

A-La-Carte Fee Transparency: How can you effectively display your fees with Online Travel Agencies and relay them clearly to your Customers?

May 2009

Travelport Merchandising Solutions

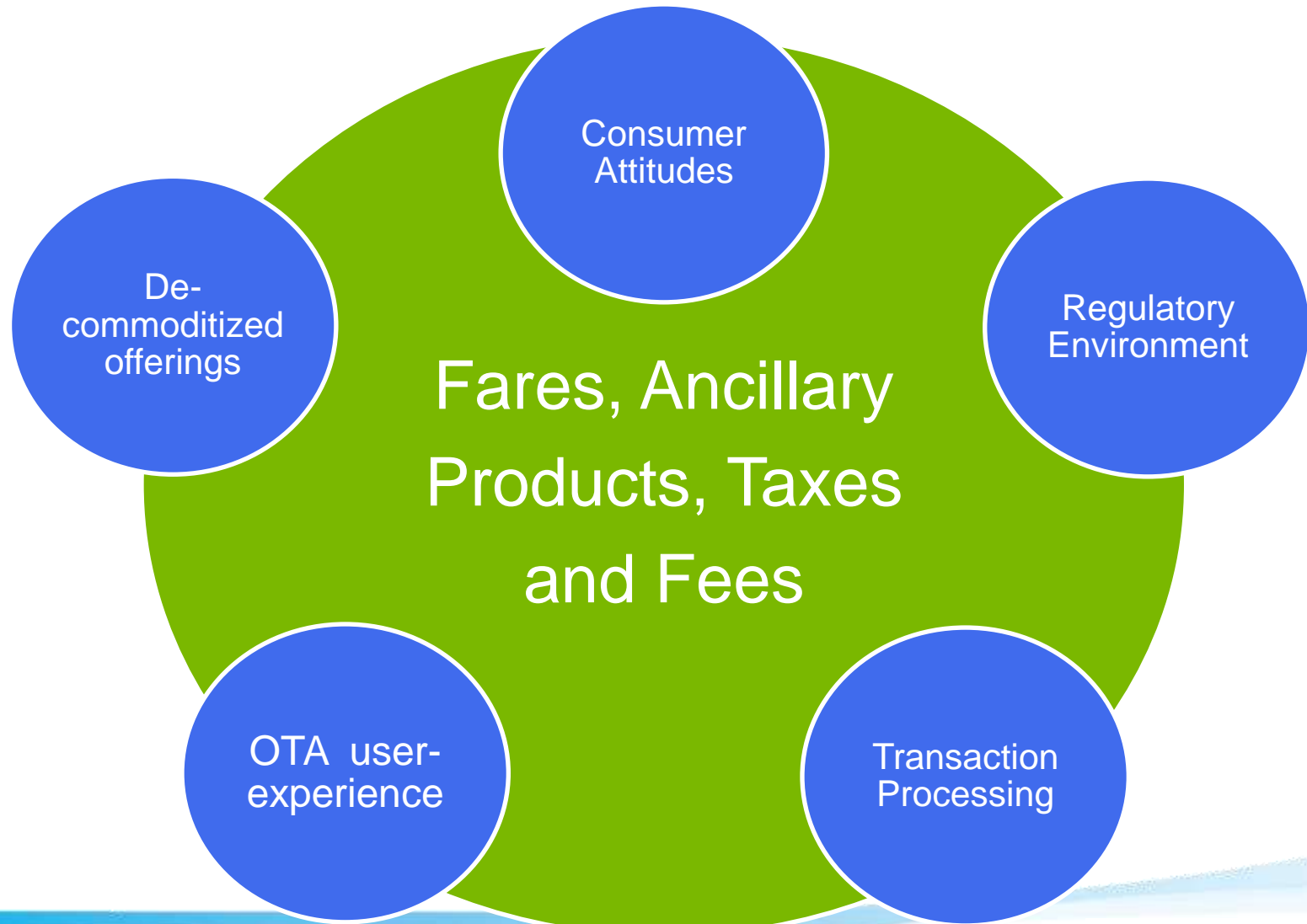
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Travelport Merchandising

- > Providing a platform for distribution of new travel products
- > Selling supplier products and services the way *they* sell them
- > Enable product differentiation and value-based comparisons
- > Highly targeted advertising and promotional offers

Far Reaching Impact of Pricing Changes



Dynamic Shift in Approach to Pricing

Current Environment

- Commodity product with very little differentiation
 - Bundled Fees
- Limited search criteria.
- Relatively simple pricing structure.
- Comparing apples to apples

Commodity driven
by price

Future State

- Differentiated product
 - Unbundled fees
- More complex pricing structure
- More diverse Search criteria
 - Comparing apples to oranges to bananas.

