

Guidance on baseline standards

TMC fee models Jan 2021



Introduction

As we begin this new and crucially important year for business travel, the BTA is delighted to launch this guidance document about the standards that should accompany each TMC transaction model.

It follows an extensive consultation with TMCs and corporate buyers in November and December 2020, in which we collaborated to define the key considerations and baseline parameters.

This document is designed to help TMCs and corporate organisations define their commercial relationships going forward. As such, we hope it will become a vital reference document, not just during contractual negotiations, but one which helps to ensure continuous quality on a daily basis.

This year, more than ever, TMCs and corporates need to work closely together to define and redefine their relationships. These should be strategic partnerships which recognise that the value a TMC offers goes far beyond delivering everyday transactions.

It's one that encompasses knowledge and expertise which enables them to help corporates deliver a duty of care to their travelling employees – something that's more important than ever in this new Covid era.

I'm grateful to Nina & Pinta for their partnership in running the consultation, and helping create this document and the white paper which preceded it.

With best wishes,



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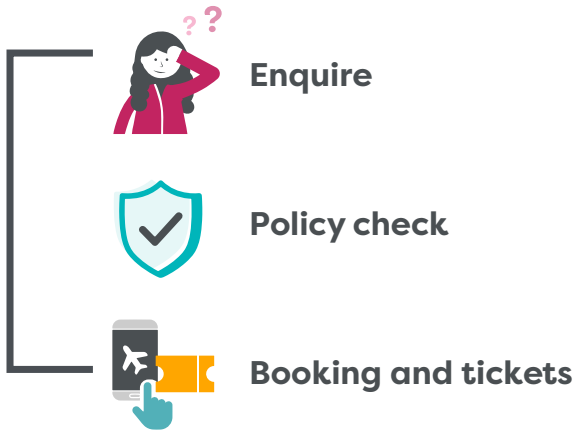
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Guidance notes

What is a transaction?



Within each model we have drawn a comparison to how we consume/purchase other products.

To this end we have selected mobile or cell phone agreements as a comparative reference point. You will see this reference shown as a comparison within each model.

- 1 All fees are customisable
- 2 Customisation can occur in any format that is agreed between the TMC and the customer
- 3 These standards represent the baseline or minimum standards for each commercial model. They are not an exhaustive or definitive list as to what should or should not be included in each model
- 4 In all models the customer should aim to be transparent as possible about their services required, providing their best estimates of spend, travel patterns, preferred agreements and transaction numbers
- 5 Similarly, the customer should be as open as they can be when defining what value represents for them in their travel programme



Transaction Fees

▶ Defining the Nature of the Relationship

The TMC is not expected to declare earnings. This is not an “open book” relationship.

▶ Customer profile

- Suited to SME customers right through to large organisations with non-dedicated teams
- Suited to customers who would like to pay for the travel costs at point of sale
- Suited to customers who would like each department or cost centre to pay for their consumption of the service

▶ Things to consider

- There may still be central costs requiring regular payment for the agreed program costs
- Which bolt on options or programme costs should be included

▶ Level of customisation

The transaction fee model is highly customisable and most aspects of it can be negotiated, including how programme costs are managed (wrapped into the transaction fee vs. centrally managed)

▶ Common areas of “transaction” negotiation

- Changes included as a transaction
- Refunds included as a transaction
- Split tickets counted as a single ticket
- Trip bundling (including more than one element)
- Research fees for customers with a high level of call rate without a transaction being made

Comparison

Think of the transaction fee like a pay as you go mobile phone contract with central costs being the handset charge

Typical areas in which a corporate customer will incur charges in a transaction fee model.



Central Programming Costs

These are centrally managed costs:

- Account management
- Management information
- Traveller tracking
- Booking technology (only applied centrally if not applied in the individual booking)
- Any additional service bolt on that is added to the programme (e.g. outsourced costs, international rate desks etc.)



Online Booking Fees

- Online bookings are typically charged per trip provided all aspects of the trip are booked at the same time
- Any element booked in isolation would be billed as one transaction
- Possible booking tool reseller fee
- Possible charges for third party providers fees for access to full content (Travelfusion, direct airline bookings etc.)
- Possible charge for merchant fees with credit card payment



Offline Booking Fees

- Charges per transaction - bookings are charged per “element” (e.g flight, hotel, car booking etc.)
- Charges for **Changes Refunds 24 Hour Access Billback**
- A charge for a split ticket (or two one ways) is classed as two transactions
- All additional elements are treated as
- Research fees – charged for a call where no transaction is made
- Possible merchant fees for credit card payments

Note: If there is a direct relationship between a corporation and a booking tool – this will likely impact the online fees, but you may also incur “finishing” fees for booking fulfilment from your TMC.



Subscription Fees

▶ Defining the Nature of the Relationship

The TMC is not expected to declare their earnings. This is not an “open book” relationship.

