

SABRE / FARELOGIX MERGER INQUIRY

SUMMARY OF HEARING HELD WITH AMERICAN AIRLINES ON 8 OCTOBER 2019

Merchandising solutions

Current merchandising solutions

American Airlines said its separate Passenger Service System (PSS) provides availability information that allows Global Distribution Systems (GDSs) to provide offers to American Airlines customers when combined with fare data from ATPCO and schedule data from OAG. American Airlines explained that the only way it knows a customer has searched American Airlines through a third-party is when a booking is made. However, American Airlines explained that offers are made without it knowing. New Distribution Capability (NDC) based offer creation would provide more options for passengers in terms of content and give the airline data and feedback which would enable it to better innovate in developing passenger offers.

Future merchandising solutions

American Airlines said it would welcome third-party merchandising solutions that use data to create better offers for customers. American Airlines said that solutions that can do this would help ensure it is delivering the customer the right price and products.

Current use of distribution channels

American Airlines confirmed it uses its own website (the direct channel), GDSs and direct connects. American Airlines said its direct channels have been increasing slowly.

Types of customers by distribution channel (leisure v corporate)

American Airlines explained that most of its corporate traffic is with large travel management companies (TMCs). American Airlines explained it has heard from TMCs that they are awaiting GDS/NDC integrations in order to access American Airlines' NDC. American Airlines said it has connected with some smaller TMCs, particularly in Brazil and its solutions allow post-ticket servicing in a way similar to what exists today with the GDSs.

Use of NDC enabled distribution

American Airlines said it currently processes millions of tickets through its NDC pipe and expects this to grow in the future.

American Airlines indicated that most of its NDC volume is leisure traffic, through OTAs, principally in the US but also some large agencies in Europe, Latin America

and Asia.

American Airlines stated its NDC progress to date has been focussed on discrete customer sets and it has been unable to access the discrete customer set that the TMCs and by extension the GDSs control. Consequently, American Airlines said it has been unable to bring NDC to the key corporate customer set, which is where it has a disproportionate amount of revenue and profit.

American Airlines stated that it uses Farelogix's NDC API to distribute NDC-based content.

American Airlines said its relationship with Farelogix dates from 2005. Up until 2012, American Airlines explained it did not have a significant number of NDC connections but recognised this as an area that had grown and was likely to grow more in the future.

American Airlines said that it initially chose Farelogix in 2005 as a distributor because it was the best suited technology provider to bring American Airlines' direct connect to market. American Airlines explained it has continued its relationship with Farelogix since. American Airlines said it was important to have a proven and scalable solution with the capacity to handle hundreds of millions of tickets. American Airlines said Farelogix delivered the technology and reliability it needed to power its API. American Airlines added that Farelogix built its NDC API in a way that can handle future scale in its merchandising and its other areas.

American Airlines said it has considered Sabre as a potential provider of an NDC solution.

American Airlines said that other providers in the industry were unproven and did not provide American Airlines with proposals that it considered could be operated at scale. American Airlines said that it is not privy to the specific contractual terms between GDSs and third parties, but understands technology relationships between third-parties, like JR Technology and OpenJaw, and the GDSs could limit the airline and NDC provider in rolling out NDC. American Airlines said that if a GDS decided to stop the relationship, then those data would not pass through the third-party technology provider to the airline as an NDC solution. American Airlines contrasted this to Farelogix, who accesses American Airlines' data directly without depending on a GDS.

Growth of distribution channels

American Airlines said it is trying to find areas in the GDS model where both it and the GDS think there is scope for growth.

American Airlines indicated that in 2012 and 2013 it had conversations with GDSs on moving from a full content deal onto something different. However, American Airlines said the GDSs' were unwilling to engage on anything other than full content. American Airlines noted that the European Commission is investigating these full content arrangements. American Airlines said it wants to steer the industry in a way that would benefit itself, its customers, travel agents and the GDSs.

Incentives to encourage traffic in distribution channels

American Airlines said that in the future it would aim for a transformational model in which there is more focus on customer innovation and technology competition where GDSs are paid a small transaction fee, reflecting their marginal costs. American Airlines said it would pay travel agencies directly for what it is otherwise receiving from the GDS in a loyalty payment.

Importance of NDC

American Airlines said it wants NDC to power its channels and give customers access to the content but is agnostic to which particular distribution channels can achieve this.

American Airlines said that NDC quickly grew with distributing content to Online Travel Agents (OTAs). American Airlines explained that most of its OTAs use NDC.

American Airlines said it envisions a future where NDC is powering all its eligible content through third-party channels. American Airlines explained this would likely be done by going directly to travel agents using Direct Connects, through aggregators that provide travel agents access to other airlines' NDCs or services, or through the GDS enabled NDC connections.

American Airlines explained its view that there will be additional travel agents interested in Direct Connects because they will have greater control over timelines and ability to adapt by bringing new NDC content into their systems.

Role of aggregators

American Airlines said there is a group of technology providers, called technology aggregators, who aggregate airlines' NDCs, non-GDS content and some GDS content. American Airlines said this includes companies like Travelfusion and Atrii. American Airlines explained these companies offer second degree connections to its NDC API, but at its core it only has one API and it acts as the access point to American Airlines' NDC content.

American Airlines said it is aiming to move towards an agreement with the GDSs that focuses on technology in customer innovation. Such an evolution would enhance the ability of aggregators to compete with GDSs to provide access to NDC content for airlines and travel agents and improve the quality of offers made to American Airlines' customers. American Airlines explained this would help customer innovation by offering more and better options to customers and an improved customer experience, as well as reducing current barriers to entry that may be in place, such as GDSs locking in travel agents with loyalty payments, minimum sales commitments, and even full content restrictions. American Airlines said aggregators would become more competitive with GDSs and more focus on technology innovation would be a good competitive evolution in distribution for customers, travel agencies, airlines and hopefully the GDSs themselves.