

Follow The Leader

*Delta Tops Air Survey Again,
But Lead Narrows*

By Jay Boehmer

Delta Air Lines for the third consecutive year maintained its position as the leading U.S. airline as rated by corporate travel buyers in the *BTN* Annual Airline Survey. In continuing an impressive streak, it topped competitors in nine of 10 categories and held a significant lead in overall average score. The carrier not only has won more corporate business—as evidenced by double-digit percentage corporate revenue growth—but also the adulation from corporate travel buyers.

Corporate Travel Buyers Rate U.S. Airlines

Ratings 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 channels | Complaint/problem resolution | Quality of client communications | Value of relationships with account managers and sales reps | Quality of customer service | Networks, partnerships and frequencies | Overall price value | OVERALL AVERAGE |
|--------------------------|--|---|---|-----------------------|------------------------------|----------------------------------|---|-----------------------------|--|---------------------|-----------------|
| Delta Air Lines | 3.81 | 3.62 | 3.75 | 4.03 | 4.00 | 4.07 | 4.13 | 4.04 | 4.13 | 3.68 | 3.93 |
| American Airlines | 3.16 | 3.31 | 3.27 | 3.73 | 3.40 | 3.46 | 3.27 | 3.28 | 3.71 | 3.29 | 3.39 |
| United Airlines | 3.00 | 3.16 | 3.01 | 3.76 | 3.16 | 3.51 | 3.21 | 3.26 | 3.86 | 3.13 | 3.31 |
| Southwest Airlines | 3.12 | 2.95 | 2.70 | 3.05 | 3.50 | 3.39 | 3.09 | 3.71 | 3.25 | 3.72 | 3.25 |
| US Airways | 3.06 | 3.12 | 2.80 | 3.55 | 3.24 | 3.25 | 3.17 | 3.12 | 3.39 | 3.18 | 3.19 |
| Average attribute | 3.23 | 3.23 | 3.11 | 3.62 | 3.46 | 3.54 | 3.37 | 3.48 | 3.67 | 3.40 | |

The competitive set, however, hardly is standing still. As the established leader in the U.S. corporate market, the target is on Delta's tail. This year, every ranked airline other than Delta improved its score from the prior year's survey. Placing second for the second consecutive year, American has narrowed Delta's lead. United, meanwhile, recovered to place third following a fifth-place finish last year, while Southwest and US Airways, respectively, ranked fourth and fifth.

Corporate travel buyers in general are more satisfied with airlines this year, with overall average ratings in every category rising from last year. Among 429 corporate travel buyer respondents, 31 percent indicated that overall airline customer service for their organizations in the past 12 months improved, compared with the 20 percent who reported service deterioration.

Delta Dominant

Not only are Delta's survey results once again industry-leading, but many write-in responses read like love letters. "Delta exceeds expectations in all areas," wrote one respondent. The airline "goes above and beyond," gushed another. There are dozens of such comments collected from respondents, with nary a negative word in the bunch.

One respondent spotlighted an "excellent level of service and communication." Several singled out their account managers, including the "amazing" rep who was "available to us whenever we need," according to one. Buyers also heaped praise on Delta's flexibility in structuring corporate agreements, the reporting it provides to corporate accounts and its handling of service disruptions.

Delta's 3.93 overall rating on an ascending scale of one to five (delivered by 285 qualified respondents from organizations with at least \$500,000 in 2012 U.S.-booked air volume) fell a modest two-hundredths of a point from last year's finish, when it swept all categories. Delta this year ceded control of only one, as Southwest led in overall price value.

Regarding product and service attributes that touch business and leisure travelers alike, Delta this year brought product investments, new airport facilities and leading operational performance (Delta has led major U.S. airlines in on-time performance in recent months, according to FlightStats).

The carrier this year also undertook many initiatives squarely aimed at the corporate market: It expanded corporate reporting to include international point-of-sale data, made available for sale via Travelport's systems its Economy Comfort seating product and began piloting a corporate recognition program that greets

Rating Criteria Definitions

Flexibility in negotiating transient pricing: The airline's demonstrated ability to customize business travel program discounts and other negotiated pricing elements

Flexibility in negotiating meetings pricing: The airline's demonstrated ability to customize meetings travel discounts and other associated negotiated pricing elements

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 treatment in-flight and at the airport

Distribution channels: The airline's demonstrated ability to provide comprehensive published and private airfare content through preferred booking methods

Complaint/problem resolution: The airline's demonstrated ability to respond quickly and effectively to business travel buyer and corporate traveler concerns

Quality of client communications: Demonstrated performance in informing business travel buyers about changes in airline management, products, programs, sales and service

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 as well as representatives' 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 organizations require

Overall price value: The perceived worth of an airline's service levels relative to fares, fees and other charges

client travelers at check-in. Additional personalization is to come, executives said.

