

T2RL'S First View is our rapid analysis of breaking news. It helps provide perspective, putting the facts in the context of our wider and deeper knowledge of the market.

## Navitaire and Travelport – The Best of Both Worlds

T2R Staff

### The Facts

Navitaire is building connectivity to support services provided by Travelport. These services will allow Navitaire's customers to extend their product and service offerings to include interlining. Some of Navitaire's customers already use Travelport services for electronic ticketing.

### The Analysis

This relationship makes great sense for both parties. Navitaire's low prices leave it with very limited resources to develop the functionality its customers require as they move away from a closed-loop business model in which they have no need to interact with other airlines. Over the decades since 1948 the airline industry has established a very comprehensive set of standards to enable co-operation between carriers. Compliance with these standards is one of the most significant cost drivers for the developers of airline commercial systems. While Navitaire's customers operated as pure point-to-point and direct sales businesses they had no need of standards compliance. As they adopt practices such as interline booking and travel agency ticketing they discover significant functional challenges. Travelport has the functionality they need. It's core to the GDS business.

Of all the GDS companies Travelport is the least integrated. Although it has developed or acquired a range of common services it continues to operate three separate travel agency distribution systems and two major airline passenger services systems. It has also had at least one unsuccessful attempt to establish itself directly as a provider of PSS to the low-cost carrier segment via a marketing agreement with ibs that ran from 2004 to 2008. Now however Travelport is finding and commanding an interesting niche position in provision of services needed by airlines for extending their network and product offering to new customers and new channels.

Navitaire joins SITA and Travelsky in extending functionality through relationships and integration with Travelport.

### The Speculation

No commercial information was provided to T2RL.

However the commercial agreements will be challenging. Interline partners will want to recover the booking fee cost from the pro-rate relationship.

Airlines that have traditionally taken some time to create these relationships will now be able to initiate, amend and stop agreements in a much more flexible way. Extensive interline agreements will see Navitaire able to focus on a number of relationships and not have to build everything from scratch. Travelport will have to consider this flexibility in its approach to the customers with Navitaire.

Navitaire's biggest commercial problem in recent times has been the loss of airline customers like WestJet, JetBlue and Volaris as they adopt more characteristics of the network airlines and move to a hybrid business model. This deal will make Navitaire more competitive in the hybrid sector and should allow it to stem the customer losses.