

CORPORATE TRAVEL & THE IMPACT OF A NEW DISTRIBUTION STANDARD

A white paper by

travel in motion[®]
INDUSTRY CONSULTING GMBH

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INTRODUCTION



The airline supplier and its TMC partners are in the midst of a seismic shift to a platform business model. This new platform model requires that just like Amazon or Airbnb, they can deliver products and services with exceptional precision while optimising operations in an increasingly multi-sided and complex digital marketplace.

This quest for a successful platform business model requires us to leave behind the rigid legacy supply chain dynamics of yesterday and instead foster exchange and co-creation of value whilst competing for revenue and profit source.

Standing by is a liability we can no longer afford and protests such as “it’s too costly to be competitive” or “this is too much disruption” will only open the door to those willing to challenge the establishment and reinvent industries.

For the airline, corporate travel represents a significant revenue and profit source. Yet this is a market segment with which they have limited contact, limited opportunities to listen to and understand needs, and even fewer opportunities to sell the ancillary products and services in which the airline makes huge investments in the form of premium cabin services, lounges and other premium products. This is all the more important as airlines move to a world of dynamic pricing and offer management.

While early in the adoption cycle, NDC standards and the digital commerce systems needed to support them can transform how airlines and travel buyers exchange value across the digital ecosystem in service of the corporate customer.

At Datalex, we are committed to the enablement of the IATA NDC and ONE Order standards as a core capability of our Digital Commerce Platform. Datalex is a member of the IATA NDC and ONE Order working groups and partner to the most progressive airline retailers building successful platform business models and breaking legacy supply chain barriers with their partners.

We are delighted to sponsor this important paper by Travel in Motion and Festive Road, which explores the challenges and opportunities from both the airline and corporate perspective. It bears witness to the start of an important dialogue and a path forward that will foster exchange and co-creation of value for all.



Aidan Brogan,
CEO, Datalex

Setting the Scene

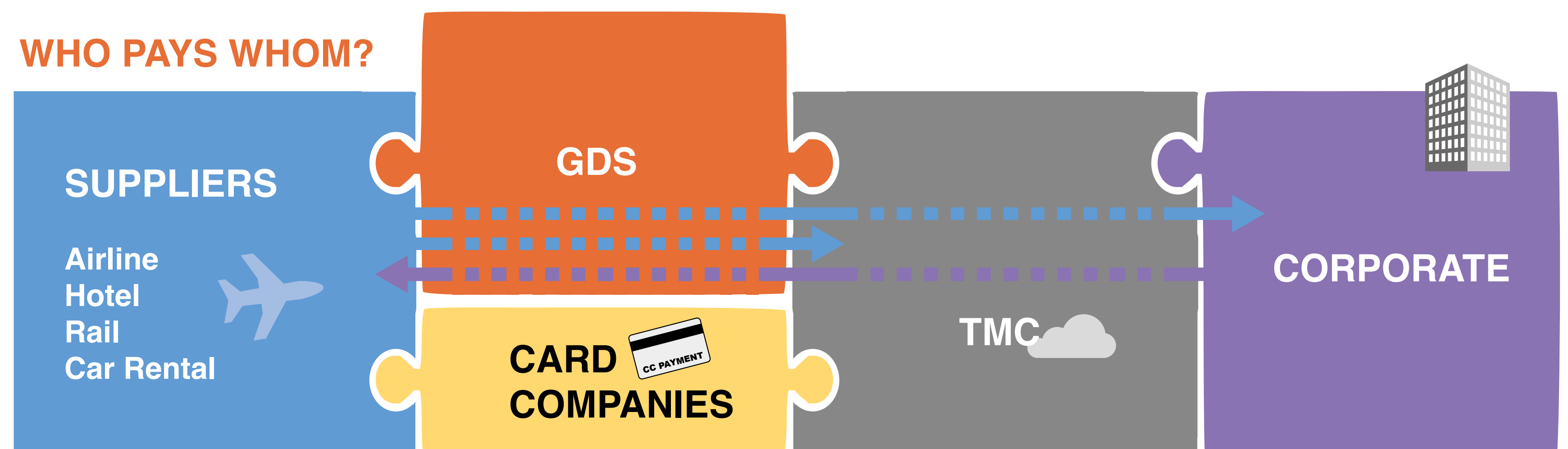
Corporate travel is a unique segment within the overall travel market with an estimated spend of 1.3 trillion US dollars in 2016. For many companies, the travel budget represents the third largest spend category. On average, corporate travel accounts for approximately 12% of passenger volume - dwarfed by leisure volumes. These volumes obviously vary greatly based on airline, region, seasonality and other aspects. However, a combination of factors including the likelihood of utilising premium travel classes, short term booking horizons, the need for greater travel flexibility and a natural tendency to peak travel times and routes means that, from a revenue perspective, corporate travel accounts for approximately 30% of revenue. **The average revenue per booking made via indirect corporate channels is 20% higher than bookings made directly through the airline's ecommerce site.** Both passenger volumes and revenues have grown steadily over the last five years and are forecast to continually increase over the next ten years.

Corporate travel has a considerably higher complexity than the leisure travel market. The corporate employer and their travel management company have their roles and objectives - duty of care, cost, control and compliance are all major factors in delivering a successful and satisfying corporate travel programme.

Within the corporate travel value chain, it is in everybody's interests – the corporate, the airlines and all involved intermediaries – to deliver a corporate travel experience that works for the traveller both as an employee and as an individual.

Regular corporate travellers are likely to be amongst the most valuable employees of a company, often representing the company and the brand externally. Many corporate travellers are potentially the best customers of an airline, not just from their corporate

spend perspective. Their personal disposable income is often high as is their propensity to travel. This has long been recognised by airline and hotel loyalty schemes, with offers and programme benefits evolving to cater for this customer segment.



Change is in the Air

A range of factors is causing the corporate travel industry to look at the way it operates. Some of those are common to other industries, whilst others are born from long standing frustrations with the status quo. The next sections explore these influencing factors.

Competition

To optimise revenues and manage costs, corporations must achieve maximum value from their travel spend and policies. Competition from the low-cost carriers has lowered fares across all travel segments. IATA statistics show a 62% reduction in average prices since 1995. To deliver lower fares and compete head to head, airlines have unbundled their products, reducing the base fare further and introducing ancillary products, allowing travellers to select additional products they value.

This, in turn, creates additional complexity in the corporate travel market as ancillaries represent a perpetually moving target for corporate policies to consider. On the other hand, the base fare often includes less in terms of service than previously.

Individuals

Travellers are more experienced, travelling by air is commonplace throughout childhood and into employment. Traveller expectations and needs have changed and grown. They no longer wish for the same standard travel experience wherever they are but would rather adapt to their varying needs and to embrace the locality. Hence, in part, the growth of a travel segment referred to as bleisure – the combination of business and leisure trips. Employees no longer default to loyalty at work or with the brands they use.

They judge the performance and value they believe they are entitled to and react accordingly if they do not believe a relationship is equitable. This is most notable amongst millennials – the generation which will represent an additional 20% of corporate travellers in the next years.

Digital

In today's digital era, all generations are embracing the possibilities of technology to make their lives easier. In travel, this is both an opportunity and a challenge. The opportunity is the ability to engage, learn and understand customers better than ever. The challenge is that customers expect that everything can be done on a smartphone, quickly and easily. Airlines, driven by their leisure markets, have already adapted, investing considerably in their digital platforms.

These provide the basis to directly engage and deliver the personalised experience expected of them. Inevitably, this contrasts unfairly with corporate travel tools which by design are trying to provide a solution that offers effective cost comparison, overlaid with company policy and control to drive good decision making.

The shift to a more digital traveller demographic means that mobile and digital adoption is already critical.



Disruption

In a world with so much change, no market segment can expect to be untouched. Indirect markets with multiple participants in the value chain are prone to maintaining the status quo and are typically slow to innovate. The highly attractive corporate travel market is bound to be disrupted. The natural tensions that exist in the value chain- costs, service, brand and product differentiation, volume, and loyalty – are under relentless pressure, causing tension between buyers and sellers of corporate travel.



With the scene of the corporate travel market set, this paper will explore the main initiatives underway and consider the viewpoint of each participant. The paper will address some of the major tension points and suggest actions to resolve them. Some of the

challenges cannot be instantly rectified, often due to a lack of consensus in the value chain as to the right solution or because of independent commercial approaches. There may not be an immediate answer, however there is still the opportunity to progress and

push the boundaries. The alternative is the continued vulnerability to external forces, whether that be discontented employees bypassing corporate policies or viable market alternatives to intermediaries addressing the industry challenges.

