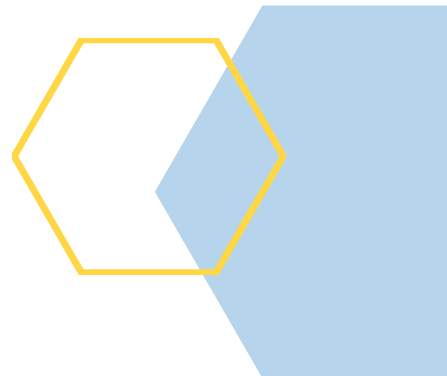# Is there a Future for Standalone NDC Aggregators?

THE FACTS

On 14 March 2022 The Flight Centre Travel Group announced that it has increased its holding in Dubai-based NDC aggregator TP Connects to 70%, giving it a controlling interest. Flight Centre previously held a 22.5% stake which it acquired in February 2020.

THE ANALYSIS

This move by Flight Centre is not the first change to the distribution landscape and it will not be the last. Almost a decade after NDC was announced by IATA the changes that it was intended to stimulate are finally beginning to happen. Whether they are the changes that IATA and its airline members expected to see is a different matter but there is no denying that change is happening. It does appear that there is increasing competition and innovation in the airline distribution marketplace, from both new players and the incumbents, which was one of IATA's stated objectives.

Air content is fragmenting. Some airlines have content that is not available in the legacy GDS channel for a variety of reasons, both commercial and technical. It may be content that only works in NDC such as dynamic pricing, ancillary bundles or loyalty offers, and the GDSs don't have an NDC agreement in place with the carrier. We are seeing a significant number of GDS NDC deals being announced now (see T2RL's NDC and One Order update from January 2022), but even when the GDSs have an agreement to distribute a carrier's richer content, they may need to do development work to make it available, and they only have a certain amount of resource to do that. The GDSs work with hundreds of airlines globally, so it is understandable that these implementations can take some time.

This presents a problem to travel agents. Larger agents will either continue to rely on GDS content, using their influence to ensure the GDSs meet their needs, or acquire their own technology by in-house development or by acquisition as Flight Centre has done. They may decide to do a mixture of both.
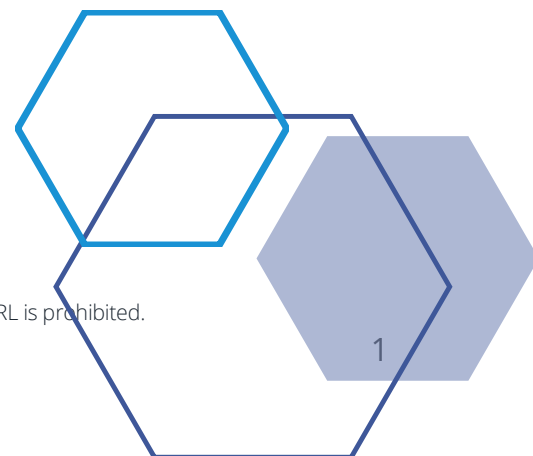
Most smaller agents will need to continue with GDSs and connect to at least one NDC aggregator to ensure they have access to the fragmented air content. In anticipation of this need there is now a large number of NDC aggregators in the market (see T2RL's NDC Aggregator Report from November 2022 for more details), and there appear to be at least two business models:
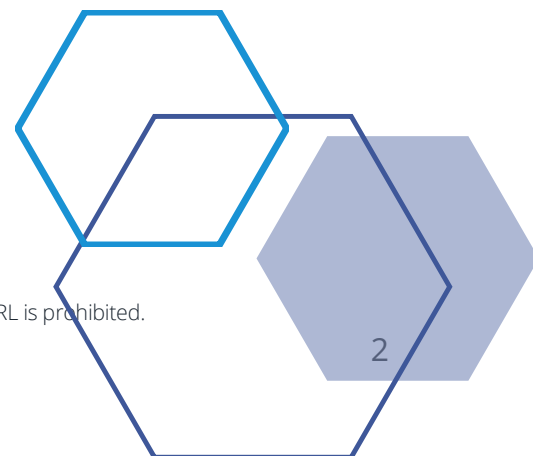
- o airline pays – as per traditional GDS commercials – with various versions of this such as private channel or opt-in
- o agent pays – which seems to be the more common model for airlines working with new NDC aggregators - with the airline potentially paying the agency an increased amount to help fund it

Merging the aggregator into the travel agent may complicate matters, especially if TPConnects continues to serve other agencies with NDC content. As in all cases where one agent acquires a technology supplier, there will be tensions between getting the value it wants from the provider and still providing service to other entities. As well as its role as aggregator TP Connects provides an NDC API to several airlines in the Middle East including Gulf Air and Oman Air. In the longer term however the airline PSS provider, Sabre in the case of Gulf Air and Oman Air, is likely to seek to displace TP Connects when its contract comes to term. Having a travel agent owned entity with influence over access to the most valuable content may not be strategically acceptable to the airline's commercial management, although many airlines already face the challenge of their PSS technology provider also being a key distribution provider.

THE SPECULATION

Consolidation in the travel agency business has created an environment in which there is a small number of very large global players with sophisticated technology. The technology may be home-grown or bought in, or more likely assembled by some combination of the two. Flight Centre is now an agency that supplies NDC aggregation to other, smaller, agencies.

This is similar to Trip.com, which took a majority stake in Travelfusion in 2015. It is likely that the next couple of years will see more such examples of large agencies supplying NDC aggregator capabilities in the market. There is significant precedent for this approach in the wider e-commerce market, the most prominent of which is Amazon Marketplace. Depending on how commercial models evolve this could put a squeeze on standalone aggregators.

In some ways it begins to look like a mirror image of the situation in the 1970s and 80s when large airlines were placing their CRS terminals in travel agencies. Smaller carriers had no real alternative than to sign up to "partnership" agreements with the majors in order to be sold by agents using the new automation. Eventually this led to the creation, and regulation, of the GDS industry that we know today. The current environment is different, not least due to the existence of the GDSs, so it would be wrong to expect history to repeat itself exactly but we should expect that major changes in the competitive landscape of distribution will attract the attention of regulators at some point.

Given that the NDC marketplace is still evolving it would probably suit airlines if the total number of connections they had to support were kept to a manageable level. Three GDSs and perhaps half a dozen agent/aggregators connecting to the airline's API would be sustainable for most, although larger airlines may be happy to support more connections.   As the standard does gradually become more uniform, it should become easier and cheaper for airlines to support more connections, if they see value in doing so.

T2RL is an independent research and consulting company that specialises in the market place for airline IT systems. Based on data gathered and analysed since the year 2000 it has defined and tracked classifications of airlines and their IT providers. Its research is used by airlines to enable them to make informed choices of systems and vendors and by the vendors to help them develop products that best meet the current and future needs of the airline industry. For further information, visit our website at www.t2rl.com.