SABRE / FARELOGIX PHASE 2 MERGER INQUIRY

SUMMARY OF HEARING WITH OPENJAW HELD ON 15 OCTOBER 2019

Markets and competitors

OpenJaw said the European market is one of OpenJaw's target markets, in part, because it has some of its offices and delivery centres based in Europe.

OpenJaw stated that it also has a strong presence in the Chinese and Asia-Pacific markets. OpenJaw said it has access to the Chinese market because of its partnership with TravelSky. OpenJaw has its Chinese headquarters in Dalian and also has regional representation in Hong Kong

OpenJaw said Sabre is a strong incumbent in the US Passenger Service Systems (PSS) and Global Distribution System (GDS) markets.

OpenJaw said Farelogix is a strong player in NDC merchandising solutions.

NDC

OpenJaw said it targets airlines for its NDC and direct connect products on the basis of region and the size of the airline. OpenJaw explained that it has a commercial advantage in certain geographic markets due to its existing representation and customer base in such geographies.

NDC API

OpenJaw said it is currently deploying NDC solutions for TAP Airlines and All Nippon Airways (ANA) in Japan.

OpenJaw explained that its core platform is the OpenJaw t-Retail Platform. OpenJaw said this platform is an Offer and Order Management System that integrates directly with the PSS and orchestrates the functions of its PSS.

OpenJaw said its NDC module is a component of its t-Retail Platform. OpenJaw explained that its NDC distribution module enables NDC distribution to NDC-compliant aggregators and sellers.

OpenJaw explained it integrates with an airline's PSS and offers its t-Retail Platform to each airline customer. OpenJaw explained that this allows it to reprice, personalise and bundle content and then distribute content to third-party aggregators and sellers using the NDC standard.

OpenJaw further explained that the OpenJaw t-Retail Platform essentially provides an API on behalf of the airline. OpenJaw said a third party, such as an aggregator or travel agent, can then use that API to connect to an airline through NDC.

OpenJaw said it connects airlines to aggregators, travel agents, travel management companies, metasearch providers and others.

Investment in NDC

OpenJaw said it has invested heavily into NDC as well as building a customer data platform that is used for NDC analytics and personalised dynamic offers.

Future innovation in NDC

OpenJaw said industry-wide, NDC is at a relatively mature stage of development.

OpenJaw said changes to NDC follow a structured IATA process, where IATA lead and facilitate the agreement of industry participants to ensure changes are coherent with the NDC standard. OpenJaw indicated that it participates actively in all relevant IATA forums.

OpenJaw said that IATA has an objective for 20 airlines to each have 20 percent of indirect distribution via NDC by 2020. OpenJaw said this is the first step in achieving NDC distribution at scale within the industry.

OpenJaw described two possible scenarios for future development of the NDC standard. OpenJaw said one scenario is that NDC vendors will continue innovating on the NDC standard, providing new solutions to airlines. OpenJaw said the other scenario is that incumbents protect their existing PSS/GDS models while inhibiting innovation around NDC in order to maintain the status quo.

Travel Agents

OpenJaw said it does not intermediate between airlines and travel agencies at the present time.

OpenJaw said it provides a distribution mechanism that travel agencies can consume from the airline. OpenJaw said the airline is the customer, not the agency.

Farelogix

Comparison with Farelogix distribution services

OpenJaw said it provides a similar solution to Farelogix for distribution via NDC standard.

OpenJaw explained the t-Retail Platform connects to the airline and provides an NDC API that enables third party distributors and sellers to consume the airline's content through the NDC API.

OpenJaw said its t-Retail Platform includes an Internet Booking Engine (IBE) which is a business to consumer (B2C) solution.

OpenJaw said Farelogix provides merchandising capabilities, NDC API distribution capabilities, and a direct agent user interface.

OpenJaw said Open Connect is the name of the Farelogix API. OpenJaw indicated that its NDC API is like Open Connect. However, OpenJaw said Open Connect also has a travel agent desktop product that consumes that API, whereas OpenJaw does not.

