

Who pays the merchant fee? A TMC perspective.

- Mario Kriebel, BCD Travel -

Mario Kriebel, VP Card Program

- Merchant relationships
- Card distribution activity's

BCD Travel:

- Turnover USD 15,0 billion
- 13,000 employees worldwide
- 1.500 locations in over 90 countries around the globe
- World 3rd largest travel management company
- Experienced in credit card topics

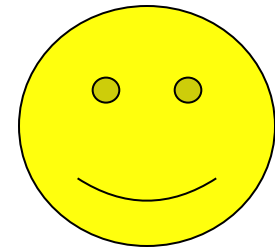


Benefits of CC usage

- Airline
 - Payment is secured/no invoicing
 - No negative impact on credit balance sheet
 - Customer loyalty via co-brands
- TMC
 - Payment is secured/no invoicing
 - No negative impact on credit balance sheet
- Customer
 - Streamlines payment process
 - Rebates, insurance packages, points
- Credit Card Company
 - Income out of the merchant fee

**Merchant
Fee costs
for tickets**

**Merchant
Fee costs
for fee's**



The merchant fee - overview

- Who is paying the fee
 - The airline pays for the ticket in most countries (exceptions in Asia and some special fares)
 - The TMC pays for the transaction fees/consolidator tickets and fees
- How does it work in the TMC environment
 - Complex, but streamlined process via GDS/ARC sometimes with own merchant agreements, sometimes with third party suppliers

Currant Airline activities

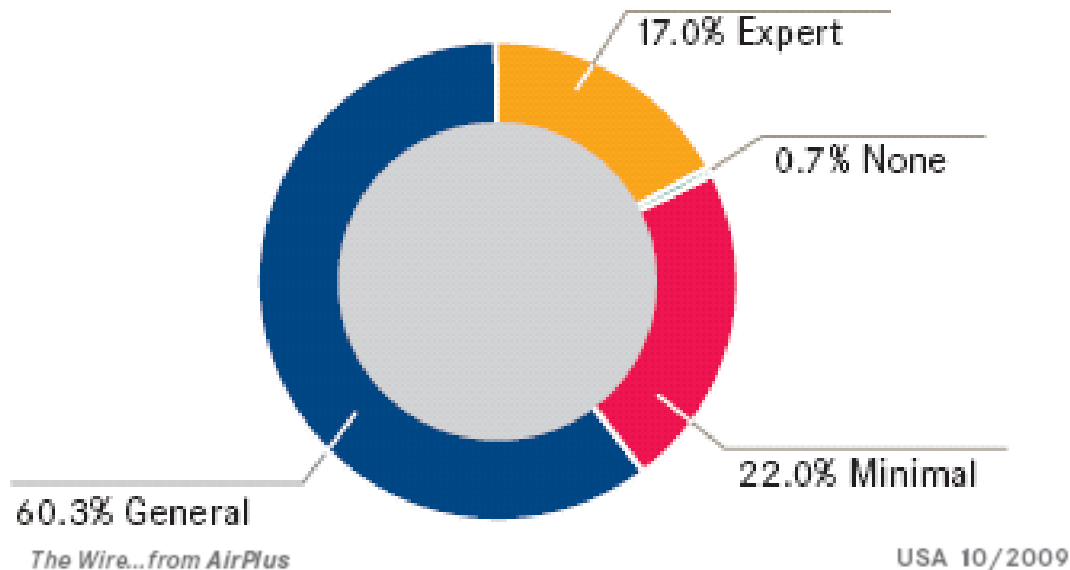
- KLM is charging the € 7,50 for the lower booking classes
- Finnair has started with a fee of € 10,00 on the 1st November for all booking classes
- SN Brussels started with the € 5,00 fee on lower booking classes on the 1st October
- United introduced and cancelled the non willingness to pay the merchant fee to some smaller TMC's in the US

Customers reaction

- So far, the customer is paying the fee...
- We have to deal with complaints...
- Some customers are aware of the upcoming issues and add questions about merchant fees in credit card tenders
- The majority of the customer base has no knowledge about the merchant fee topic at all!

A recent AirPlus study shows...

How would you rank your knowledge and understanding about the credit card economics of travel?



...the current customer knowledge about credit card economics is quite limited.

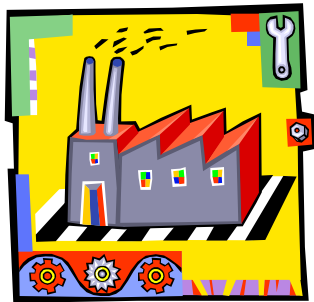
Points to consider

- Operational impact
 - Does a change fit in the current TMC setup?
 - Is the GDS/ARC/Card able to handle the changes?
 - Does the existing merchant contract fit with the much bigger volume (definitely an issue for smaller TMC's)
- customer impact
 - Will the customer switch to invoice?
- risk/legal
 - Who is in charge if an airline goes out of service, who is liable for the already made customer payments
- alternatives like PayPal etc. are not accepted in the business travel environment

A possible scenario

- TMC acts as merchant, but owns the pricing structure
- Example: The retail business

**Factory
build the
product**



**Shop
takes the product,
calculates the price**



**Customer
pays for the
product incl. fees**



Outlook

- Something will happen
- Lets work together, finally its the customer who pays... we should make him happy and satisfy the airline and the TMC community

Questions?