FARE FACTOR

Three experts share insights on airfare trends and how travel managers should respond

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GUY SNELGAR

Global Business Travel Director, Advantage Travel Partnership

It's almost impossible to predict how 2023 air fares will trend with so many variables still unknown.

Current high fares, particularly on long-haul flights, are being largely driven by limited capacity and by business travel bouncing back quicker than some expected.

Throw in high fuel costs from a war in Europe, pent-up demand from both business and leisure travel and perhaps the current high prices have been inevitable.

But how many of these factors will still be in play as we go into 2023 and drive next year's ticket prices?

Airlines seem to be cautiously gearing up for greater capacity, but they don't know whether the summer airport caps will be reintroduced. If the surge quietens, will some corporations' longer-term plans to limit business travel (for sustainability, cost and wellbeing reasons) start to hit demand?

Looking beyond business travel, the cost-of-living crisis means we don't know how strong the traditional leisure travel peaks early next year will be – will seats get filled up for the year ahead, or will there be greater capacity, leading to more corporate business competition, and the discounts and incentives that come with that?

With the current challenge being finding seats, some airlines are now reluctant to take groups' business, even into early next year.

I suspect that how forward bookings look by February may lead to a flexing of pricing ▶

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strategies. In reality, I predict a constantly changing mix of the above, combined with factors we don't yet know about!

For TMCs this presents an opportunity to harness and present a broader range of airlines and flights than travellers might traditionally request.

Strong partnerships with a wide range of carriers and the ability to work across multiple booking channels can help give the flexibility to adapt when the unexpected happens. And if the last couple of years have taught us anything, it's to expect the unexpected.

FLORIAN V. MUELLER

Aviation Practice Lead, FCM Consulting

It's likely that flight prices will continue to climb in 2023 due to a variety of current factors such as overall inflation, the ongoing energy crisis and volatile fuel costs, staffing shortages leading to restricted supply and continued strong leisure demand coupled with further corporate travel resurgence.

These classic factors of supply and demand are increasing pressure on the airlines almost exclusively within oligopolies (airports, staff unions, aircraft manufacturers, jet fuel companies, etc).

Outside of this, the growing demand for more sustainable travel options will also likely have an impact on pricing as airlines look to invest in solutions to decarbonise.

Furthermore, increasing interest rates may also impact on pricing for the airline industry with its significant debt load post- pandemic.

Even so, pricing would likely re-adjust downwards in response to changes in certain situations too. For example, the end of the war in Ukraine with cessation of the restricted airspace and the additional energy supply, could lead to lower prices.

Unsurprisingly, any route served by multiple airlines is usually competitive from a pricing perspective, particularly those bolstered by new entrants. London to Boston, for example, is currently being served almost daily by six airlines (Virgin Atlantic six days a week, British Airways, American, Delta, JetBlue and United daily), two of which are new entries to that market (United and JetBlue).

Conversely, travellers should expect to pay a premium on those routes where airlines have the only non-stop service or have a fair market share north of 70%. As a heavy user of those type of routes, travel managers should consider renegotiating with their airline partners.

In these times of high demand and reduced capacity, it's recommended to book as early as possible, particularly on popular routes to secure seats and the best pricing, i.e. Heathrow to Dubai, Singapore or Zurich. Further savings can usually be found if travellers are flexible with regards to the number of stops.

It's essential that corporates discuss their concerns and budgets with their TMC so that they fully understand their priorities in this evolving travel landscape. They can then make any adjustments to travel policies to ensure that clients are receiving the best value and most relevant content to support their business travel requirements.

PETER GROVER

Director of Marketing, TRIPBAM

While TRIPBAM's data is based on analysis of historical and present-day airfares, we can draw some conclusions on what will happen based on how things are trending at the moment.

We started off the year with really depressed fares. Then, over the summer, we saw prices climb across the board because of a spike in leisure demand. Everybody wanted to be travelling again and there was only so much the airlines could do to meet that demand.

Now that we're in autumn, we're seeing airfares softening. What's being booked are the traditional business travel fares you'd expect to see this time of year.

It would be a mistake to assume that softening means ‘cheap'. Business travel demand is still strong. Jet fuel prices are 74% higher than the same time last year, according to IATA, and there are availability issues for both aircraft and airline staff.

Airfares are likely going to keep climbing. For long-haul international city pairs, pricing never softened – average segment prices were 14.9% higher as of early September than they were back in May.

So what is a travel manager to do? Revisit 2023 air agreements if you haven't already done so. Do company travel patterns match what was put in place last year, two years ago or before the pandemic? Are contracts providing their intended value?

Benchmarking is critical. For things like value-added traveller benefits, airlines typically provide those based on historical volumes. That's irrelevant for companies that haven't been travelling, so travel managers should negotiate like it's 2019 for their most important travellers.

Finally, travel managers need to look at measures they can take to save money, including putting in place trip avoidance measures. Cutting total company trips can be the best way to truly reduce costs in this challenging environment.

AIRFARE TRENDS

The most dramatic increases and decreases in long-haul business class fares TRIPBAM saw among city pairs departing from or arriving into Europe from the mid-point of Q2 2022 to the midpoint of Q3 2022

Top increases

Newark-Heathrow	+75%
Paris CDG-Newark	+66%
Dubai-JFK	+50%
Boston-Heathrow	+47%
Newark-Rome Fiumicino	+41%
Amsterdam- Philadelphia	+35%

Top decreases

Frankfurt-Orlando	-19%
Heathrow-Singapore	-12%
Amsterdam-Newark	-10%
Philadelphia-Zurich	-10%
Newark-Vienna	-7%
Newark-Munich	-5%