A NEW 'SELLER' LANDSCAPE?

Miranda Cole

Partner,Covington & Burling LLP

Airline Retailing under the NDC

Legal Framework Study

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Overview

- Study of the regulatory framework governing retailing of air and non-air content by airlines and third parties using NDC-based solutions
  - *What types of non-air or third-party ancillaries could airlines sell using NDC-based solutions?*
  - *Under which conditions could airlines sell such services? What are the relevant regulatory requirements in terms of, e.g., airline liability?*
  - *What are the requirements for new players (e.g., chatbots, Facebook, Airbnb) to start selling air content using NDC standard and querying an aggregator or an airline API?*

- Identifying obligations that apply to different types of entities and activities using NDC-based solutions in the European Union and the United States

- Scope: airlines, aggregators, (online) travel agents, MSEs, other online service providers (including social media), small office/home office operators

European Union (I): *Airlines*

Implementation of NDC-based solutions is unlikely to alter existing obligations, but may add obligations where players widen the scope of their activities in selling air- and non-air content

- Regulation of offers by airlines or air and non-air content using NDC-based solutions unchanged
  - provide pre-contractual information concerning the main characteristics and price of the service
  - provide information regarding the content, transfer and termination of package travel contracts
  - enable alterations to contractual terms
  - clearly identify commercial communications and advertisements
- Airlines continue to be responsible for (i) the performance of package travel contracts they offer, and (ii) errors due to technical defects in booking systems attributable to them
- **New activities**, enabled by NDC-based solutions may trigger **additional obligations**
  - Airlines using NDC-based solutions may be intermediaries for third parties, without selling their own content
  - From 12 July 2020, intermediaries must ensure appropriate transparency, fairness and effective redress for third party "business users"

European Union (II): *MSE/ Aggregators*

Implementation of NDC-based solutions is unlikely to alter existing obligations for MSEs

- Customers may (i) select an offer listed by the MSE, and book with an airline or OTA to which they are referred by the MSE, or (ii) select an offer list by, and book with, the MSE itself
- Both approaches lead to bookings being made by an airline booking engine accessed through an API
  - MSEs will be neither organisers nor retailers of the air and non-air content, and would generally not be subject to rules regarding package travel
- MSEs will be subject to obligations regarding intermediation services from July 2020

European Union (III): *Other Players*

New players implementing NDC-based solutions are subject to obligations …

- **Online service providers** who sell air- and non-air content facilitate bookings on airline booking engines are subject to rules regarding (i) intermediation services; (ii) commercial communications; and (iii) the rights of natural persons to the protection of their personal data (GDPR)

… existing players and activities continue under the same obligations

- **Travel agents** continue to be subject to obligations
  - Provide pre-contractual information concerning the main characteristics and price of the service
  - Re the content, transfer and termination of package travel contracts
  - Receive and pass on messages re performance of package travel contracts
  - Liable for errors from technical defects in their booking systems
- **SOHO operators** could be subject to package travel, consumer rights and/or e-commerce obligations
  - Grey area: May not apply if they are mere intermediaries in contracts between passengers and providers of the travel service; contractual obligations still apply

United States (I): *Framework*

The US regulatory landscape differs significantly from the EU

- U.S. regulatory landscape encompasses (i) federal & state law, and (ii) general commercial law and laws specific to airline/ travel retailing
- Regulated entities are airlines and "agents", including third party intermediaries, such as agents and MSEs
  - The scope of the "agent" concept catches chatbots and other players in the distribution ecosystem, such as online social functionality and Airbnb
- With certain exceptions, U.S. federal rules apply to airlines and agents alike

United States (II): *Obligations*

Implementation of NDC-based solutions is unlikely to cause a significant shift in how the U.S. legal framework applies to airlines and agents

- Airlines and agents will continue to be prohibited from engaging in unfair or deceptive practices in supplying or selling air transport
- The full-fare rule requires that advertising of, solicitation for, or packages including air transport must state the entire price
  - Airlines and agents cannot raise the price of an airfare, ancillary or surcharge after the full amount of the originally-quoted price has been paid
- Additional data collection must comply with privacy laws
  - State privacy laws can impose further obligations on agents

VIEWS FROM A FINANCIAL ANALYST

Neil Glynn

Managing Director, Head of European Transport Equity
Credit Suisse

October 2019

Credit Suisse Equity Research

Views from a financial analyst

Airlines and intermediaries opportunities and risks

Neil Glynn, FCA, CFA,

Head of European Transport Equity Research
Global Transport Equity Research Co-ordinator

+44 207 883 6929
neil.glynn@credit-suisse.com

CREDIT SUISSE

What we do at Credit Suisse

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3 July 2018
Europe/United Kingdom
Equity Research
Airlines

The Ideas Engine series showcases Credit Suisse's unique insights and investment ideas.

Rating	OUTPERFORM
Price (27 Jun 18, p)	669.40
Target price (p) (from 721.00)	895.00
Market Cap (£ m)	13,605.4
Enterprise value (£ m)	13,968.3

Target price is for 12 months.

Research Analysts

Neil Glynn, CFA
44 20 7883 6929
neil.glynn@credit-suisse.com

Arthur Truslove
44 20 7883 1079
arthur.truslove@credit-suisse.com

Julia Pennington
44 20 7888 0157
julia.pennington@credit-suisse.com

Tim Ramskill, CFA
44 20 7883 7361
tim.ramskill@credit-suisse.com

Olivier Brochet
44 20 7888 8508
olivier.brochet@credit-suisse.com

Christopher Leonard
44 20 7888 3012
christopher.leonard@credit-suisse.com

Robert Spingarn
212 538 1895
robert.spingarn@credit-suisse.com

Jose Caldo
212 325 6771
jose.caldo@credit-suisse.com

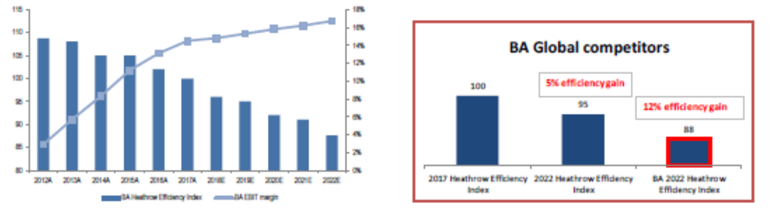
International Airlines Group (ICAG.L)

INCREASE TARGET PRICE

New insight into BA margin gain prospects

- **Introducing our Heathrow Efficiency Model (HEM) – raising estimates/TP:** In this Ideas Engine, we draw on our global airlines/aerospace coverage to develop a proprietary model to map the development of efficiency levels for all long haul operators at Heathrow over the next 5Y. We plot annual fleet renewal at the aircraft level for nearly 50 airlines operating over 200 routes over 2018-2022 to provide insight into cost curve development, which should govern margin progress. This unique analysis allows us to reassess BA and IAG's 5Y margin prospects with fresh perspective, and inspires confidence in further margin gains. We raise our 2019E-22E earnings by 5-11% and increase our target price by 24% to 895p, re-iterating our Outperform rating (34% potential upside before cash distributions).
- **BA long haul efficiency gains to outpace competitors and drive margin expansion:** Our HEM suggests BA will improve fleet efficiency levels by 12% via new aircraft on a five-year view, outperforming competitors set to achieve only 5% on average, and ensuring margin control as the majority of the market focuses on achieving pricing growth. We model BA EBIT margins rising from a record 14.5% in 2017A to 16.7% by 2022E. Summer 2018 represents the key competitive risk of the next five years, after which growth should moderate. Nonetheless, the premium cabin should ensure 2018 pricing surprises positively, helped by only 3% flat-bed seat growth in the market.
- **Valuation does not recognise sustainability:** Trading at 2018E-2019E P/E of 6.2x-5.6x, a FCF yield of 9-10%, an EV/IC of 1.4-1.3x versus ROIC/WACC of 2.3-2.4x, and with Credit Suisse HOLT® implying that the market is pricing in a decline in CFROI® from 7.24% to 4.57%, we see additional upside once confidence in IAG's margin sustainability grows. A potential Norwegian acquisition could also create value.

Figure 1: Efficiency gains driving BA margins - CS Heathrow Efficiency Model suggests further opportunity



Source: Company data, Credit Suisse Heathrow Efficiency Model

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24 October 2017
Global
Equity Research
Airlines

Research Analysts

Neil Glynn, CFA
44 20 7883 6929
neil.glynn@credit-suisse.com

Olivier Brochet
44 20 7888 8508
olivier.brochet@credit-suisse.com

Robert Spingarn
212 538 1895
robert.spingarn@credit-suisse.com

Julian Mitchell
212 325 6668
julian.mitchell@credit-suisse.com

Moshe Orenbuch
212 538 6795
moshe.orenbuch@credit-suisse.com

Tim Ramskill, CFA
44 20 7883 7361
tim.ramskill@credit-suisse.com

Patrick Laager
41 44 334 60 76
patrick.laager@credit-suisse.com

Richard Kersley
44 20 7888 0313
richard.kersley@credit-suisse.com

Arthur Truslove
44 20 7883 1079
arthur.truslove@credit-suisse.com

Christopher Leonard
44 20 7888 3012
christopher.leonard@credit-suisse.com

Jose Caldo
212 325 6771
jose.caldo@credit-suisse.com

James Ulan
212 325 8235
james.ulan@credit-suisse.com

Julia Pennington
44 20 7888 0157
julia.pennington@credit-suisse.com

Global Aviation Value Chain

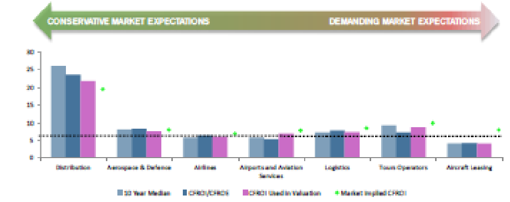
SUPPLY CHAIN RESEARCH

Launching AirLinks for Value Chain Insights

Our new product, AirLinks, leverages insights from across the $1trn listed aviation value chain to identify short- and long-term investment opportunities, framing them against Boeing's forecast of 4.7% passenger traffic CAGR over the next 20 years. In this AirLinks report, we focus on global airline sector consolidation and its potential impact on the value chain.

- **Still upgrades left in this airline earnings cycle – Credit Suisse PEERs identifies supply chain opportunities from potential surprises:** We expect the airline sector to enjoy a strong 3Q17, driving upgrades to consensus for 2017-18; we are 7-12% ahead of consensus 2017-18 EBIT for Outperform-rated **IAG** and Neutral-rated **Air France KLM** and **Lufthansa**. Based on our PEERs data, 3Q17's expected strength historically suggests positive share-price reactions from companies including **Air Lease** (OP), **Airbus** (OP) and **Fraport** (UP). We look at the signalling quality of all global airlines to isolate where signals are robust.
- **Global airline sector consolidation indicates long-term changes in the distribution of economic profit across the value chain – airlines are positioned to leverage improving bargaining power as suppliers focus on efficiencies:** We expect further airline consolidation to (i) boost pricing power and (ii) strengthen bargaining power versus suppliers from a historically weak position. Within A&D, we see Outperform-rated **Airbus, Boeing** and **UTX** as best positioned to pass risk on to suppliers, and we expect efficiency-focused M&A to continue across the value chain.
- **Credit Suisse HOLT®, as an independent arbiter, suggests supply-chain vulnerabilities are clearest in leasing and airport/aviation services:** We see market (and potentially management) expectations as most out of sync with supply-chain shifts in aircraft leasing, airports and aviation services companies (within the airline supply chain, in order of negative TSR suggested by our TPs, we rate **Rolls-Royce, Autogrill, Amadeus, Meggitt, Flughafen Zurich, Fraport** Underperform).

Figure 1: Global Aviation Value Chain



Source: Credit Suisse HOLT

CREDIT SUISSE

7 April 2017
Europe/Spain
Equity Research
Travel Distribution

Rating	UNDERPERFORM
Price (04 Apr 17, €)	47.48
Target price (€)	41.42
Market Cap (€ m)	20,835.3
Enterprise value (€ m)	22,316.7

…t price is for 12 months.

Research Analysts

Neil Glynn, CFA
44 20 7883 6929
neil.glynn@credit-suisse.com

Arthur Truslove
44 20 7883 1079
arthur.truslove@credit-suisse.com

Julia Pennington
44 20 7888 0157
julia.pennington@credit-suisse.com

HOLT Specialist Contact: Nina Wilkinson
44 20 7883 5847
nina.wilkinson@credit-suisse.com

HOLT Specialist Contact: Darshana Ramji
44 20 7883 7860
darshana.ramji@credit-suisse.com

…re price performance

…price relative chart measures performance against the …RID SE INDEX which closed at 1042.9 on 04/04/17 …4/04/17 the spot exchange rate was €1/Eu 1.- …4/US$1

…formance	1M	3M	12M

Amadeus (AMA.MC)

INITIATION

Disintermediation momentum to accelerate

- **Initiating with an Underperform rating given imminent negative catalysts, TP of €41.42 suggests 13% downside:** While we consider Amadeus a well-managed, high quality business, it trades at an all-time-high, and is vulnerable to imminent negative catalysts in new distribution strategies from key customers Air France KLM (AF) and IAG. Our earnings are 2-6% below consensus in 2018-19, with earnings growth slowing to 4% in 2018E.
- **New insights into disintermediation momentum:** We leverage our coverage of Amadeus's key airline customers to provide new insights as airlines globally implement distribution strategies: (i) **our Credit Suisse HOLT® value chain framework allows us to quantify high returns relative to customers, who seek greater share of the value chain's economic profit:** Amadeus's CFROI® has proved stable at 20% over recent years versus the global airline sector at 6%, emboldening airline executives, (ii) **global airline distribution strategies point to impending acceleration in disintermediation:** AF/IAG are due to announce new distribution strategies soon, likely following Lufthansa in seeking to bypass the global distribution systems and we expect carriers outside Europe to follow, and (iii) **long-term IT Solutions prospects not yet clear enough to outweigh short-term risks:** We believe that Amadeus's new business unit strategy, targeting €400m-€600m of contribution by 2022, will be successful – however, at this point it is ambitious to assume success will outweigh a growth slowdown in its core Distribution and Airline IT businesses.
- **Catalysts and key risks:** (i) 1Q17 on 5 May, (ii) imminent AF/IAG distribution strategy announcements are the key risks we see. Each 1% change in Distribution contribution means €13m (1%) to Amadeus pre-tax earnings, with each 1% in IT Solutions €10m (1%).
- **Underperform, TP of €41.42:** AMA trades on a 2017E FCF yield of 4.2% but its PEG ratio is set to expand from a 5Y average of 1.6x to reach 3-7x over 2017E-2019E (consensus 3-4x) as earnings growth slows.

