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T2RLENGAGE
2023

Conference Highlights & Key Takeaways

18th - 20th September 2023

The Path to Offer/ Order Transformation

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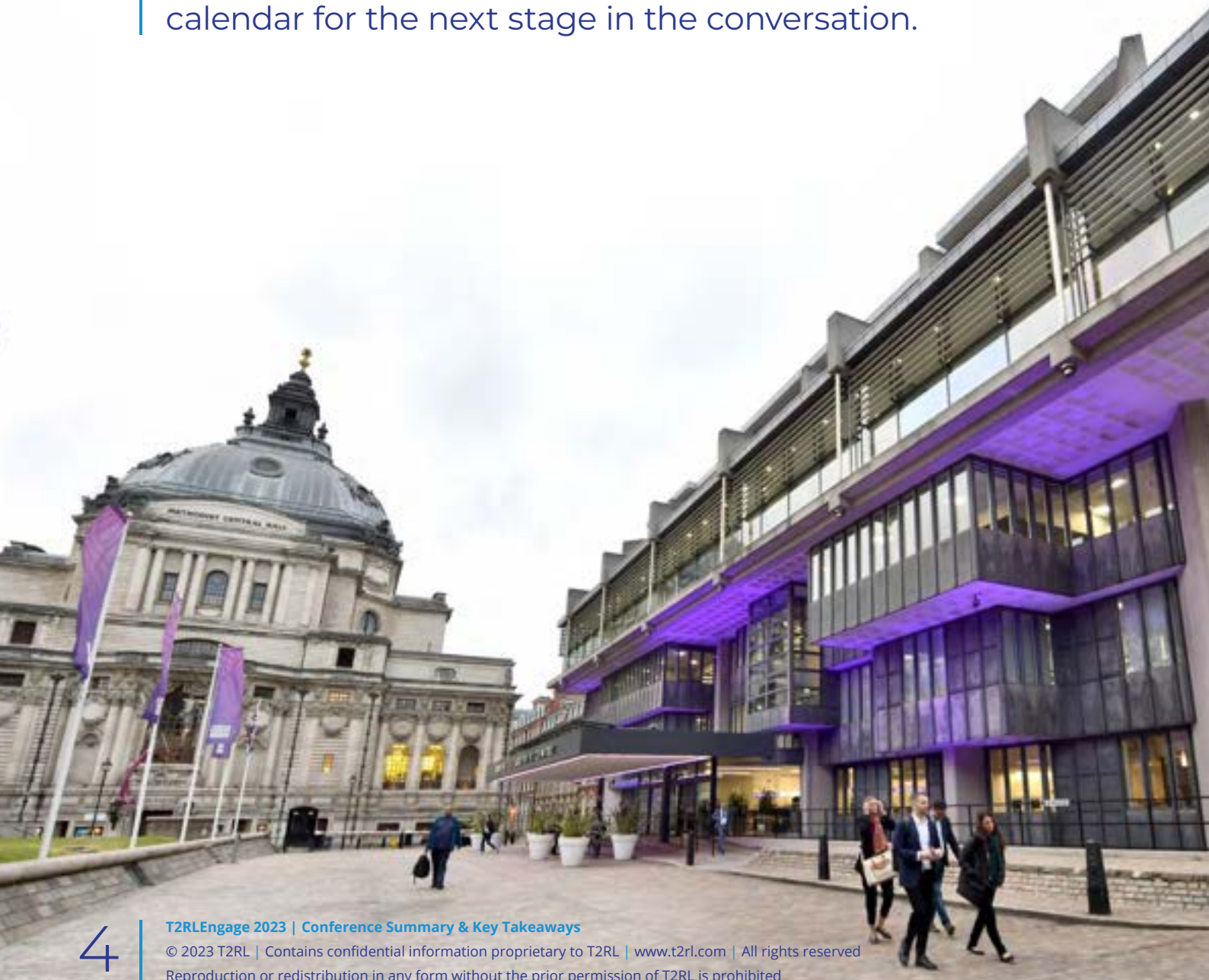


Introduction

Thank you to all of our sponsors, speakers and delegates at **T2REngage 2023**, it was wonderful to meet again to discuss and share ideas as we move forward into a new period of transition and transformation.

Take a look in this summary at the key takeaways that we have distilled from the full two day's worth of workshops, panel discussions, keynotes and solutions rooms. We hope they provide useful discussion points for you to talk about amongst your colleagues.

We look forward to welcoming you again on **23-25 September** at **T2REngage 2024** back in the **QE11 Centre, London**. Please save the date in your calendar for the next stage in the conversation.



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Key Takeaways

During the two full days of content around the industry move to Offer, Order, Settle, Deliver (OOSD) three main themes emerged to the forefront of the discussions.

