

# Airfare and Hotel Rate Volatility: Dynamic Pricing in the Corporate Travel Market

This is Yapta's second annual white paper about corporate travel pricing trends. Yapta's FareIQ™ and RoomIQ™ Intelligent Price Tracking™ technology dynamically monitors ticketed airfares and booked hotel rooms, sending instant alerts to travel managers and travel management companies (TMCs) when prices drop on identical itineraries and comparable rooms. Alerts are sent whenever savings are available after accounting for any change fees and/or TMC/agent rebooking fees. All savings alerts meet base-level configurable thresholds set by the corporations using FareIQ and RoomIQ. Price tracking begins at the time of airline ticketing and hotel room booking, and continues up to 24 hours before departure.

Source data for this study is based on corporate airfare and hotel room prices tracked by FareIQ and RoomIQ from June 2014 to June 2015. The airfare and hotel price-drop alert data used in this analysis reflects over \$1 billion of travel expenditures by large and midsized corporations, including both domestic and international travel, purchased in the United States. The analysis is based on savings alert activity, which provides a corollary to airfare and hotel pricing volatility, as alerts are sent only when prices drop.

To date, Yapta's patent-pending technology has enabled corporations to save over \$15 million on airfare and hotel bookings.

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## Overview of 2015 Airfare and Hotel Rates

To put the importance of price tracking into perspective, it's helpful to look at the current economics of corporate travel. According to a June 2015 airline profitability summary by the International Air Transport Association (IATA), the passenger air travel business is expected to grow 6.7% in 2015, in addition to the 6.0% growth recorded in 2014. Passenger numbers are expected to exceed 3.5 billion for the first time in 2015. Coupled with airlines' reduction in capacity to more closely align supply with demand, the year is estimated to end with a record high load factor of 80.2%.

According to the *2015 Global Travel Price Outlook* report, issued by the Global Business Travel Association (GBTA) and Carlson Wagonlit Travel (CWT), airfare

and hotel rates are both expected to increase in 2015. The anticipated 2.2% global price increase in airfare is attributed to rising demand, favorable cost structures and slowly expanding capacity. The predicted 2.6% increase in hotel rates is linked to factors such as stronger demand and moderate expansion of new room supply. Midscale hotels are anticipated to have the highest increase in rates. With US occupancy rates at 73%, it's becoming much easier for hotels to boost rates in busy markets.

Hotels are clearly getting better at achieving higher revenue per available room. GBTA's *2015 Global Price Outlook – North America* summary revealed that hotels' ancillary fees and surcharges reached \$2 billion for 2014. This is up 6% from the prior year and is expected to continue rising.

Hotels are also becoming more aggressive in revenue management by introducing increasingly complex rate structures, placing restrictions on inventory open to negotiated rates and segmenting their customers. By creating categories of advance-purchase and nonrefundable rates, hotels are able to charge different prices for the same rooms, thus maximizing profits. Hotels are further complicating matters by making negotiated-rate rooms available, then restricting them, only to open them up again as travel dates get closer.

With airfare and hotel rates rising, travel managers face the substantial challenge of staying ahead of rate increases and finding ways to improve the cost-effectiveness of employee travel. Now more than ever, having access to meaningful data and insights will help travel professionals achieve better negotiated corporate rates and get the greatest value for their travel budgets.

## Yapta savings are remarkable

- ✓ FarelQ customers are saving an average of \$260 per airline ticket
- ✓ RoomIQ customers are saving an average of \$109 per booking (2.4 room nights on average)
- ✓ Total average savings for FarelQ and RoomIQ is \$369 per trip
- ✓ Savings opportunities for airfare are available on 11% of all itineraries tracked
- ✓ Savings opportunities for hotel room prices are available on 12% of all hotel bookings tracked

## FareIQ™ for Airfare

### Airfare Volatility Index by Airline

The white paper analysis evaluated the top 10 airlines most frequently represented in Yapta's data set. For these airlines, price-drop alerts were reviewed to determine relative volatility. As shown in Figure 1, the results serve as an index. Based on the airline's proportion of alerts to itineraries, the airlines near the index line (Air Canada, United and Delta) have a proportionate (i.e., neutral) level of alerts. Airlines positioned above the index line (Lufthansa, British Airways and American Airlines) have the greatest proportion of price volatility. The airlines below the line (JetBlue, Virgin America, US Airways and Alaska Airlines) have the lowest proportion of price volatility. This is consistent with expectations, as the international carriers don't have the typically lower-priced U.S. domestic travel segments, instead yielding much higher-priced international trips. These higher fares provide greater opportunity for price fluctuations.

