Transition to Offers & Orders

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Director Distribution

- Good afternoon

- Nick and Youn have shared our vision for the fully digital identity travel experience.

- I'd like to take a deeper dive into how it all begins—with the travel shopping and purchasing process and how it will all come to life with Offers and Orders.

The Modern Airline Retailing Program

Airlines **in control** of their Product, Money & Data

Selling with **Offers** | Fulfilling With **Orders** | **Digital** Identity
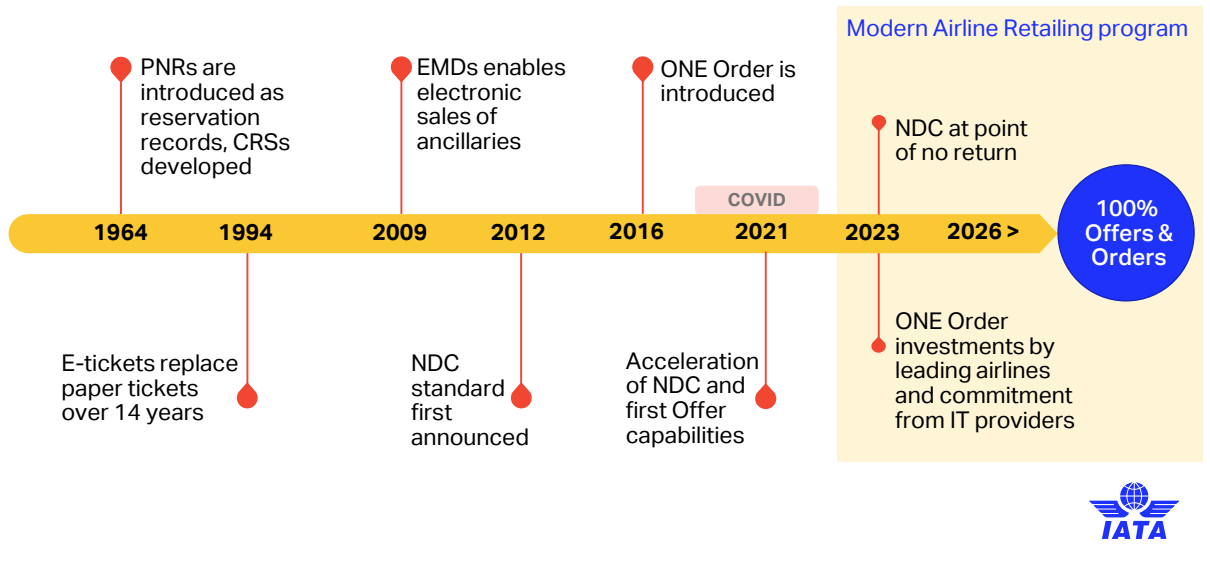
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- We're talking about the Modern Airline Retailing initiative, which we announced 12 months ago at our 2022 GMD.

- It is the program that supports the industry transition to a world of 100% Offers and Orders – the key to true customer centricity.

The Modern Airline Retailing foundation spreads across 3 pillars:

- Selling with Offers
- Fulfilling with Orders
- And Digital Identity, which my colleagues have already referred to a few minutes ago.

From PNR & paper tickets to Offers & Orders

Modern Airline Retailing program

PNRs are introduced as reservation records, CRSs developed

EMDs enables electronic sales of ancillaries

ONE Order is introduced

NDC at point of no return

COVID

1964　　**1994**　　**2009**　　**2012**　　**2016**　　**2021**　　**2023**　　**2026 >**

100% Offers & Orders

E-tickets replace paper tickets over 14 years

NDC standard first announced

Acceleration of NDC and first Offer capabilities

ONE Order investments by leading airlines and commitment from IT providers

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Before we start the journey to Orders and Offers, however, it might be helpful to provide a brief recap of how we got where we are today.

- This timeline provides quick look at the history of modern airline distribution beginning with the invention of the Passenger Name Record (PNR) in 1964 to store passenger information. It's kind of amazing but nearly 60 years later, this PNR is still at the heart of the air travel system!

- 30 years later, in 1994, the industry started to replace paper tickets with electronic tickets. This was then followed by EMDs that enable the sale of ancillaries.

- Without getting into too much detail of this distribution structure, the key thing to know is that the standards and data exchange powering this distribution model, is built on EDIFACT, a pre-internet language that is incapable of displaying airline fares and products and services except as alpha-numeric codes. Imagine trying to sell a sofa, or a pair of shoes without being able to show the customer what it looks like! Or explain its attributes using words. That's what airlines deal with in EDIFACT systems.

- That is why NDC was introduced in 2012. It is a modern standard built on internet language and it allows for the display of graphic images and plain language product descriptions, like you'll see on any airline's website or any online retailer.

