



ACTE Executive Forum

"Where Leaders Come to Learn"

Ancillary Fees: Stand Up and Take Notice!

Ottawa

23 June 2010



Ancillary Fees: Stand Up and Take Notice!

Moderated by:

Annemarie Reiningger

Director, The Bottomline Group

TOTAL COST OF TRIP

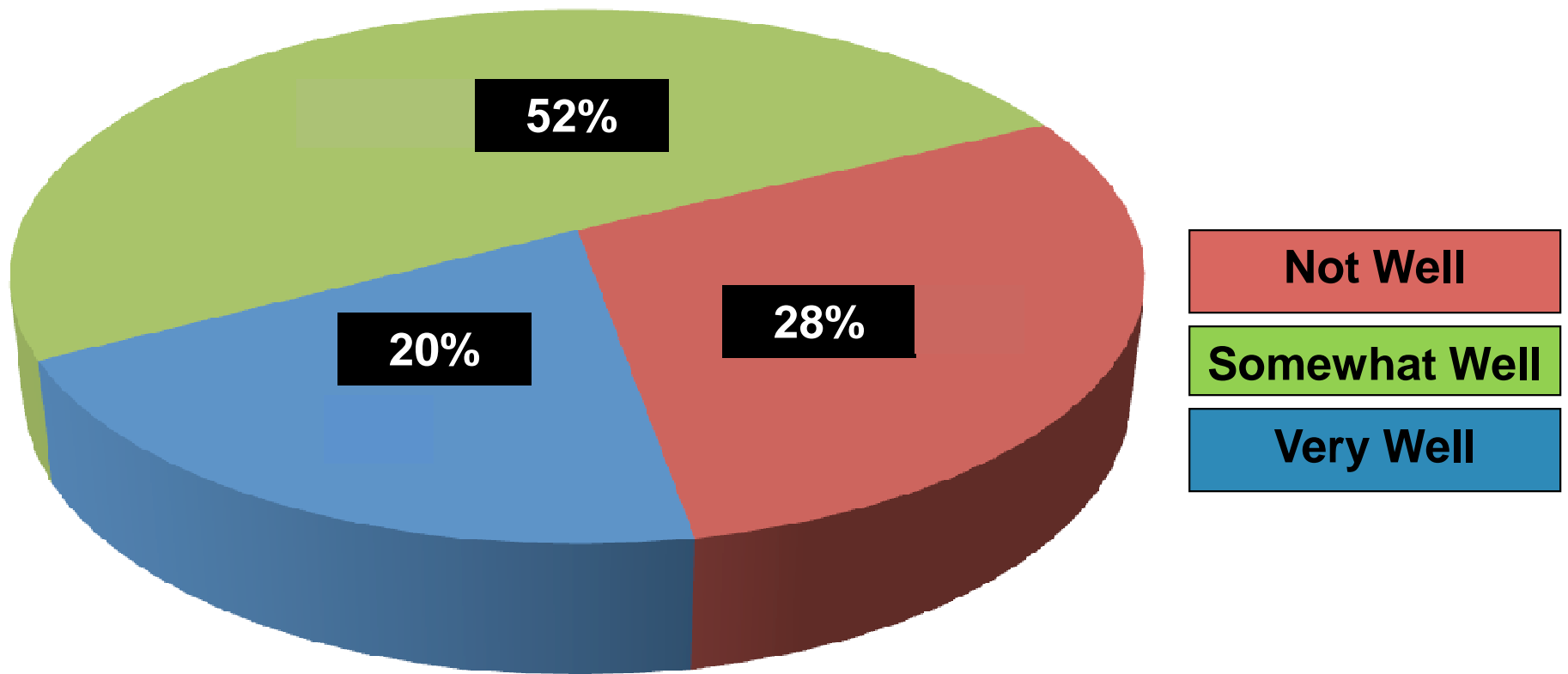


Travel Agency Service Fees

Ancillary Fees? Just what does that encompass?

