

# NDC Case Study

Lufthansa turns NDC  
into novel customer benefits

**NOVEMBER 2016**

## New Distribution Capability (NDC)

New Distribution Capability (NDC) is a travel industry-supported program launched by IATA for the development and market adoption of an XML-based data transmission standard.

The NDC standard enhances the capability of communications between airlines and travel agents and is open to any third party, intermediary, IT provider or non-IATA member, to implement and use.

It is transforming the way airline products and services are retailed to corporations, leisure, and business travelers and will facilitate product differentiation, time-to-market, access to full and rich travel content, and a transparent shopping experience.

At the 72nd IATA Annual General Meeting in Dublin, IATA announced the launch of the NDC Certification Registry to recognize those companies that have implemented part or all of the NDC technical standard.

**Full information can be found at: [www.iata.org/ndc](http://www.iata.org/ndc)**

## Lufthansa Group

The Lufthansa Group is a global aviation group with a total of 540 Subsidiaries and equity investments, which in the financial year 2015 were organized into the Passenger Airline Group, Logistics, MRO, Catering and Other business segments. In 2015, the Lufthansa Group generated revenue of EUR 32.1bn and employed an average of 119,559 staff.



**Lufthansa**

Passenger transport is the largest business segment in the Lufthansa Group. The Passenger Airline Group comprises the airlines Lufthansa Passenger Airlines (including Germanwings and Eurowings), SWISS and Austrian Airlines. Equity interests in Brussels Airlines and SunExpress are strategic additions to the portfolio.

With its multi-hub strategy, the Passenger Airline Group offers passengers comprehensive flight schedules while providing the greatest level of travel flexibility at the same time. By refining its product portfolio and continuously harmonizing its process, the Passenger Airline Group offers its customers a global route network of 271 destinations in 107 countries.

**Full information at : [www.lufthansa.com](http://www.lufthansa.com)**

# Lufthansa turns NDC into novel customer benefits (1)

## The NDC pilot

Lufthansa's NDC pilot was fully integrated into its existing distribution and production processes and so involved actual ticket sales. In cooperation with the German tour operator l'tur, which is part of the TUI group, Lufthansa offered novel product bundles exclusively via lturfly.com.

A focus on AirShoppingRQ and AirShoppingRS messaging allowed Lufthansa to effectively explore and test offer management.

NDC flight offers were made for selected routes on the Lufthansa European network, including bundled ancillaries, such as free checked baggage and free lounge access. The bundles were defined in the merchandizing engine of Lufthansa's IT partner Farelogix by assembling fare specifications with new product components under the airline's control.

Besides the advantage of a flexible and rule-based product compilation, the solution also provided an enhanced sales process both for l'tur and customers by integrating such media content as product descriptions, icons, and images.

Lufthansa's pilot achieved IATA NDC Level 2 certification and used NDC schema 1.1.3, an early version that was current at the time of the project's inception.

## The Objectives

The main objective of Lufthansa's pilot was to develop an early understanding of the processes, business functions, and technical challenges that have to be managed during the implementation and operation of a NDC-based distribution chain. In addition, Lufthansa sought information regarding the market acceptance of novel product bundles.

Equally important was developing trust in the NDC standard, not only within the Lufthansa Group but also in distribution partners and the wider airline industry.

By successfully launching the live pilot, Lufthansa has proven its commitment to the NDC standard and its ongoing efforts to further develop state-of-the-art high quality connections and innovative products for its distribution partners.

## The Challenges

Any project that changes traditional paradigms encounters challenges and Lufthansa's NDC pilot was no exception. Finding the right distribution partner as well as the right technical set up was the first hurdle to clear. Choosing partners is not necessarily straightforward when dealing with a project that not only covers new technological ground but also has a fundamental effect on the airline industry distribution ecosystem.

Also, the core concept of NDC to have a real-time, transaction-based offer process did not easily link to the cache-based solutions that are widely used in the European tour operator business.

Connecting NDC-enabled systems to such legacy systems as passenger service systems also requires extensive work and close collaboration between various departments to bring together the relevant knowledge.

# Lufthansa turns NDC into novel customer benefits (2)

## The Role of Partners

Lufthansa selected Farelogix as its IT provider to facilitate the offer creation functionality for its NDC pilot deployment using the Farelogix Merchandizing Engine. With this setup Lufthansa could benefit from its existing Lufthansa Direct Connect IT platform with Farelogix that currently connects more than 80 distribution partners directly to its backend systems.

The exclusive distribution partner, l'tur, held a great advantage since it was already successfully using the Lufthansa Direct Connect platform. Moreover, l'tur's prominence in the German leisure travel and tour operator business perfectly matched the NDC product bundling approach.

Peakwork, a German travel software specialist for the tour operator business, developed an NDC-converter for Lufthansa to feed its NDC offers into l'tur's cache-based production environment.

## The Lessons Learned

For Lufthansa, several factors had a significant effect on the success of the project over its lifecycle. The establishment of project governance and the clear distribution of roles and responsibilities among all involved parties ensured a comprehensive communication strategy and the ability to address any issue at a high level.

The appropriate capabilities and IT landscape of the distribution partner, as well as the full engagement, commitment, and willingness to invest in innovation, were crucial aspects for the realization of the pilot.

Also, it proved extremely important to thoroughly consider the potential disruption caused by the coexistence of traditional and new distribution technologies. An awareness of associated processes and other relevant stakeholders was also more than worth the effort.

## The Conclusion

Lufthansa views its NDC pilot as preparing the road toward future state-of-the-art retailing, with dynamically created, personalized, and channel-specific offers under full airline control. Order management, including interline capabilities, will be the group's next major step.

Sustaining NDC usage and functionalities will enhance the quality of customer offers and the quantity of connected distribution channels. The Lufthansa Group intends to continue contributing to the development and implementation of the IATA NDC standard through a variety of activities.

Marcus Frank, Head of Revenue Management Hub Airlines Lufthansa Group: "The cooperation between Lufthansa and l'tur in the context of the NDC pilot is a win-win-situation for all parties: L'tur can offer exclusive advantages to their customers for Lufthansa flights booked on their website lturfly.com and thus has a unique selling proposition in the flight-only business. Lufthansa can offer novel products based on the NDC-data standard and in addition gains important insights for the development of the NDC-standard in close cooperation with IATA."

([L'tur press release](#), 25.08.2016)