

TRAVEL AGENCY ACTIVITIES (ISIC/NACE 7911) SECTOR PAPER

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Overview

- **Introduction**
- **Status**
- **Classifications –Industry and Product**
- **Turnover Statistics**
- **SPPIs**
- **Treatment in the National Accounts**
- **Summary of Main Issues**

Introduction

- **Travel agency sector presents several features:**
 - **selling of travel, tour, transportation and accommodation services**
 - **to the general public and commercial clients**
- **The paper summarizes experience of Australia, Ireland, Japan, Mexico and the US**
- **The paper provides the best practices based on those experiences**
- **The best method for each country will be influenced by market conditions, data availability, and resources in each country**

Status: Results of 26 VG-members in 2014

Number of countries having:	
a. PPI details \geq CPC	2
b. PPI details \geq CPC soon	0
c. Turnover details \geq CPC	5
d. Turnover details \geq CPC soon	0
e. Industry prices calculated	2
f. Industry turnover collected	22
Ratings of	
1. Detailed turnover and prices well aligned	1
2. Detailed turnover and prices well aligned soon	0
3. Industry-level turnover and prices aligned	1
4. Industry-level turnover and prices aligned soon	2
5. Other-no industry coverage for prices and/or turnover	22

Industry classifications

		Differences		
	ISIC (Rev 4) NACE (Rev 2)	NAICS (2012)	ANZSIC (2006)	JSIC (Rev 13)
section	N Administrative and Support Services	56	✓	Living-Related + Personal S.
division	791 Travel Agency and Tour Operator Activit.	5615	722	✓
sub- division	7911 Travel Agency Activit.	56151	7220 Travel Agency <u>and</u> Tour Arrangement Services	7912
	7912 Tour Operators Activit.	56152		7911

Industry vs. product classifications

Correspondence between		
ISIC (Rev 4) NACE (Rev 2)	CPA (2008)	CPC (2008)
7911 Travel agency activities	7911.11	855.11 Reservation services for airlines
	7911.21	855.21 ... for accommodation
	7911.22	855.23 ... for cruises
	7911.23	855.24 ... for package holidays
7990 Other reservation services and related activities	7911.12	855.12 ... for railways
	7911.13	855.13 ... for buses
	7911.14	855.14 ... for vehicle rental
	7911.19	855.19 ... for other transport.
	7911.21	855.21 ... for accommodation
	7990.31	855.22 Time-share exchange services

Turnover statistics

- **Data availability**
 - 22 countries compile turnover data,
 - 5 countries at product level
- **Collection of data**
 - **Annual surveys**
 - turnover and additional data (employment, expenses, cost of purchased goods etc.);
 - Mixture of census and sample
 - **Sub-annual surveys**
 - Limited to turnover and employment
 - Usually sample based
 - **5-year-economic census**
 - Information on products

Turnover statistics

- **Data issues**
 - **Industry classification clearly**
 - 7911: “service” of travel agents
 - 7912: “product” of tour operators
 - 7990: “other reservation services”
 - **Output of travel agencies = net approach, e.g. booking fee, commission**
 - **changing sales channels: Travel agents (TAs) – Online travel agents (OTAs)**
 - **potentially misclassification of OTAs into web-portals**

Turnover statistics – Options

Data Source	Level of Detail collected	Frequency / Comments
Survey / Census	Industry turnover and product turnover detail	Annual (product turnover detail) and/or sub-annual <i>Due to the variety of services it must be considered carefully what is to be collected</i>
Survey / Census (in combination with administrative data)	Industry detail only	Annual and/or sub-annual <i>Industry detail may not be sufficient to identify important products</i>
Administrative data (e.g. tax data)	Industry detail only	Annual or sub-annual <i>Suitability for turnover measurement must be checked carefully</i>

SPPIs

■ Data availability

Experience with SPPI for travel agencies :

