ADM Reduction & Management Project

IATA
ADM Reduction Project

Agent Debit Memo (ADM) is the legitimate accounting tool used by airlines to collect adjustments for STDs issued by Agents. (Reso 850m). Over time, Airlines and Agent community have expressed their respective concerns to IATA about the administrative costs for managing ADMs.

With the purpose of supporting the industry in this area, in 2013, the PSG ADM Working Group mandated IATA to develop BSPlink to align with changes in resolution 850m. Despite the efforts of the developments in ISS systems, volume of ADM and Disputes keep on increasing and thus the Administrative cost for the industry to manage Debit Memos.

This project consists of a set of actions to categorize the issuances of ADM by formalizing the reporting of Reasons for Memo issuance and reduce the number of issuances by analyzing the root causes, through improved controls and training. The goal is to reduce or eliminate ADMs by fixing problems in the industry supply chain through the close collaboration of the stakeholders.

About the ADM Working Group

ADMs are an enormous source of friction between business partners, therefore the ADMWG involves all industry actors (Airlines, Agents and their Associations, GDSs, ATPCO, ARC & IATA SMEs) working together in a data-focused and blame-free environment, where constructive solution-oriented discussions take place to bring in reduction of the workload required for capturing revenue leakages, thereby reducing ADM volumes and settlement timeframes, as well as improving business relationships amongst the industry.

The aim of the Working Group is to improve the efficiencies in our current distribution chain, which have been identified through ADM data. We work on identifying, developing and implementing solutions that would result in a reduced need for post-billing revenue recovery through ADMs. Our goal is for the industry to work together more effectively and efficiently.
# HIGHLIGHTS

## Global ADM Data

### ADM Categories

<table>
<thead>
<tr>
<th>Volume</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commision</td>
<td>20%</td>
</tr>
<tr>
<td>Refunds</td>
<td>16%</td>
</tr>
<tr>
<td>Tax</td>
<td>15.50%</td>
</tr>
<tr>
<td>Booking</td>
<td>15%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>11%</td>
</tr>
<tr>
<td>Exchange</td>
<td>10%</td>
</tr>
<tr>
<td>Fare</td>
<td>6%</td>
</tr>
<tr>
<td>Fee</td>
<td>4%</td>
</tr>
<tr>
<td>Chargeback</td>
<td>2.50%</td>
</tr>
</tbody>
</table>

### Distribution

- 2.6M ADMs were issued globally in 2017 with certain trends being market-specific.
- 1/261 ADMs per 261 transactions issued.
- 1/537 For every 537 USD of sales, there is 1 USD of ADM.

### Key Findings

1. Sales volumes directly impact ADMs, however the ADMWG efforts have improved the fluctuations.

   - Global transactions in '16 were increased by 7.38% & ADMs by 14.92% from '15.
   - In '17 whilst transactions increased by 13.17%, ADM volume only went up 0.08%!

2. On average it takes 11 weeks for ADMs to be detected and issued. ADMs also attract a lengthy 4-6 month process until it can be settled.

   - By streamlining processes and increasing the transparency of information, this timeframe can be reduced.

3. The cost of administering an ADM is approximately 15% of the average ADM transaction cost for Airlines, and 26% for Agents.

   - The reduction of ADM issuances will significantly bring down back office administration costs.

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Data Source: All figures are based on 2017 full year data and market research, excluding ADMs undetermined from an ADM Category.
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The implementation phase started in 2017 where a list of prioritized key solutions were put in place, representing major milestones and leading a way towards global ADM reduction.
Moreover, 2018 is a year fully dedicated to the completion of all solutions in order to achieve the reduction goal in ADM figures.

The ADMWG will focus on 4 key areas:

- Chargeback
- Airline ADM Policy
- Fare Filling
- ADM Processes & Best Practices
HOW COULD TRAVEL AGENTS BENEFIT?

→ Have a global view on ADM issues, know what are the drivers and reason behind ADM issues, see beyond the local market

→ The opportunity to engage direct discussion between all industry actors and address common issues (Airlines, GDSs, ATPCO, IATA)

→ To be part of global solutions where Agents direct input are considered and participate in piloting solutions
HOW COULD AIRLINES BENEFIT?

- Reduce industry costs associated to ADMs
- Improve settlement of Airlines sales
- Build trustworthy Agent-Airline relationship
- Additionally, since it is expected that through NDC, Airlines would take the responsibility of Fare Calculation, Commissions and Taxes; these related ADMs would be significantly reduced if not eliminated. This project would be a good learning opportunity for the airlines to getting ready for efficiently manage fares, commission and taxes under NDC Agents.
As of November 2017 we had a total of 283 Members

- 152 Airline SMEs
  - 59 entities

- 100 Agent & Association SMEs
  - 77 entities

- 31 System Provider and Industry Partner SMEs
  - 8 entities
We need your participation!

We welcome all Airlines, Agents, Travel Agent Associations and GDSs to contribute on the ADM reduction project by understanding the inefficiencies in our distribution chain, using ADMs as a kind of measure as well as a magnifying glass for us to identify where the major pain points are in order for the ADM Working Group to be able to address them and find consistent solutions.

Our group has a wide scope of participants, and we maintain the balance of the group by encouraging constructive discussions that are free of emotions. We let data drive the discussions and everyone reflects on their own processes as much as they discuss about others. We do not get into commercial discussions, but to share how each other’s processes work or do not work - in order to find where the issue is and find a solution to it.

If you would like to participate in this initiative, please feel free to join our extranet, or contact us through ADMProject@iata.org.
PARTICIPATION

Our member’s testimonies

‘The ADMWG provides a platform where all participants share a common objective; to streamline the ticketing processes and reduce ADMs and disputes to an absolute minimum. Airlines spend effort and resources on auditing tickets sold by agents and raising ADMs, and agents find it difficult to interpret the terms and conditions of the airlines and fall into disputes with the airlines about the payment of fees and penalties. By having airlines and agents meet and openly discuss, the airlines would be able to elaborate on their particular terms and conditions and the agents have the opportunity to evaluate certain practices based on actual experiences they’ve encountered in the past.’

-Cuma Soysal, Controller Sales & Data Control Department- Turkish Airlines

‘The progress of the ADMWG is better from Workshop to Workshop and the best practices and solutions worked together from all parties are very helpful. Being a member of the ADMWG has permitted us to improve the relationship with Airlines and to be able to solve particular issues by being informed about new best practices and resolutions from the ADMWG.’

- Orsina Michailidis and Lars Holling- AERTicket

‘Delta views the ADMWG as a positive effort and has benefited all concerned. We have seen a significant reduction in ADMs which has led to improved communication and relationships not only with the agent community, but with the GDS providers and ATPCO as well. This initiative will reduce ADM issuance and volume of disputes which means transactions will be sold and reported correctly at time of ticketing.’

-Tim W. DeLaney and Hope Harper- Delta

‘ADMWG has the momentum – more and more participants are attending and what is even more important; right people from each organization are there. Discussions are valuable and honest. I truly believe the group is going towards ADM reduction, mainly by highlighting the biggest challenges from the parties involved in ADM lifecycle. I specially appreciate the technical approach to ADM which IATA is promoting.’

-Krzysztof Kosciesza- Zaba, Supervisor, Air Pricing Operations- Sabre
Thank You!

For more information visit our webpage [www.iata.org/adm](http://www.iata.org/adm)