Airline Distribution

Stepping back from the specific dynamics of the corporate travel market for a moment, let us consider the drivers behind changes in airline distribution and what the industry has set out to achieve.

As airlines become savvier with the world of digital retailing, their brand.com websites and mobile apps become their 'shop window' in which they have full control of their customer interaction and overall offering. On the other hand, there is still considerable volume, typically representing over 50% of sales for full service airlines, where intermediaries are used in the distribution and selling of airfares. This method of indirect distribution is particularly common in corporate booking practices. Two major challenges arise with indirect distribution. First, the airline has limited control over which content is displayed to the user, and how. Second, the airline has no idea who is requesting the trip and only to an extent, who is travelling. Further, the current situation does not allow for a comprehensive and complete overview of ancillary products which can be purchased at different points throughout the entire shopping journey, often forcing the customer to purchase various products through different channels. Thus, the true value of the journey is not clear, and the purchasing decision is reduced to the comparable cost of a seat on a plane. In this situation, the airline product typically becomes commoditised and airlines have little or no opportunity to distinguish themselves from competitors. This does not do justice to the airlines which are investing millions, sometimes billions, in aircraft and product improvements.



The airlines, recognising that this is a shared issue, have worked with IATA to focus on two of the constraints of the current indirect distribution model:

- **Ineffectiveness** – new products and ancillaries cannot be differentiated or transparently positioned. Everything is driven by a comparative search based on price.
- **Resistance to change** – innovation is stifled. Despite the disconnect between the pace of change in direct and indirect, it is still a complex value chain and difficult to justify and implement change to all parties.

Over time, IATA has sought to address these issues through two complementary initiatives:

- **New Distribution Capability (NDC)** – NDC offers airlines the opportunity to differentiate their products in every sales channel which utilise the new message standard. This increases the range of ancillary products and services available to customers and allows the airline to construct offers based on customer preferences and segments as well as purchase history.
- **ONE Order** – This initiative allows the airlines to move to a single reference for all the travel components being purchased as part

of a customer order. This single order record – owned and fully controlled by the airline – will allow for simplified management of any traveller and purchaser’s records by avoiding multiple overlapping booking records (PNRs, ETKTs, EMDs) which can be modified individually. It will remove restrictions within the current PNR-based booking system today and merge all sales and travel transactions into a single record which is owned by the airline and resides in the airline’s order management system.

This will simplify the customer experience and enable the long overdue modernisation of the airline back-office.



Outside of the initiatives is a hope that, by modernising standards and adopting standard retail language and processes, the speed and cost of innovation in the airline commercial systems can be addressed. So far, indications are that this is proving the case and that new entrant technology providers are embracing the industry as they can leverage their experience in other industries to a far greater extent than previously.

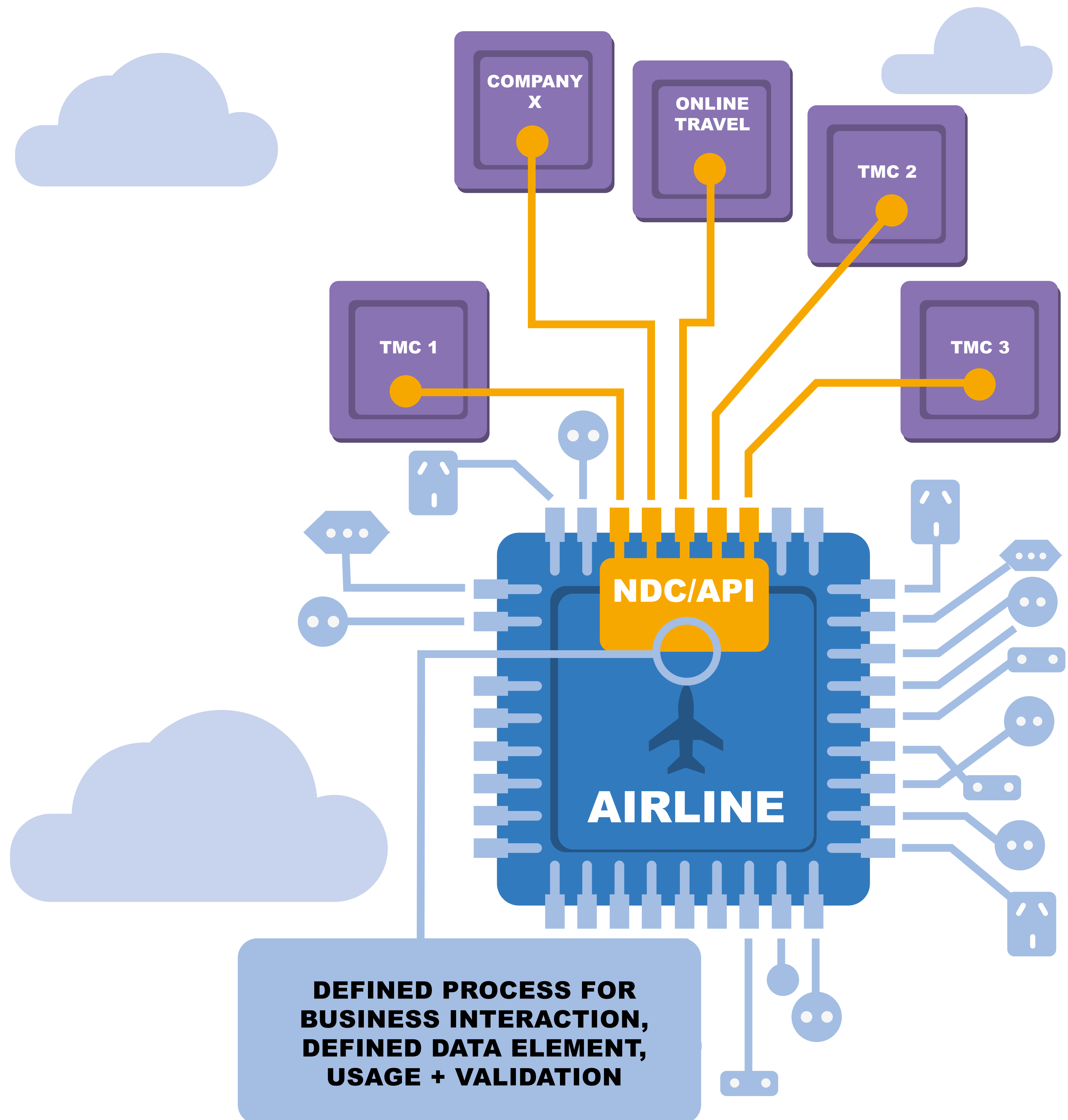
This paper will focus on NDC as it can play a clear role today in resolving some of the friction points in the corporate travel market. Longer term, ONE Order will complement NDC, addressing the overall efficiency of order management after creation. The ONE Order standards and processes are still under development.

NDC Defined

NDC is a travel industry programme led by IATA which defines new (message) standards for airlines to distribute their products and services in a uniform, yet highly flexible, way. It will allow airlines and their partners to participate in the retailing revolution led by the likes of Amazon, Netflix and Uber. It will enable airlines to move from fixed fare filings based on price and availability to a customer centric approach where targeted offers are constructed based on information provided to the airline by the customer or sales channel. These offers can be for flights and ancillary products and services.

NDC Explained

Discussions around NDC often lead to confusion. Simply put, NDC is a technical standard for messaging and a new ruleset related to offer creation and control. A protocol which, once widely adopted, will lead to greater efficiency in the way airlines distribute their content via APIs, and give airlines greater control over what they offer. NDC itself is not a system or a solution.



NDC ensures the speed to market of new products and offers is vastly quicker than without a standard. The standardisation enabled by NDC allows the full range of products (supported by rich media content) offered by an airline to be made available in all sales channels, both direct and indirect, as the standard also defines that airlines – not intermediaries – are responsible for creating each offer.

Ultimately, airlines will be able to present the **right** offer, at the **right** time to the **right** person.