■ Mini-presentations from

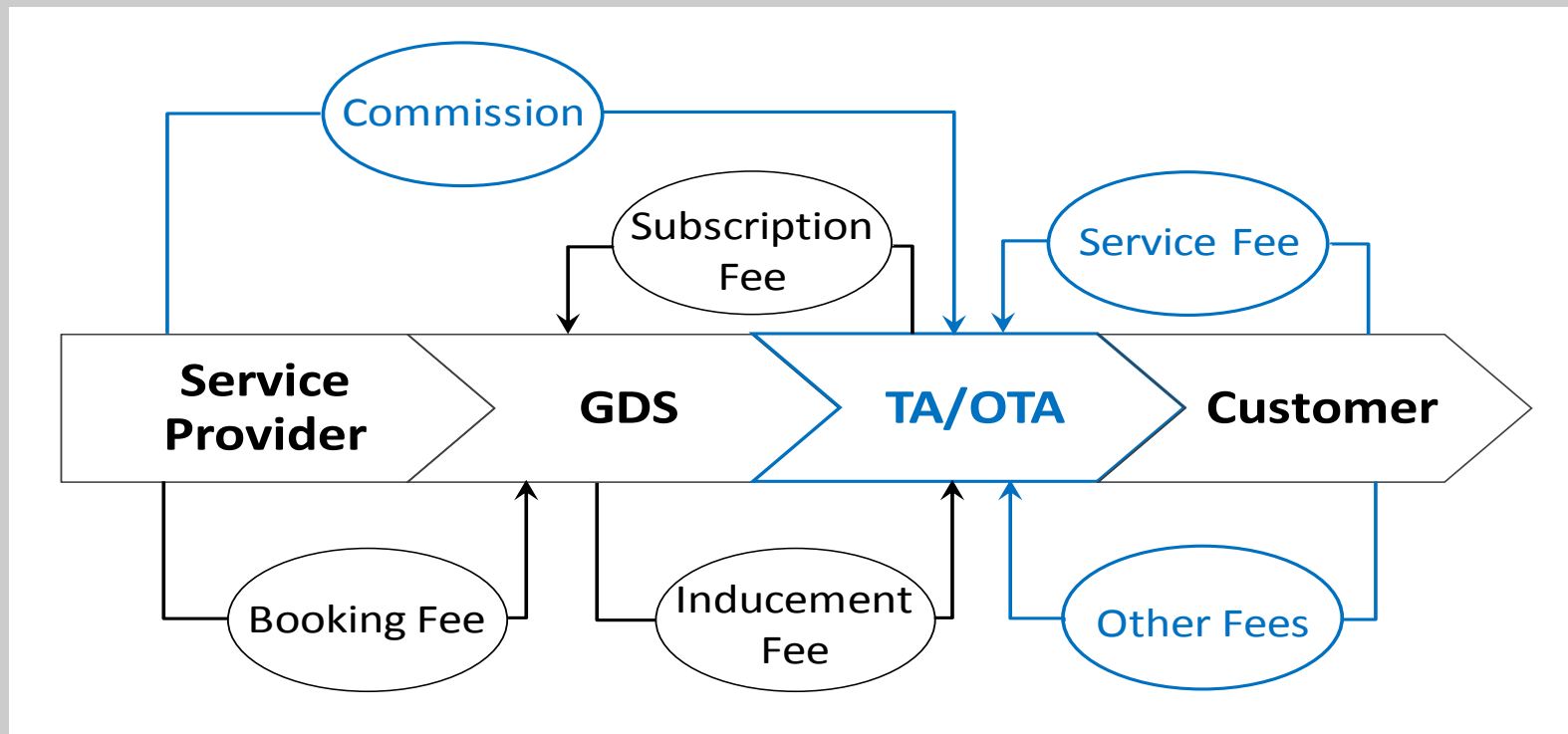
- U.S. → calculates and publishes an SPPI
- Australia → SPPI under construction
- Ireland → researched the sector in detail

■ Discussions from the 29th Voorburg Group meeting

SPPIs

- **Source of SPPI data**
 - **CPIs do not meet the needs for measuring prices for the service of travel agencies**
 - **Price collection:**
 - **Directly from travel agencies**
 - **Consolidated price information for all of company's local operations at the headquarters**

SPPIs – Reimbursement Model



Abbr.: Service Provider e.g. airlines, hotels

GDS = Global Distribution System

TA = Travel Agency

OTA = Online Travel Agency (simplified view: OTAs have to pay the subscription fee to the Internet booking engine)

SPPIs

- **Target coverage**
 - **Services offered by**
 - Traditional travel agencies (TA)
 - Online travel agencies (OTA)
 - **Output provision of assistance with travel arrangements and bookings:**
 - **Service fees:** e.g. for sale of flight tickets
 - **Commissions:** e.g. for sale of package tours
 - Agent model
 - incl. overrides
 - Merchant model
 - **Other fees:** e.g. for travel management services to business customers

SPPIs

- Pricing methods used
 - Service fees (Booking fees/handling fees)
 - Direct use of prices of repeated services
 - Commissions
 - Agent model
 - Model pricing (U.S.) →incl. overrides
 - Percentage fee (Ireland)
 - Margin prices (Australia)
 - Merchant model – mostly OTAs
 - Unit value (U.S.)
 - Other fees
 - Hourly rates, fee per booking, per transaction (U.S.)
 - Component pricing (Australia)

