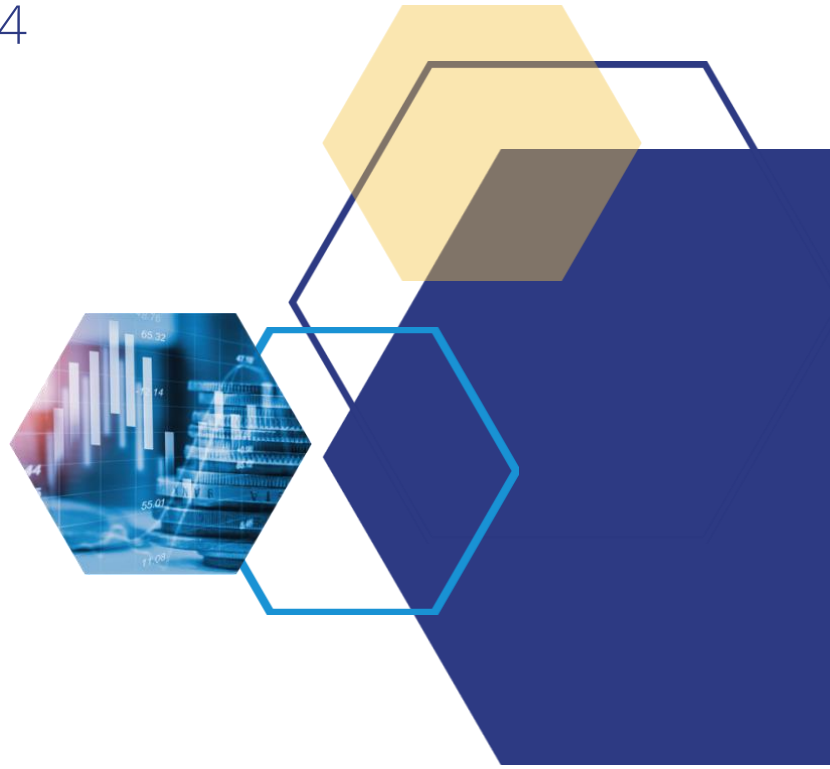
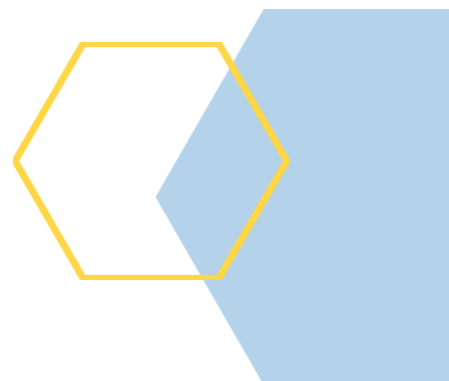




FIRST VIEW  
August 2024



# SAP Reduces Commitment to OOSD





## THE FACTS

In a briefing to T2RL on 13 August 2024 SAP confirmed that it will no longer offer a full-spectrum solution for Offer/Order/Settle/Deliver. It stressed that it remains committed to serving the airline industry and will concentrate on its strengths in Customer Management and Financial Management.

## THE ANALYSIS

SAP has for some time been held up as an example of a company that can bring retailing expertise from other industries to bear on the challenges of the airlines. The fact that it is now reducing its exposure to airline retailing will come as a disappointment to those hoping to see a challenge to the dominance of incumbent suppliers.

By many measures SAP is the biggest software company in the world. Its annual revenue for 2023 was over 31 billion Euros and there is no question that it has the resources needed to develop and deploy a comprehensive OOSD solution. However, just as in any business, investment priorities are set according to likely returns. SAP's management has clearly decided that the benefits from going head to head in the market against incumbents such as Amadeus, Sabre and TravelSky are unlikely to justify the level of investment needed.

From the perspective of SAP executives and shareholders this is probably the correct decision. The company is a key supplier to industries such as manufacturing, financial services, energy and retailing. All of these dwarf the economic weight of the airline industry which represents no more than 1% of global GDP. Even a company as large as SAP has limited development resources. These could achieve better returns in other sectors.

One of the ambitions of the move towards what IATA has termed "Modern Airline Retailing" is that airlines will be able to use the same software products as other industries and this is doubtless what attracted SAP to the sector in the first place. If existing products could be used with minimal adjustment then the investment decision would be quite straightforward. It appears that exposure to real-world requirements of airlines has shown that this ambition was not realistic. Retailing

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airline services is not the same as retailing baked beans or mobile phones. The nature of the products is more complex and the regulatory framework more onerous than most other sectors.

In its briefing to us SAP was very clear that it is not abandoning the airline industry completely. It has many airline customers for its ERP and customer management products. It is not even backing away from OOSD but it will concentrate in future on the S piece with its IATA-certified Order Accounting solution. This will continue to be offered to airlines for use in conjunction with Offer, Order and Delivery management systems from other vendors.

## THE SPECULATION

At present the only vendors with a comprehensive OOSD solution announced to the market are Amadeus and Sabre. One of the most significant new entrants, FLYR, and one of the strong challengers, Accelya, are both specialists in the airline industry. Although it now serves many sectors PROS has its roots in the airline business. Almost all the companies with ambitions to supply comprehensive OOSD solutions are airline-industry specialists. Given that the ability to create and price airline offers dynamically is central to the case for OOSD it appears increasingly unlikely that generalist suppliers will successfully enter this space.

If airlines are to avail of services from outside their traditional suppliers it is likely that their expectations need to be restricted to partial solutions that plug in to the core offer and order management systems. SAP's Order Accounting proposition is a prime example of this.

*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](http://www.t2rl.com).*

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