Dr. Fried & Partner

Unternehmensberater
für Marketing + Management

Understanding how service fee automation impacts travel agency business

Munich, July 2007

Dr. Fried & Partner
Sendlinger-Tor-Platz 7 • 80336 München • Germany
Telefon +49 (0) 89 29 07 28-0 • Fax +49 (0) 89 2 28 36 78
e-mail: info@fried-partner.de

Table of contents

ABSTRACT	4
INTRODUCTION	5
RESULTS	7
Productivity analysis	7
Error analysis	14
Revenue analysis	15
Comments by the travel agencies interviewed	17
MAIN CONCLUSIONS AND RECOMMENDATIONS	18
APPENDIX	20
Project methodology	20
Productivity analysis	20
Error factor analysis	23
Revenue analysis	23
ABOUT DR. FRIED & PARTNER	26

Dr. Fried & Partner
Unternehmensberater für Marketing + Management

Abstract

Amadeus commissioned Dr. Fried & Partner, a Munich consultancy for marketing and management, to carry out independent research on the management of service fees in European travel agencies. The study was conducted in the first quarter of 2007 and focused on travel agencies in France, Belgium, the Netherlands, Sweden and Germany. The objective of the study was to:

- Understand how travel agencies currently handle service fees;
- Evaluate the tools used to calculate fees; and
- Evaluate the value generated by an automated service fee management tool.

The results demonstrate the increasing importance of active service fee management in the travel business. The study examined the importance of optimally configured service fees, how travel agencies can actively influence the configuration of service fees, and how service fees affect the revenues of travel agencies.
The study was based on a combination of methods, including various process analyses, interviews with experts, and in-house calculations. This approach ensured that exclusively certified and validated measurements and statements were incorporated in the study.

Introduction

The business of European travel agents has changed significantly over the past decade as a result of the 0% commission policy implemented by the vast majority of European airlines. This trend started in the US market and spread to Europe five years ago.

In order to face these new challenges, travel agencies have had to restructure their business models by charging their customers service fees to offset the loss of revenue. Most travel agencies are currently using two kinds of fees:

- **Management fees**

  The management fee is a flat fee usually charged on a monthly basis corresponding to all services provided by the travel agency to corporations.
- **Transaction fees**

  A transaction fee is a predefined charge associated with an individual service offered, e.g., flight booking, hotel reservation, rebooking, etc. These fees may differ from one customer to another.

Currently, most travel agencies use transaction fee based models to provide them with a source of revenue that can absorb the costs of related activities. This model enables agencies to better control their costs, thus optimising their revenue margins. However, the wide range of transaction types makes handling these fees manually quite complex.

Corporate travel agencies tend to be aware of their cost and revenue structures and so are likely to use more sophisticated fee schemes. On the other hand, leisure travel agencies use simpler fee schemes. At the same time, travel industry trends show the increasing importance of individual fee schemes tailored to customers' specific needs.

Within this context, leading travel technology provider Amadeus commissioned independent research in order to better understand how travel agencies are handling service fees, what these service fees are and what solutions are currently used. The results of this study will help travel professionals assess the solutions used to handle fees and evaluate the benefits an automated service fee management tool provides to travel agents.

A pre-market study identified three main ways of processing and calculating fees:

- Manual calculation - The amount is added as a remark into the booking record.
- Automated fee calculation - Using an automated tool integrated with the front-office application.
- Automated fee calculation - Using a fee module integrated into the mid- or back-office application.

Only a few products enable sales agents to provide their customers with both the price of the trip and the associated service fees. With these products, the agent does not need to calculate the different service fees separately.

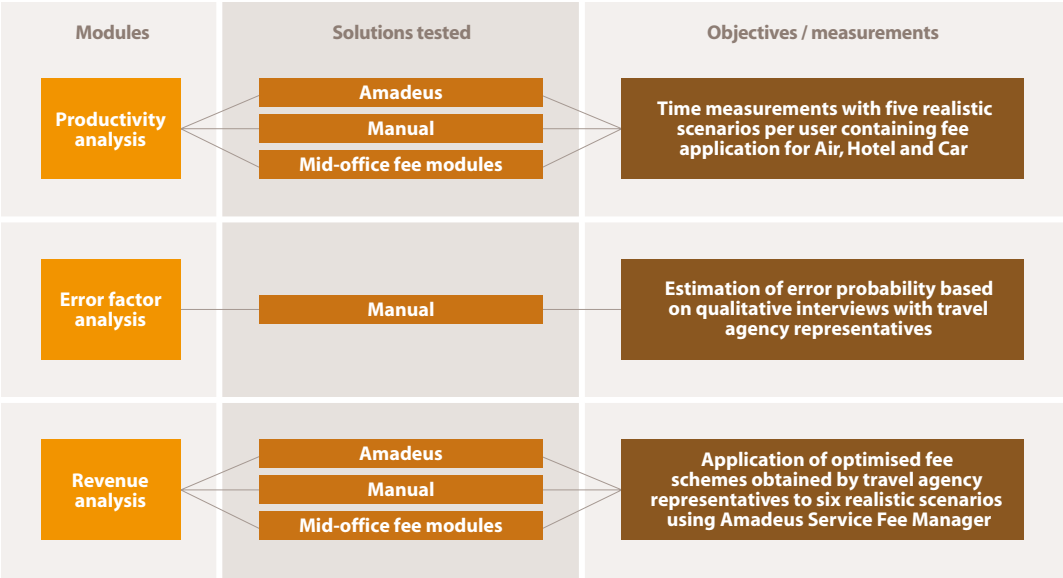
Mid-office solutions offering a fee module also allow agents to calculate fees automatically but **only at invoicing time**.