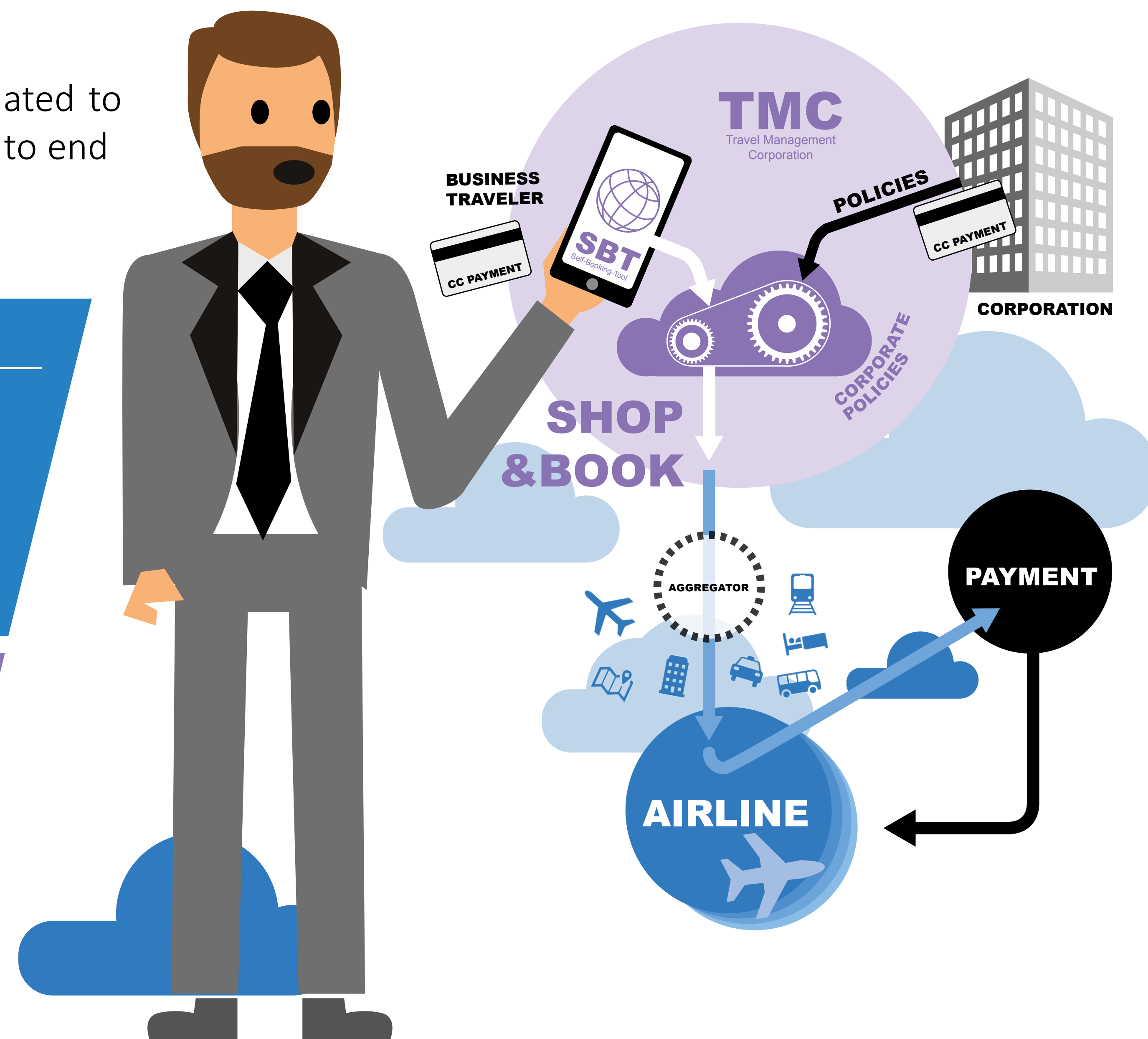
The conversation moves away from a cost-based discussion related to airline seats and towards a value discussion focused on the end to end journey.

NDC benefits for airlines

- Product and brand differentiation
- Offers to include ancillaries
- Ability to tailor offers to individuals
- Control of offer
- Speed to market of any new products

NDC benefits for Corporates / TMCs

- More informed choices
- Comparison based on schedule, price and value
- Relevant optional choices (ancillaries) prioritised
- More consistent airline pricing across channels
- Real-time product and fare data
- Potential for less out of policy bookings and leakage



The Travel Buyer



In the context of corporate travel, it is important to distinguish between two types of consumers. In the B2B world there is the individual traveller on one hand and the corporation (represented by a “Buyer” where spend demands this) on the other. Thus, John, who works for Big Company is a customer and the traveller. At the same time, Big Company is a customer, and a buyer of business travel for John. The interests and requirements of each are not mutually exclusive however, as you can see from the graphic below, they may not always align. Airlines try to drive the loyalty of both the corporate and the traveller.

Gaining the perspective of the corporate travel buyer brings greater clarity on several topics, particularly given our earlier assertion regarding the revenue that this spend represents in the value chain.

Corporate buyers have a broad range of requirements. They need to make sure that all elements of the end to end journey can be booked via approved channels. They need to drive policy compliance, while simultaneously driving simplicity to travellers. Further to this, they need to achieve discounts to recognise the volume of business that their company delivers and that those rates are available and adhered to.



Visibility of Spend

In demonstrating their value to internal stakeholders, travel buyers need to have a good overview of their travel spend. In most regional or global programmes, air travel represents the largest portion of spend and volume. The main source of air travel cost is the cost per flight ticket (i.e. the seat and associated airfare). An important secondary cost factor is the ancillary services cost per passenger. Existing indirect distribution methods prevent the buyer from having a full overview of spend and therefore, their value to the airline. In order to understand ancillary spend, data from disparate sources must be aggregated, leading to more investment and often to an inaccurate picture.

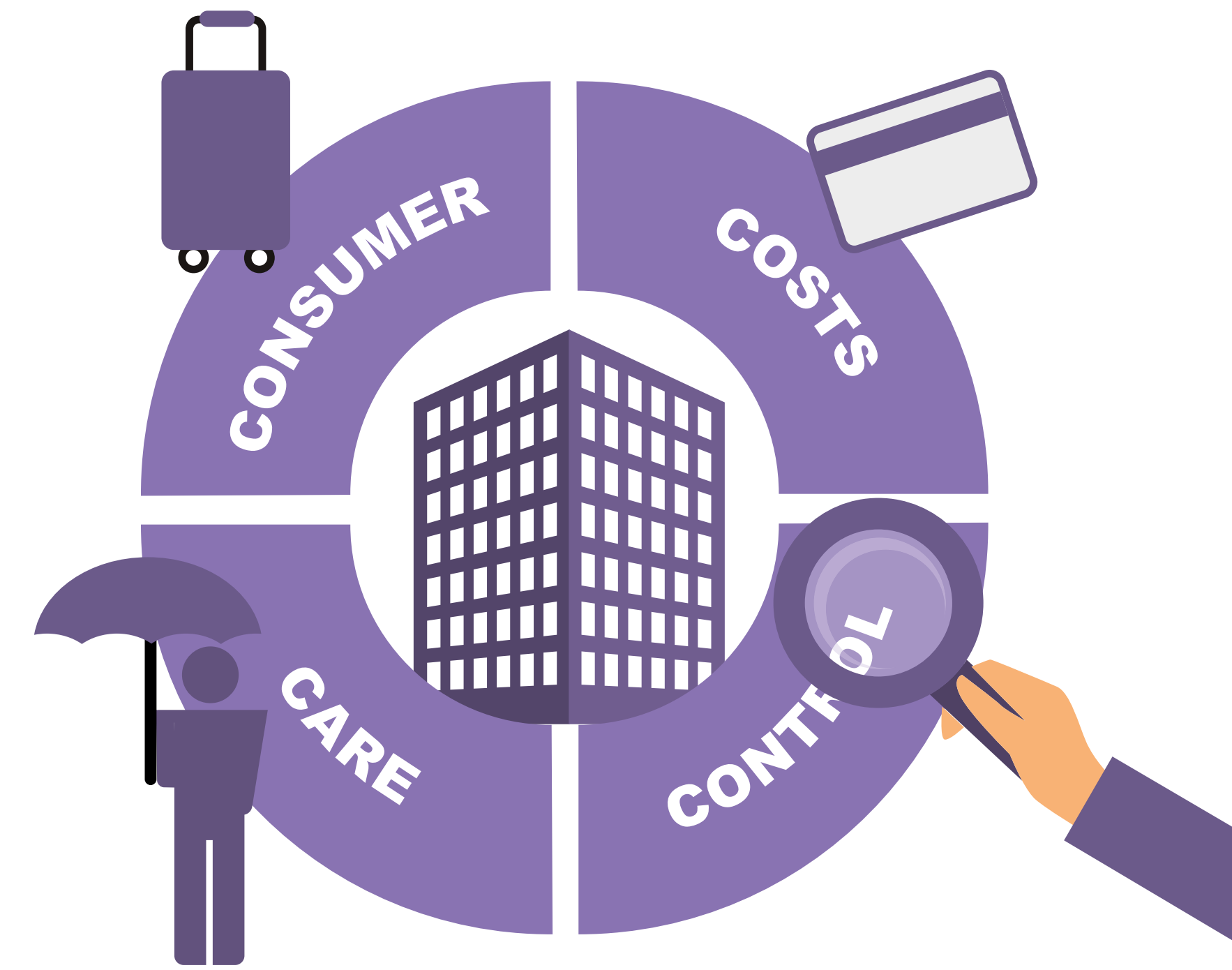
The limitations on what can be displayed and offered via indirect distribution methods can result in travellers going outside of corporate booking processes, commonly referred to as 'leakage'. Leakage is a large concern to corporate buyers; travellers booking outside of approved channels cannot be effectively tracked easily or without additional costs and a company's duty of care can be compromised.

