

the beat

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Travelport Claims Merchandizing Parity With Lufthansa's Direct Website

There is a criticism airlines often fling at global distribution systems that seems as old as EDIFACT messaging itself: GDS technology is tired and can't keep up with modern times.

As it has embarked on a contentious distribution plan, Lufthansa, too, has questioned the ability of GDSs to keep pace with how the carrier wants to sell.

Travelport CEO Gordon Wilson last week said the airline's strategy is "their prerogative"—however misguided, in his view—but he disputed Lufthansa's knocks on technology, or at least Travelport's technology.

"Where I take exception is when they go out and say a reason they're doing this is that the GDSs have old technology and can't distribute their product the way they want to distribute it," he said. "In our case, that is manifestly untrue."

Travelport has touted its merchandizing prowess among the GDS set for years, claiming to be better, more advanced and more flexible. The company is especially enthusiastic about its Rich Content and Branding platform.

Lufthansa recently began participation in that system, prompting Travelport to claim a merchandizing capability on par with Lufthansa's direct website. Capabilities include the presentation of new fare bundles that Lufthansa and subsidiary airlines have launched in Europe.

It should be noted that Amadeus and Sabre also have access to those bundles. The Lufthansa Group previously released a supporting document, updated in late June, addressing how those fare families would be presented and sold in each GDS. There are differences, and Travelport says it has the edge.

(Lufthansa also plans to enable Farelogix support of its European bundles, according to the document).

Yet, Wilson said Lufthansa's enhanced participation in Rich Content and Branding goes beyond fare bundles.

During Travelport's earnings call last Tuesday, a slide presentation compared Lufthansa's direct website capabilities with what Travelport now provides for the airline by way of Rich Content and Branding. Lufthansa can distinguish between

fare families, offer branded fares, show flexible branding by equipment type, tailor branding by cabin, include branding images, display upsell hierarchy results, offer sales messaging for branded fares and ancillaries, adapt branding for code shares, sell ATPCO ancillaries and airline-specific ancillaries and depict ancillaries with icons, according to Travelport.

"Essentially what this slide says is that there is nothing that we're aware of that Lufthansa can do in its direct channel versus the indirect channel using Travelport," Wilson told investors. "This means that the tens of thousands of travel management companies, travel agencies and corporate travelers who use Travelport can see and buy the entire range of Lufthansa products."

A Lufthansa spokesperson did not dispute Wilson's characterization, even after some prodding from *The Beat*.

Yet, even as the airline group takes aim at GDSs with its proposed surcharge, the spokesperson in an email noted: "Our aim is to broaden Lufthansa Group's distribution via third party channels and other travel industry partners in order to eventually enable them to market more products and features that Lufthansa is currently investing in as compared to what the GDS standard technology currently allows. Our vision is to market more products in the future that we would not be able to market with the current technology."

In an interview, Wilson did acknowledge one thing Travelport perhaps can't do: "The only thing you can probably do on Lufthansa.com is basically make a mileage booking—redeem miles," he said. "I don't think most people who book through a TMC use their miles to book."

Going beyond mimicking features and displays in Lufthansa's direct channels, Travelport EVP and chief commercial officer Kurt Ekert told *The Beat* that Lufthansa even has "an inferior technology proposition" to Travelport's. The airline's direct channels don't handle interlining or BSP settlement, don't "easily allow for comparison shopping" and don't address a variety of post-ticketing services and data collection that GDSs facilitate.

Yet, even though Travelport has enabled some new display and sales capabilities for Lufthansa, not all subscribers are positioned to take advantage yet.

There are two ways to get at Rich Content and Branding: Online booking tools or online travel agencies access by way of an application programming interface, and agent desktops must run a capable version of Smartpoint. On the latter, Wilson said the “vast majority of users are upgraded” to capable desktop applications that allow them to use those features.

“Where it’s taking a bit longer and there’s positive traction is with the corporate bookings tools that interface to our API set,” he acknowledged.

Still, Wilson said “that’s coming,” pointing to engagements with large but unnamed booking tool providers.

Said Ekert, “By the end of the year, the vast majority of our customers will have access to Rich Content and Branding.”

‘Good Luck To Them’

While Lufthansa previously had shared dates regarding a new contractual structure with Amadeus and Sabre, it declined to do so in regards to Travelport when it unveiled its new commercial strategy in June.

Wilson said, “Clearly, post-September there is not full content with Lufthansa,” meaning the airline is free to surcharge and potentially withhold content from Travelport and the other GDSs.

“Today, we still have the full range of fares and availability with Lufthansa, and I’m confident that Lufthansa will continue to make its full fares and availability available through Travelport

because of the value of the distribution and the technology that we do provide,” said Ekert.

Wilson shared sentiments similar to those of Sabre CEO Tom Klein, who previously detailed why Lufthansa is especially vulnerable in its surcharge plan, saying the airline group extracts exceptional value from the GDS channel.

“Across the whole Lufthansa Group, only 4 percent of the bookings we do for them emanate from Germany,” said Wilson. “The rest emanate outside of Germany. The average fare we deliver to Lufthansa is ... three to four times higher than they get on a network basis, just going off their published numbers for 2014. They’ve been paying less than 2 percent of that fare for the distribution and value.

“The other thing that is a bit egregious,” he continued, “Lufthansa talks about how much they pay GDSs, and it’s in the tens of millions, or whatever. Yes, it is, but for those tens of millions they’re getting billions of dollars of very high-fare passengers.”

Wilson expects some agencies to book Lufthansa by way of codeshare partners like United Airlines for which the surcharge does not apply. Others, he said, will have to evaluate whether the surcharge is worth it.

“At the end of the day, the market will decide,” said Wilson. “We don’t force them to be in our GDS. They do it through choice. And if we don’t deliver value, then they won’t be in it. If they can find a better, cheaper way to get the same kind of distribution we provide at a lower cost, then good luck to them. I don’t think they will.”