Comparison with Farelogix's merchandising services

OpenJaw said the t-Retail Platform Offer and Order Management System enables airlines to dynamically bundle offers consisting of flights and ancillaries as well as the ability to dynamically reprice offers or adjust the price of offers based on a number of input parameters. OpenJaw said it can distribute the dynamically adjusted offers in the direct and indirect channels through NDC messaging, enabling distribution to third parties.

Competitors

OpenJaw said Amadeus and Sabre are leaders in the PSS and GDS markets with revenues that are substantially higher than OpenJaw.

Growth and expansion plans

OpenJaw said a quarter to a third of the targeted number of new customers would be looking for NDC solutions.

OpenJaw said it expects to participate in RFPs for all major targets over the next three years in all geographic markets.

OpenJaw said it plans to grow its airline customer base through RFPs and by targeting specific airlines. OpenJaw said its work with industry bodies enables it to be recognised as an industry thought leader. OpenJaw said it expects most airlines seeking an NDC solution to issue RFPs directly to OpenJaw. OpenJaw added that it will keep airlines informed on NDC through its proactive outreach. OpenJaw said many airlines are nearing the end of their PSS contracts and will soon be making decisions regarding their new PSS provider and NDC provider.

OpenJaw said its platform is built for scale. OpenJaw explained that its platform is cloud-hosted and cloud-enabled and that makes it possible to scale. OpenJaw said it is involved in industry initiatives looking at the scalability and volume related challenges expected in the area of NDC.

OpenJaw said look-to-book challenges will pose an obstacle for the industry as in an NDC scenario, it is expected that look-to-book ratios will grow significantly because of creating personalised offers in response to every NDC request.

OpenJaw said it expects NDC content growth to take place both via direct connectivity and via GDS pass-through. OpenJaw explained that direct connect will use aggregators. OpenJaw said GDSs expect to see GDS pass-through where airlines are providing NDC content to the GDSs as aggregators and onto the GDS travel community that exists today.

Barriers to entry / expansion

OpenJaw said the incumbency of established GDS and PSS players in the market is a key challenge.

OpenJaw explained it aims to provide a bridge between the airline inventory source and the third-party distribution part of the chain in distribution.

OpenJaw said the inventory side has historically been dominated jointly by the two largest PSSs, Sabre and Amadeus. OpenJaw said Sabre and Amadeus have a combined market share in excess of 50 per cent.

In terms of distributing content to travel agencies, OpenJaw said the GDS side is dominated by Sabre and Amadeus with market shares in excess of 80 per cent.

OpenJaw said the lack of transparency and bundled nature of contract negotiations between airlines and PSS/GDS incumbents is a barrier to entry for NDC vendors.

OpenJaw said the addition of other systems requires an additional contract and commercial negotiation on top of that with the GDS and PSS providers. OpenJaw explained this is because the contract negotiations can involve bundling commercial offers. OpenJaw said it is very difficult to extract a component from a bundled offer and replace it with the best solution and this is a barrier to entry.

OpenJaw said the GDSs were initially sceptical of NDC but now the established players on both the PSS and NDC sides are embracing it.

OpenJaw said NDC provides airlines and vendors with an opportunity to bypass the GDS. However, OpenJaw said the established incumbent PSS and GDS players could potentially lock-out other vendors by using the new NDC standard to connect their existing PSSs to their established GDSs. OpenJaw added that these established players have dominant placement with travel agents.

GDS NDC reluctance

OpenJaw said GDSs were reluctant to adopt NDC because four to five years ago they could afford to ignore it. OpenJaw said GDSs are now less reluctant to adopt NDC because it now has a competitive impact.

OpenJaw explained that by embracing NDC, either through investment or acquisition, PSS and GDS providers give themselves the opportunity to own a larger share in the new distribution landscape.