SABRE / FARELOGIX MERGER INQUIRY
SUMMARY OF HEARING WITH TRAVEL AGENT 1 HELD ON 17 OCTOBER 2019

Services provided

Travel Agent 1 (**TA1**) indicated that most of its business is in online travel for leisure customers. TA1 added that this would cover any unmanaged business travel using its service. TA1 explained some companies and individuals use the travel agent for their business travel.

TA1 said it operates a Travel Management Company (TMC), within its group.

Business and leisure travel

TA1 said it does not differentiate between customers travelling for business or leisure. TA1 said its airline offers are generally similar for business and leisure travellers. TA1 added, however, the airline offers will depend on the needs of individual customers. TA1 added that its TMC has some large corporate clients.

TA1 said some customers use it for both leisure and business travel. TA1 explained that customer needs vary significantly depending on the reason for travel. TA1 said it is focused on ensuring customers know what they are booking and make the right choice.

GDS

Use of GDS

TA1 said it obtains content from Global Distribution Systems (GDSs) and airlines. TA1 said for its business, particularly on the TMC side, the system that has been built over the years with GDSs is deeply integrated and works well.

TA1 said it has worked with GDSs over the years to help ensure it uses the latest technology, enabling it to offer new ancillaries or content from airlines.

Incentives

TA1 said it has developed good relationships with GDSs.

TA1 said that, in recent years, airlines have increased the pressure on GDSs to offer better incentives. TA1 said this pressure is largely attributable to European airlines introducing direct connects and private channels.

Developments in New Distribution Capability (NDC) by GDSs

TA1 said Sabre and Amadeus are working on a solution that would have a tool that allows travel agents to book NDC, independently of which IT provider they are using for NDC. However, TA1 said that both Sabre and Amadeus only have one servicing system, so this solution is a work in progress.

TA1 said there has not been many opportunities for it to use NDC solutions developed by GDSs.

Use of Farelogix

TA1 said it is has connected to the NDC solution of some airlines. TA1 said airlines use Farelogix as a retailing and merchandising platform.

TA1 compared two approaches that result in a similar product. TA1 said the result is similar when a travel agent uses (i) a GDS, and (ii) a direct connect, or NDC through an aggregator, and Farelogix is providing the IT environment. TA1 added that this is because Farelogix has built in some booking capabilities.

Non-GDS aggregators

Travelfusion

TA1 said it uses Travelfusion for low cost carriers. TA1 explained that these carriers are not available through GDS and Travelfusion enables it to connect with them smoothly. TA1 said this includes, but is not limited to, connection APIs. TA1 said that it uses Travelfusion as a provider of APIs to LCCs.

Direct connects

TA1 said the direct connect model is where airlines can distribute content directly in a one-to-one relationship with a travel agent, outside the structure of a GDS.

Use of direct connects

TA1 said it currently has direct connections with some of the 21 airlines on the IATA leader board. TA1 noted that content from GDSs is only for full-service airlines.

TA1 said the volume of bookings going through direct connect is growing but most of its business goes through GDSs.

TA1 said that moving to direct connects results in additional set-up and maintenance costs. TA1 added that this would be a large investment and the costs would need to be recovered somehow.

Negotiating with airlines

TA1 said it is in discussions with several airlines looking to invest in NDC APIs. TA1 explained that airlines see this as a way of bringing new content and offering personalisation.

TA1 said travel agents have limited choice when setting up a direct connect with an airline. TA1 added that the airline would choose whether to use Farelogix, other retailing and merchandising technology vendors, a GDS, other aggregators, or build its own NDC API. TA1 noted that, however, travel agents do choose the software they use to manage post-booking services.

Private channels

TA1 explained that the private channel model is where airlines provide different content to travel agents participating in this channel and it is hosted by the GDS.

TA1 said private channel and direct connect differs significantly in terms of functionality. TA1 explained the private channel does not change the technology used by travel agents, whereas direct connect does. TA1 added that private channel is a business model whereas direct connections refer to technology and the two are not comparable.

Airlines introducing private channels

TA1 said the private channel model was introduced by airlines.

TA1 noted, however, that even the airlines that have built up NDC capabilities are still heavily reliant on GDS. TA1 explained that most business done by airlines is not on NDC but is reliant on complex itineraries provided by GDSs.

Take up of private channels by travel agents

TA1 said that travel agents had to use the private channel to retain access to the content. TA1 explained that this was particularly important for TMCs because they operate in a very competitive market and need to provide the best offers. TA1 said customers shop around, particularly on meta-searches, and will use the provider where they can find the best deals.

Future impact of NDC

TA1 said GDSs want to retain their position as the main aggregators and this could lead to new developments over the next 10 years.

TA1 noted that there are other aggregators and, therefore, travel agents will have a choice on how they access different airlines.

TA1 said it anticipates the number of airlines to have an NDC solution to grow over the next 5 years.