertised more integration than they delivered, he said the carrier has grown to be responsive and accommodating while improving its product, including the ongoing fleetwide rollout of inflight wireless Internet.

To one buyer, it was telling that Continental and United are using Bain & Co. as their integration consultants—the same advisors that helped navigate Northwest and Delta's transition. Still, that buyer said, "There's a lot of questions about the culture of United and Continental. These are two very different operations."

One respondent whose company annually spends between more than \$12 million on U.S.-booked air, seconded the positive perceptions of the Delta-Northwest integration, noting, "Delta has moved beyond the merger craziness. They are proving to be a very strong partner."

Delta placed fourth in *BTN's* survey this year, with

performance below the industry average in overall price value and customer service, but with average or above-average performance in the remaining eight categories, including the top rating for its network, partnerships and frequencies.

Delta and Northwest did not receive their single operating certificate as one carrier until December 2009 and were rated as separate carriers in last year's *BTN* survey, with Delta scoring a 3 rating on an ascending scale of 1 to 5, and Northwest garnering a 3.03. Delta's 3.24 score this year bested both.

Though the carrier declined an interview for this report, vice president of global sales Steve Sear wrote in an e-mail, "We're proud of the results considering the unprecedented changes Delta experienced last year. Delta had the largest overall year-over-year gain among the carriers and showed vast improvement in each category. This is a testament to the hard work of our sales professionals, especially at a time when we were finishing the merger integration and implementing the transatlantic joint venture with Air France-KLM."

## AA TARGETS CUSTOMER SERVICE

Finishing second by four hundredths of a point, American Airlines led the industry in flexibility in negotiating meetings pricing, a category in which it has outperformed its peers for years, and flexibility in negotiating services and amenities, but fell below industry averages in quality of customer service and overall price value. "We never like to come in second," said AA vice president of sales Derek DeCross. "We're dedicated to the number-one spot."

Of particular interest to the carrier, DeCross said, is improving its quality of customer service through its Customer Experience Leadership Program, which "looks at hundreds of different areas and the ways we can improve. We've been doing that for more than a year, and we continue to make strides on products and services." The program has led to new online customer service functionality, improving operational performance and new technology, he said, including Your Assistance Delivered Anywhere mobile devices, which allow airport agents to provide flight information to customers throughout the airport.

DeCross in August took his position at the top of the sales force after a brief stint as president of AAdvantage.

## CORPORATE TRAVEL BUYERS RATE U.S. AIRLINES

Rankings on a scale of 1 (poor) to 5 (excellent)

