

NDC Case Study

▼ Finnair: Win-win strategic partnerships through NDC

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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. As of end 2016, some 90 airlines have confirmed to have plans to adopt NDC.

Full information can be found at: www.iata.org/ndc

Finnair

Finnair is a Skytrax four-star carrier that started business in 1924 and became an IATA member in 1949. Its business model is predicated on the speed of transfer at its Helsinki hub and its unique Nordic product concept. The airline offers the shortest route between Asia and Europe with schedules built around the business day.



Complementing this approach is a network that includes 17 major cities in Asia and more than 70 cities in Europe. And, as members of the oneworld alliance, the coverage extends to over 1,000 destinations in 160 countries.

The Finnair fleet comprises in excess of 60 aircraft. It is one the most modern in Europe and even includes new Airbus A350s. Its subsidiary, Norra, operates 24 aircraft and operates some 50,000 annually, including a large share of Finnair's domestic and European network.

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Finnair's strategy is based on three values:

- Commitment to care
- Simplicity
- Courage

Through these values Finnair plans to meet the growing, diverse needs of Finnish and international customers.

The NDC pilot

In a fiercely competitive market, Finnair is keen to disrupt the traditional airline business model and move beyond simply being a supplier of seats working on low profit margins.

Like many other airlines, it focuses on supporting innovative industry standards to achieve this aim, as Finnair has neither the resources nor the inclination to develop proprietary solutions.

For its NDC project, Finnair partnered with Amadeus and the metasearch platform, Skyscanner, to develop the ability for customers to seamlessly move from searching to booking when using Skyscanner. The aim is to not only boost conversion rates but also provide customers with full access to the Finnair product suite, advancing ancillary sales.

The NDC application programming interface provided by Amadeus continues to allow customers to compare fares. But once a decision is reached, the booking is processed and ultimately filed in the airline's host system. The pilot is up and running in the Germany market and from the second quarter, 2017, is being rolled out globally.

The Objectives

Finnair's approach to customer service is predicated on speed and simplicity. The primary purpose of the NDC project, therefore, is to make the booking process as swift and as smooth as possible, no matter which distribution channel is being used.

An associated aim is to ensure that Finnair's rich product content is always available so that customers can choose and purchase those options that appeal personally and make the travel experience more rewarding.

There is also a solid business rationale behind the NDC project. Finnair management had noted that one in every two people that booked through a direct channel also made an ancillary purchase. This compared with an ancillary purchase of one in every 20 people for passengers that booked via a global distribution system.

Beyond the pilot, Finnair plans to roll out the project to other countries and will also make the technology available to other intermediaries. A particular objective is working with start-ups to encourage further innovation and improve market reach.

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The Challenges

Finnair was confronted with several decisions as it worked through the implementation of the NDC project. At the outset, the airline had to choose between an off-the-shelf product and developing in-house software for the integration layer. Finnair's clear answer was to work with its long-standing technology partner, Amadeus, and incorporate the NDC XML messaging standard as a means of ensuring compatibility throughout the aviation value chain.

There was also a question of whether to host the new technology within or outside the passenger service system (PSS). Finnair opted to keep it inside the PSS environment because of the integration efficiencies it allowed.

Ensuring accurate pricing for whatever combination of products and then following the transaction through to payment was another obstacle to overcome and obviously critical to business success.

The Role of Partners

Finnair worked with Amadeus and Skyscanner on its NDC project.

After an initial kick-off and scoping meeting, the project teams—one from each party—had a weekly conference call. The overall implementation project took six months. Project functionality and new markets are being implemented in a phased approach, however, so the teams continue to talk on a weekly basis with the aim of developing the NDC solution for future phases.

There was a strong focus on the Amadeus Altéa NDC product. This is a channel-agnostic NDC interface for the Altéa PSS, certified to level 3. The partners wanted to create a simple booking flow that was easy to integrate for third parties. Amadeus fully supports NDC and is working on solutions that will take an airline beyond the pilot phase. The company is even looking to IATA's new ONE Order project, which develops the personalization concept even further. It is also looking to expand its offering beyond Altéa customers to a meta-booking solution.

Skyscanner, meanwhile, is used by 50 million travellers every month and its direct booking platform is already online with other airlines. The company is confident that the latest integration of the Amadeus Altéa NDC will ensure that it stays ahead of the curve and open up new and deeper partnership opportunities.

The Lessons Learned

Utilizing the NDC standard means that all airline content becomes available in a fast and efficient way across all distribution channels. It gives customers easy and transparent access to product information and, in turn, this means the airline gains a better understanding of a customer's individual needs.

NDC also provides an airline with the ability to respond to those needs through dynamic fares and bundling. Ultimately, it makes for a happy—and loyal—customer.

Behind these benefits though is a need for new processes to build a customer's requirements in a timely and accurate manner. Managing the rich content and localizing the content of the fare brands and ancillary products for different markets also requires new strategies and processes.

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The Lessons Learned (2)

Key to achieving these goals is the careful planning undertaken by all parties. The project teams were fully committed to deliverables and met tight deadlines.

Finnair describes NDC as an enabler of win-win partnerships. Though the airline is able to offer a better travel experience through personalization, NDC doesn't equate to disintermediation. Agents and global distribution systems are still very much involved in the process and important partners in the selling process.

The Conclusion

Overall, Finnair found that incorporating the NDC XML messaging standard creates a fundamental shift in the airline business model.

Changing how customers buy is a major transformation for any company and the scale of the undertaking must be acknowledged if an airline is to be successful in making the change.

Nevertheless, the potential benefits on offer easily outweigh the temporary challenges and the airline is confident it will reap its rewards as the NDC pilot project is rolled out worldwide.