

New Distribution Capability

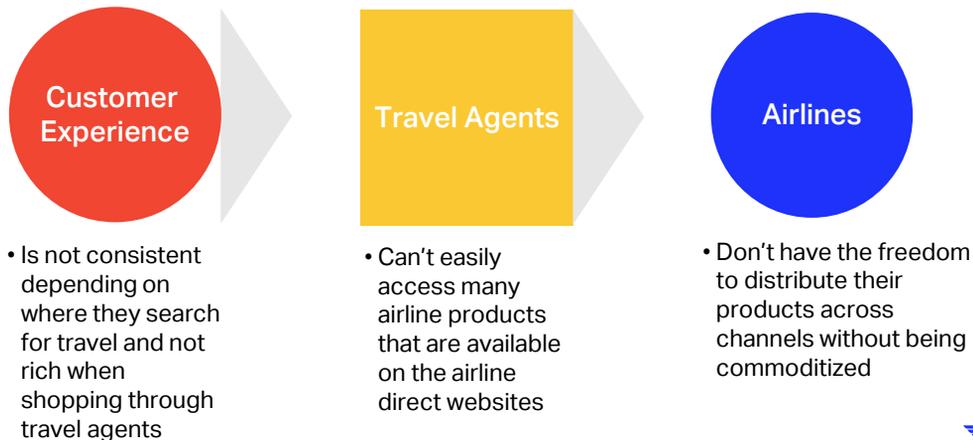
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Digital Transformation also has a role to play in airline distribution, in addressing the shortcomings present today....

What's the market problem?



The value chain is constrained today and customers, agents and airlines are the victims of an outdated standard and technology capability.

The customer experience is not consistent depending on where they search for travel and not rich when shopping through travel agents.

Travel agents can't easily access many airline products that are available on airline's own websites.

Airlines don't have the freedom to distribute their products across channels without being commoditized.

The solution is NDC

- Why NDC?
 - To modernize the way air products are retailed to travel agents, corporations and travelers
- What is NDC?
 - A travel industry-supported program for the development and adoption of a new data transmission standard
- Who will benefit from NDC?
 - Full service and budget airlines
 - Technology providers and travel agents
 - Corporate buyers and travelers



IATA was created in 1945 to set industry standards that facilitate safe and efficient air travel (e.g. e-ticketing, bar-coded boarding passes, common use airport kiosks, etc.)

In the case of NDC, working with our travel value chain partners, IATA has developed a standard that enhances the data communications capabilities between airlines and travel agents. In other words, NDC is the modernization and digitalization of 40-year-old data exchange standards for ticket distribution that were developed before the internet was invented.

The approach consists of using XML (Internet) language to support the delivery of rich content such as the ability to buy ancillary products and services in travel agency and other third party systems. The NDC standard will also enable customers to be recognized and receive personalized offers, or shop anonymously, as they choose.

The primary driver for NDC is the revenue opportunity. NDC will unlock value through the travel agent channel by providing it with features and content it cannot (or is difficult to) access today.

Key revenue drivers:

- Product attributes (differentiation): ability to show competitive features that may be unique to the offer and therefore drive purchase decision
- Fare Families: displaying multiple price points, with increased value, may drive "up sells"
- Ancillaries: Displaying additional products (e.g. lounge access) may drive purchase decision

NDC provides the capability for all these features to be pushed out to the travel agent channel.

Of course, there are some potential cost benefits (but once again not the main driver).

Key cost drivers:

- Moving from a 40-year old legacy infrastructure to an internet environment will make change much more cost effective
- NDC should facilitate new entry, which should increase competition and drive down costs
- NDC also provides the airline with the opportunity to consider cost reduction opportunities in the areas of ticketing, payment and revenue accounting

NDC is “technically ready”

The Standard is ready for industrialization

As applauded by GDSs and technology providers

65 NDC Capable airlines

Representing 60% of IATA member passengers boarded

65 NDC Certified technology providers

Investing in NDC - & Includes GDSs certified as Aggregators



At the IATA symposium in October 2017, the GDSs and IT providers all welcomed the latest release of the NDC standard which they said was now robust enough for “industrialization”. The standard continues to evolve based on feedback from implementers (Airlines, agents, GDSs, technology companies ...) but as part of live implementations and no longer pilots.

There are 65 NDC capable airlines in our registry which account for two-thirds of IATA passengers boarded. This shows a great level of engagement on the airline side and sets a strong base upon which we can now move to growing critical mass.

Having 65 technology providers certified demonstrates that technology companies see value in NDC. They see that there is a new standard, based on internet technology and that is being adopted by the airline community and therefore it makes sense for them to invest in solutions.

Among the most recent companies to join the registry are Delta Air Lines and Expedia.

The GDSs are now all certified level 3 and they have shared their roadmaps for 2019 with all 3 having new multi-sourced content available for travel agents.

Let's not forget that NDC is not mandatory. The fact that players embark on this journey and invest in solutions, clearly demonstrates they see value.

The Value chain is committed

Travel Management Advisory Group

Amazon, Allianz, AstraZeneca,
Bechtel, Gov't of Canada,
LEO Pharma, Microsoft,
Nestle, S&P Global, Ingersoll
Rand, UBS, Veritas,
and many more...