Financial and valuation metrics

Year	12/16A	12/17E	12/18E	12/19E
Revenue (€ m)	4,472.9	4,800.9	5,062.4	5,302.7
EBITDA (€ m)	1,700.1	1,825.2	1,914.7	1,992.7
Adjusted net income (€ m)	911.00	963.45	998.38	1,026.29
CS EPS (adj.) (€)	2.09	2.20	2.28	2.35
Prev. EPS (€)				
ROIC (%)	18.5	19.5	20.3	20.9
P/E (adj.) (x)	22.8	21.6	20.8	20.2
P/E rel. (%)	114.2	142.0	151.2	168.5
EV/EBITDA (x)	13.4	12.2	11.4	10.7

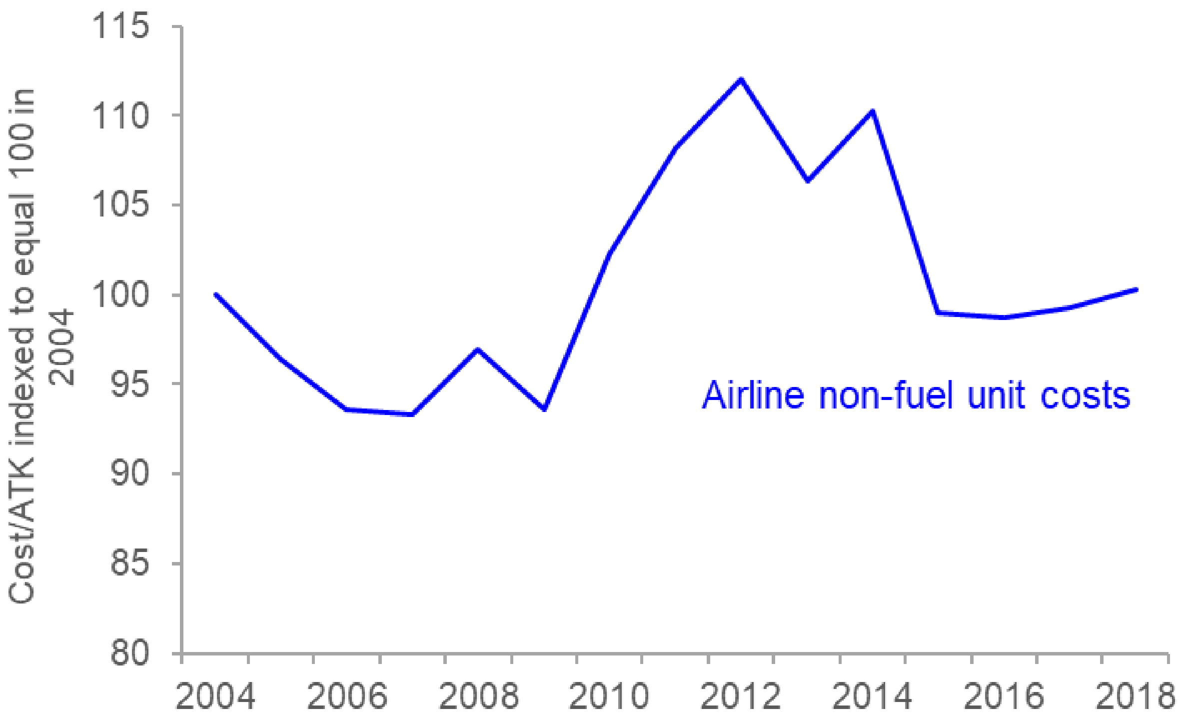
Dividend (12/17E, €)	1.01	Net debt/equity (12/17E,%)	46.5
Dividend yield (12/17E,%)	2.1	Net debt (12/17E, € m)	1,481.5
BV/share (12/17E, €)	7.3	IC (12/17E, € m)	4,666.9
Free float (%)	97.7	EV/IC (12/17E, (x)	4.8

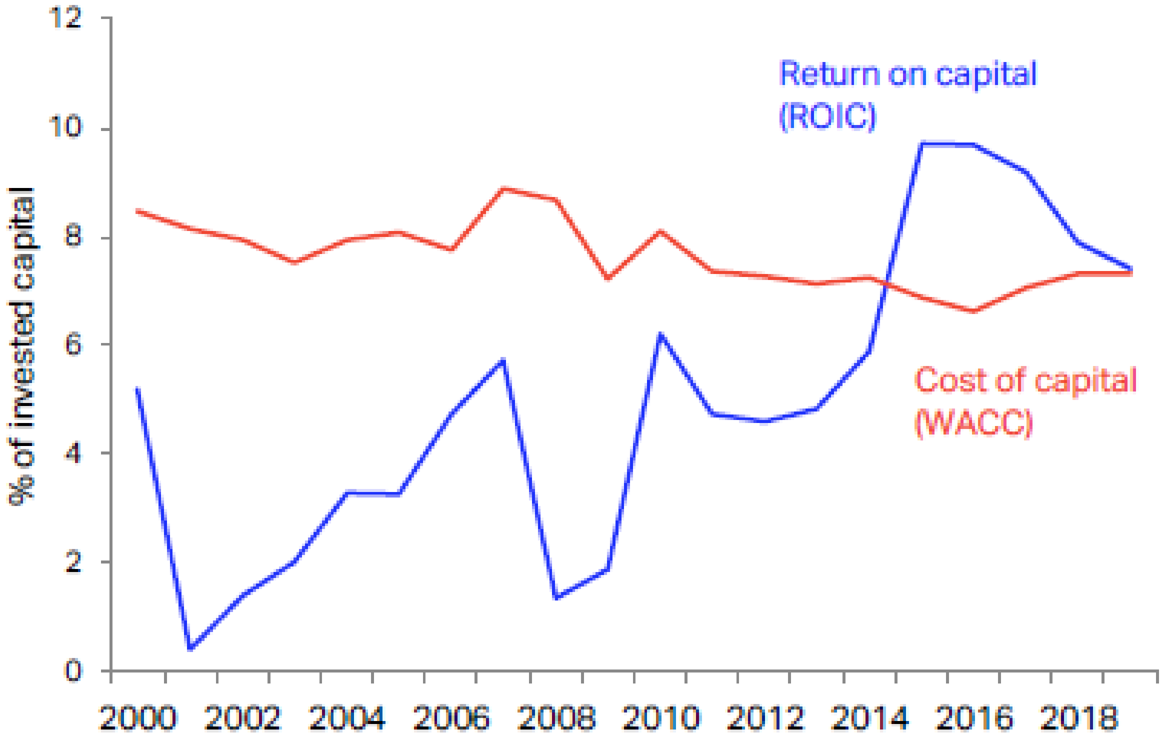
Pursuit of higher revenue quality increasingly important at this point in the airline industry's development

Cost cutting becoming more difficult

Sector regressing towards cost of capital

- Unit cost inflation persistent
- IATA forecasts suggest the airline industry is regressing towards simply covering capital costs again – new stimulus required

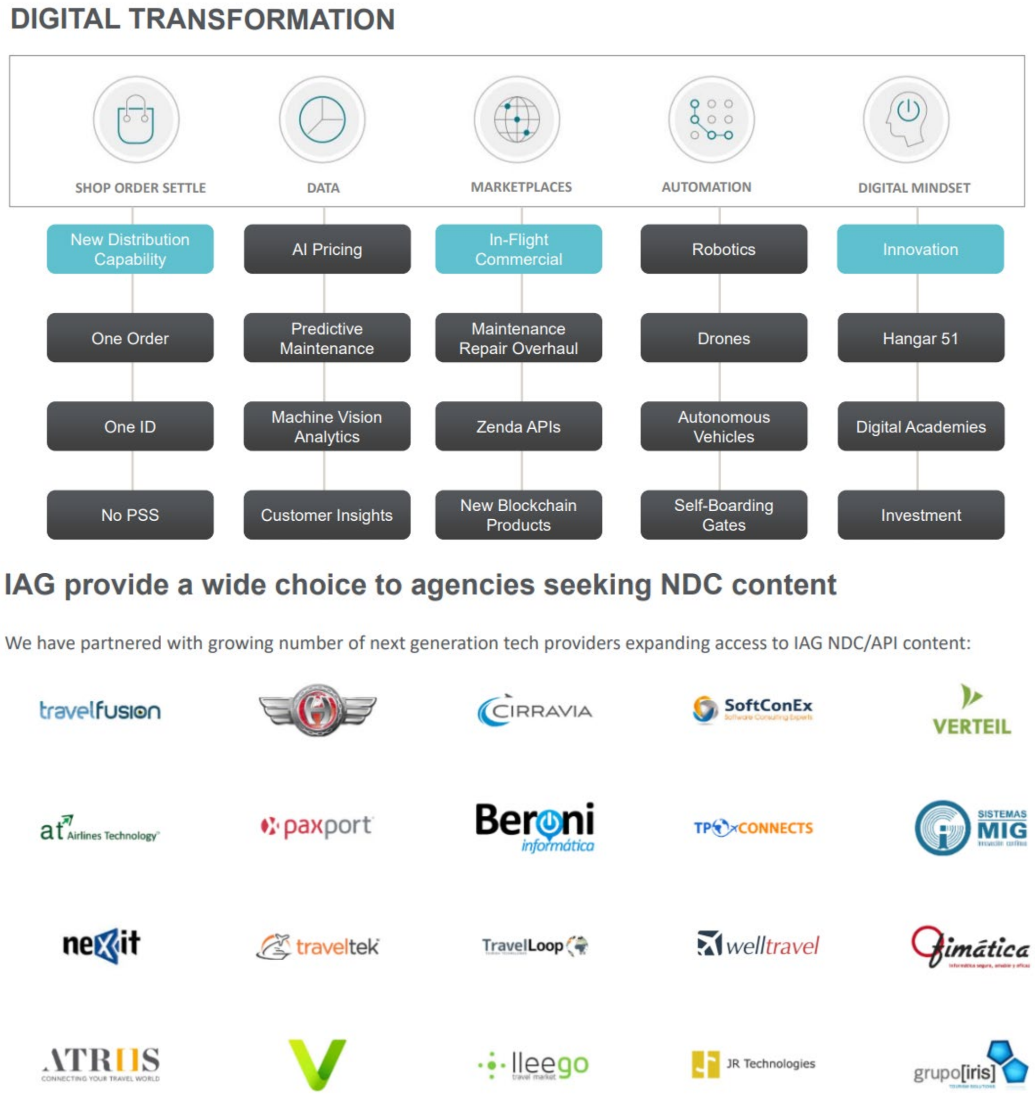




Source: IATA

Huge amount of activity as airlines strive to improve revenue and earnings quality

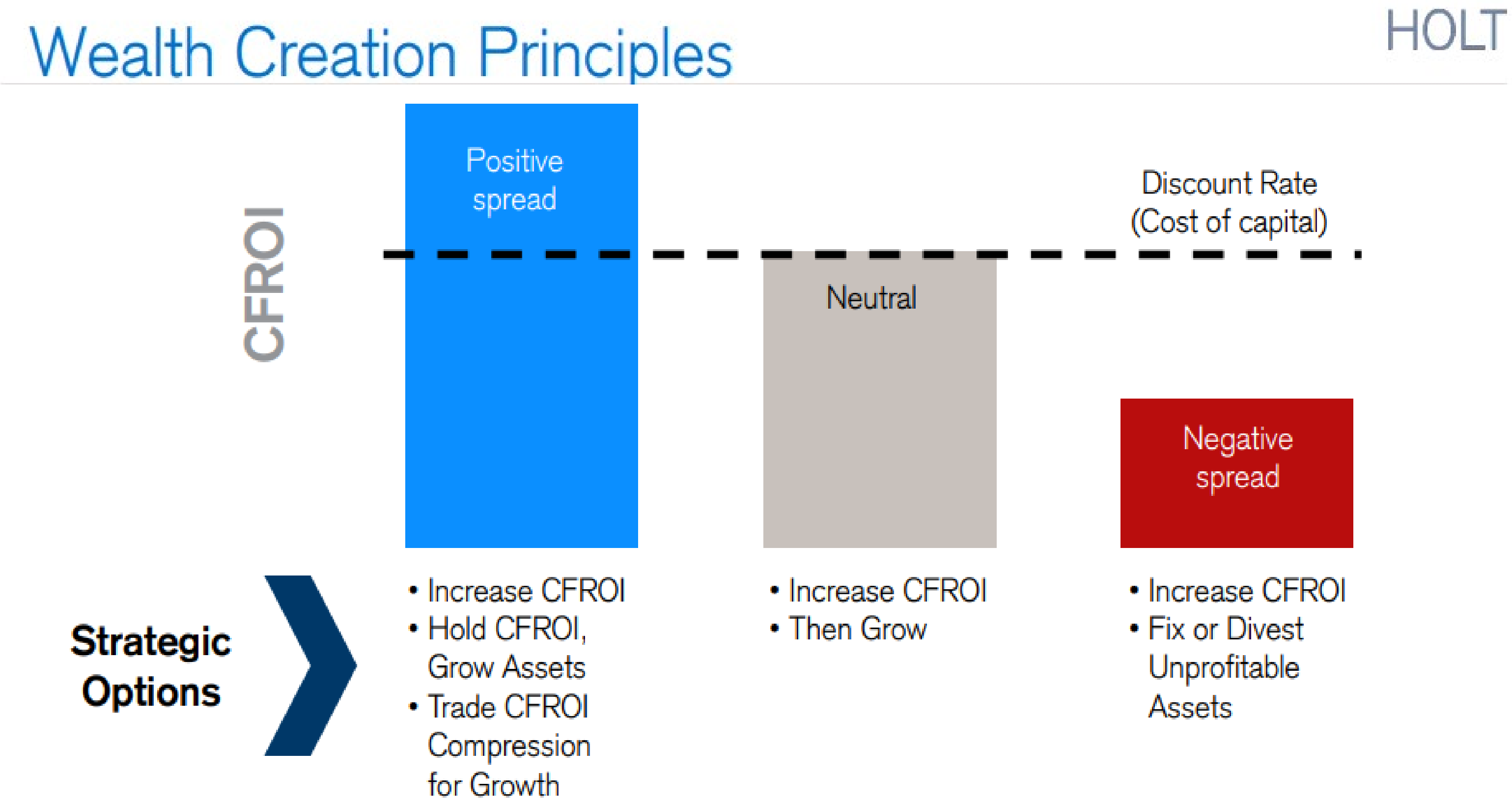
- IAG's approach to digital and its NDC-specific strategy show efforts across many areas involving multiple partners – suggests multiple new opportunities



