NDC Case Study

The Skyscanner business model

Skyscanner is a global travel search site offering an unbiased, comprehensive, and free flight search service to consumers—as well as instant online comparisons for hotels and rental cars. The company launched in 2003 and has more than 400 employees spanning 35 nationalities across six global offices: Edinburgh, Glasgow, Singapore, Beijing, Miami, and Barcelona.

It helps 25 million unique visitors each month find the best deals through state-of-the-art technology in two channels; a website and a mobile app.

Skyscanner was born out of the frustrations of the co-founders at having to hunt through dozens of different airline websites and then make multiple date searches to find the cheapest flights. From that grew a vision for a single website that could collect, collate, and compare prices for flights.

Today, Skyscanner's main objective is to help people plan their travel when they want, where they want, and how they want. It is a proposition that clearly interests the end consumer. Last year (2013) marked a year of rapid growth for Skyscanner, with revenue up 96% and visitors up 100%. Mobile app downloads also doubled.

Aside from global coverage of flights that gives consumers the confidence that they can find the flight they want wherever they are traveling, Skyscanner ensures seamless relationships with its partners, including airlines and travel agencies. The key to harmonization is a close alignment with partner systems using strong cache algorithms. Ensuring the behind-the-scenes technical aspects are fully integrated ultimately provides the consumer with the service they deserve.

One idea is to transform airline business models to be more reflective of the progress and diversification in the travel and transport business. Standard product differentiators of the past, such as bag check and travel classes, have now evolved into a range of options, including priority checked bags, concierge services, and valet parking. As even greater flexibility gets built into new technology, it is likely that items such as movie/game pre-orders or Wi-Fi will become a standard part of the merchandizing an airline offers.

Exactly how such products could be integrated into Skyscanner is still a work in progress. Options must be laid out in a simple to compare manner.

"We believe Skyscanner can offer a powerful distribution channel for carriers and their ancillary services," says Filip Filipov, Skyscanner's Head of B2B. "Through Skyscanner, an airline can emphasize their differentiation in a market where consumers may not be aware of their full offering. It is important for an airline to extend its market reach beyond their home and strongholds and our technology allows us to be very specific in exploring opportunities at the regional, national, and local level."

Going forward, Skyscanner is looking at different solutions to help boost merchandizing opportunities in the most popular online airline channels. It has begun working with IATA and carriers on what this solution could look like and how product offerings can be best represented, including via the New Distribution Capability (NDC) standard.

Metasearch

Skyscanner's metasearch concept is not without its challenges. The most obvious is overcoming traditional mindsets and processes. Evolving the understanding of the metasearch model within the supplier community and showcasing how it is the most beneficial approach for airlines when it comes to distribution is paramount to success.

"The airline industry is based in a deep-rooted model and helping progress the industry toward other avenues and options continues to be an objective for us," says Filipov.

Skyscanner is confident that the meta concept is an appropriate search engine for travel, sending qualified leads to travel suppliers. The company believes that the Return on Investment (ROI) of meta-distribution exceeds the ROI from general search engines. Additionally, as a single-focus company (travel), metas are in a better position to offer a wider choice of travel products across different partners (such as online travel agents, airlines, hotels), which makes it a desirable first stop for consumers.

The correct metrics to measure performance are obviously critical to the metasearch business case. The main approaches continue to be cost-per-click, cost-per-acquisition, and display advertising (including compare units). These measuring tools will evolve as more suppliers start pushing ancillary services through meta distribution.

Skyscanner also uses returning customers as a benchmark of success. Customer returns are more than 50%, which is a significant threshold in the industry.

Additionally, the market for new customers has few boundaries. Metasearches appeal to anyone who is looking to plan a trip, anywhere in the world.

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New Distribution Capability and travel metasearch

NDC is of great interest to the metasearch business. It opens up a new world of business opportunities for airlines and metasearch companies to collaborate to add value to their business proposition and improve customer service.

From an airline perspective, NDC gives carriers control of what they want to sell, to what user, at what time. It is a first step in distributing content beyond fares. Airlines will be able to deliver a full product suite, including upsells and ancillaries, through intermediaries such as Skyscanner. The carrier will have an opportunity to connect with the end consumer throughout the shopping process. This includes the critical booking phase, which will remain with the airline, and is an important element in building passenger loyalty.

"NDC allows carriers to be in control of their content and compete on their unique selling points, rather than price alone," says Filipov. "Additionally, it invites new working relationships between the airlines and search companies, like selling their ancillary products through search engines. We believe NDC is a great opportunity to bring further transparency to the industry, benefitting the consumer."

The NDC process will give Skyscanner an opportunity to demonstrate the power of its technology to airlines looking for the next generation of content distribution, reaching global consumers. And it will give Skyscanner consumers more opportunities to buy the products they desire, offering more transparency into the shopping process.

"We believe NDC is a global standard embraced by forward-thinking carriers, but integration requires alignment on what and how it is to be exhibited with each carrier," says Filipov. "Skyscanner is able to integrate Application Programming Interface' (API), which is paired with the design and display solutions we have built. Shopping could be integrated, for example, allowing ancillary services to be streamed to an airline's API responses, offering booking flexibility with these services."

Airlines will need to play their part, ensuring their API is pushed to Skyscanner as required. But the end result is a simplification of process and not greater complication. It ensures consistency for the end consumer and allows airlines to compete in a fair manner.

Future Distribution

With industry-wide adoption of NDC in progress, Skyscanner is considering a future that will include airlines having more control over channel distribution, going beyond direct (airline.com) channels or global distribution systems.

Airlines will use more intermediaries like Skyscanner and social media networks to display and sell their content under their control. Intermediaries will also begin helping suppliers distribute distressed inventory to optimize sales. This is already happening in the accommodation space and airlines will move to this practice in the near future.

"We think the future will be about linked data versus big data," concludes Filipov. "There is no point in storing data simply for the sake of it. Behavior outside of the travel vertical, from flights to hotels to cars to general purchases, will start driving decision making processes on what products and offerings should be put in the market. We believe linked data will help travel companies get to the appropriate level of customization and personalization."

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