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Transforming airline retailing with NDC
(New Distribution Capability)

NDC supports modern airline retailing practices, helping optimize offers and promoting the services travelers value most. It can help airlines overcome the limitations of traditional distribution practices by leveraging industry standard APIs to distribute a wide variety of fare products and ancillaries in the indirect sales channel.

A new era

Today's consumers increasingly demand more of their digital experiences. The wave of digital transformation across all industries has raised consumers' expectations – if you can't deliver a fast, seamless online experience – regardless of where the customer is shopping –

you could quickly lose customers to your competitors.

New channels, choices and expectations are reinventing travelers' purchasing behaviors. Beyond comparing fares, schedules and availability, passengers expect to have the same shopping

experience in both the direct and indirect sales channels. This implies that an airline's product bundles and a la carte ancillaries are available in both sales channels – and not just limited to the carrier's web and mobile sites.

More than transportation from point A to point B

Carriers are under tremendous pressure to increase revenues and reduce costs, regardless of their business model. All segments, even low-cost carriers (LCCs), are competing to attract high-value business travelers. The airline industry is making significant investments to upgrade its offerings to improve passenger loyalty and competitive distinction. When an airline can't offer its full product catalogue of content – including bundles and ancillaries – airlines risk losing incremental revenue and growth through ancillary sales.

This lack of flexibility by the GDSs means that airlines lose control of how

their product offerings are portrayed. A traveler visiting an airline's website or mobile application has access to the airline's full product array which gives travelers more options while generating new incremental revenue.

Airlines are investing new innovations in travel, like lie-flat seats in Business Class, Economy Class seats that can be converted into a couch, extra legroom, inflight Wi-Fi, onboard entertainment and more. These points of differentiation are likely to matter to travelers, especially those high-value business travelers booking through third-party channels. But how can airlines expect to see a

return on these investments if travelers never know that these options exist?

NDC offers airlines a path to full product visibility, the freedom to decide which fares and ancillaries to offer to third-parties, and the ability to create special pricing and ancillary offerings based on traveler criteria. With the potential for up to 50% or more of revenue coming from non-flight ancillary sales, airlines can't afford to ignore the opportunity NDC offers.

In 2021, airlines reported \$48.4 billion in ancillary revenue*

"Our early engagement in the NDC program has given us many 'first mover' advantages, including the ability to offer Spirit's ancillary products and services to guests through the best and largest travel sellers around the world. Our NDC program allows guests to customize their travel experience regardless of the sales channel they choose."

Rich Lowry
Senior Director, Third Party
Distribution & Sales
Spirit Airlines

"We are pursuing opportunities to sell ancillaries through the travel agency channel so agents have the tools they need to connect travelers to everything that we offer – like premium seats, pre-ordered gourmet meals and more. NDC accomplishes this for us. It's a win-win-win for us, agents and for business travelers."

Head of Commercial,
APAC-Based LLC

*Source: The 2022 CarTrawler Yearbook of Ancillary Revenue 2021 Top 10 Airline Ancillary Revenue Rankings by IdeaWorks Company. Published 27 September 2022

Standardized messaging creates new opportunities

NDC establishes a set of XML-based transmission standards that let airlines better control how third parties sell their products & services. Beyond the specifics of standardization and technology schemas, NDC simply helps reflect the reality of the modern travel ecosystem.

NDC is less about compliance and more about capabilities. It's the enabler that the industry is leveraging to help evolve airline reservation systems to flexible digital retailing platforms. With it, airlines and third parties such as GDSs, TMCs, OTAs (Online Travel Agents) and new

entrants, are able to use a common set of IATA standards that allows them to access and sell the rich air content that airlines are already selling through their websites and mobile applications.

Early arrivals

While some traditional carriers have been slow to adopt NDC — wary of what it may mean for existing technology investments, business processes and even valued distribution system relationships — NDC is old news to most LCCs. LCCs have been retailing through online channels using NDC principles from the

beginning. As a whole, this group of airlines have demonstrated their expertise at unbundling offerings and capturing ancillary revenue generation opportunities to drive higher profits. Many LCCs are using flexible, modern technology protocols (i.e., Web Service APIs) in place of traditional EDIFACT

messaging to connect with the corporate and consumer travel segments and better serve their needs. And they have developed strong, savvy marketing initiatives to promote and differentiate their products to customers through their digital sales channels.

Leveraging NDC

Travelers expect access to a company's full array of products, regardless of the sales channel they're using. If an airline's website offers discounted hotels or baggage delivery, they expect these services to be available via travel sellers as well.

It's beneficial to give travel agencies and corporate customers the same merchandising capabilities that airlines have on their own websites. Airlines that are slow to update their legacy mindset may miss out on all NDC can deliver.

NDC enables:

- Dynamic offerings
- Product differentiation that may help create a competitive advantage
- Transparent shopping experience with rich content (images, product descriptions)
- Robust and efficient multi-channel distribution
- À la carte services and bundled offers which allow travelers to customize their travel experience
- Upsell and cross-sell opportunities to help drive incremental ancillary revenue

A day in the life of a business traveler

Sofia travels for business at least once a month. Her company uses an online booking tool managed by a TMC for business travel. She likes to reserve an aisle seat towards the front of the plane and travels with a full-size carry-on bag that must be placed in an overhead bin.