Value-based
pricing

Consumer attitudes vary by market

Consumer
Attitudes

- > ***U.S. consumers seem much more wary of “a-la-carte” pricing:***
 - Fearful of being “duped” or taken advantage of
 - Generally value “straight-shooting” and “fair dealing”
 - We like our deals, and we don’t want our “hunt” for value eroded by a surprise fee

- > ***European “A-la-carte” low cost carrier fare advertising and marketing is firmly established in the marketplace:***
 - Viewed as either a great way to keep costs down, or
 - A painful annoyance for intra-Europe, short-haul air travel
 - Yet European consumers do have their limits – The idea of paying £1 to use the toilet on RyanAir flights, has definitely elicited some incredulous responses from European travellers

Successes and Failures in Managing Customer Expectations – Fuel Surcharges.

Consumer Attitudes

- > Fuel surcharges somewhat initial foray into transparent fees on items which consumers have traditionally expected as part of their base fare
- > Challenges the existing OTA purchase process, leading to the potential of further consumer disenchantment

The screenshot shows the priceline.com website interface. At the top, there are navigation links for Flights, Hotels, Cars, Packages, Cruises, Tours & Attractions, PriceBreakers, and Groups. Below the navigation is a sign-in link and a help icon. The main content area is divided into sections: Price Summary, Confirm Flight Details, and flight information tables.

Price Summary

Price includes air taxes and fees based on e-ticket. Prices are not guaranteed until purchase is complete. Many airlines charge extra fees for checked baggage. These fees are not included in your trip cost.

Total Trip Price: \$139.00
Per Person Price: \$139.00

Confirm Flight Details

Departing Flight Information - Tuesday, April 28, 2009

 (operated by Alaska Airlines) Flight 6777 2h 35m, 954 mi	From Seattle Tacoma Intl (SEA) Seattle, WA Departs: 6:00 AM	To Los Angeles Intl (LAX) Los Angeles, CA Arrives: 8:35 AM	Aircraft Boeing 737 (Jet) Economy/Coach Class
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Returning Flight Information - Thursday, April 30, 2009

 (operated by United Express/Sky West) Flight 6032 2h 42m, 954 mi	From Los Angeles Intl (LAX) Los Angeles, CA Departs: 8:30 PM	To Seattle Tacoma Intl (SEA) Seattle, WA Arrives: 11:12 PM	Aircraft Canadair Regional Jet 700 (Jet) Economy/Coach Class
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Regulatory Environment

Regulatory
Environment

- > Ongoing key concern of the US DOT to ensure the safety of end-consumers in not winding up with any “surprises” at either the ticket counter, or on their bank or credit card statement
- > Carriers, in some instances, have run into challenges having bundled taxes and fees, leading to fines or other forms of correction coming out of the DOT
- > The ongoing hotel occupancy tax debate

