

Welcome to the Webinar on Fare Mark-ups

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What they are. How they work. What they cost. And what you can do about them.

Who we are ...

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Fare Mark-Ups ... The elephant in the travel cost room

- * What they are
- * How they work
- * Why they're wrong
- * Why they're infectious
- * How they cost you
- * And what you can do about it
- * Q & A





What is marking-up? Why it is NOT good practice

- * Not like retail - no price competition per quote
- * Unknowable cost = Uncontainable cost
- * But TMCs commit to savings

Why is it so under-the-radar?

- * Very hard to detect → Low buyer awareness
- * Who will start the conversation?
- * It is unpleasant and challenges comfy relationships
- * No Napoleonic law here please!



How is it done? How is it systematized?

- * Intervention in the fare creation process in the mid-office
- * Invites systemization beyond coal-face opportunism

How prevalent is it?

- * Low visibility = few constraints = Hey why not?
- * Off-radar = little buyer resistance EG: near zero contractual prevention worldwide
- * Extent? ... Not standard but “not uncommon”
- * Knows no limitations by country or scale
- * Barriers such as in sophisticated markets are ineffective



Why it is infectious

- * Hidden mark-ups subsidize low fees and prima facie unbeatable offers to buyers
- * Have you noticed very low or even zero booking fees in the market? And invoicing?
- * Competition means others need to follow → dominoes



- * Also, it's a cost-pressure safety valve for TMCs



How the practice of marking-up also hurts TMCs

- * TMCs have to also do it to compete
- * They shift from definite fees to an uncertain opportunistic revenue source (even more risky than commissions)
- * And it's against clients' interests and their whole pitch

And airlines

- * Simply, it's like a trade tariff. The price to the buyer goes up and demand goes down. Fewer units are sold. But with no compensating higher unit price for the producer
- * It's an uncontrollable major interference in airlines' detailed, complex and expensive yield management and fare setting programs ... the "Cray Dismay"



How can it occur with negotiated fares and payment by card?

- * Easily ... Re knowable fares: Low availability and no checking
- * Easily ... Re card: Partial roadblock at best. Who is merchant?

What are the flashing red lights?

- * Low low fees, and special offers
- * Offers that don't add up ... Under cost?
- * Offers to pay by invoice & any resistance to card
- * Agent acting as the card merchant
- * Independent booking agents inside the TMC



How you can use data to monitor, measure and prevent

- * Firstly and obviously, contractually prohibit. But this is not enough (My experience over many TMC tenders over 20 years)
- * Essential to use decrypted BSP base data-of-truth, showing the amounts paid by the TMC to the airline. Impossible without this.
- * Then compare to actual bookings data showing the amount charged by the TMC to the buyer. Must be verified.
- * It's a detailed auditing process requiring complete verified data sets and accounting methodology



Q&A

A few we thought up ...

- * But won't NDC prevent it?
- * But won't Blockchain prevent it?
- * But don't virtual cards prevent it?