

Corporate Traveler's guide to NDC and airfare distribution



NDC, GDS, what are those?

Let's get started!

When it comes to travel, there are a ton of options for booking flights. The question is, how do you navigate it all to find the best routes and rates for you!

Let us break it down for you.

To book travel, the travel industry uses the Global Distribution Systems (GDSs), which collect content, combines airline schedules, fares and availability to make them easily accessible to travel agents. GDS also aggregates hotel and car content.

In this guide, we dive into the history of GDS, how they work and the way of the future, New Distribution Capability (NDC).

Let's go!



GDS?

What's that?

The GDS platform was created by Blair Smith, a senior sales representative for IBM, and C. R. Smith, president of American Airlines. After meeting in 1953, they agreed that the travel industry would benefit from a centralized data processing system that could create and manage airline seat reservations, with data available electronically to any travel agent, anywhere around the world. Talk about being connected!

American Airlines and IBM began developing this system together. The result? The Semi-Automated Business Research Environment, now known as Sabre, which launched in 1960, revolutionizing the travel industry for both consumers and carriers.

Benefits of using the GDS

Through using the GDS, travel agents have the ability to:

- Search for prices
- Find availability and flight schedules
- Make bookings for customers that were cost-effective and guaranteed

All in one spot!

It was also a great way to avoid issues, such as:

- Over and underbooked flights
- Passenger service issues
- Underutilized aircrafts

Over the last 50 years, airlines have fueled the growth of various GDSs, improving their speed and capabilities. This not only benefited the airlines, but it benefited TMCs, travel agencies and of course, you, the consumers.

Who pays for all of this? Airlines. They pay to appear in the GDSs and each time a flight is booked, they pay as well. This worked for a while but... then along came the internet...



...and everything changed.



**How the internet
changed the
travel industry**

With the internet, came a way for airlines to bypass the GDSs and in turn, travel agents. They were finally able to sell seats directly to consumers through their own websites and soon after via third party aggregators and comparison sites using API data. The result? Pricing transparency and even more choice for consumers.



Low-cost airlines like EasyJet and RyanAir were able to gain market share and grow quickly.

Why? Let us break it down for you.

The four biggest costs of running an airline are:

1. The cost of the actual aircraft
2. Wages
3. Fuel
4. GDS costs

Take away the GDS costs, and these low costs airlines were able to offer "no-frills" rates – stealing customers away from the traditional airlines like AA.

Traditional airlines found it hard to compete due to outdated employment structures and larger overheads. Their solution? Developing their own APIs*. Of course, this didn't work, leading to pricing wars, preferential rates and some third parties able to seriously undercut others. Ouch!

With APIs, airlines were able to offer "exclusive" extras, think extra legroom, early boarding, preferred seating, and airport lounge passes via their own sites and APIs. BUT, this meant TMCs using the GDS might not have access to the full range of airline products available. Not exactly a win-win situation if you ask us...

The disruptions didn't stop there! Next up? The arrival of "luxury" airlines like Emirates, Etihad and Qatar. These airlines offer great things for business travelers like lie-flat seats, wi-fi, delicious food and new

aircrafts. That all sounds great right? Well, the problem was that travel agents weren't able to see all these details in the GDS and couldn't differentiate these higher end products from other in the GDS. Naturally, the high-end airlines were frustrated. And then the tipping point, low-cost airlines rejoined the GDS system, causing frustration again for legacy airlines. A solution was needed to standardize ALL these different sources of content so, IATA launched New Distribution Capability – or NDC as it's known - in 2012.

What's an API?

It's an Application Programming Interface. It allows two applications to communicate with each other and access data. For airlines, APIs give third party websites and mobile app developers access to selected parts of your airline's data.

The New Distribution Capability on the block



NDC's goal is to deliver better and richer content. Is it cheaper or better than traditional GDS content? The jury's still out!

We bet you have some questions though like:

- What exactly is NDC?
- How will it affect those that book and manage business travel?

In short, NDC is an XML-based data transmission standard, created by IATA, which will give airlines the ability to distribute all their content through third parties. NDC will allow IATA to standardize the different APIs that airlines and aggregators use. This will let TMCs and travel agents offer competitive and fair pricing.