▶ Customer profile

- Suited to SME customers right through to large organisations with non-dedicated teams
- Customers who are prepared to commit to transaction/traveller numbers (there is no “truing up” in the pure sense of this model)

▶ What is included?

- Everything agreed within the scope of service
- The corporation subscribes, not the individual travelers
- The corporation commits to the number of transactions/travellers/ or services per year/quarter/month
- All elements of all TMC services are included in this model
- The subscription is regularly paid to the TMC on an agreed basis

▶ Level of customisation

- The subscription fee model is highly customisable
- Defining the scope of services included within the subscription is key – i.e. account management, MI data, traveller tracking, international rate desk.

▶ Things to consider

- Decide if services (e.g 24hr) should be included or billed as incurred
- A hybrid model between the subscription fee and transaction fee is a popular choice
- The transaction commitment should be reviewed and adjusted every 6 months to ensure it is still fit for purpose
- Agree what the tolerance level for transaction numbers should be before triggering a renegotiation
- Third party costs such as passport and visa services will be billed as incurred

▶ Comparison

Think of the subscription fee like a mobile phone contract with minutes, texts and bolt on services included in a monthly fee

Committing to transaction numbers

This is a “selling service as software” model. Each customer must commit to a level of transactions that are reviewed on a regular basis. It is done using a ladder matrix by which the customer is charged.

Negotiating the commitment volume and subscription fee

If the transaction/traveller numbers are higher than the committed numbers in an agreed period then the amount may move to the applicable subscription bracket.



 Commitment Period	Transaction/Travellers/Services-Numbers		
	e.g. 0 – 10	11 – 20	21 – 30
Monthly/quarterly subscription charge	££	££	££

Note: Getting the commitment number right is key. Should a customer underestimate the number of transactions/travellers in a given period, there are no refunds or reconciling. A review or renegotiation would be required should the numbers be materially different than estimated.



Management Fees

▶ Defining the Nature of the Relationship

The TMC is expected to provide full disclosure of the P&L related to managing of the customer business

▶ Customer profile

- Suited typically to an enterprise client with a dedicated team as this makes it easier to assign costs attached to managing the business

▶ What is included

- All aspects of managing the business are listed in a P&L with a detailed description of what it includes
- Where assumptions are made, clarity should be provided and agreed formulas should be used
- The management fee/profit is agreed as a separate line item

▶ Customer profile

- Suited typically to an enterprise client with a dedicated team. This makes it easier to assign costs attached to managing the business

▶ What is not included

- The “open book” aspect of this model is viewed by the TMC as only applying to the management of the client business and not that of their overall business and profitability. Therefore, it should not be assumed that certain aspects of the TMC business will be disclosed or shared as a standard. These include:

Business development funds

GDS Fees

Override agreements

▶ Things to consider

- Position on net/private fares and mark ups should not be assumed in a management fee model as it is not seen as a commission. The approach to this should be discussed and agreed as part of the contract agreement
- A hybrid model between the management fee and the transaction fee is a popular choice

➔ Comparison

Think of the management fee like an enterprise mobile phone contract where an organisation purchases phones and plans for all of its employees

Typical line items to be included in a management fee

↔ Costs are assumptions are regularly adjusted



Operational Costs

These are centrally managed costs

- Operation Team salaries including taxes and employee benefits
- Hardware costs and maintenance
- Software licenses and any applicable reseller costs
- Charges for third party providers fees for access to full content (Travelfusion, direct airline bookings etc.)
- Possible charges for merchant fees with credit card payment
- Finishing fees (where there is a direct OBT relationship)
- Finance department costs (invoice, credit control, refunds etc.)



Programme Management Costs

- Account management team salaries including taxes and employee benefits
- Any third-party costs that are attached to the program
- Any additional service bolt on that is added to the programme (e.g. outsourced costs, international rate desks etc, traveller tracking systems)



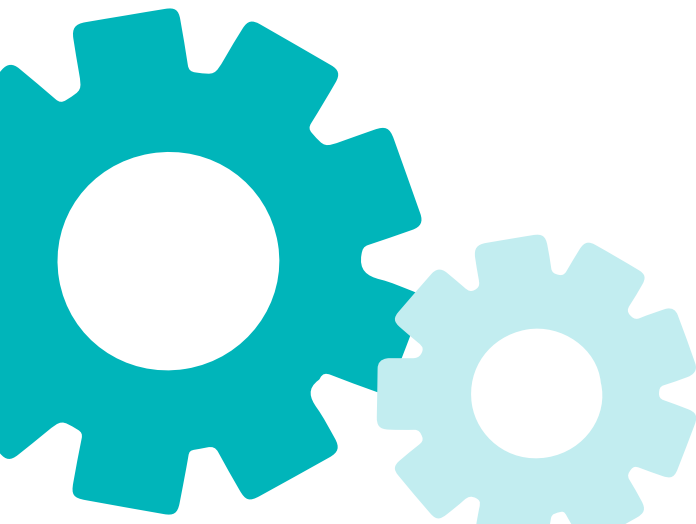
Profit/Fees

- Agreed “profit” for the TMC - this can be an agreed amount or a percentage of costs or volume
- An agreed approach should be taken to commission. This can be retained by the TMC to offset the fee/profit or returned to the customer



Indirect Costs

- Property costs (rent and rates etc.)
- Central HQ costs (IATA licenses, electricity, phone etc.)
- Staff training costs



Which model is best suited to which customer?

