



White Paper
Should a GDS form part of your procurement strategy?

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In collaboration with



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Should a GDS form part of your procurement strategy?

The role of a GDS in the management of increasingly tightened travel programs

About this Paper

This paper discusses the areas of a corporate travel program that can be impacted by the Global Distribution System (GDS) utilised by a corporation's selected Travel Management Company (TMC). It has been produced by Travelport following a discussion with a group of Corporate Travel Buyers during an ITM Breakfast Forum on 4th June 2009 hosted by Travelport on the titled subject.

Foreword

In the current economic climate, travel buyers are being put under increasing pressure to reduce costs whilst at the same time drive efficiencies and ensure travel safety and security. As a result, new ideas are being sought and the travel supply chain is being dissected to determine where additional savings can be made.

However, is the GDS an obvious place to look for those savings, efficiencies and security elements or, is it a necessary evil required to perform the task of booking travel? Does the GDS really impact a corporate travel program or, should the decision of the technology being used be left entirely to the Travel Management Company. Afterall, aren't they best placed to make the decision based on the most appropriate solution to service their customers?

What level of success have the GDS companies achieved in helping corporations meet these objectives? Would the corporate travel buyer benefit from understanding a GDS's capabilities, getting involved with the GDS selection and even including the GDS as part of their procurement strategy?

This paper looks at exactly those questions and highlights areas where a GDS could impact a travel program, helping corporate travel buyers determine whether they need to build a relationship with the GDS companies and technology providers in order to more effectively manage their travel program and meet the increasing demands of the travellers.

The GDS – is there an alternative?

Slow, cumbersome and around for years – the dinosaurs of the industry? In a world where people are connected 24/7 and increasingly in search of the next big idea, there is not often a great deal of interest in the seemingly old fashioned world of GDS's from corporate travel buyers.

However, the GDS is an ever transforming beast. The GDS has consistently been relied upon throughout the evolution of the travel industry - the systems themselves often being the enabler, both technologically and operationally, of some of the most dramatic changes that have taken place in the industry in recent years. Think about the move to e-ticketing where the GDS's enabled this industry advancement to occur.

The face and role of the GDS companies has changed beyond recognition and continue to play an irreplaceable part in travel planning and management. What about the new recently formed direct connect aggregators that claim to be the new generation of GDS provider. Where do they fall within your travel program?

With the ever changing needs of the travel industry, from the travel vendors such as the airlines, the TMC's and corporations there are increasing expectations of what a GDS should deliver. Only through questioning and understanding content aggregating technologies can a travel buyer determine whether the GDS being used can service their travel program effectively.

Are all GDS's the same?

In principle, as the primary function of the GDSs is the same in that they all provide the distribution mechanism through which travel vendors can sell their inventory the simple answer here is yes. However the way they do this can vary greatly by organisation.

If we look back to the high level objectives of corporate travel buyers; driving cost savings, ensuring efficiencies in the buying of travel and creating traveller safety and security through reporting, each of these objectives can be achieved through access to travel supplier content, fares and shopping capabilities, easy to use, fast, effective technology, and the ability to capture data in a consistent and accurate manner that is relevant to the individual corporations travel program. So let's look into each of those areas in more detail:

Fares, Content and Shopping

Travel policies are changing and becoming tighter in terms of fares or class of travel permitted plus additional policing of non compliance is being put in place.

TMC's are therefore being asked to source the lowest fares and often the lowest non-refundable fares. Whilst corporate net fares are still a requirement, they are more often deemed to be the highest fare that should be paid on a particular route rather than the standard. In addition, and with the increased capacity and route options available from low cost carriers, travel buyers are looking to their TMC's to offer these non-traditional fares, alongside published and corporate negotiated fares.

As a result, there is understandably a frustration surrounding the perception of having to search both the GDS and the web to find the lowest fares. Efficiencies are hardly achieved when searches have to take place over a number of channels and in a climate where time is money. It could be argued that doing this can only drive up the cost of purchasing. GDS's are therefore being looked at to aggregate content from various sources or alternative distribution channels.

