



FCM

**FCM's guide to
NDC and airfare
distribution**



NDC gained momentum during the last 12 months with never seen before milestones: deals between airlines and GDSs, airlines implementing continuous pricing, 20+ airlines surpassing NDC leaderboard target of 20% NDC bookings and of course even more airlines launching NDC content.

NICOLA PING, GLOBAL PRODUCT DIRECTOR,
AIR DISTRIBUTION - FLIGHT CENTRE TRAVEL GROUP

At FCM we made significant process on enabling NDC content for our customers - we are live with NDC and are involved in several more pilots with airlines and technology partners. To learn more about the history of airline distribution that led to the implementation of NDC, the benefits of NDC or our approach sit back and read on.

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Introduction

Long gone are the days when the only way to reserve a seat on a plane was either at an airport check-in desk or via a high street travel agent. Both leisure and business travellers now have a plethora of options available when it comes to booking flights; and with new options comes the benefit of more choice and competitive pricing.

Distribution history

What is a Global Distribution System (GDS)? The GDS platform was developed by Blair Smith, a senior sales representative for IBM, and C. R. Smith, president of American Airlines. After meeting on a flight from LA to New York in 1953, the pair began discussing the travel industry. They agreed that the industry would benefit from a centralised data processing system that could create and manage airline seat reservations, with data available electronically to any travel agent, anywhere around the world.

Their respective companies began developing this system together. The Semi-Automated Business Research Environment, now known as Sabre, launched in 1960, revolutionising the travel industry for both consumers and carriers. By using the GDS to aggregate hotel, car and air content, travel agents had the ability to search for prices, availability and flight schedules, making air bookings for customers that were cost-effective and guaranteed. And airlines were able to avoid costly mistakes such as over- or underbooked flights, passenger service issues and underutilised aircraft.

Over the last 50 years, airlines invested heavily in improving the speed and capabilities of various GDSs, developing systems that benefit Travel Management Companies (TMCs), travel agencies, the airlines themselves and consumers. Obviously, these developments had to be funded somehow, so traditionally, an airline would pay to appear in GDSs. Every time a travel agent booked a flight through the GDS, the airline would pay a proportion of that back to the GDS.

This model worked, until the early 90s. But the arrival of the internet in 1990 changed the booking landscape again, however.

How the internet changed the travel industry

Airlines were suddenly “online”, and able to bypass the GDS and travel agents, selling seats directly to consumers through their own websites. And then, shortly after, via third party aggregators and comparison sites using API data.

This gave consumers pricing transparency and even more choice. It’s also enabled low-cost airlines like EasyJet, Ryanair and Southwest to gain market share and grow at an accelerated rate.

The three biggest costs of running an airline outside the cost of the actual aircraft are: wages, fuel and GDS costs. By by-passing the GDS, the low cost airlines were able to offer “no-frills” rates that lured consumers away from traditional legacy airlines.

The legacy airlines found it hard to compete on price because of their employment structures and larger overheads. To bring customers back, many of the legacy airlines, including American Airlines, developed their own APIs. But this has led to pricing wars and preferential rates, with some third parties able to severely undercut others.

Life before NDC

Airlines started to be able to offer “exclusive” extras, such as extra leg room, early boarding, preferred seating and airport lounge passes via their own sites and APIs. The internet enables airlines to exert more control over what they want to display to the customer, unbundle products and charging supplements for seats, bags, meals etc. Historically, the EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport) standard used by GDSs to distribute content to travel agents constrained the ability to shop for the entire product suite airlines were offering. Additionally, the EDIFACT standard has technology restrictions such as limiting price points to only 26. This meant TMCs using the GDS might not have access to the full range of airline products on offer.

Another disruption to the market was the arrival of new “luxury” airlines such as Emirates, Etihad and Qatar. These airlines were investing significantly in their end products, offering business travellers lie-

flat seats, on board wi-fi on international services, restaurant quality food and new aircraft. But with no way for travel agents to differentiate their high-end product in the GDS to others, these airlines were increasingly frustrated.

Interestingly, around that same time, some of the low cost airlines began to pay to have their flights included into the GDS, which again caused legacy airlines frustration.

So, realising the need to standardise the different sources of content, industry trade association IATA launched New Distribution Capability – or NDC as it’s known - in 2012.

A new distribution capability for airfares

But what exactly is NDC and how will it affect those that book and manage business travel? In short, NDC is designed to be the solution to these limitations as NDC is a new XML-based data transmission standard, developed by IATA, which gives airlines the ability to distribute all their content through third parties. NDC provides the ability to connect travellers directly to all airline content via third-party booking platforms including travel agents or online booking tools, and thereby enabling dynamic personalised offers with greater flexibility. NDC content can be distributed directly, via GDSs or any other content aggregator as IATA standardised the different APIs being used to distribute content.

