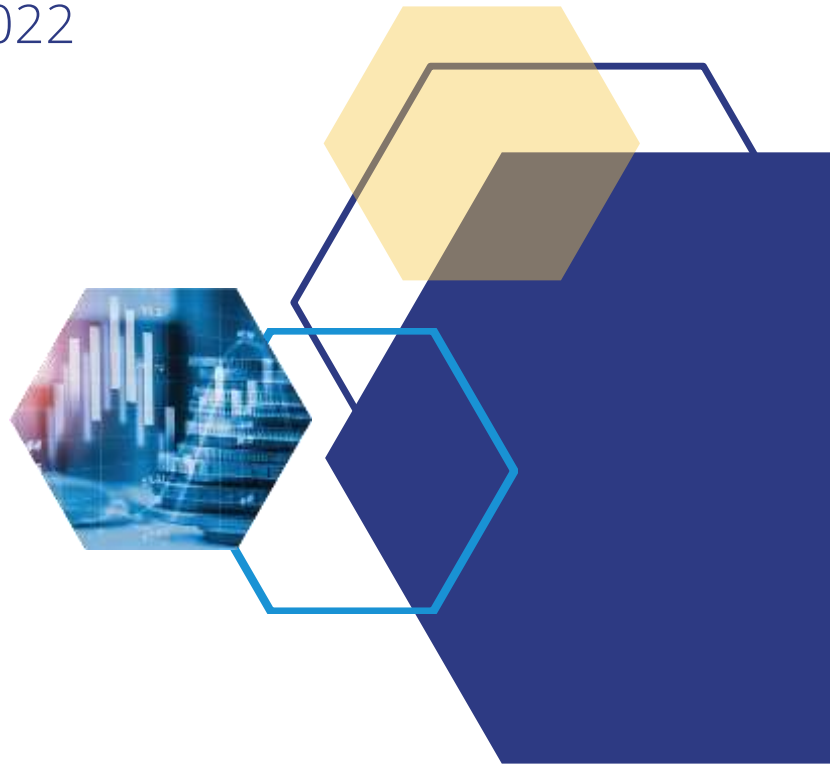
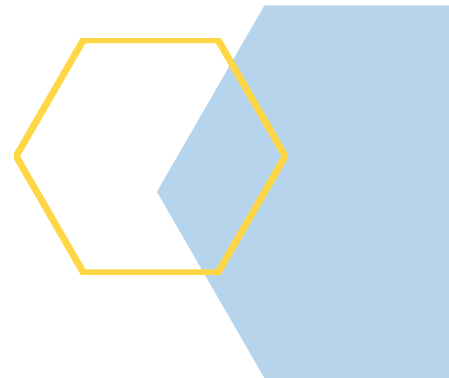




FIRST VIEW
February 2022



Qantas Finding Value in its NDC Investment





THE FACTS

On 11 February 2022 Qantas announced a promotional offer available exclusively to travel agents participating in the Qantas Channel and accessing the Qantas Distribution Platform. The offer provides for a discount of \$100 on economy fares to London when the travel agent submits the customer's frequent flyer number in the booking.

THE ANALYSIS

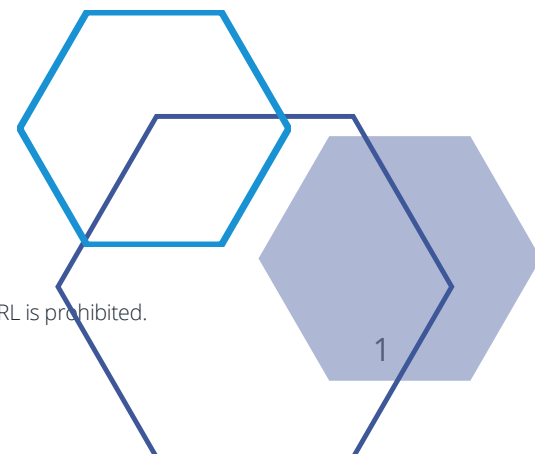
There are a number of threads to unpick in this announcement. Qantas has invested heavily in its NDC capability and is beginning to test the waters on how it will see a return. NDC was always premised on improving the capability and flexibility of airline sales but until now most attention has been on its ability to drive a shift to cheaper channels that avoid GDS fees. Outside the United States airlines that have tried to drive this shift have mostly done so with "sticks", primarily by imposing surcharges that increase the cost of the GDS channel by passing on the GDS booking fees. However, proponents of NDC have always said that it is about far more than reducing distribution costs.