Delta scored particularly well for its network, partnerships and frequencies and on the value of relationships with account managers. On the latter, vice president of global sales Bob Somers stressed that "consultative" relationships fostered with corporate clients have "got to be bigger than a contract."

To that end, Delta has "invested in the resources and the tools" to make relationships better, said Somers. That includes technology, round-the-clock sales support and customer relationship management systems.

"Our goal, as we've committed to our customers, is to be easy to do business with," said Somers. "In a complex world, that's sometimes difficult, so we're constantly listening to our customers and constantly evaluating how we do business."

Senior vice president of global sales Steve Sear has used the phrase "continuous improvement" in discussing goals for the airline.

It seems to have resonated.

"When it comes to their reporting, their services, everything they're doing, they just keep going leaps and bounds ahead of the other carriers," said Sapient global travel and client experience lead Michelle De Costa.

But where Delta goes, the competition tends to follow. The airline in 2008 went first in the ongoing wave of mega-mergers, combining with Northwest to gain the scale and network that United-Continental and now American-US Airways strive to match. Competitors also have mimicked Delta's pioneering corporate reporting, and the airline is at the forefront of developing personalized client recognition programs and advancing CRM sales techniques.

American Ascendant

American this year continued to restructure under Chapter 11 bankruptcy protection and, after an unexpected but now resolved antitrust suit filed by the U.S. Department of Justice, is preparing to merge with US Airways. AA appears to have overcome those distractions.

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tions as it improved its score from last year in every *BTN* survey category. The carrier maintained a second-place ranking among the largest domestic airlines and narrowed the gap to market leader Delta.

Vice president of sales Derek DeCross sees “a lot of great momentum” for the airline. Merger aside, AA during its turn in Chapter 11 has refreshed its fleet—an “average of one new plane per week,” DeCross said—upgraded inflight products (including Wi-Fi and new premium seating) and improved terminal facilities (at the Dallas/Fort Worth hub, for example, with changes to others coming).

Regarding the corporate market, AA in the past year restructured its sales force, enhanced customer relationship management tools and began providing new client reports. Like Delta’s, they highlight client-specific metrics on baggage handling, on-time performance, purchasing behaviors, traveler status profiles and ancillary purchases and/or waivers.

“We’ve been improving that report as often as we can, as we get new data streams,” said DeCross. “It’s great because it helps the corporate travel manager talk about the value that they’re providing, and it helps us talk about the value we’re providing to the corporation as well.”

Regarding the sales force restructuring, DeCross said it was “first implemented toward the end of last year, and we’re just hitting our stride.” The move included shifting sales personnel from headquarters “and placing them closer to our customers” and establishing “a service team” to support account reps as they service agencies and buyers. “Within these teams, we have representatives based in Los Angeles and New York City that are dedicated to meeting the unique needs of the banking and entertainment industries,” said DeCross.

Citing enhancements to customer relationship management tools, DeCross expects to further segment clients to better tailor fares and offerings.

“There are many different factors that go into segmenting customers and figuring out not only what is the right discount, but also what markets they most value, what type of products they most value, and whether there is any creativity we can employ to come up with something that’s a bundle of goods that better services them versus some of our competitors,” he said.

Meanwhile, amid all the uncertainty about its merger and ongoing bankruptcy restructuring, DeCross said client communication during the past year was key. To that end, AA formed “a team around B-to-B communications,” a new initiative still being developed, he explained.

Following a recent meeting AA held with agency partners, Executive Travel CEO Steve Glenn said he was optimistic.

“I really think the future is bright for AA, as what they shared with me indicates their whole focus in the future is on their customer and how they are committed to make the travel experience easier and much more personalized,” Glenn said.

Buyer respondents to *BTN*’s survey generally had kind words for AA. “I have found American Airlines’ quality of service to be among the best domestically that I have experienced,” according to one. “We have great account support from American Airlines,” wrote another.

Meanwhile, at least one buyer sounded encouraged as the airline begins merging with US Airways, writing, “Assuming some of AA’s business practices are adopted, it will improve the overall relationship.”