Source: IAG 2018 CMD

But crucial for stakeholders to focus on what may meaningfully change financial performance

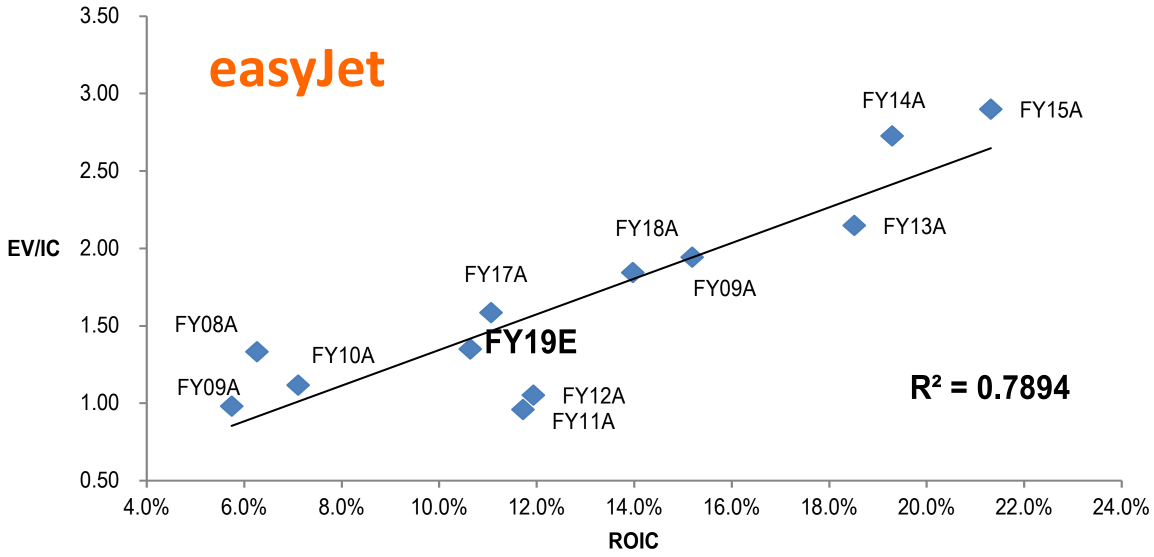
- Equity and credit finance providers need confidence in future returns
- Cash flow return on investment (CFROI®) framework per Credit Suisse HOLT® emphasises the need to generate returns in excess of capital costs

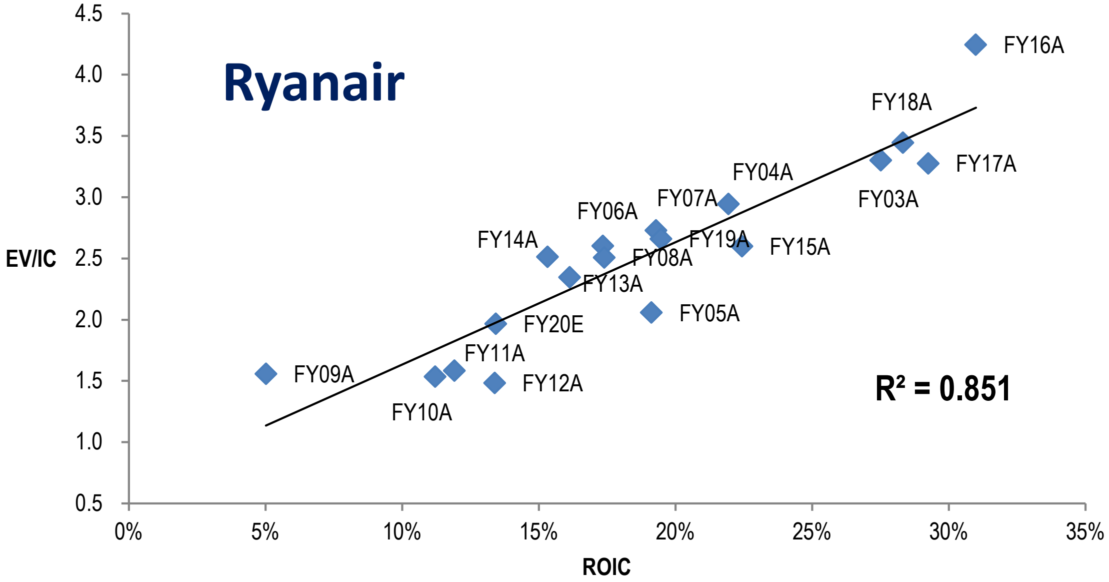


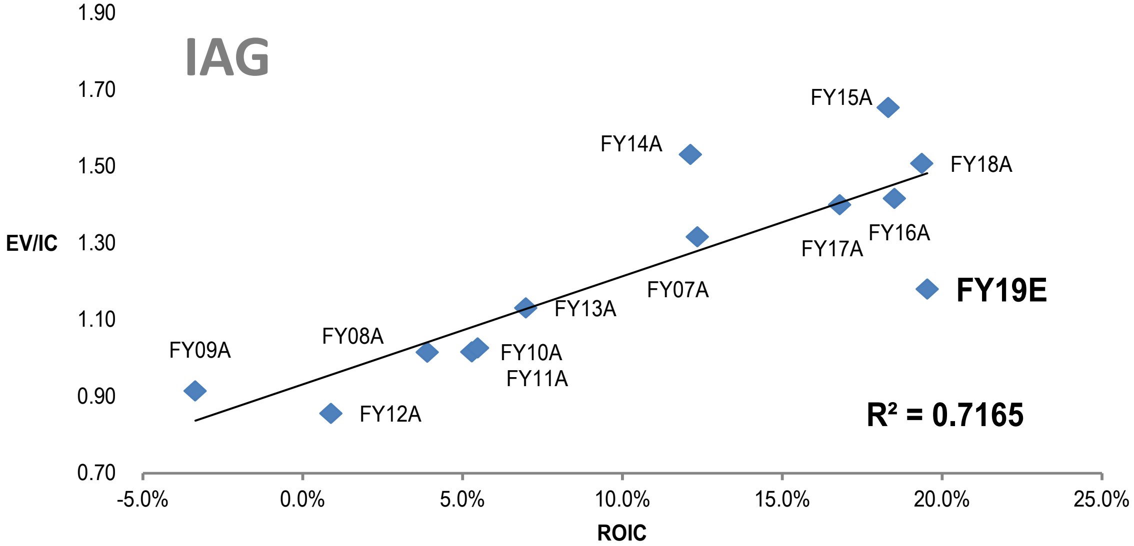
Source: Credit Suisse HOLT

The equity and credit markets reward returns in a capital intensive industry

- Strong correlations between returns / margins and valuations for easyJet, IAG, Ryanair



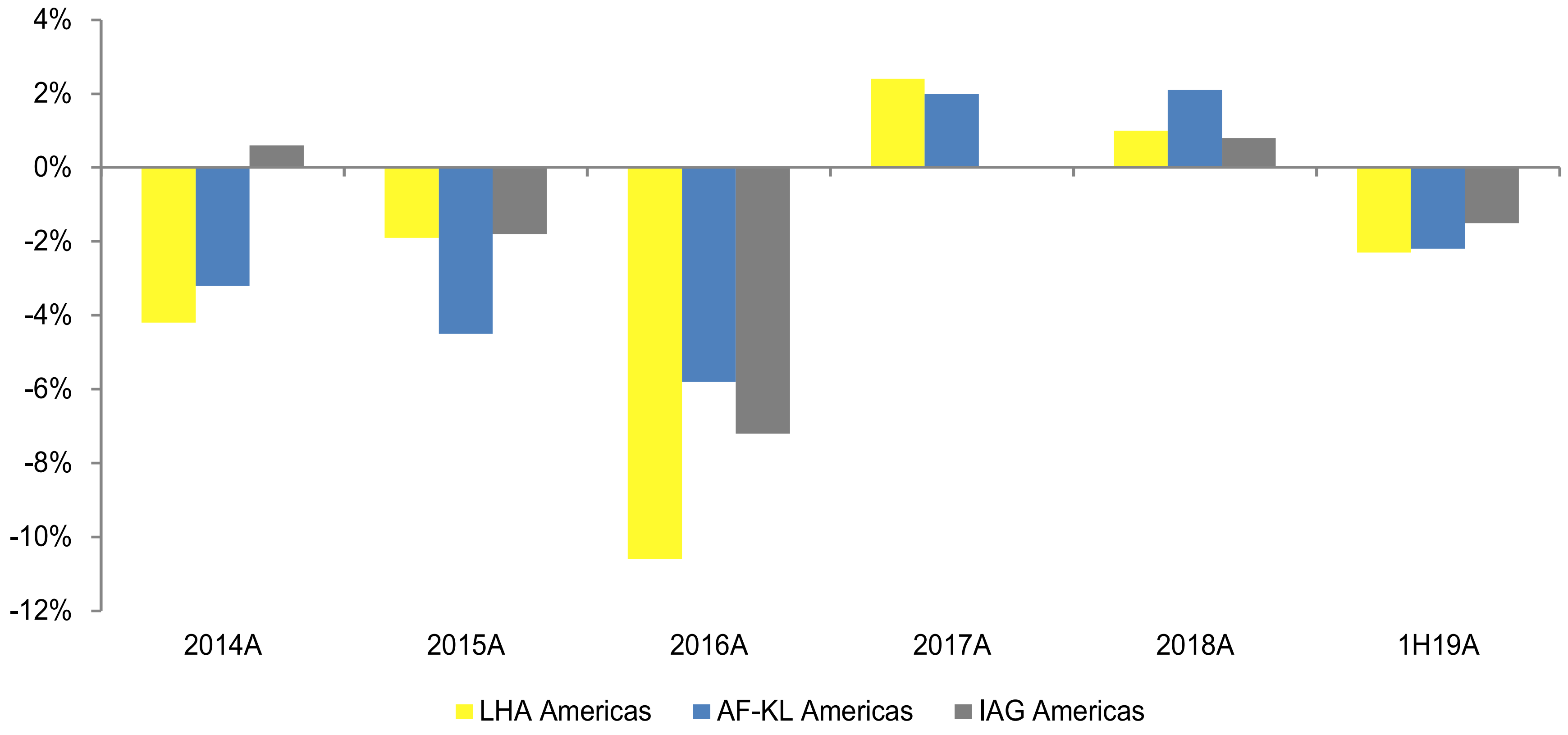




Source: Thomson Reuters data, Credit Suisse research

Thus far….. LHA pricing has underperformed peers despite earliest distribution strategy change in 2015

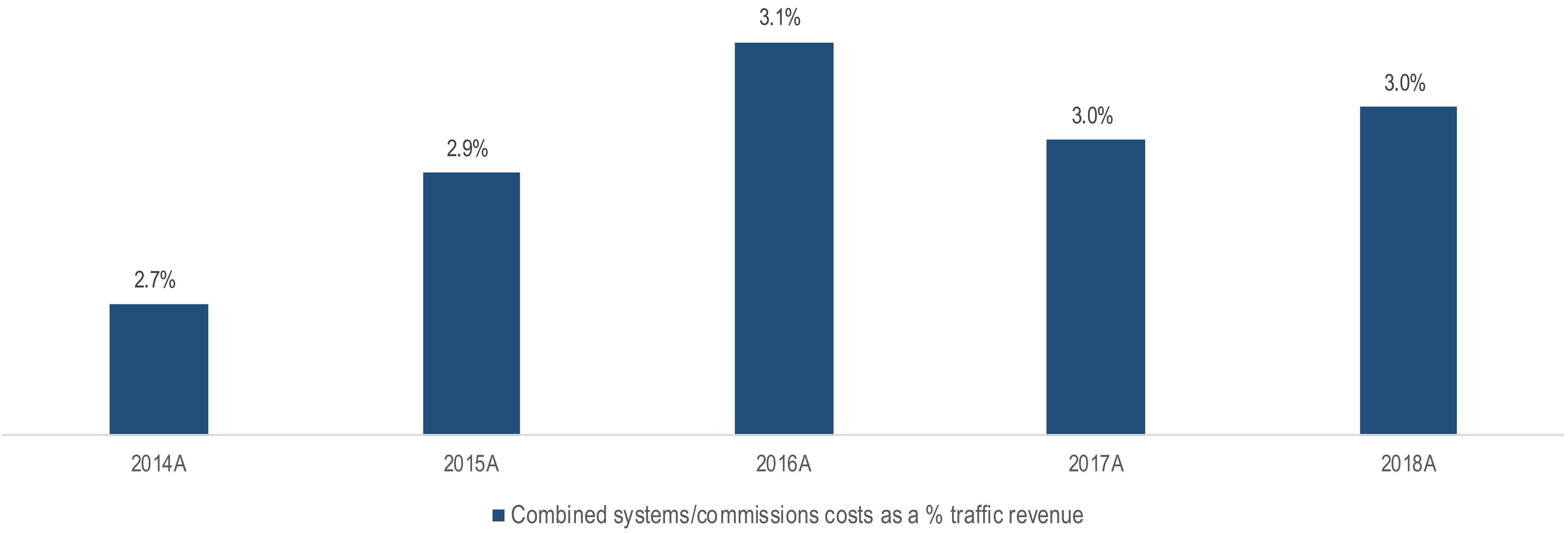
- LHA has underperformed AF-KL yoy RASK at constant currency 3 out of 4 years on Americas routes since 2015…..
- ….. 2 out of 4 years versus IAG



