Travel buyers give thumbs down to reservations alternatives

GLOBAL distribution systems are likely to continue to dominate the business travel reservations landscape for the foreseeable future, according to the Association of Corporate Travel Executives.

A survey of members showed 50 per cent believed new-generation alternatives were not powerful enough overall to warrant a change. Their conclusion is deemed credible as 46 per cent of respondents are known to have considered GDS alternatives, *writes Jack Handley.*

"The high response rate to this survey clearly indicates the significance of this issue to our members," said ACTE President Greeley Koch.

The survey comes at a time when lines between GDS, principals and buyers are increasingly blurred and the GDS themselves continue to buy into the food chain. Maybe not so much blurred as inextricably mixed.

Web travel site Orbitz (set up by US airlines to compete with GDS) has been sold to Cendant (owner of Galileo GDS) for $US1.25bn cash.

Other web-based travel sites including ebookers. com, Travelocity.com, CheapTickets.com, Lodging.com, HotelClub.com, site59.com and RatesToGo.com also are owned by one or another of the GDS or GDS' parents.

But it's not just consumer web sites that the GDS power. Amadeus GDS powers airlines' web sites on their behalf, listing on its own web site Air Canada, Air France, bmi, Cathay-Pacific, Iberia, Lufthansa, Qantas and Varig. So if any of these airlines says it wants to avoid GDS fees by having its customers book direct, it's not telling the whole truth.

Amadeus also powers travel portals Opodo, Rumbo and Travellink and the travel agency web sites for American Express, TQ3 and Travel Zone. Its Altea customer management system is used by Qantas, among others.

GDS also are well-positioned and highly-regarded for their ability to introduce new sales, marketing and customer retention systems for their suppliers, their customers and sometimes for their competitors.

The US-based Worldspan GDS, which was sold recently to Travel Transaction Processing Corp, is a case in point. Ranked fourth of the GDS no matter how you cut the numbers (the top three in no particular order being Galileo, Sabre and Amadeus), Worldspan is highly regarded for its technical excellence, as is shown by its relationship with Expedia.com.

Expedia wanted to use Worldspan's Rapid Reprice, which recalculates fares when travellers change their plans, because of a problem with the logic inside Expedia's system. Customers would set up initial itineraries then, before or during a trip, alter a piece of data to see how much the price of their trip would be affected if they made a change, such as eliminating a Sat-

It looks like every other travel web site, but if you could see behind the pages, you might be surprised at what powers the engine.

urday stay-over. If the customer didn't like the new price and tried to go back to the original arrangements, a program inside Expedia's system cancelled the whole itinerary.

To fix the problem, Worldspan and Expedia had to co-operate to revise the procedure. Now Worldspan's system captures those messages and handles the changes at its end. Benefits flow to both parties, and money flows to Worldspan.

For any GDS, dealing with online travel agents is well worth whatever technical headaches they cause. A rough industry estimate is that a large online travel site could book as many as seven million tickets a year. If the GDS collects just US$4 from the airlines for each booking, that's an additional US$28 million in annual revenue from each online travel agency account.

Fees aren't the only way for GDS to generate revenue. Over the past couple of years, for example, Worldspan has come up with applications that make travel agents more efficient. The previously-mentioned Rapid Reprice was one of the first ticket pricing products of its kind on the market. Without a repricing option, online shoppers had to pick up the phone and dial the company's call centre. The estimated cost of handling those types of calls is (conservatively) about US$6 each, while there's virtually no cost when changes are made online. Another product, e-Pricing, was one of the first, powerful low-fare search engines. The e-Pricing program collects millions of travel prices and thousands of possible itineraries, giving online travel agents a vast selection of travel choices and pricing.

So what is the status quo? Will new-generation systems eventually take over from GDS? It's not an easy question to answer. And it depends, as so many of these things do, on the time of day and who you talk to.

ACTE survey summary

Some 25 per cent said GDS fees represent only a tiny portion of the expenses airlines could reduce, a position accepted by few if any of the world's major airlines.

Sixty-four per cent of the survey's respondents agreed that incentives paid by GDS to use their system should end. That leaves more than a third (36 per cent) who think incentives should continue.

Still, the survey calls the value of those incentives into question, as a combined 68 per cent of respondents stated a rebate is not a deal-breaker in the overall equation. Of that majority, 38 per cent claimed their company did not have a direct relationship with a GDS and 27 per cent said a rebate simply wasn't important. It should be noted that some companies still apparently regard every conceivable revenue source as significant. Twenty-nine per cent claimed a rebate was "somewhat important," while nine per cent said the rebate was a deal-breaker.

In answer to the question of whether the choice of a GDS was based on technology or economics, the largest percentage of respondents (42 per cent) claimed it was both, while the third largest group (22 per cent) said technology was the deciding factor. Thirty-one per cent stated they were not involved in the GDS decision, and left the decision to their travel management company. Twenty-nine per cent reported they were very involved and drove the decision to pick the GDS, while 40 per cent indicated it was a mutual decision involving input from the travel management company.

Travel consultants spend months learning to use the reservations and management systems, would one more break the camel's back

The US Department of Transportation (DOT) wants to revamp rules governing the computer reservations industry. At one time, all the distributors were owned by major airlines —American controlled Sabre and United owned Galileo, although US carriers shed their interests years ago, with only Amadeus left as a partially airline-owned GDS business (albeit with less than 50 per cent owned by carriers). To keep airlines from using their GDS as competitive weapons, the government in the mid-1980s enacted regulations that, among other things, made sure all airlines worked with all ticket systems. The DOT may now let airlines shop for the best distribution deals. In addition, the financially pressed airlines are fed up paying what they see as exorbitant distribution fees-some of which are in the hundreds of millions of dollars-and are pushing their own Web sites, which bypass the GDS (although as previously mentioned, are sometimes powered by them).

GDS executives are aware of how sensitive business conditions are at this point. But Niel Bainton, Worldspan's vice president of strategy and new business development, says their investment in information technology has given the company a competitive advantage. He says it would take rivals a lot of time and money to match its success-particularly with online travel agents. Industry estimates on GDS investment runs to tens of billions of dollars across the industry, and the fact is that even if a newcomer were able to set an industry benchmark in any area (fares, inventory, ease of online booking, repricing, customer management among them), they would need to continue to spend heavily on R&D to stay on top.

And the market changes. A new A380-type aircraft may be able to fly non-stop London to Sydney, but for a GDS, that single segment denies them broken-flight segment-based revenues at 550 passengers x US$4 a time.

So where does that leave you, the potential new-entrant booking system?

Well, first of all, you have to build a better mouse-trap to attract travel agents and other buyers. It has to scale to global proportions and in theory, it has to be cheaper — for airlines primarily — than GDS is today. It has to be accessible through existing agency hardware and communications systems (you can't ask agents to put another box on the desktop, there isn't room), it has to be intuitive to learn (no-one wants to retrain staff) and it has to provide an RoI (Return on Investment) for anyone asked to pay for it.

Then you have to market it to an industry that's sick and tired of being promised new and better mouse traps. That's probably the killer.