



**Why travel agencies  
are losing 20% of  
their profits on  
unnecessary costs**

White Paper  
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## **Foreword**

Travel agents, tour operators and travel wholesalers are typically spending thousands in unnecessary costs each year. And in a fiercely competitive market operating on high volumes and low margins, ensuring efficiency with sales and purchasing systems is no easy task. Especially when it comes to payments.

If you want to find out where you're losing money, how efficient your platform really is and the simple way to eliminate these costs, read this white paper. It explores the top three areas where you could be overspending. And it reveals the statistics behind your unnecessary costs – giving you the information you need to save money and drive efficiency.

Read this research to take the next step towards bigger profits and better payments efficiency.

# The challenge for travel agents

When you've got supplier networks that span the globe, payments are inherently complex. You need to pay hotels, airlines, cruise operators and more, in multiple currencies, across a myriad of payment types.

If you don't have an optimised payment process, you're needlessly exposing your business to surcharges, FOREX fees and reconciliation costs. Left unchecked, these costs can slowly affect your profit margins, making it even harder for you to continue standing still.

But it's possible to eliminate these costs completely.

**Ixaris conducted research which explores the spending profile of five medium-sized organisations with a seemingly 'optimised' payment solution, which may still be spending tens of thousands more than necessary on paying their suppliers.**

## What's driving avoidable costs?

### Surcharges:

Taken on a transaction-by-transaction basis, on average surcharges can cost

**£96K**

per year

Many airlines continue to levy additional costs on payments made via certain card types. Even small surcharges, when multiplied across hundreds or even thousands of bookings per day, can amount to a significant sum.

### Foreign exchange (FOREX) fees:

Most travel agents spend twice as much on FOREX fees than necessary each year.

And on average, they add an additional

**2%**

**onto the cost of paying an international supplier.**

To pay worldwide suppliers, you need to access multiple currencies. And without an in-house treasury function, you will have to pay foreign exchange associated cost. As with surcharges, high transaction volumes can send this figure soaring.

### Reconciliation costs:

Mid-sized agencies pay

**£60K**

per annum on payment and reconciliation costs.

If you pay suppliers using a traditional corporate card scheme – it's likely that there's no reconciliation facility in place. This means that spend must be manually matched to each relevant transaction, consuming hundreds of resource hours in the process.

<sup>2</sup>Ashish Sabadra, Deutsche Bank, 2015

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**The 'average' travel agent spends between £40,000 and £165,000 on payment-related costs alone, each year.**

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## Why are the costs so high?

Up to **20%** of the average travel agents gross profits are spent on unnecessary payment-related costs. To solve the problem, we looked deeper into the three main challenges.

### **Surcharges – if you fit these profiles, you can increase your profit margins**

Surcharges levied by airlines account for the biggest slice of payment-related costs. Based on the spending patterns of the travel agents that we sampled, surcharge costs are often 2% or more, taking a significant slice out of already narrow profit margins.

The problem is flexibility. The travel agents that suffer the most here, tend to fit one of two profiles:

#### **Using a traditional corporate card scheme**

Here, you're at the mercy of surcharges with no room for manoeuvre. Corporate credit cards are an expensive payment method to acquire, and as a consequence airlines often add a surcharge for these types of card payments.

#### **Working with a “virtual card” provider that only partners with a single card scheme**

While virtual cards may simplify spending and automate reconciliation, if only one card scheme is made available, then you could be vulnerable to the different ways airlines levy surcharges.

Although you may find some of the surcharge costs are offset by a cash rebate from your payment provider, you are still limited to a single choice of payment card.

If you're in this camp, you will have to rely on the value of the rebate delivered by the payment provider. And with no way to switch dynamically between card schemes, you won't be able to avoid the full-blown cost of surcharges imposed by selecting the 'right' card with the 'right' supplier.

Virtual payments can be a further cost burden, instead of being a net cash contributor to the business, if the fees paid exceed the amount of revenue that can be generated through a rebate agreement.

While this may not seem like an immediate cause for concern, the issue will only become more pressing as low-cost airlines continue to explore the way in which their own revenues and costs are controlled.