	FLEXIBILITY IN NEGOTIATING TRANSIENT PRICING	FLEXIBILITY IN NEGOTIATING MEETINGS PRICING	FLEXIBILITY IN NEGOTIATING SERVICES AND AMENITIES	DISTRIBUTION CHANNEL AVAILABILITY	COMPLAINT/PROBLEM RESOLUTION	QUALITY OF AIRLINE COMMUNICATIONS	VALUE OF RELATIONSHIPS WITH ACCOUNT MANAGERS AND SALES REPS	QUALITY OF CUSTOMER SERVICE	NETWORKS, PARTNERSHIPS AND FREQUENCIES	OVERALL PRICE VALUE	OVERALL AVERAGE
<b>CONTINENTAL AIRLINES</b>	<b>3.10</b>	<b>2.93</b>	<b>3.06</b>	<b>3.59</b>	<b>3.36</b>	<b>3.50</b>	<b>3.41</b>	<b>3.53</b>	<b>3.54</b>	<b>3.14</b>	<b>3.32</b>
<b>AMERICAN AIRLINES</b>	<b>3.04</b>	<b>2.96</b>	<b>3.16</b>	<b>3.51</b>	<b>3.28</b>	<b>3.54</b>	<b>3.40</b>	<b>3.14</b>	<b>3.66</b>	<b>3.10</b>	<b>3.28</b>
<b>SOUTHWEST AIRLINES</b>	<b>2.84</b>	<b>2.83</b>	<b>2.67</b>	<b>2.65</b>	<b>3.58</b>	<b>3.68</b>	<b>3.08</b>	<b>3.79</b>	<b>3.45</b>	<b>3.96</b>	<b>3.25</b>
<b>DELTA AIR LINES</b>	<b>3.00</b>	<b>2.89</b>	<b>3.01</b>	<b>3.48</b>	<b>3.14</b>	<b>3.57</b>	<b>3.22</b>	<b>3.20</b>	<b>3.77</b>	<b>3.11</b>	<b>3.24</b>
<b>UNITED AIRLINES</b>	<b>2.75</b>	<b>2.69</b>	<b>2.70</b>	<b>3.38</b>	<b>2.80</b>	<b>3.15</b>	<b>3.04</b>	<b>2.97</b>	<b>3.75</b>	<b>2.80</b>	<b>3.00</b>
<b>US AIRWAYS</b>	<b>2.80</b>	<b>2.73</b>	<b>2.55</b>	<b>3.20</b>	<b>2.68</b>	<b>2.78</b>	<b>2.80</b>	<b>2.76</b>	<b>3.35</b>	<b>2.87</b>	<b>2.85</b>
<b>AVERAGE ATTRIBUTE RATING</b>	<b>2.92</b>	<b>2.84</b>	<b>2.86</b>	<b>3.30</b>	<b>3.14</b>	<b>3.37</b>	<b>3.16</b>	<b>3.23</b>	<b>3.59</b>	<b>3.16</b>	<b>3.16</b>

### Rating Criteria Definitions Presented To Respondents

**FLEXIBILITY IN NEGOTIATING TRANSIENT PRICING:** The airline's demonstrated ability to customize business travel program discounts and other negotiated pricing elements.

**FLEXIBILITY IN NEGOTIATING MEETING PRICING:** The airline's demonstrated ability to customize meetings travel discounts and negotiated pricing elements for a preferred business travel buyer.

**FLEXIBILITY IN NEGOTIATING SERVICES AND AMENITIES:** The airline's demonstrated ability to negotiate additional offerings for individual business travelers, including soft-dollar benefits and special VIP treatment in-flight and at the airport.

**DISTRIBUTION CHANNEL AVAILABILITY:** The airline's demonstrated ability to provide the most comprehensive published and private airfare content for preferred corporate bookings.

**COMPLAINT/PROBLEM RESOLUTION:** The airline's demonstrated ability to respond quickly and effectively to business travel buyer and corporate traveler concerns.

**QUALITY OF AIRLINE COMMUNICATION:** Demonstrated performance in informing travel buyers about airline management, products, programs, sales and service changes.

**VALUE OF RELATIONSHIPS WITH ACCOUNT MANAGERS AND SALES REPS:** Demonstrated performance in the productivity and frequency of meetings with local, regional, national and other airline representatives and their power to negotiate agreements, offer options and make decisions regarding price and service.

**QUALITY OF CUSTOMER SERVICE:** Overall perception of airline based on timeliness, reliability and cleanliness of service; support from airline personnel and communication to travelers.

**NETWORKS, PARTNERSHIPS AND FREQUENCIES:** The airline's ability to provide the necessary service to the destinations respondents' companies' travel patterns require.

**OVERALL PRICE VALUE:** The perceived worth of an airline's service levels relative to fares.

He said he has yet to make any sweeping changes, and his focus is in the realm of cultivating small and mid-market business, refining the carrier's distribution and merchandizing strategy and coordinating sales with joint business partners British Airways and Iberia on the Atlantic and Japan Airlines on the Pacific.

## DISTRIBUTION DRAGS SOUTHWEST

Though Southwest Airlines rated highest in more categories than any of its competitors—and scored the best in four: complaint/problem resolution, quality of communications, customer service and overall price value—the carrier's performance in providing distribution channels to corporations proved an albatross. Without that category, Southwest's overall score would have bested first-place Continental's.