Source: Company data, Credit Suisse research

Considering relevant costs versus revenue also poses a question that has yet to be answered positively

Expenses from computerised systems and agency sales commissions have risen slightly as % of revenue – albeit early to judge



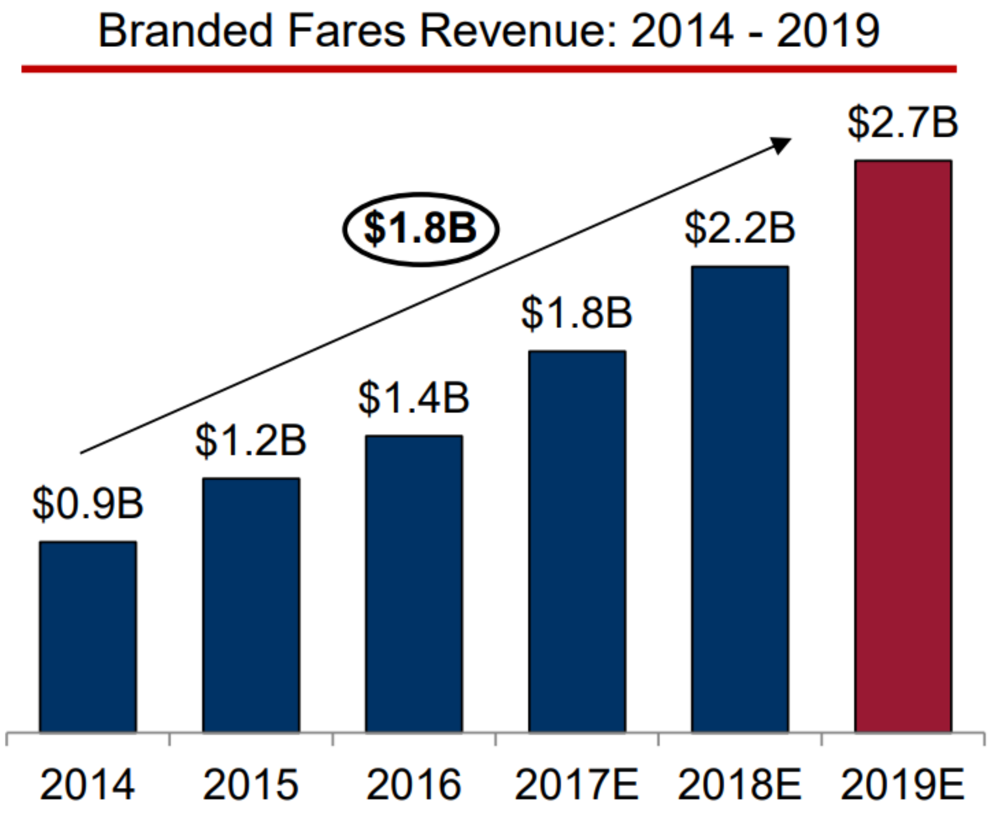
Source: Company data, Credit Suisse research

Opportunities for Airlines

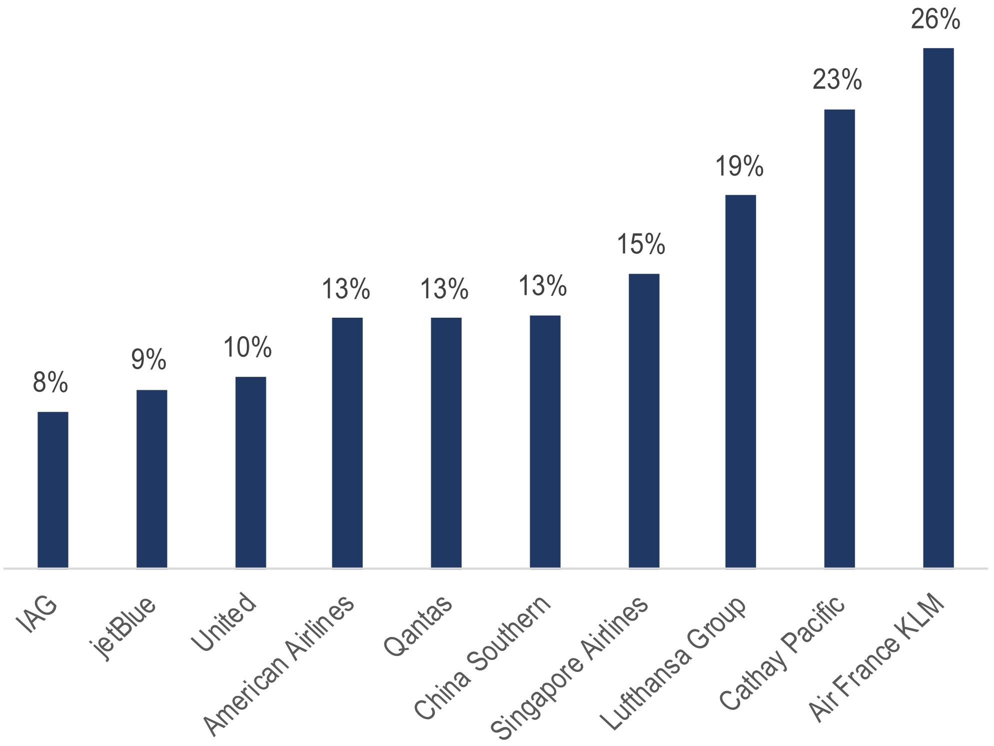
Small benefits would have big impacts on profitability

Structurally improved pricing control could bring emphatic rewards: Improved and more sophisticated usage of data could structurally improve seat pricing. Earnings sensitivities to small movements in revenue are high across the industry.

Industry leaders seeing momentum in revenue self-help stories as illustrated by Delta's branded fares



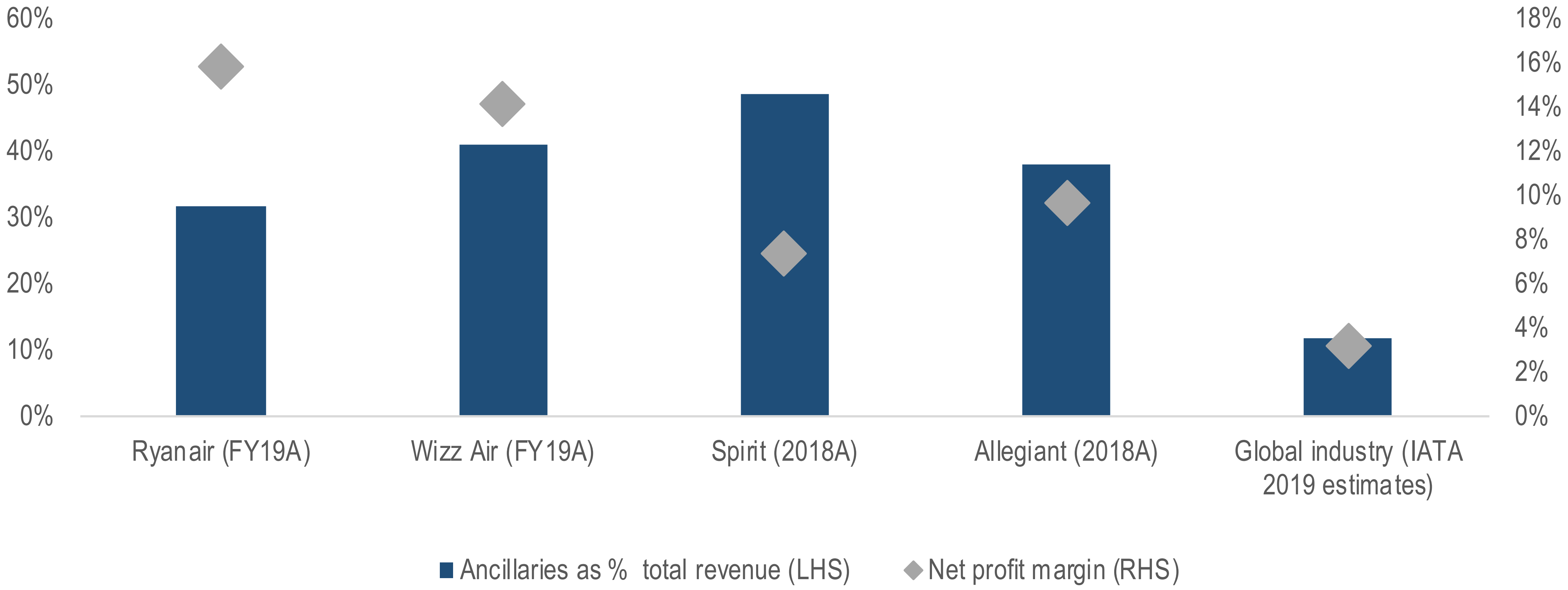
Each 1% improvement in passenger unit revenue (RASK) means 8-26% to 2020E operating profit for IATA NDC Leaderboard airlines



Source: Delta Air Lines 2017 Investor Day, Credit Suisse estimates

Ancillary revenue self-help strategies can structurally improve margins

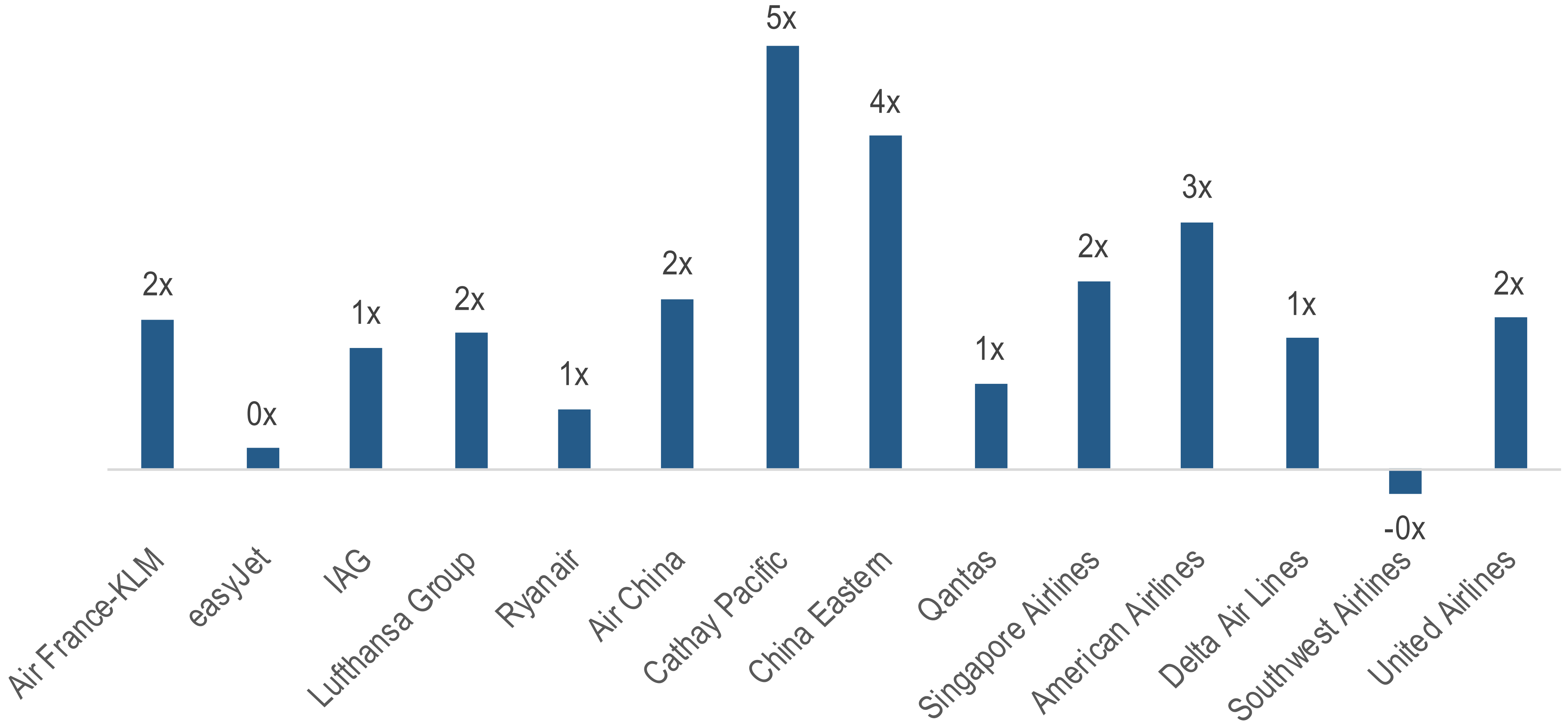
- Selling a wider range of products (i.e. ancillary products) should raise share of passenger wallets, with incremental revenues falling largely to the bottom line.
- The most profitable airlines are usually stronger on ancillaries.



Source: Company data, IATA Economics Economic Performance of the Airline Industry, Mid-Year 2019

Now is the time for the airline sector to invest

- Leverage levels, as represented by net debt/EBITDA for 2019E, are healthy for most major carriers.
- Consolidating regional markets should increase the resilience of pricing levels in a downturn (in theory).

