

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.

## Amadeus - One More Step Ahead

T2R Staff

### The Facts

Amadeus presented its capabilities and stimulated discussion with a group of online agents at the E-Commerce Leaders Forum for the Central, Eastern and Southern Region, in Nice on 25 and 26 November 2010. Agents came from all over the region to listen a variety of Amadeus and external speakers and to take stock of the opportunities and challenges facing them in the quest to grow their online business.

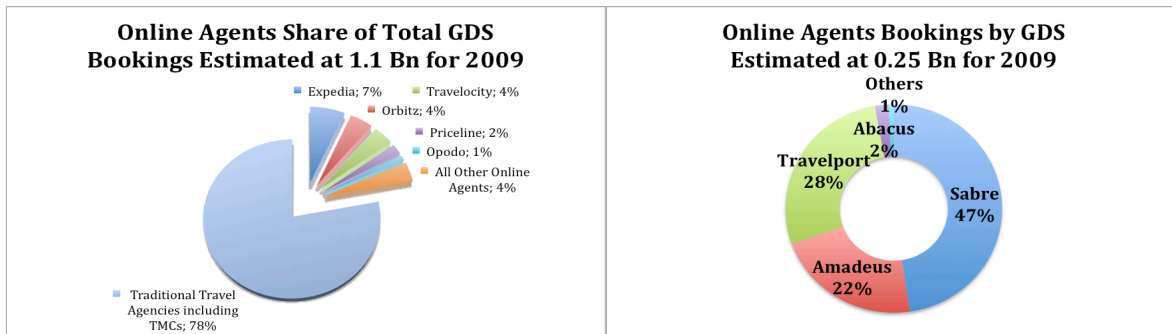
### The Analysis

With the exception of the United States and Canada, Amadeus has grown and displaced its competitors in every part of the world over the last 10 years. One of its greatest strengths as a GDS was, and is, its diverse geographic spread of agents of different sizes across the globe.

Slightly counter-intuitively, this increases the value that Amadeus brings to the airlines. Fragmented smaller agencies have less power in the market to demand overrides and additional commissions. This is also important for Amadeus' profitability. Smaller agents cannot demand large incentives for making their bookings in one GDS rather than its competitors.

Unusually it seems, the airlines and Amadeus have found a common cause. T2RL believes that this was something Amadeus's founders, Marc Denis from Air France in particular, understood well.

Just as it has done for years for traditional agencies, Amadeus is getting its act together for the smaller online agents. By providing capabilities with tools and services it is allowing smaller players to compete online. Today's online agency market is dominated by a handful of large players but Amadeus is well placed to allow smaller OTAs to tap this growing market.



Travel agencies need airline inventory and content. Quality of content comes from the airlines' need to sign a full content agreement with Amadeus which has a market leading position in Airline IT. Building on the System User product that it has offered from its inception the Altea Reservations system booked almost a quarter<sup>1</sup> of all airline seats in the world last year. Many airlines find it very difficult to refuse the discount in booking fees available for providing full content. This gives Amadeus agencies the basic tool set to compete. Add to this a comprehensive set of tools and services, and advice from experts in e-commerce, such as Hurrah Communications or Tradedoubler and even smaller agents can compete. Further innovations around extreme search and Amadeus industrial strength delivery give even the smallest agent the ability hold its own in the online world.

## The Speculation

Amadeus is pulling away from the competition again.

The base of System User airlines gives it margins that allow continued funding of product developments that competitors can only dream of.

Innovation is becoming the norm for Amadeus. New entrants struggle to aggregate airline content in terms of availability. Pricing of itineraries is almost a commodity now. The name of the game is availability.

The development organisation at Amadeus is also coming to the fore as top management realises that sustainability in the business model is driven by high quality software, innovation and solid delivery. Combine this with innovative pricing and Amadeus's position becomes unassailable.

Amadeus's development engineers now feel confident to explain their recruitment policy to travel agency customers. Google, Microsoft and Oracle have always done so, but Amadeus is now confident that it can join that exclusive club. Providing insight into the development organisation and the culture is no longer something to be hidden, it's a marketing plus. Amadeus makes no apologies for recruiting the best it can find and takes care to explain that the people are unusual but can work in teams. This gives the Amadeus' customers serious comfort - making them feel like they have their very own Google to help drive their businesses.

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<sup>1</sup> 22.6% to be precise, according to the T2RL database