New Airline Distribution Standards & Infrastructure

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To represent, lead and serve the airline industry

Before I dive into distribution, let me give you some context.

IATA launched the Simplifying the Business program in 2004. In the last seven years, four major projects were completed: e-ticketing, Common Use Self Service kiosks, Bar Coded Boarding Passes and Automated carrier Baggage Rules.

Another four projects are in progress: E-freight, e-services, Fast Travel and the Baggage Improvement Program.

Last week, the IATA Board of Governors supported the development of a new distribution capability.

Distribution

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Airline distribution

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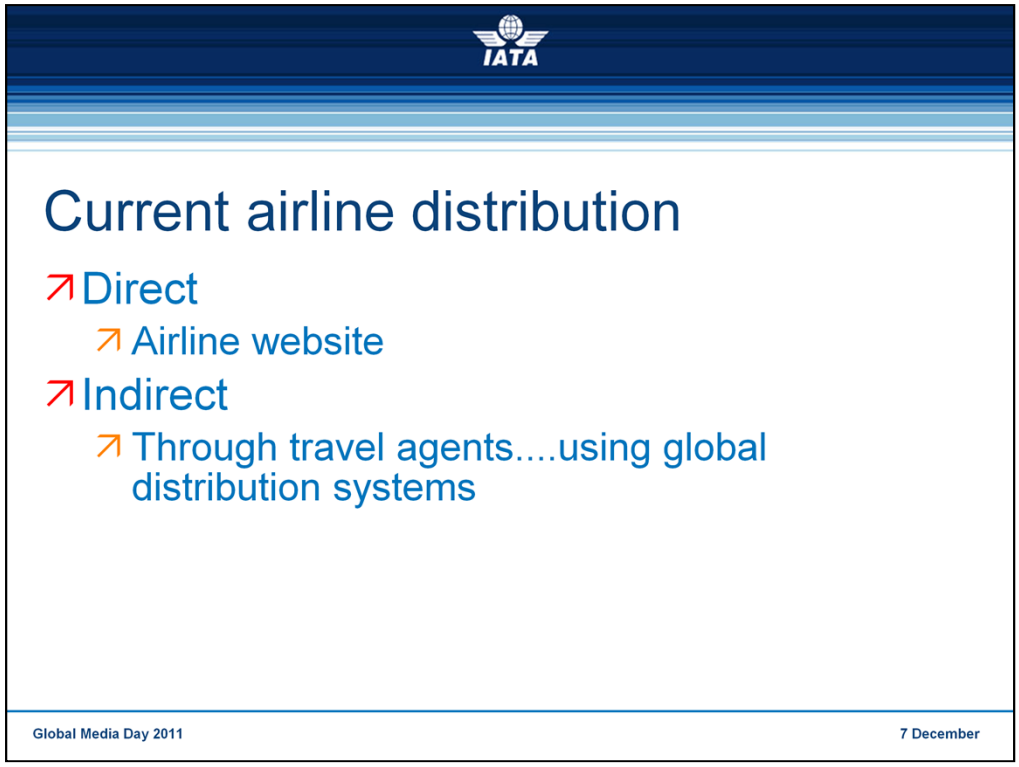

What is distribution? It is about how you get your product to your customer.

For a cookie company, the distribution network would include grocery stores and related logistics, like transportation by trucks.

For airlines, consumers can purchase airline tickets directly from the airline, or from travel agencies. Travel agents use Global Distribution Systems, or GDS, to obtain information about flights, and to make the flight bookings.