The study focused on the fee application process that consists in calculating and applying service fees within the booking cycle. The objective of the study was to evaluate and quantify how automated service fee solutions can :

- Increase productivity,
- Reduce/eliminate the probability of error,
- Increase revenue.

A detailed description of the methodology can be found in the appendix.

Chart 1 - Setup and study



Fried & Partner visited 24 travel agencies using different fee management solutions, interviewed the general managers, and conducted 175 measurements with 35 agents.

Results

The results of the study carried out in 2007 in five European countries demonstrate the increasing importance and the key benefits of active service fee management in travel agencies.

Using Amadeus Service Fee Manager to automate the management of service fees enables travel agencies to maintain, and even increase their fee revenue by 28%. In addition, it allows travel agencies to eliminate errors in fee calculation, which, for a medium-sized travel agency (50,000 segments), can mean average additional revenues of € 12,000 per year. Finally, it optimises an agency's productivity by reducing its fee application processing time by 67%, thus reducing the overall booking processing time by 12%.

Using Amadeus Service Fee Manager, travel agencies can save 67% of the time required for the "fee application" process activity compared with manual calculation.

Productivity analysis

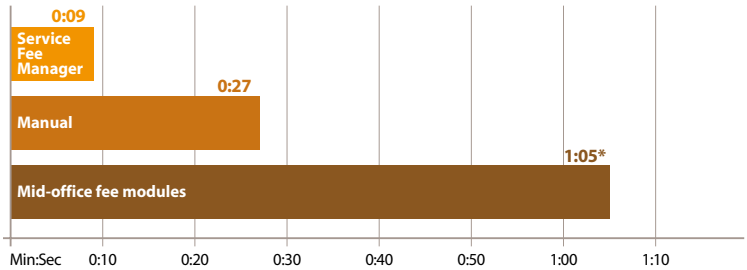
All the time measurement differences in this study were validated with confidence levels higher than 90%.

The main focus of the productivity analysis was the fee application process. The analysis focused on the differences between the manual procedure and using mid-office fee modules or Amadeus Service Fee Manager.

To apply the service fees at booking time using a mid-office solution, users had to switch back and forth between their front and mid-office systems. They also needed to produce an invoice, which cannot be considered a fee application activity. Therefore, on the "fee application" charts (except chart 2), no figures for mid-office solutions appear.

However, the "average booking time" charts show mid-office results which include the mandatory invoicing activity.

Chart 2 - Average fee application time per system (all scenarios)

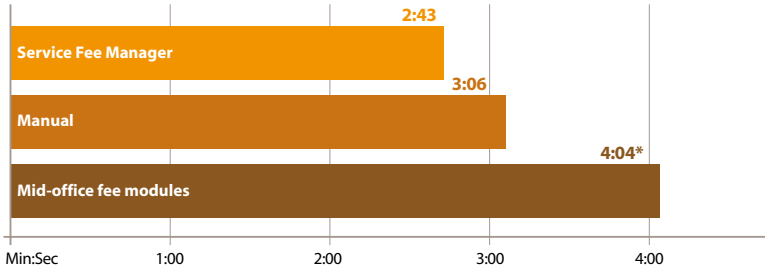


Source: Dr. Fried & Partner 2007

** Includes fee calculation at invoicing time*

The measurements of the time travel agents took to calculate and validate service fees within standard booking scenarios showed that Amadeus Service Fee Manager users save, on average, 67% of processing time compared with agents proceeding manually and 86% compared with mid-office solutions.

Chart 3 - Average booking time per system (all scenarios)



Source: Dr. Fried & Partner 2007

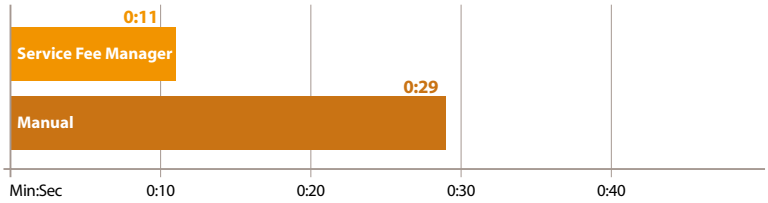
** Includes fee calculation at invoicing time*

In the overall reservation process, across all scenarios, Amadeus Service Fee Manager agents were 12% faster than manual users and 33% faster than mid-office users.

