Airline ancillary services in travel management process

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Abstract

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The economic problems of the traditional airlines have forced them to find new sources of income in order to survive in the competition against the low cost carriers. The network airlines used to include the services in the air fare, but recently they are unbundling the services just like the low cost airlines do. Today the customer is able to buy some services separately and the service is issued on Electronic Miscellaneous Document (EMD). Some of the chargeable services used to be included in the airfare earlier, but there are also new chargeable services that were not available before at all.

The aim of the thesis is to find out how the airline ancillary services effect on the corporate travel management process. Thesis is a commission of Finnish Business Travel Agency Association (FBTA), so the focus is on the Finnish market. The thesis introduces the concept of ancillary services and describes what kind of ancillary services are available in the Finnish market. The principles of travel management are explained and the theoretical framework in the thesis is the service packaging.

The research consists of two parts. Quantitative part is a survey that what sent to all FBTA purchaser members in the end of April 2012. The survey was used to get an overall understanding on the impacts of chargeable services in Finland and to find out the general opinion about the still quite new phenomenon of ancillary services in this market.

The qualitative part consisted of five interviews of corporate travel managers in May and June 2012. The aim of the interviews was to get a deeper knowledge of the impacts of ancillary services in the travel management process. Also the representatives of four Travel Management Companies (TMCs) were asked about chargeable services from TMC point of view.

The results showed that the companies are willing to use bundled fares as the services sold separately from air fare makes the travel management process costly and complex. Also comparing fares of different carriers is currently very difficult due to the fact that it varies what services are included in the fare if any.

Key words

Travel management, ancillary services, airline, bundling / unbundling of services, EMD

Content

1 Introduction

The traditional network airlines have been struggling with constant economic problems for years. The high cost of fuel and high operating costs have driven many carriers to a situation where they have had to find new sources of income in order to survive. Fierce competition with low cost airlines has driven also network carriers to consider unbundling of services the way the low cost airlines do. It is possible to keep the airfares low if the revenue is generated by selling chargeable services which are also called ancillary services. When customer buys a ticket from A to B, depending on the carrier the fare may only include the transportation and all other services are charged separately.

However, the business model of traditional airlines differs from low cost airlines in many ways, so unbundling of services is not a very straightforward procedure for a network airline. The way the low cost carriers distribute their services, is simple, as they mainly sell their services only through their own website. The traditional airlines need to consider several distribution channels and make sure that service distribution is possible through all those channels. The other big difference between network airlines and low cost carriers is that the low cost airlines do not normally interline their services or documents with other carriers, like the traditional airlines do. Due to the fundamental differences between these competitors it is not easy for a traditional airline to quickly improve the profitability by following the low cost model, as the business model is still quite different.

Although airline ancillary services are still quite a new phenomenon in Finland, in Europe and especially in US it has existed already for some time. Even some studies about ancillary services are available. PhoCusWright Inc has written a white paper in 2010 for TRX, that studies the value and viability of the approaches for tracking ancillary services. The study was conducted in US and it was executed in two parts. The first part was an e-mail survey among 76 corporate travel managers who attended the National Business Travel Association's (NBTA) annual convention. The survey focused on finding out the importance of tracking ancillary spend. It also asked about

the current tracking processes and reimbursement practises. (Offutt & Steinbrink 2010, 4-5.)

The second part of the research consisted of 10 in-depth telephone interviews with 10 travel managers of US companies in autumn 2010. The interviews examined each company's perception of ancillaries in the market. The themes were the role of the corporate card in managing ancillaries, awareness of and timeframe for using available ancillary tracking solutions. Also the implications of fare bundling and ancillaries on each company's airline negotiations and 2011 travel budget were studied. (Offutt & Steinbrink 2010, 4-5.)

As a result of the study, the recommended next steps for the travel managers were (Offutt & Steinbrink 2010, 24-25.):
- Follow up the current ancillary spend as accurately as possible
- Strategic use of airline frequent flyer programs. Many airlines do not charge for ancillaries for frequent travellers, especially those who are on a higher tier. It is strategically wise to register frequent travellers into the most cost-effective frequent-flyer programs, and educate the travellers about fee savings of doing so.
- Keep the travel policy up-to-date regarding ancillary services
- Encourage the travellers to share the experiences how to avoid ancillary fees by using social media.
- Gather data from all possible sources in order to make spend visible.
- Negotiate with preferred service suppliers about ancillaries
- Use a vendor that can assist with tracking ancillary spend.

ITM, Institute of Travel & Meetings published a report in June 2011 by the name The Collapse of Simplicity? An ITM report on the impact of ancillary fees and Direct Connect on existing distribution channels and managed travel programs. It discusses the impacts of ancillary services in travel management process and also presents an alternative to GDS distribution. The report was published in UK, and it discusses very the same problematic as this theses. The problems faced after launch of ancillary services seem to be very similar here is Finland as already earlier experienced in UK.

The ITM report recommends its buyer members to do the following (ITM 2011, 12):
- Adjust the travel policies to help cope with the ancillary services
- To keep talking about this issue with other stakeholders
- To pressure the preferred suppliers to change
- Whenever the buyers can measure the usage of ancillaries they should bring the spend back to the negotiations
- Update contract terms. It is necessary that the suppliers participate in existing processes that support managed travel
- Agree with the TMC how to book the ancillary services that are only available outside the existing distribution system.

1.1 Research problem, aim and delimitations

The corporate customers are an important customer segment for the airlines. The thesis concentrates on the airline ancillary services from travel management point of view. The research is a commission of the Finnish Business Travel Association (FBTA), which represents business travel agencies in Finland, so the focus is on the airlines that are considered the most important ones for the corporate customers in this market.

The aim of the thesis is to find out the impact of the airline ancillary services in travel management process. Also further to:
- understand the impacts of the ancillary services in travel management process
- find answers to what needs to be developed or to in a different way to make the travel management process smooth when ancillary services are involved
- gather feedback and ideas for corporates, airlines and system providers regarding ancillary services

The studies were conducted in May and early June 2012. Also the information regarding chargeable services presented in chapter 2.3.4. was gathered in May and early June 2012. The situation in the market keeps changing all the time, so for the sake of consistency the writer decided to limit the scope to the early summer 2012.

1.2 The structure of the report

Chapter 2 introduces ancillary services as a trend in the aviation industry. Overview of the aviation industry describes the current economic issues the airlines are facing and the means the industry has established to help the carriers to improve their profitability. This chapter also includes the theoretical part. The characteristics of aviation services are introduced and the ancillary services are defined from the marketing point of view. The product packaging is the theoretical framework in this thesis. The concept of airline ancillary services is explained as well as what the airlines are trying to achieve with unbundling of services. It has an impact on passengers, but also on business customers, which are companies who pay the travelling expenses of the employees who make business trips. Some statistics is introduced about chargeable services worldwide. The technical process in collecting ancillary revenues is also described. Ancillary services of the most important carriers for business travellers in Finland are introduced as the focus in the thesis is on this market.

Principles of travel management are described in chapter 3. The main principles and goals of travel management are introduced as well as the key roles in a travel management organisation within a company. Depending on the size of the company and the travel spend there are different ways to control that the travel expenses do not get too high. For many companies the most important partner in this effort is a TMC, Travel Management Company or a travel agency. The important role of an intermediary in the travel management process is introduced. The airline ancillary services have an impact also on the intermediary's processes, so not only the companies that pay the expenses of traveling are facing new challenges. The chapter ends with the presentation of the ongoing travel management process.

Research methodologies are generally described in the beginning of chapter 4. Both quantitative and qualitative methods were used in the thesis so they were both described in high level. Implementation of own studies explained first how the

quantitative part was conducted in this research, followed by the qualitative part. Finally the reliability and validity of the studies was evaluated.

Chapter 5 discusses the results of the quantitative research. The survey was sent to all 120 travel purchaser members of FBTA and the results of the survey are presented in this chapter. In order to get a deeper understanding of the problems in travel management process caused by chargeable services, a qualitative interview was conducted with five corporate travel management professionals. Chapter 6 contains the results of the qualitative interviews. The chapter ends with comments from TMC representatives whose business and processes are also affected by these new services. TMCs are familiar with the travel management processes in their customer companies but at the same time their role is a bit different as the provider of travel management services. Therefore the opinions of TMC professionals valuable and their point of view is beneficial to the results this thesis.

The future regarding the ancillary services is discussed in chapter 7. It is not yet sure how big an issue the interlining will be, but anyway to some extent it cannot be avoided. Three different aspects of interlining are described in the chapter. Conclusion and suggestions for improvement for different stakeholders are written in the end of the chapter. The suggestions for improvement are addressed as well to the airlines, TMCs, companies as well as IT providers.

2 Ancillary services as a trend in aviation industry

2.1 Overview of aviation industry

The low cost carriers' key concept, simplicity, has proved to be a success factor in airline industry. The low cost airlines offer a simple product through simple operations without frills. The fares are often very low and non-refundable. Seats are sold ticketless, mostly through airline's own web site only. In-flight service is either non-existent or it has to be paid separately by the passenger. (Hanlon 2007, 59.)

The traditional network carriers have been suffering from a deteriorating yield for a long time. High price of the kerosene and competition with other network airlines and especially with the low cost carriers have forced the traditional airlines to seek new solutions to improve their economy and at the minimum to survive. In order to attract the price conscious customers, there is a pressure to keep the airfares low. Lately, the airlines have started to earn revenues by stripping the fares from services that used to be included in the fare or alternatively by offering new chargeable services that did not exist before.

According to Bjelicic (2007, 14), the competition between full-service carriers and low cost carriers is getting more intense as the traditional airlines dilute their products and on the other hand, low-cost carriers are upgrading theirs. He mentions as an example Germanwings, which is a low cost airline offering a budget product. Lufthansa, a traditional network carrier is offering a budget product as well called Economy basic. Lufthansa is far from being a low cost airline as it continues to provide the standard and premium products as well on its flights.

ATPCO, Airline Tariff Publishing Company, through which many airlines file their fares, have developed product called Service fees. Service fees are a group of services which offer an automated way to collect specific fees in travel agencies and airlines. Service fees can actually be divided in three different kind of fees: (ATPCO)

- Carrier-imposed YQ/YR fees, which can be collected in ticket's tax box. Usually security or fuel surcharges of the marketing carrier on the flight sector

are collected as YQ/YR fees. The sum of YQ/YR fee can be seen in the e-ticket receipt as YQ or YR tax. YQ/YR fees have been collected for years by airlines, so this is not a new phenomenon.

- Ticketing fees. The airlines can use ticketing fees to collect the service fee. In travel agencies the service fees are collected usually via back-office system. Credit card fees can be collected both by airlines and by travel agencies by using Ticketing fee product. Ticketing fee is printed on e-ticket receipt as a separate fee. YQ/YR and ticketing fees are collected on e-ticket and no separate documents are issued or extra receipts are generated. That is why the collection of such fees is not as problematic as the collection of optional service fees which are issued on a separate document.

- Optional service fees mean the chargeable services that are also called ancillary services in this thesis. Ancillary services are issued on a separate document, EMD (Electronic Miscellaneous Document) or on MCO (Miscellaneous Charges Order). EMD is the new industry standard document for collection of such fees, and it is targeted to replace MCOs in travel agencies by the end of 2013. MCO can be used for ancillary service fee collection by airlines that have not implemented EMD yet. MCO can be used also by EMD compatible airlines in markets or with GDSs that don't support EMD yet.

Credit card fees were first introduced in Finland by Finnair in the beginning of October 2010, when it became possible by law to start collecting such fees in Finnish market. The credit card fee collection is based on the rules of the carrier, whose e-ticket is issued. The conditions for collecting credit card fee can vary by carriers. It may depend on the point of sale or the country of commencement of travel or even the itinerary issued on the ticket. The fee can be either flat rate or percentage based, as presented in table 1.

Table 1. Credit card fees when ticket is issued in Finland for the validating carriers listed below (Carlson Wagonlit Travel 2012)

Airline	Effective	Amount
Air Berlin	1.2.2012	7 e
Air France	14.1.2012	7,50 e European flights, 15 e long haul
Alitalia	14.1.2012	7,50 e European flights, 15 e long haul
Austrian Airlines	Jan 2012	7,50 e
British Midland	14.11.2011	7,50 e
Brussels Airlines	14.11.2011	7,50 e
Delta	14.1.2012	7,50 e European flights, 15 e long haul
Finnair	1.10.2010	1 % based on total fare incl. YR & taxes on tickets. Eff 1.6.2011
Iberia	16.4.2012	7,50 e international tickets
KLM	14.1.2012	7,50 e European flights, 15 e long haul
Lufthansa	14.11.2011	7,50 e
Swiss	14.11.2011	7,50 e

2.2 The characteristics of aviation services

Grönroos defines three most important characteristics in services. The most important of the three is intangibility. The service cannot be evaluated before it has been consumed and even then the evaluation can be difficult. Often the evaluation is done by comparing the service to competitor's offering. The second important characteristic of services is the production or consumption interaction. A service is considered to be consumed when it is produced. The third characteristic of services is the lack of ownership and transaction of ownership. When a customer purchases a service, he does not own anything, but he is only given the right to use thing. For instance an airline ticket is a symbol of the lack of ownership. (Grönroos 2007a, 27-28.)

2.3 Ancillary services

2.3.1 General definition

"Customers deserve more than just a good service package. It has to be made into a functioning service process too." (Grönroos 2007b, 183)

Services are not ready-made, pre-produced products, but instead they are processes. A service emerges in a process, where a customer participates as a co-producer. The production of the service is linked with the consumption of the service. The whole process forms an essential part of the service. From service provider's point of view, the service might have been produced in the back-office, but from the quality perception perspective, the most critical part of the service process is the time when the customer participates, perceives and evaluates the service process. (Grönroos 2007b, 184.)

Service is often described as a package or bundle of different services, tangibles and intangibles, which together form the service. The package can be divided in two categories: the main service or core service and auxiliary services or extras, which are sometimes referred to as peripheral services or as facilitator services. Such extras are often considered to be the elements of the service package that define it and make it competitive. For an airline the core business is to transport passengers from the point of origin to the destination. (Grönroos 2007b, 184.)

Service provider develops and manages service offerings, which are based on a thorough analysis and understanding of the customers' needs and expectations from the service. After having found out what the customers appreciate, the four step service offering planning can be done (Grönroos 2007b, 185-186.):

1. Developing the service concept
   This step determines the intentions of the organization. The package can be developed based on this concept.

2. Developing a basic service package

   Basic service package consists of the bundle of services that are needed to fulfil the expectations of the customers on a given market. This package determines what customers receive from the organization. All the necessary outcome-related features must be included in a well-developed basic package and it must be ensured that the technical quality of the outcome is good. If the service process does not function well, even an excellent service package can be destroyed.

   It is good to recognize that there are three groups of services:
   - *Core service* is a reason why the company is in the market. For an airline this would be transporting passengers or cargo.
   - *Enabling service* or *enabling facilitating service* helps the customer to use the core service. For an airline a check-in service is needed in order to be able to consume the airline core service.
   - *Enhancing* or *supporting services* are also auxiliary services, but they fulfil another function than enabling services. Enhancing services are used to increase the value of the service and/or to differentiate the service from those of competitors. Airport lounges and a range of in-flight services are examples of airline enhancing services. (Grönroos 2007b, 186.)

   The distinction between enabling and enhancing services is not always very clear. For instance an in-flight meal on a long-haul flight might be considered as an enabling service, but on a short-haul flight the service could be seen as an enhancing service. From managerial point of view, enabling service is mandatory; if the service is left out, the service package collapses. Enabling services should be designed so that they become means of competition and help to differentiate the service. Enhancing services are only used as a means of competition. Even if the enhancing services are missing, the core service can be used. However, the service package might be less attractive and less competitive without enhancing services. (Grönroos 2007b, 186.)

3. Developing an augmented service offering

    The service process and the interactions between the organization and its customers are included. Also customers' co-production efforts are included as well. The service offering is geared to the total customer perceived quality of services. Due to the characteristics of most services, there are three basics elements, which from the managerial point of view constitute the service process. The three basic elements, that by combing with the concepts of the basic package, form an augmented service offering (Grönroos 2007b, 185, 187-188.)

    - *Accessibility of the service* depends among other things on the number and skills of the personnel. Office hours, timetables and the time used to perform various tasks impacts accessibility as well. Office or service outlet location is also important. Information technology that enables customers to gain access to the service provider and the service process is essential. Even the number and knowledge of consumers simultaneously involved in the process impacts on the accessibility of the service. (Grönroos 2007b, 188.)

    Interaction with the service organization can be further divided into following parts:
    - Interactive communication between customers and employees, which greatly depends on the employee behaviour and attitude.
    - Interactions with various physical and technical resources of the organization, such as computers, waiting room facilities, tools and equipment needed in the service production process.
    - Interactions with systems, such as waiting or seating systems, internet sites, maintenance and repair work.
    - Interactions with customers simultaneously involved in the process

    If these interactions are considered unnecessarily complicated or unfriendly, the perceived quality of an excellent basic package may be low. (Grönroos 2007b, 185, 187-189.)

Customer participation means that the customer has an impact on the service he perceives. The customer becomes a co-producer of a service and also a co-creator

of value for himself. Depending on how well the customer is for instance able to use websites or give information, he will improve the service. In the case of self-service the customers are expected to take a very active co-producer role, using the systems and resources provided by the service firm. (Grönroos 2007b, 185, 190.)

