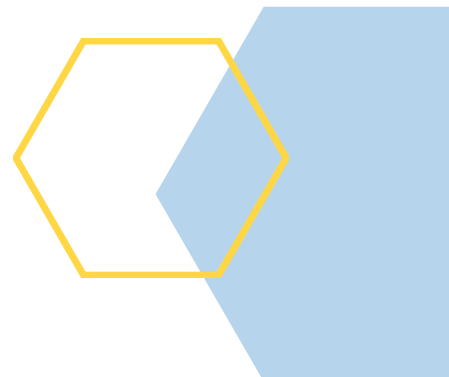




FIRST VIEW
June 2024



American Airlines Makes a U-Turn





THE FACTS

On 28 May 2024 American Airlines announced that Chief Commercial Officer Vasu Raja would leave the airline in June. At the same time one of Mr Raja's key initiatives to restrict the award of AAdvantage miles to customers of traditional travel agencies was reversed.

THE ANALYSIS

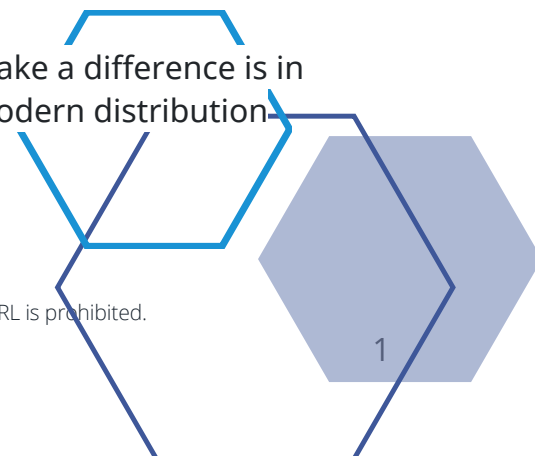
Vasu Raja has been strongly identified with American Airlines' drive to shift distribution to so-called "modern channels". Some of the tactics used to achieve this have been described as heavy-handed and even arrogant. They have certainly drawn criticism from many sides. In the week since the announcement there has been a great deal of comment from all sides on its implications. Much of it concerns relationships between the airline, its customers and its agents. These are interesting and important but they are not of prime concern to T2RL. We are far more interested in any impacts the move will have on distribution and technology across the whole industry.

Our short answer to the question of what difference will this make is "not much", in the longer term at least.

Major airlines around the world are already convinced that they need to improve their ability to put offers in front of buyers and their agents. Whether they are implementing continuous pricing strategies like United or Lufthansa or pushing a wider range of ancillary products and bundles like every low-cost and hybrid airline, the restrictions of EDIFACT formats are holding them back. American Airlines may have been the most aggressive carrier in its market in pushing for "modern" distribution but others are not so far behind. Even Delta Air Lines finally announced an NDC strategy last month.

Where a certain amount of back tracking by American will make a difference is in timing and possibly in the relative success of the different modern distribution channels.

[First View: American Airlines Makes a U-Turn](#)





The GDSs will see their incentive to roll out NDC connectivity reduced in the short term. They are likely to concentrate efforts on airlines that have already committed to a continuous pricing strategy. Amadeus may be an exception as it has made significant investment in NDC-X and may look to differentiate itself on that basis. It could push the incremental benefits of continuous pricing to make up for slightly weaker demand for its NDC API, especially those carriers that compete for share with American.

Non GDS aggregators may also see a slower buildup of market share than seemed likely a few weeks ago. If American does walk back or somehow limit the need for volumes to drive its preferred agency status metrics it could have the effect of accelerating consolidation in the "agency pays", non-GDS, NDC aggregator space. This may eventually lead to a market with fewer but stronger players which will continue to chip away at the GDS volumes at a slower pace. T2RL's view remains that the non-GDS aggregators' do not pose a significant threat to the GDSs in the long-term as the GDSs must deliver on NDC to support airlines' continuous pricing strategies.

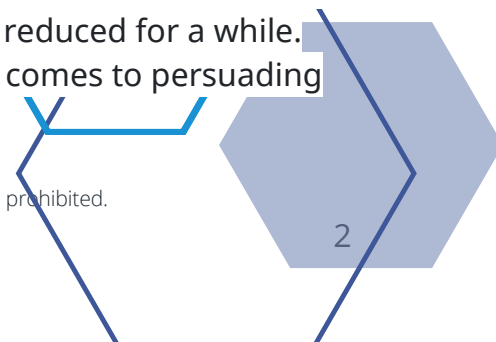
Airlines that have identified opportunities to establish direct NDC connectivity with key sellers are unlikely to change that approach.

Technology supplier Accelya will see slightly slower NDC volume growth than it had been planning but it has already secured the three major network airlines in the USA so the impact will ultimately be limited to timing. It would be reasonable to infer a possibility that this could slow or limit Accelya's ability to invest in its OOSD offering but its owner, Vista Equity Partners, has deep pockets and could make up any shortfall provided it was confident of the long-term strategic direction.

THE SPECULATION

This change of direction by American Airlines will not make any fundamental difference to the adoption of modern distribution and ultimately of OOSD. Those parties that have been opposing change and are triumphant in the short term will not remain that way for very long. The speed of the change will be reduced for a while. Airlines may lean away from sticks and towards carrots when it comes to persuading

[First View: American Airlines Makes a U-Turn](#)





their partners along for the ride but this was a change that probably needed to happen anyway. New and more capable technologies should be enabling much greater creativity and innovation in airline commercial organisations. In many ways Vasu Raja is a very creative commercial thinker. His legacy may be a wave of creativity not just in American but across the whole industry.

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.

First View: American Airlines Makes a U-Turn

© 2024 T2RL | Contains confidential information proprietary to T2RL | www.t2rl.com
All rights reserved | Reproduction or redistribution in any form without the prior permission of T2RL is prohibited.