** The overall process time of the mid-office fee modules contains the invoicing activity required by the application (around 60 seconds).*

Chart 4 - Simple international flight booking

Average fee application time per system

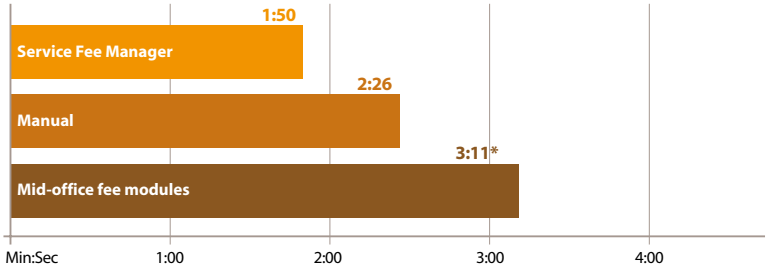


Source: Dr. Fried & Partner 2007

When performing a simple international air booking, manual users needed twice the time Amadeus Service Fee Manager users took to apply and verify the corresponding service fee.

Chart 5 - Simple international flight booking

Average booking time per system



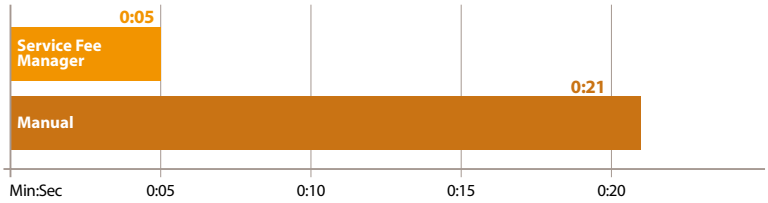
Source: Dr. Fried & Partner 2007

** Includes fee calculation at invoicing time*

In terms of the overall time needed to accomplish the international booking scenario, Amadeus Service Fee Manager users were able to perform the same activities 25% faster than with manual service fee calculation. This performance increase comes from the automation Amadeus Service Fee Manager offers by calculating and applying the service fees without any manual intervention.

Chart 6 - Price information for international flight

Average fee application time per system

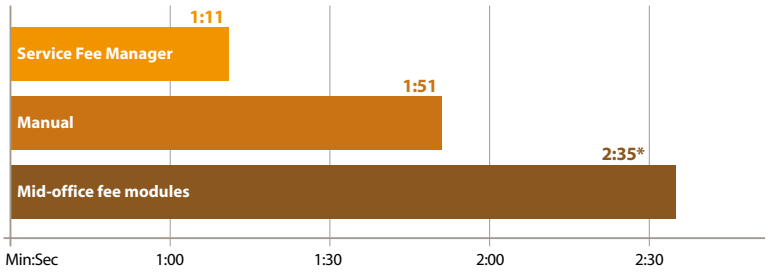


Source: Dr. Fried & Partner 2007

In response to a request for price information for an international flight, Amadeus Service Fee Manager has a crucial competitive advantage because no time is needed for fee application. The result of 5 seconds average time is due to several travel agents preferring to create a test booking and compute fees rather than using the informative pricing feature that displays full pricing without requiring the creation of a booking record.

Chart 7 - Price information for international flight

Average booking time per system

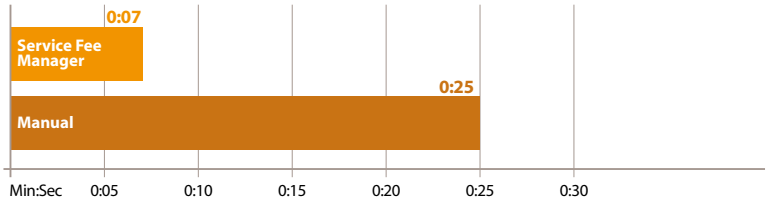


Source: Dr. Fried & Partner 2007

** Includes fee calculation at invoicing time*

Agents using the mid-office solution to run the scenario requiring them to provide pricing information needed 2 minutes and 35 seconds to complete the task.
Agents using a manual calculator were faster and did not have to switch between front and mid/ back-office systems.
Amadeus Service Fee Manager again demonstrated its superiority by providing the same information in only 1 minute and 11 seconds by displaying detailed service fees and ticket price simultaneously.
The outcome resulted in a 54% productivity gain for Amadeus Service Fee Manager users compared with mid-office users and 36% compared with manual users.

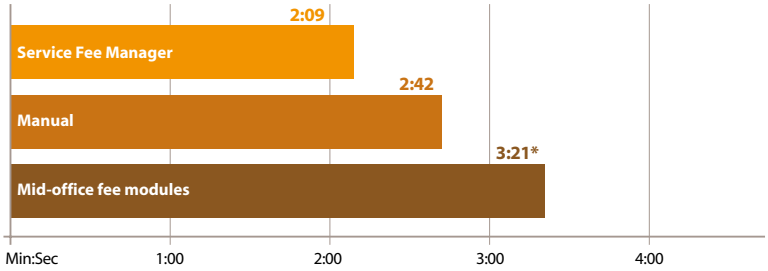
Chart 8 - International flight and rental car booking using customer profile - *Average fee application time per system*



Source: Dr. Fried & Partner 2007

In this scenario, all agents used a customer profile to book a flight from Stockholm to Paris and a rental car.
Amadeus Service Fee Manager users have a clear advantage when using customer profiles. Besides the standard traveller data, customised fee schemes can also be attached to each profile. This enables services fees and traveller data to be automatically transferred to the booking record. Users who had to input service fees manually took much longer to complete the fee application activity .