Simon Heath,
AstraZeneca

"... I also think that if we can analyse ancillary spend and see what is relevant to our travellers, we can negotiate on these items and personalise relevant packages in the future. However, my worry is that it could also increase spend."

"We strongly monitor compliance with our booking channels in order to ensure spend transparency and duty of care."

Ruediger Bruss,
Continental AG



Policy Compliance

A travel policy is considered a cornerstone of any managed travel programme. A commonly agreed upon set of norms, a policy should reflect the culture of a company and highlight those items, which must be adhered to when booking travel. Travel buyers typically work to a set of Key Performance Indicators (KPIs), driven by expectations outlined in a policy. Policy expectations around class of travel, advanced purchase, lowest logical fare definition and purchase of ancillaries all affect the way that travel buyers negotiate with airlines. The Travel Management Company (TMC), or intermediary, acts as a gatekeeper to policy. Despite some travellers questioning the value of using an intermediary, they are critical to the travel buyer.

User Experience

In a recent IATA whitepaper entitled “Taking the Reins”, 80% of the corporate travel buyers from the IATA Travel Manager Advisory Group (TMAG) shared that ‘the satisfaction of their travellers has now become one of the most important key performance indicators (KPIs) of their role as an effective travel manager.’ In fact, one of the five core principles outlined in that paper is the importance for the travel buyer to highlight the B2B2C relationship.

This viewpoint is strongly affirmed in the Microsoft Travel Manifesto³ which states that:

“Mature companies no longer view travel as a cost centre where the main program objective is year-over-year cost avoidance. These programs have achieved near-optimal value with suppliers and have shifted their focus to driving top line revenue and achieving more holistic value. This value ultimately boils down to the traveller experience and productivity to support the business. Attracting and retaining the best employees and keeping them productive, happy and healthy has a legitimate return on investment.”

For corporates and travel buyers to ensure that travellers remain motivated, productive and compliant to policy, the user experience offered by those in the travel ecosystem needs to catch up to that offered in the leisure space.

Servicing, Simplicity of Process and Duty of Care

Travel buyers are keen to ensure that existing processes continue uninterrupted. Whilst often cumbersome behind the scenes, the existing buying approach via indirect channels provides peace of mind to the travel buyer on two counts:

1. Servicing the booking – NDC offers rich digital content for airlines to display their products but there remains uncertainty around a range of processes, which are taken for granted today, for example in interlining (booking a journey where two airlines are involved in a single ticket), refunds and cancellations.

2. Servicing the traveller – arguably, the most crucial role of a TMC is to track travellers once on a trip. It remains unclear as to how future retailing models will adapt to ensure this.






In the context of this paper, the traveller is an employee travelling for business. However, with a convergence of the B2C and B2B worlds, it would be naïve to think that experiences in shopping for and booking one's personal trips do not impact the perception of the business booking process. Or indeed that business trips and personal trips are always independent of each other.

Customer Experience

It will come as no surprise to corporate travel buyers that the B2C experience their travellers have become so used to in their leisure time is not reflective of the corporate booking experience. The IATA Travel Manager Advisory Group highlighted 'traveller dissatisfaction with the user experience' as a key area for industry improvement. Requirements for fare comparison, price parity and duty of care provided by intermediaries are of huge value to the corporate, however can appear clunky and outdated to the consumer. Travellers complain that they do not have enough choice and that cheaper (however not always equitable) deals can be found via direct channels.

Access to the menu of choices, to which travellers are accustomed, is not available via indirect channels, often leading to frustration.



“...at the moment there is a lot of information in a lot of different places. One traveller didn't know that he could book a seat in advance for free as the information was not available on the online booking tool. I'm sure we have travellers paying over the odds for things they don't want.”

Geoff Allwright,
Global Travel Manager at Airbus



Know me. Know what I want...

Travellers are looking for more than price and schedule comparison and have become accustomed to a highly personalised retail experience. If airlines are harbouring a whole host of data about past purchase and travel history and preferences, there is little tolerance if this is not applied at the point of sale.

Similarly, travellers want to see what they are buying.

Flight tickets, particularly in the long-haul category, are a significant investment and if travellers cannot get an understanding of what they will experience, and how this is different from the alternative options out there, then they are likely to proceed with a purchase with an airline they know or one who displays their wares more creatively.

Bleisure...

The demand for 'bleisure' - the combination of leisure time tagged onto a business trip, is something that many travel buyers are now contending with. Tax and duty of care implications aside, one buyer participant at Microsoft's recent Corporate Travel Summit in Lisbon stated that, '80 percent of attendees from one country at a recent company event had leisure deviations on the front or back end of their business itinerary'.

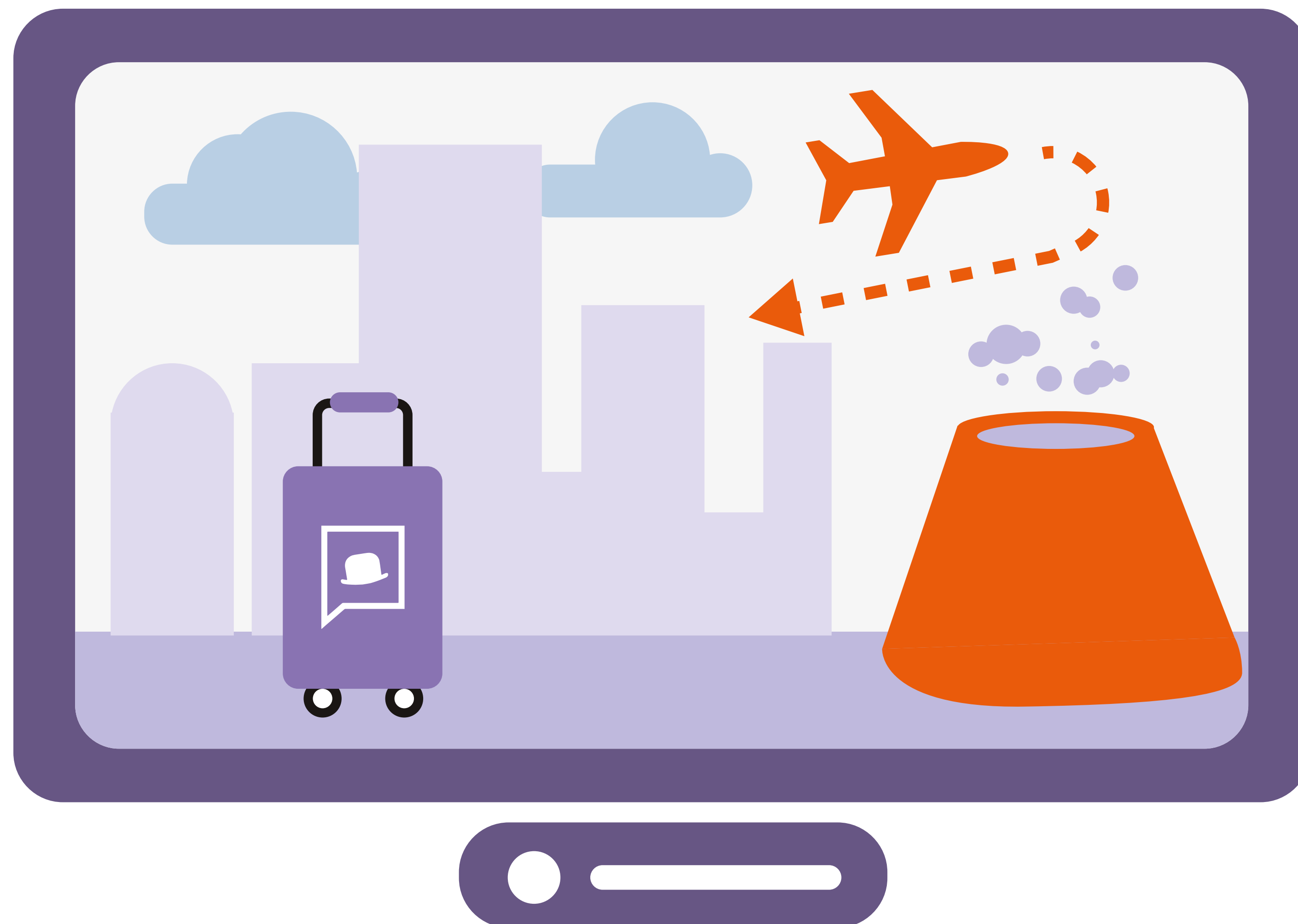
This demand is unlikely to go away and represents a huge opportunity for suppliers as the end to end corporate travel experience is broadened significantly. This trend leads to an even greater 'consumerisation' of corporate travel.