The idea is that everyone, airlines, travel management companies and online booking tool providers, involved in the business of distributing content are all talking the same (technical) language and are using the same syntax to exchange messages on shopping, booking and servicing components of travel.

This means all the products an airline offers on its own website, such as upgrades, extra baggage or priority boarding, become available to everyone with NDC. It also means more transparency for the search and book process, as airlines will be able to differentiate their services among those of their rivals, helping customers make more informed decisions.

Many airlines see New Distribution Capability (NDC) as an enabler to deliver better and richer content to consumers.

What are the benefits of NDC?

If all parties work collaboratively, NDC provides multiple benefits for all stakeholders.

IATA believes that NDC transforms the way air products are sold to companies and individuals. Airlines don't want their products to appear as a commodity. By allowing airlines to bring differentiated and personalised products to market quicker, it also gives buyers access to a full and rich range of air fares. NDC brings additional transparency into the search and book process, helping customers make more informed decisions.

NDC enables continuous pricing, which offers nearly unlimited price points and therefore eliminates the restriction of 26 price points in the EDIFACT standard. Continuous pricing benefits all stakeholders as prices are competitive, consistent across all booking channels and often lower as large price gaps between fare classes are decreased significantly. Continuous pricing is designed to offer the lowest available price while matching the customer's travel needs, so depending on your company's travel policy the savings could be significant. Fully flexible fare buyers are likely to see the most significant savings.

NDC helps TMCs access content which isn't available through the EDIFACT standard. Corporate buyers or travellers can directly book additional products through the TMC rather than through the airline direct channels, enabling greater opportunities for tailor made offerings matching the customer needs. By providing choices beyond best price, like the ability to choose and pay for a seat at time of booking, NDC reduces complications with reimbursements and the need to leave the booking process to go to the airline website. Additional price points enable more competitive pricing and better comparison shopping without having to check multiple sources. This means NDC enables delivery of ancillaries, product bundles, dynamic pricing and customised offers while improving travel adoption which leads to drive incremental savings, better quality data, reporting, visibility and duty of care. This gives corporate travel managers the confidence that they can get the access they need for all of their travellers while staying within policy.

As the corporate travellers access more of the content, the airlines learn more about the

shopping habits of the corporation and can tailor some of the content. For example, if travellers regularly choose to have wi-fi, the airline could offer it as part of their corporate deal creating added value and further enhancing the traveller experience.

TMCs, travel managers, arrangers, travellers and airlines alike benefit from NDC. Together with our airline partners, our travel experts can tailor quotes and products that meet each of our client's specific requirements.

Using a TMC to help you navigate NDC

Flight Centre Travel Group (FCTG) has a Global Airline Distribution team, who oversees our transition to NDC. The team consists of industry experts with both airline and GDS expertise. Nicola Ping, Global Product Director, Air Distribution at Flight Centre Travel Group said: "Our corporate customers need access to good reporting, good duty of care and really flexible 24-hour servicing. By ensuring that we're taking the NDC content from the right sources, Flight Centre can be sure we get access to the content without any disruption for our customers."

Together with our airline partners, our travel experts are able to tailor quotes and products that meet each of our client's specific requirements. "As a corporate customer, we ensure that nothing changes from a processes perspective – you simply get access to the new content," confirmed Nicola Ping, Global Product Director, Air Distribution at Flight Centre Travel Group.

We will be able to provide a more personalised, service for our clients, negotiating value adds and delivering a better overall experience.

"I'm very excited about the improvements that it can make to our existing processes. A lot of people are excited about new content, such as personalisation or seats – and that's true, it will all be a part of it. But personally, the ability to improve the processes that are really inefficient today is very exciting," concluded Ping.

FCM's industry leading NDC approach:

Our philosophy

FCM fully embraces NDC. We believe NDC encourages innovation by creating greater flexibility and quicker speed to market. We are committed to offering the widest range of content seamlessly for all customers, across all booking channels. Every FCM customer benefits from developments in travel technology, from travel manager and travel arranger to the traveller.

Our goal at FCM is to make sure our clients have nothing to worry about. This is why we are working closely with all stakeholders in the industry (major GDSs, payment providers, online booking tools and leading airlines) to ensure our customers maximised NDC benefits while ensuring FCM's wide ranging services continue in our customer's distribution channel of choice.