Legacy infrastructure

- Reservation systems created in 1960's
  - The air travel industry fares were regulated
- GDS legacy infrastructure now a barrier to airline innovation
  - And impacts airline profitability

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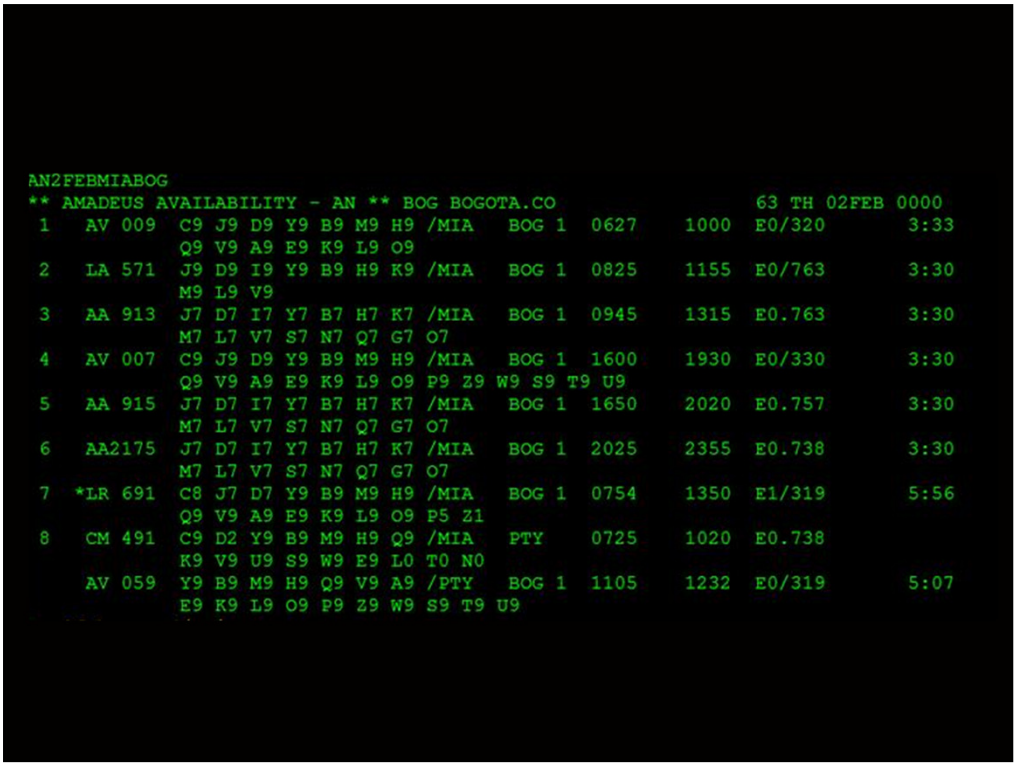
The main issue is that the GDS IT infrastructure has not changed since its creation in 1960s, when the industry was still regulated.

And now it has grown so big that making a change is a huge challenge.

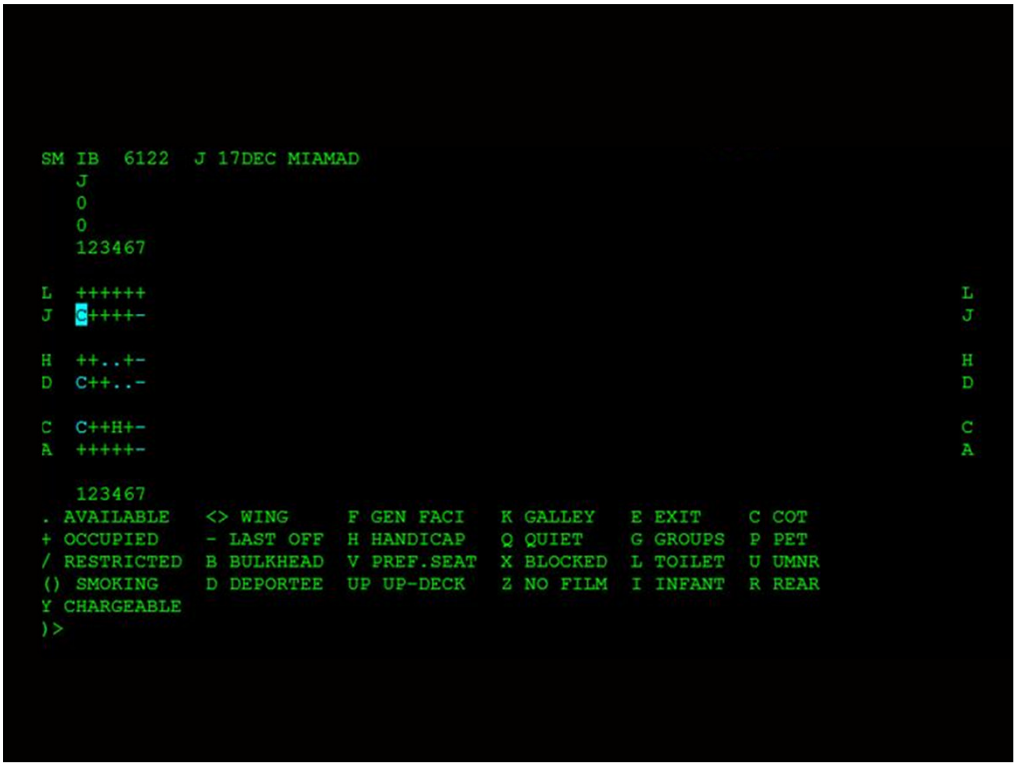
While airlines have made a lot of progress to improve efficiency and innovate in their product offerings over the last 20 years, the airline distribution systems have remained unchanged. And this has an impact on airline profitability.



