

**PRESS RELEASE – for immediate release**

## **Expert study refutes airline claim that direct distribution is less expensive**

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***New evidence shows that increasing so-called “direct” bookings does not reduce costs for airlines, suggesting the true motive of some airlines is to curtail consumer access to independent, neutral booking channels.***

In a study published today, Infrata, specialist economists in the airline industry, highlight the deficiencies in previous distribution cost calculations presented by airlines. The report is supported by the European Federation of Travel Agents' and Tour Operators' Associations (ECTAA) and the European Technology & Travel Services Association (ETTSA).

The report concludes that selling through travel agents using neutral booking platforms (often called global distribution systems or “GDSs”) is just as cost-effective for airlines as selling “direct”.

Ian Lowden, author of the study, says: “When taking into account advertising, marketing, customer support and payment fees, as well as the significant costs of online customer acquisition such as search engine fees, the costs of “direct” bookings and those made through online and offline travel agencies is equivalent. Airlines seeking to justify a move to less transparent “direct” distribution schemes often omit from consideration these important – and unavoidable – costs.”

The findings raise significant questions about what must drive an airline to encourage more direct distribution of fares, if not cost savings.

“Some airlines claim that sales made via travel agents using neutral booking platforms cost them several times more than direct sales. Yet the evidence shows that there is no reduction in costs when airlines push for more direct sales – and costs actually increase for some categories of airlines,” says Christoph Klenner, Secretary General of ETTSA.

Infrata also found that the higher the proportion of “direct” distribution, the higher the cost to airlines of customer acquisition, marketing, advertising, technology development and customer service.

Michel de Blust, Secretary General of ECTAA, adds: “We can only conclude that airlines must have other motives to push direct sales. One clear motive

seems to be avoiding the transparency, convenience and choice that travel agents and neutral travel platforms offer consumers. In airlines' "direct" sales channels, such transparency and choice do not exist, allowing them to make consumers captive and vulnerable to increased prices."

ENDS

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**About ECTAA**

ECTAA is the European Federation of Travel Agents' and Tour Operators' Associations. Its members are national travel agents' associations from over 30 European countries.

**About ETTSA**

The European Technology & Travel Services Association is the voice of the travel technology industry in Europe. ETTSA's members are all the principal independent providers of travel information and distribution services.

## Key findings from the report “Airline Distribution Costs” (Infrata)

- Large **airline groups incorrectly claim** that it costs them several times more when customers book their flights via travel agents using independent, neutral online travel platforms.
- In that calculation, the airlines ignore **how much it actually costs them** to acquire customers, such as substantial “click fees” paid to search engines, and to cover payment and credit card costs, customer service, advertising and marketing costs, ancillary costs and other services.
- Taking all factors into consideration, going direct does not reduce costs; in fact in several cases it increases costs.
- For large network airlines, going direct has potential negligible cost **savings of 11 eurocents** (€13.43 vs €13.32), which represent less than 1% of their distribution cost.
- For network airlines with a small home base, going direct adds an **extra eleven percent** to the cost of each booking.
- Regional airlines also see an **additional four percent increase to the cost per booked segment for going direct**.
- The reason for this is that the cost of customer acquisition, (online) marketing and advertising, technology development, and customer service **increase considerably** for airlines that want consumers to book direct.

## Q&A Infrata report

### **What do some large airlines claim about the costs of distribution?**

Some airlines impose surcharges and other forms of discrimination against consumers that book tickets through neutral booking platforms. To justify this, these airlines claim the cost of indirect distribution through travel agents using independent, neutral travel platforms can be several times as high as direct distribution through their own website.

### **What is behind this inaccurate claim?**

When assessing the cost of direct distribution, airlines only account for some of the cost categories that can be attributed to distribution.

### **Why is this a distortion?**

The total cost of direct distribution to the airline involves numerous other cost categories that are not attributed to direct distribution. These categories include costs for customer acquisition, online marketing and advertising, such as substantial “click fees” paid to search engines, technology development and customer service.

### **When costs are properly accounted for - What's the 'picture'?**

For network carriers with large home markets, overall channel costs are very similar between direct and indirect. Direct sales for these types of airlines result in, at best, a negligible reduction in costs of €0.11 per segment (a leg of a journey).

For regional airlines, direct distribution actually results in an increase of costs of €0.52 (62¢, 46p) per segment. For network airlines with a small home market, the increase of costs is €1.14 (£1.01, \$1.37) per segment.

### **How do average distribution costs change as airlines move to greater direct distribution?**

In the best of cases (network airlines with large home markets), it remains virtually static, for other cases the average distribution cost increases. The higher the proportion of direct distribution, the higher the cost of customer acquisition, (online) marketing and advertising, technology development, and customer service.

### **What explains the focus of certain airlines on a strategy that yields such little financial benefit?**

By increasingly promoting direct distribution, airlines deliberately try to avoid neutral and transparent price comparison, and thus create more captive consumers.