



Low cost airlines and internet fares: key benefits vs. the fine print



Introduction

Firmly established in the airline industry and probably high in leisure travellers awareness, low cost carriers are here to stay. This document looks at some of the pros and cons of using these airlines outside the leisure or consumer market, and considers their viability for the business traveller, whether an engineer off to fix an oil rig, or a road warrior travelling to sales meetings.

The old 'them and us' differentiation between legacy carriers such as Lufthansa, British Airways and Air France versus the new entrants such as Ryanair, EasyJet, SpiceJet and dozens of others is eroding almost to the point of complete disappearance. Travellers want to get from A to B, using a safe, cost effective method and knowing in advance what will and will not be included in their air fare.



So let's look at some of the differences between legacy carriers and low cost carriers. Firstly, the habit of calling the non-legacy carriers low cost is perhaps a misnomer. Probably they are better described as web airlines, although that could be argued against and we'll come back to the question of distribution later.

Crucially, web airlines do not publish their fares. This is hard to believe, and of course we have all seen the 'Fares from £19.99' teaser ads and email campaigns. These marketing ploys do attract travellers, but most web airlines operate a supply and demand driven pricing structure, where repeated enquiries on a particular route will trigger a mechanism that automatically drives up the price. With no published fares, it's effectively possible for every person on a web airline aircraft to pay a different price for their tickets. So budgeting in advance is a bit more hit and miss than might be the case with a legacy airline which operates the 'seat bucket' principle where prices vary but within a known set of parameters.



With very few exceptions, book with a web airline and you'll be treated just the same as any other passenger - as a business traveller you won't be recognised or get anything different to the rest of the passengers. Paying extra for early boarding or a seat near the front is available to any passenger on some carriers, and loyalty programmes also exist but hardly to the extent of the legacy airlines who offer lounges, potential upgrades and other regular traveller features.

Using web airlines – things to be aware of:

1. Instant ticketing

All internet purchases are ticketed instantly; you cannot 'hold' a booking for review and future confirmation.

2. No credit facilities

Payment is instant - usually by your credit card or in some cases the agency credit card. No credit facility is extended by the airline or booking website.



3. Making changes

Agents don't control the web airline bookings in the same way as they do with legacy carriers. Even if the fare purchased from a web carrier allows changes, in many cases these can only be handled by the carriers own call centre. These call centres may work limited hours and may only talk to the actual traveller rather than allowing an agent to process changes. Penalty fees where applicable will be collected immediately, and require a credit card.

4. Use of corporate cards

For certain internet airline ticket purchases, the individual passenger's credit card details are mandatory and settlement cannot be made via a travel agent's corporate card. With some web carriers the actual card used to purchase online MUST be presented at check-in, this is a fraud avoidance measure but means that corporate or agency cards can't be used.

5. No connection guarantees and no escalation of complaints

Low cost airlines do not offer guaranteed flight connections. For example: even if booking the same web airline for two sectors connecting via a hub airport, the bookings are treated as two separate transactions. This means that a delay or cancellation to the first flight might result in you missing the second flight, if this happens your web airline will take no responsibility for refund or rebooking. Similarly if an issue does occur, your travel management company (TMC) is unlikely to have a close relationship with the web airline and any complaints or compensation claims will be handled as if you were a normal consumer.

6. Hidden costs

It can be difficult for travellers to understand the total price of travel on web airlines due to extra charges. For example you often have to pay for your meal, seat requests, baggage, even coffee. This can make the 'cheap fare' more expensive than the legacy carrier equivalent.

7. Traveller tracking

Traveller tracking is not easy. If a TMC makes the web airline booking then they have to 'copy' details of the booking into their reservations system in order to track the traveller, provide pre-trip information, handle reporting, invoicing and 24 hour service. This extra work can often result in an extra TMC service fee.

8. No market segmentation

Low cost airlines treat every passenger in the same way; each has contracted with the web airline effectively as a consumer and in accordance with the terms and conditions of the web airline. These are different to the legacy carriers who trade under the umbrella IATA agency terms and conditions. Web airlines don't offer specialist fares such as those enjoyed by the marine or offshore industries when dealing with legacy carriers.

The gap closes between legacy and web carriers:

We did mention that the differences between the legacy and web carriers are closing, and here's the case for the other side:



1. Legacy carriers are offering more fare options

Many legacy carriers are now providing very low fares with limited flexibility and zero or one piece baggage allowance. These fare types will often match web airlines and when considered alongside food and drinks may provide better value than the so called low cost carrier. They may come with heavy cancellation or change penalties, similar to those imposed by web airlines.

2. Web carrier distribution and marketing is recognising the business traveller

A few but growing number of web airlines now distribute content via the Global Distribution Systems (GDS) such as Travelport and Amadeus. These are the legacy airline distribution channels and the web airlines theory is that TMC's using this channel will be more likely to sell their services if they are easy to access. However often the web carriers do not display the full range of air fares via the GDS, necessitating the agents to check on the carrier web sites.

3. Legacy airlines offer easier budgeting and interlining

A legacy carrier may offer 20 different fares on the same aircraft between two points, but at least you can work out the averages, consider historic pricing and have some idea of the cost going forward, say if you are budgeting for a long term project. Also if you need two flights to get from your origin to your destination, legacy carriers normally provide an interline connection which allows baggage and possibly boarding cards to cover both flights, and importantly some assistance if the connection is missed.



Unless your budget stretches to Business Class, short haul travel on point to point routes is generally a commodity purchase. Choosing a web airline over a legacy carrier is as much a matter of cost and schedule as anything else for the leisure traveller. However for the company traveller, different criteria may apply.

If you are booking travel for a ship's crew or using complicated itineraries that are liable to change, then the cheapest fares from either web or legacy airlines are unlikely to suit. Similarly an executive traveller used to last minute changes when meetings cancel or run over may find these cheap fares unsuitable. However with legacy carriers the use of specialist fares for the crew will give more flexibility and potentially avoid losing money. For the executive traveller, choosing a changeable ticket rather than a non-refundable from either a legacy carrier or from a web airline will give some opportunity to avoid losing money while still being cost effective.

In conclusion...

Our advice is to ensure your TMC is properly briefed on the specific needs of travellers and individual itineraries in order to advise on the best carrier and fare type for the journey – this will depend on many variables such as your business sector, geography and status of employee travelling.

Find out more

If you'd like to chat to a member of the team about getting the best value air fare for your journey, email hello@atpi.com



Want to know more?

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