Transaction Processing – Managing the Change in Value Proposition

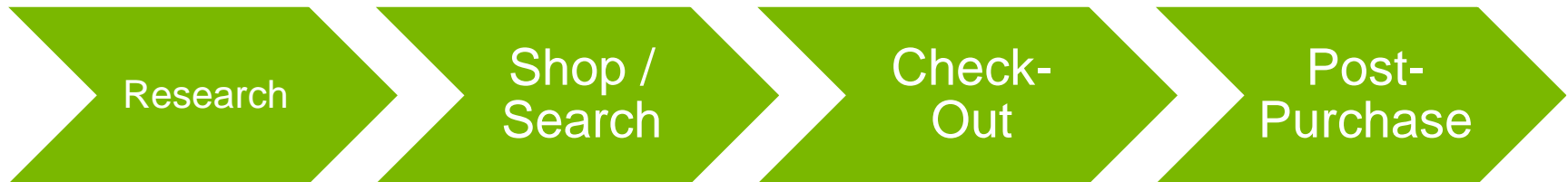
Transaction
Processing

- > Fare bundling and a-la-carte pricing represent a shift to a more complex model for BSP and ATPCO processing
- > Changing consumer value proposition has impacts beyond the sale –
 - Change/cancels to tickets
 - Can consumers remove an ancillary fee post purchase, but pre-trip? Online? At the ticket counter? Offline ? If so, what are the T&Cs?
 - What opportunities exist for post-purchase up-sell? How are those managed?
 - Impact on existing customer service – are customer service agents trained and equipped to handle customer issues as they arise?

OTA User Experience

OTA user-
experience

- > Current Information Architecture supports simple Research, Shop, Book process
- > Very good when comparing apples with apples
- > Difficulty in creating platform that facilitates complex transactions.
- > Great opportunity for OTAs to adapt to a new selling environment, and provide additional value to the purchase process



OTA Case Study – Current State Shopping

Sort flights by: **Lowest price** | Departure time | Shortest flight | [Airport codes](#)

Change Search [Hide additional options](#) (6 total) [See all 155 flights](#)

From City name or [airport](#)
SEA

incl. nearby airports

To City name or [airport](#)
LAX

incl. nearby airports

Leave
04/22/09
Depart
Anytime

Return
04/29/09
Depart
Anytime

Additional search options

Search one day before and after (US and Canada)

I prefer non-stop flights

Only show refundable fares (Can be more expensive)

Narrow the search to my preferred airlines

Select cabin/class Economy

Travelers [\(up to 9\)](#)

Adult (18-64)	Senior (65+)	Youth (12-17)	Child (2-11)
<input type="button" value="1"/> <input type="button" value="v"/>	<input type="button" value="0"/> <input type="button" value="v"/>	<input type="button" value="0"/> <input type="button" value="v"/>	<input type="button" value="0"/> <input type="button" value="v"/>

Infant in lap (under 2 years)

Infant in seat (under 2 years)

Note: An infant who turns 2 before or during travel requires a child's fare.

PRICE ASSURANCE

1 You book a flight.

2 They book it for less.

3 Get a refund, automatically.

per person	NO BOOKING FEES +		PRICE ASSURANCE					
Airlines 4160							Choose this departure	
Alaska Airlines -- AS 0244								
SEA)								
CA (LAX)								
2hr 35min Boeing 737 View seats								
Airlines 4243							Choose this return	
Alaska Airlines -- AS 0477								
CA (LAX)								
SEA)								
2hr 50min Boeing 737 View seats								
per person	NO BOOKING FEES +		PRICE ASSURANCE					
es 244							Choose this departure	
SEA)								
CA (LAX)								
2hr 35min Boeing 737 View seats								
Return	Wed, Apr 29	Alaska Airlines 477						Choose this return
	Depart: 6:20am	Los Angeles, CA (LAX)						
	Arrive: 9:10am	Seattle, WA (SEA)						
Non-stop	Economy 2hr 50min Boeing 737 View seats							
<input type="button" value="Select"/>	\$138 + \$21 taxes & fees = \$159 per person		NO BOOKING FEES +		PRICE ASSURANCE			
Leave	Wed, Apr 22	Northwest Airlines 4160						Choose this departure
	Depart: 6:00am	operated by Alaska Airlines -- AS 0244						
	Arrive: 8:35am	Seattle, WA (SEA)						
Non-stop	Economy 2hr 35min Boeing 737 View seats							

- > Standard search criteria
- > Lack of carrier branding
- > Commoditized products
- > Little in the way of differentiation during the shopping phase

OTA case study – Current State

Purchase Path

1 Review trip details

1 traveler, round-trip (8 days, 7 nights) [More flight details](#)

Total airfare, taxes and fees: **\$159.21**

Please note: At least one airline in this trip charges an additional fee for checked baggage. This fee is not included in your total trip cost. [See details](#)

NEW!  **Price Assurance** Get our lowest fare or an [automatic cash refund](#).