Airline price volatility was also studied in Yapta's 2014 white paper. There are interesting points of continuity. British Airways, Lufthansa and American Airlines were again the more volatile, and Alaska Airlines and US Airways the least volatile. One item of note: With the merger of American Airlines and US Airways, American's volatility has increased year-over-year while US

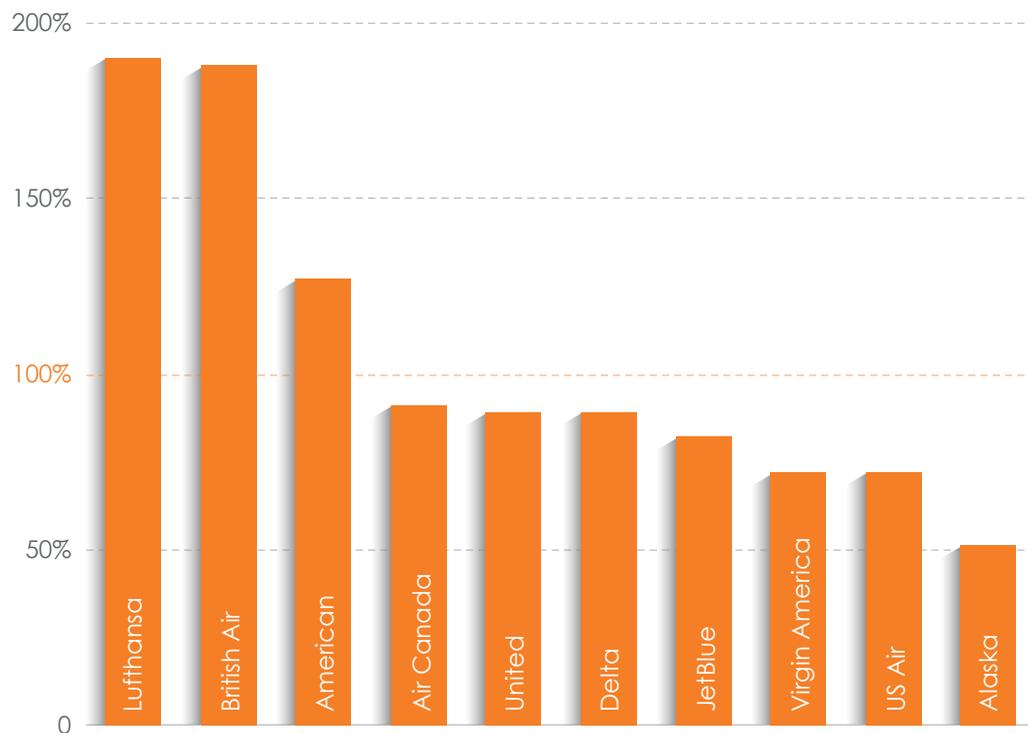


Figure 1: Airfare Volatility Index by Airline

Airways' stability has decreased. This would lead to the conclusion that American is imposing its more volatile yield management practices across the US Airways network as opposed to US Airways encouraging greater pricing stability at American.

### Airfare Volatility Index by Origin Airport

The study also evaluated the top 10 origin airports most frequently represented in Yapta's data set. For these airports, price-drop alerts were reviewed to determine relative volatility. The data is presented as an index, as shown in Figure 2. Based on the origin airport's proportion of alerts to itineraries, those near the index line (Indianapolis and Houston) have a proportionate (i.e., neutral) level of alerts.

Origin airports positioned above the index line (New York/JFK, Dallas/Fort Worth, San Francisco, Chicago/O'Hare, Seattle and Boston) have the greatest proportion of price volatility. The origin airports below the line (Cincinnati and Atlanta) have the lowest proportion of price volatility. With the exception of Atlanta – which seems to be somewhat of an anomaly, perhaps driven by the aforementioned Delta Airlines pricing stability – these findings are consistent with the belief that origin airports providing a significant portion of international destinations have greater pricing volatility driven by the higher-priced international segments.

Price volatility by origin airport was also studied in Yapta's 2014 white paper, with similar findings year-over-year: San Francisco, New York/JFK, Boston and Dallas/Fort Worth were again in the most volatile set, and Atlanta in the least volatile set.