The way that Qantas has positioned its NDC offering is instructive. The Qantas Distribution Platform is the implementation of new technology. It is a necessary but not sufficient condition for the benefits that the airline is seeking. The Qantas Channel represents the commercial framework by which travel sellers will access inventory and other products. Ultimately it is the commercial relationships that will allow the innovation in merchandising and selling that will deliver concrete business results. The current promotion is a good example of this.

Using NDC connections it is quite straightforward for the travel agent to submit additional data, including frequent flyer numbers, in their shopping requests. The ability to do something useful with that data depends on the airline's Offer Management System (OMS) and it is here that most of the investment in "NDC" will bear fruit.

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NDC itself is no more and no less than a communications interface that allows the OMS to send and receive richer information than is possible with traditional standards like EDIFACT.

Looking further at the Qantas announcement we see that the discount is offered in specific fare classes. A basic premise of NDC is that each offer is unique and that fare classes have no significance. The fact that the airline is specifying booking classes suggests that its back-end systems are still based on legacy concepts and that its journey to new processes is far from complete. It almost certainly has this in common with all the other major airlines that are adopting NDC. Only in the LCC segment do we see airlines that have broken away completely from the idea of booking classes and they sell very little of their inventory through the trade.

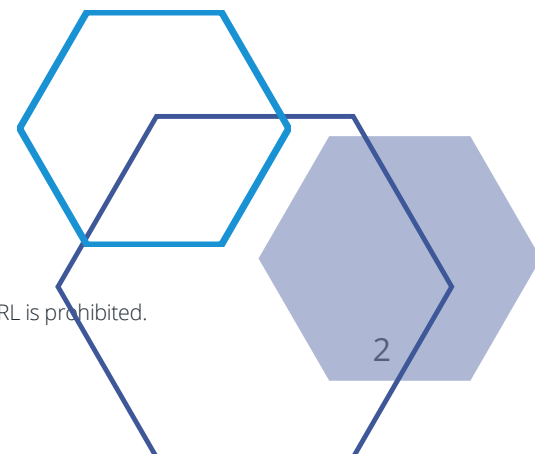
A final takeaway from this move by Qantas is that the offer is exclusively available to agencies using the NDC channel. The reasons are likely to be twofold. On the one hand, promotions like this are designed to persuade agencies to sign up for the Qantas Channel and further the channel shift that Qantas management wants to see. On the other hand, while offers of this kind are not impossible to administer using traditional technology, they are much harder and more labour-intensive to manage. It has long been a goal of airlines to have more information about the customer during the engagement. An initiative like this one can unlock the value inherent in the frequent flyer relationship from the beginning of the booking process.

THE SPECULATION

Although this year will see the tenth anniversary of the announcement of NDC it is fair to say that its adoption is still at an early stage. In part this is because the complexity of the use cases was vastly underestimated and the standard as originally launched was incomplete.

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Initiatives like this one from Qantas, Dynamic Pricing initiatives from various airlines and recent announcements regarding significantly enhanced NDC servicing from British Airways suggest that the industry is finally on the verge of large-scale adoption. Critical to this is the roll-out of NDC via the GDSs which will see NDC and traditional content competing side by side for travel agent eyeballs. Over time those airlines using NDC connectivity, whether directly to agencies or via an intermediary, should see a distinct competitive advantage as they deploy more dynamic pricing, bundled ancillary offers and personalisation.

T2RL is an independent research and consulting company that specialises in the market place for airline IT systems. Based on data gathered and analysed since the year 2000 it has defined and tracked classifications of airlines and their IT providers. Its research is used by airlines to enable them to make informed choices of systems and vendors and by the vendors to help them develop products that best meet the current and future needs of the airline industry. For further information, visit our website at www.t2rl.com.

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