

# + NDC Distribution in China

## ▶▶▶ WHY IS THIS IMPORTANT?

While NDC has progressed in mainland China with ten airlines certified as being NDC capable, the overall level of reported NDC sales has yet to take off.

The six big Chinese OTAs/wholesalers are taking NDC contents from both Chinese and foreign airlines, but the actual level of use is low.

To understand these realities, IATA commissioned a consultant to interview a number of airlines, agencies and distribution providers in China to conduct an extensive research tour in March 2018.

IATA found the level of interest in NDC (and ONE Order) to be very high, even at senior levels in Chinese airlines, agencies and technology providers – especially Travelsky. The meetings with distribution experts were often accompanied by wider cross-departmental meetings, with as many as 300 staff attending one session.

## ▶▶▶ ZOOM INTO THE TOPIC

### Distribution in China - first impressions

Travel in China is dominated by sales through the top six OTAs/wholesalers led by CTrip.

The payment industry in China now revolves around mobile payments – with many players charging very low fees to make a payment.

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Travelsky remains the dominant technology provider of PSS services to Chinese airlines, but is confronted with more competition as the OTAs develop direct connects and start using other aggregators.

## NDC in practice

IATA has certified ten mainland Chinese airlines as NDC capable. Six of the seven airlines IATA visited were quite advanced in planning how to use NDC in future.

## Why is NDC different in China?

We found five differentiators between China and most western countries which resulted in a different approach to deploying NDC:

- ▶ In China, airlines are required to provide every passenger with an inclusive fare for the first checked bag, onboard refreshment and ability to select a seat. As a result airlines are less able to unbundle their fares through the fare family approach, or to offer ancillaries.



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- ▶ There are only a few low cost carriers in China, perhaps as a result of the all inclusive requirement above. Airlines do not find it essential to describe their 'superior' inclusive products using rich media – whether on their websites or to agencies via NDC.
- ▶ There is considerable respect for Travelsky as the technology provider to the industry, with many, but not all, airlines and agencies willing to wait for Travelsky to develop NDC solutions for the Chinese market.
- ▶ Finally, the Chinese Government has required all state-owned Chinese airlines to achieve a minimum of 50% of sales through 'direct' channels by the end of 2018. However the exact definition of a direct sales is subject to interpretation.



### Travelsky as NDC Enabler

Travelsky has been following the industrial trend of NDC adoption and building its own NDC capabilities.

TravelSky communicated to IATA that all its ongoing efforts are only a start-point of their long term total NDC strategy, and more will be released and made available to NDC players globally.

There are three identified NDC enablers being developed by TravelSky:

- ▶ The first solution is attached to the Travelsky CDP platform used to distribute Chinese airline contents to any subscribing agency with ticketing issued by airlines on their stock. By adding an NDC API to agencies, the actual offer will simply represent the CDP standard product as presented by Travelsky.
- ▶ TravelSky is building a NDC aggregation solution to deliver content providers and distributors complete services based on NDC technology, and to co-exist with the traditional GDS services. TravelSky has applied for NDC level-3 aggregator certification, based on this solution.
- ▶ Through Travelsky's purchase of OpenJaw, a standard Western offer and order management system is being developed for Cathay Pacific Airways.

### Foreign airline use of NDC in China

There has been little use of NDC by foreign airlines, despite the willingness of the largest agencies to take NDC contents.

The market dynamics is becoming increasingly vibrant for NDC. Leading airlines are starting to invest and engage with local players by themselves or through the IATA matchmaking. Tests and initial deployments are underway.

### Agency perspective on NDC

More than 25% of the NDC-certified agencies came from mainland China and there has been a clear trend of increasing number of certification queries and applications from Chinese agencies.

The top six OTAs/wholesalers are very keen to take NDC content from airlines, some of them have been fully ready to engage and connect.

The largest Chinese agency, CTrip, is ready to take NDC contents directly from airlines. CTrip prefers it is provided to them via its subsidiary company TravelFusion when foreign airlines are involved. CTrip is able to display fare families, rich media and ancillary content. But in order to attract NDC suppliers, airlines should ensure:

- ▶ The NDC channel has their competitive content
- ▶ The performance of their NDC API
- ▶ The complete and efficient NDC servicing capabilities



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### Corporate Buyer perspective on NDC

IATA met four state-owned corporate buyers served by the same TMC. These buyers worked for companies employing over one million staff altogether.

These buyers have little awareness of NDC, and in general, when asked about their priorities, were clear that obtaining the lowest price was the most important.

However, one buyer could see the value of adding value through provision of ancillary products and services that would make the travel experience better – such as wifi, fast track and lounge access. As long as airlines have to provide the bag, meal and seat selection, the desire for ancillary product is limited.

### ▶▶▶ INDUSTRY STATE OF PLAY

#### Future for NDC and ONE Order in China

The level of interest in these topics from all airlines and from Travelsky is high. But the current level of penetration is low.

Travelsky is now aware that it has two separate opportunities to support:

- ▶ Chinese and foreign airlines by taking NDC content under the control of airlines and making it available to agencies across China
- ▶ Its Chinese PSS client airlines with an NDC offer and order management system under the control of the client to deliver value-added fare families, with personalization and ancillary content. It also has the capability to introduce ONE Order into a modernized PSS in coordination with airports across China.

Meanwhile, the Chinese market is open to other technology providers to introduce NDC solutions to airlines and aggregation platforms for agencies that are not just aligned to a particular interest of a single player having bought the provider.