In Case of Emergency

Although business travellers may not be conscious of it, nor realise it, those travelling on behalf of their company have an expectation that they can get quick access to support in the case of an emergency. Furthermore, the company has an obligation to aid their employees in those cases. It is hoped that this provision remains untested (and is thus not at the top of an employee's mind).

However, anything from emergency dental treatment to repatriation due to political unrest sits within the duty of care of a corporation. Travel booked outside of approved corporate channels, commonly the 'leakage' referred to in previous sections, risks a corporate's ability to carry out this duty. Unless a corporate has alternative provisions in place to track direct bookings, this is a major cause for concern.





The airline is a supplier of services to the corporate travel market with corporate sales teams responsible for managing agreements with corporations. The relationship is often much deeper and more complex than a traditional supply chain. Airline products such as premium cabins on long haul flights are designed specifically with the corporate traveller in mind, allowing them to work or rest as they travel to and from their destination. Airline lounges and other frequent flyer benefits are directed at regular corporate travellers aiming to deliver convenience and flexibility to work efficiently while travelling.

Traditional airlines operate in both the corporate and leisure markets. The ability to distribute directly to consumers has been one of the key enablers of the rise of the low-cost carriers. Traditional airlines have executed cost reduction measures and invested in their digital platforms to compete. However, in markets served by indirect distribution via intermediaries, travel management companies and travel agencies, their investments have not been as effective. It is a source of great discomfort that one of their key market segments, corporate travel, has fundamentally poorer customer engagement and selling capabilities than leisure markets.

Product Differentiation and Transparency

Airlines invest substantial capital in their aircraft, cabin design and airport facilities to serve their customers, especially corporate travellers. For example, British Airways recently announced investments of £600m into their new club world cabin refresh. Beyond product innovation, airlines continue to improve their service elements. One area that is receiving renewed focus is service recovery during disruptions as the latest mobile technologies are well suited to delivering an improved customer experience when plans change during travel.

Airlines wish to demonstrate how their innovation and investments differentiate their product offer by including rich supporting

content in any offer made. This is particularly important in the premium cabins where competition amongst the airline brands is fierce.

In a distribution model where flights are listed only by price, their product investments and positioning can become irrelevant and rely on the customer doing research on product differentiation. For a critical market such as corporate travel, this is a huge disadvantage and risk to further investments.

The airlines, recognising that direct distribution is likely to only be a partial solution, have championed the creation of NDC, allowing them to create suitable offers and provide rich content to support their propositions in indirect channels in a comparable manner to their direct channels.



Seize the opportunity...

✓ Add your favourite excursion?

✓ Up for a challenge?

Airline | 08.29 AM

Hi Chloé,
Would you like to add a few things
to your trip while you wait?

It is all about the offer



Marketplace
Management



Offer
Management



Order
Management



Payment
Management

Datalex
Digital Commerce for Travel Retail

Competition

To partially level the playing field in terms of airfares in the fierce market competition with the various airlines business models, traditional airlines have started to unbundle their product offerings. They are subsequently introducing new ancillaries as options in addition to a base fare. This creates a new challenge for the corporate travel market as it is difficult for the airlines to inform corporate travellers of the new choices available. Fortunately, NDC and the offer capability it entails, addresses this, allowing the corporate traveller to see all the options available with supporting, descriptive content. A consequence of the rise of ancillaries has been the fragmentation of the revenue spend profile that corporates expect. As well as addressing the spend itself, the airlines believe that NDC will enable the whole purchasing of ancillaries to be simplified and more transparent for all parties.

The unbundling of the products, however, results in lower airfares. The increased competition, changes in pricing structure and general decline of airfares has led to a considerable reduction in yields. Historically, discounts and corporate fares have been used by airlines to compete for the business travel volumes. The reduction in yields means that the airlines no longer believe that corporate

discounts are going to be what they once were, as there is less leverage in the airfare. Nonetheless, airlines still understand that corporate buyers expect to have their value recognised. With the array of ancillary products and services, airlines have an alternative to a purely price-based component for corporate travel.

Speed of Change

For many airlines – and travellers – change cannot come quickly enough. The airline industry has fallen behind other retail and service-focused industries both in commercial models as well as technology use and consumer focus. However, it is only now that some of the initiatives such as NDC have reached a scalable point in which mass-adoption can be achieved. The major airlines that support NDC have all made public announcements to clarify to their intermediaries and buyers the commercial options available to them. While there are some similarities in approaches taken, these are very separate business decisions – decoupled from the technology enablement, proven by the fact that many airlines have also implemented new distribution messaging without changing the commercial model.

Third-Party Products

Many of the individual travel components are complementary and the opportunity exists for airlines to generate additional revenue through a more coherent understanding of the end-to-end customer journey. The development and enhancement of their digital platforms has enabled this and for leisure travellers, they already offer holidays, packages, and other third-party services.

As they build their retail capabilities, airlines will continue to develop further partnerships with third-parties which they believe may be attractive propositions to the corporate market. Combined with customer experience tools and targeted offers, the airlines believe that the commercial and consumer elements of this will be compelling.



Mind the Gap



The purpose of this part of the paper is to share both airline and corporate perspectives against a set of industry challenges and to highlight where opinions align and diverge. It focuses on several topics against which buyer and seller perspectives and quotes will illustrate the variances in position. From the various interviews conducted in the context of this paper, there are several topics with a great deal of common ground. Those will be discussed first before covering topics where opinions differ. All conclusions below were drawn by **Travel in Motion** and **Festive Road** jointly based on the various interviews with buyers and sellers.



“It’s easy to criticise the players involved if you don’t consider the whole picture. From what we hear, if you’re a buyer, you’re wondering why NDC is taking so long. If you’re a TMC, you’re wondering who is going to pay for the necessary technology investment; if you’re an airline you’re wondering why people aren’t jumping for joy at your latest discounted fares through private channels!”

Paul Tilstone,
Managing Partner at Festive Road


Yes, We Agree

Product Differentiation and Transparency


It is broadly agreed that an airline's ability to differentiate themselves and their products to provide greater transparency to consumers is a positive.

“We aim to increase the value proposition for corporate customers by developing new products and making those products and services available.”

Head of Corporate Travel,
European Airline

 The airlines believe that, given their levels of investment, product transparency and rich content are critical to demonstrate to their customers the range and differentiation of their offers and the product experience that can be expected.


 Corporate buyers welcome this as they believe it leads to more informed decision making for their travellers if:


- 1.) The offers and associated conditions are within policy;
 - 2.) The products and corresponding offers are available in their tools;
 - 3.) The offers can be compared against other equitable offers to ensure the best fare is offered.
- 




Ancillaries and Unbundling


Unbundling for fares and a considerable increase in offered ancillary products and services is already upon us. The ability for airlines to broaden their range of services offered in this way is seen as a value add in the corporate world. Anything that can ease the traveller journey is welcomed.

However, both parties recognise, perhaps for different reasons, that a simple move to NDC and updates to corporate policy do not represent the ideal end state. In fact, the opportunity enabled by NDC is far greater than this. This will be further outlined in the “Call to Action” below.