4. Managing image and communication.
   The company must manage its corporate image and its marketing communication so that it enhances the perception of the augmented service offering. A favourable image enhances the experience just as well as a bad one may destroy it. Managing image and communication becomes an integral part of developing the service offering. Because of the intangible nature of services, marketing communication activities have a communicative impact on customer expectations and also a direct effect on experiences. Marketing communications, such as advertising, websites, sales and public relations enhance and form images. However, word-of-mouth communication should not be underestimated as it has a substantial immediate effect as well as a long-term impact among the customers. (Grönroos 2007b, 185, 191.)

Developing a service offering is a highly integrated process that should involve all four steps. A new enhancing service can be added into the service offering only by taking into account the accessibility, interaction and customer participation aspects of the service. A well-planned introduction of an additional enhancing service, or an improved facilitating service, may prove to be a powerful source of competitive advantage. (Grönroos 2007b, 185, 191.)

From the consumers' point-of-view, auxiliary services are part of the service offering. Auxiliary or ancillary services are shaping the service which the customers evaluate and eventually perhaps buy. The bearers of the service and the auxiliary services are intra-corporate elements of the services. For instance for airlines flight from A to B is the core service, but a meal or drink that is served on a flight is an extra service, that can make the core service more attractive. Auxiliary services are not a prerequisite to turn the core service into a concrete offering, but they might give the added value to

the customer and make the service more outstanding compared with the services of the competitors. These extra services easily become an integral part of service offering in the minds of consumers. Grönroos warns that removing these extras from the service for example to cut the costs might have serious consequences. (Grönroos 2007, 31-32, 51-52.)

Human resources, machines, offices and other physical things as well are resources that influence accessibility of a service, as well as extra services. Those resources all aim to make the service quickly and easily accessible to the consumers and they are managed by the marketer. Both human and non-human resources influence the accessibility transform the service into a concrete offering. These resources can be called bearers of the service, as they bring out the service to the market. (Grönroos 2007, 29.)

The competition between the airlines focuses on the products the airlines offer their customers and also on the price level. The opportunities for product differentiation has widened since the regulation in airline industry has diminished. Airlines decide what product features they offer in each market segment where they operate. Product planning is crucial for airlines in two aspects: it provides the key tool in the process of matching potential demand for air services with the actual supply of services which it offers on markets where it operates. Each carrier controls its own supply of services but can influence the demand only through its product planning. Therefore, product planning has an important role as much depends on the product offering. Secondly, product planning has a direct impact on operating costs at which are airlines have considerable discretion. (Doganis 2010, 227.)

The decisions regarding the airline product offerings on different markets have been made based on consideration of the airlines overall marketing strategy. The needs and requirements of different market segments have been found out by conducting analyses and forecasts of the market. The airlines also benchmark competitors' past performance to their own. Each airline wants to maximize its revenues and profits. Therefore the airline has to find a balance between product offering that attracts the customers and that is also profitable for the airline. (Doganis 2010, 227-228.)

Table 2: Key product features that effect travel decisions and choice of airline
(Doganis 2010, 228)

1	Price	Fare levels and conditions
2	Schedule-based	Points served and routings Frequency Timings Connections Punctuality
3	Comfort-based	Type of aircraft Interior configuration Individual space On-board service Ground/terminal service Airline lounges In-flight entertainment
4	Convenience	Distribution/reservation system Capacity management policy Seat availability
5	Image	Reputation for safety Branding Frequent flyer programmes / loyalty schemes Promotion and advertising Market positioning

As presented in table 2, the airline's potential customers are influenced by five key product features when making travel decisions and choosing between the carriers. Business travellers do not make this choice. The decision makers are the purchasers of the companies. The airlines must decide how to combine these components in order to create an attractive but cost effective product. The product features that are sold as ancillary services by some airlines are in the group of comfort-based services (individual space, on-board service, ground/terminal service, airline lounges, in-flight entertainment) (Doganis 2010, 230, 232.)

Airlines constantly battle pressures on margins and will always be affected to a remarkable extend by the global economic ups and downs. Although opportunities to realize significant cost economies of scale are limited, airlines will continue to combine and to consolidate operations. If they will not do that through outright acquisitions, then they do it through sharing of flight codes and frequent flyer programs. Code sharing is the practise of traditional carriers. (Vogel 2001, 71)

2.3.2 Ancillary services in aviation

Ancillary services are "revenue beyond the sale of tickets that is generated by direct sales to passengers, or indirectly as a part of the travel experience." (Sorensen 2011, 10)

The services used to be bundled in the airfare on traditional airlines flights until recent years. When customer buys a flight ticket from a network carrier, the fare has traditionally included meals or at least a snack and drinks. Free baggage allowance has also been included in the ticket price for network carrier flights. The kilos or pieces that have been included in the ticket price have been and still are dependent on the booking class.

Low cost carriers have chosen a different approach, as they only sell flights from A to B. The services are unbundled; meals, drinks, checked-in baggage are all charged separately. Charging for services has proven profitable for low cost carriers, so more and more network carriers have started to sell chargeable services in order to also create profits. Today ancillary revenues are a major issue for all kinds of carriers; traditional, hybrid and low cost. (Oxford Economics, 15.)

Only a few airlines compete today on service quality, whereas the low price is the most important factor. The capability to sell chargeable services enables the carriers to keep the level of airfares down, as the profit comes from ancillary services. The focus on ancillary revenues also may lead to blurring of the distinctions between economy and business class. During the recent years many business travellers have moved from business class to economy. By selling the ancillaries airlines can now earn back some of the lost revenues. Also the business traveller that has lost some of the travelling comfort in economy class can buy it back by purchasing leg space seat and access to lounge, so ancillary services can offer flexibility as well for the service provider as for the customer. (Oxford Economics, 16.)

Some airlines are now re-bundling chargeable services. They create one-stop, one-price packages. For instance traveller may pay a set amount for one-year protection from

baggage fees. This might also generate customer loyalty, as a customer who has paid bag fees for the whole year is likely to fly with that carrier. Also selling packages of premium services for former business travelers who are now travelling in economy, might be an attractive offer for the customer. (Airline Weekly 2010, 7.)

Many airlines who offer chargeable services have decided to offer full service without additional charges for the top tier frequent flyers and for the passengers travelling in the highest booking classes. This may also strengthen the customer loyalty of the top tier and business class passengers to stick to the higher classes as the value of service is strengthened by the distinction between free service offered in different classes. However, according to Oxford Economics report, it is likely that in the future there will be a multiplicity of travel classes in the future. (Oxford Economics, 15.)

Ancillary revenues are defined by using the following categories :
1)   The typical a la carte features available today (Sorensen 2011, 10):
        1) onboard sales of food and beverages,

        2) checking of baggage and excess baggage,

        3) assigned seats or seats with more leg room, such as exit rows,

        4) call center support for reservations,

        5) fees charged for purchases made with credit cards,

        6) priority check-in and screening,

        7) early boarding benefits,

        8) onboard entertainment systems

        9) wireless internet access.

Some of the above mentioned services have previously been included in the ticket price, but some may be totally new, like chargeable leg space seats. So far baggage charges have proved to be the biggest revenue for the airlines (deFina, & Marchon & Manning 2010).

2) Commission based products
According to Sorensen (2011, 10.) airline ancillary revenue activities also include the commissions earned by airlines on the sale of hotel accommodations, car rentals and

travel insurance. The commission-based products primarily involve the airline's website, but it can include the sale of duty-free and consumer products onboard aircraft as well. These services are also called cross-sell ancillary services, as the services are provided by a third-party supplier. Cross-sell products can be offered by various providers, like airlines and cruise companies, but they can also be sold by intermediaries like travel agents. (Oxford economics, 15.)

3) Frequent flyer activities

"The frequent flier category mainly consists of the sale of miles or points to program partners such as hotel chains and car rental companies, co-branded credit cards, online malls, retailers, and communication services. Sales of miles or points made directly to program members also qualify". (Sorensen 2011, 10)

4) Advertising sold by the airline

Advertising includes any advertising initiative linked to passenger travel. Revenue generated from the in-flight magazine advertising, or advertising messages sold in or on aircraft, loading bridges, gate areas, and airport lounges are typical activities. Also fee-based placement of consumer products and samples belongs to this category. (Sorensen 2011, 10.)

Ancillary services are supposed to adapt to passenger needs. It should be kept in mind, that the needs of a tourist, a backpacker, and a business traveller are all different. The airlines should carefully consider before they start charging for a service that has earlier been free of charge, as that inevitably makes people angry. An example of a positive improvement in a service is that the airline, like for instance Qantas, does not charge for the first checked baggage, but offers the possibility to pre-purchase an excess baggage allowance in advance. That takes some stress out of packing and out of airport experience as there is a possibility to take an extra baggage if needed. (McDonald 2011.)

Mr Jay Sorensen, CEO of IdeaWorks consulting company, says that there is not much unexplored territory what comes to ancillary revenue streams. According to him all

possible revenue streams have been tried by the typical airlines that have so far been selling ancillary services. Those typical carriers are network carriers in the US and low-cost carriers worldwide. Still a lot of growth can be expected and the airlines that are already selling ancillaries will fine-tune their strategies. (McDonald 2011b, 44)

Raphael Bejar, CEO of Paris-based AirSavings that creates ancillary products for airlines to sell, says it is essential that passengers see the value of what they are buying. He says that unbundling of services does not create value, and that airlines have reached a point where they can't unbundle anymore. Air Savings has created a concierge service for business travellers, but the service has been popular also among leisure travellers. The service can be booked within the airline booking path and the airline earns a commission. The service consists of hotel, restaurant and event locator. Also reliable taxi services can be booked, assistance with rebooking of appointments if travel is disrupted, and access to physician in emergency. (McDonald 2011b, 45)

AirSavings also sell "bundled services". Many airlines have sold travel insurances but sales in Europe has decreased since the EU required websites to switch from "opt-out" to "opt-in" sales tactics. Travellers are generally reluctant to buy a product that ideally will not be used. So AirSavings added up 30 minutes of free Wi-Fi connectivity to its insurance offering. This has spiced up the sales of a product whose sale was declining. (McDonald 2011b, 45)

Table 3. Amadeus worldwide estimate of ancillary revenue for 2011(Amadeus 2011)

Amadeus Worldwide Estimate of Ancillary Revenue			
Airline Category	2011 Ancillary Revenue	2010 Ancillary Revenue	Increase for 2011
US Major Airlines	$12.5 billion	$6.7 billion	87%
Low Cost Carriers	$4.8 billion	$3.6 billion	33%
Traditional Airlines	$10.9 billion	$8.5 billion	28%
Ancillary Revenue Champs	$4.3 billion	$3.8 billion	13%
Worldwide Totals	**$32.5 billion**	**$22.6 billion**	**43.8%**
Source: Ancillary revenue statistics applied by IdeaWorks to individual airline revenue results listed in the Worldwide Airline Report in the July 2011 issue of Air Transport World.			

Ideaworks in cooperation with Amadeus has published airline ancillary revenue report. The ancillary revenue has increased 43,8 % 2011 compared to statistics in 2010. Major US airlines which mainly get the revenue from frequent flier revenue and baggage fees have had the biggest increase in revenue 2011. As Sorensen predicted the baggage fees have spread to full-service airlines around the globe. One by one the carriers have given up the kilo concept and after that started to charge for extra pieces as prepaid baggage. (McDonald 2011b, 44) Low cost carriers typically generate their revenue from a mix of a la carte fees. Blue1 is counted in this category. Traditional airlines may earn their ancillary revenue with excess or heavy bags and limited partner activity for a frequent flyer program. Finnair is one of the examples mentioned in this category. Ancillary revenue champs are carriers that generate the highest activity as a percentage of operating revenue. Examples of airlines belonging to this category are AirAsia, Aer Lingus, easyJet, Ryanair and Spirit Airlines. (Amadeus 2011)
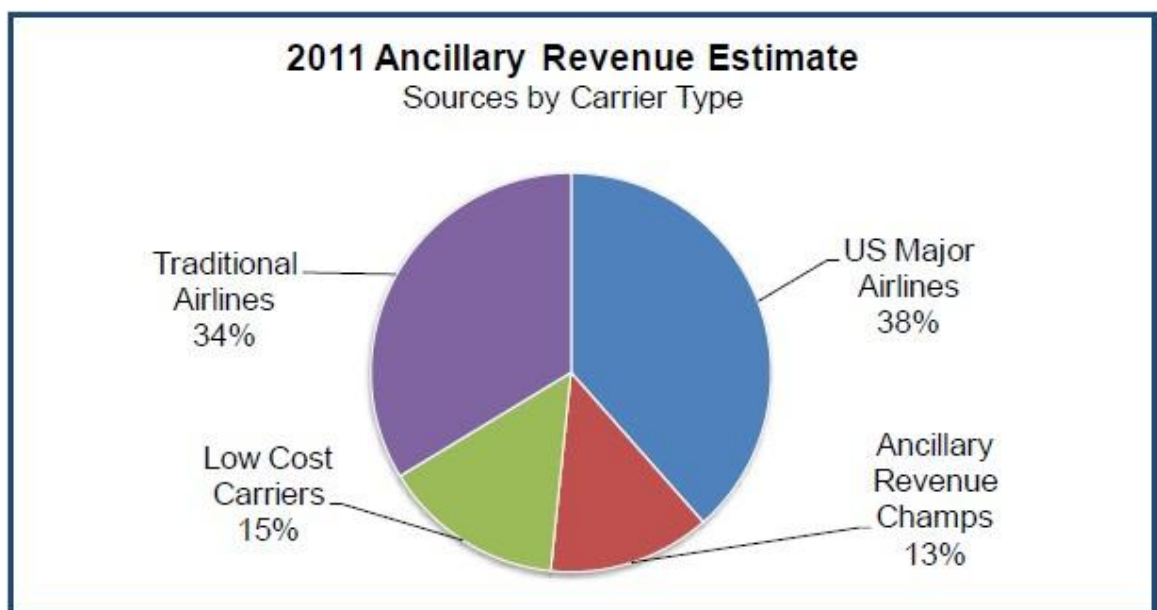

Figure 1. 2011 Ancillary revenue estimate by carrier type

Figure 1 shows that US major airlines are the biggest earners in ancillaries among the carrier types. Traditional airlines follow very close. Low cost carriers and ancillary revenue champions share the remaining 28 %. (Amadeus 2011.)

Table 4. Ancillary revenue estimates by world region

Ancillary Revenue Estimates by World Region			
World Region	2011 Ancillary Revenue	2010 Ancillary Revenue	Increase for 2011
North America	$15 billion	$8.7 billion	72%
Africa / Middle East	$1.4 billion	$0.9 billion	52%
Latin America / Caribbean	$0.8 billion	$0.6 billion	47%
Asia / Pacific	$6.3 billion	$4.8 billion	30%
Europe	$9 billion	$7.6 billion	18.7%
Source: Ancillary revenue statistics applied by IdeaWorks to individual airline revenue results listed in the Worldwide Airline Report in the July 2011 issue of Air Transport World.			

North America is the leading market in ancillary revenue, followed by Europe and Asia/Pasific. The increase percentage 2011 in US is also huge compared to modest 18.7 % in Europe. Ideaworks report forecasts that airline managers have learned that ancillary revenue should not rely on forced choices, but the airlines should allow consumers to tailor travel according to their budget. (Amadeus 2011.)

According to Sorensen, food will be the next frontier in the field of ancillary services. He believes that the days of free meals in economy cabins are soon over even in transoceanic flights. He does not believe that the replacement would be a sandwich or a buy-on-board snack-box, but merely a pre-ordered meal. The advantage for the airline would be that they know in advance what would be the consumption, so there will be less waste. Some airlines still offer a free meal in economy, but Sorensen believes that a pre-ordered meal will be a norm in the future. If the free meal is a bag of chips passengers might be willing to pay some more to get a decent meal on-board. In some companies it might effect on the daily allowance if a free meal is served on the flight, even if the passenger will not have the bag of chips. It would be more fair that no free meal is available, but the passenger can order the meal in advance if any good choices are available and then pay the meal and get paid the full allowance. (McDonald2011b, 45.)

It will be interesting to see how the mobile applications will in future enable new service offerings for the passengers on the move. GuestLogix, the company that focuses on onboard retail sales, sees opportunities for airlines in the mobile channel.

The airlines should be conscious to the fact that they do it right. Airlines should find a way to offer travellers something in addition instead of an application that replicates airline web site. Cathay Pacific Airways is an airline that doesn't just sell duty-free goods on-board, but also sells home delivery of purchased items. (McDonald 2011b, 46.)