GDS cannot support airline innovation.

A GDS enables travel agents:

- to check the availability of flights



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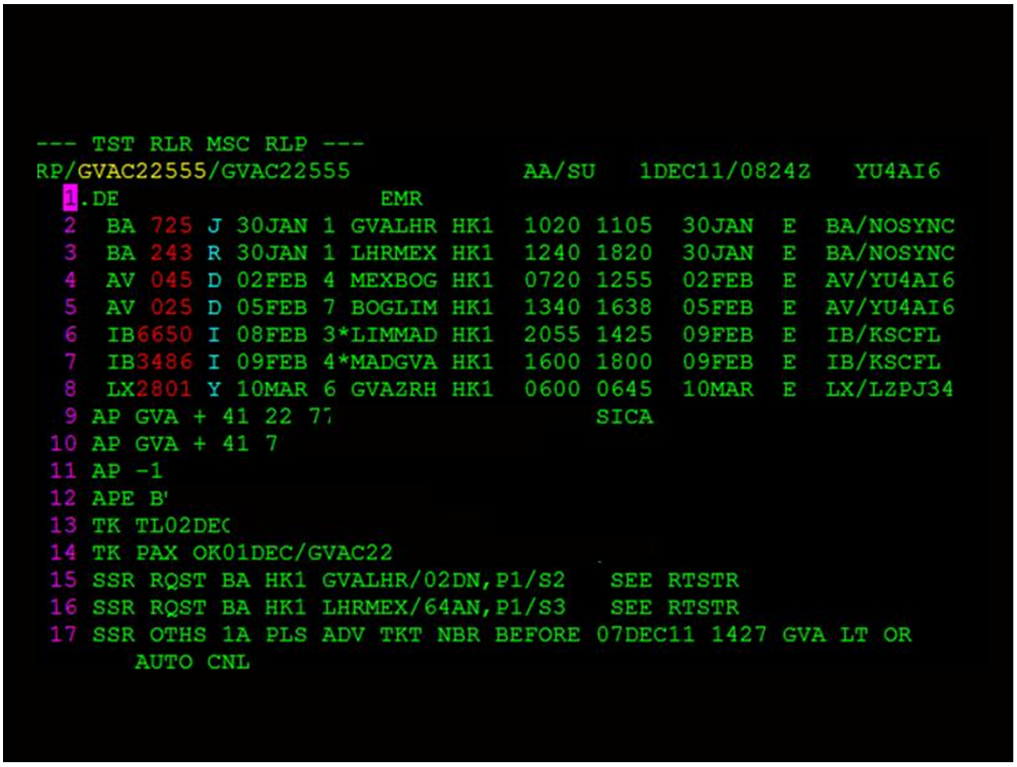
A GDS enables travel agents:

- to check the availability of flights
- find out more details about a flight



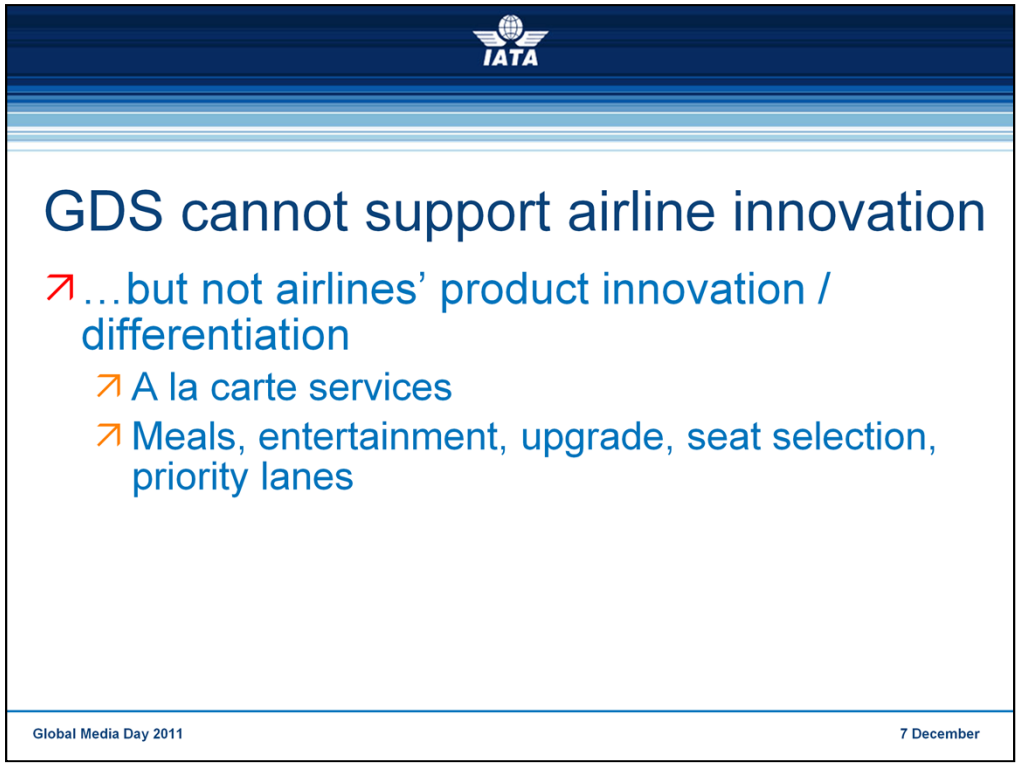
GDS cannot support airline innovation.

A GDS enables travel agents:

- to check the availability of flights
- find out more details about a flight
- and then make a booking.

The whole system is complex, with little flexibility, making it a challenge to accommodate any airline innovation.

What began as a revolution in the 1960's is now an obstacle to the continued progress of the air transport industry.



The challenge in distribution is product innovation.

If a company wants to sell a new product, the distribution channels need to accommodate it.

Going back to the cookie company analogy, it may be a new product that needs refrigerated trucks and storage.

For air travel, the new products are a la carte services which enable airlines to better serve their customers and differentiate their offers.

Case study: Air New Zealand

- Sky Couch sold only through the airline web site
- Not available through travel agents
- There are many more lost opportunities across the industry

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I will use a case study to illustrate this: Air New Zealand.

Customers can only purchase Air New Zealand's Sky Couch through the airline's website.

But for customers who book through travel agents, they will not have the opportunity to do so.

And if we look across the entire airline industry, there will be many more examples of such lost opportunities.

But it can be done

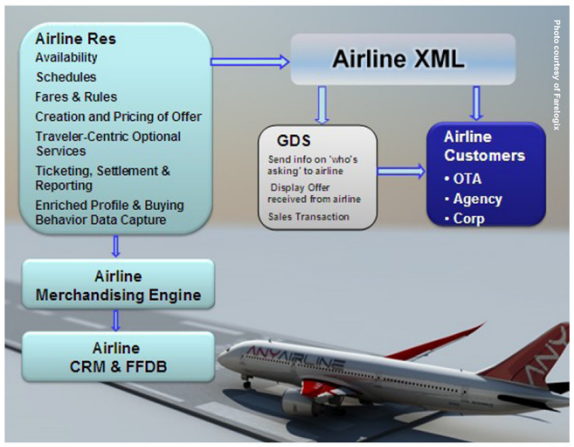
- Innovation… helps consumers make decisions
  - Consolidating travel data

But all is not lost. Already there is innovation taking place in the distribution space. Some players are consolidating travel data to help consumers make a better and more informed decisions.