Wed, Apr 22	Depart: 6:00 am	Seattle, WA (SEA)	Northwest Airlines 4160 operated by ALASKA AIRLINES -- AS 0244
	Arrive: 8:35 am	Los Angeles, CA (LAX)	
Wed, Apr 29	Depart: 6:20 am	Los Angeles, CA (LAX)	Northwest Airlines 4243 operated by ALASKA AIRLINES -- AS 0477
	Arrive: 9:10 am	Seattle, WA (SEA)	

Lack of dynamic merchandising capabilities in existing check-out path with regards to flights

2 Optional: Members please sign in for faster booking

We'll fill in your preferences, coupons, reward points and billing info.

[Am I a member?](#)

E-mail address

Password

Remember my e-mail address when I return.

[Sign in](#)

[Forgot your password?](#)

3 Who's traveling?

Each traveler's name must match the name on his/her government-issued photo ID. Airlines **do not** allow passengers to transfer tickets or to change names on tickets.

We guard your privacy

Orbitz pledges to keep your personal information

OTA Case Study – Current State

Impact of airline fuel surcharges

Seattle, WA (SEA) to Miami, FL (MIA)

Your selected departure [Choose a different departure](#)

7:35 AM Depart Seattle (SEA)
Arrive Miami (MIA) 5:50 PM

Wed 22-Apr
Duration: 7hr 15mn



Delta 1052 / 1997
Connect in Atlanta (Hartsfield-Jackson Atlanta Intl.)



Book Any Flight WITHOUT BOOKING FEES

[See details](#)

Note: The prices shown below are for the **flight only**; they are e-ticket prices and include [all flight taxes and fees](#). If your itinerary requires paper tickets there will be an [additional charge](#). Prices do not include [baggage fees or other fees](#) charged directly by the airline.

	U.S. Domestic	International		
Carrier	Checked 1st bag	Checked 2nd bag	Preferred seat selection	Other
AirTran View policy >	\$15*	\$25	\$6-\$20	<ul style="list-style-type: none"> Beverage/Snack \$6 Oversize/Overweight bag \$39-\$79 Travel w/ pet \$69 Unaccompanied minor \$39-\$59
Alaska Airlines View policy >	No fee	\$25	No fee	<ul style="list-style-type: none"> Beverage/Snack \$5 Oversize/Overweight bag \$50-\$75 Travel w/ pet \$100 Unaccompanied minor \$75
American Airlines View policy >	\$15	\$25	No fee	<ul style="list-style-type: none"> Beverage/Snack \$3-\$6 Oversize/Overweight bag \$50-\$150 Travel w/ pet \$100-\$150 Unaccompanied minor \$100
Continental Airlines View policy >	\$15	\$25	No fee	<ul style="list-style-type: none"> Oversize/Overweight bag \$50-\$150 Travel w/ pet \$125 Unaccompanied minor \$75-\$100
Delta View policy >	\$15**	\$25**	\$5-\$25	<ul style="list-style-type: none"> Beverage/Snack \$3-\$8 Oversize/Overweight bag \$90-\$175 Travel w/ pet \$150 Unaccompanied minor \$100



- > OTAs were ill-equipped to handle dynamic changes to their UI under the current technical and information architecture
- > Fuel surcharges served as a wake up call, in some regards, to the changing nature of fares and shopping
- > Current approaches are not integrated into the purchase path

