

The BTA's TMC NDC 5-year review



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Overview

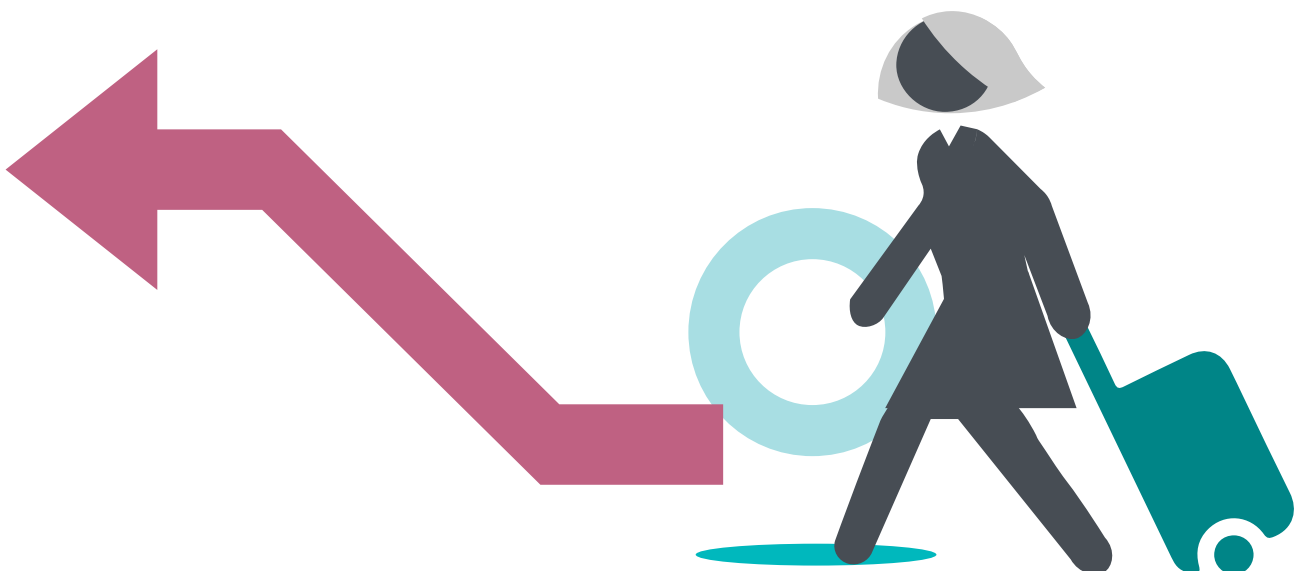
During the ongoing Covid-19 pandemic, the BTA Board has taken the opportunity of the reduction in transactional activity to review and assess NDC progress, from what was promised on its launch in 2012, to the reality today.

This document, is a five-year review of what has been achieved against the promises made in 2016 and where we stand currently. The purpose of this paper is to highlight the thoughts of the TMC community, the impact on our mutual customers and of course the impact on the TMC sector.

The overwhelming opinion of the BTA and its members is that we strongly embrace NDC, we welcome the chance to move to modern airline retailing. Our issue is with the lack of progress and the haphazard approach to NDC adoption we have experienced from the airline community.

A reminder of what NDC promised to deliver:

- Offering ancillaries via the TMC channel, thereby closing content gaps with the airlines' own websites. The availability of paid options such as preferred seats, additional bags, WIFI and one-off lounge passes, as examples, have previously been limited through traditional GDS distribution pipes. TMCs have long desired to access such "richer" content and make it available through their channels.
- Enabling airlines to better understand who is shopping and hence tailor airline offers, fares and bundles to shoppers. The existence of intermediaries has historically meant airlines receive just basic information about their clients and are unable to personalise the shopping experience with tailored content or discounts.



Overview

Where are we at today and what challenges remain?

