



TCG INSIGHTS

NDC in the Airline Industry

The Bigger Picture –
A Foundation of New Distribution Capability
for Corporate Travel Professionals

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Understanding the Past

UNDERLYING TECHNOLOGY

NDC and its underlying technology, including XML and APIs (Application Protocol Interfaces), are not new technologies, with the combination being utilized since the 1990's.

NDC'S ROOTS

NDC can be traced back to 1999, with the establishment of the Open Travel Alliance, which started the work of creating standard term definitions for use within the airline industry. This was later adopted and enhanced by the International Air Transport Association (IATA) in 2012, now used to power NDC's capabilities.





Introduction

As 2024 kicks off, it is apparent that NDC will be among the leading topics for Travel and Procurement professionals in the new year, along with AI and Sustainability. Even though airlines have been implementing NDC for years, the enforcement efforts implemented by American Airlines in 2023 created a tidal wave within the Travel industry. As reported, both American Airlines and United Airlines have distributed roughly 40% of their content away from GDS to NDC channels. Many Travel Program managers and administrators are concerned and feel lost interpreting news about NDC and how it will impact, or already is impacting, their program. It is important to adopt a balanced approach to these developments. Through a clear understanding, you can effectively analyze, predict, and respond to this new industry landscape.

Two primary factors were the driving force in airlines opting to implement NDC

FACTOR 1 – COST

First, costs associated with the GDSs (Global Distribution Systems) and Travel Agencies had been steadily increasing for decades. Direct distribution from airlines to travelers cuts out the intermediary, saving costs and increasing profitability.

FACTOR 2 – ENHANCED RETAILING

Secondly, was the realization by core travel companies that the existing EDIFACT protocol was inadequate for the e-commerce-based sale of bundled airline travel. The shortcomings of the current system were accentuated as services and amenities were unbundled and individualized for travelers to purchase separately (e.g., seat selection, checked luggage, priority boarding). Another large driver of the change was the emergence of new travel websites launched by technology firms, airline consortiums, and GDS NDC programs, offering a new and consumer driven shift in how travel services were marketed and distributed.

The “Now”

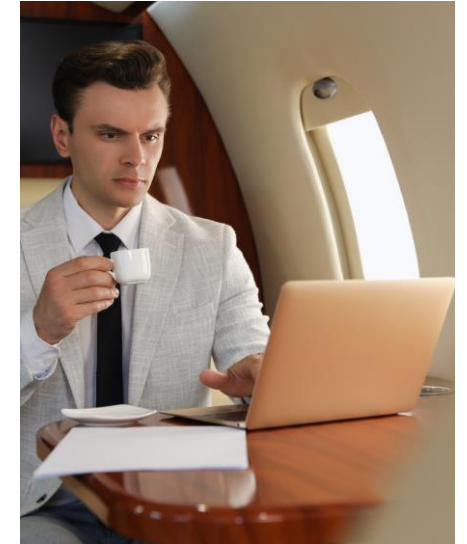
Currently, suppliers and travel re-sellers are pursuing the concept of "modern retailing", especially within the realm of online retail platforms. This trend has significantly influenced the airline industry, and adopting the NDC standard is an adaptation to these new developments.



**PERSONALIZATION
& CUSTOMIZATION**



**ARTIFICIAL
INTELLIGENCE**



**AIRLINE DIRECT
CONTENT**



PERSONALIZATION AND CUSTOMIZATION

As part of the modern retailing shift, the mass-personalization and customization of products and service offerings has become increasingly prevalent. PhocusWire recently published a number that had 80% of consumers demanding personalization ([2024 Vision: Tech trends that will revolutionize travel and hospitality | PhocusWire](#)). This new market trend has influenced airlines to respond by gaining greater control over their inventory and pricing strategies, monetizing each aspect of the traveler's experience. Aligning with the industry's direction toward offering enhanced customer experiences, airlines can directly curate various service packages including seat upgrades, lounge access, pre-paid drinks, transfers, car, hotel, activities, financing, and trip insurance. Frequent Flier numbers play a critical role in serving as a valuable pseudo-identity, capable of tracking a wide array of data from each customer, including past travel itineraries, lounge memberships, service disruptions, inflight transactions, favorited purchase channels, and propensity to upgrade or buy other products and services. With this valuable information, airlines can enhance their targeted marketing efforts, increasing their popularity amongst consumers even further.