- NDC also allows the airline to create the offer, rather than having it assembled outside the airline by the Global Distribution System.

- So, the launch of NDC opened the door to what has become Modern Airline Retailing.

- This was then followed by the introduction of "ONE Order" in 2016.

- Covid turned out to be an accelerator of the transformation toward modern retailing.

- The train has left the station!

Let me now tell you a little bit more about this initiative that will support our industry and the airlines in this journey.

Selling with Offers means **Customers** may have access to similar content available on airline.com, via their agents and more transparency on Offers

The most mature pillar is selling with offers.

Thanks to the NDC standard, prospective air travelers are starting to have full transparency and visibility on airline products and services, regardless of whether they shop directly with the airline or via a travel agent or online travel seller - Just as they do when they shop for millions of consumer products online.

Finnair Continues To Chip Away At EDIFACT

DISTRIBUTION · SERVICE · SUPPLIERS

American Express Global Business Travel Sets Minimum NDC Requirements

SAS unveils NDC strategy with Amadeus partnership

23 March 2023

AVIATION

Air Canada lays out NDC strategy, including a surcharge on legacy GDS bookings

By Jamie Biesiada | Apr 19, 2023

TMC & DISTRIBUTION

Air France-KLM : « Objectif 2027 : 90% des ventes indirectes via NDC »

Par David Keller - 23 avril 2023

AA: 80 Percent Of Bookings Could Come Direct Or Via NDC By Year-End

Jay Boehmer April 27, 2023

Amadeus CEO Eyes 2024 For NDC Booking Critical Mass

Singapore Airlines Expands NDC Content Differentiation

Egyptair Launches NDC Content Via TPConnects

NDC Volume Crosses 10 Percent Threshold At ARC

Jay Boehmer August 29, 2023

Accelya & Qantas extend long-term modern retailing partnership

Emirates Enters Content Differentiation Phase Of NDC Strategy, After A 'Detour'
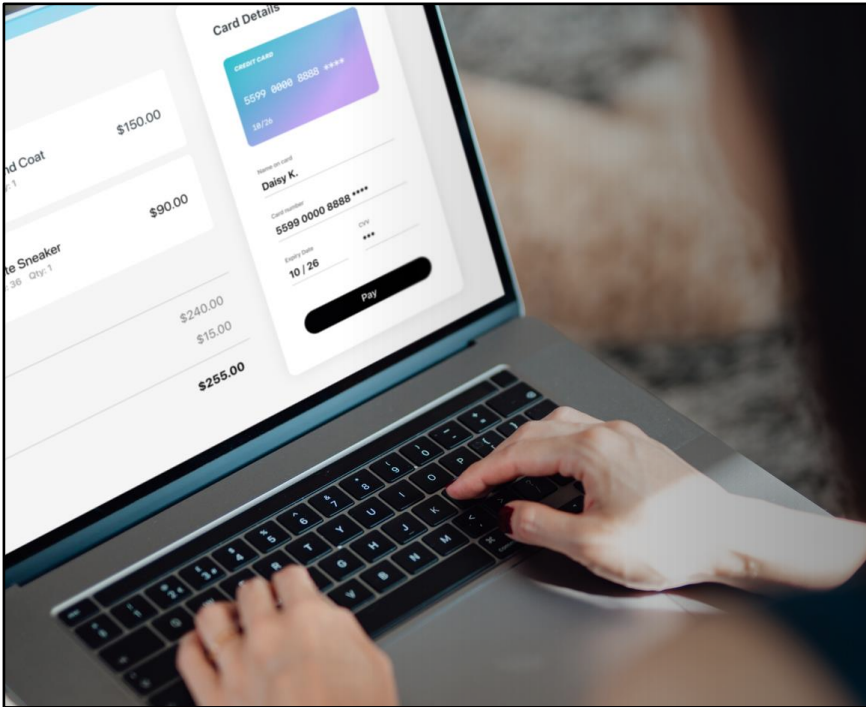
Jay Boehmer October 31, 2023

Amadeus And Sabre Proclaim Progress Towards Full NDC Servicing

Amon Cohen November 7, 2023

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" One leading global airline has reported that "**80 percent of its revenue now is booked through 'modern retailing' channels**, comprising its website, mobile app or NDC connections." Furthermore, booking data from one travel management company "showed that **NDC-based fares**" for that airline "were **lower than EDIFACT for 54 percent**" **of the TMC's bookings**. "The average price difference when a fare was lower on NDC came in at $134. "

*As reported in the Beat

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One single record makes it easy for the **Customer** to access & modify, just like with Amazon

- Fulfilling with orders is the next pillar and it is where the industry is now focusing new attention and resources.

