

INSIGHT

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How NDC IS GOING TO REVOLUTIONIZE AIRLINE DISTRIBUTION

INTERVIEW WITH
OLIVER HOURS,
HEAD OF NDC
ENGAGEMENT AND
ADOPTION, IATA



NDC (New Distribution Capability) is a travel industry-supported program launched by IATA for the development of a new, XML-based data transmission standard (NDC Standard). We sat down with Olivier Hours, Head of NDC Engagement and Adoption at IATA, to understand how NDC will revolutionize airline distribution.



Olivier Hours
*Head of NDC
Engagement and
Adoption*

1998-2015 - **AIR FRANCE**, then AIR FRANCE KLM

- Pricing Manager
- Head of Long Haul Pricing
- Commercial Director North Europe
- Director Distribution Systems and Strategy
- General Manager Central and Eastern Europe

2015-2016 - **IATA**

- Head of NDC Engagement and Adoption

Expertise in Pricing strategy, Distribution Strategy, revenue management, PSS and GDS (contracts, tools)

We also discussed the main challenges of the program as well as initiatives to follow.

What is your role within the IATA NDC teams?

Olivier Hours: “My job title is *Head of NDC engagement and adoption*, which concretely means engaging with the airline industry to implement NDC.

I have been working for IATA over the last year and I have an airline background, having worked for Air France and then Air France KLM for the last 20 years in various management positions in distribution, revenue management and sales. While there, I managed the IT contracts related to the PSS (Passenger Service System) migration and negotiated several GDS contracts. These are key assets to understanding the airline distribution environment and constraints. I can fully leverage them in my current job, which requires both a very good understanding of the distribution dynamics as well as a solid technical background.

In my current role, I have two main objectives. The first one is to ensure that NDC gets deployed around the globe and is adopted by airlines, IT providers and travel agents. This means engaging with a large number of carriers and 20 to 30 IT providers and making sure there is general understanding of NDC. The success of NDC will be measured by the number of players adopting the standard overtime.

Having a common voice throughout our various engagement forums is vital. Engagement is very diverse and can take different forms. We have industry meetings with carriers or travel agencies. We present in different conferences. We issue reports, white papers, and a monthly newsletter sent to over 10 000 readers. We organize regular workshops with airlines and lead airline alignment sessions where we gather people from distribution, revenue management, sales, IT and Legal. We share information through IATA’s website and produce audio-visual content which requires regular updates. Engagement is a team effort.

“If we want to engage with the industry towards NDC we need to be very clear on the reasons why they should do NDC”

My second objective is to regularly review and update the NDC business case. Overtime we have learned that NDC unlocks further transformation in distribution and entails substantial benefits that may not have been identified at the beginning. If we want to engage with the industry towards NDC, we need to be very clear on the reasons why they should do NDC. Back in 2012 or 2013, the general perception around NDC was narrowed down to the facilitation of ancillary sales. The understanding of the benefits of NDC is there now and widely shared. However, there is a fair amount of complexity, hence which needs to be explained.

How is NDC going to revolutionize airline distribution?

“First and foremost, NDC is a standard”

Olivier Hours: “There are two main dimensions with NDC. First and foremost, NDC is a standard. It’s a new communication standard between travel agencies and airlines. This first thing is to evolve from old technology (EDIFACT) towards new technology which is XML-based – and soon JSON that is for mobile.

The second change is a new workflow. In the legacy world, the GDS is the intermediary constructing the offer. It gets the fares, the schedule and availability from the airlines and then constructs the offer. As a client you go to a travel

agency and the travel agent will use the GDS, which will propose pricing and routing solutions.

In NDC, the intermediary is an aggregator and its role is to transmit the information back and forth from the travel agent to the airline. However, it is the airline in charge of constructing the offer. It makes sense since the airline has fares, schedule, availability, and also ancillaries, and is in the right position to create offers. This workflow and process change is fundamental for the airline to be able to identify who is the end consumer. This opens wide opportunities for personalization and ultimately dynamic pricing. Indeed the airline will be able to access the customer name, possibly frequent flyer details, and other relevant information the customer would be willing to share on a voluntary basis. The airline will construct an offer, fares only or including specific bundled ancillaries, and will also propose different forms of payment.

“The crucial evolution is for the airlines to tailor make the offer”

The other crucial evolution is the role of the technology intermediary, which is called the aggregator. In the current environment, the intermediary is a GDS and its function goes beyond simply connecting airlines and travel agents. The GDS enables to book, pay, and issue a ticket. Those are complex and very diverse functions. For example, credit card payments are processed directly by the GDS, interacting with a payment service provider to authorize the payment. In an NDC environment the aggregator is solely transmitting both shopping and ordering requests to the airline host environment.

Finally the airline IT environment needs to be modified to facilitate the creation of the offer. Airlines have to develop within their PSS on top, both an Offer and Order Management System. Those systems will enable the airline to create the offer and process it until ticket issuance and payment.

What will NDC bring practically to end consumers?

“With NDC, you can move from a corporate travel policy to a corporate traveler policy”

Olivier Hours: NDC will bring benefits to all consumers – in airlines’ words, leisure passengers and corporate travelers. Today, if you are a corporate negotiating with an airline, you get a corporate deal which applies to the all staff. With NDC, because you are able to identify who the travelers are, you can move from a corporate travel policy to a corporate traveler policy or corporate group of traveler’s policy. Concretely, you could say this specific segment is allowed basic tickets, whereas this other segment is also allowed to book ancillaries such as lounge access, etc. In short, airlines will be able to offer tailor made products to identified travelers.