ARTIFICIAL INTELLIGENCE

As AI (Artificial Intelligence) inevitably expands and develops, travel recommendations can be marketed and sold based on the history of the traveler, found in the data collected by loyalty programs. This has led to the implementation of AI-based booking tools that have many questioning the role or relevancy of traditional Travel Agencies. The exploding volume of available and necessary data and content, sourced from innumerable sources, will force Travel Agencies to implement AI to stay relevant to their customers. Conversely, AI is still not at the point of being able to understand human motives and reasoning, necessitating live Agents/Consultants for more complex itineraries and issues.

“As AI expands and develops, travel recommendations can be marketed and sold based on the history of the traveler”

AIRLINE DIRECT CONTENT

Airlines opting to distribute content on their own sites versus through the GDS has come with challenges. Organizations will need to adapt and optimize their strategy, beginning with policy to cater for modern retailing, as users purchase products and services from the airlines. New reporting requirements will be needed to capture exceptions and user non-compliance when bypassing the program to obtain NDC content directly from the airlines. Airline category management and sourcing will be more complex as disparate data sources will need to be aggregated to validate spend and airline usage. Navigating airline strategy around dynamic pricing and unlimited price points will require expertise beyond the traditional procurement methods and tactics.

CHALLENGES

- POLICY ENHANCEMENT
- USER COMPLIANCE
- REDUCED SPEND VISIBILITY
- STRATEGY TRANSFORMATION



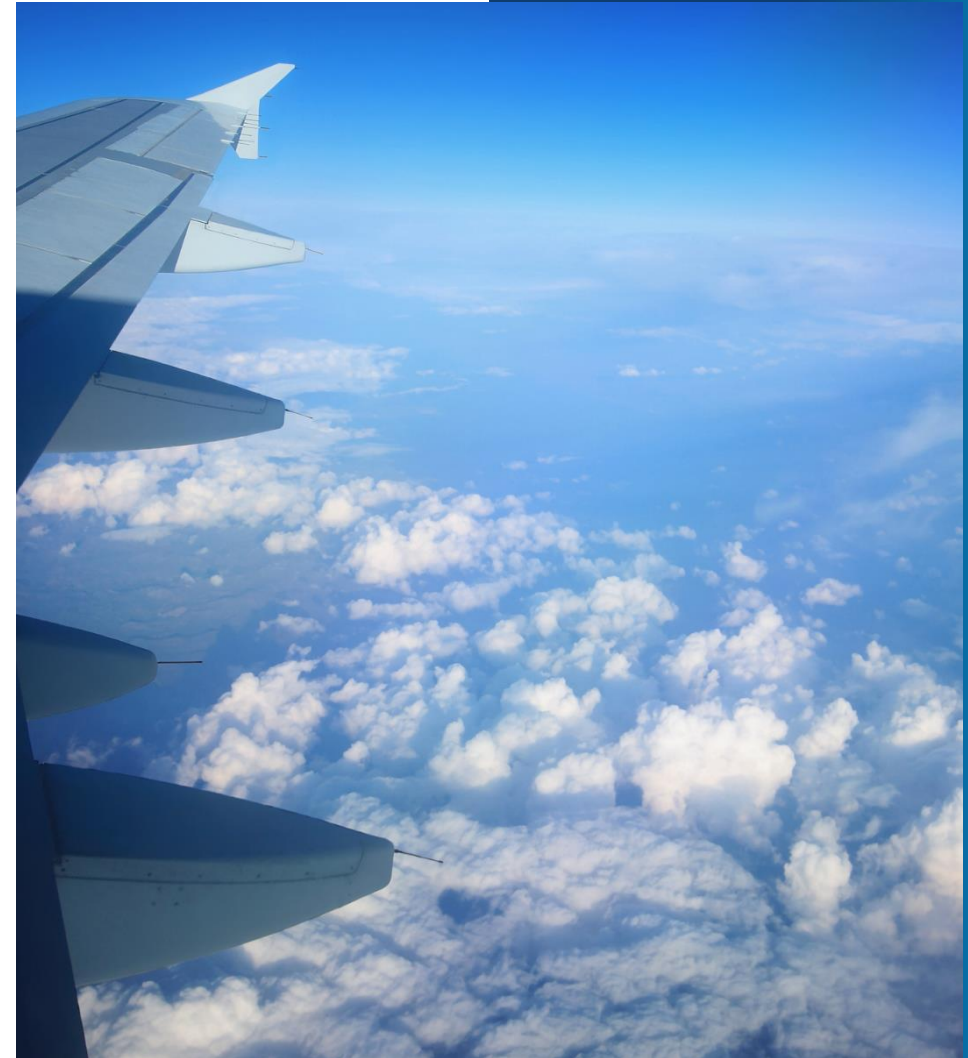
The Future

TECHNOLOGY-CENTRIC APPROACH

The speed of change continues to accelerate! We see this with the splash from ChatGPT and generative AI. These products will not only reduce TCO expenses by increasing efficiency, workflow, compliance, and reporting. But they will also enable sales, including travel and the promotion of corresponding services, by artificial intelligence-derived systems. Those systems will be necessary to aggregate and service fragmented content for the traveler and the Travel Agencies that service them.

TRAVEL MANAGEMENT COMPANY STRATEGY

As travel management companies delve into NDC, a developing interest is whether they might bypass the traditional EDIFACT GDS altogether and utilize direct APIs, GDS NDC programs, and Content Aggregators to pull in content for modern retailing as their primary sources.