SPPIs

■ Weights

- Turnover data by products → 5-year-economic census (U.S.)
- Weights on the basis of gross value added (GVA)

Some data from Ireland for 2012,

NACE 7911 travel agencies:

- GVA 7.6 % of total turnover
- Cost of sale 88.0 % of total turnover

SPPIs

- **Main issues in price measurement**
 - Commissioning is complex depending on the service provider
 - OTA can act both as agent and as merchant
 - Percentage fee/margin: How to adjust the value of the product transacted?
 - Challenge to collect actual and useful data
 - Quality adjustments are rarely applied
 - Different pricing methods used

Developing SPPI – Options

Pricing method	Data type in survey	Quality and Accuracy
Prices of repeated services	real transaction prices for <ul style="list-style-type: none"> • service fees • fees per transaction • commissions as flat rates 	only suit the billing method of some types of travel services
Percentage fee/margin prices	real transaction prices for <ul style="list-style-type: none"> • commissions as percentage • margins as ratio between selling and acquisitions prices 	type of travel service being booked must be sufficiently homogeneous
Unit value	real transaction prices based on the type of travel service being booked	<ul style="list-style-type: none"> • type of travel service must be sufficiently homogeneous • data are often lagged by one period
Component prices	real transaction prices for travel management services	representativeness should be observed regularly
Model pricing	Expert estimates for commissions overrides	detailed specifications allow time-consistent comparisons

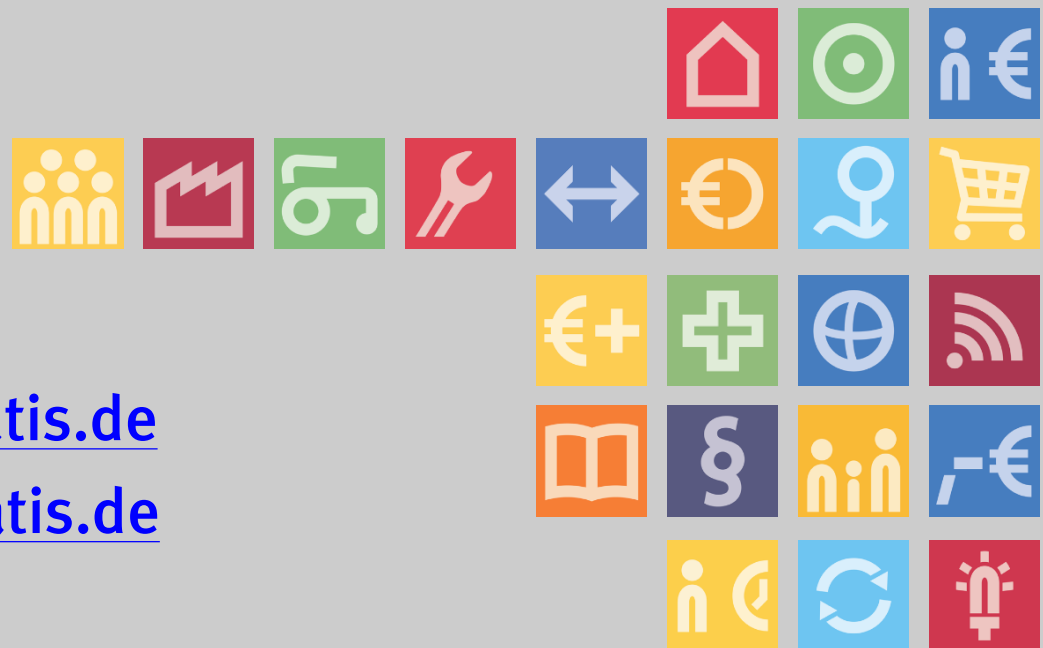
Treatment in the NA

- System of NA provides only general guidance
 - Output = fee/commission, not the full expenditure
- German practice:
 - Database = yearly structural business statistics (SBS)
 - Output / intermediate consumption reduced by “goods of resale”
 - Not much information about share for “goods of resale”
 - Expert estimation
- Deflator for sector travel agencies:
 - SPPI for travel agencies
 - or index who reflect the price changes of the intermediation

Summary of main issues

- Growing number of OTAs
- Net approach
- Mix of agent and merchant model
- Availability of the observed price
- Measurement of the related value of the product transacted

Questions?



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