

Elektrolux: Bizarre demand

What are route deals really worth for companies? In Germany, most firms are reluctant to disclose figures. But Elektrolux forms an exception, as our correspondent Thomas Rentschler discovered.

Jo-Achim Hamburger, travel manager at Elektrolux and responsible for travel management for a total of 100,000 employees, has an annual spend on corporate air travel of some 70 million dollars. Four years ago his air travel expenditure was pretty much the same level. A major factor in keeping these costs under control are the route deals which he has agreed with several airlines. "With these the firm can save 8-10 per cent," he points out proudly.

But it was not easy to come so far, given that the traffic flows of the 460 Elektrolux firms covered all the continents. Hamburger did not know how high the spending would be with particular airlines and on certain routes. The travel pattern was also "completely unclear" since there was simply no information about it. Elektrolux thus used to strike volume-related deals with carriers in various countries. Hamburger: "If we reached the agreed volume at the end of the year, we were happy to get a cheque for 2-3 per cent of the turnover and thanked God for helping us to reach the volume."

But that now all belongs to the past. Thanks to the formation of alliances, airlines are now approaching corporate clients in a much more determined way, Hamburger points out. "Two years ago, managers from the Qualifyer group came to me and said Elektrolux would not receive any contract if the firm did not meet certain conditions." The company had to prove that it would steer traffic and analyse travel patterns. In addition, it had to have a travel policy which implemented these criteria. The airlines also insisted that there should be a central department with decision-making power in the firm so they only had a single point of contact.

Hamburger viewed this behaviour as bizarre. "In what industry do you have suppliers who set down what their client needs to do so that they sell their services to him?" he questions.

But nevertheless Elektrolux went along with this. The result: Elektrolux can now steer its air spending. In France, it was one of the very first companies which managed to sign a triple-net agreement with Air France. Then came Iberia in Spain and since then Hamburger has succeeded in winning such deals with Lufthansa, SAS, Atlantic Excellence and Maersk.

Hamburger also manages to make further savings, for example, through an "up-front discount" with British Airways on the London-Stockholm route. With this discount instead of getting a post-travel cheque the true rates are printed straight on to the tickets. As a pre-condition, Elektrolux must show it can steer its air spending and come up with a new payment model with its travel agencies. The company now works exclusively with Amex and Carlson Wagonlit Travel on the basis of management fee agreements. While refusing to say how much he saves in the BA deal, Hamburger admits he is satisfied with the arrangement.

His overall verdict on route deals is clear. Compared to the previous Lufthansa corporate rebates scheme, which was all there was, route deals are much better.

In the past, companies received about two percent on their overall volume from Lufthansa and the other national carriers. "But no one really knew exactly how the rebates were calculated." Route deals are much more transparent. Although the travel agencies do not receive any commissions for them and the firm does not receive any rebates from the airlines, it is still a good deal for Elektrolux since, according to Hamburger, the savings through route deals are much higher. "They amount to 8-10 per cent."