

Press Release

Amadeus' commissioned research on European Online Travel Agencies reveals key drivers for improved profitability

In-depth independent study identifies revenue diversification, enhanced customer experience, automation and marketing cost-control as key drivers for improved profitability.

Madrid, Spain, 24 August 2010: Amadeus, a leading travel technology partner and transaction processor for the global travel and tourism industry, and Hermes Management Consulting, a world leading business consultancy, have released the results of an in-depth study entitled "Understanding Online Travel Agencies' Cost Drivers and Ways to Optimise Business in Europe".

The aim of this study was to provide a better understanding of the operational cost structure of Online Travel Agencies (OTAs) and to identify opportunities to optimise their performance. The main conclusion was that although the European online players have improved and are closing the gap with their US counterparts, there is still room for improvement in terms of efficiency and yield of product mix.

The study was conducted with the sample of five online mid-sized travel agencies from Scandinavia, France, Germany and the Netherlands. The report also identifies 4 key drivers to improve the efficiency of the studied European online players and to increase profitability:

Revenue Diversification: cross selling non-air

The sampled European online agents need to focus more on marketing non-air products, which provides a higher margin (12.8% vs. 6.6% of the margin on air bookings). While non-air products represent 76% of traditional leisure travel agents – and nearly 50% of US OTAs' revenues according to [PhoCusWright](#), non-air only accounts for 14% of the European OTAs' gross sales.

Improved shopping experience

The travellers' overall shopping experience could be enhanced by more relevant content, so that the travellers' visit to an OTA website can provide all the elements of the trip. As conversion rates for the studied OTAs are very low, they will need to stand out by offering savvy travellers an experience that will make them want to book more and increase loyalty. Technology needs to be adapted to respond quickly to customer demands and trends.

Automation

This is an area where the European online travel agencies have seen a lot of improvement in past few years; nonetheless it continues to be a key area where costs could be lowered. Call centres, fulfilment, and marketing in particular are key areas where increasing efficiency and automation can show immediate benefits.

Marketing costs

Accounting for an average of 54% of all OTAs expenses and 1.22% conversion rate through online channels, marketing expenditure proves to be a large and inefficient expense. This together with the lack of loyalty programs and CRM solutions, points to the fact that acquiring new & retaining existing customers is a key area for improvement.

“European online agents have shown resilience in the last couple of years, increasing their revenues year-on-year despite the tough economic downturn. They now need to move a step forward to transform this positive trend into revenue opportunities,” explains **Stéphane Durand, Director, Online and Leisure, Amadeus**. *“Our unique blend of content and best-in-class technology has resulted in some of the most innovative solutions that have helped online travel agents worldwide to improve their efficiency and increase their profitability.”*

“As one of the key technology providers for the travel industry, Amadeus understands that an improved and deeper understanding of its customers is needed in order to anticipate and help them to reach their business goals. This latest research, that is meant to serve online travel agents to improve the way they do business, showcases Amadeus commitment to the European online travel sector” commented **Herman Goyanes, Hermes Management Consulting partner**.

About the study

This report shows the results of an independent research study of five mid-sized Online Travel Agencies (OTAs) conducted in Europe by Hermes Management Consulting (Hermes). The research has been carried out using an Activity-based costing (ABC) approach. Activity-based costing is used to identify, describe and assign costs to business activities, and to report on the operations of OTAs. Since ABC analysis determines the 'true' cost of a product or service, it is more effective at identifying opportunities to improve business processes than traditional accounting. During the project the financial data of the participating OTAs was reviewed and their business processes were closely examined, thus allowing the main cost drivers to be identified.

The sample is composed of five mid-ranged OTAs from France, Germany, Sweden, Norway and The Netherlands. The OTAs represent a mix of local, regional and pan-European players each of which, on average, generates 308,000 tickets. A ticket is composed of around 2.2 air segments.

The participating agencies represent a fair picture of the European OTA landscape. Most of the participating OTAs operate in one or two markets, targeting essentially leisure customers. Similar reports can be found at www.amadeus.com/showmethethevalue

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Notes to the editors

Amadeus is the leading transaction processor and provider of advanced technology solutions for the global travel and tourism industry.

Customer groups include **travel providers** (e.g airlines, hotels, rail, ferries, etc.), **travel sellers** (travel agencies and websites), and **travel buyers** (corporations and individual travellers).

The group operates a **transaction-based business model** and processed more than 670 million billable travel transactions in 2009.

Amadeus has central sites in Madrid (corporate headquarters and marketing), Nice (development) and Erding (Operations – data processing centre) and regional offices in Miami, Buenos Aires, Bangkok and Dubai. At a market level, Amadeus maintains customer operations through 72 local Amadeus Commercial Organisations covering 195 countries.

Amadeus is listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and trades under the symbol "AMS.MC". For the year ended 31 December 2009, the company reported revenues of EUR 2,461 million and EBITDA of EUR 894 million. The Amadeus group employs over 9,300 employees worldwide, with 123 nationalities represented at the central offices.

To find out more about Amadeus please www.amadeus.com

To visit the Amadeus Investor Relations centre please www.investors.amadeus.com

About Hermes Management Consulting

Hermes Management Consulting (Hermes) is a consulting firm specializing in strategy, organization, operations and valuation studies. Hermes was founded in late 1994 by Osvaldo Gallo and Hernán Goyanes. Both founders are former senior members of McKinsey & Company, and have worked extensively for leading companies in Europe and Latin America. To learn more about Hermes Management Consulting please visit their website at <http://www.hermesmc.com.ar>

Contact details

Amadeus

Corporate Communication / Corporate Marketing

tel: +34 91 582 0160

fax : +34 91 582 0188

e-mail : mediarelations@amadeus.com