

# Confessions of an Airline Revenue Manager

George Hobic, February 21, 2014

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Every airline employs a cadre of fare revenue managers. These are the folks who adjust airfares throughout the day, depending on route, season, demand, supply and other factors. They're a notoriously tight-lipped bunch, but, on condition of anonymity, we got one to explain how the fare game works.

## **Is there a best time of the day or best day of the week to buy airline tickets?**

No. We constantly read stories from pundits who proclaim that Tuesday nights are the best or Saturday at midnight is the lowest time for airfares, but that is not entirely true. Each airline loads fares at different times of the day every day. To say that there is one time of the day or one day of the week that is better than another is false.

Plus, fares are so dynamic since they are based on market conditions and the actual number of passengers who are currently booked on a specific flight that they can change rapidly at any time. Many airlines tend to announce sales on a Monday leading other airlines to match certain fares the following day, but this is not a hard and fast rule. It truly varies from airline to airline.

## **How do airlines post "mistake" airfares and what are the consequences?**

Quite simply, it's human error. A revenue manager might attempt to do a global reduction on all North America fares for example and lower all fares by more than he intended. We have warnings and systems in place to catch these "fat finger fares" but they don't always work and it takes a while to correct them. The consequences vary depending on the damage done. Usually you get one mistake and a warning. However, I heard through the grapevine that the guy responsible for that Dec. 26 Delta fare glitch got fired immediately. It probably cost the airline over a million dollars in lost revenue.

## **What is your role as a revenue manager?**

Each airline has a complex computer system based on algorithms that can maximize the profit on each flight based on the types of fares offered on that specific flight. On one flight, there could be as many as two dozen different fares based on different factors such as advance purchase or how many days you stay at the destination. The computer knows that, by releasing (for example) 5 seats at a very low price, 10 seats at a slightly higher price and 20 seats at a slightly higher price, it can maximize revenue as the flight fills up.

On a full flight, we no longer want to offer that el-cheapo fare because it is based on supply and demand. The computer adjusts fares all the way up until the departure time, but as a revenue manager, I can go in and adjust things based on information that the computer may not know. For example, are there specific events taking place at a destination? Are there certain conditions at the departure airport that will allow more than the desired amount of seats to go empty such as weather?

## **How often do fares change?**

Most of the time you will see the same fares for a few days unless they sell out. The biggest changes happen at 21 days, 14 days, 10 days, 7 days and 4 days, typically when advance purchase restrictions knock fares up a notch. The majority of fare changes aren't really changes on our part: they happen because people are purchasing up inventory at the lowest published fare or the advance purchase restrictions are kicking in.

## **Why is it that sometimes I can wait until the last minute and find a cheap fare, but other times the fare goes up?**

Well, most of the time the fare will go up because the flight will be filling up or the advance purchase restrictions will be kicking in. But on routes with significant competition -- New York to Los Angeles for example -- airlines may have sales or "dump seats" at the last minute to fill the plane if it's not particularly full. It also depends on the day of the week. Tuesday, Wednesday and Saturday are often the cheapest days to fly because we carry fewer business passengers those days.

### **Why do airlines advertise sales and then I can never find the tickets available at the stated price?**

When an airline puts seats on sale, not every item in the store is for sale, just a percentage. Plus, not every flight on a given route may offer seats for sale. A popular 6 p.m. flight may not have anything on sale since people are willing to pay full price for it whereas the early bird 5 a.m. flight may have more seats on sale. When airfares go down, jump on it. The limited capacity of seats will dwindle as time passes.

### **Why are there so few award seats out there? Each time I try to use my miles, I can't.**

This is really a false assumption. There are a lot of award seats out there. We often give away 10-15 percent of our seats as award seats. We are operating a business, and our shareholders wouldn't like it if we passed on top-line revenue. If you are flexible with dates or flight times, there are lots of award seats out there. If a flight is not filling up as we may expect, we can open up award availability as the departure date approaches, so you'll sometimes do better searching a day before travel or at the very last second.

# All About Consolidator Airfares

Andrea Bennett, October 06, 2008

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They're elusive. The airlines don't like to talk about them (we asked). And determining their legitimacy from among the myriad websites that claim to specialize in them is a Herculean task. We're talking about consolidator fares, those secret airfares the airlines release in limited "buckets" to companies that re-sell them for big. Yes, they do still exist and you can get them, but as with any purchase (such as "grey market" electronics), you'll always trade something for the price break. There are reliable ways to get them, just as there are ways to get burned. And just because they're specially negotiated deals doesn't mean you might not be able to find a better published fare on your own.

## The Backstory

To understand what consolidator fares mean today, you'll need a little history. Decades ago, it became clear to airlines that only selling highly visible, published airfares to travel agents and consumers made it easy for competing airlines to beat their fares and make off with their customers. To ensure they could fill up less popular flights, airlines began quietly selling discounted seats through consolidators. They reasoned that a little revenue per seat was better than none, and because the discounted prices weren't published, other airlines wouldn't be able to swoop in and drive down overall prices. You'd often find these fire sale fares in ethnic storefront travel agencies or even bodegas, which offered them only sporadically. According to Bob Harrell of New York airline consultancy Harrell Associates, the airlines employed plenty of tactics to get around pre-deregulation rules about tariffs, which required large numbers of seats sold this way to be part of a tourism promotion. "They'd print up five brochures, pass them around, and call it a tour," he says.