Chart 9 - International flight and rental car booking using customer profile - *Average booking time per system*

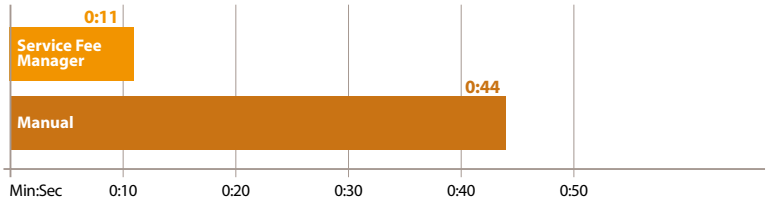


Source: Dr. Fried & Partner 2007

** Includes fee calculation at invoicing time*

With Amadeus Service Fee Manager, the automated fee application for both services - Air and Car - resulted in an average overall process time advantage of 20% compared with the manual application of fees. Mid-office fee module users needed 56% more time to complete the same tasks.

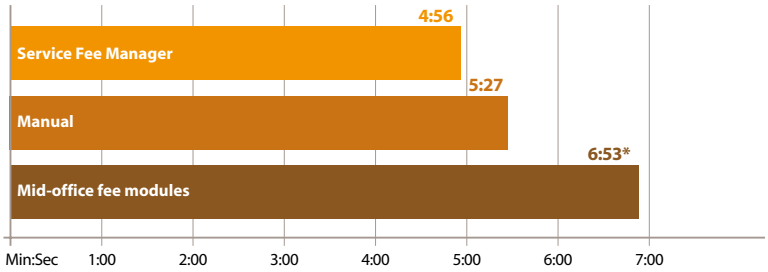
Chart 10 - International flight, hotel and rental car booking, one rebooking - *Average fee application time per system*



Source: Dr. Fried & Partner 2007

For this measurement the travel agents were asked to make an international flight reservation, together with a hotel and a rental car booking. After the trip booking was completed, they were asked for a date change.
Looking at the fee application activity only, the time differences are significant, since fees for all three services had to be calculated in the first step, then a rebooking fee applied. Manual users had to carry out several calculations in order to apply appropriate service fees and then to adjust them later on.

Chart 11 - International flight, hotel and rental car booking, one rebooking - *Average booking time per system*

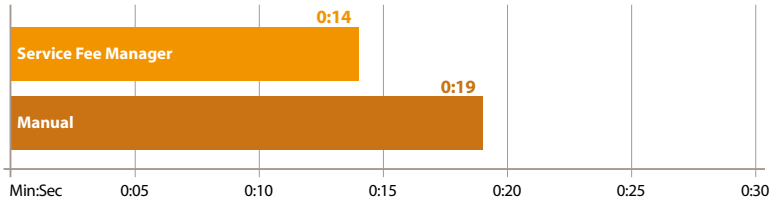


Source: Dr. Fried & Partner 2007

** Includes fee calculation at invoicing time*

In terms of the overall process times needed to complete the tasks, Amadeus Service Fee Manager users required only 91% of the manual calculation time and were more than 25% faster than mid-office fee module users.

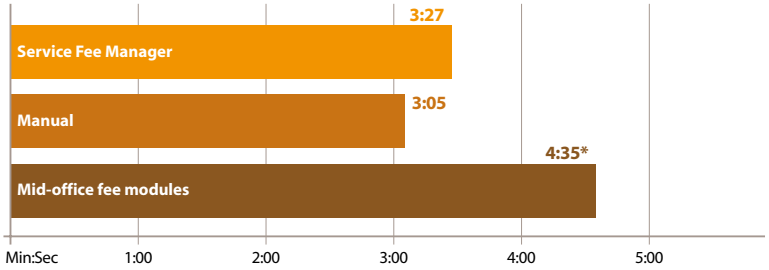
Chart 12 - International flight air and hotel booking - two different fee schemes - *Average fee application time per system*



Source: Dr. Fried & Partner 2007

When applying two different fee schemes within one international flight booking and hotel reservation, Amadeus Service Fee Manager users achieved a time advantage of 26% in the fee application activity. The key advantage of Amadeus Service Fee Manager in this situation is the smooth and error-free process design.

Chart 13 - International flight air and hotel booking - two different fee schemes - *Average booking time per system*



Source: Dr. Fried & Partner 2007

** Includes fee calculation at invoicing time*

In terms of overall process times, no advantage was achieved, because Amadeus Service Fee Manager users needed slightly more time than with the manual procedure to apply a specific scheme stored in the customer profile for one person and then select and apply the default fee scheme to the other person. The consultants could not clearly observe the potential advantage of Amadeus Service Fee Manager because the agents did not have sufficient knowledge of the product to use the advanced features to advantage.

Error analysis

Error factor analysis showed that 3% of tickets issued by agencies handling fees manually contain inaccurate service fees.
Depending on the cross selling level of the agency and the fee scheme complexity, this percentage may increase.
However, automated solutions such as Amadeus Service Fee Manager reduce this figure to zero and so eliminate the loss of revenue.

