

BUSINESS TRAVEL

Fee-based pricing may change the way travel agents are paid

by W. JAMES VAN VLIET

A new pricing formula is beginning to catch on in the corporate travel industry and it is first reaching Cleveland.

It is called fee-based pricing, and it represents a significant change in the way travel agency customers pay for service from travel agents.

Some large companies like it, as they see it giving money in their ever-increasing travel budgets.

For years, travel agents have worked on a commission basis. The air carrier, steamship, resort hotel or car rental firm paid a commission — usually 10% of the price — to the agent who made the booking.

Regardless of whether it was an industrial executive flying coast to coast or Auntabel taking her annual trip to Florida, the travel agent got his 10% cut.

Now, the largest clients have an optional way to pay for travel services. Here's how it works:

and schedule changes. This way, if an agent books a flight from Cleveland to Cincinnati or Cleveland to Singapore, the agent's fee is the same. More significantly, if the agent books a \$158 round trip to New York City or a \$228 round trip, the fee is the same. Under the commission system, the larger fare would mean a larger commission, a disincentive to seeking the lower fare.

Under fee-based pricing, though, the small charges — the travel agent may even charge for the delivery of tickets — could cost more than under the commission system. Currently, there is no charge for these services and any costs incurred by the travel agency are defrayed by the commission paid to the agent by the supplier.

Under fee-based pricing, if the expenses exceed the amount the agency receives through commissions, the client pays the difference and, conversely, gets a refund if the cost of the service is lower.

In the world of corporate travel, a handful of travel agencies offer fee-based pricing for