Her company requires her to book the lowest available Economy Class fare when booking business travel. Frequently, the lowest available fare is provided by a low-cost carrier.

Booking before NDC

In order to obtain the lowest available Economy Class fare, Sofia often booked flights operated by LCCs. But advance seat reservations were not offered through the online booking tool and the fares only included a small personal item that could fit under the seat. Sofia searched for the option to bring a full-size carry-on bag for a fee, but that wasn't available, either.

Booking after NDC

Sofia books low-cost carrier flights using her company's online booking tool and she is able to select an aisle seat towards the front of plane during the initial booking process and pay a fee to bring a full-size carry-on onboard.



NDC takes flight

Fast-tracked in part by the global pandemic of 2020, the airline industry as a whole has worked to strengthen its digital technology capabilities. At the same time, many airlines continue to look for ways to reduce operating costs. For NDC, this translates into more

carriers adopting NDC and removing low fare content from the GDS channel and/or introducing surcharges for content booked using EDIFACT messages.

To support standardization and adoption, IATA has created the Airline Retailing Maturity (ARM) index Registry. The ARM

index assesses a company's maturity in the journey to airline retailing based on the capabilities within airline retailing, the scope of the partnership connections and network reach, and the potential value an airline has captured within airline retailing.

Over **60** airlines including **4** Navitaire clients
AND **30** system providers including **navitaire**
an **AMADEUS** company
have received
IATA ARM Index Registry
designations for
shop, order, pay, settle capabilities

Changing norms

NDC is helping change the way airlines do business with travel sellers. Traditional agreements with these third-party entities generally include fees paid per transaction. At 2-4% per ticket price, that expense can add up fast. Coupled with the pain points of limited inventory, static pricing and loss of control over how their products are merchandised, airlines are turning to NDC to help solve merchandising challenges and help cut costs.

One way airlines are flipping the script is to remove their low margin offers from non-NDC channels. Some are adding surcharges to tickets sold using older protocols, essentially forcing travel sellers to NDC for the best content. Airlines are making headlines with statements of inventory being sold exclusively through NDC, aiming to reach 100% of their sales through NDC channels within the next two years, and more.

Some OTAs see the trajectory and seem eager for NDC content; they recognize that some airlines are only adding new offers to NDC-enabled channels. Many airlines are offering exclusive fares and promotions to get travel sellers to move to NDC, and major travel agencies and aggregators, such as Expedia, Booking.com, CWT, Kayak and more, have made the leap.

At the forefront of industry innovation

Navitaire is not new to NDC. We've been involved with the IATA working groups focused on NDC development from their inception, helping the industry usher in modern approaches using more advanced technology. As the world's second largest passenger service system (PSS) provider and recognized industry leader serving LCCs, Navitaire has been at the forefront of the merchandising movement for years.

Many successful LCCs rely on the Navitaire Airline Platform to help them meet their evolving and diverse needs.

Our technology fully enables NDC principles, helping our clients pioneer online direct merchandising with their designated business partners.

Many of Navitaire's largest clients today are connected to GDSs using those same Web Service APIs, which allow OTAs and agencies to sell ancillaries without the additional complexity and cost required to support EMDs (electronic miscellaneous documents).

The technology building blocks for NDC are already built into the Navitaire Airline Platform – no need to redesign or try

to retrofit existing code. New Skies®, Navitaire's digital-first retailing and e-commerce system, and the Navitaire NDC Gateway help airlines build and expand airline retailing with modern data exchange standards. Our extensive Web Service API suite is already aligned with the efficient communication methods of NDC. While some other providers have to start from scratch and overhaul their entire IT ecosystems platforms to meet NDC standards, Navitaire clients are able to take advantage of what NDC has to offer, today.

According to the Market Statsville Group (MSG) Statsville Group (MSG), the **global new distribution capability market size is expected to grow at a compound annual growth rate of 15.4% from 2023 to 2033***

The industry will likely need to spend **between \$3 billion and \$15 billion over the next ten years...** to navigate the complexities of integrating NDC with existing systems.**

*Source: LinkedIn.com, "New Distribution Capability Market will reach at a CAGR of 15.4% from to 2033", 24 April 2023. Retrieved 19 September 2023 from <https://www.linkedin.com/pulse/new-distribution-capability-market-reach-cagr-154-from-vipin-rai/>

**Source: OAG.com, "The New Distribution Capability (NDC) Journey: Redefining Airline Commerce", 05 May 2023. Retrieved 19 September 2023 from <https://www.oag.com/blog/new-distribution-capability-airline-commerce>

About Navitaire

Navitaire delivers industry-leading technology services supporting growth, profitability and innovation to more than 65 airlines and rail companies worldwide, including many of the world's most successful low-cost and hybrid airlines. Navitaire offers a full suite of proven solutions focused on revenue generation and streamlining costs in reservations, ancillary sales, loyalty, revenue accounting, and business intelligence.

More Information

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