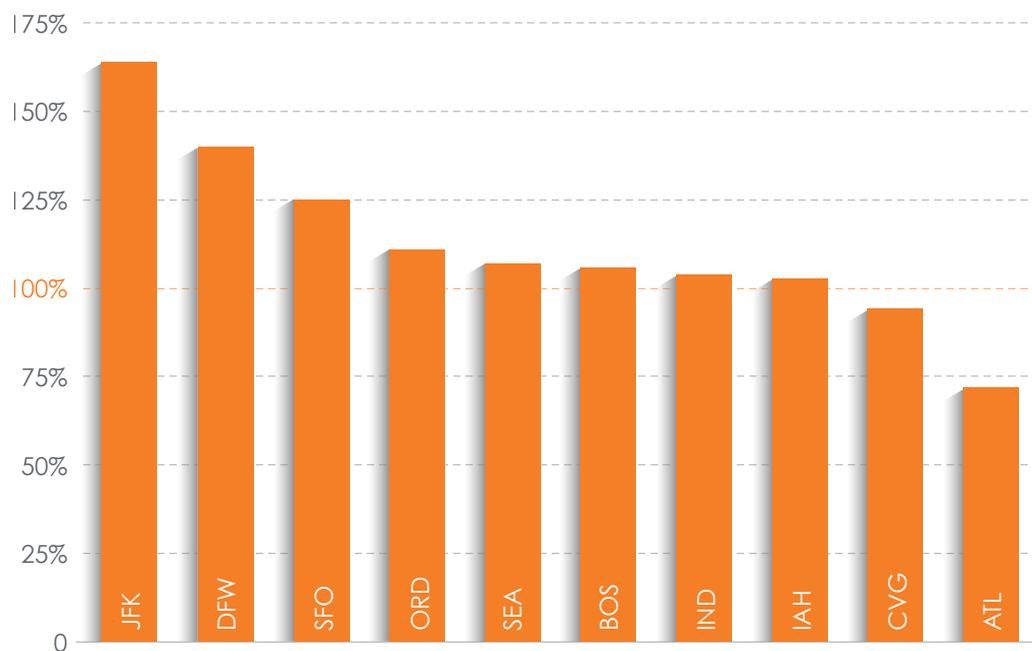


Figure 2: Airfare Volatility Index by Origin Airport

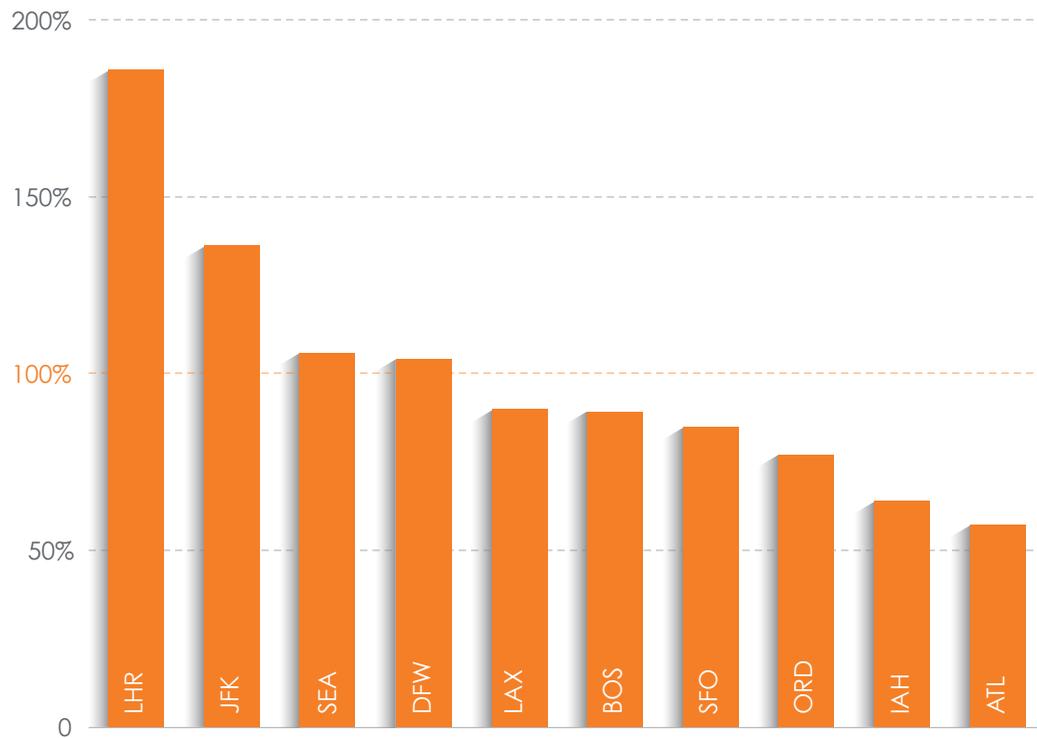


Figure 3: Airfare Volatility Index by Destination Airport

### Airfare Volatility Index by Destination Airport

The top 10 destination airports most frequently represented in Yapta's data set were also analyzed, and price-drop alerts were reviewed to determine relative volatility. The data is presented as an index, as shown in Figure 3. Based on the destination airport's proportion of alerts to itineraries, those near the index line (Dallas/Fort Worth and Seattle) have a proportionate (i.e., neutral) level of alerts.

Destination airports positioned above the index line (London Heathrow and New York/JFK) have the greatest proportion of price volatility. The destination airports below the line (Atlanta, Houston, Chicago/O'Hare, San Francisco, Boston and Los Angeles) have the lowest proportion of price volatility.

### Airfare Volatility Index by Destination: Multi-Airport Cities

Because travelers will often evaluate pricing among a group of airports in close proximity to destination cities

#### Neutralizing Price Increases

With airfare predicted to rise by 2.2% globally in 2015, FareIQ gives travel managers vital capability to offset those increases with savings to spare. FareIQ delivers savings up to 3.5% of air spend, net of all change fees. The average savings of \$260 per ticket is an immediate bottom line benefit, and FareIQ savings technology buffers companies against the risks of future increases in air travel costs.