Based on operational experience, travel agency managers estimate that, on average, 50% of all errors impact their revenue negatively.
Considering the 3% error rate for all bookings and assuming an average of 2.5 segments per booking, Amadeus Service Fee Manager can help travel agencies increase fee revenue by around € 12,000 per year.
This figure was calculated based on an agency making 50,000 segments and applying a € 40 fee (on average) per booking.

The potential sources of errors in the fee application process are the following:

- Travel agents select the wrong fees.
- Travel agents miscalculate the total fee amount.
- Travel agents forget to calculate fees during the booking process.
- Travel agents grant discounts to key accounts, friends and relatives without policy agreement.
- Administrative personnel apply a different fee than the one quoted at booking time by the sales agent.

Travel agencies producing 50,000 segments can collect an additional € 12,000 in fees when using the automated fee processing tool Amadeus Service Fee Manager.

The error rate is higher in small travel agencies managing fees manually than in medium-sized agencies that usually have a double-checking routine to detect possible errors. This finding mainly refers to leisure travel agencies, as the vast majority of medium-sized corporate agencies already use an automated solution.

Revenue analysis

When analysing the impact sophisticated fee schemes may have on revenues, the consultants observed the following:
Travel agencies can generate a 28% increase in service fee revenue by means of optimised service fee schemes.

The general managers of travel agencies in the sample indicated the way in which they would optimise their service fee schemes. The schemes they described were more sophisticated than those currently in use, with a wider range of services being charged. They also better reflected the value of the services provided, and were more in line with the cost of the related activities. Then, revenue increase was calculated by computing service fees under both the optimised and current schemes for a series of travel scenarios that represent the actual variety of travel services sold by an average travel agency. Amadeus Service Fee Manager was used for calculation.

> Setting up sophisticated fee schemes handled via Amadeus Service Fee Manager can increase fee revenue by 28%.

The largest share of this revenue potential identified during the interviews was accounted for by "Selling Fare" fees, which are dependent on the ticket price. This type of fee is difficult to handle without automated service fee management and the inherent potential for miscalculation is significant.

The optimised fee schemes submitted by the interviewees were generally sophisticated and included a wide variety of transaction fees. Amongst them, the most common fees were for paper tickets, booking classes, destinations, selling fares, cancellation / rebooking, issuing carrier, insurance sales, complex booking and express bookings.

An example of an optimised fee scheme, combining several transaction fees, discussed with key executives can be found below.

Chart 14 - Example of optimised fee scheme

Ticketing fees				
Ticket type	*e-ticket: 0 €*		*Paper: 5 €*	
Booking cabin	*First: 25 €*	*Business: 10 €*	*Economy: 5 €*	
Itinerary type	*Domestic: 5 €*	*European: 10 €*	*International: 25 €*	
Validating carrier	*NC*: 10 €*		*Other: 12 €*	
Selling fare	*< 500 €: 10 €*	*500-1,000 €: 20 €*	*1,000-2,500 €: 30 €*	*>2,500 €: 50 €*
Booking process fees				
Segment sell	*Flight: - €*	*Car: 5 €*	*Hotel: 5 €*	*Other: 10 €*
Segment cancel	*Flight: - €*	*Car: - €*	*Hotel: - €*	*Other: 5 €*
Ticket re-issue	*15 € (+ airline fee)*			

**NC: National Carrier*

All travel agencies interviewed by the consultants stated that they would adopt at least some of these fees in order to compensate for the commission cut and to sustain, or even increase, their revenue. Based on the interviews and the analysis, chart 15 details the consultants' qualitative assessment of anticipated customer acceptance and impact on revenue of each service type.

Chart 15 - Fees provided by travel agency managers

Fee types	Expected customer acceptance	Positive impact on revenue
Paper ticket fee (on e-ticket airlines)	*Very high*	*Low*
Fee depending on booking classes	*Very high*	*High*
Fee depending on destination	*Low*	*Moderate*
Selling fare	*Low*	*Very high*
Cancellation fee / Rebooking fee	*High*	*Low*
Airline booking fee	*Moderate*	*Moderate*
Cross selling fee (insurances)	*Moderate*	*Low*
Complex booking fee (e.g. more than 4 segs)	*High*	*Low*
Express fee	*High*	*Moderate*
Booking channel fee	*Very high*	*Moderate*

Comments by the travel agencies interviewed

In the course of the interviews in the field, the consultants obtained a considerable amount of feedback from travel agencies on the subject of service fee management.

In particular, those travel agencies which offer a large number of different individual tariffs (e.g., negotiated fares - tariffs agreed with the airlines) with different fees for the sale of tickets, pointed out that the automated management of numerous different fee schemes would represent a major advantage in terms of processes. Travel agencies with specially negotiated fee models for each client would also benefit from such a system.

Travel agencies which have a mid- or back-office solution for the addition of service fees to the total price indicated in many cases that they were satisfied with their solution, but at the same time highlighted a key drawback of mid-office systems: the automated calculation of fees takes place subsequent to the booking. If a client requests a quote including all fees before making a firm reservation, the only option is to do a manual calculation or to switch to the mid-office, if this is possible, before the tickets are issued.

