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New Distribution Capability

JR Technologies sees IATA's NDC as its path to revenue growth
Some technology veterans think little of the airlines' effort to adopt standards for its programming languages — called the New Distribution Capability (NDC). For some, it's like a flight that's been grounded indefinitely.

But for JR Technologies, an IT outsourcing firm based in Michigan, the NDC is a chance to make some money.

The NDC is an attempt to ensure that all of the computing systems that distribute fares and schedules can talk to each other fluently. Without the standards, airlines, travel agencies, and other players will likely adopt a patchwork approach, which won't be efficient for the trade as a whole.

To test things out, five NDC pilots are underway. Each is run by a small team made up of an airline, travel agency, and a global distribution system (GDS) or an IT provider.

JR Technologies took part in two of the earliest pilots. Like all participants, it paid its own way. It thinks the NDC pilots will lead it to fresh business contacts, plus give it a head start on developing services for airlines.

Star of the pilots
In one pilot, it partnered with a consolidator and Air New Zealand (ANZ) to find a way to simulate the sale of the airline's Skycouch, where customers buy three seats so that they can sleep horizontally.

Though it debuted in spring 2011, the GDSs have been slow to sell this product. The airline offers it in a way that GDSs are poorly prepared for; essentially, buy two seats and get a third one free.

The NDC pilot demonstrated how to sell this product in "a version 1 way". For consumers, this means the chance to see what the Skycouch looks like before buying it, similar to how they can see photos of the amenities in a typical guest room before booking the typical hotel online.

But making sure the images and "rich content" is available in an acceptable format is a challenge for the airline; checking that the fare and yield information is accurate is a separate challenge; and confirming that it all displays properly on a third-party system is an additional challenge.

The ANZ pilot was only about implementing the 1.0 shopping message, by applying requirements and developing a content management system (CMS) for ANZ to load pictures and descriptions of product. On the airline's back-end, it put together a conversation with the CMS and the ANZ's availability and pricing systems.

JR Technologies then published a feed that agencies could use to receive the availability, schedules and rich content, via an application programming interface (API).

No product was actually sold. It was a proof of concept, and only a very basic proof of concept at that. Yet the trial unlocks the potential for airlines to easily market products like Skycouch, which, because they're unusual and not commodities, can be more persuasively sold to travelers at high profit margins.

In another pilot, JR Technologies worked with American Airlines and a consolidator testing the distribution of the airline's "AA Preferred Seat" and "Main Cabin Extra" products in a third party channel environment.

A coup for a tiny player
Working with famous airlines like American and Air New Zealand is a leap to a big stage for JR Technologies, which is not well known in the industry. Founded in 2004, it is a back-office IT provider for airlines and travel agencies.

It currently has 120 employees — up from 75 in 2011 — working under contracts with 18 airlines worldwide.

The company provides business process outsourcing (BPO) services, such as software that offers real-time quality control of agency bookings via the GDSs. BPO is about half of its business; software development for clients makes up the other half.

In the BPO arena, it is small relative to companies like WNS, IGT, TravelStoreMaker, Fareportal, Gateway, and Airfair. But it works in a niche of consolidators, wholesalers, and small- to mid-size agencies often catering to ethnic markets.

JR Technologies was only one of five technology providers to make the cut and be accepted into one of the first five NDC pilots. The International Air Transport Association (IATA), a champion of the NDC, had invited many more to participate. But it gave the nod to JR Technologies only months after the company was accepted as a strategic partner.

George Khairallah, president of JR Technologies, believes his application won out because it had on staff a broad range of programmers.

"If an airline wanted to use JSON for the code, we had people on staff who could do it. If they wanted the Open Axis XML, we had the people who could do that. Given all the software we develop for our customers, we went have built up expertise in a variety of languages and formats and systems thinking.

"We've learned the processes used inside these agencies and airlines because the information is necessary for us to properly serve other BPO applications."

Khairallah sees participation in the NDC as a potential boon to his company, opening up a new business line in offering NDC-style solutions to its existing client base as well as to do work with new players it wouldn't otherwise have the opportunity to rub shoulders with and impress.

By being involved in the pilots, we'll be ahead of the curve it comes to creating a selling an NDC distribution platform, or gateway, that any agency could access, with rich product description that the airline puts out, and that benefits from whatever the NDC bells and whistles are offered.

I'm going to be the first out of the gate, but I also have the advantage of the learning curve, which is very steep. Rivals may catch up quickly in learning the schemas once IATA publishes them, but then they'll face the question of what do the schemas commercially mean?

Resolution 787 was announced in November 2012, but all this time later, the majority of the large airlines who assented to the resolution do not have a budget, a road map, or a clear idea where to start.

Being part of the process gives us a significant advantage over the competition in understanding how airlines and agencies want to implement the technology tactically. It's not enough to know the technical side. There are learning curves on the business and strategy sides, too.

As early as this autumn
Khairallah hopes that IATA will publish the first basic end-to-end schemas by around May, in a usable if not full-release or fully approved format, which would allow his company to build its own NDC-style aggregator solution and start selling agencies access to it in September.

