



American Society
of Travel Agents

EXPERIENCE THE ADVANTAGE

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HOME | ABOUT US | NEWS | FOR TRAVELERS | EDUCATION/CAREERS | CONFERENCES | JOIN US | MEMBERSHIP
News | Resources | Technology Center | Selling Center | AMSI eMart | Community | Your Membership

ASTA Member Resource Center

| Agency Operations



Service Fees

While travel agents have historically relied on the airlines for some of their compensation, with the advent of zero commission policies with some of the airlines, travel agents have no choice but to charge service fees to cover costs.

SERVICE FEES

→ [Calculation Chart](#)

Sample Letters for Clients (in Word format)

→ [Introducing Service Fees](#)
→ [Increasing Service Fees](#)

For agents who have difficulty explaining to their valued customers that they must now increase it is important to not apologize for the action but to promote the valuable services you offer. Some agents show customers their balance sheet to help them understand that the agency operates on very thin profit margins. Illustrating how many valuable services you offer, while describing costs your earnings from commissions, will help your customers understand your value and why you charge fees. The key is to use this discussion as an opportunity to promote yourself.

Ongoing customer resistance to increasing service fees may suggest the need for additional employee training. Success with service fees depends upon involving your employees early. Explain why you must increase your fees. Some agencies share a portion of the individual or total fees with employees. Some offer bonus programs based on total earnings — fees, plus commissions earned. Whatever you do, make certain you provide employees with the necessary training to sell your fee program to your customers. Also, ensure that they understand the process fully so you can efficiently collect fees.

A service fee program helps you to focus on and communicate your value-added services. It also helps you focus on the profitable aspects of your business. Analyze and review the services you provide your customers. In some cases you will find revenue associated with a service; however you will probably be surprised at the number of value-added services you provide with no associated revenue.

Be sure to provide customers notice if you are increasing fees and ensure that all your collateral printed materials have the current fee structure listed to avoid confusion. Make certain all customer contracts allow you to change fees without having to renegotiate the entire contract. A sample "fee increase" letter is available on ASTAnet.

Service fee programs vary. Determining the best approach for your business can be complex. Some agents may prefer to charge their clients a percentage fee. Some agents may prefer to charge transaction fees. Yet, other agents may prefer a hybrid by charging a percentage amount with a maximum cap. However, the most popular method for collecting fees to offset zero or reduced commissions is the transaction fee model. The clear advantage to using this model is that it is simple and is not as vulnerable to the ups and downs of commission cuts and or fare sales. In addition, your client may develop more trust in your agency's objectivity as to carrier and fare selection, since your agency's income does not depend on the price of the tickets written for him. However, you should develop a model that best suits your business' needs. Remember that a uniform policy makes it easier for employees to sell and implement your service fee program, though you may retain the ability to waive the fee in appropriate cases.

While it is important to understand your competitive position in the marketplace, your fees should be based on your individual business needs. The [service fee calculation chart](#) will help you analyze many of the services for which you can establish equitable fees.

Errors and Omissions Insurance

It is always a good idea to have errors and omissions insurance. With service fees, it's even more