> Manual calculation of fees forces travel agencies to keep fee schemes simple, which means lost opportunities in terms of fee optimisation and revenue.

Agencies which calculate fees manually find themselves obliged to stick to simply structured fee models. They are unable to apply and compute sophisticated fee schemes without running the risk of a high error rate. Therefore, they can only use detailed fee models to a limited extent. The vast majority of the general managers of these agencies confirmed that an automated service fee management system would improve their processes substantially and that they would be willing to undertake such an investment. They estimated that this would soon pay for itself as a result of the higher revenues they anticipated.

Many of the 24 travel agency managers participating in the study and representing different market segments stated that they saw considerable added value in integrating service fee management into the entire front, mid- and back-office process. They would welcome the calculation and assignment of the service fees at the booking stage, followed by presentation on the invoice and archiving in the back-office, without any manual intervention on the part of the agent required.

Main conclusions and recommendations

Service fees will continue to increase in importance. As a result, the precise and detailed calculation of these fees will be a crucial issue for travel agencies in terms of earnings and, to some extent, ultimate survival. In this context, the use of professional and automated systems to manage these service fees will play a pivotal role.

The extensive use of IT systems and the focus on productivity in the travel industry make the manual calculation of service fees an anachronism. This style of calculation needs to be reviewed for reasons of service quality as well as for cost and income optimisation. The current study shows that, compared with agencies calculating fees manually, agencies using the fee-processing tool Amadeus Service Fee Manager can, on average, increase productivity by 67% for service fee application activities and by 12% for overall booking processes.

These productivity results indicate that travel agencies producing 100,000 segments a year can save a total of approximately € 24,000 in process costs[1]. This result assumes that the time saved through automated fee management can be used to proceed with more bookings.

> The extensive use of IT systems and the focus on productivity in the travel industry make the manual calculation of service fees an anachronism.

Furthermore, the study identified a 3% error rate resulting from incorrect and/or inadequate manual or semi-automated computation of service fees. Reducing these errors would lead to increased revenue evaluated at € 12,000 per year for a travel agency producing 50,000 segments annually. The error rate is another weak point of manual or semi-automated fee calculation - a practice which is still widespread in the industry.

In the view of the consultants, reducing this revenue risk to zero is only possible by using fully automated service fee systems such as Amadeus Service Fee Manager. Incorrect calculations or shortfalls can be avoided completely by the one-time introduction of even complex service fee schemes and by the use of these systems for all consultative and sales processes.

The current practice - frequently found in smaller travel agencies - of employing simple service fee schemes with a very limited number of different fee components is only a makeshift solution and will not increase revenues substantially. In contrast to large business travel chains, which have long since opted to arrange individual service fee amounts with their clients to cover a wide range of agency services, the majority of agencies operating with very basic service fee schemes do not have the technical capability to map complex fee structures.

As the study shows, Amadeus Service Fee Manager enables the use of sophisticated fee schemes, and the resulting system-supported mapping of service fee structures allows a fee revenue increase of 28%. For a travel agency producing 50,000 segments annually and generating a gross margin[2] of € 800,000 per year, this represents a potential increase in fee revenue of € 112,000, assuming that fees account for 50% of the total revenue.

In addition to the results obtained, the study highlights further implications of active, optimised service fee management and how it can impact a travel agency's business and results:

- Limited integration of native mid-office systems can result in process clashes during service fee calculation, which have a negative effect on process costs. With a solution such as Amadeus Service Fee Manager, which is tightly embedded in the Amadeus front-office, an optimal process can be mapped from the storage of sophisticated service fee schemes to the calculation and processing of the service fees themselves.

- A further factor driving the use of optimised service fee schemes is the shift in the travel intermediary sector towards a "product bundler" business model. This will ultimately form the core of travel agencies' work. In the leisure sector especially, combining suitable flight, hotel, rental car and other services requires not only an intelligent bundling logic but, above all, sophisticated revenue management. The ability to interlink different margins or fee amounts for different product combinations or to configure fees so that optimal earnings are achieved is an important asset of Amadeus Service Fee Manager.

- The travel industry will undergo other, far-reaching changes in its revenue models. The introduction of 0% commission by airlines will lead to similar commission reduction in other travel services, such as rail, car rental or hotel bookings, and so drive the need for intelligent and automated fee management.

The travel industry will undergo other, far-reaching changes in its revenue models, driving the need for intelligent and automated fee management.

1 - This figure is based on the 12% overall productivity increase measured and the assumption of 2.5 segments per booking (industry standard) as well as an average of € 1.63 process costs per minute (Source: "Prozess- und Nutzwertanalyse im Autftrag des DRV" by Fried & Partner, 2005) and average booking process times of 3 minutes and 6 seconds as measured in the course of this analysis.

2 - Gross margin is the sum of the fees, the commissions and the override (including GDS incentives) perceived by the travel agency.

Appendix

Project methodology

To ensure reliable results, Dr. Fried & Partner used a mixture of qualitative and quantitative analysis. A pre-analysis was done during the preparatory period. This provided the consultants with a clear indication that the metrics given below would be needed to ensure the validity of the study as a whole.