Our leading industry representation

Our industry representation is unparalleled, and we are helping to design solutions that will drive travel distribution in the future.

We became the first global TMC to attain IATA Level 4 (highest level) NDC certification. This confirms that FCTG can provide 'Full Offer and Order Management' and in addition to booking NDC airline content, our travel consultants can also support changes in travellers NDC bookings and flight disruption.

We are a launch partner of Amadeus' NDC-X program and Sabre's Beyond NDC program.

We are an active member of the IATA Global

Travel Management Executive Council, which is currently chaired by Markus Eklund, Global Managing Director at FCM. In addition, some of our executives and key members of our teams are part of various advisory boards, panels and forums to help provide critical information to further advance NDC. Our company with its diverse geographic and multi-brand strategy has a unique vantage point for those sessions and events.

We are "NDC-ready", which means we are live delivering NDC content to our corporate customers and we are a frequent pilot customer for leading airlines, GDSs and online booking tools as they continue to expand their solutions.

Working with aggregators

While some competitors have chosen to use a direct connect with airlines to consume NDC content, we believe in our approach to work with our content aggregation partners, like Amadeus and Sabre as well as but also TPConnects, Flight Centre's technology provider for NDC content outside GDSs. Given the ever-growing number of airlines with NDC content, building and maintaining these direct connects will be challenging. Investing strategically into TPConnects, offers control similar to a direct connect while having distribution technology experts build and maintain connections for us. None of our competitors benefits from a setup like this.

We believe our approach represents the most efficient and scalable way for NDC to be offered to customers and integrated into all our TMC systems. Our NDC approach is industry leading and you won't find a broader, more thought-through NDC solution with another TMC.



Potential pain points

The ultimate goal is to perfectly align NDC with an aggregation layer.

We believe that NDC content will require an aggregation layer, be it through the new technology from the GDS actors or third parties such as TPConnects. While further development of this new aggregation layer is ongoing NDC content is delivered where available. We are balancing the short-term priorities with building a long-term, sustainable solution. We are at the heart of this phase of industry transformation. We have identified and mitigated the following potential risks to our customers. We are working with industry stakeholders including IATA, airlines and our technology partners to eliminate them entirely.

Transparency

The airline will control all elements of the travel offer which the TMC presents to its clients, so we have to ensure our clients get the best content.

Choice & consistency

In an increasingly fragmented distribution landscape, we are responsible for ensuring our customers can compare various options and have access to the widest available choice.

Cost efficiency

Distribution fragmentation adds complexity and costs that may offset our ability to deliver a cost-effective, end-to-end service.

Seamless services

Inconsistencies and deficiencies in airline workflows and APIs may impact after-sales service and the traveller experience.

Reporting & risk

Content fragmentation across multiple booking channels adds further challenges and limitations in regards to risk hand-offs and data reporting.

What's the timescale?

We are live with NDC with our industry leading NDC approach, however during the next years, FCM customers will see significant developments as we take a pragmatic approach to procuring content whilst protecting the customer experience.

- We continue to lead conversations with the airlines, IATA, TPConnects, Sabre and Amadeus, in order to enable all differentiated NDC content to be available to our customers.
- FCM will persevere to limit the impact of the complexity of implementing NDC content to our clients.
- We will continue to work with all our customers to ensure they fully understand both the impact and the true benefits of NDC content.

NDC Keys to Adoption – and our solutions

1. End to End Servicing

End-to-end servicing needs to be robust in order for agents to guarantee their duty of care to their passengers. The industry NDC standards around servicing and airline capabilities have progressed significantly during 2020. FCM will only sell airline content that works with all of our existing servicing processes, so prior to offering the content we ensure that functionality needed such as cancel, void, change flight etc. is all working. FCM are continuing to work with IATA and airlines to finalise the last remaining gaps in servicing capability.