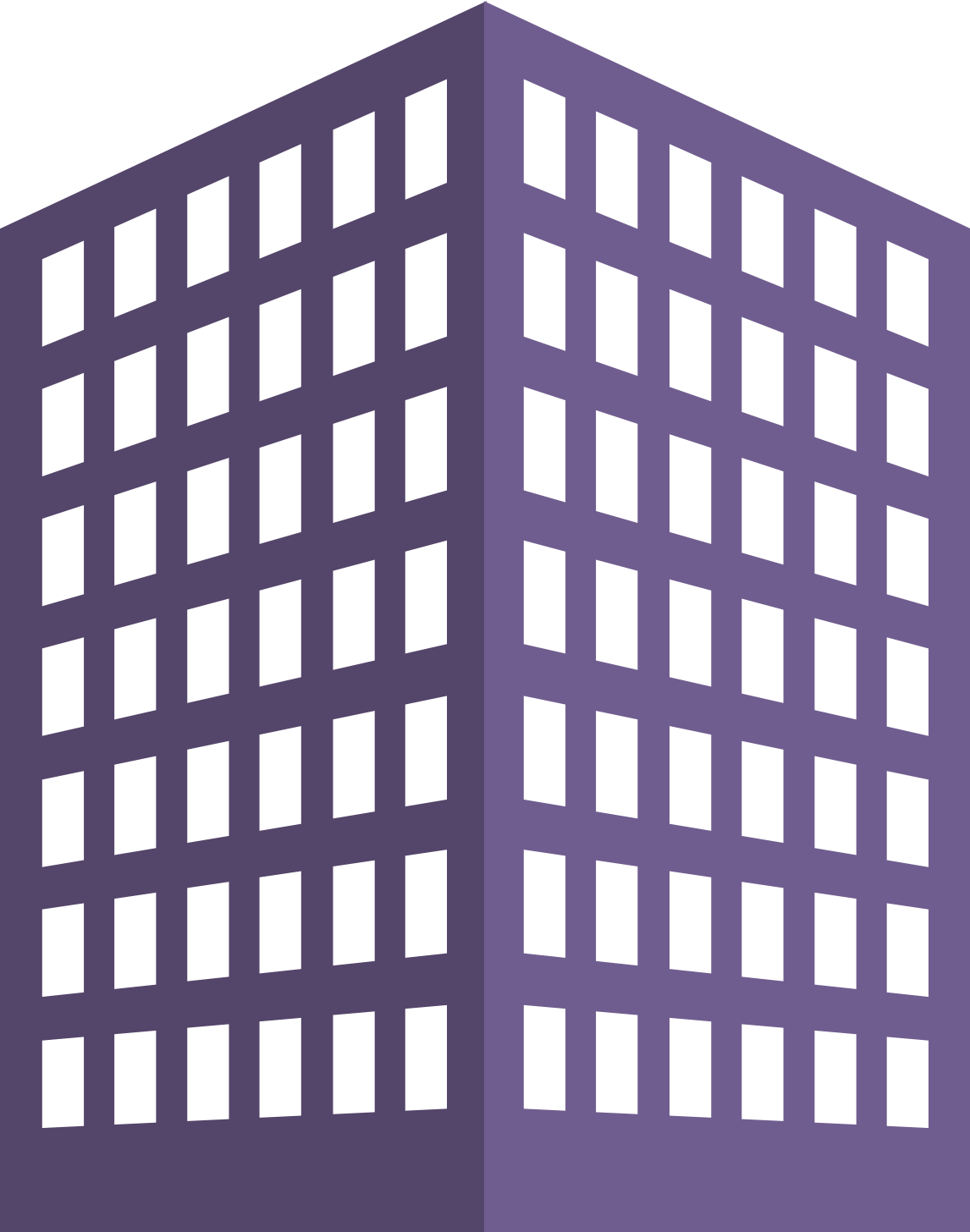
 **The airlines are committed to creating new ancillaries across their market segments to differentiate, compete and increase their revenue.**

They themselves struggle to retail the new options they have created due to constraints of the current technology and distribution channels they operate with. The ability to make offers including ancillaries and to potentially target those offers more specifically allows the airlines to simplify and optimise customer interactions.

 **The further unbundling of airline core products and new additional services has a knock-on impact for the corporate market. These can lead to issues which need to be resolved jointly such as:**

- **The continual need to update policy to incorporate new ancillaries can lead to confusion for the corporate and the traveller**
- **Travellers and corporates are unaware of the available choices in current indirect channels**
- **Multiple separate purchases create a transactional overhead for all parties and total spend visibility can become obscured.**

The corporate buyer’s reaction to this is mixed. Greater choice, flexibility and channel consistency are viewed as positive developments but any lack of visibility to total spend, policy infringements, confusion and leakage are certainly not.





Speed of Adoption

Buyers and airlines are both ready, to an extent, for enhancements in distribution enabled by NDC and frustrated with those in between for not keeping up. The GDSs have signalled that they will become more supportive as the NDC standard has matured and previous concerns have been addressed.

Inevitably, the buyers and sellers will be looking to the TMCs to support the new processes to complete the missing link between them.

 Many buyers identify themselves as ‘impatient supporters’ of NDC whilst others are still in the dark.


In a recent Buying Business Travel survey, when asked whether NDC is a good thing, 39% of buyers said that they weren’t sure.

David Oliver, Procurement Manager for the Red Bull Company shared that he was positive about the development of NDC channels⁶.

“My worry had been that there were a lot of unknowns until NDC gets embedded. But there seems to some momentum to it this year. It looks good for buyers.”

He also shared his preference for NDC channels to allow “smart filtering” which could be carried out at a corporate level and stop travellers from having access to certain ancillary airline products, if necessary.



 Innovation is problematic in any complex value chain and airline distribution is no different. As more participants embrace NDC implementations should accelerate. Given current momentum on participation, what is now needed are more proof points where the value to each party can be shown.


Head of Distribution,
US Airline

“We are moving faster today than six months ago. The difference is a growing desire for NDC content from customers and the positive approach the GDSs have begun to take.”




X Not Seeing Eye to Eye

Information Sharing and Servicing

 Airlines recognise that bookings today are overly complex, and, with an increasing volume of ancillaries, this situation is not getting better. Longer term, the IATA ONE Order initiative aims to resolve booking complexity and transparency of delivery status. Currently, the priority is improving information sharing and the ability to communicate with customers directly after booking. The airlines are focused on improving disruption handling to address a major source of customer dissatisfaction. Managing service recovery has always been difficult, with a lack of information and disconnects between parties, creating an unreliable and often stressful experience for travellers. Technology, especially through mobile devices, is beneficial to the travel experience throughout the journey, whether disrupted or not. Airlines are investing in their digital engagement and communication strategies such as improved mobile apps, chatbots and others. Ideally, issues get resolved directly whether by the airline proactively or a traveller on the mobile app. However, for this to be the case the airlines must be able to contact their customers efficiently and effectively. They cannot always rely on the traveller to have their mobile app. Unfortunately, airlines often lack customer contact details as these are not always shared by the booking source which is, in this case, the TMC.

While all parties want to provide a better customer experience to their travellers, there is no alignment on who has the responsibility for this at all stages of the journey.


 Airline investments to improve their service are welcomed by buyers, particularly if these lead to a decrease in the cost of servicing. However, buyers and TMCs still require visibility of any changes made, as this information is required to allow them to deliver their broader responsibilities (e.g. duty of care) in parallel. While airlines may have a greater role to play in servicing on the day of travel, corporate buyers believe that for the time-being, intermediaries still play the critical end-to-end role and are best placed to provide duty of care. But the key here appears to be trust. If the TMCs can be sure that airlines value the intermediary role and that the approach should be a shared responsibility for the customer, then the ability to use data to jointly service the customer is optimised. If that trust is not there then the value of servicing data is a missed opportunity.

“We know the airlines can’t manage all our bookings. We know that the hotels don’t, and they don’t want to. It’s too expensive a proposition. The model today has been very efficient; it really has. Maybe not cost-wise, but efficient from a handling perspective. Those calls have to go somewhere. So we need a model that can provide assistance for those travelers who need help. Because the hotels and airlines do not want those calls.”