- As NDC returns control of content distributed through third parties back to the airlines from the GDS providers, many airlines have decided to levy surcharges on content purchased by agents via the GDS systems. This is to incentivise TMCs to integrate directly with the airline's NDC channel and to cover the premium it costs airlines to distribute via the GDS providers.
- Airlines are moving at different speeds with NDC deployment. This has resulted in NDC schema instability as recently confirmed by IATA. There are 25 airlines certified on 17.2; 10 airlines on 18.1; 17 airlines on 18.2; 4 airlines on 19.1; and 5 airlines on 19.2. There are 61 airlines not certified on any standard.
- Meanwhile, IATA has announced that they are issuing a new standard 21.3 later this year. Moving between versions requires significant re-implementation as data descriptors and processes change and content complexity grows.
- Significant functionality is still not in place e.g., personalisation, unused tickets, group bookings, interlining, split PNRs, and mixing NDC PNR with other air content. Critically, specialty fares such as not-for-profit fares are still not currently available through NDC and for some airlines closed user group fares (e.g. SME fares) are available to all with no-qualifying criteria.
- On-line booking tools remain, in general, unprepared to offer the full capability of NDC which restricts both the TMC and the airline from delivering real progress.



Thoughts of the BTA members

“Very little benefit has been seen by the end customer”

-BTA Board member

“TMCs have had to invest significant finance, but more importantly huge amounts of time in NDC – for as yet little or no payback”

BTA Board member

“TMC’s and corporates have both been significantly impacted by the commercial war”

-BTA Board member

“It’s just been about the commercials”

-BTA Board member

The Travel Management Industry View on NDC:

Where is the benefit to the TMC?

TMCs overwhelmingly supportive of NDC but not where it is currently

Third party is not scalable

Lack of schema stability or standards

Ancillary sales yet to materialise

Huge investment by TMCs for little recognition

Servicing slowly delivering what’s needed

Rate parity is important to the TMC sector and its customers

How it started and how is it going?

How it started

IATA 1st Business Travel Summit June 2016

To modernize the way air products are retailed to travel agents, corporations, and travellers

Who will benefit from NDC?
Full-service and low-cost airlines
Content aggregators and travel agents
Corporate buyers and travellers

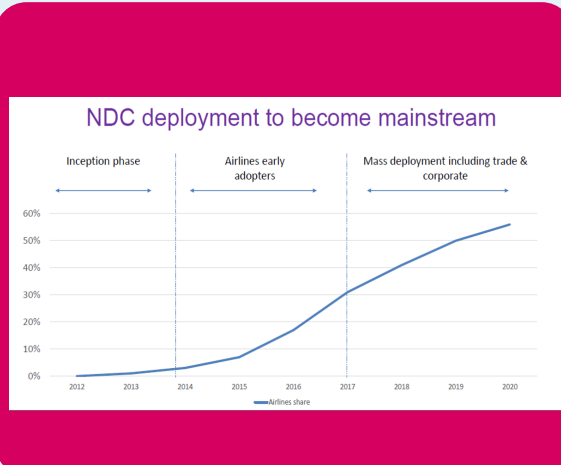
86 Airlines have plans to adopt

Travel agents see NDC as an enabler:

- To be more customer focused
- To better sell ancillaries
- To be more competitive

Corporations can benefit from:

- Better policy enforcement
- Greater cost control
- Better quality reporting
- Increased traveller satisfaction



How it's going

BTA Board Review July 2021

Aside from lower fares, nothing has changed for the customer & traveller and very little for the agent

Only airlines and content aggregators have benefitted after 5 years by significantly reducing cost of distribution

23 airlines on the leader board

TMC's continue to support this but there are no signs of it becoming reality. No actual standard adhered to by the airlines.

No clear materilisation of any of these benefits.

Overall industry rollout is claimed to be at 28% but airlines refuse to split Leisure vs. Corporate. The average within the TMC sector is 10% across all airlines, though some TMCs have achieved higher NDC deployment for specific airlines.

How it started

TMC Opportunities – Festive Road June 16:

- Improve Offering
- Upselling
- Business Process Improvement

Festive Road Insight June 2016

Why is NDC of interest to buyers?

Because it hits what is increasingly important to them...

Because it offers a chance to enhance travel programmes and support business objectives...

How it's going

No improvement to offering

Minimal or no upselling

No business improvement, instead more business process complexity.

Corporate Buyer Response – May 2021

“I expect that we will see a hybrid approach between specific corporate packages and dynamic pricing of public fares.”

“Our expectation is that we will be able to negotiate a number of corporate defined packages that fit certain traveller personas’ that our travellers will then be able to choose the right package for their trip”.

“We expect to get access to data and services that can enhance the customer experience as opposed to the static position today”.



04

What do TMCs provide to customers on behalf of airlines and their customers?