The GDS company, through their ability to distribute travel content on a global scale, are often able to secure guaranteed content from a travel vendor and secure deals where the travel vendor will not apply certain surcharges to travel bookings.

It is no secret that travel vendors are easily able to distribute their content in their home/domestic markets via on-line channels where their brand is well known and recognised. However, in foreign markets where a brand is relatively unknown and the competition is greater, it is more difficult (in some cases impossible) for a travel vendor to distribute effectively to the corporate travel market without the help of the GDS or major marketing investment to drive traffic to the travel vendor's web site. As a result of this, the overall global reach or coverage of the GDS in countries outside of an airline's home market is of significant importance and value to the airline. This global reach can therefore significantly reduce potential surcharge or reduced content exposure to corporations.

Another element that can differentiate between GDS's the ability to find the lowest fares is shopping (or pricing) capabilities. Within many travel policies the term "lowest logical fare" is becoming increasingly utilised. But what does lowest logical fare mean and how does a corporation ensure that for each booking this fare is being offered and reported if not accepted?

Assuming the GDS's have access to the same published fares, how a search is carried out by a travel consultant, the default settings or parameters determined for searches by the TMC and the interpretation of "lowest logical fare" by both the traveller and/or travel booker and the consultant, can result in increased fares or the perception that lower alternatives are not being offered or are available.

Efficiencies

GDS's play a part in creating efficiencies within corporate travel program management in a number of ways but the main area is through the use of the improved technologies.

The GDS's have adopted and developed more graphical user interfaces (GUI's) that can be used alongside or instead of the traditional cryptic environment. Whilst seasoned travel consultants will argue that the cryptic entries are the quickest tool they have for obtaining schedules, availability and fares information, TMC's are moving away from this environment as workflows are developed to enable more accurate reporting. These GUI's also help when it comes to recruiting and training staff and is particularly useful when there is a requirement to ramp up staff on an account during busy periods or to manage holiday and sick leave absences. The GUI environments mean that travel consultants do not have to be experts on a particular GDS and training can be conducted based on account knowledge and TMC processes.

A GDS may provide the opportunity for a Corporation to apply standard policy and rules within the GDS that helps refine search parameters and meet their policy, servicing and reporting requirements.

GDS technology can have the ability to process and update certain non-traditional GDS content as travel vendors change their models of selling inventory and ancillary services i.e. seat assignments, additional baggage etc. This technology could provide the capability of enabling the GDS's to connect directly to the non-traditional travel vendors' systems, thus creating additional breadth and depth of service options, reducing the need to search additional sources and reducing the likelihood of leakage from the travel program.

Reporting

Travel buyers reported that they receive regular reports from their Travel Management Companies detailing the lowest fares that have been offered to travellers and the reasons should the fares not be accepted however, the travel buyers highlighted that they did not necessarily feel confident in the accuracy and consistency of these reports.

Many of the inaccuracies perceived by travel buyers may actually result from the interpretation of the travel policy; therefore, travel managers can create a more successful program by taking the travel policy down to a granular level and building clearer rules that limit misinterpretation. Once these rules have been established, technology is available to incorporate them into the GDS workflow adopted by the TMC, automating the capturing of information, thereby insuring accuracy and consistency.

In addition travel buyers stated the need for quick and easy access to traveller's whereabouts regardless of where the traveller is in the world or the method of travel. GDS technologies can help facilitate the provision of this data to GDS developed solutions, third party reporting suites and/or safety and security companies.

On top of cost savings and safety and security, environmental issues are increasingly important for business and form a cornerstone of corporate social responsibility programs. As a result, being able to report on carbon levels is becoming an increased priority for corporations – especially in service companies, where emissions from travel are normally a greater proportion of overall emissions.

Reports can be used to demonstrate the amount of carbon one method of travel produces against another, as well as the different carbon efficiencies between aircrafts and times of travel.