## Consolidators Today

Consolidators have come a long way since those early, often risky times. Airlines now see consolidators as a reliable distribution channel, negotiating annual contracts with them, establishing revenue targets, and tightly controlling ticket sales through a specific kind of booking class, or "bucket." If you were

wondering, consolidators and bucket shops are essentially the same thing, though the name, like the practice, has been refined over time. The fares are also known as "private" and "bulk" fares. But for the record, not every unpublished fare is a consolidator fare; military discounts, corporate discounts, and other specially negotiated fares - such as cruise and package fares - are also considered "unpublished" and are almost never consolidator fares.

We talked to Greg Rholl, Vice President of Pricing and Distribution for Minnesota consolidator Centrav, one of the largest consolidators, with contracts with more than 30 airlines, who ran us through the process: A consolidator will have a contract to sell private fares at a lower price than the published fare. If there's a printed ticket, only "bulk" generally appears on the receipt. They generally can't - or won't - sell the ticket straight to you, but will offer it through a travel agent (including an online travel agent such as Travelocity or Expedia), or agencies such as the ones that advertise in Sunday newspaper travel sections. The agent adds their markup - keeping the margin slim so they're not out-priced by published fares - and passes the remaining savings on to you. True consolidators don't buy in quantity or ahead of time. Rather, they pull availability from their assigned class until the airline decides to close the window. It can be a great way to find a fluke fare, and consolidators now keep each other honest. [Centrav](#), for instance, is a charter member of the United States Air Consolidators Association, which requires that its members sell at least \$20 million in consolidator fares and have uninterrupted sales of at least two years. This may not mean much to you, since you can't buy tickets from the USACA, but it should: If your trusted travel agent chooses a dicey consolidator that reneges on the deal or goes under, you'll be relying on your credit card or your agent's integrity to buffer you from the loss.

Like Unicorns (or in these trying times, a bank you can trust) consolidator fares are elusive, precious items that can offer a traveler great savings. [Airfarewatchdog.com](#) has taken the time to track down the facts about these airline special offers. In the first installment, we learned they were created to ensure flights sold out, but in an era of airline consolidations and bankruptcies, these deals are getting fewer and far-between.

### **What's Your Best Chance of Finding the Fares?**

According to both Bob Harrell of New York airline consultancy Harrell Associates and Greg Rholl, Vice President of Pricing and Distribution for Minnesota consolidator Centrav, the best times to find

consolidator fares are when 1) you're traveling coach internationally, 2) you're traveling last-minute, or 3) both.

Because consolidators don't actually buy the seats, they're usually granted their window of opportunity early in the booking process (to fill up a limited number of seats to hedge the airline's bet on passengers) or late (to make up for the passengers the airline estimated would book, but didn't). Your travel agent can even find consolidator business class seats last minute, for up to a 50% discount.

### **What Do Consolidator Fares "Act" Like?**

You may think that because you're getting a bargain basement price, your consolidator ticket will be nonrefundable, non-changeable, won't allow you to make advance seat assignments, won't let you earn miles - a heavily restricted "use it or lose it" ticket. That's usually not the case (and yes, you'll almost always earn your miles), but you DO need to ask your travel agent for up-front restriction information.

Consolidator fares generally act like those discounted economy class tickets of the lower echelons, and carry similar restrictions. That's why some travelers are convinced they've bought consolidator fares on airline websites - but they haven't. American Airlines spokesman Ned Reynolds confirmed that the airlines aren't allowed to sell unpublished fares themselves.

The problem with bulk fares often doesn't lie with the restrictions themselves, but the capacity that the consolidator has been granted by the airline. For example, say you bought a consolidator ticket as a "T" class (generally one of the lowest of the low airfare classes). If you bought it and the airline then closes out the consolidator's "bucket," you won't be able to change it, even if the airline still has "T" class tickets of its own to sell. IF the consolidator has similarly restricted tickets like "L" or "K" class, you might be able to swap them, through your agent, but only if the consolidator's window is still open.

Similarly, say you bought a discounted "Q" class ticket directly from the airline. If you wanted to change it and that particular class was sold out, you could ask the airline to let you pay the difference and a penalty to upgrade to a full-fare, unrestricted "Y" class ticket. You won't be able to do that with a consolidator fare.

The other restriction you'll find across the board: You'll never be able to upgrade your ticket using miles.

The lesson: You'd better be sure that your consolidator ticket is the one you want, because you're most likely stuck with it.

### **What About Consolidators That Sell on the Web?**

Not a good idea. Consolidators simply aren't built for customer service. As we mentioned before, through years of relationship-building, your travel agent has a much better grasp of which consolidators are good, and which ones are shady, than you do. Consolidators themselves can't really offer you any guarantees on your fare. Big consolidators have a lot of sway with the airlines because of the volume they do, so they

can often help (but the reputable ones will only deal with your travel agent). If something goes wrong with a consolidator ticket you've bought through a trusted agency, the agency should absorb your loss. According to Simon Bramley, head of pricing for Travelocity, the Travelocity Guarantee to "make things right" would function this way, buffering you from a loss if something should happen to one of the consolidator fares it offers through its site (you'll usually spot these marked as "exclusives," and all restrictions are listed before you purchase). And as always, you'll want to ensure every purchase by using a credit, not a debit card, so you can take it up with the credit card company if the deal goes south.

### **Comparison Shopping**

The inevitable truth is that you'll want to shop around. Airlines, in an effort to drive customers to their own sites, now offer low fare guarantees. That means that even if you find an "exclusive" consolidator fare online, the airline will more than likely match or beat it. Domestic consolidator fares have been all but completely squeezed out by the Internet, and because airlines are decreasing capacity (mostly domestically), you'll find even fewer for US-only flights. Rholl notes that airlines now release prices to consolidators that are exactly the same as published fares. Of course, you always have the option of searching the consolidators that sell online, and then mitigating your risk by asking your travel agent to find the fare for you. Like all fares worth finding, locating them will take a search.