Southwest has only limited participation in Sabre's and Travelport GDS's global distribution systems, but corporate sales and distribution director Rob Brown said the carrier has moved to make its content available through third parties, including through direct connections with corporate booking tool providers Concur and Rearden and, most recently, an agreement with Travelport GDS to access its Universal Application Programming Interface, which agents can tap into.

"We want to continue to listen to our corporate customers and continue to take the steps that we've taken in the past three years in expanding our distribution portfolio to meet their needs," Brown said, though he noted that no new availability through third-party channels is imminent.

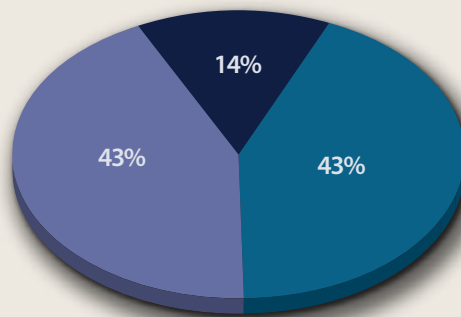
"They make it very difficult for a corporate buyer to buy from them," Mandelbaum said. "They've made major investments, they've put sales staff on the ground, and I think they've done a lot, but it's not the same game. Can I book them in the GDS? No, not really. They're not in the mall. I have to drive to a different shopping center, park my car and go there."

## US AIRWAYS' NEW PHILOSOPHY

Following its merger with America West Airlines in 2005, US Airways began to de-emphasize the corporate market, positioning itself as a low-cost carrier, culling corporate contracts and making deep cuts to its sales force. The carrier for years has sat at the bottom of *BTN*'s annual survey, and this year's scores in each category remain below-average. Still, the carrier's overall score rose to 2.85 this year from 2.64 in 2009. Only Delta had

## FEW SEE BETTER SERVICE

Changes in overall airline customer service for respondents' businesses, past 12 months



■ Improved ■ Worsened  
■ Stayed the same

Source: A *BTN* survey of 249 corporate travel buyers from companies with more than \$500,000 in 2009 U.S.-booked air volume

a greater rate of year-over-year improvement, though each carrier's score was higher this year than last.

CEO Doug Parker during US Airways' third-quarter earnings call last month said, "We've actually made a real push to get more corporate business, and that includes a lot of initiatives in Europe to get more corporate business. Our corporate sales team has done a good job of getting a lot more corporate on the books so we have more up-front business demand." The carrier did not return requests to speak with *BTN* for this report.

Westinghouse's Cooper, who worked for US Airways before becoming a travel buyer, has seen evidence of such a new stance. "That's one carrier where we've seen a tremendous increase of flexibility," Cooper said, adding that US Airways has been "reinstating their recognition of the corporate traveler."

"Immediately after the merger, there was a devaluing of the corporate traveler, where they were treated in the same way as a leisure traveler. Those are some ongoing conversations we've had with them over the years, and we've seen improvement. I do have to applaud them. They went to such an extreme, but now they're coming back, which is good. They've been more business-friendly than they've been since the merger." ■

## AIRLINE SURVEY METHODOLOGY

The 13th annual *Business Travel News* Airline Survey is a unique measure of corporate travel buyer perceptions of airline performance in negotiating for and delivering service and maintaining preferred relationships. This year, *BTN* again contracted Equation Research to host and tabulate the survey.

The categories presented in the questionnaire were developed through a series of exchanges with travel buyers, corporate travel agency managers and airline sales executives to reflect more clearly the way in which corporate air travel buyers perceive each airline.

Asked to grade only those airlines with which they did business in the past year, respondents ranked domestic carriers on a scale of one (poor) to five (excellent) in 10 categories. *BTN* averaged scores in each category to create the overall score for each carrier. All categories are equally weighted.

Not every respondent rated every airline in every category. Those participants who offered no response for a particular category or airline were not included in that average rating.

*BTN* from late August to early October invited by e-mail a randomly selected subset of qualified readers, producing 459 responses, 249 of whom spent more than \$500,000 annually on airline tickets.