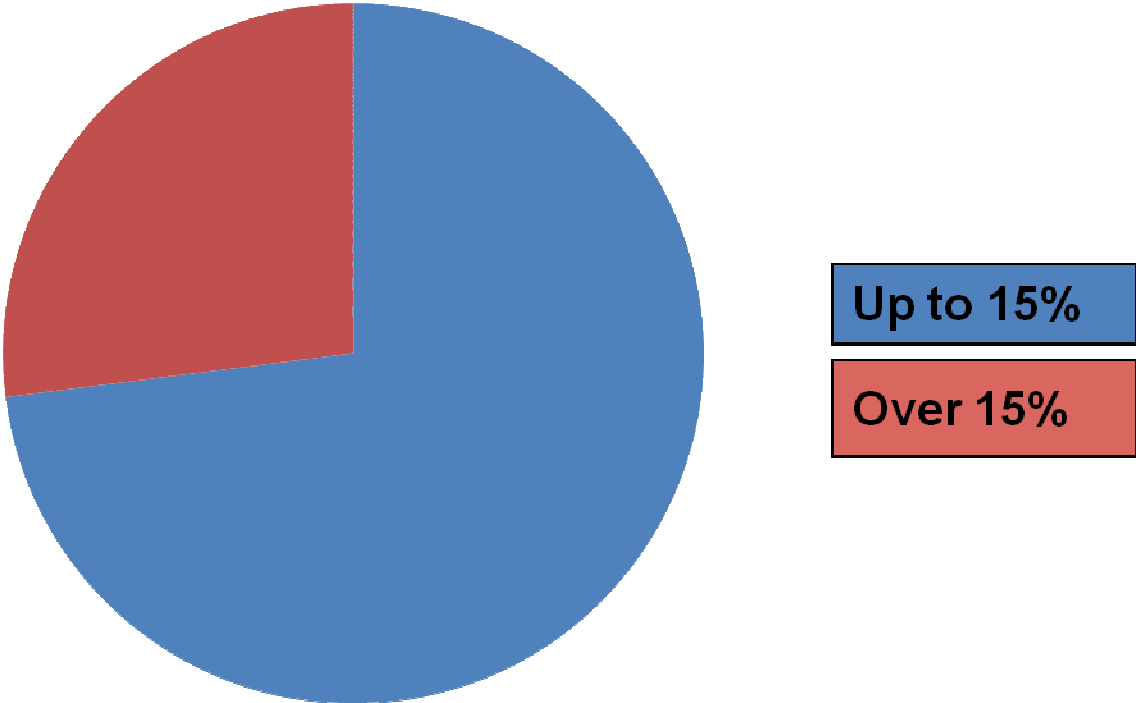
Airlines	Lodging	Ground	Meals & Misc
Airport Lounges	Internet Access	Parking	Gratuities
Checked Baggage	Laundry	Pre-paid Fuel	Apt Internet Access
Seat Selection	Mini-bar	Navigator/GPS	Meals
Upgrade fees	Room Service	Shuttles	Visa/Passport
Blankets / Pillows Movies/Internet	Health Club Parking	Taxis	Other
CC Processing fees On board meals Overhead bin fees?		Tolls	

How well is your organization tracking 'total cost of trip' expenditures?



What percentage of travel expenditures is spent on unmanaged' ancillary fees?

73% of respondents say up to 15%



Ancillary fees continue to rise with significant impacts to the suppliers bottom line

