**IS THERE A FUTURE FOR GLOBAL DISTRIBUTION SYSTEMS?**

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As airlines increasingly look for ways to reduce cost and the Internet provides an ever more effective vehicle for the carriers to distribute their product, one has to ask what the future holds for the global distribution systems (GDS). The GDS share of passenger reservations is shrinking in every corner of the world as consumers and increasingly travel agencies take advantage of airline websites. Internet reservations cost the carriers only a few cents per booking versus the several dollars associated with the GDS transaction. To make matters worse, with declining yields, the GDS portion of the travellers’ ticket has been increasing. But are the GDS really destined to be the next dinosaurs of the travel industry or will there remain a role for these mega-systems?

**GDS: Still Efficient**

The GDSs are still the only efficient way for the travel agencies to deal with complex bookings that involve multiple carriers and interline pricing. These systems provide, in a matter of seconds, a comprehensive listing of all itinerary options and available interline prices that meet a customer’s travel requirements. Consider the challenge of checking availability for travel from Canada to India. If you wanted to research the travel options on the internet, you would have to check the web pages of all carriers serving the major connecting points in both Europe and Asia and then the websites of the carriers operating from those intermediate cities onwards to India. A thorough evaluation might include twenty or thirty individual searches – just to get you there, never mind the return. You would then have the problem of purchasing back-to-back fares which are probably more expensive than the through interline fares and they do not offer en route protection in the case of irregular operations. This is often not a viable option. The consumer either accepts the limited itineraries available on one or two carriers’ websites or calls their travel agents who have the benefit of a GDS system.

**Travel Agent Community: Still Loyal Users of GDS**

Despite the best efforts of the airlines, the travel agencies remain loyal to their GDS providers. As agencies do not pay the segment booking fee, GDS costs are not as much of a concern for them. Using the GDS means a set of familiar transactions that are quicker and more convenient than the multitude of unique interfaces offered by the various carrier websites. While an agency may well use the booking engines of a few preferred carriers, once the customer’s travel falls beyond those carriers’ networks, they will revert back to the GDS. A GDS booking and ticket is automatically processed through the relevant ticket settlement plan and may well be integrated with the agency’s revenue accounting system – which is often part of the GDS package. Even their office computer equipment and internet service are most likely supplied at no cost by the GDS provider. And yes, for those who might have a more cynical view, some GDS companies have been known to block the carriers’ website IP addresses on their equipment and internet service. It is unlikely the travel agencies will be the force driving the GDS to extinction.

**Next Generation GDS**

After decades of passing their costs on the airlines, the GDS providers are now having to respond to the industry cost pressures and have begun to at least hold the line on their fees. Unfortunately, their ability to drastically reduce costs to the level needed to be competitive with Internet distribution is severely hampered by their systems operating environment and architecture. The major GDSs are based on technology that, while truly revolutionary in its day, is badly outdated by modern standards. Their ability to operate and maintain these systems more economically is increasingly limited.
GLOBAL DISTRIBUTION SYSTEMS?

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To compensate, some providers offer “light” products that incur a lower booking fee but then sacrifice on the depth of the availability search. But, while taking the global distribution capabilities out of the GDS may let them reduce cost, it removes their most important product feature.

New companies have stepped forward in an effort to meet the requirement. Typically formed as partnerships of travel industry experts and leading technology companies, the next generation GDS providers have leveraged the advantages of the latest development tools to build more economical systems that are optimized for Internet communication. These companies are able to offer a global travel distribution service at a fraction of the cost of the legacy systems. Their challenge, however, is building the critical mass they need to become a realistic alternative. Travel agencies won’t start using these systems until they provide access to a wide range of carriers. To the travel agencies there is limited economic advantage to switching to the newer systems. You might think that the carriers would be lining up to sign on with the next generation systems but they seem to be waiting for the travel trade before incurring the cost of an additional distribution channel. The next generation systems might be cheaper, but if the travel agencies are not using them there is no benefit to the carriers.

The Future of GDS

What will break this apparent impasse? There is a need for affordable global travel distribution services and there is an increasing number of products to service that need. But with the disconnect between the users (the travel agents) and the purchasers (the airlines), it may take years before the technology becomes widely distributed. Good news, perhaps, for the current GDS providers who would be wise to use the time to revamp their products. Ironically, the very invention that shifted the market away from the GDS might be the one that brings them back.

The low cost carrier model owes much of its success to the reduction in distribution cost achieved through direct internet sales. This business model is beginning to saturate in many markets and we see the slow re-introduction of some of those practices that were originally an anathema to the LCC. Increasingly, LCCs are looking to interline and, code-share, and are even struggling to distribute through the GDS. Most LCCs distribute their product through their hosted reservation systems. These systems have not been developed to interface with each other or to the GDS. While advancements are being made in this regard, there is really no single source reservation system that will allow travel agencies or consumers to view and book itineraries across multiple low cost carriers.

As the global share of travel reservations made on low cost carriers continues to rise, the travel market will increasingly demand the degree of convenience that it has enjoyed with the legacy airlines and traditional systems. The next generation GDS may become the vehicle by which the low cost carriers are able to provide an integrated global service. The new systems offer an affordable mechanism to distribute integrated itineraries connecting cities served by different low cost carriers throughout the world. Demand from the consumer might well be the force that drives the travel agencies to adopt the new systems. If and when they do, we can expect that legacy carriers will happily follow suit. The role the GDS and travel agencies play in airline reservations will continue to fall as low cost carriers expand and as the Internet becomes more universally available. Whether the GDS systems become a niche market service or whether the introduction of new more affordable systems enables a higher degree of participation may well depend on the value the low cost carriers place in the expanded market reach a GDS service provides.