United Righted

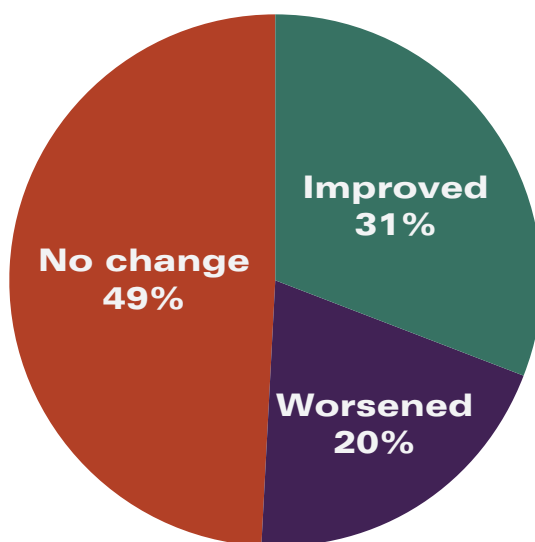
A turbulent merger integration with Continental Airlines contributed to United’s last-place finish in *BTN*’s 2012 survey, but the carrier this year climbed to number three and earned an improved score in every category.

“We certainly were disappointed with the results in 2012,” said United senior vice president of sales Dave Hilfman. “We knew we had a lot of things to improve upon—and we have.”

United last year was hit hard by a troubled transition to a single passenger services system, followed by a period of declining operational performance. The airline’s top brass last year acknowledged that business travelers were taking a “detour” to competitors, and

More Buyers See Air Service Improvement Than Deterioration

Changes in overall airline customer service for respondents’ organizations, past 12 months



Source: BTN July-September 2013 survey of 429 corporate travel buyers

last year’s survey showed deteriorated corporate buyer sentiments.

If 2012 brought strife, this year has brought stabilization—starting with systems and operations, and extending to the sales organization.

“If you look across any of the statistics, certainly on the operational side, whether it’s on-time performance, baggage handling, reduced customer complaints and what we’d say is a dramatically improved product, we feel like we made enormous headway,” said Hilfman.

Beyond the carrier’s core operations and product, he called out several initiatives meant to improve United’s standing in the corporate market.

The airline this year pioneered a new simplified contracting format that has garnered positive responses. “We’re always asked, ‘How can [United] provide more responsive, simpler contracts?’” Hilfman conveyed. “We’ve taken that to heart and have done a lot to simplify our contracts.”

The result is United’s Master Corporate Travel Agreement, which gives clients the option to maintain terms, conditions and boilerplate legalese from one agreement to the next, and focus on commercial terms at regular intervals. It has been welcomed by some corporate travel buyers, even if there are some skeptical procurement hardliners.

Christopherson Business Travel’s Sam Bond in a blog post spotlighted the initiative. “During a recent meeting with United Airlines and one of our corporate customers, I was pleasantly surprised with the options

presented for their contract renewal,” he wrote.

Beyond simpler formats, Hilfman has placed an emphasis on contract flexibility by “giving our sales managers and corporate teams more authority to make adjustments.”

United received good marks for quality of communications, another focus for the sales organization.

“Both Delta and United have made some efforts to communicate their programs more clearly,” wrote one buyer respondent. “In general, I don’t receive a lot of customer service from any of the carriers.”

This year, Hilfman said United relaunched a quarterly client newsletter and has continued to hold frequent advisory board meetings with corporate clients and travel management companies. “We’ve done far better in providing advance notification to our key accounts, in terms of policy changes or product or schedule updates,” he said. “People never want to be surprised.”

Meanwhile, regarding enhanced corporate reporting, “there was a slight lapse in 2012, when we were switching over our IT systems,” said Hilfman. But, United late last year again began providing “enhanced customized corporate reporting,” showing on a per-client basis “the value of a corporation’s interactions with United.” That includes the “baseline economics relative to discount agreements,” as well as “all the components that make up a corporate agreement,” including the value of bag-fee waivers for status holders, upgrades and client-specific operational metrics.

Remarks shared by travel buyer respondents were a mix of good and bad, indicative of United’s middle-of-the-pack position in the survey. One respondent opined that “United still hasn’t figured it all out with Continental.” Another said that “United is showing signs of improvement, but cannot seem to get over the hump and turn the corner.”