Microsoft Manifesto



Commercial Model

 NDC as a technical standard drives new capabilities to create offers regardless of channel. The airlines want adoption as quickly as possible across channels to allow them to personalise and differentiate their offers. For this to happen in the corporate travel market, intermediaries need to support the standard. There are multiple options for how this might happen. The major consideration that jumps out is- what is the commercial model that underpins the role of the intermediary going forward? Investment is required and uncertainty around the long-term model creates doubt. The major airlines that support NDC have all publicly stated their positions and although each has adopted different strategies, all have attempted to be clear on their position to provide clarity and generate momentum.

A specific sub-topic is the impact unbundling has on managing total spend and the additional transaction inefficiency of increasing the number of individual ancillary sales. Within the NDC context the ability to package services into a single offer provides the functional basis to resolve this issue for those that have adopted the standard. The commercial discussions need to move forward quickly to simplify ancillary purchasing and re-establish clarity over total spend.

“Incremental purchasing today doesn’t work for either party. A corporate looking at 10,000 individual ancillary transaction fees, it becomes a negotiation point to simplify, reduce costs and gain a volume discount.”

Head of Distribution,
US Airline

 For buyers, the lack of transparency around commercial models is, quite frankly, a major frustration and a barrier to progress.

Lisa Stanford,
Global Category Manager BP Travel Services

“I feel NDC is gaining momentum, more so than ever, but it is the airlines leading. We need technology and corporations to be leading in tandem, so there is some standardization among the carriers and the corporate voice is included in their decisions. Each airline has their own NDC strategy and they are creating the strategy without much input to how Corporations could support it.”

For some, the view that airlines are using NDC and other developments to further their own commercial gains, fuelled by announcements linking NDC to direct channels or ancillary charges, is leading to a lack of trust in the entire value chain. This is something that intermediaries need to address with urgency. Clear distinctions must be drawn between the adoption of new technical standards such as NDC and changes in commercial agreements.


Microsoft Manifesto

“Corporates acknowledge that multiple providers are critical to provisioning services. But the structure and delivery of the program must be defined by the corporate. It cannot be predicated on the limitations of legacy system dependencies, opaque commercial relationships, backdoor financial incentives and locked up data.”

One of the, perhaps unintended, consequences of the changes foreseen by the full-service airlines is potentially increasing participation from the low-cost airlines. The LCCs recognise the value of the corporate travel segment but believe its current unique requirements act as a barrier which undermines their core propositions. Convincing the LCCs and hybrid airlines that participating in the corporate market is straight forward and achievable increases competition and choice for travellers. A truly competitive marketplace is another piece of compelling evidence of value and should, to some extent, alleviate some fears of price increases.




Duty of Care and Order Visibility

 Another of the IATA Travel Manager Advisory Group's areas for industry improvement is Duty of Care. A corporate's ability to track travellers and respond in the case of disruption or emergency is a fundamental objective of any travel programme. With multiple channels to buy through, how will this be affected?

The TMC remains front and centre of this non-negotiable demand of the corporate buyer. This was a key motivation to integrate companies which were once considered outliers; TMCs are now creating opportunities to book with new entrants such as Airbnb, Uber and Lyft. In fact several of the 'mega-TMCs' have already invested in platforms to make this possible. The TMC will perhaps need to apply the same thinking to airline content, ensuring that they have access to all airline content regardless of channels.

In addition, if airline offers were to start including additional third-party services, there could be confusion between the TMC and airline as to the boundaries of responsibility. Some offer components such as ground transportation between airport and hotel may be beneficial and less problematic.

A hotel booking, on the other hand, may cause difficulties.


 While the airlines understand the importance of duty of care, they are keen from a customer experience perspective to engage as directly and fully as possible. They would like to explore the applicability and opportunity of any products or services they develop in the leisure markets to the corporate market. With bleisure and other blurring of the lines occurring naturally for travellers, this is going to be an ongoing debate. The current distribution mechanisms mean that airline bookings made through the TMC are specifically for air travel and are not relevant for the rest of the journey e.g. hotel choices.

As airlines capabilities mature and increasingly include selected third-party ancillary products, there is potentially an opportunity for the corporate travel market if the airlines can demonstrate additional savings and superior customer experience. To avoid an overlap of offered products the airlines and TMCs would need to agree on who sources what.



The Amazon Effect: The Challenge of Meeting Traveller Expectations in the B2B World

Social and digital tools increase the visibility of alternative choices available during travel across all providers of travel and destination services. B2C interactions are often simpler and clearly, for the consumer, more direct for their purposes. While there are solutions on the market which enable airlines to embed a data exchange with the TMC through the B2C channels which, to an extent, address these issues, they are far from being fully and cohesively resolved.

 Airlines continue to invest in their B2C channels, especially mobile. There is a divergence between the level of investment and customer experience that is provided in the airline B2C channels and the B2B corporate booking tools. While NDC enables richer content and offers to be packaged and delivered via the B2B channel to mitigate this issue, it cannot create full parity with the airline B2C channel, especially for in-journey traveller engagement and communication.


There are circumstances where the pattern of travel is somewhat “standard”, giving the traveller the impression that perhaps the use of a B2B tool may appear unnecessary and does not result in the best traveller experience.

Head of Distribution,
US Airline

“Consider a corporate traveller, NYC based regular pattern – NYC/ Chicago first flight on a Monday, last flight on a Friday. In the booking tool – show curated options, context-based on history and behaviour. Simplify to make easier”

“Travellers – using apps and mobile, want much more freedom/flexibility to select their preferred options”

Head of Corporate Travel,
European Airline


 The lack of parity between the B2C tools (mobile, digital, social) and B2B tools inevitably leads to leakage as individual travellers strive to make their end to end journey as simple as possible. Particularly those taking highly repetitive trips for project work, where rebooking on the supplier’s app directly just seems to make more sense. This however leads to increased leakage and a loss of control for corporates. Whilst traveller choices may not result in additional direct costs, the indirect costs associated with duty of care, negotiated volume agreements and disruption handling increase.

The question of the impact of personalisation on the offer made to the traveller is also top of mind for corporations. Given that business travellers are higher yielding customers, will information on the identity of the traveller result in higher fares? It seems logical that this wouldn’t be the case as auditing and the right to anonymity play their part in ensuring the business traveller is not penalised. But that doesn’t mean that the fear isn’t real and that airlines have some way to go to demonstrate that personalisation will not equate to unfair charging or indeed business travellers being targeted for lots of attractive and costly services.

Call to Action




Some of the tension points raised above will undoubtedly be solved as NDC and One Order work themselves through the distribution chain. But given the immediate opportunity NDC represents, the actions below focus on the steps to get ready, adopt and benefit from NDC and from modern retailing concepts within distribution. Beyond NDC there is wider opportunity to tackle some broader issues within the value chain and further industry collaboration on some tough to resolve issues such as maintaining duty of care and changed commercial constructs, away from a cost-based discussion towards a value-based conversation.

 Buyers are urged to familiarise themselves with the possibilities which NDC enables, as well as other developments as they relate to their own corporate travel programme. Engage with industry colleagues, suppliers and interest groups to get equally informed about the benefits and challenges. Consider how key questions can be answered, for example:

- Do we know what NDC is and understand what it enables?
- How could that impact or benefit our corporate travel programme?
- What is the level of current ancillary spending in my organisation and Self Booking Tool (SBT)?
- What is the current view of my TMC partner as it relates to NDC? Do I need to act or can they do this on my behalf?
- What are the strategies of my key airline partners?


An important step is to engage at the right level within the supplier organisations to understand your suppliers' ability to get the optimal content and ensure your corporation and business travellers can consume it.

Get NDC Ready

 Airlines, as suppliers, are strongly urged to follow the example of several of the early adopters by holding NDC information sessions with buyers and intermediaries, informing them of the strategy, direction and opportunities that this new distribution direction poses. In preparation for that, airlines must put themselves into the position of the corporate buyer and create new, compelling offerings to the corporate market.

If corporate discounts on airfares are losing some of their significance as differentiators, it is important airlines consider the complete offer to the corporate and understand how they can also benefit from the bleisure trend without undermining the duty of care obligations and corporate travel policies.

NDC Standard Adoption

 Buyers should work closely with the leadership in their TMCs, SBTs and GDS to understand whether their approach to adopting NDC is a good fit with the corporate organisation. A joint project plan should be developed to decide on next steps and timelines. Further to this, NDC may impact data systems, traveller profiles and traveller communications. Buyers should engage stakeholders – the TMC as intermediary and the airline as supplier and –build a clear project plan and ensure that NDC features in any future RFPs. How this can be done is outlined in IATA’s Change Readiness Guide⁷.