However, there is still a need to balance cost with carbon efficiency. Consideration needs to be taken to determine whether a buyer would want a traveller to make a decision on the environment over cost at point of sale, or prefer to collect data post booking that can then be used to form a carbon/cost policy and assist in negotiations with travel vendors. This therefore opens up the question; is it always more expensive to be more carbon efficient? The answer on this is inconclusive but we may see change in focus if companies start being taxed for their CO2 emissions.

Overall however, the GDS technology providers can assist with and work with the corporations and TMC's to generate reports to provide information that helps to address all of these concerns. Again, the corporate travel buyers should be looking at what their overall requirements are and determining which part of the supply chain do they need to engage with to meet these requirements - are they talking to the right link in the supply chain.

Is it possible to have a single GDS solution?

It is often asked if a TMC will ever choose one sole GDS provider. The answer to this varies and will differ and be dependant on whether the TMC is a national, multi-national or global TMC. It is unlikely that a global or multi-national TMC will have one single GDS solution due to a number of factors including:

- the position of GDS's in certain markets
- the ability to obtain deals with the travel vendors that are beneficial and/or strategic to the TMC

Single market TMC's will more commonly operate a single GDS however some cases, the larger of these may have the capability to be multi-GDS.

With corporations looking for more innovative ways to reduce costs, the GDS is being looked at more closely and the concept of having their business serviced on a single GDS solution is being considered.

Many industry experts believe that moving to one GDS globally will not work unless the bulk of travel is purchased from the US. But this isn't necessarily true and can definitely be achieved with a single GDS. To analyze whether a single GDS solution would be applicable and successful for a specific travel program, both the content and functionality of a GDS should be reviewed on a market by market basis, even in the situation where a call centre servicing option will be utilised. Based on this, the content, functionality, market presence and overall global reach should make up the deciding factors for the GDS selection by the corporation.

Migration to one single GDS is more complicated in continental Europe or across APAC when compared to a migration in the US, often due to multiple back office systems being used. There is also a misconception that certain technology providers are more aligned with market requirements, thus promoting the use of one GDS in a certain market as compared to another GDS. This is not something that one GDS can fix – it is an industry perception that must change, and large corporations can really help to push and influence this change through questioning, evaluations and validation jointly with their TMC and the GDS's

Corporations often report that TMC's are against the idea of their account being serviced on one GDS and in some cases it could be argued that reasons for this are both technologically and financially driven. As a result, for corporations to fully understand the TMC's decision making factors, travel buyers need to understand all the factors that make up that decision: technology, content, financials.

Conclusion

Through the discussion during the ITM Breakfast Forum, the conclusion was reached that the GDS utilised by the TMC's can significantly impact the management of a travel program and that corporate buyers can and should ask more questions around the capabilities of GDS companies technology that can often be tailored to meet their requirements. By working with both the TMC and GDS's, travel buyers can find the most appropriate solutions to support their program.

Whether the GDS becomes a strategic part of a specific procurement strategy and formal relationships are developed between the GDS and the corporation may be dependent on the approach the corporation wishes to take however, it became clear through the discussion that at the least a travel buyer should build a relationship with the GDS companies to ensure that the most appropriate technology decisions for their program are being taken into consideration.

About Travelport

Travelport is one of the world's largest travel conglomerates offering broad based business services to companies operating in the global travel industry. Travelport is comprised of the global distribution system (GDS) business that includes the Worldspan and Galileo brands; GTA, a leading global, multi-channel provider of hotel and ground services; IT Services and Software, which hosts mission critical applications and provides business and data analysis solutions for major airlines. With 2008 revenues of \$2.5 billion, Travelport operates in 160 countries and has over 5,500 employees.

Travelport also owns approximately 48% of Orbitz Worldwide (NYSE: OWW), a leading global online travel company. Travelport is a private company owned by The Blackstone Group, One Equity Partners, Technology Crossover Ventures and Travelport management. <http://www.travelport.com/>

About ITM

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