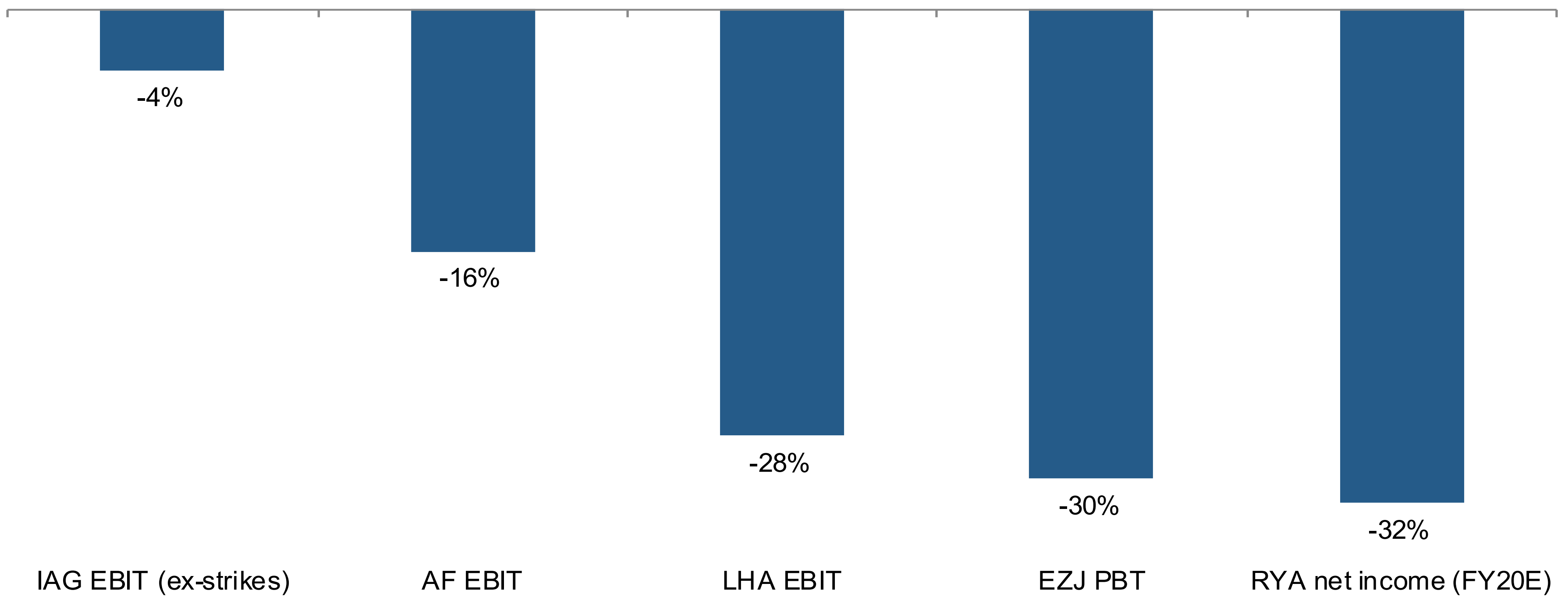


Source: Credit Suisse estimates

Risks to Airlines

Long-dated investments risk exaggerating effects of a downturn – protecting core pricing critical

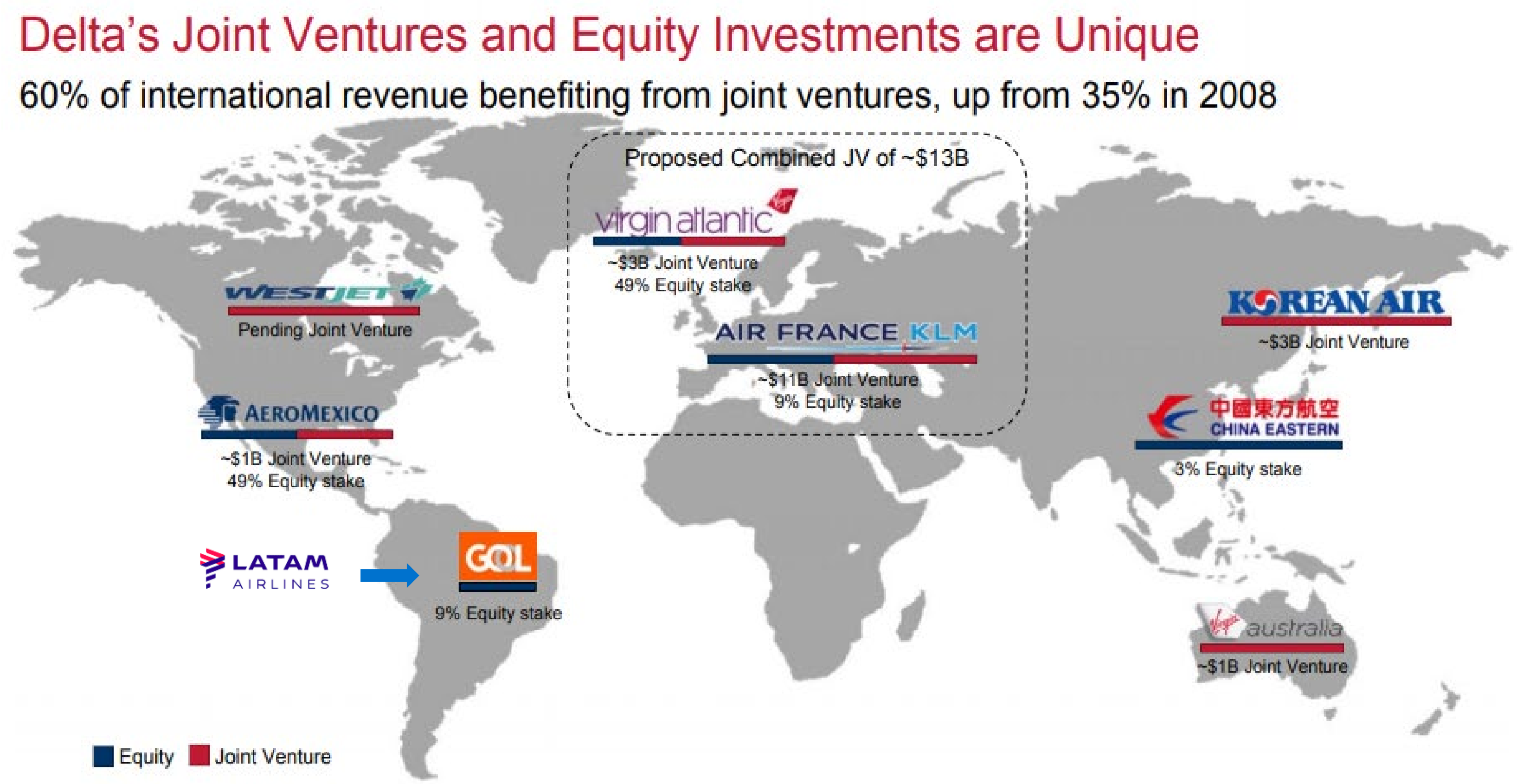
- Acceptance of higher costs (IT/distribution) as management sold on future opportunities?
- Capex intensity rising in many parts of the industry
- 2019 estimate reductions YTD illustrate that minor disappointments in core revenue streams can produce major disappointments in earnings and cash flows, postponing the net benefits of retailing/distribution strategies.



Source: Credit Suisse estimates (18 October 2019 versus 1 January 2019)

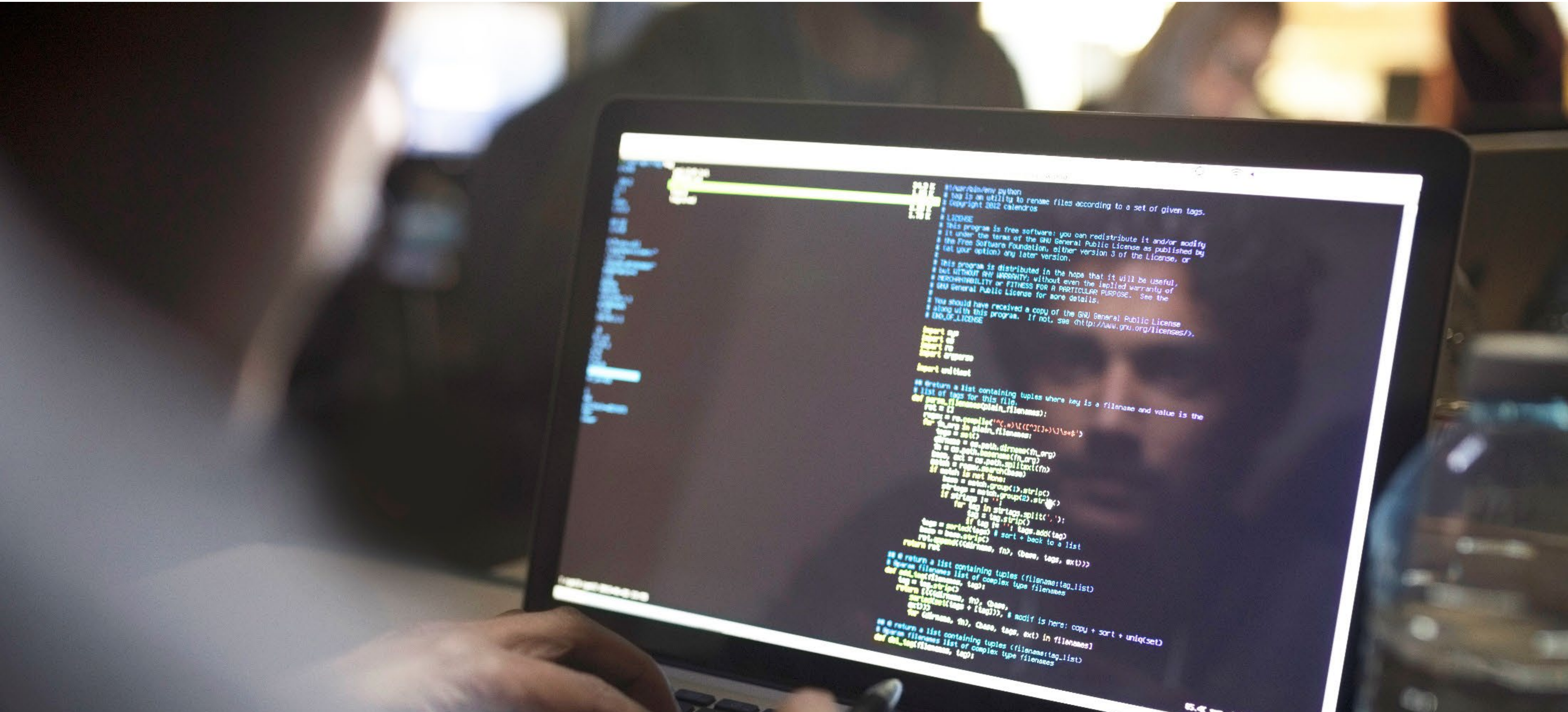
Global partner alignment may be necessary to maximise effectiveness of new retailing strategies

- Consolidation (M&A or JVs) has driven structural margin gains – alignment of partner revenue generation/distribution strategies could help increase changes of success.
- We frame this by considering Delta's increasingly expansive portfolio of global investments/partners.



Source: Delta 2018 Investor Day, Credit Suisse research

Opportunities for Intermediaries



In a gold rush, better to be the shovel seller?

- We highlight recent expansive deals announced by the GDSs, illustrating considerable momentum in upgrading their reach into the changing revenue generation arena:

Sabre	Vietnam Airlines	**October 2019:** Partnership announced
Sabre	AeroMexico	**October 2019:** Relationship extension agreed
Amadeus	Japan Airlines	**October 2019:** Expanded partnership announced
Sabre	Singapore Airlines	**September 2019:** Partnership announced
Sabre	IAG International Airlines Group	**September 2019:** Partnership announced
Sabre	kulula.com	**September 2019:** Partnership announced
Sabre	山东航空公司 Shandong Airlines	**September 2019:** Partnership announced
Amadeus	United Airlines	**August 2019:** Expanded partnership announced
Sabre	Croatia Airlines	**August 2019:** Expanded partnership announced
Sabre	spirit	**August 2019:** Expanded partnership announced
Amadeus	Cathay Pacific	**July 2019:** Partnership announced

- Amadeus has c.470 airlines on its distribution platform – upselling opportunity compelling

Source: Company data, Credit Suisse research

Hybridisation of low cost carriers

- We highlight the following strategic shifts away from pure low cost carrier models towards a more hybrid offering.
- Intermediaries can play a role as carriers seek deeper revenue quality, and increasing connectivity.

RYANAIR ----- **Broader product portfolio and customer segmentation targeting**

easyJet ----- **Holidays, business travelers and loyalty**

jetBlue ----- **Pursuing airline partnership strategy for over 10 years, (Norwegian latest addition)**

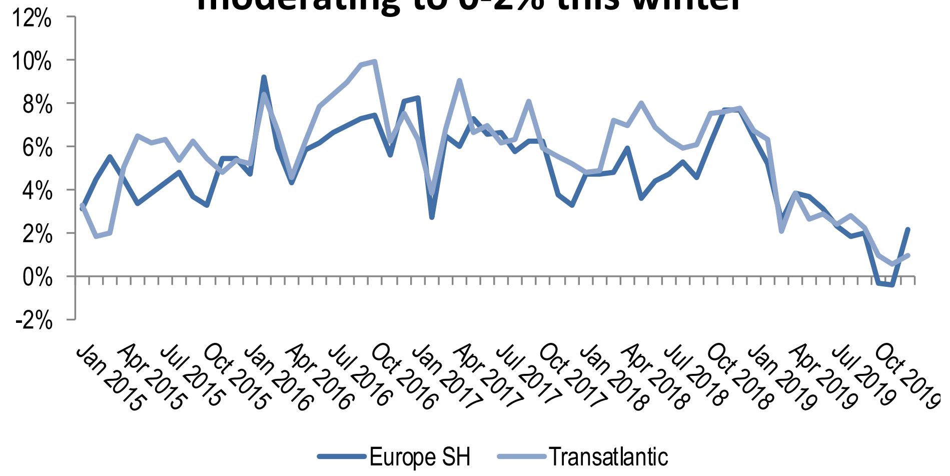
AirAsia ------ **Developing an OTA platform selling flights, hotel and experience packages**

Source: Company data, Credit Suisse research

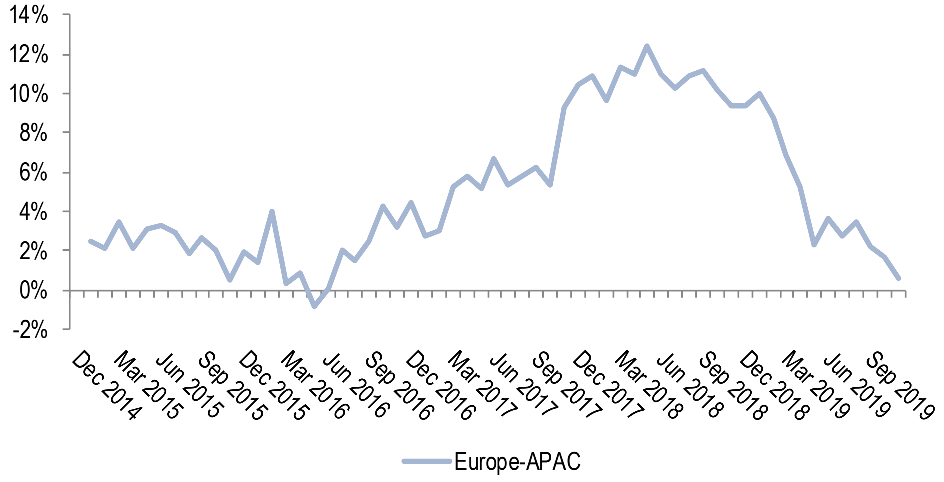
Risks to Intermediaries

Capacity and traffic growth slowing in most major markets – a small taste of the future in an increasingly carbon-conscious world?