As we saw from the actions of several major airlines in the past, healthy revenues can quickly vanish if an airline changes its policy regarding payments made via certain card schemes.

## **FOREX – compared to other travel agents, how much are you spending?**

FOREX charges add, on average, an additional 2% onto the cost of paying an international supplier. Although FOREX fees account for approximately 20% of the transactions made by the travel agents in our study, this still constitutes a significant annual cost.

On average, travel agents are spending twice as much on FOREX fees than necessary each year – yet they are still viewed by many as unavoidable costs. Due to failure to capitalise on more competitive FOREX rates and potential rebates from solutions providers, you could be spending a lot more than is necessary.

Do you rely on card schemes to carry out currency conversion on your behalf? Our detailed analysis shows that if you do, it's likely that you're spending more than other travel agents who work with payment providers, while missing out on volume-based rebates from those partners.

This failure to optimise is costly. Our research shows that without a payment solution provider in place, you could be spending an average of £48,000 per annum on FOREX, compared to £24,000 spent by those who use FX services from their payments provider to assist with currency conversion.

## **Reconciliation – how to free up your resource**

If your payment processes are structured entirely around corporate credit cards, reconciliation costs apply. With multiple supplier orders processed on a single high-limit credit card and no automatic matching facility, the burden of linking each transaction with a customer-purchase falls to you.

As you process tens, if not hundreds of thousands of transactions each year, you will continue to lose valuable time and money on human resources if you take this approach.

**On average,  
travel agents have**

# 12

**employees per  
firm and spend**

# 20

**hours a week on  
payment processing.**

**After evaluating the spending profiles of travel agents, we found that mid-sized agencies spend an average of £60,000 every year on payment handling and reconciliation, with some employees hired full-time to match orders.**

While it may not be possible to eliminate payment handling and reconciliation costs entirely, they are nonetheless much lower for those working with payment solution providers. Here, costs average around £12,000 per annum, with savings delivered mainly through automated reconciliation.

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## How travel agents can get a 26% boost to gross margin

Research by Ixaris shows that **if you're using a platform which is restricted to searching and booking only, you can save tens of thousands each year by upgrading**. A fully optimised payment process, provides one source for searching, bookings and payments, which would save the average travel agent 20% of their profits on unnecessary payments to suppliers.

By upgrading the process and working with a payment provider it's possible to:

-  Cut FOREX in half by working with a payment solutions provider.
-  Reduce the amount spent on surcharge fees to save up to £96,000 year.
-  Save up to 80% per year by automating reconciliation.
-  Save between tens of thousands each year on payment-related costs each year.

A man in a suit is holding a tablet, looking at the screen. The background is a city skyline with a river, overlaid with a semi-transparent image of the man and his tablet. The overall tone is professional and modern.

## Conclusion

If your payments process is inefficient, you will lose a percentage of every sale you make – threatening your long-term profitability and preventing you from staying competitive.

In this highly competitive market, successful travel agents will gain a competitive advantage by embracing the latest payment processing technologies to resolve unnecessary spending.

A solution which offers customisation, growth, and optimisation on three levels – searching, bookings and payments, will ensure that you maximise efficiency, reduce costs and increase revenue.

With an optimised system, payment processing will be cost-effective both now, and in the future.

# About Ixaris

Ixaris is a fast-growing B2B payments expert with transaction volume growth of 42% between 2016 and 2017. As a leading provider of flexible and extensible payments platforms, we enable the B2B payments of more than 250 travel agencies worldwide. And we have a strong track record in the industry, working with organisations such as Flygo, Logitravel and Paxport to transform their profits.

We help travel agents, tour operators and wholesalers to profit from payments. Offering a fully optimised solution searching, bookings and payments, so that they can maximise efficiency and save thousands each year. And reloadable virtual cards enable them to overcome the most common payment challenges associated with corporate purchases.

**14 years of experience delivering payments innovations to the industry**

AMADEUS

LOGITRAVEL.com

bravofly

opodo

eDreams ODIGEO

flygo

MULTICOM  
a Paxport company



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