2.3.3 Ancillary services from a technical point of view

There are also technical challenges. When an airline is charging for a service, it has to be able to control, that the service has been paid for, that the service is delivered and consumed. The service must flow through the whole process, from airline inventory and revenue management of ancillaries to ticketing, departure control systems and all the way to revenue accounting and reporting. (McDonald 2011.)
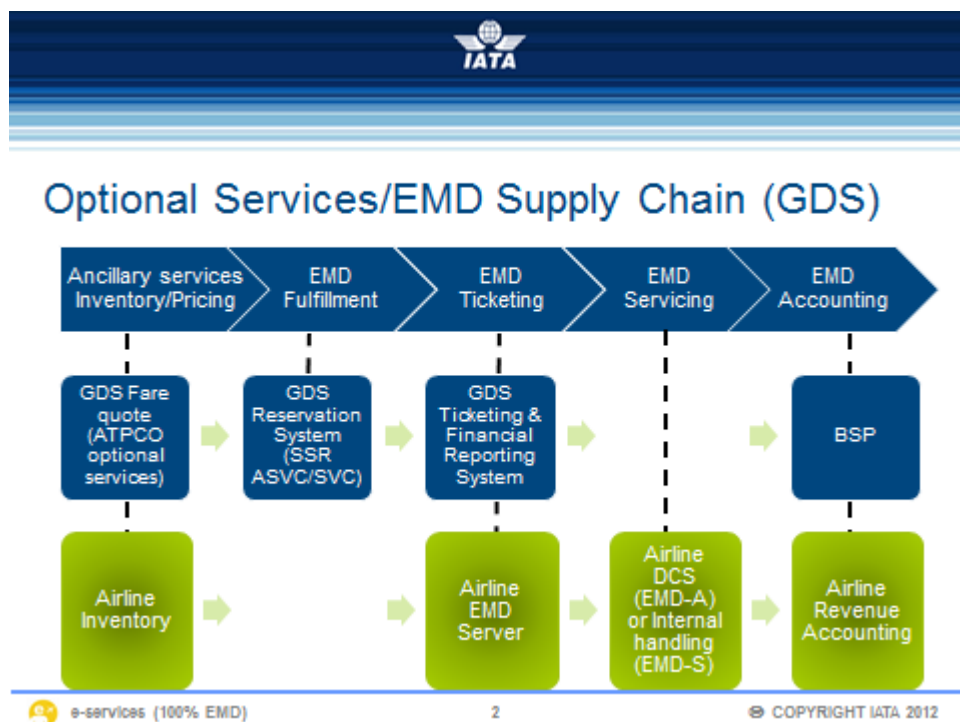
Figure 5. Description of optional services supply chain (IATA 2012)

As shown in figure 5, the ancillary service offering is based in airline inventory system when the service is quota based. The airline has filed the service in ATPCO so that it can be automatically priced in different GDSs by airline or travel agents. The prerequisite for all this is that the GDS has readiness to support ancillary process. The service is available in GDS in a catalogue that shows the ancillary services that are

available for the specific flight. Service is reserved by the agent, confirmed either automatically or manually by the service supplier. Issuance of EMD-A document is possible after the service is confirmed. It depends on the ancillary service type and the carrier's preference if EMD-A or EMD-S is issued. The airline defines in the EMD settings which document will be created upon the issuance of the document.

Flight related services are issued on EMD-A document that is associated with e-ticket coupon. The EMD is an electronic document that is stored in EMD server the same way e-tickets are stored in e-ticket server. After EMD issuance the document number appears in the Passenger Name Record (PNR). The sold information of EMD-A is transferred to financial reporting system. If the ancillary service is flight related, EMD-A will be available in the Departure Control System (DCS) and the system acknowledges the payment. After the flight is flown, EMD-A will be updated to flown status along with the associated e-ticket coupon. The information of the used service will be transmitted to the airline revenue accounting system. When EMD-A is issued by a travel agency, settlement goes through Billing and Settlement Plan, BSP.

EMD document usage enables detailed reporting which is important for the airline as well as for the travel agency. ATPCO has divided optional services in different categories. The upper level is Reason for Issuance Code, RFIC. Categories listed are:

A Air transportation
B Surface transportation / non air services
C Baggage
D Financial impact
E Airport services
F Merchandise
G In-flight services
I Individual airline use

The second, more specific level is Reason For Issuance Sub code level, RFISC that can be benefitted from when the service is issued on EMD (but cannot be used with MCO). This enables a specific reporting in airline revenue accounting and travel agency

back office systems. There are about 400 RFISCs at the moment in ATPCO list, but most of them are for airline excess and special baggage usage. (ATPCO 2012)

2.3.4 Ancillary services in Finnish aviation market

In spring 2012 Finnair was the only carrier on Finnish market that offered ancillary service through travel agency offline channel using automated process described above. Air Baltic also sold baggage and seating services in offline channel, but the pricing had to be done manually. In summer 2012 AF/KLM launched comfort seat in long haul flights and Air Berlin several ancillary services. Globally the customers, or TMCs on behalf of customers, are mostly forced to book optional or ancillary services through airline website until more carriers deploy services in offline channel. (Lahti 2012)

Prepaid baggage as ancillary service has been available in Finland already for some time. Prepaid baggage can be bought in advance before the trip, but excess baggage is the charge that the airline collects at the airport when the customer has more luggage than what is allowed in free baggage allowance on the ticket. In table 6 there is a comparison of prepaid charges on the most important carriers used by business travelers in Finnish market. There are still several airlines who don't sell additional allowance through airline direct channel. Those who do, have typically lower fees in online channel than at the airport.

Flybe is the only carrier in the list of airlines below, who has kilo concept. One by one the carriers have moved to piece concept. However, the definition of piece does vary; for some carriers the maximum weight of a piece is 23 kilos and for other it is 20 kilos, so the allowances are not easily comparable.

It is interesting that Norwegian, who is profiled as low cost carrier, is selling a bit more expensive fare in travel agency channels than in the airline website. The fare that is distributed through travel agencies includes baggage and pre-seating. Norwegian has an opposite approach compared to legacy carriers who are experimenting with unbundling of services.

Table 6. Free baggage allowance and prepaid baggage

	Baggage allowance	Prepaid as ancillary
Aeroflot	1 or 2 PC depending on class of travel	NA as ancillary
Air Baltic	Before 18.4.2012 all checked baggage was chargeable. Now allowance 1-3 PC depending on class	Prepaid can be bought in airline web site
Air Berlin	Eff 1.5.2012 PC concept. 0-2 PC, varies by class and FF tier	Prepaid can be bought in airline web site
Air France	1-3 PC depending on class	Prepaid can be bought in airline web site
American Airlines	1-3 PC depending on class or FF tier	NA as ancillary
Blue 1	1-2 PC depending on class	Can be paid through online check-in
British Air-ways	1 -3 PC depending on class and FF tier	Prepaid can be bought in airline web site
Estonian Air	0-3 PC depends on class and FF tier	NA as ancillary
Finnair	1-2 PC depending on class of travel	Available as ancillary also through travel agency and airline offline channel. Price varies by channel
Flybe	15-40 kg depending on class	NA as ancillary
KLM	1-2 PC depending on class	Prepaid can be bought in airline web site
Lufthansa	1-4 PC depending on class and FF tier	NA as ancillary
Norwegian	0-1 PC included depending on class. Max 2 PC allowed.	Prepaid can be bought in airline web site
Ryanair	Maximum 2 checked baggage allowed	Always chargeable. Can be bought in web site
Scandinavian Airlines	1-3 PC depending on class and FF tier	NA as ancillary

The table 7 presents the pre-seating and comfort seat reservations fees for the same carriers as mentioned in the previous table. The information on the table is on high level. More specific information can be found at the carriers' web pages. It can be seen that the policies really vary by carrier. Either the service is not available at all, or if it is, it may be chargeable or free based on the reservation class or frequent flyer tier. For

KLM pre-seating is free in Finnish market, but in Benelux it is chargeable. Flybe bundles advance seat in offline channel only in the highest fare. In addition to internet sale it is also possible to sell pre-seating through travel agency offline channel when advance seat reservation (ASR) is not included in fare and issue MCO as payment.

Table 7. Pre-seats and comfort seats in airline online channel

	Pre-seating	Comfort seats
Aeroflot	Free	NA
Air Baltic	Chargeable	NA
Air Berlin	Chargeable	Chargeable
Air France	Free	Chargeable
American Airlines	NA	NA
Blue 1	Free	NA
British Airways	ASR free only in First class. Everyone can choose a seat free of charge at check-in, from 24 hours before departure.	Depending on class included in fare. Otherwise chargeable.
Estonian Air	NA	NA
Finnair	Available also in travel agency & airline offline channel. Based on class free or chargeable. Free for everyone when reserved at online check-in 36 hours before departure.	For long haul flights only. Available also in travel agency and airline offline channel. Chargeable. Free for higher FF tiers.
Flybe	Depending on class free or chargeable	Depending on class free or chargeable
KLM	Free	Chargeable depending on class
Lufthansa	Free. In economy available only on long haul flights.	NA
Norwegian	Chargeable depending on class. The fare that is sold through travel agencies includes pre-seating.	NA
Ryanair	Chargeable	NA
Scandinavian Airlines	Free	NA

There are a lot of services that are sold as ancillary in US, Asia or other European markets. In addition to seating and baggage related services also other typically chargeable services were taken into account when comparing the web pages of the carriers listed in table 7. *Fast lane security* is offered only by Scandinavian Airlines for extra fee. *Priority boarding* is available on Ryanair when extra fee is paid. Air Baltic has chargeable *priority check-in*. *Priority baggage* and *lounge access* are not available by any of these airlines as a chargeable service. However, if the ticket does not guarantee access to lounge with some carriers it is possible to pay the access fee in the lounge. *In-flight entertainment* is free with all other carriers except with Air Baltic, who charges for in-flight entertainment from economy class passengers. Chargeable *in-flight wi-fi* is available on some Lufthansa long-haul flights. With Norwegian flights wi-fi is free. Aeroflot can offer internet access on board Airbus A-321 flights to customers that are subscribers of some specific operators. *In-flight premium meals* are chargeable on-board of Air Baltic, Air Berlin, Air France and KLM.

(Aeroflot 2012; Air Baltic 2012; Air Berlin 2012; Air France 2012; American Airlines 2012; Blue1 2012; British Airways 2012; Estonian Air2012; Finnair 2012; Flybe 2012; KLM 2012; Lufthansa 012; Norwegian 2012; Ryanair 2012; Scandinavian Airlines 2012)

3 Principles of travel management

According to Davidson and Cope, business travel comprises all trips whose purpose is linked with the traveler's employment or business interests. Business travel is often also referred to as 'corporate travel'. (Davidson & Cope 2003, 3, 32.) Business travel has also organizational and economic consequences for the employer. For this reason especially large companies often implement policies, regulations and standardized routines that are followed when travelling in business. This concept is called 'travel management'. The most important reasons for a company to maintain a travel policy are the economic reasons. Business travel causes substantial costs, so it is important to be able to control those costs. Other reasons involve the comfort, working conditions and security of the travelers. (Gustafson 2012, 276-277.) Companies have a duty of care responsibility over the employees travelling on duty. The company must be aware of the employees' location during the whole trip, and act immediately in case of natural or man-made disasters. Also risk assessment is part of the process. (Claus 2010, 4.)

Corporate travel has grown substantially in the latter part of the twenty-first century. Increasing globalization means that there is a need to travel on business even during the periods of slow growth or in recession. Although new technology, such as video conferencing, can partly decrease the need to travel, the number of business trips taken is unlikely to decline dramatically. (Davidson & Cope 2003, 33-34; Lohr 2008.)

On both cost and environmental grounds, there is a lot of pressure in companies to cut down business travel and substitute it with virtual mobility. In reality, those two options are not substitutes, as they actually have a symbiotic relationship. Sometimes the substitution is possible, but there are also situations when the business trip alone will do. Especially if there is a need to transmit secure, secret or sensitive information, face-to-face meeting is a better option than for instance video conference. (Beaverstock & al 2010, 118.)

Different suppliers are needed in corporate travel; accommodations, taxis, rental cars, trains, restaurants and especially airlines, which are in the focus of this thesis. The relationship between air travel suppliers and those who use the services have been

turbulent from time to time. The tension between the buyers and suppliers rises from the fact that the airlines must maximize the profit from the business passengers, but the buyers try to keep the travelling costs as low as possible. After the recession in the early 1990s many companies banned the business class travel and even after the recession continued this policy. The airlines have tried to persuade business travelers to abandon economy class by offering increasingly lavish facilities for business class passengers. However, most of the companies are not willing to pay the higher business class air fares even for the greater travelling comfort. The cost-conscious buyers have been recently more tempted by the no-frills flights offered by low-cost carriers. Alternatively with network carriers the new economy premium classes have been preferred, as they offer the flexibility of a business-class-type ticket as well as a more comfortable seat than in economy class. (Davidson & Cope 2003, 42-43.):
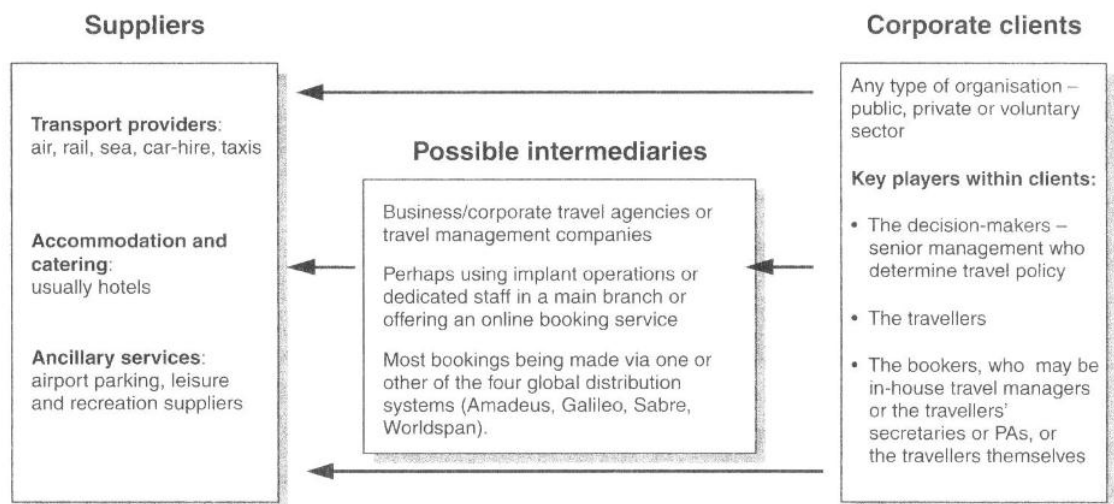
Figure 2: The three components of the individual business sector (Davidson & Cope 2003, 33).

The roles and relationships between the three components described above in figure 2 are constantly changing. As the suppliers, intermediaries and the corporate clients all operate in a fast-evolving market environment, they must adapt to changes in order to survive and succeed. When any one of these three players tries to adapt to changes, their actions are reflected to the other parties either directly or indirectly.

Travel purchasing decisions in corporate travel market are taken at two different levels. The day-to-day purchasing decisions of the individual business travelers are based on the company-wide travel policy, which is usually a written document that describes the parameters and conditions of the corporate travel policy. (Davidson & Cope 2003, 33-35.)

3.1 Roles in travel management organisation within corporation
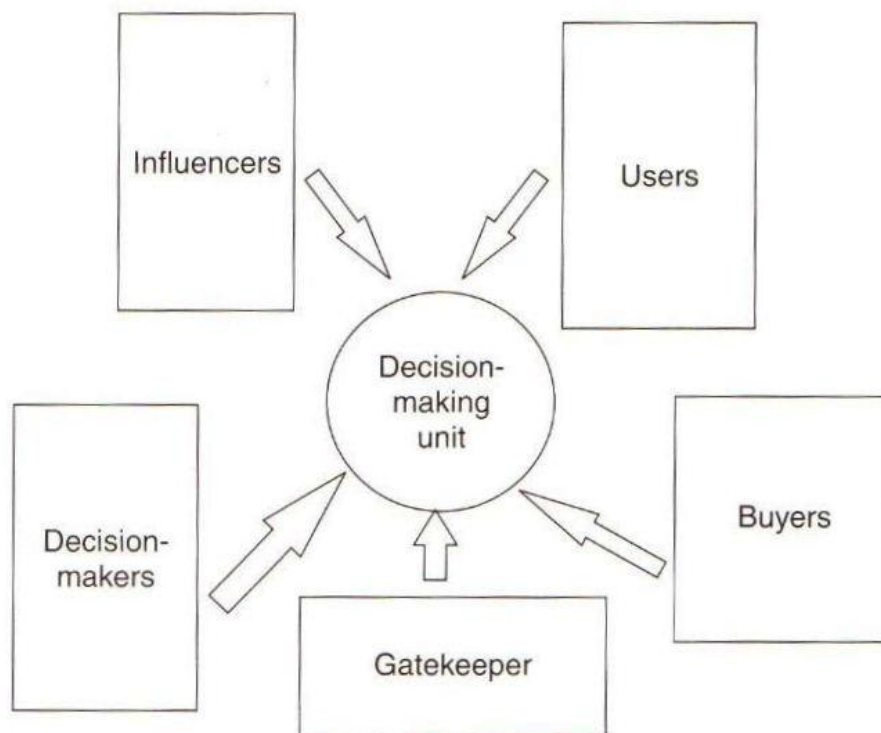
Figure 3. Roles contributing to the decision-making unit (Copied from Davidson & Cope 2003, 37, originally by Palmer 2001)

Figure 3 presents the different roles in business travel decision-making process in a company. *Buyers* are the companies and organizations that purchase individual business travel for their employees. The corporate travel purchases are often one of the highest elements in companies' expenditure so it does matter how the purchasing process has been organized and controlled. *Gatekeepers* are the people who can use their influence in the organization in order to limit the options available to decision making units. For example a senior manager in the role of a gatekeeper could influence on the choice of a

Travel Management Company (TMC) that works as the partner of the company. (Davidson & Cope 2003, 37.)

Decision makers are the people who have the authority to select the intermediaries and suppliers. They set the corporate travel policy and decide which suppliers are to be used. This role often falls to the company's Procurement Manager or the company may have hired a dedicated Travel Manager if the travel spend is large enough. According to Davidson & Cope (2003, 40-41), travel policy is normally a written document that may contain specifications such as:

- preferred airlines
- which booking classes can be booked
- preferred booking channels

Global Distribution Systems, GDSs, have tools that help the companies make sure that corporate travel policies are followed. A corporate profile guides that the bookings are made on the flights of the airlines preferred in the travel policy. Traveler profiles can be used to store the passenger's personal preferences (e.g. seating preferences, credit card and frequent flyer card numbers).