Service provided by TMC	Does airline provide this service for clients?
Pre trip product advice and booking consultation	Yes
Pre trip authorisation and policy control	No
Visa delivery	No
Pre trip reporting	No
Online booking tools that show preferred airline choice if required	No
Call centre	Yes (though longer call answering times)
24-hour service for all travel issues	No
Full booking handling including seat requests, special request, and frequent flyer details	Yes
Credit, invoicing, and financial options	No
End to end journey planning including cars, hotels, and taxis	No
Duty of care reporting and tracking	No
Re-booking, changes, and refunds	Yes
Post trip reporting	No

What do TMCs provide to customers on behalf of airlines and their customers?

TMCs deliver high yielding business

Average fare from BTA members for UK based international airlines in 2019

£1048.00

TMCs provide airlines with a high yield fare, generally much greater than the airlines' own .coms do. They provide services beyond what an airline can give, and they proactively work with airlines to assist the customer. TMCs are not OTAs and should be recognised as true strategic partners and compensated accordingly.



Is there a cost of distribution using TMCs or is it an investment?

Data from the Infrata Airline Distribution Report published in Dec 2017:

Network Airline (Large Home Market)

*47% & 67% Direct Sales comprise:
Web sales (40%/60%) ATO/CTO/
CC(7%)
Source: Infrata

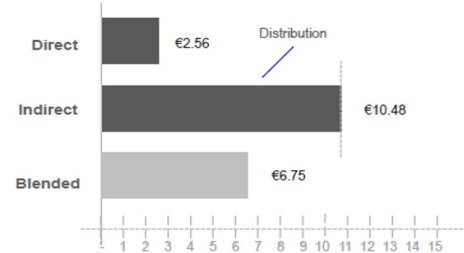
Channel costs €	47%			67%		
Channel balance	Indirect	Direct	Blend	Indirect	Direct	Blend
Distribution	10.48	2.56	6.75	10.65	2.38	5.11
Payments etc	2.84	5.39	4.04	2.90	5.42	4.59
Ancillaries	0.06	0.06	0.06	0.06	0.06	0.06
Cust Acquisition	0.83	4.55	2.58	0.81	4.91	3.56
Total	€14.21	€12.56	€13.43	€14.42	€12.77	€13.32

There is a small difference between the true cost of distribution when all fees are attributed to the equation:

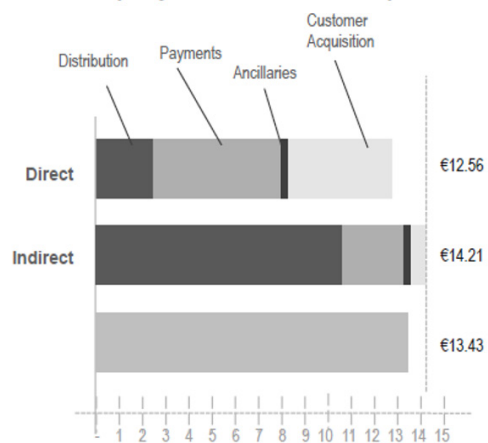
Network Airline (Large Home Market- 47% direct)

'Distribution' only cost comparison
(Blended: home and non-home market)

Cost per Segment
booked by channel



'Properly' allocated cost comparison



Is there a cost of distribution using TMCs or is it an investment?

“TMCs experience strong corporate loyalty which requires high value services. TMC services are not easily replicated by airlines”.

So, the questions we find ourselves asking are:

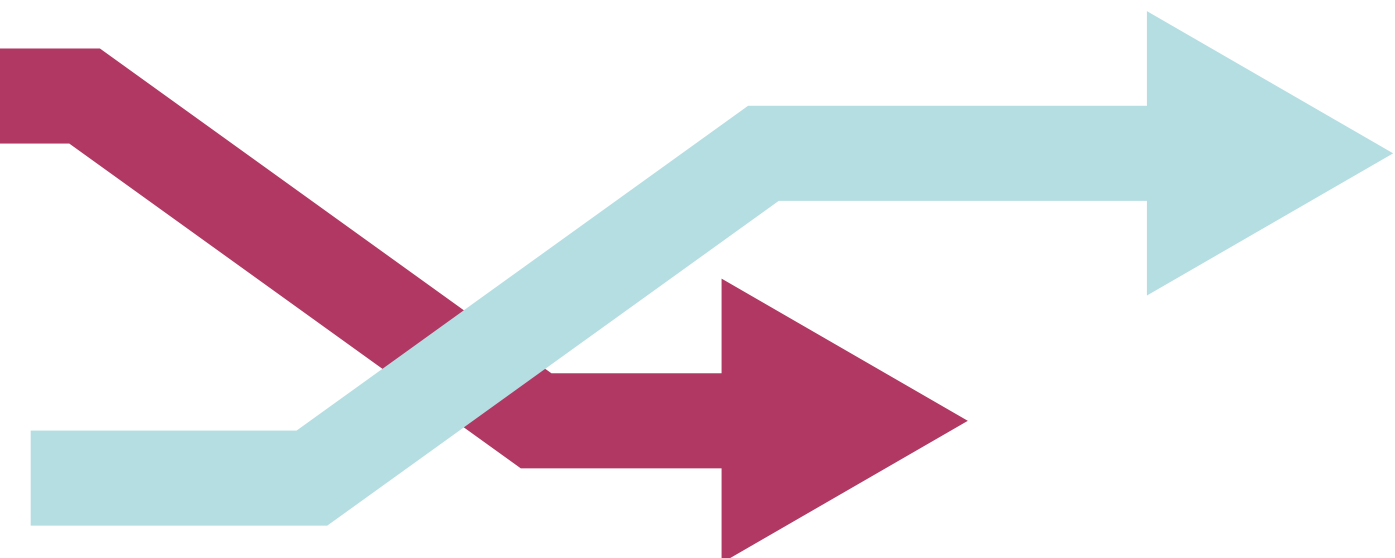
- Why do airlines not differentiate in the new commercial world between distribution channels?
- Why are the airlines and GDS' fighting over cost reduction, are they both happy to see TMCs and end-customers suffer the collateral damage, or is it direct damage?
- Why is NDC seemingly only being used as a cost reduction tactic rather than a value enhancement tool, which it was

specifically designed to be?

- Why are TMCs not seen as strategic partners who provide services way beyond what an airline is able or willing to offer?
- If TMCs ceased to exist, would the airlines fulfil all the clients' needs at the same cost as their direct distribution channel?

The Infrata report calculates the difference in direct v non direct distribution at €1.65 for the whole market. If we were able to break that down via channel the differentiation is likely to be far less.

Surely, it's time for airlines to stop biting the hand that feeds them?



Summary

The BTA wishes to reiterate that its members are fully supportive of the transition to NDC and are in fact frustrated at the lack of progress we have seen in the last 5 years, although we are understanding of the challenges of the last 18 months for the whole industry.

The TMC community has invested significantly (time and money) in technology, whether building direct connects or partnering with third party providers, to deliver NDC. As of today all they have seen is further financial penalties, a decrease in productivity and undelivered promises in return.

The BTA says that NDC, up to now, has only been about renegotiating commercial terms for airlines. There have been no wins for the TMC community, the customer (aside from lower fares) nor the GDS.

If the GDS is not going to be the only real solution for NDC to achieve modern airline retailing at scale; then the airlines need to rapidly progress to the latest NDC schema (offering full servicing and range of fares) and incentivise TMCs to use the new distribution channels (whether API or 3rd party) to fund the cost of bypassing the GDS for TMC mid-and back-office functionality.

The industry has lost focus on why airline retailing needed modernising, and improving the customer experience.

It is time for airlines to work with the TMCs to

compensate them for their NDC investment and offer reward rather than penalty. Equally it is unfair for some airlines to expect the end-customer to pay a surcharge on NDC through the GDS when the airlines are the ones benefitting from the cost saving and not passing this on to the end-customer or TMC.

The BTA and its members welcome the approach taken by airlines based in the US along with brands such as Qatar Airways and Etihad who have embraced a customer centric approach alongside working collaboratively with the travel management fraternity.

Airlines must avoid creating portals with no links to GDS or third-party providers, this approach serves no benefit to the customer or agent.

The Travel Management Community under the BTA banner, call for an end to aggressive non-collaborative strategies, to be replaced by a fair, equitable and partner approach to recovery and sustainable growth of the business travel sector.

Modernising airline retailing is essential for all of the business travel eco-system. It will only work if the entire industry collaborates to ensure a beneficial solution for all and not least a beneficial outcome for our mutual customers.



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