It is very difficult to be able to identify which model best suits a customer based on travel spend alone because, with the exception of the management fee model, each are scalable.

The more important deciding factors are the culture of your organisation and how you consume your travel. This includes the nature of your procurement strategies, how you pay for travel and the relative size of your traveller database. Below we have aimed to provide some guiding principles that will help you select the best model to fit your business.

Consideration	Transaction Fee	Subscription Fee	Management Fee
Your business very transactional in nature (there and back trips)	✓	✓	
You have a high online adoption rate for your bookings	✓	✓	
Your teams organise a lot of complicated or multi sector trips that require a lot of support		✓	✓
Your travellers book the different components of a trip (air, hotel, car) at different stages or use a lot of other services like concierge services, ground transportation or re-shopping		✓	✓
You have clear pre-trip approval processes	✓	✓	
Each department pays for their own travel	✓		
Your travellers pay for their travel using individual corporate cards	✓		
You use a central lodged card (BTA or CTA) or invoice to pay for your bookings		✓	✓
You pay for your TMC costs as a central function within your business		✓	✓
You have a high proportion of regular travellers within your traveller database	✓	✓	
You are an enterprise customer and/or have dedicated teams from your TMC that services your travel requirements. (Note: the TMC can fulfil all other aspects of the service as well but a management fee best works best with a dedicated team)			
You encounter a lot of noise from the travellers within your business about paying TMC fees		✓	
You have a high proportion of central programme costs through additional services such as account management, online travel managers, traveller tracking, handoff to third parties etc.		✓	
You are able to self-initialise an implementation (sign in and go) and do not require a TMC implementation team		✓	

Glossary

Billback

This applies when costs are not settled in advance or on departure but invoiced back to the TMC who process the charge to the customer.

Typically this would apply to hotel charges or ground transportation

Bundled Fees

A single charge applied to a defined trip bundle (see Trip Bundling)

Business Development Funds

An incentive payment paid to the TMCs from a supplier that is based on incremental revenue and business activity. This will be activities such as training sessions to familiarise staff with the product or marketing activities

Changes

This refers to changes made to a booking. How the TMC charges for this will typically depend on whether a ticket has already been issued. If the change involves issuing a new ticket, in the transaction fee model, a TMC will typically want to apply a new transaction fee

Finishing Fees

This is a cost that is usually attached to an online booking where there is a direct relationship between a corporation and a booking tool. It is the cost that covers the activity of “finishing” a booking when it is brought into the reporting systems and tickets have been issued

Full Content

This refers to a TMC using additional technology to access all of the available content in the market that may not be available through their standard reservation system

GDS Fees

Part of the overall commercial agreement between the TMC and the GDS provider. An incentive that is paid per segment

Menu Pricing

This is the fundamentals of transaction pricing whereby each element has an agreed cost attached to it and the customer is charged for each aspect consumed

Net/Private Fares

A specially negotiated rate between a supplier and a TMC that may be sold at below or market rate. For net/private fares, the TMC will be the merchant in the transaction

Open Book

An approach to accounting whereby the customer pays all costs relating to the management of their account and then pays the supplier an agreed fee/profit

Override Agreements

An incentive payment from a supplier to a TMC that is based on incremental revenue targets.

Customer spend that is already committed under a separate commercial agreement is typically not included for payment on these agreements

Refunds

A refund is one where the journey has already been charged and a ticket/voucher has been issued.

It indicates that there is resource required in processing a refund and typically does not apply if a booking is cancelled before ticket issue

Research Fees

A relatively new charge and one driven by the COVID-19 Pandemic.

This is a “call charge” when contact is made with a travel consultant and research done/advice given that does not result in a booking (or transaction)

Reseller Fees

This is a charge that is typically applied when using software that is licensed through the TMC (such as an online booking tool).

There will be a fee per usage/booking. If the customer has a direct relationship with a software provider, this cost would not apply

Split Tickets

A split ticket is one where 2 one way tickets have been used for a single return trip.

This may have been done because it's cheaper than a return journey or because different airlines are being used for the journey.

This is also a common practice for rail journeys

Trip Bundling

A bundled trip is one where all elements of the trip are included in one fee. This can include air, rail, hotel and ground transport



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