The second aspect is that NDC is based on a high-quality XML standard which allows evolution from having simple text screens into a rich content experience enabling at a minimum, pictures and videos. The objective is to display content in a fully dynamic way, based upon the end consumers and what is most helpful to them. Ultimately a higher sales conversion ratio is expected since the traveler will have a more satisfying shopping experience

What are in your opinion the main challenges for the deployment of NDC?

“The biggest change of the last 20 years”

Olivier Hours: I believe that the main challenge is that the industry needs to understand what is the value creation around NDC. It’s a significant change, I hear people saying that in terms of travel distribution this could be the biggest change of the last 20 years, since the emergence of Internet. It is bringing the industry into the modern age of retailing and going towards a shopping experience that you have on B2C retailing sites. People need to understand the value creation and how to get there and what they have to do in terms of IT implementation.

The second challenge is what I call the “domino effect”. Firstly, you need the airline to determine what they want to do and create the content. Then you need the IT providers to provide solutions to adjust the airline environment by building an offer and order management system, either within or on top of PSS. Then we need new intermediaries, be it the current GDS systems or new aggregators. Finally, we need to adjust the IT environment of the travel agency. The main challenge at the moment is on the travel agency side: the airlines

are getting there, the IT providers are there but it's more difficult on the travel agency side.

Where are we currently on the roadmap for NDC?

“By the end of 2018, 50% of passengers could have access to airlines using NDC”

Olivier Hours: In September 2016 we are counting 24 airlines with a live solution in NDC – i.e. airlines processing the NDC standard in their IT environment. IATA expects to have 30 airlines by the end of 2016. And by the end of 2018 we estimate up to 50% of passengers could have access to airlines using NDC.

In terms of transactions, the total number is still limited because airlines generally start implementing NDC with one or two travel agencies and slowly extend towards a wider group of agencies and finally the full network. A critical mass of airlines will trigger a critical mass of travel agencies. Travel agencies are moving towards NDC either when their home carrier is moving or when they notice that their key airline suppliers are there.

In terms of IT providers, we now have 23 certified IT players who are processing the NDC schemas. We expect that by next year probably most of the players of the industry will be certified. With the IT world embracing NDC, they will bring the technology to the airlines as well as aggregators and travel agencies. To assess where we are on NDC, we have also commissioned Sia Partners to conduct an IT solution survey which will go beyond the certification and will look more deeply into the solution architecture. For instance there is an analysis on the usage of the different Business Requirement Documents (BRDs). We believe this is very useful for the industry as this could be a decision-making tool for the airlines depending on what they want to do with NDC.

Beyond NDC, what are the main initiatives to expect?

“Enhanced and simplified airline distribution and payment”

Olivier Hours: We believe NDC is a very significant step towards what we call “enhanced and

simplified airline distribution and payment” meaning that the industry needs to modernize its retailing approach. Payment is a good example where there is significant potential to improve existing processes. IATA has identified many opportunities that are discussed with the industry. They concern fraud prevention, higher usage of new alternative forms of payment, enhanced card processes etc. NDC plays a key role in triggering change that goes beyond the standard.

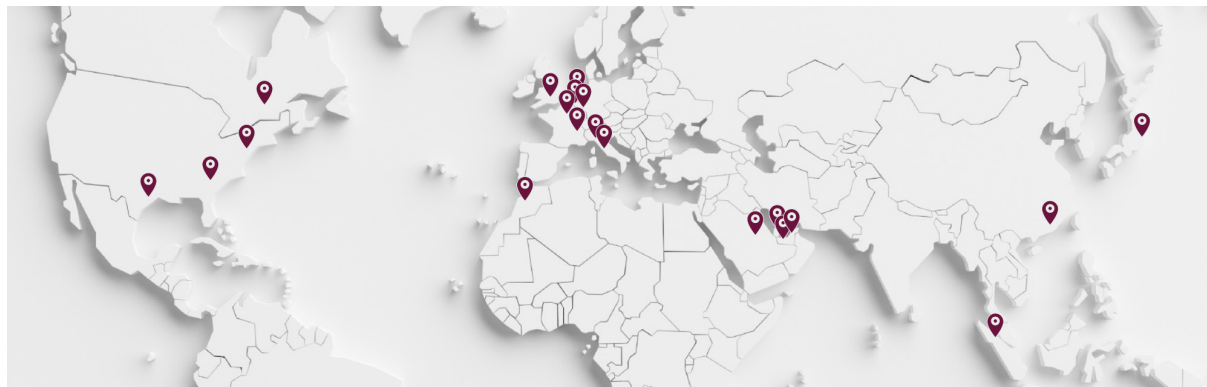
There is another industry led initiative from IATA, ONE Order that aims to modernize the current reservation, ticketing and product delivery process. Today we have PNR and e-ticket, the e-ticket being purely here for confirmation of payment and tracking product delivery. This is very specific to the airline industry, adds a lot of complexity and ideally we would like to transition to the concept of a single customer order recording, holding all data elements required in line with a retail-style order management.

We are taking airlines on board towards further modernization of distribution and we will bring more topics in the coming months. Stay tuned, the journey has just started!

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