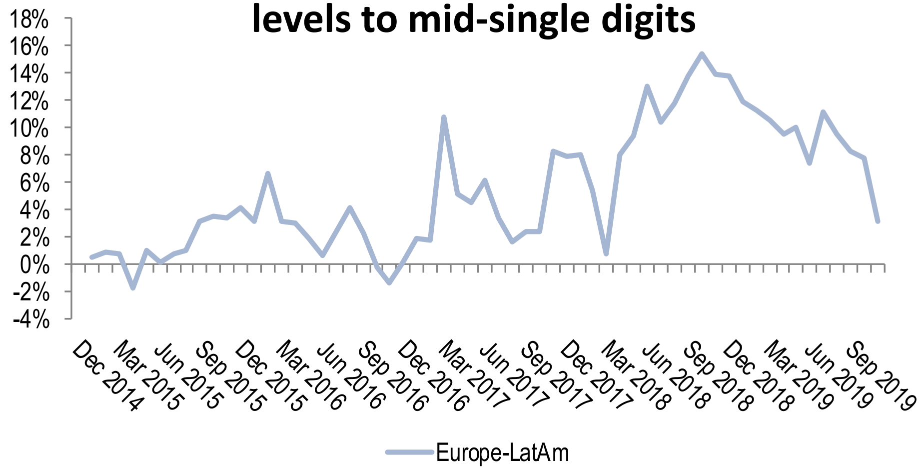
Euro short haul and Transatlantic seat growth moderating to 0-2% this winter



Seat growth on Europe-APAC slowing to 0-2%...



….. while Europe-LatAm slowing from double-digit levels to mid-single digits

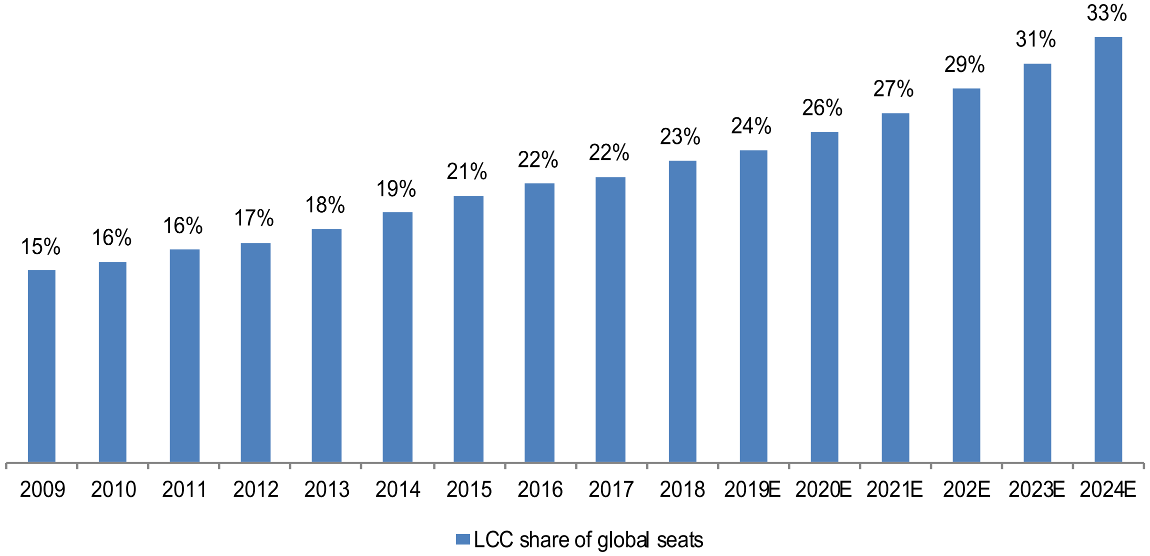


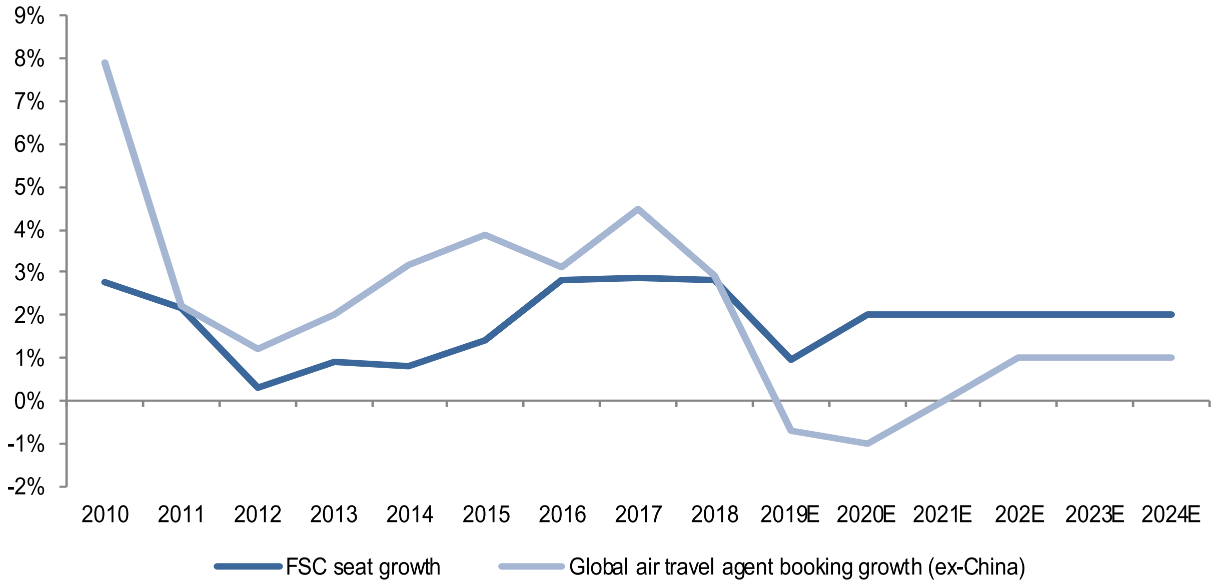
Source: Diio Mi seat data, Credit Suisse research

LCCs continue to take market share at the expense of travel agents

- LCC growth strategies have driven LCCs to a 24% share of global airline seats versus 15% in 2009. We expect this to move to 30-35% within 5 years.

- As a result, travel agent booking growth has distinctly underperformed global airline capacity growth. We expect limited growth in the future; weighing on GDS volume growth prospects.



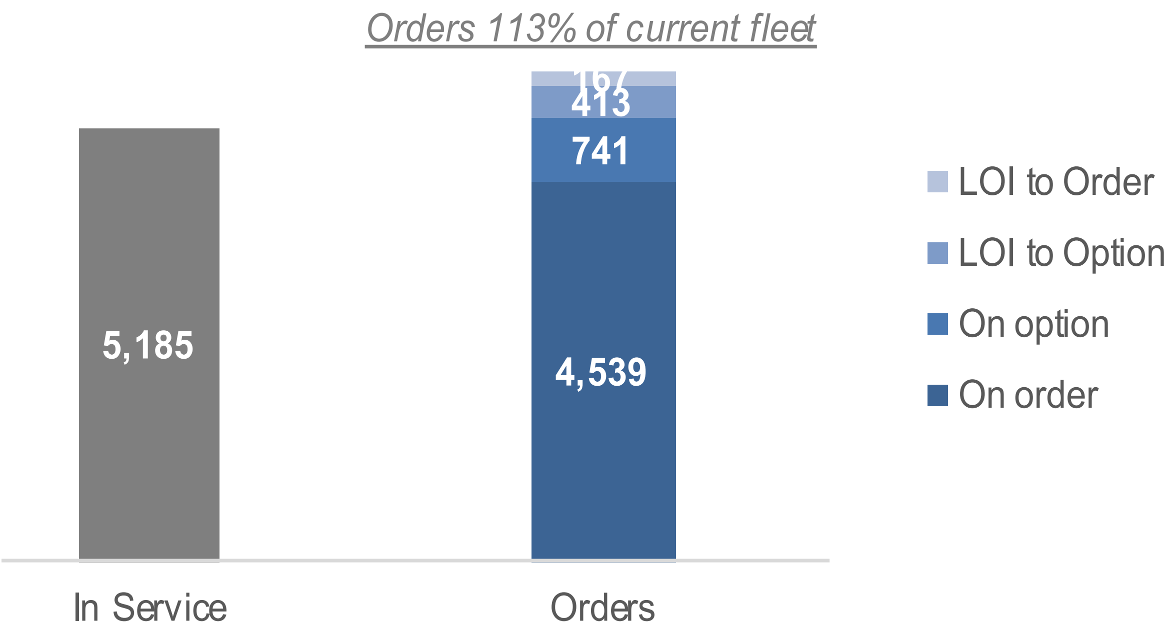


Source: Diio Mi seat data, Amadeus data, Credit Suisse research

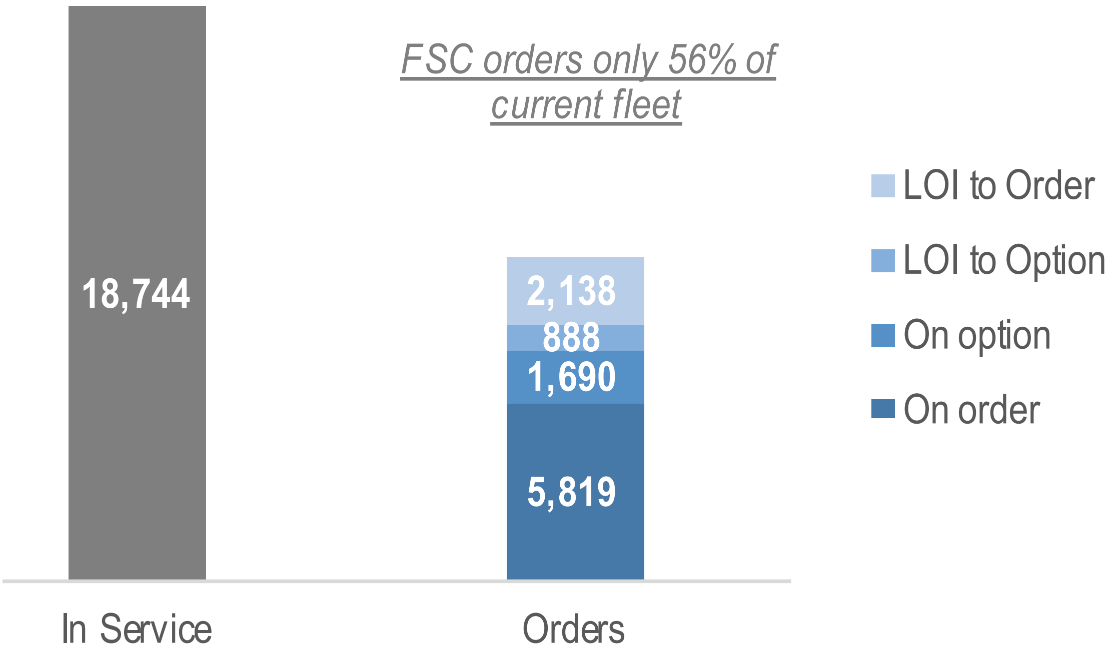
Global aircraft orderbooks clearly show where future growth is coming from

Continued LCC share gains may limit travel agent volume growth, making continued global market share losses for agents and GDSs appear very likely.