End users or consumers are the people who travel on business. Typically business travelers prioritize the effectiveness and quality of the travel products purchased. They value convenience, comfort, reliability, stress-free travel arrangements and prompt problem solving in case there are any disruptions or problems in the service. The end users certainly have their preferences what it comes to travel arrangements, but they are entitled to follow the company travel police. (Davidson & Cope 2003, 36.)

Shaw says that consumers are given a lot of attention by those who are responsible of the marketing in the airline business. He points out, that the consumers may not be the decision makers in the company. The decision makers are defined as "customers". In airline marketing it is important to distinct the difference between the roles of "customer" and "consumer". (Shaw 2007, 8.)

Gustafson's study 2012 identified six main tasks for the professional travel manager:

1) Developing and implementing travel policy. Common rules and routines are a cornerstone in controlling the travel costs. The travel policy should include pre-trip approval, the information how to travel; which suppliers may be used, what degree of comfort is allowed (economy or business class), what booking class is allowed. The policy also specifies the administrative routines the traveler should follow, such as pre-trip approval, booking procedures, payment routines and expense report management.

2) Cooperating with a travel agency. The use of one selected travel agency enables the travel manager to get reporting of the travel activity and travel costs. The travel agency can also assist on making the company travel policy, and when it has been done, to control that it is obeyed. The travel agency can also report the company in case there has been policy deviations.

3) Making agreements with suppliers. The travel manager needs accurate travel statistics that shows the company's travel volume. The statistics are especially needed when the travel manager negotiates with the service suppliers.

4) Standardizing payment routines. Travel manager typically implements routines for the payment of travel-related expenses. Travel account services and corporate charge cards are typical payment solutions. They are often implemented in cooperation with a travel agency.

5) Using travel statistics. In addition to using statistics for negotiations with service suppliers, they are also used for analyzing the organisation travel activity, for monitoring policy compliance and for identifying possibilities for travel cost reductions. Travel managers often spend considerable time comparing and analyzing travel statistics. The statistics may be collected from service providers, from the travel agency and from payments system(s).

6) Communicating and gaining support within the organization. The travel managers need to communicate internally to many directions. It must be ascertained that the travel policy is supported by key decision-makers in the company. Communication with travelers is also important. They must be informed about the travel policy and important travel-related news. Travel managers must also be ready to receive feedback from the travelers about policy rules, travel arrangements, suppliers and travel agency services. (Gustafson 2012, 278.)

All the previously discussed roles – buyers, end-users, gate-keepers and decision-makers – are all subject to influences. The influences are based on (Davidson & Cope 2203, 41.):
- their own experiences of corporate travel and personal experience
- the recommendations and criticism of the fellow –workers inside and outside the company
- press articles and media
- the sales and marketing actions by the travel suppliers or the Travel Management Companies (TMCs)

3.2   Intermediaries

Intermediaries play a key role in the business travel market. They bring together the buyers and suppliers. However, some companies do not use suppliers but they do instead the arrangements directly with the airline. That is often the case if the company is a small one and does not have a dedicated Travel Manager. Often organisation outsource the purchasing and negotiating functions to a business/corporate travel agency or to a Travel Management Company (TMC). Such intermediary may handle the company travel in several ways (Davidson & Cope 2003, 48-50.):
- through an implant operation, which is a satellite branch of an agency in the company premises
- through a main branch where specific staff members are dedicated to take care of the travel arrangements of the company. This is also called outplant

- through a main branch where a pool of staff members handle a range of different accounts
- through an online booking service. This is a growing trend, as the customers enjoy the possibility to regain more control of their travel arrangements. This arrangement is also preferred by the companies, as the company travel policy can be integrated in the online tool. As a result the employee will only be offered flights that are preferred by the company policy.

Unbundling of services does generate more work for the travel agents, as they need to book the services and issue documents. But ancillary revenue generation by airlines can also offer benefits to travel agents and affiliates. Some carriers may pay comissions for the ancillary services and this way the benefits can be divided between the service supplier and agent. (Oxford Economics, 18.)

On the other hand Strauss writes that the TMCs see no added value for themselves in selling their customers ancillary services. The agents are not much inclined to sell features without receiving any of the proceeds. Strauss says that the agent is in a difficult situation after having done the necessary functions for reserving and issuing document for ancillary service and then explaining to the customer that another service fee will be collected if the carriers do not pay any commission. (Strauss 2010, 49.)

3.3   Travel management process

According to Holma travel management process is an ongoing process without ending point. The chain of activities, "a business trip life cycle" is visualized in figure 4:
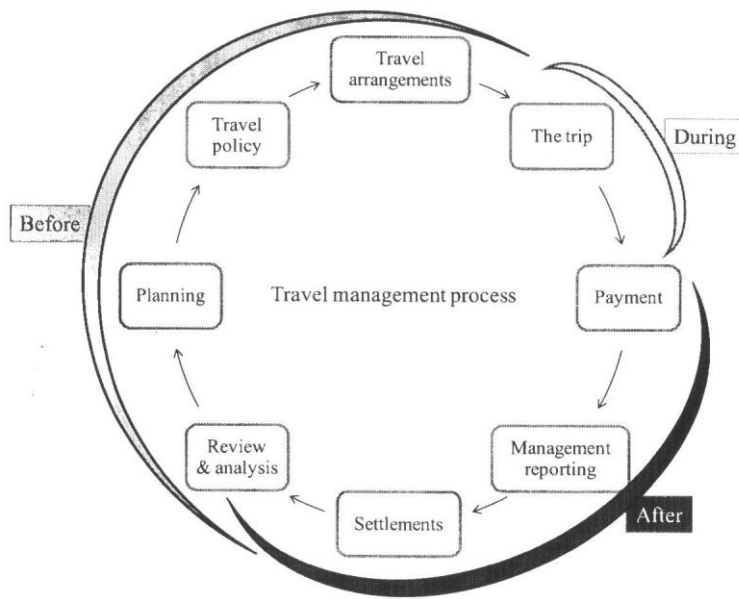
Figure 4. Travel management process from the buyer's perspective (Holma 2009, 102)

In the process there are tasks before, during and after the business trip. Before the trip contracts have been negotiated with the service suppliers, the travel policy has been implemented. The travel arrangements are done either by TMC partner or by the travel secretary of the company directly with the service suppliers. The prearranged services are consumed during the business trip by the traveler. After the trip, travel report is completed and payments settled. The buyer organization gets managerial and expense reporting from service suppliers, TMCs and credit card companies. These reports are needed in new contract negotiations as well as budgeting tools. (Holma 2009, 102.)

Lang defines corporate travel management as a company's efforts to exert appropriate and effective control over travel and entertainment expenses (T & E). Companies have four chances in the process to control the expenditure (Lang 1994, 5.):

1) Developing and enforcing travel policies, which occur before the expense has been incurred. This guides the employees who travel in business what are the company rules and boundaries.

2) By practicing effective purchasing practices. This can occur at the time reservations are made (airline tickets, hotel rooms) or at the point of sale (restaurants).

3) By using comprehensive and efficient payment methods that verify actual costs and collect vendor data.

4) When preparing auditing and processing expense reports for reimbursement

It depends on two issues how strictly the companies regulate the costs: first on the corporate culture; what is the level of comfort and convenience that is permitted to traveling employees. The second is the level of control exerted over the administrative practices of both travelers and those responsible for processing their expenses. (Lang 1994, 5.)

Figure 5. Four steps in controlling travel & entertainment expenses (Lang1994, 6)

The fundamental part of the corporate travel policy is to advice how the travel arrangements are made and what is the reservation channel that should be used for making the reservations. If the corporate travel has been outsourced to a TMC, the controlled approach is to mandate to use that agency for all air, hotel and car rental bookings. (Lang1994, 6.)

4   Methods

In practise it is difficult to strictly separate quantitative and qualitative research methods from each other. They can be seen as methods that complement each other, but they do not compete. Quantitative research can be used as a pre-study before the qualitative research is conducted. The qualitative study would then ensure that the matters to be measured in a quantitative study are relevant. The methods can also be used side by side when needed. (Hirsjärvi & al 2007, 132-133.) In this research the qualitative part follows the quantitative method, which is first used to map the current situation and gather feedback from a wider audience. The qualitative interviews were done to deepen the understanding of the impacts of airline ancillary services on the travel management process.

4.1   Quantitative research

In quantitative research the research problem is converted to research questions, which are used to collect material to solve the problem. Questionnaire is the most common method to collect data. The researcher must have knowledge on existing theories in order to be able to create a questionnaire. The target group, the individuals which are involved with the phenomenon, will fill in the questionnaire that consists of various kinds of questions concerning the phenomenon. In order to make sure that the questionnaire serves the purpose, it must be tested. If the population, target group, is too large, it may be necessary to narrow down the number of individuals who will respond to the questionnaire by using sampling. After sampling a method is chosen. The survey can be done either by mail, online or as an interview. After data has been collected, it is time to do computer runs and the data will be analysed according to statistical rules. The results are presented in a report. All these steps are regulated by rules which ensure that the results are reliable and accurate. Thorough planning is important in quantitative research, as it is not possible to go back in the beginning of the research process if the questionnaire is defective. In that case the whole process should be started from the beginning, which can be costly and time consuming. (Kananen 2011, 72.)

4.2   Qualitative research

"When a phenomenon is quite new, and if there is a need to get a deeper understanding of it, qualitative research is a good choice." (Kananen 2011, 41)

According to Creswell (2009, 175) in qualitative method the researcher acts as a key instrument, who collects the data. The researchers typically gather data from multiple sources in multiple forms, such as interviews, observations, and documents. The researcher reviews all the data, makes sense of it and organizes it into categories that cuts across all of the data sources.

There are different ways to conduct a qualitative research by doing an interview. There are roughly four different types of interviews. In a survey interview the questions and the order of questions is always the same. This is based on the idea that the meaning of the questions is the same for all interviewees and the questions will be asked in the same order every time. (Ruusuvuori & Tiittula 2005, 11.) The answers are selected among some options; the interviewer will ask the respondent to choose the right answer among the options given. The interview situation is like filling in a survey in a guided situation. (Eskola & Suoranta 2008, 86.)

It is typical for semi-structured interviews that at least some of the themes have been decided before the interview, but the form and order of questions may vary. In semi-structured interview the questions are the same for everyone, but the interviewees answer with their own words. In theme interviews, that Ruusuvuori & Tiittula (2005, 11) also call focused interview, the themes are selected for the interview, but the questions may not be the same in each interview and also the order of questions can vary. The interviewer makes sure, that all the themes are discussed, but the order and form of questions may vary and also how extensively the item is discussed. The interviewer has a list of themes, but the actual questions are not listed. In open interviews the interview situation is more like a normal discussion. A specific topic is discussed, but the same themes are not discussed with everyone who are interviewed. (Eskola & Suoranta 2008, 86.)

Kananen says that the best way to document a focused interview is to record it. The interviewer is then fully able to concentrate on the discussion without having to take notes at the same time. The recordings are later transcribed. There are different forms of transcribing the interviews, depending on what the researcher is looking for. Transcribing can either be done word-by-word or by extracting the core message. If the interview is recorded and there are no notes at all, all data may be lost if recording has not worked properly. (Kananen 2011, 56.)

4.3   Implementation of own studies

4.3.1   The quantitative study

The study was done in two parts and both quantitative and qualitative research methods were used. The quantitative part's purpose was to act as a pilot study. After analysing the results of the survey, questions to qualitative interviews were made. The semi-structured interviews were done with five experienced travel managers. The aim was to get deeper understanding of the gaps and problems in the process caused by the changed airline service packaging.

The first part of the research consisted of a questionnaire. The aim of the survey was to map the current situation on the market and to get an overall understanding on the impacts of ancillary services in travel management process. Building up the questionnaire took longer than expected. Actually it was not negative that longer time was spent on thinking about the questions, because some important questions did not come to mind until later on. The questionnaire was tested with three persons in order to find out that the questions were easy to understand. The test group gave some feedback and based on these valuable comments some adjustments were made.

The writer works for an airline and in her work she is involved with ticketing development. Also active attendance in IATA and Amadeus meetings where ticketing related items are discussed, adds expertise on this area especially regarding EMD and ancillary services. As a consequence, personal experience and observations

could be added among research methods. In order to further widen perspective the writer has interviewed ticketing and corporate online booking tool experts at Amadeus Finland and also representatives of the four biggest TMCs in Finnish market. Discussions with the commissioner have also been very useful and improved the writer's understanding regarding travel management process.

The link to the questionnaire was sent to 120 FBTA members who were all in charge of corporate travel purchase. Only one representative per company received the questionnaire. 31 persons filled in the survey, so the response percentage was 25,8. The respondents were able to add their own comments after each question to complement or to clarify their choice. The comments were valuable and gave good additional information to the researcher.

As suggested by Kananen, the questionnaire was grouped by themes. In this research there were six main themes. According to Kananen background questions are usually placed in the end of the questionnaire, but in this case it felt right to start with the background questions and then proceed with the easier questions. Towards the end of the questionnaire the questions were more specific (Kananen 2011, 90-91.):

1) Background questions
2) Experience on ancillary services
3) Impact of credit card fees
4) Travel policy and ancillary services
5) The importance of different distribution channels with ancillary services
6) Questions to find out how the launch of ancillary services has effected on the travel management process

The statements were written in positive sentence structures. The meaning of ancillary service was clarified in the beginning of the questionnaire to make sure that all respondent understood it correctly. The researcher has tried to avoid "Don't know" dilemma, so there is no such alternative in the questionnaire. Instead, it was possible to add free comments in connection with each question. (Kananen 2011, 91.)

When it was time to analyse the results of the survey, the questions were further regrouped by themes that seemed to form logical themes:

1.General information
2. Credit card fee
3. Travel policy
4. Reservation channel
5. Experience and opinions about ancillary services
6. Reporting

4.3.2   The qualitative study

Four experienced travel management professionals were interviewed to get a deeper understanding of the gaps in the travel management process when the ancillary services are involved. Interviews were conducted as focused interviews. Normally the themes are only decided in focused interviews, but it felt necessary to write down the questions and either use or not to use them depending on how the discussion proceeds. Not all questions were asked from the all interviewees and as the interview progressed, some new questions surfaced. The questions were sent to the interviewees in advance so that they could orientate and also check beforehand some details that were asked in the interview. All interviews were recorded and transcribed. The fifth interview was cancelled due to schedule problems, but the respondent replied in written to some of the questions.

Table 8. Qualitative interviews

	Duration of the interview	Occupation of the interviewee
Interview 1	1,02 hours	Country Travel Manager
Interview 2	40 minutes	Travel Manager
Interview 3	1,14 hours	Manager, In-House Services
Interview 4	1 hour	Head of Procurement
Interview 5	answers in written	Service Manager

After the interviews had been transcribed, the material was grouped by themes. The selected five themes with sub groups are presented in table 9. Deciding these categories was not very easy, because some items belong not only in one area, but actually in several. For instance payment methods have a role in the area of booking channels and also reporting. The results based on the grouping is presented in chapter 5.

Table 9. Themes of semi-structured interviews

1	General information about interviewees
2	Travel management policy - fare types used - travel class - ancillary policy - frequent flyer points - upgrades
3	Ancillary impacts on travel management process - comparability of fares - impacts on process within company - impacts on process within TMC (service fee, changes in back-office system) - general opinions about ancillaries

4	Booking channels: control and reporting
	
	   - online booking tool
	   - travel agency offline
	   - airline offline
	   - airline website
	   - online travel agency
	   - mobile devices
	   - kiosks
	
	Pre and post reporting
	
	   - TMC
	   - airlines
	   - payment providers
	   - travel claim systems

5	Recommendations and suggestions to
	
	   - airlines
	   - IT providers

4.3.3   The reliability and validity of the studies

The quality of the study depends on the validity and reliability of the work. In quantitative research reliability refers to the consistency and repeatability of the measurement and research results, which means that if the research is repeated, the results will be the same. Validity refers to whether the research answers the questions it is intended to answer. In other words, is the study researching the right things. The results should also be able to generalize, which means that the results could be transferred or applied to other situations and circumstances. (Kananen 2011, 66-67, 125.)

In the quantitative part 31 persons filled in the survey, so the response percentage was 25,8. A sufficient response rate depends on the situation; it is not uncommon that the response rate is as low as 20 %, but the reliability and validity are naturally not very high if the response rate is low. (Kananen 2011,93) Having more responses would have effected positively on the reliability of the study. However, in this research quantitative

method is not the only method that has been used. Having also the qualitative study confirmed that the questions asked in the survey were valid. It is difficult to prove the reliability of the survey without repeating the study.

The verification of reliability, validity and quality is more difficult in qualitative research than in quantitative. The reliability and validity concepts of quantitative research cannot be applied to qualitative research as such. In qualitative research documentation is one of the most important ways to give credibility to the thesis. The interpretation of the research results is a critical phase of the research. It has been said that there are as many interpretations as there are interpreters, but this does not necessarily mean, that the one and the same research problem leads to a large number of interpretations. The one and the same material can however be interpreted from different angles or from different problem settings. The way the material has been thematised or coded may vary but the interpretation of the material can be double checked by different persons. If two researchers make identical interpretations, the consistency of interpretation increases the credibility of the results. (Kananen 2011, 67.)