1. Complex Transition

All attendees were in agreement that it is going to be a complex transition from the legacy systems airlines use today to the new retailing standards and technology being developed. Feedback from the panel sessions suggested that this transition period has the potential to last anywhere between 7 and 15 years.

However, the general consensus was that this change was needed to bring the industry forward to today's modern retailing environment which is now expected by the traveller.

'We know the technology is outdated, it was never meant to support e-commerce,' Jost Daft, Head of Order Transformation, Lufthansa Group stated.

Incremental

The change is more than likely going to be incremental for the majority of airlines. Not one airline committed to undertaking a big bang approach, as was noted by Keith Wallis, Snr Director Distribution and Payments at Air Canada, *'a big bang [approach] would be a recipe for disaster.'* Most of the discussions focused on how to undertake a modular or phased approach to the transition.

It is also really important that the airline is able to gain value from each of these incremental changes in order to give weight to the business case as a whole. *'We think about it in modules, rather than a monolith,'* stated Tiina Vesterinen, VP Commerce and CX solutions from Finnair.

Where and when to start?

There were lots of questions around where and when to start.

As Vanessa Gonzalez, Director, Order Management from Sabre pointed out, ***'Why now? Because we're already late.'***

A few airlines spoke about starting with their direct channels first as this is where they feel they have the most control. However, there is a need to allow for flexibility, as changes will inevitably happen along the way. Some airlines have already started on the journey to offer management but feel they have now come as far as they can without creating too many workarounds, so now a push forward to order management is needed.

It was noted by several panellists that there is a belief there is value in being a first mover. *'If it takes a business 7 years to change it means it is very likely there will be people who will get there quicker than you and will have an advantage strategically,'* Neil Glynn, Managing Director, AIR Control Tower pointed out. Technology vendors were particularly keen to push airlines into this transformation journey sooner rather than later. Although there was general agreement that there will be an opportunity cost, some airlines may benefit from waiting for other airlines to move first. However, if airlines do start later they will miss out on having a say in how these technology and business processes will evolve. Christian Oberlé, Chief Digital and Information Officer at SkyTeam made a good point that, *'just because you start later does not mean that you can't move fast.'*

Business Case

This then leads into the several discussions that took place around the business case. This is a huge transformational change for the whole industry which is obviously going to be very costly¹. Airlines will, more than likely, need to run legacy systems alongside others in the new retailing environment. George Bryan, Senior Director, Distribution from Hawaiian Airlines said that *'when we started this journey, we focused on cost savings but then we realised it wouldn't be enough'*. The end goal is going to be about upgrading revenue, as was pointed out in the keynote by Neil Glynn. Sabre detailed a three phased approach which spanned from the airline earning a potential added value of \$4 per passenger during the first phase where the PNR and Order co-exist to an added value of \$8.75 per passenger in the final phase where Orders are being used across the airline's ecosystem.

There will also be cost savings made through the streamlining of systems and business processes and these benefits need to be tracked. *'Airlines need to focus on quick wins to deliver value at speed,'* noted Cyril Tetaz, EVP Altea Travel Unit, Amadeus.

Organisational Changes

Another topic that was discussed quite extensively was that this change spans much further than just technology. It is a much broader transformation that needs to take into account process change throughout the whole organisation.

The first hire that the Lufthansa Group made when they started this journey was a change and communication manager. This change needs to have buy-in from the top down and within all departments. Although there will be extensive technology change there will also be new business processes that will need to be embraced.

New Commercial Models

The first session of the conference began with Richard Clarke and Bert Craven giving an overview of the market. They spoke about the need for new commercial models which are going to need new contractual terms. How are these going to look? Technology vendors may want to move from using the traditional *'passenger boarded'* fee to charge by booked segment, Order or even Order line. On the offer management side commercials may change to take into account the level of consumption. Airlines need to be ready with TCO modelling.

T2RL does believe that the migration to OOSD (as it stands) will pay for itself as the number of systems and amount of complexity will be simplified. However many airlines have, unfortunately, already baked in the price of NDC. When you see NDC as just an API, it is hard to justify current costs to airlines.

¹ **T2RL Transformation Series – Investing in the Future** This report looks into the level of investment that will be needed to achieve the transformation and the cost benefits that will be available once the process is complete.

2. A Hybrid Ecosystem

In general we're going to be living in a hybrid world for quite some time. There will be a peak price/cost during the transition and therefore airlines will need to make this period as short as possible. The more time spent in the transition period will cost airlines more. *'A long transition is not going to get buy-in from the CFO,'* said Luis Ferreira, Head of Commercial and Corporate Platforms, Virgin Australia. Bert Craven, Deputy CEO, T2RL, also made the point that we are already *'missing out on 6% growth over the past 4 years,'* and therefore airlines and vendors are already short on money. A lengthy transition will also give the larger incumbent technology vendors a huge advantage.