Current LCC orderbook larger than the current installed fleet



Current FSC orderbook just over half the current operated fleet



Source: Cirium data, Credit Suisse research

Large list of tech "enablers" seeking to facilitate strategic change for the airlines – risk to the GDSs

Greater competition, and an increasing number of moving parts, suggests more difficulty to maintaining share and equivalent relevance in the future than in the past

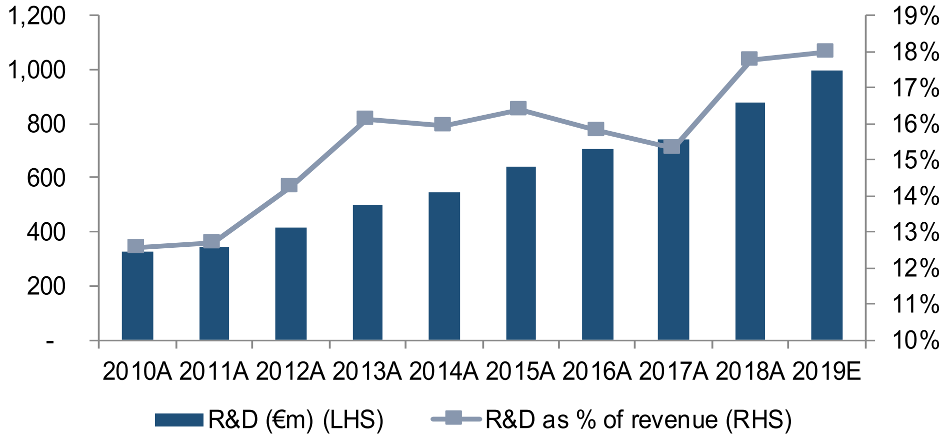
IAG provide a wide choice to agencies seeking NDC content

Source: Company data

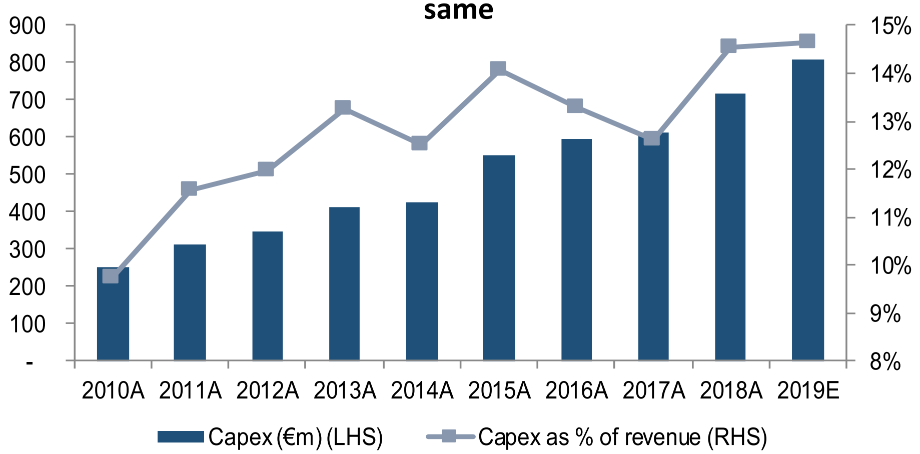
Offensive and defensive investment required

- Cash flow consequences; for example as Amadeus invests in the future
- Battle for relevance for new entrants

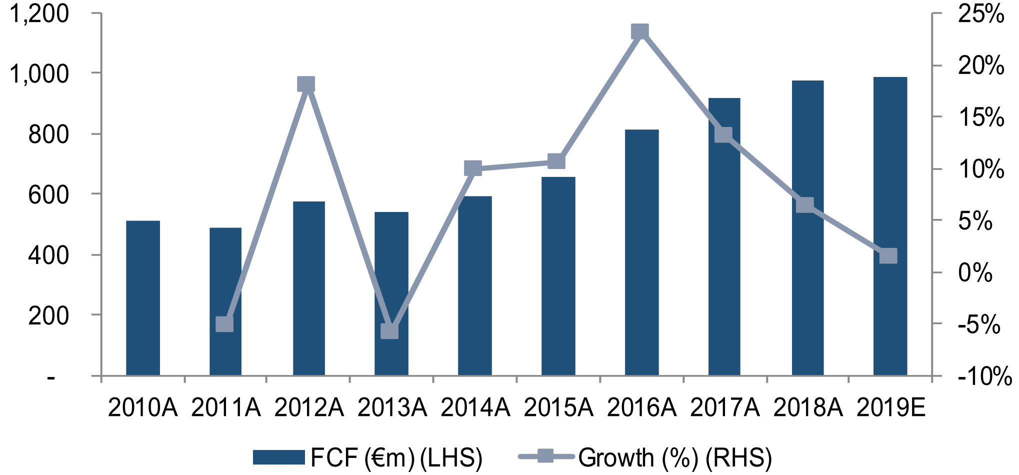
Amadeus R&D intensity rising at a rapid pace



Amadeus capex intensity (70-75% of which is R&D) naturally doing the same



Amadeus FCF developments – dramatic slowing in growth



Source: Company data, Credit Suisse estimates

Companies Mentioned *(Price as of 22-Oct-2019)*

ASML Holding N.V. (ASML.AS, €231.8)
Air France-KLM (AIRF.PA, €10.34)
Airasia Group (AIRA.KL, RM1.86)
Allegiant (APRO.PK, $9.0E-4)
Amadeus (AMA.MC, €65.4)
American Airlines Group Inc. (AAL.OQ, $28.26)
Capgemini (CAPP.PA, €106.6)
Cathay Pacific Airways Ltd (0293.HK, HK$10.08)
China Eastern (0670.HK, HK$3.86)
China Eastern (600115.SS, Rmb5.25)
China Southern (1055.HK, HK$4.84)
China Southern (600029.SS, Rmb6.68)
Croatia Airlines (HRAR.ZA, kn34.0)
Dassault Systemes (DAST.PA, €133.5)
Delta Air Lines, Inc. (DAL.N, $54.65)
Deutsche Lufthansa (LHAG.DE, €15.73)
EasyJet (EZJ.L, 1241.5p)
Ericsson (ERICb.ST, Skr87.08)
Ericsson (ERIC.OQ, $9.07)
Infineon Technologies AG (IFXGn.DE, €16.69)
International Airlines Group (ICAG.L, 515.2p)
JetBlue Airways Corporation (JBLU.OQ, $18.8)
NXP Semiconductors N.V. (NXPI.OQ, $107.78)
Nokia (NOKIA.HE, €4.71)
Nokia (NOK.N, $5.18)
Qantas Airways (QUBSY.PK^J10)
Qantas Airways (QUBSY.PK^J10)
Ryanair (RYA.I, €11.95)
SAP (SAPG.F, €119.34)
Sabre (SABR.OQ, $21.08)
Singapore Airlines Limited (SIAL.SI, S$9.11)
Southwest Airlines Co. (LUV.N, $52.92)
Spirit Airlines, Inc. (SAVE.N, $37.23)
United Airlines Holdings, Inc. (UAL.OQ, $89.71)
Vietnam Airlines (HVN.HM, D35250.0)
Wirecard (WDIG.DE, €116.0)
Wizz Air Hldgs (WIZZ.L, 3827.0p)

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Underperform/Sell*	13%	(23% banking clients)
Restricted	2%	

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WHERE IS THE VALUE IN AIRLINE RETAILING?

Nina Wittcamp

Associate Partner, McKinsey & Company

McKinsey & Company

Where is the Value in Airline Retailing

Nina Wittkamp

Bangkok, October 31st, 2019

Retailing addresses many aspects of airline operations – also beyond distribution

Retailing =

NDC + ONE ORDER + DYNAMIC OFFERS

IT REFERENCE ARCHITECTURE

Retailing addresses many aspects of airline operations – also beyond distribution

Retailing =

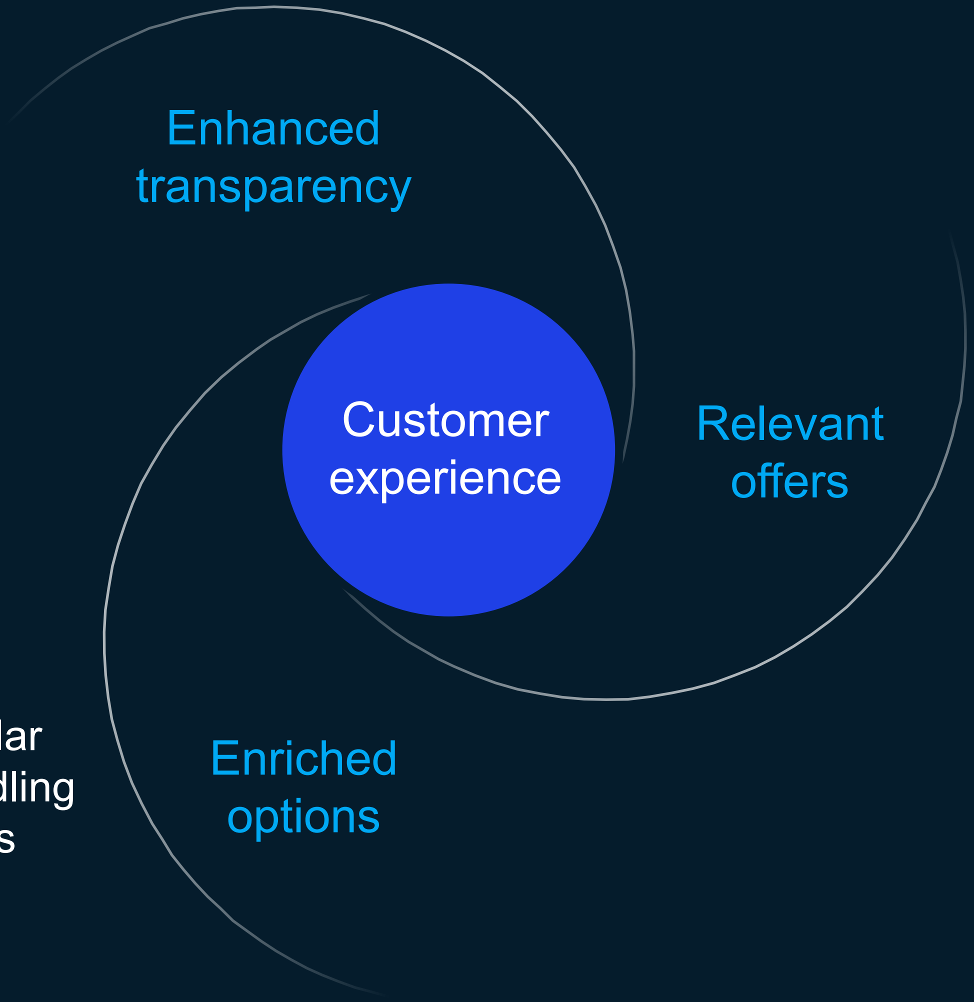
NDC + ONE ORDER + DYNAMIC OFFERS

IT REFERENCE ARCHITECTURE

- → Vehicle to deliver a commercial strategy
- → Variety of distribution strategies
- → Business case different for every airline
- → Speed of implementation
- → Interdependences with value chain partners

For customers, retailing could create value through enhanced transparency, more relevant offers and enriched options

Richer product and service description, with enhanced clarity on total cost



Micro-segmented offers pushed based on search details and customer profile

Multiple channels: Similar product depth and bundling options across channels

Value creation in airline retailing

up to

~$40 bn

annual additional value

by 2030

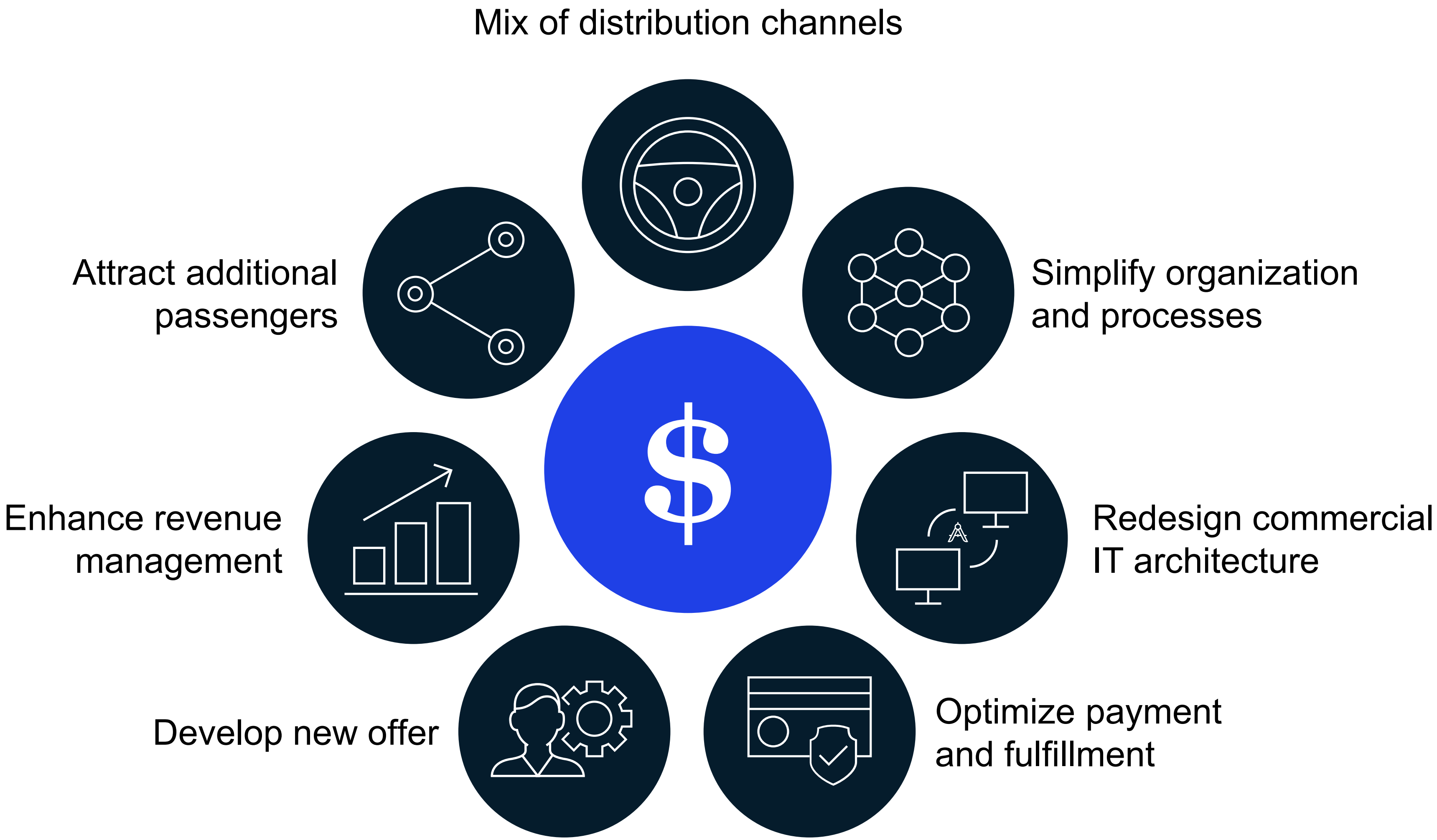
Corresponding to ~4% of industry revenue in 2030 or ~7 USD/Pax in 2030

~70% of value creation for airlines is driven by additional revenues and ~30% by reduced costs

~50% of sustainable value creation over time

One off investment ~USD 3-15 Bn at an industry level until 2030 (depending on the scenario)

Value creation in airline retailing is driven by 7 major sources



Methodology: we quantified the 7 sources of value creation for 4 major industry scenarios and different airline clusters

