

Press Release

Zero commission is the biggest challenge for 34% of travel agencies: Amadeus research paper offers a solution

Madrid, Spain, 25 June: Amadeus, a global leader in technology and distribution solutions for the travel and tourism industry, today published a research paper which offers advice to business and leisure travel agencies on how travel agencies can maximise service fee revenue.

The white paper, entitled “Service Fees and Commission Cuts: Opportunities and Best Practices for Travel Agencies”, offers a brief history of the demise of airline commissions which have fallen steadily from around 10% of the ticket price in the mid-1990s to zero in many markets today. The report reveals results of an Amadeus survey which found that thirty-four per cent of travel agencies said reduced revenue from commissions was the number one challenge facing their business. In Western Europe, lost commission revenue is the number-one worry for half of all travel agents.

In the second half of the paper, experience is drawn from markets which have successfully implemented service fee models to compensate for the loss in revenue. The most successful markets have seen their revenues grow even as commissions have fallen. Travel agencies adopting a service fee model charge the customer for services provided instead of receiving a commission from the travel supplier. Scandinavia and the US have been particularly advanced in this respect.

The report offers the following tips to travel agencies wanting to implement a successful service fee model:

- Educate staff and travel agents with formal training programs on service-fee schemes and high margin products.
- Communicate service fees to customers up-front; inform them of the new service fee business model. Research suggests that customers are willing to pay for a service they see value in.
- Automate processes for charging fees to avoid errors and increase travel agents’ efficiency and productivity.

- Identify the services for which customers see the highest value and are willing to pay for. The top five identified by the study are trip planning, hotel-only bookings, special coupons, cruises and frequent flyer reservations.

“As a global technology partner to the travel industry,” says Claude Giaferri, Vice President, Travel Office Products & Solutions, Amadeus, “We feel we can add value by sharing our experience of markets and travel agencies which have successfully implemented new business models to help those who have yet to go through that transition. That is what we hope to achieve with this white paper.”

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Notes to the editors

Amadeus is the chosen technology partner for providers, sellers, and buyers of travel. The company provides distribution, IT and point-of-sale solutions to help its customers adapt, grow and succeed in the fast changing travel industry. Customer groups include travel providers (airlines, hotels, car rental companies, railway companies, ferry lines, cruise lines, insurance companies and tour operators), travel sellers (travel agencies) and travel buyers (corporations and travellers). Solutions are grouped in four solution categories – Distribution & Content, Sales & e-Commerce, Business Management and Services & Consulting.

Amadeus has central sites in Madrid (corporate headquarters & marketing), Nice (development) and Erding (Operations – data processing centre) and regional offices in Miami, Buenos Aires and Bangkok. At market level, Amadeus maintains customer operations in 76 countries covering more than 215 markets.

The company is owned by WAM Acquisition, whose shareholders are BC Partners, Cinven, Air France, Iberia and Lufthansa. Amadeus employs over 7,600 employees worldwide, representing 95 nationalities.

Amadeus' revenue for the twelve months ended 31 December 2006 was EUR2.683m.

More information about Amadeus is available at: www.amadeus.com

Contact details

Amadeus Media Relations
Corporate & Marketing Communication
tel : +34 91 582 0160
fax : +34 91 582 0188
e-mail : mediarelations@amadeus.com