Hilfman said his ears are open to the good and the bad, with the goal of constantly improving the airline’s standing. “Something we’ve always aspired to is being an airline that’s easy to do business with,” he said.

Value Best At Southwest

Even though Southwest Airlines’ overall score rose to 3.25 from 3.08 last year, the carrier slipped a spot in the rankings. Southwest, however, maintained an industry-best rating in the overall price value category—the carrier in 2012 tied Delta in the category—and picked up good marks for quality of customer service, traditional strong suits for the carrier in *BTN*’s survey.

CFO Tammy Romo during Southwest’s most recent quarterly financial results call said that corporate sales increased “rather dramatically” year over year, and Southwest director of corporate sales and distribution Rob Brown pointed to such growth contributors as new markets the carrier is serving, greater spending from existing customers and new clients.

Though airfare auditing firm Topaz this year published a report suggesting that “competing airlines were lower than Southwest Airlines over 60 percent of the time” in 100 domestic city pairs, buyers continue to see tremendous value in the airline. “We’re very competitive with our everyday low-fare strategy, and we become even more competitive with the discounting that we do,” said Brown. “But when you consider the total cost of travel, take into account change fees in particular, that’s something business travelers do on a frequent basis.” Southwest stands out for not charging change fees and remains the only major U.S. airline allowing two free checked bags.

Among enhancements for corporate travel buyers, Southwest in the past year expanded what Brown called a “preferred customer service help desk,” which

provides assistance to most customers with contracts. Southwest's score in flexibility in negotiating transient pricing this year rose to 3.12 from 2.72 last year, with buyers rating the carrier as more flexible than United and US Airways.

"Southwest has been extremely flexible in pricing and contract terms while we work to get our program in order," according to one respondent. Another wrote that "Southwest has increased its flexibility," with yet another pointing to securing "an upfront discount" with the carrier.

The airline's score in the distribution channels category rose to 3.05 this year from 2.75 last year. Brown said Southwest's corporate booking portal Swabiz "continues to be an integral part of what we're doing," as some "major customers book through Swabiz and only through Swabiz."

Though the its global distribution system presence doesn't match that of its largest competitors, Southwest has made a concerted effort to expand booking channels. Brown noted that Orbitz For Business and nuTravel this year joined Concur, Egencia, Sabre's GetThere and Rearden Commerce's Deem as systems offering Southwest's content.

Deals with corporate booking tools "have enabled us to work with customers that we've not been able to work with before," Brown explained. "It's opened up new doors to us and created some new partnerships with key corporate customers."

US Airways Up But Down

US Airways this year fell one spot from last year's fourth-place ranking, but not for lack of improvement: The airline this year lifted its overall score to 3.19 from 3.07 last year and posted better ratings in nine of 10 categories.

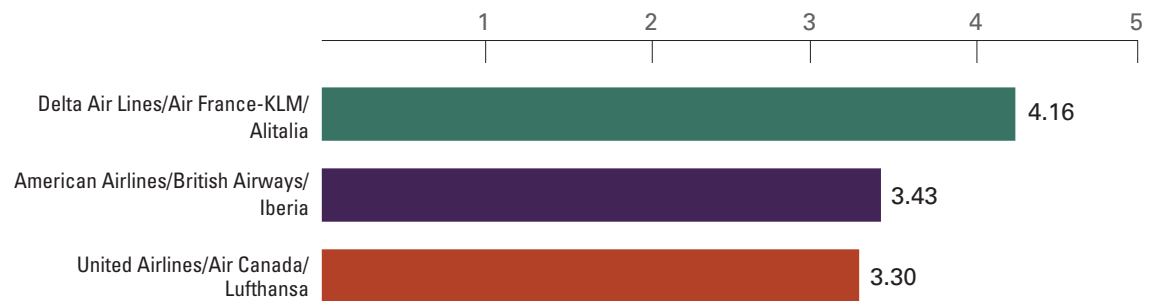
The carrier for years has found itself on a different competitive footing than its larger network competitors: its hubs are in smaller business markets, its position in the managed travel market is less entrenched, its network is not as expansive and its sales force is more modestly sized.

Though its merger with AA will help address those hindrances in the corporate market, the airline has had some success in recent years as a standalone carrier.

After downplaying the corporate market in the mid-2000s, the airline in recent years has rebuilt and reinforced sales efforts in the United States and abroad. For the most recently completed quarter, C-level executives touted strong year-over-year corporate revenue growth, particularly in international markets.