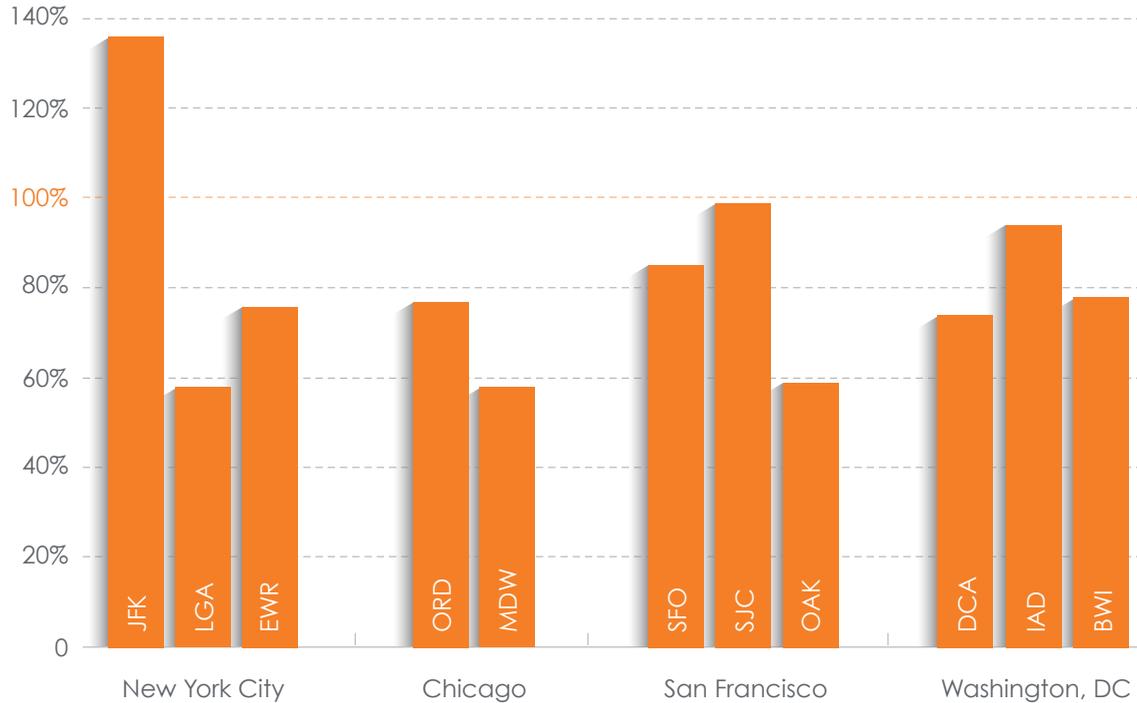


Figure 4: Airfare Volatility Index by Destination: Multi-Airport Cities

before booking tickets, Yapta's analysis reviewed pricing volatility in four top business travel destinations that have two or more alternative airports. As represented in Figure 4, airports above the index line have the greatest proportion of price volatility, and those below the line have the lowest proportion of volatility.

In the New York area, JFK is by far the most volatile and LaGuardia the least volatile, followed by Newark Liberty. For the Chicago area, Midway Airport is less volatile than Chicago O'Hare, but both airports are positioned below the index line and thus have limited volatility. In the San Francisco area, Oakland is less volatile than San Francisco, and San Jose is neutral, as shown by its position near the index line.

For Washington, D.C.-area airports, volatility is limited, as indicated by positions below the index line. Reagan

National is less volatile than Baltimore-Washington International, and Washington Dulles is relatively neutral. It is interesting to see that these alternative airports are not necessarily competing against one another with frequent pricing changes, given the relative stability across all airports other than JFK.

### Airfare Volatility Index by O&D – Domestic

The scope of research was expanded in 2015 to include the domestic origin and destination (O&D) pairs most frequently represented in the data set. Data for the top 10 pairs was evaluated, as shown in Figure 5. The analysis here serves as a volatility index. Based on the domestic O&D pairs' proportions of alerts to itineraries in the data set, none are rated near the index line (i.e., none have a neutral volatility level).