The project included time measurements based on scenarios, one-to-one interviews with general managers, calculations of potential revenue increases, and an estimation of error probability based on these interviews.

Productivity analysis

Dr. Fried & Partner conducted an "elemental time study" in order to identify the time required to perform typical agency tasks related to fee calculation and fee validation for air, car and hotel bookings.

With this technique, the time needed for predefined process elements embedded in a booking process can be collated.

Chart 16 - Process activities

The productivity measurements were carried out in a five-stage process. First, scenarios were created then pre-tested.

Scenario 1

Intercontinental flight; 2 persons; Business Class; paper ticket.

Scenario 2

Price quotation for an intercontinental flight; 1 person; Economy Class (full fare) .

Scenario 3

European flight; 1 person; Business Class; e-ticket; rental car booking; using customer profile.

Scenario 4

European flight; 1 person; Business Class; e-ticket; rental car booking; hotel booking; rebooking after ticket has been issued.

Scenario 5

European flight; 2 persons; Business Class; e-ticket; hotel booking; 2 different fee schemes to be applied.

Chart 17 - Scenarios and solutions

Scenarios	Solutions tested		
Simple flight booking Intercontinental flight quotation and booking	**Manual calculation**	**Mid-office solutions with fee module**	**Amadeus Service Fee Manager**
Informative pricing Intercontinental flight			
Booking w/ customer profile European flight quotation and booking + rental car quotation and booking using customer profile			
Advanced booking / rebooking European flight quotation and booking + rental car + hotel quotation and booking - Reissuing of ticket			
Multiple fee scheme booking European flight quotation and booking + hotel quotation and booking using profile and two different fee schemes			

The time measurements were done with agents using automated solutions, which were Amadeus Service Fee Manager (integrated into the booking application) and mid-office solutions (with integrated fee modules in the mid-office), as well as with agents calculating service fees manually.

The scenarios were created in order to address the following questions:

- What is the advantage of processing fees automatically as opposed to manually?
- How do different automated solutions impact the duration of the booking process?
- What are the main advantages of handling different fee schemes in the same booking?
- How do travel agents proceed with fee calculation if no booking is completed, but only a price quotation?
- What is the impact of transaction-based fees on the service fee calculation process?

After being refined, the scenarios were broken down into different "elements". Using hand-held PDA-originated equipment, an elemental time study template was applied which incorporated all possible combinations of process elements used in the five different scenarios created (chart 18: Time elements).

Chart 18 - Time elements

level 1	level 2	level 3	level 4	Element ID	Activity description
	Quotation			a1a4a0a0	Related to quoting air itineraries and automatic ticket mask creation
		Air		a1a4a1a0	Related to quoting air itineraries and automatic ticket mask creation
		Hotel		a1a4a2a0	All elements related to Hotel pricing, Tour pricing, Cruise pricing etc
		Car		a1a4a3a0	All elements related to Hotel pricing, Tour pricing, Cruise pricing etc
		Cruise		a1a4a4a0	All elements related to Hotel pricing, Tour pricing, Cruise pricing etc
		Rail		a1a4a5a0	All elements related to Hotel pricing, Tour pricing, Cruise pricing etc
		Tour		a1a4a6a0	All elements related to Hotel pricing, Tour pricing, Cruise pricing etc
		Total trip		a1a4a7a0	All elements related to Hotel pricing, Tour pricing, Cruise pricing etc
	Stored fares			a1a5a0a0	All elements related to re-issuing a flight ticket (does not include rebooking)
		Re-issuance		a1a5a1a0	All elements related to re-issuing a flight ticket (does not include rebooking)
		Manual creation		a1a5a2a0	Related to creating manual ticket masks
	Document Management			a1a5a0a0	All elements related to issuing itinerary docs - including PNR remarks
		Itinerary		a1a6a1a0	All elements related to issuing itinerary docs - including PNR remarks
		Invoice		a1a6a2a0	All elements related to issuing invoices - including PNR remarks
		Car voucher		a1a6a3a0	All elements related to issuing car vouchers - including PNR remarks
		Hotel voucher		a1a6a4a0	All elements related to issuing hotel vouchers - including PNR remarks
		Cruise		a1a6a5a0	All elements related to issuing cruise docs - including PNR remarks
		Ferry		a1a6a6a0	All elements related to issuing ferry tickets - including PNR remarks
		Rail		a1a6a7a0	All elements related to issuing railtickets - including PNR remarks
		Insurance		a1a6a8a0	All elements related to issuing insurance docs - including PNR remarks
		Tour		a1a6a9a0	All elements related to issuing package tours docs - including PNR remarks
		Ticket		a1a6a1a0	All elements related to issuing package tours docs - including PNR remarks
	Queue management			a1a6a0a0	All activities related to working off queues banks
	Additional Services			a1a7a0a0	Give travel related information: visa, vaccination, city, airport
	Apply fees			a1a8a0a0	
		Calculate fee		a1a9a0a0	
		Validate fee		a1a9a0a0	
Contact with traveller				a2a0a0a0	Related to receiving travel requests and general comms between activities
	Talking			a2a1a0a0	Related to receiving travel requests and general comms between activities
	Reading e-mail			a2a2a0a0	Activities related to reading e-mails
	Sending e-mail			a2a3a0a0	Activities related to sending e-mails for proposals, confirmations
	Fax			a2a4a0a0	Activities related to handing fax

Fee relevant processes

In the next step, on-site measurements were conducted that were subsequently analysed.