One of the reliability and validity criterions in qualitative research are assessability and documentation. The research must be documented well. A simple way to ensure the validity and reliability of the research is to have the informant involved in the study to read the material and make interpretations out of it. If the informant agrees with the writer's interpretation the study can be considered valid and reliable. Consistency of interpretation is also important. (Kananen 2011, 68-69.)

Triangulation is one of the ways to increase the reliability of the study. Triangulation refers to combining of several different research methods when examining the one and the same phenomenon. As an example qualitative research method is used to confirm the research results achieved by applying the quantitative method. The phenomenon is approached from different angles, using different methods. If different approaches lead to the same results, the results can be considered reliable. (Kananen 2011, 42, 69.) The results of the survey and the interviews were very similar, so using two methods has added validity and reliability of this research.

5 Results from the quantitative study

5.1 General information
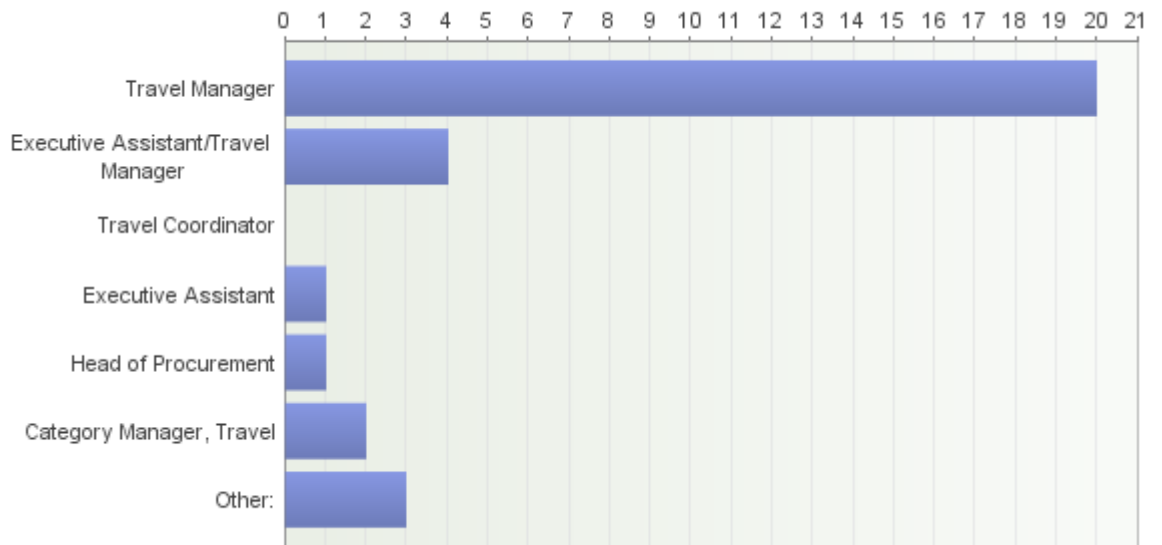
Figure 6. Occupation of the respondent (31 responses)

Other:
- Lead Purchaser, Executive Assistant / Travel Coordinator, HR Partner / Travel manager

31 responses were received from persons who are in charge of travel management in the FBTA member companies. The response percentage is 25,8%, which is not very high, but sufficient.
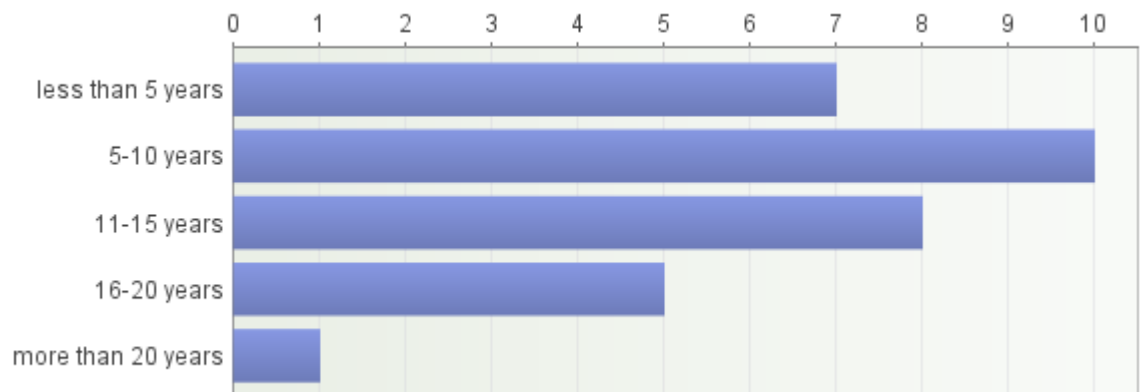
Figure 7. How many years respondent has worked in the field of travel management? (31 responses)

The work experience in years is divided quite evenly between all categories.
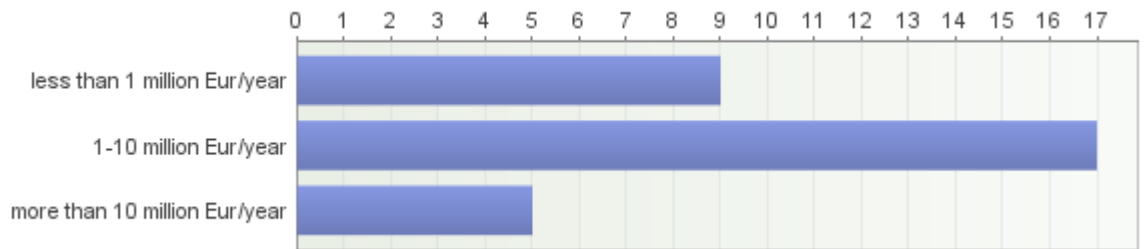
Figure 8. Corporate travel budget per year. Direct spend, daily and kilometer allowance not included (31 responses)

The travel volumes do not necessarily correlate to the size of the travel budget. The budget could be big even if the number of travelers is not very high if the majority of the travel consists of long-haul flights.
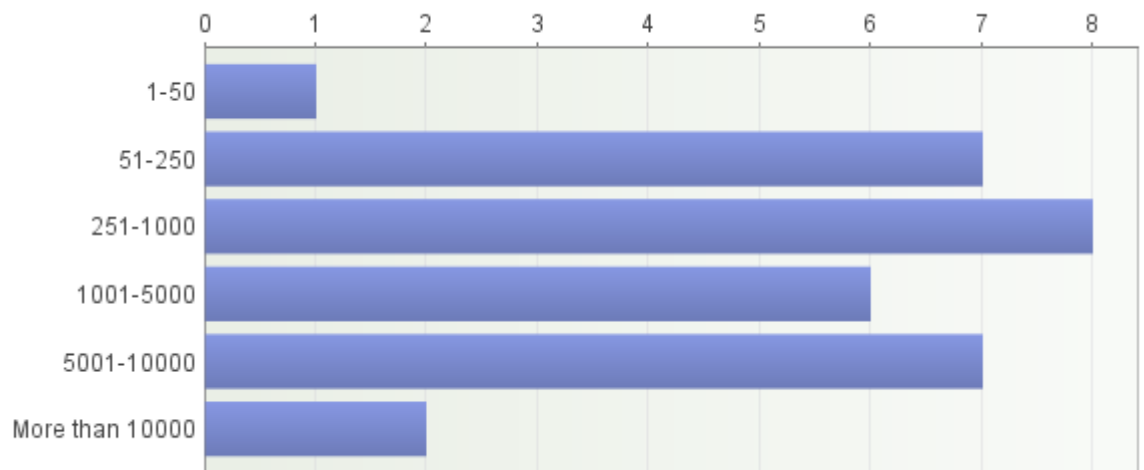
Figure 9. Number of employees in Finland (31 responses)

The companies present very different sizes. Eight respondents are from companies that are either small or middle size (less than 250 employees). The majority of the respondents work in big companies.
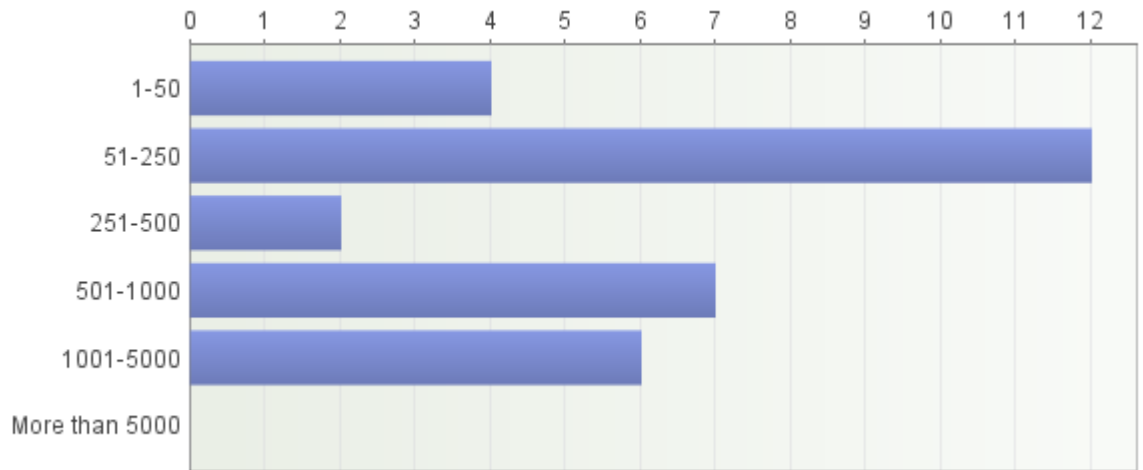
Figure 10. Number of travelers in the company in Finland (31 responses)

There are respondents from each category quite evenly. Even if the company is a large one, the company size may not correspond to the number of the travelers. The line of business, networks and the presence worldwide affects more on the need to travel in business than the number of personnel.

5.2 Credit card fee
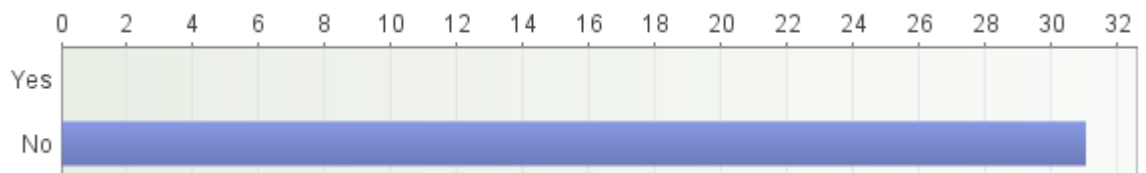
Figure 11. Has your company changed the form of payments used since the launch of credit card fees by some airlines? (31 responses)

Comments:
- we consider which airline to book when using code-share flights
- There aren't any other working system than BTA (Business travel Account)

Today several airlines collect credit card fee when payment is with private or business credit card or with Business Travel Account, which is a virtual card. When it is possible to choose the validating carrier of the ticket, the corporate customers might prefer the

carrier that does not collect the fee over the one that does. As mentioned in the first comment, if there is a code share flight that is co-operated by carriers YY and XX, the customer might choose to book the flight as YY if XX is charging credit card fee. The credit card fee collection is based on the validating carrier, so if YY document would be issued the fee would not be collected.

5.3 Travel policy

Table 10. According to travel policy, is travelling permitted for any personnel groups in the following classes?

	Short haul permitted	Long haul permitted	Never permitted	Total
Business class	1	14	13	28
Premium economy	9	22	11	42
Total	10	36	24	70

Number of comments: 12
- Never permitted is too strong a statement but I ticked that because it describes our policy best. There is a formal approval structure when any traveler wants to travel business class
- Exceptions can be made when necessary, management team level decision (another very similar comment)
- In general, all travelling in economy class (including premium in special cases). As regards long haul, business class allowed if meeting starts right after flight or if medical restrictions.
- It is permitted if ticket price is lower than tourist class ticket and taking time into consideration. Overall travelling in business class is not permitted.
- Board members and Management Team can travel in business class on long haul flights. Other personnel need a permission if they so wish. Otherwise only restricted economy is allowed.
- Lack of premium economy seats is a problem. This also means that we favor certain airlines.
- Business class is permitted when the schedule is so tight or trip is decided in such a short notice that economy class tickets are not available.
- Premium economy permitted if no cheaper flights available
- In a case of special needs of services; fast track
- Primary option is economy class travel, premium economy only if required due availability, changeability or schedule. Upgrading with bonus points from economy to business class allowed on long-haul flights.
- Business class not permitted, unless bonus points are used for upgrade. Premium

Economy permitted due to a Travel Pass Corporate agreement with SAS/Blue1, where we have a corporate price for Premium Economy.

In some companies travel class can vary by personnel group; top management may be allowed to travel in business class. In only one company business class travel is permitted for short haul routes, whereas nine companies allow travel in economy premium. On long haul flights 14 companies allow travel in business class at least for some personnel group, and 22 on economy premium. In 13 companies travel is never allowed in business class for any travelers and in 11 economy premium is never permitted – the numbers are quite even. Some respondents say that it is possible to apply permission to travel in business class for specific reasons. As can be seen in the first comment, the respondents may have chosen "Never permitted" even if permission can be given on special grounds.

Figure 12. Do the airline ancillary services have an impact on corporate travel policy? (31 responses)

Comments:
- Added in latest update: If there is a fee for luggage in connection with a business trip, company will compensate it.
- Not yet, but the trend shows that we should change our travel policy and include the ancillary services. (two other very similar comments)
- Ancillary services with fees demotivate the travelers - a pressure to the company to provide the services
- Company does not compensate ancillary services except internet connection for working purposes and luggage extra charges (when additional luggage required due working).

It seems that ancillary services are still quite a new phenomenon for the companies. Maybe that is the reason why the travel policies are not up-to-date yet regarding these services. It would be interesting to know why six people have responded that ancillary

services have no impact on travel policy. Does it mean that ancillary services are not mentioned in travel policy, but they can freely be used and are compensated by the company? Or has the company denied the use of ancillary services altogether? Or is it maybe forbidden to book such carrier's flights who is unbundling the services? Maybe the question should have been formulated differently.

Table 11. Our company travel policy is up-to-date regarding ancillary services

	Strongly disagree	Dis-agree	Neutral	Agree	Strongly agree	Total
Our company travel policy is up-to-date regarding ancillary services	4	14	4	6	3	31

Comments:
- We have rules on allowed baggage and pre-paid seating. We have rules on what can be included in the expense report.
- No we haven't updated all. What comes to advance seating we have informed TMC and travelers by intranet. We would like to add the "big picture" (= all what is related to ancillary services) at the same time.

The last comment partly answers to the question why the travel policies do not include the ancillary services yet. The company is obviously waiting to see if new ancillary services are launched and then decide their policy and have it in written.

Table 12. Our corporate agreements are up-to-date regarding ancillary services

	Strongly disagree	Dis-agree	Neutral	Agree	Strongly agree	Total
Our corporate agreements are up-to-date regarding ancillary services	2	8	9	10	2	31

Comments:
- Yes, contracts with some carriers.
- This is purely because of the very old fashion way of doing business from the airlines point of view. They are unwilling to specify these in their corporate agreements.
- Airlines are not willing to discuss about ancillary fees and nego rates same time.

More than half of the companies have their corporate agreements up-to-date regarding ancillaries. Does this mean that ancillaries are mentioned in the agreement or do these companies use fares for business travel that are bundled, in other words, ancillaries are included in the fare?

Table 13. How does the company travel policy define the following chargeable services?

	Use allowed in travel policy	Use allowed in travel policy on long haul flights only	Use not allowed in travel policy	Not defined in travel policy	Total
1st checked baggage	8	1	0	21	30
2nd checked baggage	5	3	1	21	30
3rd checked baggage	2	0	2	26	30
Comfort seats in economy (leg space seat)	2	4	8	16	30
Pre seating (any seat)	4	4	7	15	30
Fast lane security	1	0	5	23	29
In-flight entertainment (movies, games)	0	0	13	17	30
In-flight internet access (wifi)	4	0	5	21	30
In-flight prenium meals in economy class	1	1	12	16	30
Lounge access	1	1	8	20	30
Spa or other wellness services	0	0	13	17	30
Priority baggage	0	0	7	23	30
Priority boarding	0	1	6	23	30
Other, what	0	0	2	9	11
Total	28	15	89	268	400

Comments:
- Any of the above mentioned ancillary services restricted in the current travel policy but as I mentioned earlier, there will be an update for the travel policy.
- Even though not all ancillary services are mentioned in the travel policy, our travel agency has been clearly informed that no ancillary services are allowed, except for 1st baggage.
- Not specifically allowed or denied, more on a general level that these are not to be paid for and then in guidances defined more specifically, so a yes and no, but not defined in policy

- Our policy says: Any other necessary work-related travel expenses will only be reimbursed against receipt. This means if you have more than 2 baggage, we'll pay them if they are work related (for example tools). Pre-seating and leg space seats are ok in Europe and in intercontinental flights. What comes to entertainment, it is not necessary and will not be paid.

Baggage and seating fees are already quite widely present in this market, but the majority of respondents have not updated baggage rules in the policy yet. What it comes to pre-seating, half of the respondents have not made their policy known yet – at least not in written. Any "luxury" services, like premium meals, wellness services or even lounge access are not among the services which use is allowed by the company.