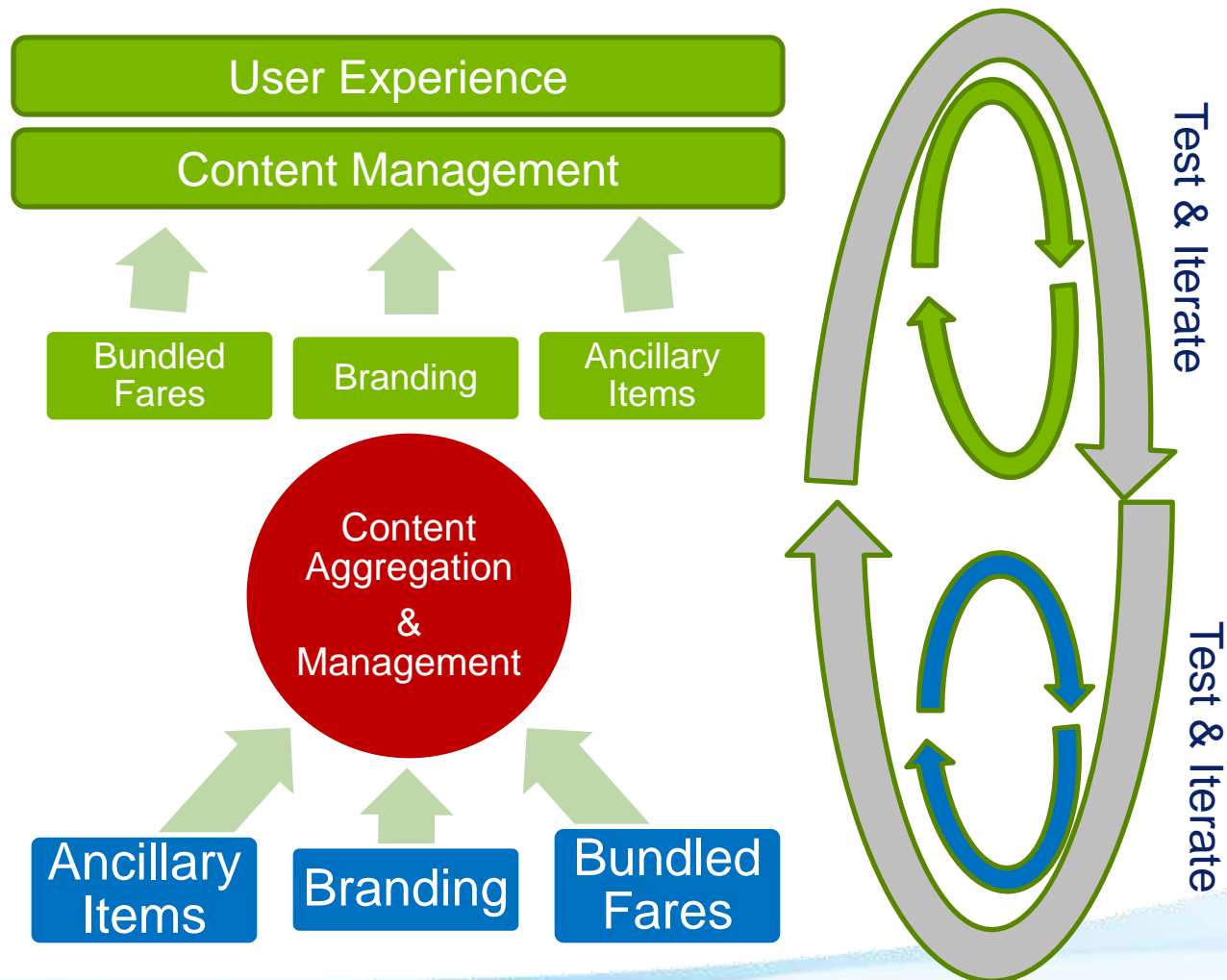
Standards & Transparency Enable Collaboration

- > The challenge is to show the carriers' products as they want to be shown, but at the same time to consumers what they want, in a straight-forward manner
- > OTAs must communicate clearly to the end-consumer that one fare might include attributes that another doesn't
- > Ideally, OTAs and Suppliers will work together so as to pull together winning combinations of bundled fares and a-la-carte products and services

OTA Case Study – Future Requirements

A-la-carte Pricing & Fare Bundling

- > Following the amenities model, Carriers must enable agents [OTAs] to break down a-la-carte pricing and bundled fares, even if they only put them right back together again
- > To do so, Carriers and OTAs must agree to a standardized model by which to test & iterate
- > What is attempted to be sold online, does not always translate into the desired user/customer response



Conclusions & Recommendations

- > OTAs have a vested interest in adding value to the transaction, and are best positioned to capture consumer responses to offers within the marketplace
- > Standardized approaches allow for the flexibility necessary to create a clearly communicated value proposition to the end-consumer without jeopardizing the supplier shift to value-based pricing
- > Critical to success is adopting an attitude of learning and collaboration – testing and iterating – in order to fine tune offers and continue to add value to the end consumer