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# **Finnair and Amadeus to Pioneer the Switch to OOSD**

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## THE FACTS

Finnair and Amadeus have announced that they will cooperate on “the transformation of airline retailing, with an IT agreement to deliver simplicity, flexibility and exceptional end-to-end experiences to travelers”<sup>1</sup>. The announcement was light on detail but confirmed that Finnair will use Amadeus solutions for both Offers and Orders.

## THE ANALYSIS

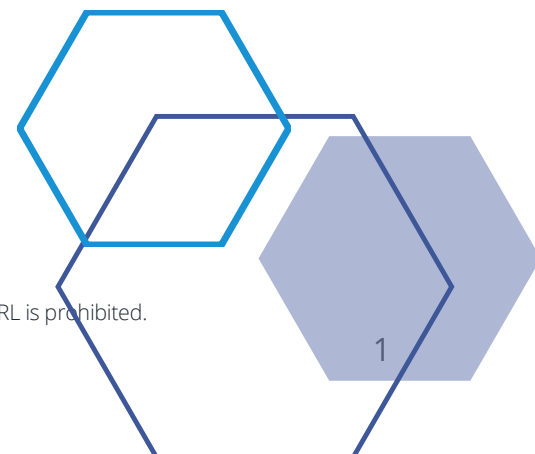
A switch from traditional PSS to Offer-Order-Settle-Deliver processes is widely expected to take place over the next few years. As the largest incumbent PSS provider it comes as no surprise that Amadeus has well-developed plans to offer the new capabilities to its existing customers. Finnair has been a steadfast early adopter of Amadeus services since the early 1990s so it is equally unsurprising that it should be the first to announce participation in the next stage of Amadeus’s evolution.

It is already possible for an airline to implement an OOSD system to manage its bookings. Norwegian start-up carrier Flyr has been doing just that for over a year. However this is only possible because Flyr is a low-cost airline operating in a closed loop environment without third-party distribution or interline partnerships. For a traditional network airline like Finnair the challenges are much greater. Not only will new technology be required but there will also be substantial changes to business processes that have been in place for many years. It will need to work with Amadeus to manage a transition that will probably take a decade or more. This will be made somewhat more straightforward as Finnair already takes the majority of its commercial IT systems from Amadeus. These include inventory management, reservations, revenue management, e-commerce and its NDC interface. Effectively Amadeus is already managing Finnair’s offer capability. The addition of an order management function will be relatively straightforward. If Finnair were a simple LCC that might be the end of the story but of course it isn’t.

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<sup>1</sup> [Amadeus Press Release](#)

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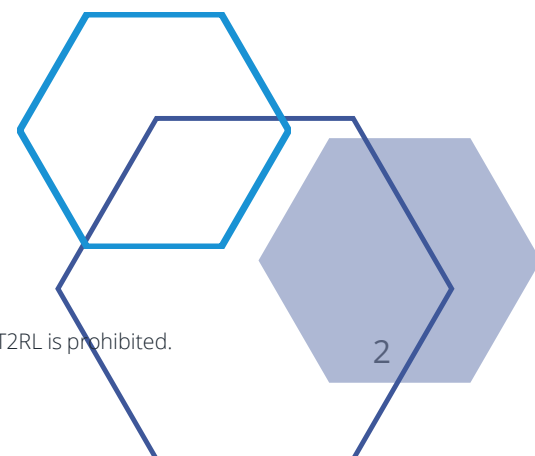
Finnair, like all network airlines has a web of connectivity to support its commercial activities. The most important connections are with its distributors – largely the GDSs – and its interline partners, including airlines with which it code shares. On the day that Finnair switches on its order management system every single one of its connections will be using legacy technology and data formats. In order to maintain its connectivity Finnair will have to present itself to the world using EDIFACT and Teletype communications, and PNR and e-Ticket data formats. There are two possible ways of achieving this. Either it will need to create new communications links that are able to use the legacy standards from the Order Management System (OMS) or it will need to synchronise every order with a PNR and e-ticket in the PSS and maintain the existing network connections. Either of these solutions would be costly but where the OMS is to be supplied by the incumbent PSS provider it seems clear that the second alternative is less risky.

Over an extended transition period connections using the old standards should diminish in number as more partners adopt the new processes. As we saw with the adoption of e-Ticketing some partners will move faster than others. Eventually airlines will decide that they are no longer prepared to sustain the old processes and will cut off any partners that have not made the transition. At that point the legacy systems will be shut down and only the new ones will remain.

## THE SPECULATION

Finnair has committed to modernisation of its distribution systems and this announcement confirms that it plans to do so in conjunction with Amadeus. With both its OMS and its PSS supplied by the same vendor, the roadmap, though long, should be straightforward. The situation will not be so positive for any airline that wants to procure OMS services from a vendor other than the incumbent. One of the stated aims of the ONE Order initiative was to bring in new technology vendors from the broader realm of technology and e-commerce. Any that do produce a viable OMS will face a huge dilemma when it comes to transition.

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The issues are both technical and commercial. The legacy world will not go away for a long time and the OMS needs to be able to talk to it. If the incumbent PSS provider were to agree to synchronisation it would probably be on onerous commercial terms and take a long time to implement. There would be no incentive for the incumbent to expedite the transition period. On the other hand if the OMS provider has to implement legacy communications it would need to expend more development effort up front and support more complex and therefore costly processes over the long term.

It is very difficult to see a viable path by which new entrants can make significant inroads to the market for OMS until the transition period is done. And that may be as much as fifteen years away.

*Travel Technology Research Ltd, trading as T2RL, is an independent sourcing and research company that specializes in airline technology and distribution. Based on data since the year 2000 it has tracked industry trends for airlines as well as their IT providers, distribution partners, and customers. All parties use its research to make informed business decisions to meet current and future needs. For further information, visit our website at [www.t2rl.com](http://www.t2rl.com).*

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