



FIRST VIEW
July 2022



Competition for the PSS – Piecing Together the New Airline Commercial IT Environment





THE FACTS

FLYR Labs has announced the acquisition of Newshore, an airline e-commerce software company to add distribution and retailing capabilities to its Revenue Operating System. This follows the September 2021 acquisitions of Faredirect and xCheck.

THE ANALYSIS

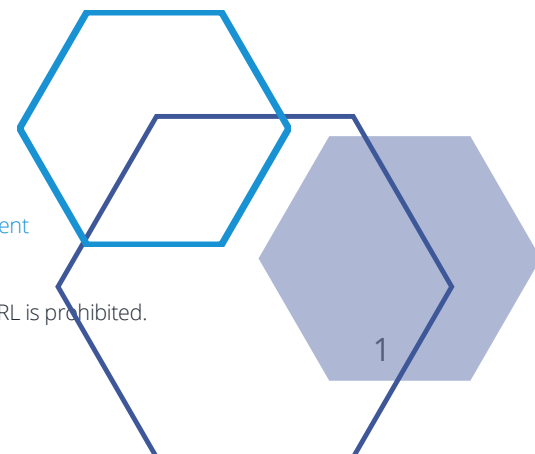
FLYR Labs is one of several companies that has ambitions to take a piece of the market for airline passenger services systems (PSS) that is dominated by Amadeus, Sabre and TravelSky.

Currently almost 74% of the world's airline passengers are processed by systems supplied by these three companies and their subsidiaries. Discounting the 34 airlines that own and operate their PSS in-house, the three leading suppliers have 88.4% of the market for passenger processing supplied under a software as a service (SaaS) model. These figures are based on 2021 passenger numbers and may change slightly as markets return to normality following the Covid-19 pandemic but they are unlikely to see radical alteration in the near future. Such a concentration of market power is unattractive to buyers. Many airline managers would like to see more viable alternatives available when they next go to market for their commercial systems.

One reason that buyers would like to see more alternatives is a perceived lack of innovation among the incumbent suppliers. The last decade has seen slow progress towards the vision proposed by IATA of a refactoring of airline commercial systems away from the traditional PNR/e-ticket/EMD model towards a system based on offers and orders. Despite general agreement that more retail-oriented processes could bring airlines great benefits, both in reduced costs and improved revenue opportunities, there has been little progress towards its adoption.

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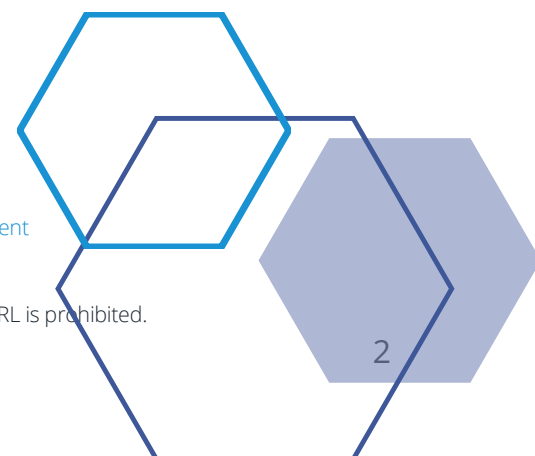


This is the context in which companies like FLYR Labs, Accelya, PROS and Pribas have been steadily acquiring or developing the full range of capabilities needed to deploy a commercial IT suite based on the flow “Offer-Order-Settle-Deliver”. Each of them has at its core one of the main components. In the case of FLYR Labs and PROS the starting point is revenue management which is the internal component of Offer. Accelya’s expertise is broadly-based but at its heart is revenue accounting which is critical to Settle while Pribas starts from NDC-style offer and order management. None of them can yet offer a complete solution but acquisitions like Newshore by FLYR Labs, Vayant and Traveaer by PROS, and Farelogix by Accelya along with internal development efforts such as Pribas has put into its AirBrokerONE suite are bringing them all closer.

The last example is particularly relevant as Pribas has recently supported the service entry of Norwegian start-up airline Flyr (not connected in any way with FLYR Labs) using its AirBrokerONE suite in place of a traditional PSS. It is able to support the Offer-Order-Settle parts of the flow for Flyr because the airline has deliberately chosen not to participate in legacy airline networks based on Teletype and EDIFACT. Deliver is still outside of Pribas’s scope and Flyr has implemented the mobile-centric Departure Control System (DCS), from Ink Aviation.

THE SPECULATION

There is certainly demand in the marketplace for a new approach to the PSS. The call for “airlines to become retailers” is heard in many quarters, especially IATA. This is probably too simplistic but there is little doubt that airlines can benefit by adopting tools and techniques from the retail world. The data structures and processes of traditional PNRs, tickets and EMDs do not readily adapt to changes in approach. It is also true that traditional systems can be slow to respond to new requirements. All of this would suggest that the vendors mentioned here have an opportunity to make inroads into the market share of the big three.





However there are high barriers to entry. Despite a theoretical preference for best of breed solutions most airlines still buy the complete PSS suite from a single vendor. If the aspiring disruptors want to make serious progress they will have to fill the gaps in their Offer-Order-Settle-Deliver capabilities. For most of them the biggest deficiencies are in the provision of inventory and departure control. Some may be able to build a very simple inventory product that is no more than a count of seats available and seats sold by cabin. The smarts of current inventory processing would be provided by the revenue management components. Delivery management is substantially more complex and may require more acquisitions. There are several stand-alone DCSs in the market. Some of them are quite long in the tooth but at least a couple of them – Res2 and Ink - are based on contemporary technology.

The big question then is “If they build it will the airlines come”? The experience of Pribas shows that at least for LCC start-ups the answer can be yes. Whether the same can be said for long-established network airlines is less certain. Much will depend on the balance between the fear uncertainty and doubt of leaving established providers and the opportunities presented by the new. A decade ago American Airlines announced that it would leave Sabre for a system to be developed by Hewlett-Packard. That move turned out to be premature and the project foundered. The available technology is much more mature today and a top-tier airline with a strong vision could conceivably make it work. That is almost certainly what these vendors are counting on.

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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