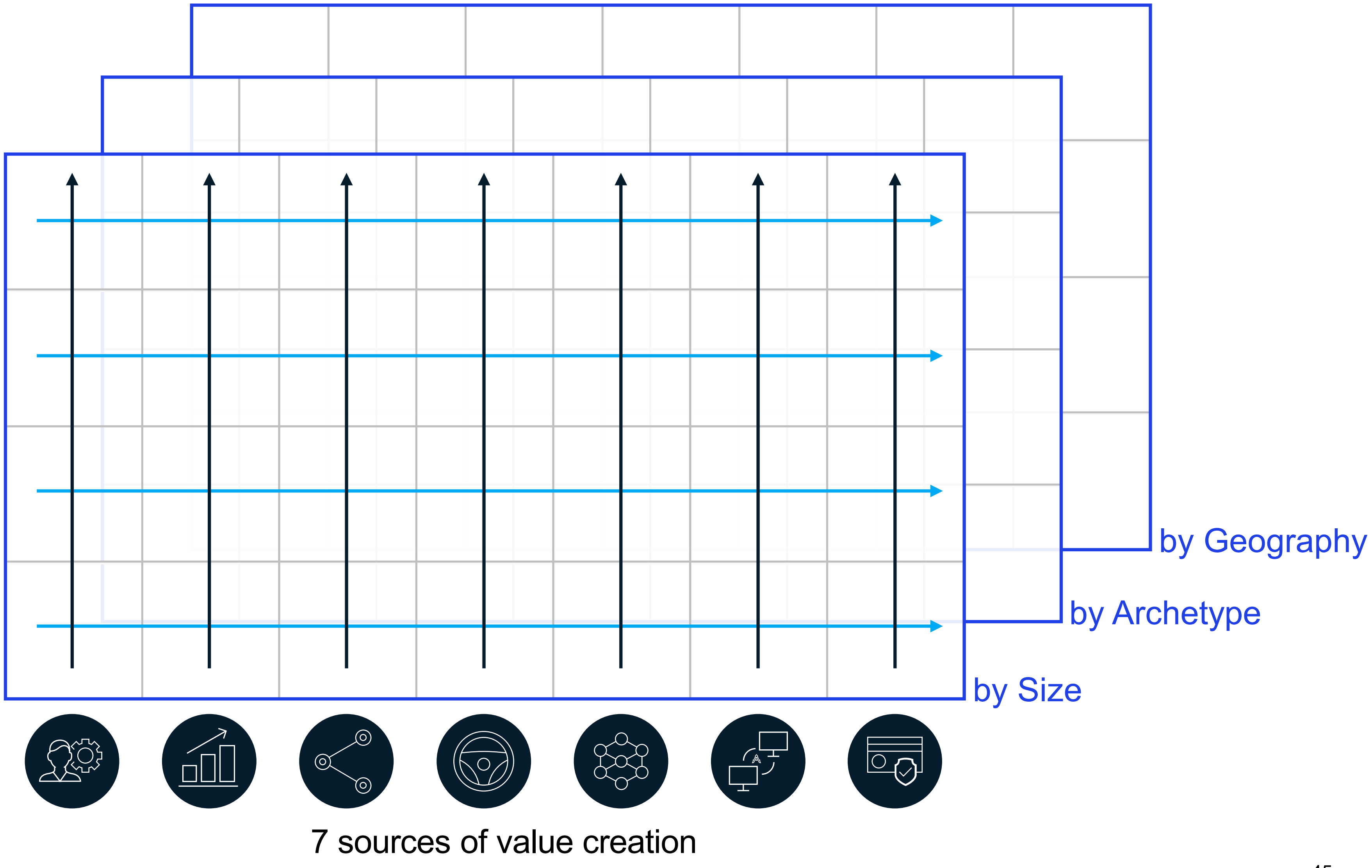
Scenarios

1 "Incremental NDC development"

2 "Large airlines emerge into travel platforms"

3 "(Online) Intermediaries emerge as platforms"

4 "Greenfield platforms for travel"



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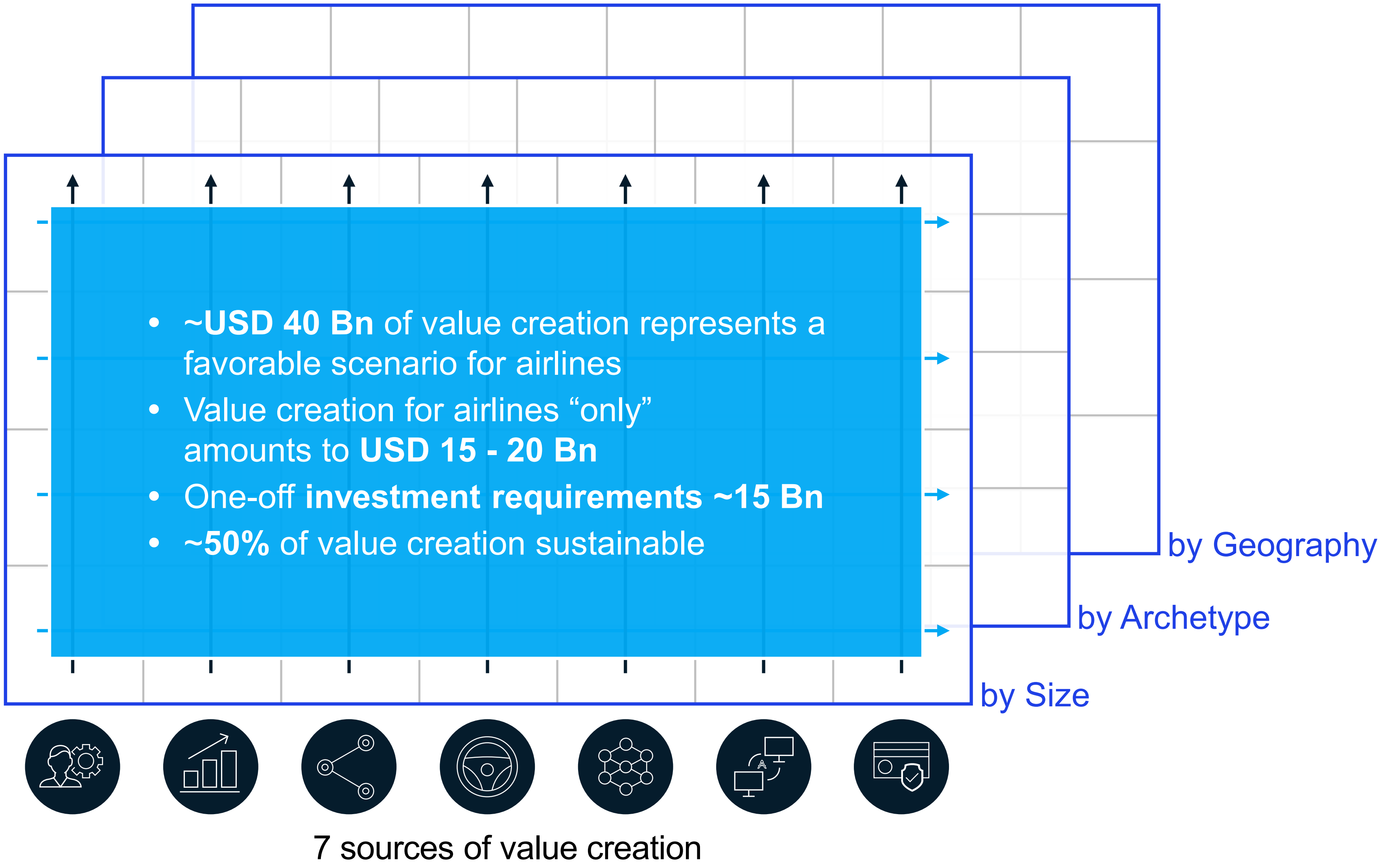


Retailing provides opportunities for airlines, but the path to success requires an individual strategy

Opportunities

Airline-generated offer for each request and channel

Closer customer relationship and insights, higher customer satisfaction

Ability to differentiate and create product transparency

Corporate sales/distribution contracts

Risks

Required investment and shift to retailing capabilities (technology, skills, fulfillment)

Increased competition/product transparency

Risk of doing nothing

Value capture actions

Build NDC, offer and order management capabilities

Develop channel, product, pricing and distribution strategy

Drive rich content and UX adjustments

Strengthen customer insights, analytics and retailing capabilities in all aspects of the business

Questions airlines need to answer

→ Strategic objective of distribution?

→ Approach to channel, content and product development?

→ Business case for short and long-term value and required investment?

→ Actionable roadmap including trade, sales and channel partners?

→ Implications for organization, talent, culture and ways of working?

McKinsey & Company

Scenarios

1 “Incremental NDC development”

2 “Large airlines emerge into travel platforms”

3 “(Online) Intermediaries emerge as platforms”

4 “Greenfield platforms for travel”

We see significant implications for the aviation value chain (1/2)

Risk of value being “competed away”, less pronounced for contextualization and (micro-) segmentation

Cater to different customers via presentation and service as well as developing differentiated value propositions across portfolio

Build capabilities, skills and culture: develop organizational structure and have the right mix of skills, talent and culture

More dynamic offers: shifts in traffic and sales across channels; More relevant offers stimulate new demand

We see significant implications for the aviation value chain (2/2)

Scenarios

1 "Incremental NDC development"

2 "Large airlines emerge into travel platforms"

3 "(Online) Intermediaries emerge as platforms"

4 "Greenfield platforms for travel"

More channels and distribution strategies require the right infrastructure and capacity to cope with more complex environment

Need to invest into data, analytics and IT capabilities and talent to handle higher number of requests on own offer creation systems

Opportunity from more standardized order creation for generalist system integrators developing individual modules

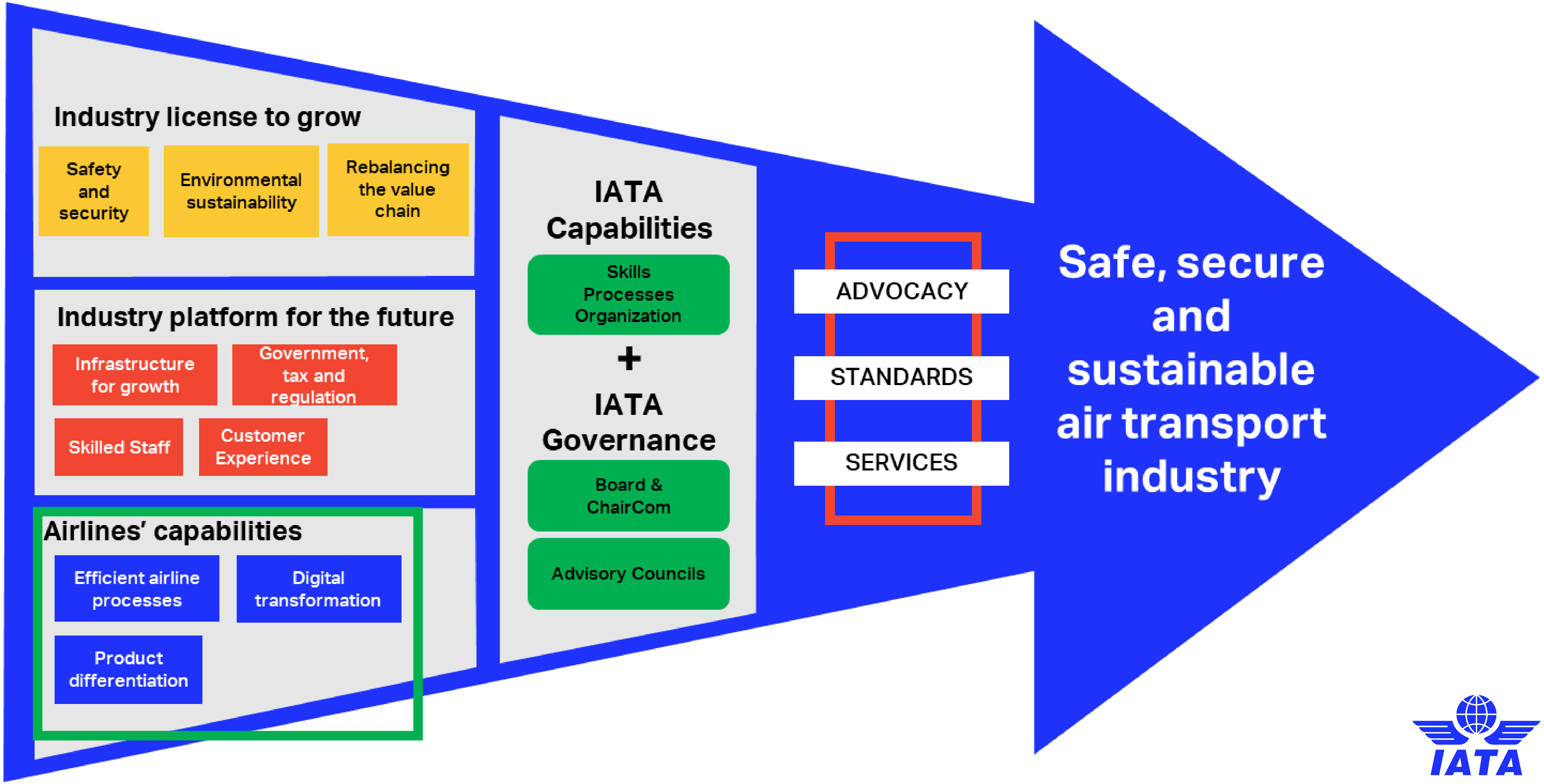
More and more complex offer data flows: Need for the airline industry to develop frameworks for data governance and order ownership

CLOSING REMARKS & AIRS 2020 ANNOUNCEMENT

Aleksander Popovich

SVP Financial and Distribution Services, IATA

IATA Strategy: Working Together



Capabilities: Working Together
Focus of Distribution Advisory Council

Product Differentiation	Efficient Processes	Digital Transformation
➢ Environment for innovation and competition ➢ Freedom of distribution ➢ Agility to retail dynamic offers	➢ Transparent and innovative payment	➢ Industry transformation strategy ➢ Data strategy

IATA

Executive Summit: Working Together