5.4 Reservation channel
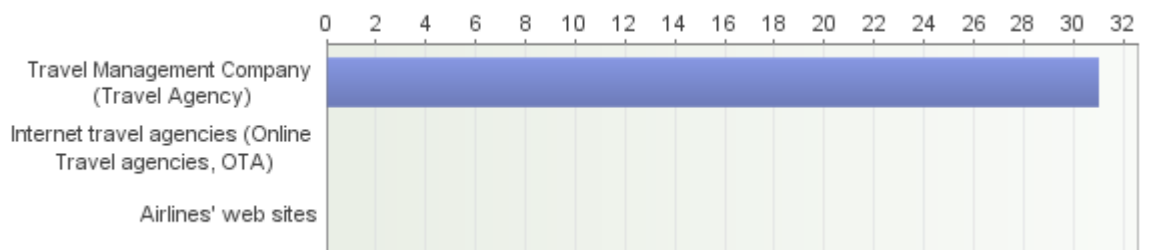
Figure 13. Which one is your company's primary business partner in flight reservations (31 responses)

Without any exceptions, all respondents have a TMC as a partner. As a consequence the travelers of the companies should all be well guided by the corporate travel policy when the travel agency does the reservations. This means that travel agency offline booking channel is important as it is much used by the corporate customers. This also makes the writer wonder if the results of the study were any different if also such companies had responded who don't have as organized travel management process as these respondents.
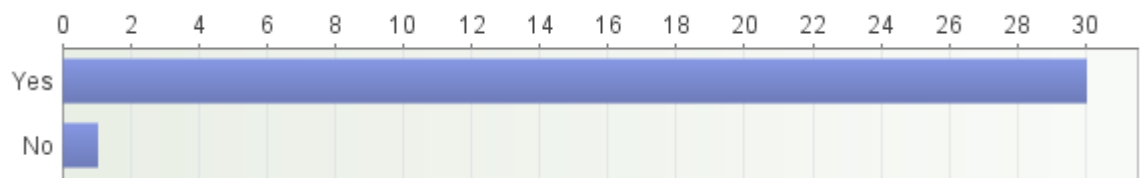
Figure 14. Does your company have an on-line booking tool (OBT) for business travelers provided by your travel agency to be used for flight reservations?
(31 responses)

Comments:
- It is offered, but not used by travelers. We prefer that they concentrate to what they do best, and leave the reservations to me. So I am the only regular user.
- Not yet but it is coming within one month
- Used only by secretaries, who book the trips
- Not recommended for long-haul bookings.

The online booking tool is widely used among the respondents. Only one respondent said that they don't have one in use, but on the other hand there was one comment that online booking tool will be available within a month. The adoption percentage would hardly have been this high if all travel managers had responded to the survey, although OBT is widely used by companies in Finland.
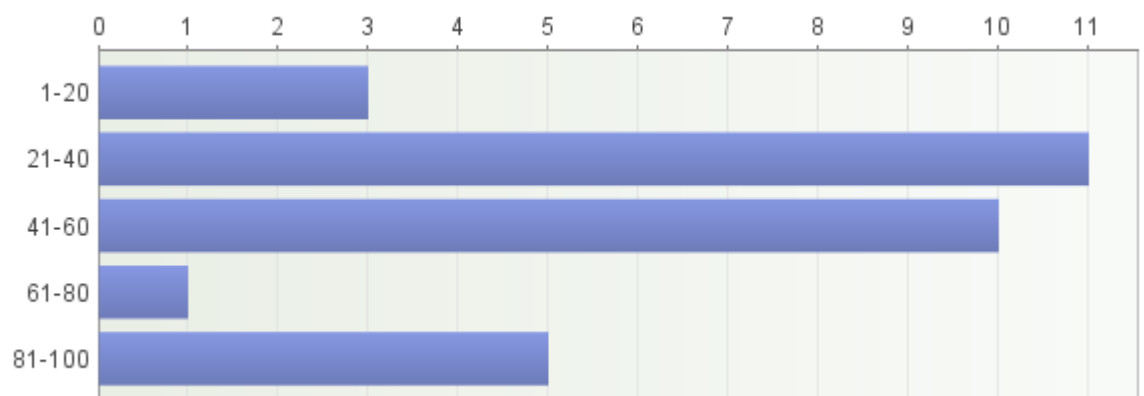
Figure 15. If your company has an on-line booking tool, what is the adaption percentage through this tool regarding flight reservations? (30 responses)

Comments:
- Reservations made mainly by travel specialists. Travellers don´t contact the travel agency directly.

- Intercontinental flights are reserved by our travel agency.
- Not yet known but in my calculation it is going to be around 10 %
- Lots of complicated travel which can not be booked through online.
- 33 % All bookings, 55 % Domestic bookings

Based on the comments the adoption percentage can vary depending on the destination of the travel. Simple one way and round trips can be easily booked through the tool, but more complex journeys with flight connections and interlining may require expertise of a travel agent. Anyway the overall online booking tool adoption percentage in flight reservations is high.

Table 14. Which sales channel would you prefer to use when purchasing ancillary services for corporate travel?

	Im-portance high	Important to some extent	Im-portance low	Should not be used at all	Total
Airline offline (ticket office)	0	4	8	14	26
Airline public website	2	7	5	14	28
Travel agency offline (sales office)	21	6	3	1	31
Travel agency public website	1	6	8	12	27
Travel agency online booking tool for corporate clients	26	5	0	0	31
Kiosks at airport	0	6	9	12	27
Mobile applications	3	9	9	6	27
Total	53	43	42	59	197

Comments:
- If allowed to use the above mentioned services, monitoring and reporting should be in place.
- As a corporation we prefer to use the Travel agency in order to keep the expenses in the same reporting system.
- The control of the cost of ancillary services is important. One purchase channel is ideal.
- When corporate does not reimburse the ancillary services the only important matter is that travelers are not able to use those services. When travelers pay for the extra services themselves, they should settle the payment with their own methods, not with corporate credit card. If corporate compensates the extra cost, then it should be possible to purchase and pay those through the official booking channels.

-       Mobile only if connected to travel agency's Online
-       Only via dedicated corporate travel agency

The respondents unanimously consider the importance of OBT either high or very high. The importance of travel agency offline channel was a bit lower. Maybe because the companies that have a particularly high OBT adoption percentage don't want the travelers to contact the agent. Among these respondents the importance of airline offline channel is lower than the online channel. If the TMC makes the booking through airline website on behalf of the traveler, the agent knows the travel policy and is able to provide reporting, but through airline offline channel there is neither control nor reporting available.

Table 15. Passengers buy ancillary services from airline web site as it is the only available channel for some airlines

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Passengers buy ancillary services from airline web site as it is the only available channel for some airlines	0	5	14	12	0	31

Comments:
-       This method is against travel management instructions in many companies as one booking channel is a target in most of the companies.
-       I certainly hope they do not do this.

It might be difficult to persuade the passengers to use only the preferred channel, but due to the fact that many airlines only sell ancillary services on their own web site, passengers may have no other choice but to do the purchase through direct channel. Unless the TMC makes the booking on behalf of the passenger.

Table 16. Passengers only buy ancillary services through the channel that is the pre-ferred one by the company policy

	Strongly disagree	Dis-agree	Neutral	Agree	Strongly agree	Total
Passengers only buy ancillary services through the channel that is the preferred one by the company policy	1	12	7	9	2	31

Comments:
- This, how it should be and do hope airlines would make their future developments taking business travelers and travel management into consideration.
- Via TMC yes (advance seating).

Most travel managers disagree that the preferred sales channels are used. Is it because the services are not available through the preferred sales channel or because the travelers do not follow the guidelines?

Table 17. TMCs/Travel agencies do not charge additional service fees for selling ancillary services via offline channel

	Strongly disagree	Dis-agree	Neutral	Agree	Strongly agree	Total
TMCs/Travel agencies do not charge additional service fees for selling ancillary services via offline channel	7	14	7	2	1	31

Comments:
- Ancillary fees are an extra cost for TMC. Thus extra fee is acceptable for extra work (2 comments)
- Our TMC charges service fees when they are making advance seating reservations. Depending where the traveler is travelling, the fee varies.

Based on the responses all TMCs do not charge service fee for selling ancillary services. The interviews revealed that at least with some TMCs if the ancillary service is booked at the same time with the flights, no extra fee applies.

5.5 Experience and opinions of ancillary services

Figure 16. Have any ancillary services been used by any traveller in your company?

(31 responses)

Comments:
- I suppose so, difficult to be 100 % sure in a big company.
- In certain positions extra luggage charges. All others on traveller's own cost
- Lounge services
- Extra luggage etc.(2 similar comments)
- We don't know that at the moment, this issue is quite new.
- Mainly not (not at the expense of the company), except for very few exceptions
- We have allowed the advance seating in European and intercontinental routes.

The six negative responses could indicate that ancillary services have not been available on the flights selected by the travelers. On the other hand, it could also mean that the use of chargeable services has been forbidden in the travel policy. However, the majority of the companies have experience on booking and using ancillary services.
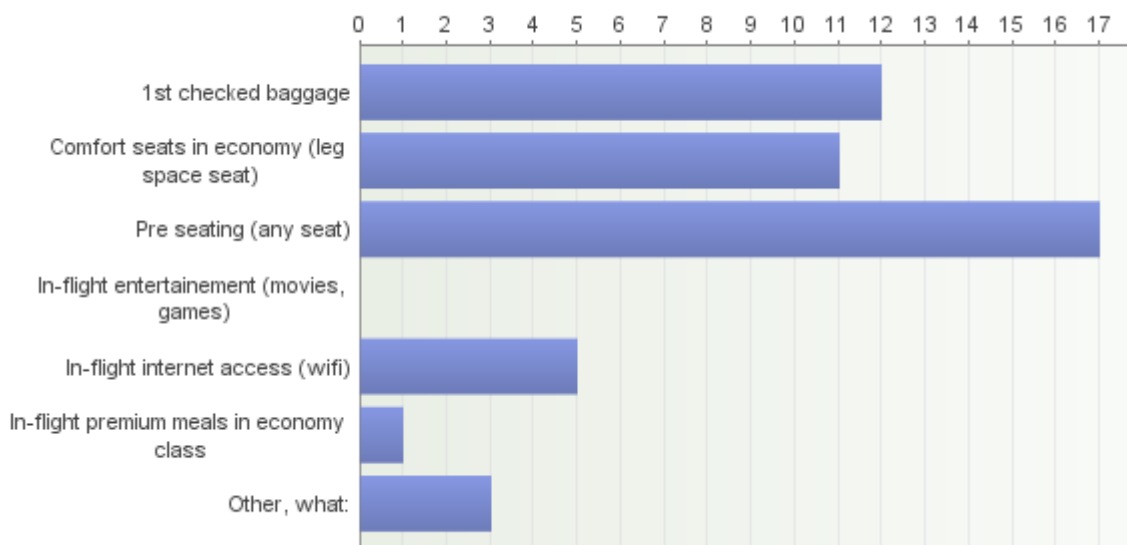
Figure 17. Specify type of ancillary service(s) used (26 responses)

Other, what:
- extra/ excess luggage
- special equipment

Advance seat reservation has been most popular chargeable service among the travelers. Excess baggage is the second one followed by economy class comfort seats. Wireless internet connections enable working on the flight, so it is considered a necessary service as well. Premium meals in economy class have not been in great demand among these travelers.

Table 18. Ancillary services enables more convenient travel in economy class

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Enables more convenient travel in economy class	7	8	10	5	0	30

Comments:
- If the purchasing of services becomes a routine in different companies, those who don´t purchase them have the least convenient travel. Less democracy in the economy class.
- For the frequent travellers
- The ancillary service fees screw up the efficient business travel process.
- It makes the processes tricky to solve.

Only five respondents agree that ancillary services could bring added value for the travelers who are entitled to travel in economy class. Is that because the travelers are not allowed to benefit from the services that could add comfort in traveling in economy class?

Table 19. Comparing different carrier airfares is easier when fares are unbundled

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Comparing different carrier airfares is easier when fares are unbundled	6	14	3	6	2	31

Comments:
- Not easier as carriers have different principles in unbundling and some carriers only have a few ancillary fees and some do not have any (another very similar comment)
- Only when considering necessary services like baggage or meals
- If all carriers would have the same pricing principles, it would be transparent. In reality, one has a cup of coffee included, another one a seat reservation and a third one 1 pc of luggage. This does not improve the transparency.
- We tend to do contracts where these fees are included, of convenience reasons.

Table 20. Unbundling of services makes airline pricing more transparent

	Strongly disagree	Dis-agree	Neutral	Agree	Strongly agree	Total
Unbundling of services makes airline pricing more transparent	2	12	3	11	2	30

Comments:
- If they all would use the same model...
- Pricing should be comparable and all services should be unbundled for all. Then it would work.
- The transparency of the pricing is not the issue, but efficient process is.

Due to the various pricing models of different airlines the transparency has not been reached by unbundling the fares. As mentioned in chapter 2.3.4. carriers unbundle different services with varying conditions.

Table 21. Unbundling of services simplifies travel management process

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Unbundling of services simplifies travel management process	12	12	2	3	1	30

Comments:
- For the moment airlines do not use the same model. Some use unbundled model and some not...
- Each airline having different conditions make booking very complicated and the communication to travellers is difficult
- Unbundling really makes things more complicated

Especially this item is further investigated in the qualitative study.

Table 21. Ancillary services apply only to booking classes that are not used by business travellers using corporate fare

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Total
Ancillary services apply only to booking classes that are not used by business travelers using corporate fare	7	8	10	6	0	31

Comments:
- We aim at booking as inexpensive flights as possible including the lowest booking classes
- Yes, in case of some carriers.
- We do not use business class so I do not know for sure.
- We are using the cheapest available tickets. According to the data from an of leading TMC more than 90% of business travel is done using cheaper classes where the ancillary fees are applicable.
- Many companies have economy policy in place and they are using the cheapest available tickets.

More than half of the respondents say that ancillary services apply to the booking classes that are used by the business travelers. Some airlines have exceptions for frequent flyer tier customers. It depends on the company's travel policy and on the corporate agreements between the company and the airline if the business travelers belong to the group of passengers who travel using unbundled fares.

Table 22. It varies by airline which services are chargeable

	Strongly disagree	Dis-agree	Neutral	Agree	Strongly agree	Total
It varies by airline which services are chargeable	1	1	2	15	11	30

Comments:
- We are considering to switch to those airlines which have full service model (no ancillary fees) for cheaper classes as well.
- Only Finnair has the advance seating fee.

Two respondents think that the majority of the airlines charge for the same services, but the rest of the respondents disagree. Those who disagree possibly use the carriers that have similar products chargeable.

5.6   Reporting

Table 23. It is easy to track usage of ancillary services when purchase is done through airline direct channel (airline web site)

	Strongly disagree	Dis-agree	Neutral	Agree	Strongly agree	Total
It is easy to track usage of ancillary services when purchase is done through airline direct channel (airline web site)	14	12	5	0	0	31

Comments:
- Carriers have different kinds of reports and different kinds of approach to ancillary services
- How do you monitor/track usage of ancillary services if they are bought through airline web site? What is the reporting tool?
- It is even hard to get a receipt from some airlines of what you have purchased
- It's nearly impossible to track this.
- How the company could follow that? The only way to follow is to book ancillary services via TMC and ask for reports there. As far as I have understood, it is manual work to calculate the amount of used money.

Reliable reporting is a very important part of travel management process. Only the purchases done through travel agency office or OBT can be tracked and reported at sufficient level. Although the travelers are aware which are the preferred distribution channels, they might make purchases through other channels as well.

Table 24. It is easy to track usage of ancillary services when purchase is done through travel agency offline

	Strongly disagree	Dis-agree	Neutral	Agree	Strongly agree	Total
It is easy to track usage of ancillary services when purchase is done through travel agency offline	0	8	4	13	6	31

Comments:
- The usage of ancillary services are reported in travel agency reporting system.
- This adds extra work thus it's not easy.
- As far as I have understood, it is manual work to calculate the amount of used money

TMC and the company agree what kind of reporting the TMC will provide to the customer. If the ancillary sale is done through GDS and if the travel agency's back office system is able to support the ancillary reporting no manual work would be needed. It is possible that the TMCs are still in different stages regarding the readiness to process ancillary data in reporting.

Table 25. Reliable reporting of the ancillary services that have been used by the travelers is always available

	Strongly disagree	Dis-agree	Neutral	Agree	Strongly agree	Total
Reliable reporting of the ancillary services that have been used by the travelers is always available	11	12	5	2	1	31

Comments:
- Should be further developed, both in TMC and airlines
- If the use of ancillary services expands as it seems to be for the moment a reliable reporting from TMCs and OBT is needed.
- Reliable reporting does not exist.
- You can get something from the TMC but if the travelers have booked something from internet, and put those amounts into their travel expense claim "other cost", there is no way to find out, how much we have spent on ancillary fees.

The quality and availability of the reporting varies by booking channel and the form of payment that has been used. The availability of reporting in various channels is further discussed in chapter 6 that presents the results of the qualitative study.

6 Results from the qualitative study

6.1 General information about interviewees

In the table below there is some general information about the companies that took part in the qualitative research. The travel volumes, frequent destinations and most important carriers do explain at least partly the company experience and policy on ancillary services.