- Building on standards such as ONE Order, travelers will no longer need to juggle between different reference numbers and documents (passenger name records-PNRs, e-tickets and electronic miscellaneous documents-EMDs).

The industry today: two references

Booking

What: a 6-character code
Why: proof that a reservation was made
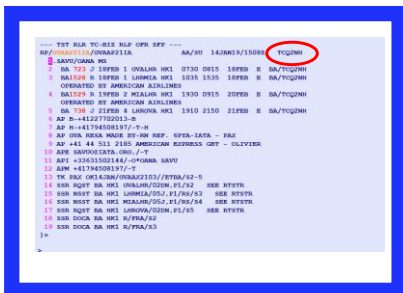
Electronic ticket

What: a 15-figure code
Why: proof that a payment has been made (receipt)

And a third reference – the EMD – is used as payment receipt for ancillaries

This is what we want to replace:

• The booking reference, or PNR—which is almost a senior citizen

• and the E-ticket, which is your proof that you purchased the product.

The industry tomorrow, with ONE Order

One single reference

Order Confirmation

OrderID: ABC12347712

Service: ABC12347712-1
Flight 123 GVA-LHR

Service: ABC12347712-2
Priority pass

Service: ABC12347712-3
Lounge access

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And here's a concept of what it gets replace with. Looks a lot simpler, doesn't it?

But getting there won't be easy.

It is a complex step that touches nearly all the airline capabilities and impacts many stakeholders from travel agents to airport operators.

# A **Consortium** is helping accelerate the journey

To help tackle this multi-faceted transformation, we also established a Consortium of 12 advanced airline adopters which is working through IATA with the objective to accelerate the transition of the rest of the industry.

A compelling **Business Case**, supporting airlines **to understand the opportunities** from embarking on this journey

Business **"To-Be" reference architecture** for a world of 100% Offers and Orders

Examples of deliverables

**Airline Transition Pathways** to 100% Offers and Orders

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And here are the Consortium outputs:

- The Consortium introduced a compelling business case, supporting airlines to understand the opportunities from embarking on this journey.

- It also completed work on a first version of a reference architecture that describes the business capabilities an airline is assumed to have in the world of offers and orders.

- And in October, the Consortium provided airlines with a roadmap of transition pathways to help them assess how they may choose to transition to this new world.

- And this roadmap was supported by 15 Technology Providers, who are committed to this journey and some already have made concrete advancements.

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Digital Identity means Airlines will be able to serve their **Customers** better through more channels
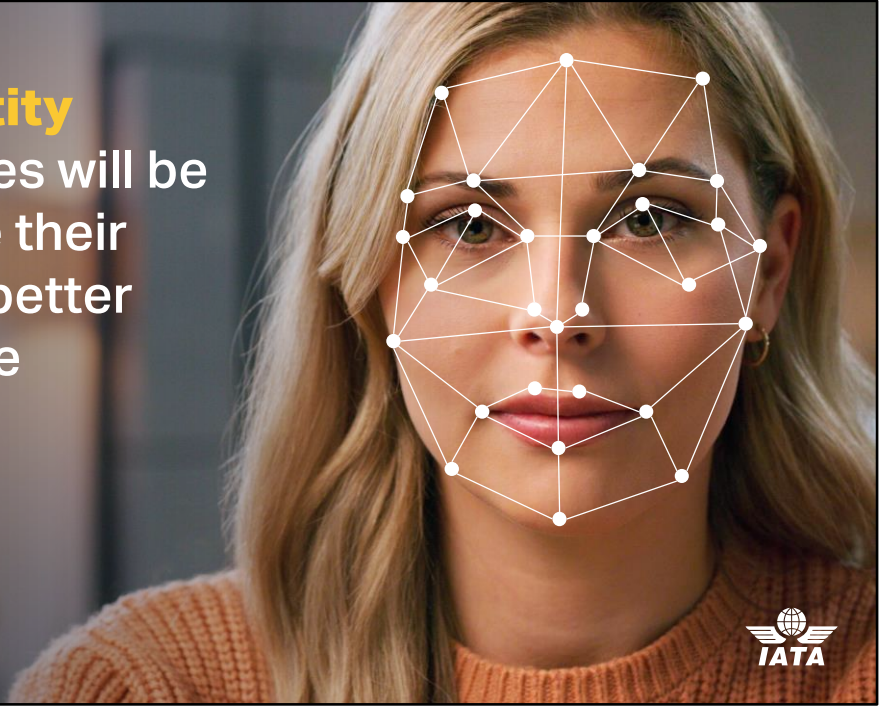
- My colleagues have already shared how digital identity can transform the trip experience.

- There is another very important aspect of digital identity, which is bringing its benefits to our partners in the distribution value chain.