The end goal is for everyone (airlines, travel management companies, and self-booking tool providers) involved in the business of distributing content—such as airline seats and fares—to be talking the same (technical) language and are using the same syntax to exchange messages on shopping and booking components of travel.

This means all the products an airline offers on its own website, such as upgrades and speedy boarding, will be available to everyone. It also means less reluctance from airlines to pay for visibility, as they will be able to differentiate their services among those of the rival airlines.

Sounds pretty great if you ask us!

Why now? Why NDC?

IATA believes that NDC will transform the way air products are sold to companies and individuals.

By allowing airlines to bring differentiated and personalized products to market quicker, it will also give buyers access to a full and rich range of airfares. They also believe that it will bring additional transparency into the search and book process, helping customers make more informed decisions.

IATA says: "The primary driver for NDC is the revenue opportunity. NDC will unlock value through the travel agent channel by providing it with features and content that is difficult to access today."

But what does that actually mean for you, the travelers?

Let's use United Airlines as an example.

United Airlines, are looking to offer NDC exclusive content such as Continuous Pricing and Bundles. Continuous Pricing allows an airline to provide an indefinite range of price points in comparison to traditional GDS airfare filing, which was restricted to 26 price points only. In theory this removes the typical price jumps when one price point sells out and offers more competitive pricing. A Bundle can be a Corporate Discounted Rate offered with ancillaries, such as Wi-Fi.

Time-savings all around!

Navigating NDC? You'll need a TMC!

We believe in innovation and are excited for the added benefits and flexibility that NDC will provide!

Flight Centre Travel Group (FCTG) has even created a new Global Airline Distribution team, who will oversee our transition to NDC. Suite!

Additional industry experts have recently been hired to this team, with both airline and GDS expertise. Nicola Ping, who is the Chief Product Officer at TP Connects, said: "Our corporate customers need access to quality reporting, good duty of care and really flexible 24-hour servicing.

By ensuring that we're taking the NDC content from the right sources, Flight Centre can be sure we'll get access to the content without any disruption for our customers."

TMCs, travel managers, arrangers, travelers and airlines alike will benefit.

Together with our airline partners, our travel experts will be able to tailor quotes and products that meet your specific needs. "As a corporate customer, we will ensure that nothing changes from a processes perspective – you'll simply get access to the new content," confirmed Ping. We will be able to provide a more personalized, service for our clients, negotiating value adds and delivering a better overall experience.



Power in numbers

As part of FCTG, Corporate Traveler is given a unique view of innovation opportunities across the leisure, SME and multinational markets, and access to the tech that will allow us to 'slice and dice' airfares and content from different sources, to create packages that meet your needs both efficiently and cost-effectively.

FCTG's Global Airline Distribution team and additional industry experts will make sure you experience all the benefits that NDC can offer.

For example, FCTG is the first agency to launch Amadeus' 'NDC-X' program, is a launch partner of Sabre's 'Beyond NDC' program and is helping to design solutions that will drive travel distribution in the future.

And as an active member of the IATA Global Travel Management Executive Council, we are working together with other leading TMCs to ensure NDC benefits all parties. Our sister company FCM is also running several NDC tests and pilots with in-house technology through its innovation entity, FCM Labs. "I'm very excited about the improvements that it can make to our existing processes. A lot of people are excited about new content, such as personalization or seats – and that's true, it will all be a part of it. But personally, the ability to improve the processes that are really inefficient today is very exciting," concluded Ping.

FCTG has reinforced its commitment to providing customers with the widest choice of airfares by increasing our investment in TP Connects. In March 2022, we increased our equity interest to 70% in the Dubai based software as a service business, which has been at the forefront of ongoing changes to traditional distribution models. TP Connects has a proven track record in NDC and provided a centralized NDC Gateway which services customers in the aviation and travel agency sectors. The business offers travel agents a range of solutions to access aggregated air content via the TPC universal API which can be directly integrated into any user interface, or via agency business to business platforms such as our proprietary tool, Melon.

In utilizing TPC technology, our corporate customers will automatically benefit from the widest choice of global content, access to best available rates as well as exclusive private fares – all fully supported by expert travel consultants.



To find out more about NDC and how working with Corporate Traveler can help you gain access to the best and biggest range of airfares and rates, please contact us at

corporatetraveler.us/contact