For example Insidetrip has created a trip quality index, which includes information on the leg room or the aircraft age. Other examples include Google travel and Kayak.

The solution: common interface

- Standards defining a common interface
- Format of requests to airlines and responses to customers



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The solution is a new distribution architecture based on industry standards.

This means having a common interface between all airlines and all travel agents, so that companies willing to make airline products available to travel agents can do it, and at a lower cost.

The solution: personalization

- Well-known to online retail transactions
- "Hello Eric, we have recommendations for you"

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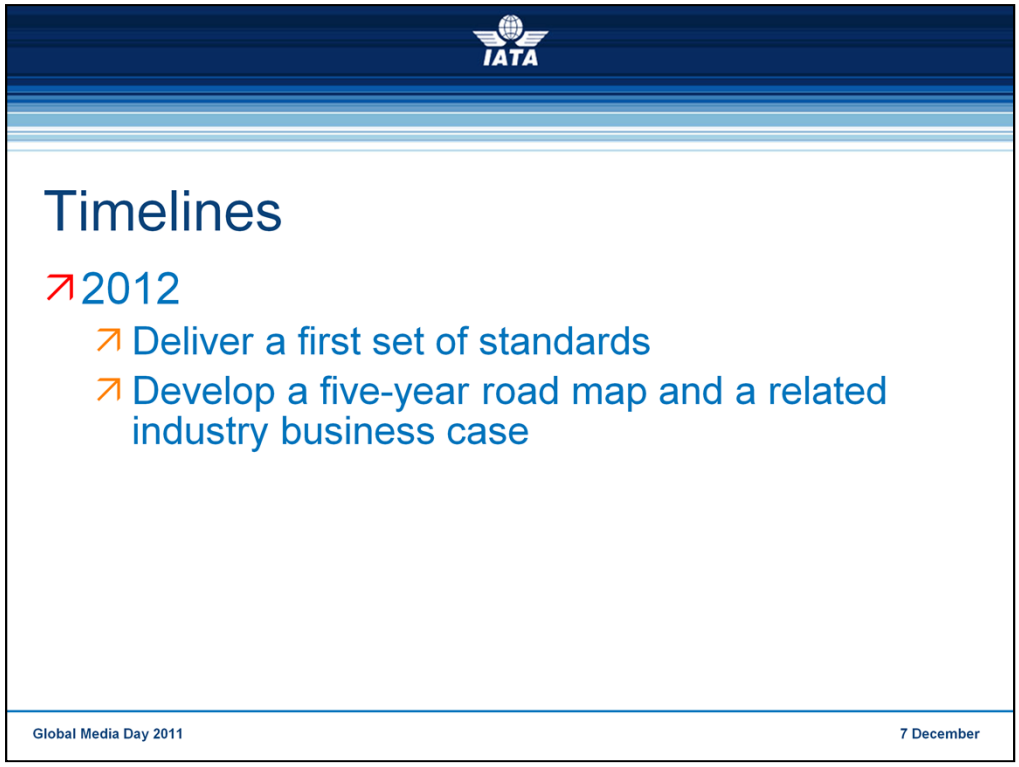
The common interface will also enable airlines to identify customers, and provide offers that can be tailored. This is similar to what you would get on other websites, such as Amazon.com.

Imagine a "people who travel to Venice have also booked the water taxi" click here option.

Our next step is to develop standards and infrastructure. We will involve the entire supply chain stakeholders: airline, travel agents, and GDSs.

The new standards will help airlines and travel agents provide more choice to consumers and make their air travel shopping experience simpler.



Our goal in 2012 is to deliver a first set of standards, so that this new distribution capability becomes a reality in 2013.

We will also finalize the concept, develop a five-year road map and the detailed business case that supports it.

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