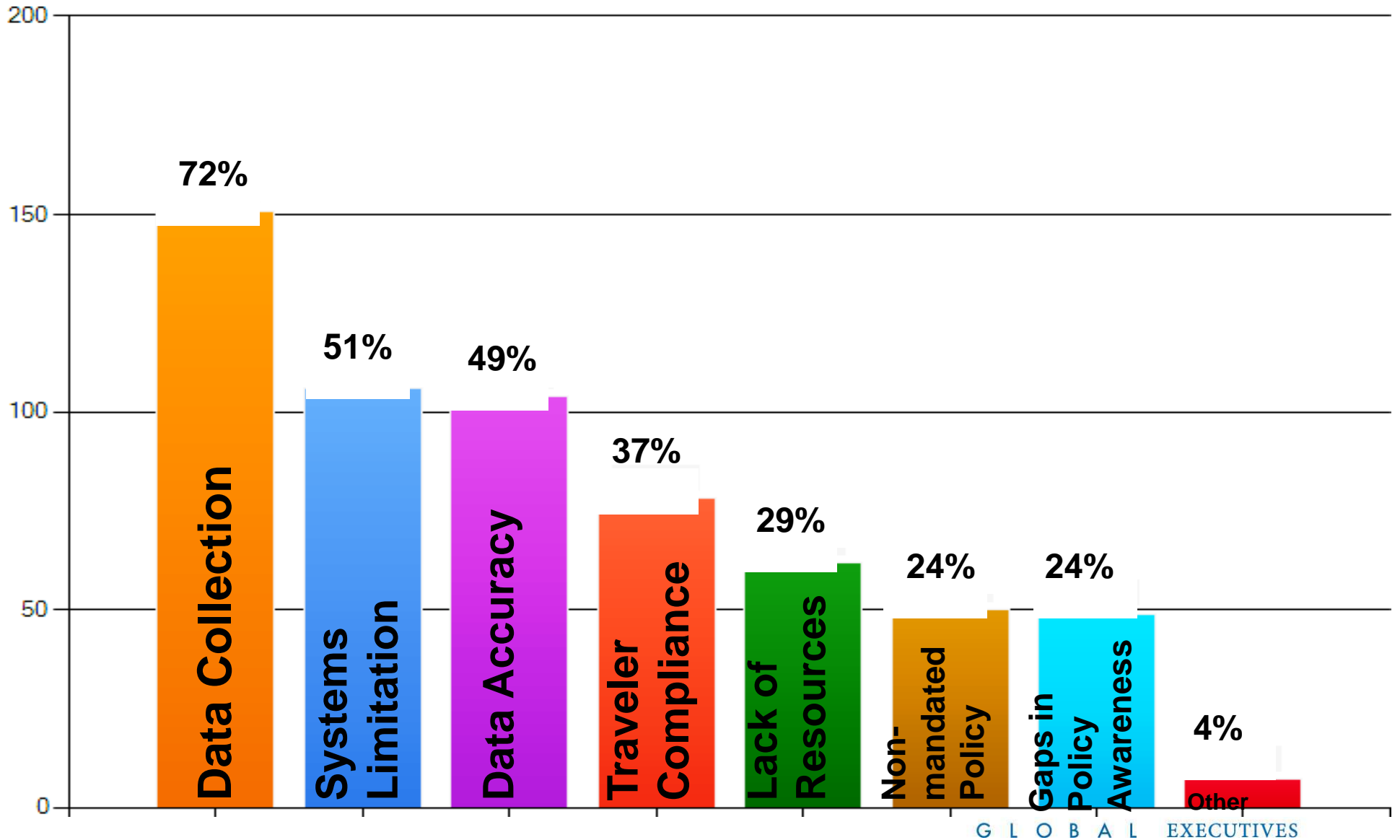
- IATA predicts that airlines will collect \$58B in ancillary fees
- It is estimated that fees will make up 12.2% of global airline revenue
- The U.S. Bureau of Transportation reported ancillary fees generated \$2 billion in revenue for U.S. airlines in the third quarter of 2009
- Checked baggage fees had the biggest impact of these additional charges...and when combined all other airline ancillary fees...we could be looking at a 30% increase to an airline ticket
- Hotels “Value Added Services” can represent up to 30% of the cost of your total room rate

State of the Industry

Industry solutions have been slow to arrive

- Industry is merging around EMD (Electronic Miscellaneous Document) as a tool to carry information about miscellaneous fees but this is going to require standardization in coding fee types and processing procedures across the entire industry
- IATA has set a goal of 2013 to get on board with EMD
- Credit card companies will have to align to ensure accuracy in capturing and reporting on these ancillary fees
- Direct Connect / Online Tools will also need to catch up with this technology so the direct end users will be able to identify these fees

Top 3 Challenges for effectively tracking 'TCOT'



Increasing Fees Problematic to Managed Travel

Ancillary fees can not currently be booked through existing reservation systems

- Increasingly difficult to compare true total trip costs by carrier at point of sale
- Add ancillary fees from hotels, car rentals and other miscellaneous items, it compounds the difficulty to calculate **total cost of trip** as companies undertake more sophisticated demand management strategies

Because difficult to track and measure, hard to leverage in negotiating with Suppliers

- DIRECT IMPACT: Paying more for travel while base costs may appear lower
- INDIRECT IMPACT: Lessens revenue credit when contracting for discounts

Challenges for Procurement / Travel Managers

- How can we ensure that the revenue from these ancillary fees is being recognized by the suppliers in our “total spend”?
- How do we explain these fees to management “*just something we can’t control Mr. CFO!*”
- How do we deal with the issue of credits when...
 - Bags don’t show up
 - Flights are cancelled
 - Equipment changes my purchased seat

How do we address these ancillary fees in travel & expense policies

- Necessary receipts / reconciliation of expenses
- Restrict internet access, preferred seating, movies, GPS, health club?

Best Practices for Managing the New Fee Landscape

- Research and discuss ancillary fees with all of your travel suppliers frequently as fees are continuing to evolve
- Take advantage of membership programs that may provide access to waived fees
- Negotiate with suppliers to seek exclusion from some fees
- Update your travel policy to include regulations around new fees
- Update expense reporting tools or implementation rules so ancillary spend can be tracked in greater detail
- Educate travelers on how best to avoid fees

PANELISTS

Yvonne Kerns

Sr. Category Manager, Travel, Corporate
Sourcing, CIBC

Guyllaine Lavoie

Director, Marketing Innovations
Air Canada

Susan Wynter

National Account Manager
BCD Travel

In Conclusion

- Ancillary Fees or “Menu Pricing” is here to stay
- They will likely increase in relative importance within your travel program – estimated to represent as much as 10% - 15% of the total trip costs
- Technology can help, but you need to find the right provider

What gets measured gets managed, so put your strategy together now !!