Respondents whose organizations spent less than \$500,000 in annual U.S. booked air volume were excluded from the results in an effort to restrict the survey to managed travel programs.

Twenty-five percent of the 249 respondents spent more than \$12 million in 2009 U.S.-booked air volume, while 35 percent spent between \$2 million and \$11.9 million, and 40 percent spent between \$500,000 and \$1.9 million.

The survey contained a list of the 10 largest domestic airlines as identified by the U.S. Department of Transportation, excluding regional affiliates of major carriers. Airlines that elicited responses from less than 35 percent of the survey base—AirTran Airways, Alaska Airlines, Frontier Airlines and JetBlue Airways—were excluded from this report. Reflecting the closing of their merger at the end of 2008, Delta Air Lines and Northwest Airlines were treated as a single carrier—Delta—in this year's survey. ■



## OTHER AIRLINE SATISFACTION INDICATORS

Traveler satisfaction with U.S. carriers improved for the first time in three years, according to a June J.D. Power and Associates study based on responses from 12,300 passengers who flew on a major North American carrier between April 2009 and April 2010. Ten of the 12 North American carriers ranked in the survey saw scores improve this year. Satisfaction with cost and fees and inflight services drove the improvements, J.D. Power said, adding that the findings suggest passengers may have grown to accept the proliferation of ancillary fees levied by carriers. JetBlue Airways posted the highest overall score, followed by Southwest Airlines. Of the major network carriers, Continental Airlines finished first, with US Airways at the bottom.



Though airline passenger satisfaction grew 3 percent this year on the American Customer Satisfaction Index, only one industry—news-papers—scored worse on the econometric model developed by the University of Michi-

gan's Stephen M. Ross School of Business. The American Customer Satisfaction Index, which scores companies on a scale of 0 to 100, examines customer satisfaction on more than 225 companies spanning 45 industries. The airline industry's collective score of 65 is "near the bottom of all industries in ACSI," according to the results released in June. Southwest performed the best on the index with a score of 79, followed by Continental, which tallied a 71.

United Airlines continues to "consistently lead the majors" in on-time performance, FlightStats reported this month, delivering more than 89 percent of its October flights on time. Continental landed more than 86 percent of its flights on time, while American Airlines—which FlightStats said "shows steady improvement"—delivered an 84 percent on-time rating. US Airways and Delta Air Lines weren't too far behind, with 83.58 percent and 82.41 percent on-time ratings, respectively. Southwest, meanwhile, "continues a steady downward trend," delivering only 65 percent of its flights on time in October.



The 18 largest U.S. airlines on average mishandled 3.59 bags per 1,000 passengers for the first nine months of the year, down from 4.02 bags for the same period last year, according to the U.S. Department of Transportation's September 2010 Air Travel

Consumer Report, released this month. Of the six largest U.S. carriers, Continental posted the best performance, with 2.55 bags mishandled per 1,000 passengers, while American posted the worst, mishandling nearly four bags per 1,000 passengers. While Continental, US Airways, Southwest, Delta and United all posted better than average baggage-handling performance, many of the regional carriers with which the major network carriers contract—including AA's American Eagle (with 7.26 bags mishandled per 1,000 passengers) and Delta's Comair (5.4 per 1,000 mishandled)—performed below average.

Customer complaints filed with DOT against the 18 largest U.S. airlines, including regional carriers, grew from 0.99 per 100,000 enplanements for the first nine months of 2009 to 1.3 per 100,000 this year. Southwest garnered the lowest rate of complaints at 0.27 per 100,000 enplanements, while Delta received the highest at 2.2 per 100,000. Performing only moderately better, United, US Airways, Continental and American rounded out the bottom five at 1.75, 1.68, 1.58 and 1.54 complaints per 100,000 passengers, respectively.



The rate of denied boarding incidents decreased for the first nine months this year from 1.26 per 10,000 passengers to 1.19, according to DOT's September 2010 Air Travel Consumer Report. Of the six largest carriers, Delta performed the best, with 0.45 per 10,000 passengers, while Continental performed the worst, at 1.94 per 10,000. ■