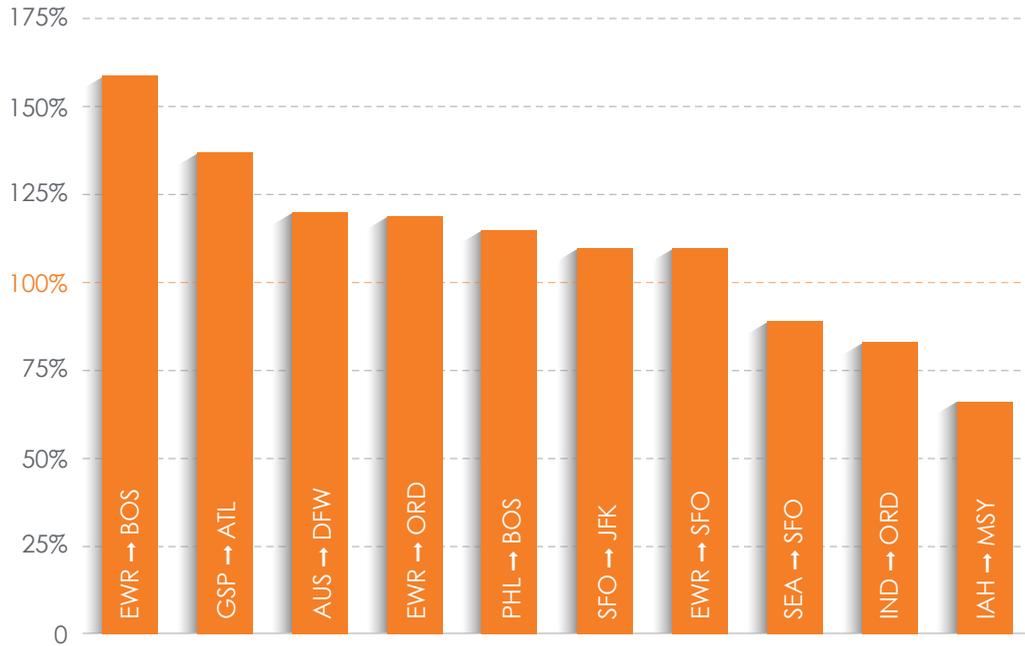


Figure 5: Airfare Volatility Index by O&D – Domestic

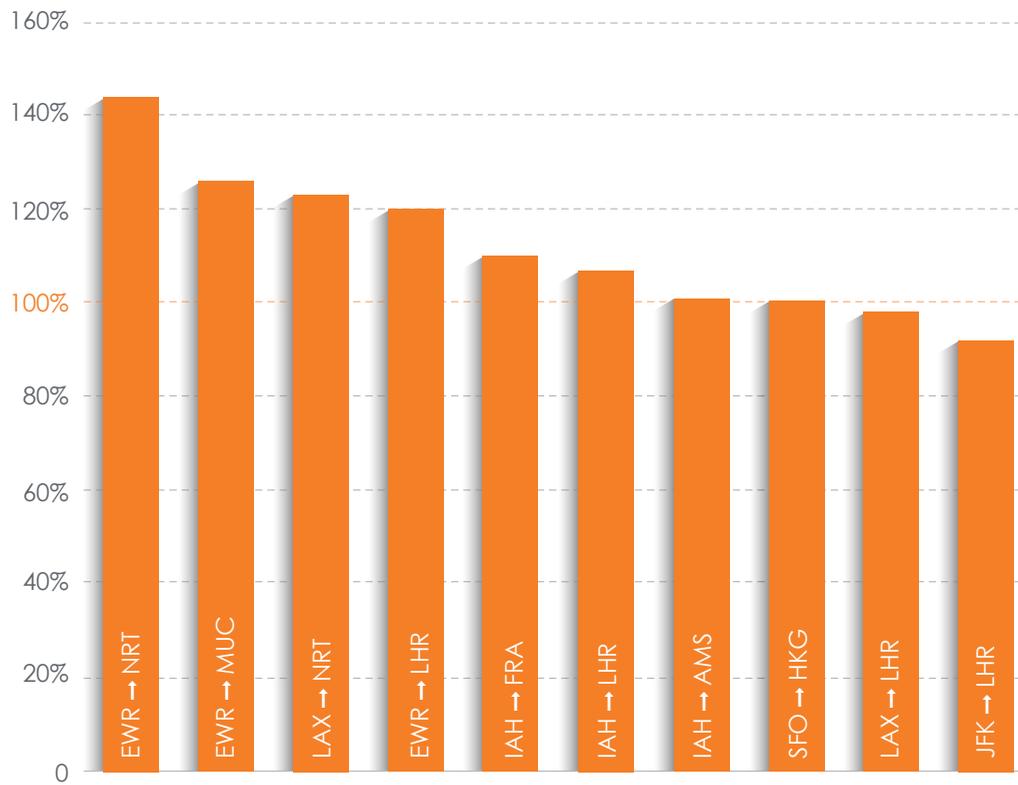


Figure 6: Airfare Volatility Index by O&D – International

## Navigating Yield Management

The near- and long-term complexities of airline yield management are best mitigated with visibility into company-specific travel metrics. The real-time transparency delivered in the FareIQ Savings Dashboard provides travel managers with multiple levels of insight. Available 24/7, it reveals active travel savings opportunities, historic program performance and custom analysis of pricing volatility.

Domestic O&D pairs positioned above the index line (Newark to Boston, Greenville to Atlanta, Austin to Dallas/Fort Worth, Newark to Chicago O'Hare, Philadelphia to Boston, San Francisco to New York/JFK, and Newark to San Francisco) have the greatest proportion of price volatility. The domestic O&D pairs below the line (Seattle to San Francisco, Indiana to Chicago O'Hare, and Houston/Bush to New Orleans) have the lowest proportion of price volatility.

One could conclude from the data that airlines more aggressively compete on price for short-haul and commuter flights in an effort to secure the ever-important business traveler. It could also be inferred that there is price volatility on these segments as airlines subsidize feeder flights into their hubs.

## Airfare Volatility Index by O&D – International

International travel is another new topic for Yapta's 2015 white paper. The research looked at international origin and destination (O&D) pairs most frequently represented

in the data set, and isolated the data for the top 10 pairs, as shown in Figure 6. The analysis here serves as a volatility index. Based on the international O&D pairs' proportions of alerts to itineraries in the data set, those nearer to the index line (Houston/Bush to Amsterdam and San Francisco to Hong Kong) have a proportionate (i.e., neutral) level of volatility.

International O&D pairs positioned above the index line (Newark to Narita, Newark to Munich, Los Angeles to Narita, Newark to London Heathrow, Houston/Bush to Frankfurt, and Houston/Bush to London Heathrow) have the greatest proportion of price volatility. The international O&D pairs below the line (New York/JFK to London Heathrow, and Los Angeles to London Heathrow) have the lowest proportion of price volatility.

One note of interest is the volatility of Narita from two different origin airports. This could be driven by the need to entice business travel back to Japan after several unfortunate natural disasters. An additional point of interest involves London Heathrow and New York/JFK. Independently as destination airports, both LHR and JFK are significantly more volatile than other top airport destinations. However, as an O&D pair, they are more stable than flights into LHR from other destinations, including Newark, Houston and Los Angeles.