Table 26. Background information of the interviewees

	Interview 1	Interview 2	Interview 3	Interview 4	Interview 5
Travel budget	30 m. eur	630 000 eur	12,5 m. eur	12,3 m. eur	10 m. eur
Traveler profiles	4500	100	3000	3000	2000
OBT adoption rate in flight reservations	55 % of domestic reservations, 35 % of all reservations.	86%	81 %	40 %	52 %
Typical travelling	Worldwide, but there are a couple domestic and Nordic destinations that are most frequently visited	Most of the traveling is between two destinations within Finland and to two destinations in Nordic countries	Worldwide. One domestic and 10 European destinations are most frequently visited. Also inter-continental trips are typical.	Worldwide, frequent destinations not typical.	Near areas; neighbor countries
Most used carriers	Finnair, Scandina-vian Airlines, Lufthansa	Blue1, Fin-nair, Malmö Aviation, Scandinavian Airlines	Finnair, Lufthansa, British Airways	Finnair, Scandinavian Airlines, Blue1, Lufthansa, Air Berlin, Norwegian	Finnair

Travel class	Economy. Traveling in business class decided case by case.	Economy and business	Economy. Business class may be allowed on long haul	Economy. Business class allowed very rarely	Economy
Fare types used	Normally BAR. Negotiated used if there is a need for rebooking	Negotiated and BAR	Negotiated fares and BAR	Always the BAR	Always the BAR
Ancillary policy	Not updated in policy.	Baggage allowed. Nothing else mentioned in policy.	Travel policy is being updated to include ancillaries.	Not mentioned in travel policy.	Ancillary services not allowed.

Four companies have a large travel budget whereas one of the companies has much less employees who travel in business. All interviewed companies have a TMC as a partner. They all also use actively online booking tool (OBT), which is tailored according to the company travel policy. OBT is used both by the travel secretaries and also by the travelers. The adoption percentage of the online booking tool is dependent on what kind of travel is typical in the company. The adoption percentage is highest in companies that frequently have point to point trips to certain destinations. The rate is lower if complicated travel arrangements are typical for the traveling. Those travel bookings are normally made through the travel agency offline channel. The expertise of a travel agent is needed when the itinerary gets complex.

The OBT adoption rate presented in the table is about flight reservations. None of the interviewed companies is yet using OBT for ancillary reservations. Some TMCs are not able to provide ancillary services yet in OBT. One company said that they have communicated their policy to TMC, but that they don't want to have ancillaries available in the tool yet.

Two of the interviewed said that travelling is business is not permitted. Those are companies whose travellers mainly fly on short haul flights. Also third company said that travel in economy class is a norm, but in very exceptional cases they might allow out-bound trip in business. The rest of the two interviewed also prefer economy class, but seemed to have a bit less restrictive policy regarding business than the other three. Anyway, travelling in business class seems to be more an exception than a norm.

When the fare types used were asked, two companies said that they always use the best available rate (BAR), the lowest possible that can be found at the time of booking. Three of the interviewed said that negotiated fares are also used. Mainly when there is a risk that the itinerary must be rebooked. Typically the cheapest market fares cannot be rebooked or cancelled.

One of the companies had forbidden all use of ancillary services. Interviewee 2 said that they mainly travel within Finland and to countries in near areas, so there is no need to pre reserve seats in such short flights. Typically the travellers stay only a day or two at the destination so only very rarely there is a need to have checked-in baggage. Pre-seating seems to be more popular on long-haul flights. One of the interviewees said that if the passenger has more checked-in baggage than what is allowed in the best available fare, they might consider a higher fare that includes more free baggage allowance and also possibility to reserve seat in advance.

6.2 Travel management policy

The travel policy is typically updated once or twice a year when there is a need to adjust it due to remarkable changes in rules or if the service providers launch something new. Some of the interviewees said that it may be challenging to communicate the changes to the travellers, so that the change is adopted. That challenge is faced especially if the adjustment is to make the rules more strict. One of the interviewed pointed out that it is not necessary to communicate everything to the travellers, if the online booking tool settings are done according to the corporate policy. OBT will then offer only such options that are allowed in the policy.

All companies had informed the TMC what is their policy regarding ancillary services, but none of them had yet included guidelines about the usage of ancillary services in the travel policy. In company 2 travel policy states that flight tickets and baggage are compensated by the company, so everything outside could be considered forbidden by the policy. Travel manager of company 1 wants to wait some time before they update anything in written, because she wants to see if more carriers are going to launch such services. She is also expecting some clarification to the current situation and would like to see first where the carriers are going with chargeable services. Company 3 is currently rewriting the travel policy and will now include also ancillaries in the guidelines. They allow pre-seating and pre-paid baggage under certain conditions. In case the traveller needs to travel with more baggage they also consider if such fare should be used that has more free baggage allowance. In company 4 pre-seating is allowed on intercontinental routes and in Europe on longer flights or when travelling with colleagues. Company 5 has forbidden all use of chargeable services, but it has been communicated only to TMC.

Company 1 has worldwide economy policy for employees travelling on duty. Normally travel is booked in lowest available booking class, but if there is a risk of schedule changes from the traveler's part, negotiated fare is used, as it allows rebooking. It is decided case by case if travelling in business class is allowed. The exception to allow business class travel applies mostly long-haul flights. Employees of company 2 and 5 travel always in economy class, which is not a surprise as the travel in both companies is mostly to nearby areas. Both normally seek the cheapest possible fares, but company 2 has also negotiated fares as an option. In company 3 business class travel is allowed especially in long-haul flights if the passenger can present good enough reasons to travel in a higher class. The employees of the company travel often on intercontinental flights as there are several frequent destinations. Company 4 has a more strict policy regarding business class travel. In only a very few exceptional cases travel in business class is permitted on long-haul routes. If there is an important meeting in the destination soon after arrival, that could be a good enough justification for business class travel. But return trip back home will be in economy. Also company 3 has a similar practice to combine business and economy fares.

All the interviewees said that the frequent flyer points should be used for business trips. According to current tax legislation the employer does not have an obligation to follow up that the points in airline miles programs are used for duty travel only. However, one of the respondents said that she is planning to start doing some follow up or checks in future. If the points are used for private trips they are taxable and the traveller is responsible to inform the tax authorities of the use and pay taxable value accordingly. All respondents favoured the use of points for upgrades to business class. One of the interviewees said that it is a good way to use the points and to gain comfort in travelling, but the downside is that if you get used to travelling in business, flying in economy gets much harder. None of the respondents accept upgrades with money. Everybody stated that if it was possible to pay ancillary services with points, they would allow it at least for the services that are allowed in the travel policy.

6.3 Ancillary impacts in Travel Management process

As presented in chapter 2.3.4., the most important carriers in Finnish market have different services included in base fare. For some carriers base fare does not include free baggage allowance at all. But a carrier that does not have any free baggage allowance might offer some other service for free. All this makes the comparison of fares very difficult, which makes the selection of carriers more complex. Making travel budget for the following year is also more difficult when there is a need to estimate not only the costs of the flight tickets but also the ancillary services. Also the service fees must be taken into account when estimating the budget for the next year. The reporting of chargeable services is not yet available from all channels, which means that making the budget is a difficult task. On top of it ancillary services are such a new phenomenon in Finnish market, that statistics from a previous year do not exist because the services have been launched so recently.

Unbundling of services means that the total costs of a flight trip is added up from the basic fare plus smaller sums for different separately charged services. The traveller will receive separate receipt for the ticket and for each chargeable service. As at least not all airlines pay commission for the TMCs for selling ancillary services, the TMCs must

cover the extra work with service fees. Some TMCs charge a separate service fee for ancillary reservations only in case the chargeable service is booked after the flight reservation has been done. If all reservations are done at the same time, one service fee covers both flight and ancillary reservation and document issuances.

According to company 4 ancillary services generate costs that are not transparent. It is not just the chargeable service and service fee, but also there is more material to process within the company. The fact that there are several documents and costs within one flight journey means more work. The payment provider costs are higher when there are several payment transactions within one trip. On top of the ancillary charges there are also service fees that have to be posted in book keeping. If there are two carriers to choose from when booking a business trip; one that has services bundled in fare and another one who unbundles, Company 4 finds it very tempting to choose the first alternative. To many destinations there are today more than one airline to choose from. It would be ideal to have one bill and one document, that contains all the services of the flight trip. "In a restaurant we don't pay starters and main course separately", the respondent 4 added.

The airline chargeable service launch means extra work for a TMC. Most TMCs have automated document issuance by using scripts and the launch of ancillaries and EMD-A forced the TMCs to modify scripting. They also need to add commercial names of the service, Reason for issuance codes and sub codes in the back office system, so that they can report the used services for the customers. That has meant development costs for the TMCs. Representative of company 3 pointed out, that although the TMCs collect the service fee, it covers only the extra work caused by the reservation of ancillary service and document issuance. But launch of ancillary services has also generated new needs in reporting, and the additional work in reporting is not compensated by any means to the TMCs.

General opinion of the interviewees was that unbundling of fares makes the travel management complex. Companies said that they would like to negotiate a fare with airlines that includes all necessary services. However, unbundled fares cannot be completely avoided if the company is normally looking for the cheapest possible

alternative. Company 1 mentioned that sometimes the trip must be booked on a very short notice. In that case there is no other option but to book what is still available.

In a discussion with Company 4, the interviewee also mentioned that in a rebooking or flight disruption situation separately paid services might cause unnecessary concern for the traveler. There are too many services and receipts to worry about. The interviewer mentioned that in flight irregularity situations it is the airline's responsibility to take care of the rerouting and the reissuance of the passenger's documents.

6.4 The role of booking channels in travel management process

Table 27. Critical points in travel management process when reservation is done through different reservation channels

Booking channel	Control that bookings are done according to travel policy	Form of payment	Reporting
Online booking tool	Yes, travel policy can be defined on corporate and on unit level	Based on settings; corporate travel account, business or private credit card can be used	TMC reporting based on reservations and on documents issued. Reporting available also by payment provider
Travel agency offline, TMC	Yes, corporate and passenger profiles available	Corporate travel account, business or private credit card can be used.	TMC reporting based on reservations and documents issued. Reporting available also by payment provider
Public airline website	No	Business or private credit card can be used	Reporting based on payment card. More detailed reporting available through TMC if TMC makes the booking on behalf of the passenger. Airline could also provide

			reporting if corporate customer was recognized
Airline offline	No	Business or private credit card can be used	Reporting based on payment card. Airline could also provide reporting if corporate customer was recognized
Online travel agency, OTA	No	Business or private credit card can be used	Reporting based on payment card
Airport kiosks	No	Business or private credit card can be used	Reporting based on payment card
Mobile applications	No	Telephone bill	No

All interviewees considered online booking tool and travel agency offline, TMC, as the most important channels. However, only a few carriers are selling ancillary services through those channels today. There are several carriers that sell their ancillary services only on their own website, as technically that is easier and possible to implement quicker than distribution through offline channels, which is dependent also on the GDSs capability. From travel management point of view bookings through airline website are problematic.

Two critical points in travel management process are capability to control that travel policy is followed and another one is reporting. Only such booking channels should be used which can offer a mechanism to control that the travel policy is followed. Using those channels also enables pre reporting, which is needed when the company wishes to find out the future travel costs based on current bookings before the trip has begun. Post reporting is needed when the company negotiates with the service suppliers for new contracts. If the purchases have been done outside the official channels, it means that the company is paying the costs but is unable to prove for the service supplier the real number of services used and purchases that have been made. If the traveler repeatedly purchases services from a channel that should not be used, the company might refuse to reimburse such purchases.

When travel agency makes the reservations through offline channel, the agent is aware of the corporate travel policy, which is entwined in the corporate profiles. The profile content guides the reservation process; preferred carriers and reservation classes are in profile, as well as the number of the travel account card. In offline channel the corporate profile has a priority over passenger profile, which contains traveler's personal preferences, and it can also include personal credit card number. All the interviewees said that travel account is the preferred form of payment. The account can be used as form of payment only in travel agency offline and OBT channels, as the card number is a virtual one and there is no CVV number available. Some companies have provided their travelers with business credit cards, which are used for hotel reservation guarantees and payments and also for payments of other expenses during the trip. Travel account and business credit card purchases are transferred automatically to travel claim system and the payment provider is able to provide reporting based on purchases. However, the TMC reporting is preferred by the companies, as it contains most detailed information such as frequent routes, volumes by carrier etc.

In online booking tool the default form of payment depends on the settings the company has agreed with the TMC who has provided the tool. (Henttonen 2012.) It came up in interview 2 that it should be possible to add also the personal credit card number in the online booking tool, in case the passenger wants to buy an ancillary service that is not compensated by the company.

None of the companies favors that the bookings are made via airline offline channels, which more specifically are airline offices and call centers. Company 3 whose travelers fly to exotic destinations may exceptionally allow contacting the airline directly if the fares are not available in the GDS. When reservation is done from airline offline channel, there is no control that the travel policy is followed, and reporting is based on payment provider reporting if the business credit card is used. When the purchase is with personal credit card, the traveler will add the expense in the travel claim system manually. The companies can get reporting also based on the travel claim system, but not as detailed as from TMCs. From travel claim system the ancillary fees are reported as "other expenses".

Public airline web sites are the channel where ancillary services are usually available first. From travel management point of view that channel is not the preferred one. There is no control over the travel policy and reporting is based on payment provider information if the business credit card has been used as payment. A better option is that the TMC makes the reservation on airline website on behalf of the traveler, because then the booking is included in the reporting provided by the TMC and according to company 3 then the purchase is also automatically transferred to travel claim system. Travel account card number cannot be used, but business credit card usage is possible. Some companies might have invoicing as an alternative for credit card, but credit cards are much more common.

It has not become apparent in this research if there are companies in Finland who book through online travel agencies. However, there are no profiles to ensure the policy and reporting is only available if business credit card is the form of payment. It is the same with airport kiosks, although ancillary services are not available yet through that channel in Finland. Mobile services are not available yet either. That would be a good channel for a traveler on the move. If the services were offered for a business traveler, there should be integration to the profiles and to travel claim system as well.

6.5   Recommendations and suggestions to stakeholders

Company 1 stressed that when airlines plan to launch new ancillary services, they should talk to their customers and at least talk with the travel agencies, so that the carriers would understand what are the impacts of such services in the travel management process. Meals, baggage and internet access should be included in the basic fare at minimum.

According to company 2 it is important that when new ancillary services are launched the airlines inform the companies well in advance, preferably three months before the launch. There are many reasons why the lead time is needed. First of all the process within the company to decide the travel management policy might take some time as it

needs to be approved by the management. There might also be a need to make adjustments in the OBT. The TMC who does the updates in the OBT has several customers who are all waiting for the updates. Also the TMC has to update the back office system and scripting that they can handle the process and report the services used to the company.

6.6   Some other insights brought in by TMCs

The writer discussed with travel management experts of the four leading TMCs in Finland to find out how they see the ancillary services impacts in the travel management process of their corporate customers. Samuli Sakari, Development & ICT Director from Travel Agency Area mentioned that in Finland the ancillary discussion revolves mainly around Finnair. Hannu Kallio, Quality, Development and Training Director from KalevaTravel said that when Finnair launched chargeable pre-seating, that triggered the companies to really start thinking about their opinion about ancillaries. He continued that 90 % of their customer companies do not reimburse chargeable seats for the travelers. He also mentioned that if an employee is traveling a lot on duty, the employer should keep the wellness of the employee in mind when setting the guidelines of the travel policy. More comfortable trip in a higher reservation class or a chargeable service that provides more comfort for the passenger could make heavy travel schedule more tolerable.

Riitta Rotkirch, Head of operations in Finland at HRG Nordic said that among their customers the launch of ancillary services has not caused major issues as most of their corporate customers do not allow the use of chargeable services in business trips. She said that most business travelers wait until the pre-seating can be done free of charge when checking-in in the airline internet site. Some companies however do allow chargeable pre-seating on long haul flights.

Two TMCs mentioned that there is no transparency in fares as the airlines unbundle different services, so they are not comparable. It is impossible to compare the average airfares as long as there is no standard – if there ever will be. The companies have not yet updated their policies or decided what their policy is going to be. It is not always clear if e.g. the golf bag will be compensated by the company, said Samuli Sakari from

Area. With some carriers golf equipment is always charged separately, and for some carriers it is considered as one piece which could be either a bag or golf equipment. "Transparency in pricing is today just marketing jargon. But it should become real", Samuli Sakari continued.

In spring 2012 only Finnair Travel Bureau had ancillaries available in OBT. Susanne Lindroos, Business Development Director told that the tool should be guided by the travel policy as the travelers often make the bookings themselves and when using the tool they should be able to display only the options that are permitted in the policy. It is now possible to have the ancillary policy in the system on corporate level, but in case there are differences between different employer groups those exceptions are not possible to note in the system today. It is also possible to set a price limit for the ancillary purchases. Finland Travel Bureau has inquired their customers about the ancillary policy so even if the company is not using OBT the TMC knows the rules of the company. Susanne Lindroos also expressed her concern about the differences in conditions, rules and document issuance time limits between tickets and ancillary services. According to TMC it is difficult for the consumers to understand those differences.

TMCs have automated their ticketing processes. EMD ticketing process is different from e-ticket issuance, so deployment of EMD in travel agencies has forced the TMCs to develop automated process for EMD issuance as well. From automation point of view EMD document is a much better alternative for travel agencies than MCO. EMD also enables better quality in reporting. Hannu Kallio from Kaleva Travel reminded that to make changes in scripts takes time and that development always costs.

As there is a vast amount of Reason for Issuance Sub Codes, RFISCs, in ATPCO list it is possible that airlines will not use the same codes for similar services, but choose different ones. Riitta Rotkirch from HRG Nordic says that the problems caused by having various codes have already been met. It would make the process much easier for TMCs if the carriers could to agree to use the same RFISC for prepaid baggage. The TMCs capability to report services issued on EMD-A varies. Samuli Sakari from

Area Travel Agency says that they can provide reporting on RFISC level and report also flight date, flight number, route and the commercial name of the service.

