

# Airlines, ticket firms battle over booking system

June 12 2012, by JOE McDONALD

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In this June 11, 2012 file photo, Executive Director of the International Air Transport Association Tony Tyler attends the 68th IATA Annual General Meeting and World Air Transport Summit in Beijing, China. (AP Photo/Ng Han Guan, File)

(AP) — A guaranteed aisle seat, special meals, access to the VIP lounge — and tickets to a musical?

Airlines want to raise new revenues by selling such extras alongside tickets and are locked in a battle with three companies that dominate the bookings industry over the introduction of a new global reservation system.

Carriers complain the current system is a costly 1970s throwback without Internet-era convenience. They want to cut out the global ticket

booking systems — Sabre Holdings, Travelport Ltd. and Amadeus IT Group — that some reject as obsolete middlemen who add costs. A former chief of the global aviation industry group called them "leeches."

The booking companies retort that they have invested to upgrade services and are working hard to meet carriers' needs.

The battle highlights how crucial fees from add-ons are to a struggling industry that is being squeezed by high fuel costs and a global economic slowdown. Airline profits are forecast at \$3 billion this year, a wafer thin margin of just 0.5 percent on projected revenues of \$631 billion, according to the International Air Transport Association.

Carriers might be forced to abandon traditional distributors if they fail to change, said Rob Fyfe, CEO of Air New Zealand at an IATA conference in Beijing.

"They will either adapt to be able to support our product or we will find a different way of selling it," he said.

Fyfe cited his airline's "Economy Skycouch," which allows passengers to pay for three adjacent seats and turn them into a sleeping platform. He said Air New Zealand can sell the service only through its own website. It's "very difficult" to sell through travel agents using the traditional systems, he said.

But for travelers, a new reservation system might not be all good news even as airlines promise they'll be able to offer their customers greater choice.

While airlines can make more money from selling extras, it also means more travelers are getting squeezed as they're forced to pay for things that used to come with the ticket such as seat assignments. U.S. airlines,

for example, are setting aside more economy seats requiring an extra fee because they come with more legroom or are closer to the front.

The premium seats can be booked through an airline's own website, but are more difficult to book through travel sites using distributor information, such as Expedia, Orbitz and Travelocity. A new global reservation system could eliminate those problems for airlines.

IATA, the industry group, says it wants to find a solution that benefits everyone but tension over tickets and how to split up revenues has led to legal battles in the United States.

An antitrust lawsuit by American Airlines, a unit of AMR Corp., against Sabre Holdings and Travelport, and online travel site Orbitz is due to go to trial this summer in Texas. American accused the companies of monopolizing distribution of flight information to travel agencies and trying to control ticket distribution.

The extra revenue from add-ons such as seat assignments and priority check-in could total \$30-\$60 billion over the next five years, said Yanik Hoyles, director of business development for IATA, citing industry estimates.

The bookings industry has invested some \$500 million over the past three to four years to develop technology to support the services sought by airlines, but travel agencies have been slow to adopt it due in part to the cost of switching, said Gillian Gibson, executive vice president of Travelport.

"We believe we are making the right investments," she said. "We need to have an incentive for them to shift to a new technology." Under the current model, travel agents receive commissions from airlines through the distribution systems, leaving them little incentive to move to another

system.

Airlines are also playing catch-up to a practice widespread elsewhere in the e-commerce world: mining stored data on a customer's previous purchases to tailor product recommendations. They want to be able to offer special deals based on previous buying patterns, in the same way that Amazon uses a user's data to create a customized list of recommended books.

In an example envisioned by IATA Chief Executive Tony Tyler, a customer buying tickets on an airline's website could be offered, say, tickets to see "Les Miserables" based on data showing that the traveler had bought tickets to see "Cats" on a previous trip to the same city, according to an interview Tyler gave to an aviation trade journal last year.

"It already happens in the world of retail today. Why shouldn't it happen with airlines?" said Aleks Popovich, an IATA senior vice president.

The group is developing standards for a system that will allow airlines to offer additional services and help customers interact with carriers directly or through travel agencies or other services, Popovich said.

Experts from Google Inc., IBM Corp. and Hewlett-Packard Inc. were included in discussions of a proposed plan that's due to be submitted to the aviation group's board in December for consideration, Popovich said.

He said it's unclear how long it might take to roll out a system, but he pointed to the example of paperless electronic tickets, an IATA initiative that he said took two to three years to be adopted worldwide.

"I can't give a date, but it's pretty clear the pressure for change is there," said Popovich.

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Citation: Airlines, ticket firms battle over booking system (2012, June 12) retrieved 24 April 2024 from <https://phys.org/news/2012-06-airlines-ticket-firms.html>

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