We Live in Interesting Times...

Immigration Crisis

Terrorism

Security/Privacy

Brexit and the EU

Climate?

The rise of Populism

A New US Regime

Temporary Relief?

The Rise of the Mega/Metasearch

Russian Trolls

Where Goes China?

Digital/Mobile?  AI/Bots?

Airline Consolidation?
IT IS COMPLEX - YOU CAN’T SIMPLIFY WITHOUT UNDERSTANDING THE COMPLEXITY
THE FUNDAMENTALS
DON’T CHANGE
Buyers and consumers will do their best to get the best value for their money.

Sellers will do their best to make them pay as much as possible.

- Buyers prefer to compare offers to find the best option.
- Sellers will try to avoid comparison when they can.

Comparison works! The Market does discipline competitors!
Taking all factors into consideration, going direct does not reduce costs; in fact in several cases it **increases costs** to the airline.
Network Airline with a large home market

For large network airlines, going direct has potential negligible cost savings of 11 eurocents (€13.43 vs €13.32), which represent less than 1% of their distribution cost.
Network airlines with a small home base

For network airlines with a small home base, going direct adds an extra eleven percent to the cost of each booking.
"This is not about savings. It's about building revenue. I don't see why corporates should be skeptical about that. NDC is not related to savings."

VP of distribution Emmanuelle Gailland
Air France KLM
Interview in The Beat, November 2017
- Airlines are only able to collect a surcharge (increase the fare) in markets where they have market power.

- In non-home markets the competition forces the final fare to be reduced by the amount +/- equal to the surcharge.

Airline surcharge amounts are unrelated to GDS booking fees.
SO WHY DO SOME AIRLINES PENALIZE THE NEUTRAL TRAVEL AGENT CHANNEL?
Effect of airline consolidation

The last 10 years have seen increasing airline consolidation in the EU through:

- Airline Mergers & Takeovers
- Joint Ventures
- Code Share Arrangements
- Frequent Flyer Programmes

These factors together have contributed to...

- Reduced Consumer Choice
- Higher Search Costs
- Reduced Competition Between Airlines
  - Airlines deny full information to neutral channels to undermine comparison shopping
- Higher Fares for Consumers
  - Lack of competitive discipline allows the airline to charge higher fares

ECTAA
THE EUROPEAN TRAVEL AGENTS' AND TOUR OPERATORS' ASSOCIATIONS

ETTSA
Impact on consumers

Because original airline brands have often been retained, consumers may have an impression of competition and choice, even where none exists.
Disintermediation is increasing complexity – and costs
London School of Economics Report

GDS Aggregation & value creation

Opportunities for GDS and IT companies

Differentiation and direct connect

Airline
Airline
Airline
Airline
Airline
Airline
Travel Agent
Travel Agent
Travel Agent
Travel Agent
Travel Agent
Travel Agent
Corporate Buyer
Travellers/Consumers

Metasearch

Corporate Buyer
Travellers/Consumers

Risks for GDS without innovation

Risks for Travel Agents

Disintermediation
We Are Building the Next Generation Distribution Platform
Becoming the travel aggregation platform of choice

Amadeus Distribution Platform
all content, any source, any model, any touchpoint

Amadeus Content
API/NDC/XML Content
Other Aggregator Content

SBTs, Mobile, Web services, TA front-office, Bots, SMS, Other
Thank you!