Global Travel Management Executive Council

American Express GBT,
ATPI/Direct Travel, BCD Travel,
Carlson Wagonlit Travel,
Clarity, Click Travel, CTM,
Egencia, FCM Travel Solutions,
and many more...

Working faster, together, to bring NDC to life



There is a significant amount of engagement activity led by IATA going on across the value chain. Here are 2 examples.

Two years ago IATA created an advisory group of travel buyers (the Travel Management Advisory Group) in Europe and North America. Their role is to act as a sounding board for IATA to present updates and new initiative insights which may affect the corporate market. This includes NDC and related initiatives. It is comprised of 24 travel buyers.

In early 2018, IATA set up a similar group for business travel agents (Travel Management Companies or TMCs). The Global Travel Management Executive Council (GTEC) was formed in March 2018 to ensure executives from the TMC community were connected at the most senior levels with IATA. The GTEC is formed of 15 of the world's largest and most influential TMC's. The objectives of the group are to 1), Provide executive & visionary counsel to IATA 2), Influence and shape industry programs and 3), Be a sounding board for IATA initiatives.

Both these groups have expressed the will to work together, with airlines and technology providers, to bring NDC to life as fast as possible. Both have met twice in 2018, reflecting their commitment to their respective missions.

The journey to 2020 – IATA NDC Leaderboard

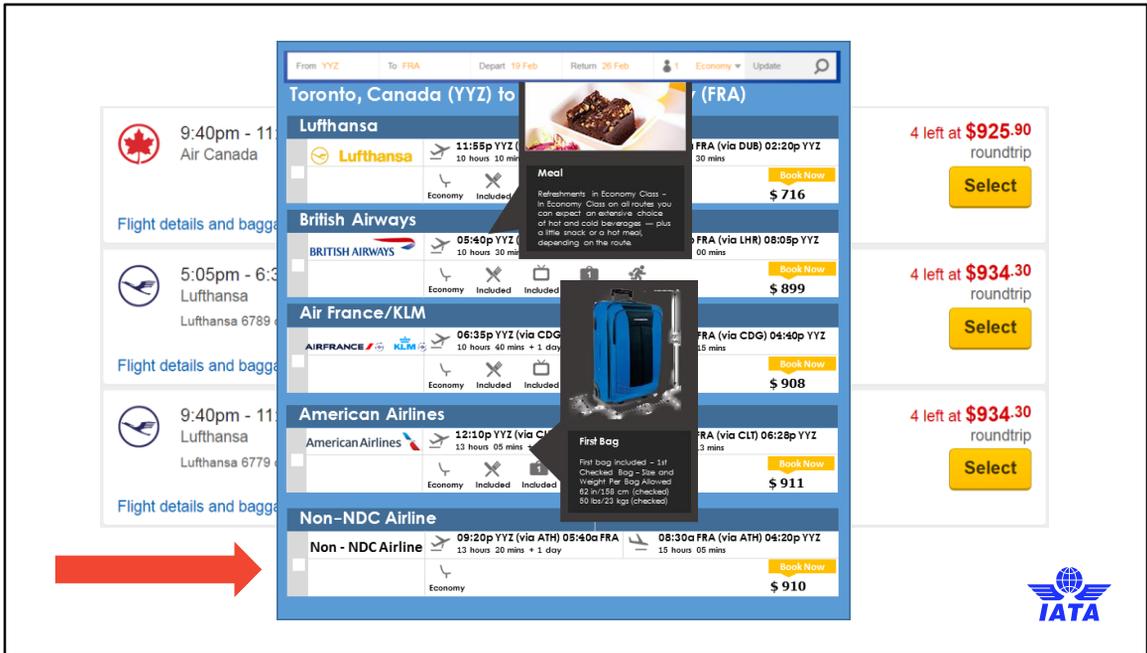


In order to pave the way to critical mass, IATA has set up a NDC Leaderboard of airlines. To date, the Leaderboard is comprised of 21 airlines, which weigh 30% of total IATA passengers carried and who collectively aspire to having at least 20% of their indirect transactions coming from their NDC API by the end of 2020.

This is excellent news as the airlines are being open about their commitment to NDC and as a result, other value chain players (technology providers, GDSs, travel agents, buyers) see the opportunity to embark on this journey and to also invest in the future.

And this approach is not just about the Leaderboard airlines. To achieve the 20% critical mass, they will have had to break down the major barriers to adoption: sort out the technology and agree new commercial terms with their partners (as there is new value coming through the value chain). From what we have heard from several Leaderboard airlines, we are very confident this target will be reached, while some will exceed it.

As a consequence, when the “followers” then choose to embark on a similar journey, the access to the NDC eco-system will be much easier, faster and more cost effective.



Here we see an example of a screenshot from an online travel agent in November 2017 (things haven't changed much since then), compared with a **mock up** of what a user interface **could** look like in an NDC world. It clearly shows much richer information, more transparency, and more control for the customer.

This is an example of where NDC can lead the industry and how it makes the customer experience much richer.

And by the way, as the red arrow shows, an airline that chooses to distribute only on price will most definitely stand out.

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