Corporates should review and revise their corporate travel policies to clarify which ancillaries are included and under what circumstances.

This is no small task as airline offerings vary and the scope of ancillaries is likely to increase.

 Airlines should create clarity of their offerings to the corporate and ensure that they are not causing the corporate – or their TMC – market and service offering conflicts.

Airlines shall focus on services which benefit the corporate and the traveller and are closely related to the journey. More competitive offerings, unless closely aligned with the corporate and the TMC (e.g. hotels) will often derail initial discussions, especially when there is no clear benefit in the airline offering the service aside from purely increasing the airlines revenue.

Further, airlines have not been successful at communicating the benefits of the products they offer, and how those offers are differentiators to the traveller and beneficial to the corporates.




Commercial Clarity

There is no doubt that the speed of adoption of NDC is no longer about the technical standard itself. It is about the implications on the commercial model and the relationships between parties. Both parties want speed and the benefits the standard enables.

As renewals or new agreements are discussed, there will be dialogue around the added value NDC can enable and how ancillaries can be better included into negotiations, but this should be to all parties' benefit.



 The major airlines supporting NDC have made announcements providing clarity on the commercial model they are adopting for distribution, including NDC-based distribution.

However, many airlines have not taken a position on this, and while it is not necessary to follow either the stick or carrot approach others have announced, it is imperative that airlines consider their models internally, independent of how drastic or subtle they are, to be able to clearly communicate these to their buyers.

A good starting point for engagement between sellers and buyers are industry interest groups such as IATA's TMAG. By having the airlines engage, they will better understand the concerns of the buyers.



Corporate buyers are looking to their intermediaries to clarify the implications of any future changes in commercial models. Whilst it is well known that airline payments are an existing revenue stream for TMCs, greater transparency is expected during this period of change to ensure that the TMC continues to act on behalf of the buyer and is a trusted and valued partner. Buyers are advised to engage, engage, engage! With other buyer groups, industry associations and any engagement activities lead by suppliers themselves to ensure they are up to date and that their voices are heard.

Recent private channel agreements are a good midway point, demonstrating an airline's investment in the TMC as a distribution channel but also pushing the adoption of APIs.

The goal is to bridge the gap between the content available in B2B channels and to make that available via intermediaries.

Step 2 – Drive Retailing Value

The NDC standard will enable airlines to bundle services together for pricing purposes, optimised to the buyer. By introducing corporate bundles as a package of agreed services the airline provides to the corporate, the traveller's booking process will be simplified, albeit still conforming to corporate policies. In addition, the negotiation between airlines and corporates can cover a full package of valued services and exclude those that are deemed out of policy scope or for usage under only specific circumstances.

For buyers, who have been trained to procure airfares based on schedule and price, this could mark a real change for the positive. The ability to purchase deals based on what a corporate really needs (and allows in terms of policy) could introduce a new era of airline programme management. Some predict that airlines will offer corporate bundles that can be tailored to the individual corporate, or indeed traveller groups within an organisation. Airfares with onboard Wi-Fi and other ancillaries included could keep travellers satisfied and productive on the move and provide greater visibility to ancillary purchases in data. In fact, some travel managers have shared that they are delaying global air RFP activity to wait and see what develops in this area.

“What we want is to approach the market differently. We want to make all our products and services available to corporates. We want to let the customer really see and benefit from our innovations.”

Head of Corporate Travel,
European Airline

Linda Stanford, Global Category
Manager, BP Travel Service.

“Say for example, onboard Wi-Fi is in policy, but with a separate payment. How can we create a simple bundle and include it in the corporate contract? The aim is for one transaction to include fare and ancillary products.”

Head of Distribution,
US Airline

Ruediger Bruss,
Continental

„I see a shift in how we will be buying travel through different channels at BP, vs today's world of just GDS and OBT's. My vision is that I want the traveller to be able to compare fare shop (like for like) within travel policy, while providing BP with consolidate data for leverage in negotiations and reporting, and provide duty of care travel tracking, regardless of booking channel. In the future, I envision a marketplace traveller portal (similar to Amazon) for my travellers to enter, and then based on their travel requirements the appropriate options will be displayed, whether that is through the GDS, carrier API or direct connect consolidator.“

“As a corporate we will not allow direct bookings. If content delivered via the NDC standard is available in our on-line booking tools and through our TMC partners without negatively impacting our processes (approval, offer comparison etc.), we will happily implement it and do not see any conflict of interest between supplier and corporate. In fact, with NDC offers could even be more comparable, e.g. ensuring that on a long-haul flight, wireless internet is always included in the offer.”

According to Geoff Allwright of Airbus, corporate bundles would be more impactful on short haul routes where often, travellers are confused about what is included in their fare. Currently, long-haul routes typically include many of the ancillaries required, however a recent trend to completely unbundle the long-haul has been observed.

For travellers, any simplification of the shopping and booking process would be welcomed. Greater visibility of what is and isn't included will avoid additional research and the need for separate purchases. Further, the ability to use 'points and cash' to upgrade or purchase ancillaries over and above those allowed by the corporate policy would allow the traveller greater autonomy over the trip. This would provide real additional value and serve to keep more bookings within policy.

There is also the option, and opportunity, to take advantage of airline B2C channels which have matured greatly over the past few years. However, for direct bookings to be a valid consideration for buyers, two things need to be in place. Airlines must be able to identify a booking as a corporate booking for a specific company. This information can then be linked to a corporate profile so that relevant and in policy deals can be shown. A small number of products is already avai-

lable in the marketplace and early adopters are testing the waters. Secondly, we return to the foundation of any travel programme – duty of care. However, by the aforementioned linkage, this can be solved as well, assuming that the link from the B2C channel to the corporate, or the TMC on their behalf, is made in all direct B2C channels.

A further benefit of direct bookings would be increased access to value carriers into the corporate travel market. The B2B channel is currently a less attractive and more challenging proposition as it isolates the base fare (from ancillaries) and incurs higher distribution costs.

“There are likely a lot of benefits for all parties involved to be gleaned if we as an industry could start working together a bit more.”

Digital and Customer Products,
Low Cost Carrier

If the order visibility, servicing and duty of care issues are addressed, then the extra competition would build confidence that prices are as competitive as possible as well as reducing leakage from programmes.



Into the Future

IATA's vision of an effective and efficient distribution model provides much of the framework to improve the corporate travel segment and provide better service to business travellers. Key potential shortfalls are around duty of care and the offer and order being customer and journey centric as opposed to transactional.

It is important to state that NDC and other initiatives represent a journey, rather than a destination. As the possibilities and tangible benefits of what NDC enables become ever clearer, there will be more opportunities to create value in corporate travel.

The possibilities of how the standards can be utilised by any participant in the value chain are immense. As traveller experience and customer satisfaction become more important for both the airline and the TMC, the potential to introduce new and innovative technologies such as customer insights, analytics, and voice or chat-based artificial intelligence interactions are there to be explored.

The commercial models and business choices of the participants remain their own. As it becomes more apparent that we are in an age of sharing economies and a completely consumerised digital world which is also becoming more competitive, airlines and corporates, with the support of

the TMCs, will recognise that there is only one path forward in the best interest of all – collaboration. Standards alone only address one component of the larger, overall interaction. The market is competitive and, if the standards evolve correctly, it will be even more so in the future. But while driving a more competitive environment, it will also open many opportunities for those willing to grasp them.

The debate around direct bookings, traveller experience, compliance and the value of comparative search are exactly that - a debate. The right answer will vary based on the corporate in question and where the priorities lie. The choice will be there for them to decide what their perspectives and priorities are for themselves and their employees.

Travel in Motion and Festive Road hope to have provided some interesting insight and viewpoints into how corporate travel is evolving under the influence of retail-focused

distribution enabled by NDC. The two companies worked closely together to carefully analyse and disseminate the opinions and challenges of the two main entities in corporate travel – the sellers and the buyers. By conducting interviews with various airlines and corporates and adding the combined knowledge and research the two companies have been conducting over the past years in this area, a unique paper has been created in an attempt to start the dialogue and bring more mutual understanding from all entities involved and interested in corporate travel.

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Travel in Motion GmbH is a consulting firm offering advisory services to the travel and transportation industry. With key expertise and a focus on PSS, the digital retail transformation and consumer retailing, Travel in Motion GmbH can help create, outline and articulate strategies for distribution, ecommerce and customer experience and support the execution thereof.

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