## Advance-Purchase Airfare Price Volatility

Of universal interest to business travelers is airfare volatility relative to the number of days in advance of travel that tickets are purchased. Yapta's data set was evaluated to determine volatility patterns of price-drop alerts. As shown in Figure 7, the average net savings alerted by Yapta was highest, at \$295, for tickets purchased more than 14 days in advance of travel. These findings match expectations. Tickets with 14 or more days' advance purchase also had the highest average original ticket price, at \$1,904, and likely represent more

	< 7 days	7–14 days	> 14 days
Average Original Ticket	\$1,483	\$1,600	\$1,904
Average Lower Identified Ticket	\$1,249	\$1,369	\$1,610
Average Net Savings	\$234	\$230	\$295
Median Original Ticket	\$891	\$774	\$751

Figure 7: Advance Purchase Airfare Price Volatility

complex, refundable and/or international itineraries. This would result in greater opportunity for price drops in terms of dollars as well as days.

The average net savings dips in the 7–14 days window to \$230, and picks up again with less than 7 days at \$234. This also aligns with rational expectations. From an airline's perspective, tickets purchased less than 7 days prior to travel are likely more aggressively yield-managed to balance available seating with the need to fill final seats as the travel date approaches.

It is interesting to note that the median original ticket price, defined as an equivalent number of itineraries above and below that price, is significantly lower than the average ticket price. This is likely driven by a relatively equal number of higher-priced international business travel tickets and significantly lower-priced, restricted domestic U.S. fares. It's also interesting to see that the median ticket price increases closer to departure, potentially due to all of the lower, restricted fare types being purchased, airlines closing those fare classes, and higher fares subsequently being applied across typically lower-priced segments.

# RoomIQ™ for Hotels

## Hotel Rates by City

The 2015 white paper analysis also looked at hotel room price volatility. Of primary interest to travel managers is average daily rate (ADR) and the associated savings they are able to achieve. The research looked at all destinations in Yapta’s data set, and isolated the data for the top 10 cities with the most hotel bookings tracked. As shown in Figure 8, alerted savings opportunities ranged from 10% to 15% of average booked cost per day.

In terms of dollars, per-day savings opportunities are in the \$50s (San Francisco), \$40s (New York, Chicago

and Boston), \$30s (Atlanta and Houston) and \$20s (Minneapolis, Seattle, Los Angeles and Cincinnati). As shown in Figure 9, alerted savings as a percentage of booked rate averages 12%, representing an average savings per day of \$33. One would expect that there would be some cities in which there is no, or limited, savings potential. However, this is not the case, as savings are available in all cities. Additionally, the original room rate does not appear to have a significant impact on a hotel’s willingness to fluctuate prices, as Cincinnati (lowest ADR) exhibits a higher percentage savings available than New York City (highest ADR).

