August 4, 2009

Travel Industry Loses $11.5 Million per Year through Failed Transactions

Travel industry is out of touch with the changing business environment

BEDFORD, Mass.--(BUSINESS WIRE)--Aug. 4, 2009-- Ninety eight percent of travel firms have lost, on average, revenue of $11.5 million a year because of failure of transactions (such as reservations, bookings, check-in, etc.), according to a survey released today. Research by Progress Software Corporation (NASDAQ: PRGS), which surveyed 149 global travel businesses, found that 67% of respondents have noticed their transaction failures soar by almost a third – even though their transactions have only increased by 12%.

The survey suggests that the complexity of the IT environment is compounding the issue of failed transactions. Eighty five percent of travel companies are trying to reduce costs by delivering services through multiple channels. However, 97% said that this approach caused IT complexity and 52% of them rated that complexity "4" or "5" on a 5-point intensity scale.

"Understandably, the travel industry is trying to reduce operating costs to increase profit to compete in the challenging economy. However, by embracing new and more cost effective channels, for example kiosks, companies are actually increasing their IT complexity and reducing visibility of changing conditions and customer interactions," explained Dan Foody, vice president of Actional® products, Progress Software. "In turn, this is driving a rise in transaction failures which could actually waste money for the travel sector."

The survey indicates that businesses are not only losing money but they also face the loss of repeat business through customer churn.

In terms of customer satisfaction, the survey reports:

- 54% fear that transaction failure is causing them to disappoint or even lose customers.
- 88% state that transaction failures "definitely" or "probably" diminish the customer experience.
- 76% of respondents believe transaction failures "definitely" or "probably" result in the most profitable or important channels receiving no system priority over lower-value channels.

"The concern voiced by our survey respondents regarding customer experience and customer churn suggests that the $11.5 million in lost revenues could be a conservative one. Many businesses are unsure exactly how the customer experience is impacted by transaction failures rendering themselves unaware of the true situation," commented Foody.

The survey also demonstrated the hidden cost and impact on staff resources of dealing with increased transaction failures. Eighty five percent of companies surveyed had to deploy an average of eight staff to rectify lost or stalled transactions, with each transaction taking just under two hours to fix.

"This research clearly highlights the far-reaching effects of transaction failures within the travel industry. The trend of increasing IT complexity is further compounding revenue loss through increased lost transactions, customer churn and inefficient use of IT resources with 97% of respondents concluding that transaction failures were increasing operational costs.

"Companies should consider introducing a more streamlined approach to monitoring transaction flows across their IT environments, delivering the ability to respond to changing conditions and customer interactions as they occur. This will enable business leaders to capitalize on opportunities, drive efficiencies and reduce the risk of impacting customer experience. The more responsive approach will provide visibility and increase understanding of the impact IT failures have on their own IT services and their customers," concluded Foody.

Survey methodology

Progress Software commissioned independent specialist technology market research company Vanson Bourne to undertake the research. 210 interviews were carried out in March 2009 with major companies in the USA, Europe

(UK, France, Germany, The Netherlands and Sweden) and Asia/Pacific regions. The companies surveyed had minimum annual sales of $200m. Almost half (46%) had annual sales of more than $1bn.

The business sector targeted, Travel & Leisure, was selected specifically because of the measurable impact lost, stalled or failed transactions have in the form of lost revenue, upset customers and high IT costs. Throughout this research the term "business transactions" refers to the orders Travel and Leisure companies (reservations) accept from customers and businesses across multiple channels.

In order for a room to be booked, for example, a series of transactions must take place across a distributed IT environment. And in difficult economic times, it is essential these transactions run smoothly and efficiently as they interact with various systems. To establish how well companies are set up to manage transaction assurance, we surveyed individuals with senior roles in enterprise architecture, application delivery, development or support. Where variances in regional response or by size of business occur and are worth noting they appear in a separate information box.

About Progress Software Corporation

Progress Software Corporation (NASDAQ: PRGS) provides application infrastructure software for the development, deployment, integration and management of business applications. Our goal is to maximize the benefits of information technology while minimizing its complexity and total cost of ownership. Progress can be reached at www.progress.com or +1-781-280-4000.

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