Delta Joint Venture Tops Atlantic Competitors

Transatlantic JVs rated on overall flexibility, service and performance on a scale of one (poor) to five (excellent)



Source: BTN survey of 308 corporate travel buyers at companies that hold joint venture contracts

US Airways' corporate business has "continued to pick up," said managing director of passenger sales Michael Schmeltzer. "We've been in the high single digits in terms of corporate growth [this year], and in the third quarter we've gone up into the double digits. We're seeing it continue to build."

Following a ramp-up in recent years in sales personnel, additions to sales staff have "leveled off," but the carrier is "continuing to build and continuing to win accounts" even if that's "at a more moderate pace" than in previous years when it was just re-engaging corporate buyers.

Schmeltzer said the airline's focus this year has been to be more creative, flexible and responsive with clients. "Something we've been talking about more and more—and [CEO] Doug Parker has been saying—is relationships matter," he said. "We continue to drive that globally as a sales team."

Alluding to enhancements for corporate reporting during summer 2012, Schmeltzer said US Airways clients now are receiving metrics on upgrades that their travelers receive.

As for features for corporate travelers, Schmeltzer said that Wi-Fi availability on mainline domestic flights this year hit 90 percent, and he noted US Airways' first mobile app and a bag-tracking feature.

Like with American, this year has not been without distractions. The merger "has required us to really be on our game with communications," Schmeltzer said. "Everyone has questions, of course. Sometimes we can answer them and sometimes we can't, but we've been working really close with the corporate communications team and the marketing team—we've dedicated

support with marketing—to get as much information out to our clients as possible."

Overall responses from clients were mixed, with one citing "awesome feedback and information" from the carrier during a roundtable this year for corporate clients. Another called US Airways "our primary carrier," explaining that the company's account representative was "amazing in communication—especially during this merger time period." Another gave a shout-out to US Airways corporate reports.

That was the good, but one respondent voiced the bad and ugly, claiming the carrier is "the most difficult airline to work with in our industry."

Meanwhile, for networks, airline partnerships and frequencies, US Airways ranked above only Southwest, a primarily domestic operator with no meaningful alliances.

Indeed, the US Airways merger with American is predicated partly on giving those carriers the scale and network to match Delta and United.

"Our network is what it is—we don't have a global network like Delta or United," according to Schmeltzer. "We know that; the clients know that, but we want to make sure they know what network we do have." While the carrier traditionally has been "thought of as a domestic player," he said, growth has continued in Brazil and Mexico—as well as Europe, where "we cover more than people realize, particularly out of Philly but also out of Charlotte." So have sales efforts for those markets. "International points have been growing faster than overall corporate," said Schmeltzer. "That's because we've been globalizing our relationships."

Airline Survey Methodology

The 16th annual *Business Travel News* Airline Survey uniquely measures corporate travel buyer perceptions of airline performance in negotiating and maintaining preferred programs, delivering service and providing value. Survey categories were developed through a series of exchanges with travel buyers, corporate travel agency managers and airline sales executives to reflect the way in which corporate air travel buyers perceive each airline. Asked to grade only those airlines with which they "either negotiated a contract or booked a meaningful amount of business" in the past year, respondents ranked domestic U.S. carriers in 10 categories on a scale of one (poor) to five (excellent). *BTN* averaged scores in each category to create an overall score for each carrier. All categories were 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 mid-July to early September collected responses from travel manager and buyer members of the *BTN* Research Council and a randomly selected subset of qualified subscribers of *The BTN Group's Business Travel News* and *Travel Procurement* publications. A total of 491 qualified respondents completed the online questionnaire, 285 of whom represented organizations that in 2012 spent at least \$500,000 on airline tickets.

In an effort to restrict the survey to perceptions of those involved in managed travel programs, respondents whose organizations spent less than \$500,000 in 2012 U.S.-booked air volume were excluded.

Of the 285 respondents in the final sample, 19 percent represented organizations with U.S.-booked air volumes between \$500,000 and \$1.9 million; 43 percent represented those spending between \$2 million and \$11.9 million; and the remaining 38 percent represented those spending more than \$12 million.

The survey listed the largest domestic airlines as identified by the U.S. Department of Transportation, excluding regional affiliates of major carriers. Alaska Airlines, Frontier Airlines, JetBlue Airways and Virgin America elicited responses from less than 40 percent of the final survey sample and therefore were excluded from this report. Equation Research hosted the survey and tabulated results.