Summary

The travel industry has in the past and will continue to undergo significant transformations, driven by technological advancements, economic variances, or shifting customer expectations.

- Integration of AI initiatives will be a driving force in shaping this new revolution.
- Travel Managers need to advocate for their organizations to their TMCs to create an NDC strategy that fulfills content requirements.
- TMCs will proactively adapt to the changes in demand by consumers.
- Organizations will be more reliant on stronger supplier partnerships to enable the operational delivery of their program in this new environment.
- Policy will need to be enhanced to adapt to modern day retailing (i.e., unbundled products and services).
- Airline program strategies will need to evolve.
- Understanding the “total cost of ownership” relative to managing NDC is critical.
- Lowest logical airfare will require a new “calculation.”
- Content will be withdrawn from GDS EDIFACT in the near term, affecting some travelers and organizations that rely on certain flights and itineraries for their business-critical travel.

NDC represents another change in the consistently evolving travel industry. Created as a tool to serve the industries expanding market demands and technological advancements. Proving and adapting to the larger challenges and trends within the travel eco-system, it's important to acknowledge NDC as another advancement within the industry's natural progression of growth and evolution.





TCG and NDC

TCG Consulting is at the center of the ongoing transformation of the travel industry, specifically the integration of NDC.

With a variety of subject matter experts across the globe with real world experience across Travel, Meetings, Payment, and Expense, we can help you navigate the changes and challenges within the industry. Using our TCO – TMPE® methodology, we conduct an NDC Impact Assessment which will evaluate your current policy, airline agreements, travel patterns, and TMC operational delivery capabilities to identify opportunities for mitigation, improvement, and enhancement. We can effectively analyze your program and provide you the tools to understand how NDC is affecting you and how to best position your program for the current and future changes.

Learn more.

Visit our blog page [here](#) for more information and updates on NDC.

Contact us for an assessment of your airline program or to simply learn more about NDC.

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