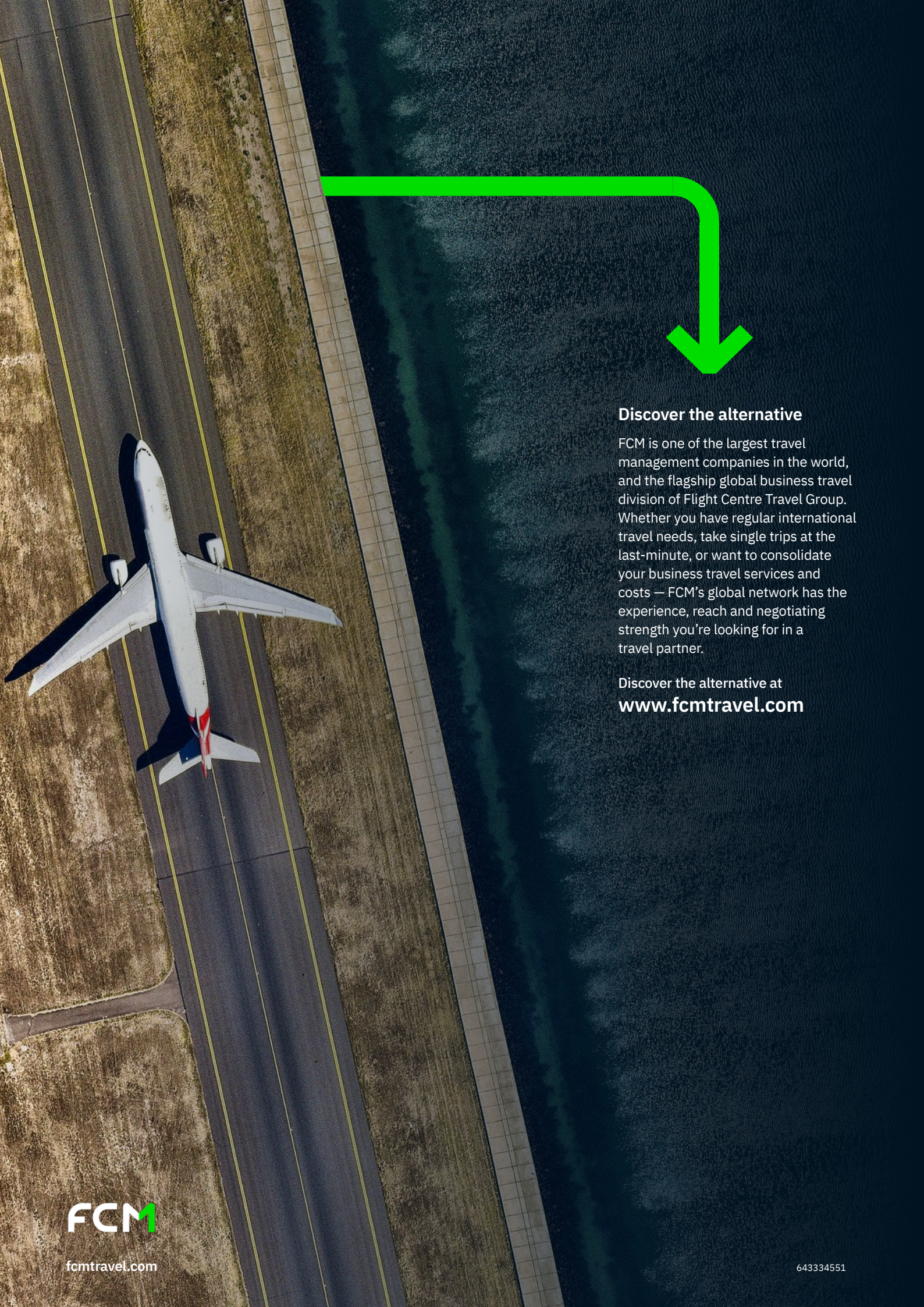
2. Disruption handling

Notification messages need to be transmitted from the airline to the agent and the passenger in case of time changes or flight cancellations. FCM will ensure that our customers can be assisted if there is a disruption to the passengers' flights. Our aggregated solutions receive the messages from the airline so we can notify our travellers of the changes and then assist them when required. This means that tools such as our SAM app will have the correct information about the NDC bookings. On the day of departure, servicing of bookings can also be handled by the airline at the airport.

3. Reliability of Airline Technological Infrastructure

Existing GDS technology uses tried and tested technology, capable of handling the billions of requests being made from a variety of sources at any one time. In NDC the full burden of the request is with the airline, which only handles about 30% of the volume of interactions. In 2020 many airlines have upgraded their IT systems and over 20 airlines surpassed IATA's NDC leaderboard target of 20% NDC bookings, which indicates their technological infrastructure's resilience and reliability.

FCM has a Minimum Viable Product that the airlines must meet before we will sell their NDC content. This provides confidence to our customers that the risks associated with NDC are minimised.



Discover the alternative

FCM is one of the largest travel management companies in the world, and the flagship global business travel division of Flight Centre Travel Group. Whether you have regular international travel needs, take single trips at the last-minute, or want to consolidate your business travel services and costs — FCM's global network has the experience, reach and negotiating strength you're looking for in a travel partner.

Discover the alternative at
www.fcmtravel.com



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