Acting as customers, the consultants provided the agents with the information needed to make the booking in a real-time sales situation. This covered the entire process, including the fee application, giving a price quotation, and issuing the ticket. The agents supplied the ticket price, including tax, the service fee applied, and the total price. They created a complete PNR with all mandatory entries, with the result that ticketing would have been possible without any further entries. All the measurements were carried out in a standard booking environment. The processing time was measured and the data collated for statistical analysis.

The results obtained were analysed and compared for all the processes involved in the booking scenarios. In a further step, the relevant fee application process, consisting of fee calculation and fee validation, was the basis for the evaluation.

The sample consisted of 35 travel experts and, altogether, 175 measurements were taken. A total of 24 travel agencies, located in France, Belgium, the Netherlands and Germany, participated in the study.

Since the measurements were calculated on the basis of samples, statistical validation was required to ensure that the results could be reliably extrapolated to the total market. This validation was supported by a sufficient confidence level. Confidence levels indicate the probability that the results obtained for a sample will be the same for a complete market. The times measured for the different solutions in this study result in a confidence level of more than 90%.

Error factor analysis

To evaluate the possible error factors, the consultants conducted on-site visits and interviews with representatives of European travel agencies. The random sample included a total of 10 travel agencies.

During the interviews, the consultants asked the interviewees to estimate the general error rate in their agencies, based on their own experience. For analytical reasons relating to inaccurate calculations, the managers were requested to analyse, and possibly question, their actual service fee revenues. In view of the complexity of the issue, the interviews were conducted with general managers and other executives. This ensured that not only possible operational errors but also the effects on controlling and the back-office were examined closely.

Revenue analysis

The methodology used to evaluate the impact of more sophisticated fee schemes on travel agencies' revenues was based on two steps:

Interviews with the general managers

On the basis of interviews with the general managers, the consultants collected data corresponding to the fees which the agencies were charging their customers. The sample consisted of 10 travel agencies operating in different segments - leisure and business - and using different solutions for fee calculation.

The managers were then requested to consider what kind of service fees they would charge in the future, providing there was a technical system solution including such features as automatic administration and service fee calculation. On this basis, the managers then proceeded to create what they considered to be an optimised fee scheme. This optimised fee scheme included various types of travel reservations. With the consultants' guidance, additional service fee models were taken into consideration.

Analysis and calculation of additional revenues generated

The sample consisted of 10 travel agencies operating in different segments (leisure and business) and using different solutions for fee calculation. The optimised fee schemes developed in step one were used as a basis for test calculations with six different booking scenarios representing the actual variety of travel services sold by an average travel agency. This calculation was carried out under lab conditions. Firstly, the current fee schemes were applied to the bookings scenarios and the total fee amount was recorded. Secondly, all scenarios were recalculated using the optimised fee schemes defined by the general managers during the interviews. The comparison of the two sets of results allowed the consultants to calculate the differences between fee amounts and the fee amount increase when implementing sophisticated schemes.

The differences between fee amounts were used to compute weighted average percentages. They were weighted according to the mix of activities generating service fee revenue in an average travel agency: 20% for intercontinental trips, 48% for European non-domestic trips, and 32% for domestic trips (source: German BSP). The booking scenarios used for recalculation did not include tour booking activities that are evaluated at 15% of the daily activities; this figure was taken into account into the weighted results.

Dr. Fried & Partner
Unternehmensberater
für Marketing + Management

About Dr. Fried & Partner

For over 30 years we have been helping both large and small companies in the travel industry to achieve business success. Our customers know us as a competent and efficient partner and hold our project teamwork and management consulting services in high esteem.

We assist our customers with the analysis of complex problems and with the identification of future business opportunities. We see it as our duty not only to develop tailor-made concepts and strategies but also to help our customers to successfully implement the recommended solutions.

Our consultants have college or university degrees and practical experience in tourism, trade or industry. Thanks to this practical experience and our longstanding work as consultants, we are completely familiar with the processes and structures of the value-adding process in the tourism industry.

Dr. Fried & Partner is proud to have provided its services in connection with projects involving various companies and organisations over the years, among them Amadeus, American Express, Deutsche Bahn, Deutsche Lufthansa and TUI. These projects have included process and process cost analysis in addition to market and competitor analysis.

Learning from best practices in all sectors of business and industry is also part of our corporate concept. This approach, coupled with our methodological and specialist knowledge, sharpens our awareness of trends and developments in all areas of the economy and enables us to focus our attention on mastering the specific challenges of the tourism industry.

We offer solutions for the tasks which we define together with our customers - in the form of consulting projects, market research and training programs.

Dr. Fried & Partner
Unternehmensberater
für Marketing + Management

Dr. Fried & Partner
Sendlinger-Tor-Platz 7
80336 München • Germany

Telefon +49 (0) 89 29 07 28-0
Fax +49 (0) 89 2 28 36 78
e-mail: info@fried-partner.de