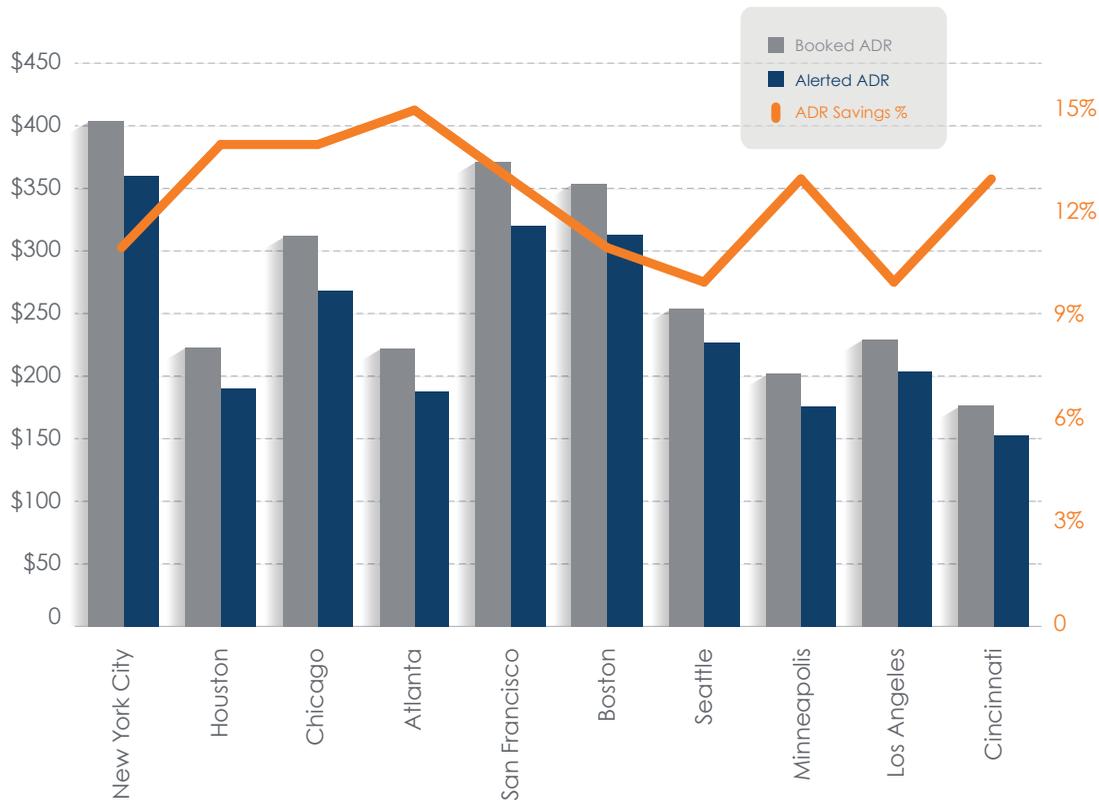


Figure 8: Hotel Rates by City

### Hotel Rate Volatility Index by City

The analysis looked at the top 10 cities in Yapta’s data set with the most hotel bookings tracked. Findings are presented as an index, as shown in Figure 10. Based on the city’s proportions of alerts to room bookings, the cities near the index line (San Francisco, Chicago, Los Angeles, Minneapolis and Seattle) have a proportionate (i.e., neutral) level of alerts. Cities positioned above the index line (New York and Boston) have the greatest proportion of price volatility. The cities below the line (Houston, Atlanta and Cincinnati) have the lowest proportion of price volatility.

### Hotel Rates by Brand

The analysis looked at all hotel bookings in the data set, and isolated the data for the top 15 brands that had the

### Average Rates & Savings for Top 25 Cities

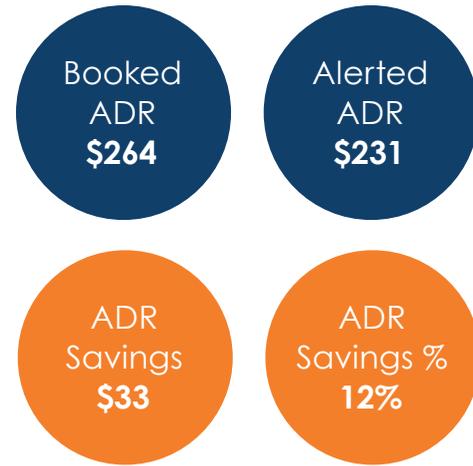


Figure 9: Average Rates & Savings

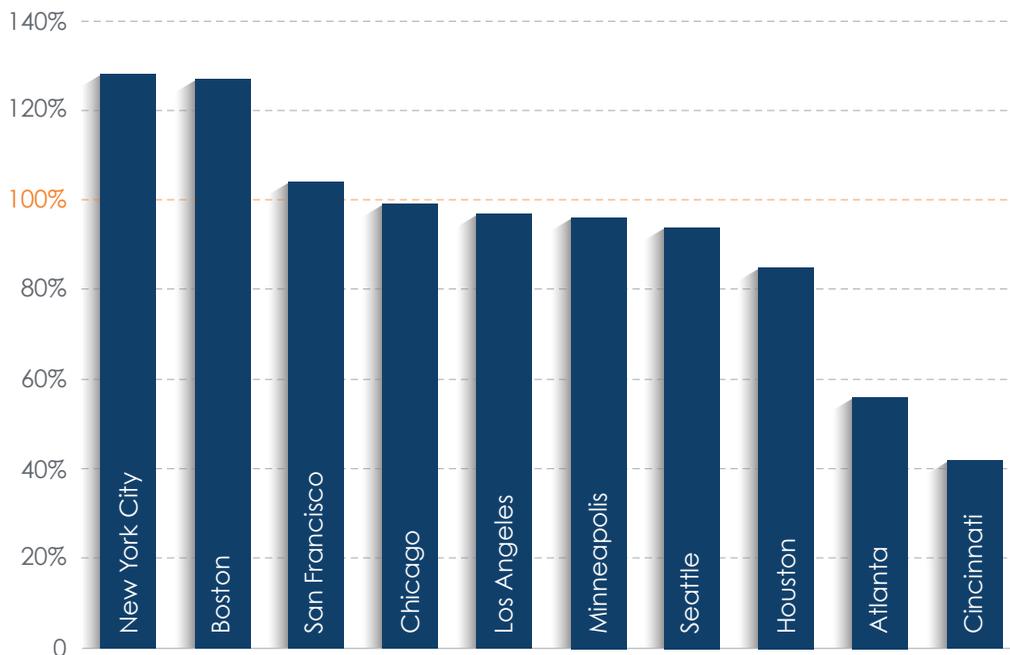


Figure 10: Hotel Rate Volatility Index by City

Hotel	Booked ADR	Alerted ADR	ADR Savings	ADR Savings %
Courtyard Inn by Marriott	\$199	\$177	\$22	11%
Doubletree	\$165	\$145	\$20	12%
Embassy Suites	\$176	\$155	\$21	12%
Fairfield Inn	\$150	\$134	\$15	10%
Hampton Inn	\$149	\$133	\$16	11%
Hilton Garden Inn	\$149	\$131	\$18	12%
Hilton Hotel	\$199	\$175	\$24	12%
Hilton International	\$225	\$192	\$33	15%
Holiday Inn	\$138	\$124	\$14	10%
Hyatt Regency	\$254	\$219	\$35	14%
Marriott	\$244	\$207	\$37	15%
Residence Inn	\$205	\$182	\$23	11%
Sheraton	\$218	\$183	\$35	16%
Springhill Suites	\$167	\$151	\$16	9%
Westin	\$294	\$257	\$37	12%
Average of All Hotel Brands	\$197	\$171	\$26	13%