Finland Travel Bureau encourages the companies to discuss ancillary policies with them and consider if there is a need to adjust the reporting and/or the travel policy. It is good to have the policy up-to-to date. The companies should be aware of the volumes, so the purchases should not be dispersed in different channels. Susanne Lindroos also points out that an efficient way to make the travelers book through the channels preferred by the company is to deny to compensate the purchases if it is done through a channel that should not be used. When purchase is paid with business credit card reporting from credit card company is available at least on some level, but there is no automation in posting process, so it has to be done manually.

Samuli Sakari recommends that the airlines should talk with the TMCs and also with other carriers. He added that if the carriers created fare families that would be a step to the right direction. Customer could either choose fare category that includes services or another without services. In addition there should be consistency in service offerings at least between the carriers that are in the same alliance. Susanne Lindroos asks the airlines to carefully consider which services will be unbundled and think about the service from the customer point of view. She said that it should be kept in mind that the needs of business and leisure travelers are different. Her wish it that the airlines inform the TMCs about new services at least two months in advance so that the travel agencies have enough time to update their systems. It would be necessary to test a new service also in real travel agency environment before the service is launched on the market.

7 Conclusion and an insight into the future

7.1 The future of ancillary services in aviation

So far the airlines have been selling ancillary services only in online environment, meaning the opposite for interlining. An example of online environment is when carrier XX sells services on XX flights and passenger has XX validated e-ticket. EMD eligible carrier XX could sell ancillary service and issue EMD-A for such itinerary.

Before the ancillary services are interlinable, there are some steps to be taken. First there is the question if the carriers will interline ancillary services at all and if they do, which ancillary services will be interlinable. The filing in ATPCO must be done accordingly, so that automatic pricing is possible in interline scenarios. Then the EMD-A document that is used for collecting the fee must be defined interlineable. EMD-A is the document that will be used for collecting fees regarding flight related ancillary services. Today there is EMD interlining only between few carriers, so it will still take some time before EMD interlining is in place between even the most important airline partners.

There are several aspects in interlining of airline ancillary services. These scenarios present different interline scenarios:

1.   e-ticket validated by carrier XX
            Prepaid baggage sold by YY for YY flight from AAA to BBB:

            AAA _____BBB
                    YY

            Today EMD-A cannot be issued unless EMD interline agreement is in
            place between carriers XX and YY. It has been discussed at airline
            industry meetings that the GDSs should develop a workaround to
            by-pass a need to interline the document, because the service itself is not

interlineable (YY sells service on YY flight).

2.   e-ticket validated by carrier XX

Prepaid baggage sold by carrier XX to itinerary AAA-XX-BBB-YY-CCC.

AAA _____ BBB _____ CCC
              XX   YY

This is a "true" interline scenario, where service of carrier YY is issued on document of carrier XX. Until the EMD interlining is in place, it is not possible to issue EMD for this whole itinerary. The solution today would be to issue two separate tickets and EMDs by the travel agent: XX validated for AAA-BBB and YY validated for BBB-CCC. This could only be done if the ancillary fees are point-to-point between AAA-BBB and BBB-CCC. It is difficult to say today if this scenario will be realistic in ancillary services.

3.   e-ticket validated by carrier XX

Prepaid baggage sold by carrier XX to itinerary AAA- BBB, where YY is the marketing carrier and XX is the operating carrier (code share flight)

            MC: YY
AAA _____ BBB
           VC: XX

There must be an EMD interline agreement in place between carriers XX and YY before this scenario is possible. Also GDS must be able to provide autopricing for the fee, based on the carriers' fee filing in ATPCO.

There may not be a need for the airlines to make EMD interlining with all their e-ticket partners, but interlining is necessary with at least between the carriers who have code shares between each other and also between carriers who are members of the same alliance.

At the moment the conclusion has been on the airline industry level that the airlines should be using the same RFISCs for the interlineable ancillary services. That would be a good solution from the TMC point of view, because then all carriers would have the same codes in the reporting. The next step is for the carriers to agree what those codes are. That is not an easy task as there are several codes available with only slight differences between each other. All carriers do not see the need yet and then when the carrier has started internally to use specific RFISCs, it is not an easy task to change them afterwards.

7.2 Recommendations for actors in business travel market

In a few years we will see if the airline ancillary revenue keeps growing in Europe the same way as it has in US, or if this is just a passing trend. The airlines need to improve their economy any way they can. People are traveling more than ever and they also expect to be able to tailor the traveling experience to meet their personal needs. But there is a difference in processes if the individual is travelling on business or on her own time and expense. In the following paragraphs there are some suggestions to different stakeholders how to smoothen the business travel process when ancillary services are part of the reality. Also some questions are raised – without having an answer yet.

At least two interviewees said that communicating positive changes in travel policy is much easier than telling news about stricter guidelines, as the less restrictive policy is more willingly adopted than a strict one. It would be better to act proactively and decide what kind of chargeable services will be compensated by the company even before such a service is available in the market.

If paying of ancillary services becomes possible with frequent flyer points in future, is there a need to draw a line between the services that are reimbursed by the company and the services that are not compensated by the company? Could that situation be compared to the case when the business traveler uses points for private trips and is eligible to report the usage of points to tax authorities? However, the charges for

ancillary services are small so what would be the taxable value? This all depends on the company policy regarding chargeable services and frequent flyer points.

The airlines should consider bundling of services for business travelers instead of unbundling them. None of the respondents found positive aspects in unbundling of fares in business travel. Representatives of some companies said that they are willing to pay higher fares if the fare includes necessary services, like meal, baggage, advance seat reservation to avoid internal extra work generated by separate expenses.

Leisure travel is a completely different area than business travel, as leisure travelers may be much more willing to pay only for services that they actually need and use. They may be willing to buy transportation from A to B and buy separately all other services. But leisure travelers are not struggling with receipts and travel expense reports. Nor are they interested in reliable reporting. It would be ideal if the carriers could take into account the different needs of these two customer types.

Companies who do not have a TMC partner, buy services directly from airline online channel or from airline ticket office. Also those companies are definitely interested to find out how much ancillary services they have bought from the airline. The airlines should be able to provide ancillary reporting based on a company code. The prerequisite is that the customers know this code, or there could be an alternative way to recognize the customer as the company employee.

If the airlines continue to unbundle fees they should quickly start thinking how the challenges with interlining will be overcome. It is important that the carriers participate in airline industry meetings where the foundation and guidelines for the ancillary interlining is decided. Airlines should also talk to their IT providers and make sure that the GDSs used for distribution have readiness for interlining ancillary services on EMD document. There is competition between the airlines, but as one TMC suggested, at least the airlines within a same alliance should co-operate and try to align their services.

Today very few chargeable services are available in travel agency offline channel. But if there are going to be more ancillary services in future for more carriers, it may be necessary that the TMCs pay more attention to the level of reporting regarding airline chargeable services. If the service is issued on EMD document, it is possible to report services on Reason for Issuance Code level, RFIC e.g. airport services and also more specifically, on Reason for Issuance Sub code level, RFISC, e.g. lounge access, which defines the service more specifically.

As the comparability of the fares is now difficult, it is important to make the fares more transparent. It makes no sense to compare two fares, if those two fares include different services. End-users should be able to compare fares of different carriers based on specific criterions. It should be possible to display fares that include certain amount of free baggage allowance or no free baggage allowance at all, fares that include free pre-seating etc.

Interviewee 2 wished that it would be possible to add alternative form of payments in the online booking tool. The interviewee was thinking of a situation when the traveller wants to use online booking tool for reserving an ancillary service that is outside the corporate travel policy and which will not be compensated by the company. The traveller would then add his own credit card number as the form of payment. On the other hand it could be questioned whether online booking tool should offer such services that are not approved in the company travel policy and that will not be paid by the company. Maybe the services that are not compensated by the company, could be displayed after the traveller has indicated that the payment will be done with a private credit card. Alternatively, the services which will not be compensated by the employer, could be purchased from the airline website and paid with the traveler's private credit card. Then this purchase would not interfere the travel management process.

In a travel agency offline channel the passenger preferences for free and chargeable services should be defined separately. The customer might be interesting in a special meal if it is free of charge, but not if it is chargeable.

It was mentioned by one of the interviewees that the ancillary services fall into category of "other charges" in the travel claim system. It might be useful to separate the chargeable airline services from other miscellaneous charges in order to be able to track the ancillary purchases at least on some level in travel claim system when the purchase has been done either by cash or by personal credit card outside preferred channels.

7.3 Final reflection

The studies were conducted in spring and early summer 2012. Since then some new ancillary services have been launched by carriers so the offering on the Finnish market is constantly changing just like it does worldwide in all markets. The ancillary trend is providing new opportunities for the passengers, the corporate customers, travel agencies and also the airlines themselves.

The ancillary business in offline channels is still so new that some issues need to be resolved in the industry level before all necessary standards are in place to make the whole process flow smoothly from the beginning to the end. Making standards is not easy, but if there are no standards, co-operation is impossible between parties involved in airline and travel business. It would be interesting to see five years ahead what the airlines are offering to their customers and how the travel management process is then handled. It seems that as the ancillary business is strongly growing, it is here to stay and that it is not just a passing phase. The challenges that are faced today are partly caused by the fact that unbundling of services is still a new phenomenon especially in the offline channel and the technical solutions that are needed to support the fluent processes are still trying to find their final shape.

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Appendix 1. Glossary

ASR	Advance Seat Reservation
ATPCO	Airline Tariff Publication Company
BAR	Best Available Rate
BSP	Billing and Settlement Plan
BTA	Business Travel Account
DCS	Departure Control System
EMD	Electronic Miscellaneous Document. The standardized airline industry solution for ancillary service fee collection
FBTA	Finnish Business travel Association
GDS	Global Distribution System
IATA	International Air Transport Association
MC	Marketing carrier. The carrier whose code is used in reservation in code share situation
MCO	Miscellaneous Charges Order.
NBTA	National Business Travel Association
OBT	Online Booking Tool
OC	Operating carrier in code share situation
OTA	Online Travel Agency
PNR	Passenger Name Record
TMC	Travel Management Company
VC	Validating carrier. The carrier, whose document is issued

Appendix 2. Covering letter of the questionnaire

Hyvä FBTA:n ostajajäsen,

Nimeni on Päivi Rautanen ja opiskelen Haaga-Helia ammattikorkeakoulussa matkailun ylempää amk- tutkintoa englanninkielisessä koulutusohjelmassa. Työskentelen Finnairissa Ticketing-alueen kehitystehtävissä, joten lentoyhtiöiden lisämaksulliset (ancillary) palvelut ovat tulleet tutuksi jo työn kautta. Opinnäytetyön aihetta hakiessani sain toimeksiannon Suomen Liikematkayhdistykseltä tutkia lentoyhtiöiden lisämaksullisia palveluita matkahallinnon näkökulmasta.

Opinnäytetyöni tavoitteena on:

- kartoittaa, mitä problematiikkaa lisämaksulliset palvelut aiheuttavat matkahallinnon prosesseissa

- löytää vastauksia siihen, mitä olisi tehtävä toisin tai kehitettävä, jotta lisämaksulliset palvelut eivät aiheuttaisi ylimääräistä työtä tai mutkistaisi prosesseja

- kerätä palautetta ja kehitysehdotuksia yrityksille, lentoyhtiöille sekä järjestelmä-toimittajille lisämaksullisiin palveluihin liittyen.

Tutkimus tehdään kahdessa vaiheessa:

1) FBTA:n kaikille ostajajäsenille lähetetään oheinen kysely. Pyydän, että organisaation matkahallinnosta vastaava henkilö vastaa kyselyyn. Vastaathan jokaiseen kysymykseen, ja tarvittaessa voit lisätä kommentteja englanniksi täydentämään vastaustasi. Viimeinen mahdollinen vastauspäivä pe 4.5.2012. Kyselyyn vastataan anonyymisti, ja vastaukset käsitellään ehdottoman luottamuksellisesti.

2) Kyselyn tulokset analysoituani aion vielä haastatella muutamaa Travel Manageria päästäkseni aiheessa entistä syvemmälle. Jos olet vapaaehtoinen ja kiinnostunut olemaan haastateltavana, pyydän sinua ystävällisesti olemaan yhteydessä joko minuun tai Sari Viljamaahan (sari.viljamaa@fbta.net).

Pyydän myönteistä suhtautumistasi kyselyyn. Lentoyhtiöiden tuodessa alati uusia palveluja lisämaksujen piiriin on tärkeä saada mahdollisimman suuri määrä vastauksia, jotta tutkimustulos on korkealaatuinen ja sitä kautta hyödyllinen koko FBTA-jäsenkunnalle.

Kyselyyn pääset vastaamaan [tästä](#) .

Jo etukäteen yhteistyöstäsi kiittäen,

Ystävällisin terveisin
Päivi Rautanen paivi.rautanen@myy.haaga-helia.fi

Appendix 3. Follow up cover letter of the questionnaire

Hyvä FBTA-ostajajäsen

Airline Ancillary Services –tutkimukseen, joka toteutetaan FBTA:n toimeksiannosta Haaga-Helian ylemmän AMK-tutkinnon opinnäytetyönä, on saatu jo hyvä joukko vastauksia. Lämmin kiitos kaikille, jotka ovat vastanneet. Yhteenveto tuloksista tulee valmistuttuaan koko FBTA-jäsenistön hyödynnettäväksi.

Jotta otoksesta saataisiin mahdollisimman laaja ja laadukas, on tärkeää, että mahdollisimman moni matkahallinnon ammattilainen osallistuu. Vastausaikaa on jatkettu muutamalla päivällä ja mikäli et ole vielä vastannut, toivomme, että voisit käyttää hetken aikaasi ja antaa arvokkaan panoksesi tärkeälle asialle viimeistään **keskiviikkona 9.5.** Kysely on englanninkielinen ja siihen vastataan anonyymisti. Yksittäisen vastaajan tiedot eivät ole tunnistettavissa. **Kyselylomake** löytyy [täältä.](täältä)

Hyödynnäthän tilaisuutesi vaikuttaa lentoyhtiöiden lisämaksullisten palveluiden kartoitukseen ja tuoda esiin ostajanäkökulman!

Ystävällisin terveisin,

Päivi Rautanen
opiskelija, Haaga-Helia AMK

Sari Viljamaa
toiminnanjohtaja, FBTA

Appendix 4. Theme interview questions

- Name and occupation of the interviewee
- Company: (ask the interviewee if the name of the company may be mentioned)

- **Could you describe what kind of travelling is typical in your company?**
- How many traveller profiles do you have?
- What is your travel budget (direct spend)?
- Which are the preferred airlines by your company?
- Do you have a Travel Management Company as a partner, or do you use other channels? Do you ever buy services directly from the airline?
- Do you have online booking tool? If yes, what is the adoption percentage? Can travellers use the tool themselves? If not, why? Can it be used to book all kind of journeys or are there limitations?
- Do the travellers fly to the same destinations frequently?
  -> if the same routings are flown frequently, what is the percentage of these frequent destinations compared to less frequently visited destinations?
- Do your travellers often have complicated travel arrangements?
- Do you always use negotiated fares or do you choose the cheapest available?
- If non-stop flights are not available, what are your preferences: do you prefer to search for the lowest possible fares, even if it means that two separate tickets must be issued? Or do you prefer to choose a connection that is issued on the same ticket so that the passenger can be through checked-in all the way to the destination?
- If the trip includes Finnish domestic segments in connection with international segments, does that case any additional problems in the process? What are your expectations regarding ancillary services and interlining?

- **Could you tell something about the company's travel policy in general?**
- How often do you update the travel policy? Is the update done periodically or only when it is needed?
- How well do the travellers follow the guidelines that have been written in the policy?
- If they don't what kind of means do you use to make them follow the rules?
- Are any employees allowed to travel in business class?
- In the survey quite many travel managers said that the travel policy does not include ancillary services yet. How easy is it to update the travel policy when new chargeable services are introduced by the airlines?
- What are the challenges in keeping the travel policy up-to-date?
- What is your policy regarding frequent flyer points?
- Does it happen often that the airline contacts the traveller directly and offers upgrade? If that happens, is it a problem?

- If the employee is entitled to travel in economy class, do you mind if the employee is upgraded to business class by using his frequent flyer points or money? (Sometimes the upgrade is done by the airline without points/money)
- Would you allow the travellers to pay ancillary services with frequent flyer points, if that was possible?

Ancillary services

- **What is your opinion regarding airline ancillary services?**
- Have they been booked by the travellers? If yes, which services?
- **How has the launch of ancillary services impacted the travel management process?**
  Have you recognized any gaps in the process?
- Are the ancillary services available through the channels that you consider important?
- Do you have any means to control that the passengers use the preferred sales channels
- What do you think the airlines should take into account when they launch ancillary services?
- Is the channel important?
- When the airlines launch (new) ancillary services, how do you expect them to do it?
  How should the launch be done so that it goes smoothly from corporate customer's point of view?
- When you negotiate the corporate contract with the airlines, are also ancillary services included in the negotiations?
  What has been your target in the negotiations regarding ancillaries?
- Has the launch of airline ancillary services had any impact on the negotiations between you and the TMC partner?
- Is there anything the TMCs should be doing differently to make the process more fluent?
- Do you have any suggestions or comments for the GDSs or IT providers?

Reporting

- **What kind of reporting do you expect to get from your partners? (TMC & airlines)**
- Do you receive sufficient reporting regarding ancillary service purchases?
- After the launch of ancillaries, have your reports been adjusted to include also ancillary services?