- In a world of Offers, the airline creates the Offer. It is not assembled outside the carrier by a global distribution system (GDS) as is common today.

- Therefore, the airline has to have the capability to authenticate the identity of a travel agency or other travel seller, rather than having authentication done via the GDS or other intermediary.

- IATA has developed a Digital Credential Platform for travel value chain partners to address this requirement.

- Furthermore, once an agent has the IATA digital credential, onboarding with a new partner such as an airline will be a rapid and seamless process, whereas today it is a slow, manual process that can take up to three weeks.
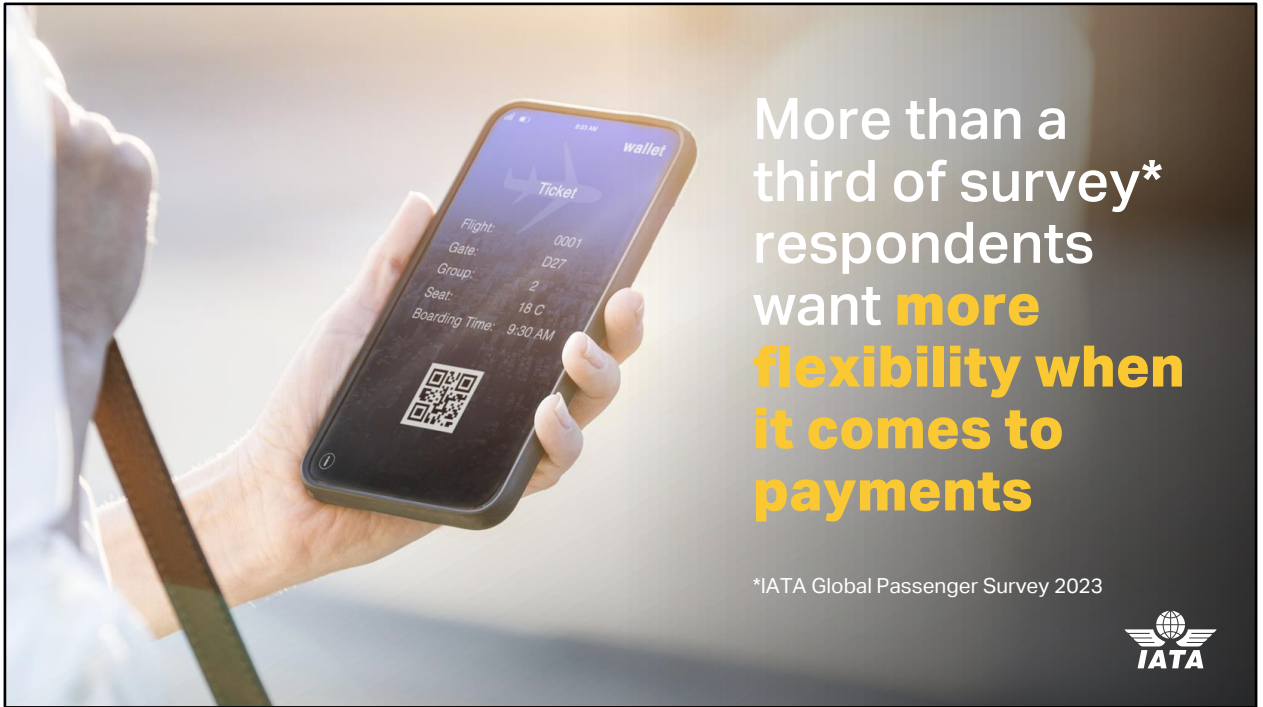
More than a third of survey* respondents want **more flexibility when it comes to payments**

*IATA Global Passenger Survey 2023

- Before I close, I would like to bring your attention to the importance of payment.

- The industry currently spends around $20 billion per year on payment acceptance.

- Yet as mentioned earlier, more than a third of survey respondents want more flexibility when it comes to payments.

- And 25% of customers did not purchase additional airline product/services because of a payment issue.

- The payment touchpoint is critical to support industry growth and customer satisfaction, and it is narrowly intertwined in each of the Modern Airline Retailing pillars because it affects all stages of the journey: from shopping for travel to purchasing items on board.

- For these reasons, the Modern Airline Retailing program entails working on improvements in the following areas:

- To make payment easier
- To secure the preferred method of payment for the consumer
- To enable split payments
- To be transparent with payment fees
- And several of these activities will require new Standards.

Thank you

- The industry is ready for the journey to modern airline retailing.
- This is a complex environment from technology and process perspectives today and it won't be easy to simplify.
- But customers are used to a modern and efficient shopping experience from typical online retailers and expect airlines to also provide them with that enhanced experience in any channel.
- The journey has begun, the train has left the station ….