



# 4D FOCUS

## AVIATION AND AIRFARE ANALYSIS

### SNAPSHOT

The Australian Aviation and Airfare report is compiled by Flight Centre Travel Group's 4th Dimension Business Travel Consulting division (4D). The report is produced annually and has been running since 2015.

- 4D has collated the data during the 12 month period from January to December and is reported for 2017, 2016 and 2015.
- 4D's fare analysis includes tracking of ticket price data from fares purchased via the corporate and leisure brands within Flight Centre Travel Group. The 4D team has also monitored published fares from airlines and reported on price changes during the analysis period.
- Organisations with major commercial airline contracts have been removed from this research.

\*\*All information in this document has been supplied by 4D.

#### MARKET TRENDS

- The 4D research shows that on average across the 10 city pairs monitored in 2017, travellers paid an extra 3.5% and 8.9% for domestic economy corporate and leisure fares respectively.
- The 4D benchmarking indicates that in 2017 the Perth to Singapore route had the highest average corporate fare increase of 11% and the Melbourne to LA and the Melbourne Hong Kong routes experienced the deepest drop of -8%.
- Both Qantas Airways and Virgin Australia also increased their published (domestic) airfares during 2017, with the largest percentage increases on the economy class restricted airfares.
- The carrier-driven increases have pushed the cheaper 'leisure traveller' domestic airfares upwards to the tune of 2.5% to 8% more. Also noted are domestic economy class flexible fare increases of 2% to 7% during 2017 and domestic business class fare increases of 2% to 8%.
- The report also indicated a 14% increase in the number of interstate, overnight business trips reaching 9.5 million trips in 2017. These business trips were shorter, with more overnight trips taken.

#### TICKET TRENDS FOR PURCHASED ECONOMY FARES BY FCTG CUSTOMERS DURING 2017:

##### Corporate Economy tickets:

##### AVERAGE INCREASE

↑\$7 OR ↑3.5%

##### Leisure Economy tickets:

##### AVERAGE INCREASE

↑\$14 OR ↑8.9%

#### TICKET TRENDS FOR FARES PUBLISHED BY QANTAS AND VIRGIN AUSTRALIA IN 2017:

	Qantas	Virgin Australia
<b>AVERAGE INCREASE PER FARE CLASS</b>		
Business	+8.8%	+2.8%
Economy-flex	+7.3%	+2.2%
Economy-saver	+7.9%	+2.7%

These figures reflect average increases across the 10 domestic city-pairs used in 4D's analysis



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## AVIATION AND AIRFARE ANALYSIS SNAPSHOT

### WHY THE INCREASES?

The increases in 'purchased fares' via FCTG is the result of the changes we are seeing in 'published ticket prices' that are available for all agents to book through the Global Distribution System (GDS).

With Qantas and Virgin Australia both having 12 or so different fare types available, the price increases are being driven by a change in price points for the lower priced, cheaper seats. The carrier-driven fare increases witnessed during the past 12 months, have pushed the low-cost airfare base upwards.

Additionally with more people travelling at home in Australia, the influx of domestic tourism has also impacted the availability of domestic seats. The demand for domestic seats in the leisure space was strong last year, which has also affected ticket prices.

### INDUSTRY OVERVIEW



With increases on the horizon procurement managers for medium to large organisations (eg universities or larger research organisations) are moving into a new cycle for airline contracting. New drivers for cost savings and cost containment will see customers advancing supplier strategies, change policies and simplify the booking process further.



The average ticket prices (purchased fares) for large organisations on a commercial airline contract would be generally lower than average published fares for domestic and international travel. Where companies have multiple contracts for international travel, travellers have more choice and can change their airline depending on the schedule and pricing options available. However with many organisations pushing best fare of the day or lowest logical fare in their policies, travellers may not necessarily select the contracted fare as it may not be the lowest – particularly in the international space where there is fierce competition.



For companies where there is strong traveller loyalty to an airline or strong policy compliance to preferred carriers, a commercial airline contract can include discounts that deliver overall program savings. Trends indicate however, more procurement managers weighing up the value of individual airline contracts when their travel patterns are broad and a single airline won't cover their requirements. This is particularly the case for international travel where we are seeing travel policy heavily focused on lowest logical fare. The shift in airline alliances particularly across the trans-Tasman is also going to be an important area for procurement to focus on.

**For more information on the 4D report please download the full copy from our website or contact your Campus Travel Account Manager or team.**