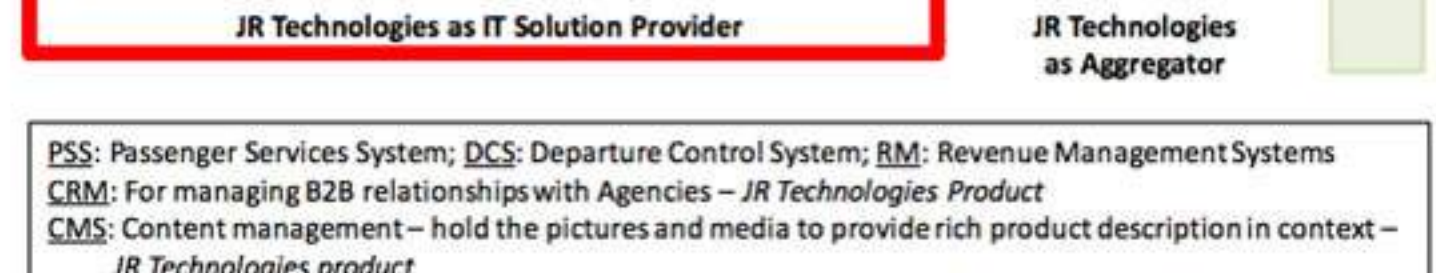
"It would be a website where agents could see NDC-style type products and compare it to their existing channels for booking tickets. Small agencies and consolidators are already searching through a variety of sources when pricing itineraries, so this would be one additional one.

We feel confident based on what we've seen that there will be at least a few airlines providing content and distributing it via these schemas by that time. What will be new is changes on the airlines' front-ends, in how they distribute their content to the agency channel. These basic changes are do-able by this autumn."

As for the agencies, in the best-case scenario, they will instantly love how the aggregator tool displays and makes bookable unique products similar to Air New Zealand's Skycouch and American's Main Cabin Extra.

Today, the typical agency desktop is full of websites and screens. This will be another one. There will be enough differentiation to show agencies what NDC-style standards make capable in a production environment, even if not all the bells and whistles are available. Adds Khairallah:

"The agency will hopefully be able to convert more customers to bookings more quickly, and hopefully the system will spare the agency from having to worry about questions like, 'is this ticket in the right class, priced correctly, applicable to a managed travel program's rules, etc?'"



PSS: Passenger Services System; DCS: Departure Control System; RM: Revenue Management Systems
CRM: For managing B2B relationships with Agencies - JR Technologies Product
CMS: Content management - hold the pictures and media to provide rich product description in text - JR Technologies product

Industry skepticism
Some trade veterans doubt small players like JR Technologies could ever have a meaningful share of the market of providing NDC-style services.

By their reasoning, if the NDC fails to be broadly adopted, airlines will have an incentive to gravitate instead to one or two giant third-party providers, who will provide solutions that have been adopted by most of their competitors.

One or two third party companies would mop up most of the business because of a "network effect." Airlines would rather not deal with a patchwork of third-parties.

(A similar logic that explains why only a couple of companies, such as IBM, Oracle, and SAP, have taken collectively nearly half of back-end processing services for sectors outside of travel.)

Already, some well-funded travel IT companies, like Datalex, which is participating in an NDC pilot, and Farelogix, which declined to participate in the NDC pilots, are rumored to have NDC-style services operational for parts of the process for a few airlines. Amadeus, one of the three main GDSs, may have a product in the works.

Says Khairallah:
"I'm not worried from the perspective of whether the NDC is broadly adopted or if larger players get grab a lot of business from major airlines. There will be a lot of work for everybody.

Airline marketing departments and revenue management departments have to rethink their sales plan. The delay is with the sales side, not the technical side. They ask themselves questions like, 'Should we use this tool to sell things a la carte or to do more bundling?'

E-ticketing took about ten years to be adopted as a global standard. This could easily take as long.

In the meantime, we can cut out a nice business from our share of the pie. It may not be as big of a pie as hoped, but there will be still be enough to go around."



A fading opportunity
The NDC has been a template for the industry in the sense that Gerald Ford was President. Technically, yes, but it's impact has been feather-light so far.

The lack of an agreement on an NDC-type set of standards has been disturbing for some industry observers. It is an accelerated form of what every CIO fears about his or her specific business, a fear about being too slow to adapt to technological change.

Yet the NDC cause isn't lost yet, as is shown by the optimism of companies like JR Technologies.

IATA was unable to confirm to Tnooz the likelihood of May as a release date on deadline, but a spokesperson said it hopes to announce a date soon.

According to speculation, the timetable may depend on the filling of a vacancy for manager of the NDC Standard Development. It may also partly depend on US Department of Transportation approval of Resolution 787, a set of core principles. The DOT's response is due shortly.

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Sean O'Neill is a London-based reporter for Tnooz. He's also a regular contributor to BBC Travel. Follow him on Twitter, Google+, and his personal site .

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