Figure 11: Hotel Rates by Brand

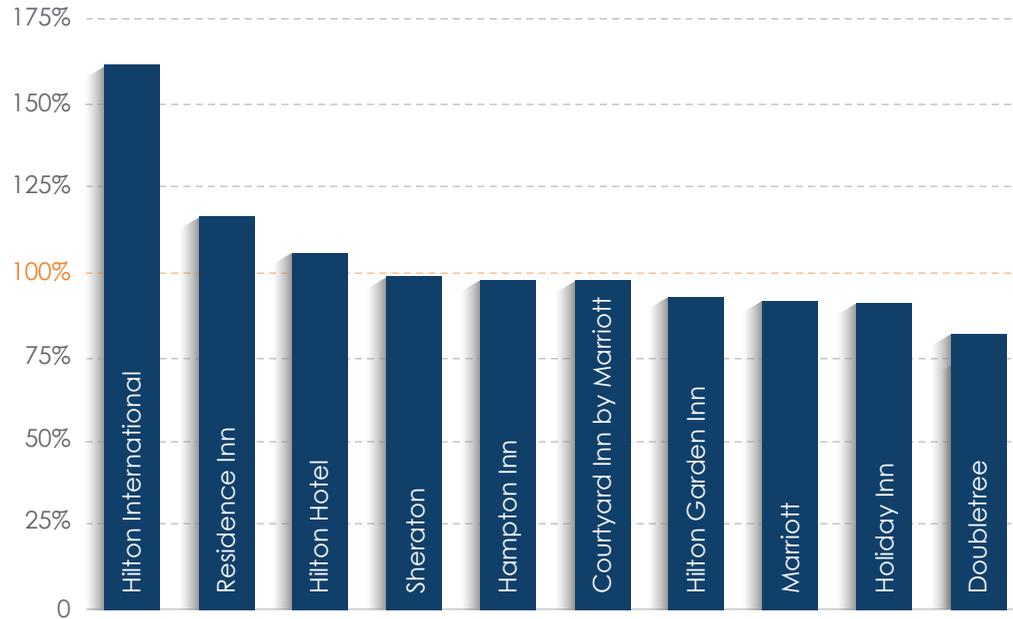


Figure 12: Hotel Rate Volatility Index by Brand

most price-drop alerts. As shown in Figure 11, the four brands with the greatest alerted savings as a percentage of booked rate were Sheraton (16%), Hilton International and Marriott (15%) and Hyatt Regency (14%). In dollar terms, the greatest average savings per day were \$37 (Marriott and Westin), \$35 (Hyatt Regency and Sheraton) and \$33 (Hilton International). One could conclude from this brand data that the Hilton Hotels and Resorts group tends to be more aggressive in its revenue management practices than its competitors.

Across all hotel brands in Yapta's data set, the average alerted savings was 13%, representing an average savings per day of \$26.

### Hotel Rate Volatility Index by Brand

The analysis looked at all brands in Yapta's data set, and isolated the top 10 brands with the most hotel bookings tracked. The analysis here serves as an index, as shown in Figure 12. Based on the brand's proportions

of alerts to room bookings, those near the index line (Sheraton, Hampton Inn and Courtyard Inn by Marriott) have a proportionate (i.e., neutral) level of alerts. Brands positioned above the index line (Hilton International, Residence Inn and Hilton Hotel) have the greatest proportion of price volatility.

### Improving Negotiation Positions

Hotels are achieving greater levels of sophistication in their yield management methods. In addition to the resulting higher prices for corporate travelers, annual supplier negotiations are becoming more complex. The in-depth, account-specific data available in the RoomIQ Savings Dashboard enables travel managers to better understand pricing patterns in their frequently traveled markets and strengthen their negotiation positions.

## Leading Edge Technology

With hotel rates predicted to rise by 2.6% in 2015 and fees/surcharges up 6%, RoomIQ is a powerful management tool. It delivers savings up to 4.3% of total hotel spend, with an average savings of \$109 per booking. RoomIQ enables travel managers to dynamically monitor their hotel bookings, automatically look for open inventory, and find lower rates at the same hotel. And by tracking like-for-like rate-level amenities such as parking, internet access and breakfast, RoomIQ gives travel managers complete information to quickly act on savings opportunities.

The brands below the line (Hilton Garden Inn, Marriott, Holiday Inn and Doubletree) have the lowest proportion of price volatility. It should be noted that the volatility of Hilton International is not the result of currency exchange or fluctuations. The data set accounts for pricing volatility associated with the base-currency room rate only. This volatility could be driven by the relative cost of U.S. hotel brands – and business hotels in particular – being generally more expensive than local international properties, allowing for broader opportunities for rate drops.

## About Yapta

Yapta is a pioneer in airfare and hotel price assurance services for travelers. Launched in 2007 as the travel industry's first airfare price tracking and refund alert service, Yapta has delivered more than \$550 million in airfare savings alerts to consumers. Today, Yapta's Intelligent Price Tracking technologies, FareIQ and RoomIQ, are helping companies reduce spending and extend their T&E budget by constantly tracking booked airfares and hotels and flagging lower rates when they become available. For more information about Yapta, visit [www.yapta.com](http://www.yapta.com).