Interoperability

Interoperability was a word spoken often throughout the two days. We are going to need interoperability between systems not just within the airline itself but also externally with partners, IT vendors and other airlines. We are going to need to know how this all works together, not just technically, using different specialised components from different vendors but also commercially. The reality is that the larger vendors will try and bundle these components together and offer discounts to make this offer more attractive to airlines. It was discussed that the issue with this approach is that it stifles innovation and may lead us straight back into the situation we are in, in that we have few technology vendors offering limited solutions to the industry.

'Modularity and open systems will be key,' noted
Alex Mans, CEO of FLYR.

It became very apparent that we are going to need integration at scale, especially in dealing with the huge amount of look to book transactions. *'Integration will become an industry in itself,'* noted Paul McGlashan, Enterprise Architect, Air New Zealand.

Data Types

During the transition it is very apparent that we are going to need to deal with different data types at the same time – specifically PNRs/tickets and orders, which is going to have multiple upstream and downstream synchronisation effects across the ecosystem. This will affect not only the technical side of the business but also processes and resources. ATPCO made the point that *'out of the 400 airlines we work with, 320 of these are still working with static prices and these airlines need to work with the 80 airlines that are dynamically pricing.'* *'There is a long way to go until we're all speaking the same language,'* said Tom Gregorson, Chief Strategy Officer. Industry players will need to make sure their organisation will be able to handle this.

The industry also has the opportunity to exploit new data sources, particularly within the area of offer creation and use what airlines already have much better, as was pointed out by Keith Wallis, Snr Director Distribution and Payments at Air Canada, *'like a lot of airlines we sit on a lot of data but we're probably not using it as well as we could.'*

Business Processes

We are also going to need to deal with different business processes at the same time. Change and communication become especially important here and being able to point out the value in undertaking this transformation for every department and person within the organisation.

As the industry progresses within the area of offer and order, delivery suddenly becomes critical.

If the airline is transitioning to a system where it is able to sell more products in a more flexible manner but is unable to *'deliver'* or *'fulfil'* on those products then there is no point. In an airport environment this becomes even more critical as the main goal of airport systems and staff is operating the flight, not selling.

3. Collaboration will be Key

Collaboration has always been critical in the travel industry but this will become even more important moving forward. Tamur Goudarzi Pour, CCO at Swiss pointed out that, *'we need to bring together the travel retail chain.'*

Jost Daft from LHG also pointed out that in order to help the transition move as quickly as possible engagement from everyone is super important, *'the entire ecosystem is impacted so it is not just the airlines that need to drive this but the whole ecosystem.'* Discussions focused around the huge opportunity the industry now has to move forward with a *'clean sheet'* and now is the time for the different parties to have their say.

With Travel Sellers

In particular there is a huge need to have more understanding between travel sellers and airlines, particularly in the area of servicing. Early engagement and communication with travel sellers was remarked as extremely important. Anthony Radar from AA pointed out in a fireside chat with Accelya that AA needed to make two announcements on their NDC plans because with the first one, *'the industry just didn't believe us.'* They do believe, however, that the move to modern retailing is *'going to open up opportunities that we haven't had before,'* and that in the last couple of months they have seen *'NDC now become their number one channel for indirect with Edifact being number two'.*

With Technology Vendors

Technology vendors are looking for airlines to help them shape the technology and processes for OOSD. The decisions made today will have implications on decades to come.

There was also discussion around the benefits of testing systems with multiple vendors as was undertaken for revenue management with Southwest and Amadeus.

Vendors will also have an advantage in that they are going to have experience in undertaking multiple transitions with airlines and will be able to fine tune processes in this area.

With Industry Players

For the future it will be important to work *'holistically'* as was pointed out by Cyril Tetaz, EVP Altea Travel Unit, Amadeus. Working together with other industry partners such as airlines and travel providers will help drive innovation forward.

Benefits will only be delivered if the whole value chain sees benefits from this change. This will only be achieved if the end goal of serving the customer is at the forefront.

'Our industry is at a pivotal moment as we work to go beyond Offer and Order to build retail and deliver outstanding traveller experiences. We can do this by putting the traveller at the centre of everything we do, together ensuring excellence when it comes to customer delivery.' stated Tiina Vesterinen, VP Commerce and CX solutions from Finnair.

For further insight and discussion on T2RLEngage 2023 and the key topics raised please listen to our podcast available here:

Please scan or click the QR code to view





T2RL Travel Technology Research Ltd is an independent sourcing and research company that specializes in airline technology and distribution. Based on data since the year 2000 it has tracked industry trends for airlines as well as their IT providers, distribution partners, and customers. All parties use its research to make informed business decisions to meet current and future needs. For further information, visit our website at www.t2rl.com.