

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 learns to speak domestic Japanese

T2RL Staff

The Facts

Japan Airlines (JAL) have announced that they have chosen Amadeus' Altea PSS solutions for both international and domestic operations.

The Analysis

JAL have been operating JALCOM since 1967 in a number of forms and guises. The announcement with Amadeus will allow JAL to retire the JALCOM infrastructure for the airlines own reservations by late 2017 early 2018. JAL had already chosen Worldspan to replace JALCOM functionality for their domestic distribution system, Axess.

It goes without saying that the Japanese market is unique. Language and cultural differences together with competition from some of the fastest trains in the World will make this implementation project very challenging for both parties. Significant investment will be required to complete the functional gap to meet the domestic market requirements in particular. Amadeus have made the commitment to build a team of people up in Japan to support JAL during the implementation and through the term of their agreement.

JAL's technology strategy is completely at odds with their direct domestic competitor, All Nippon Airways (ANA). Although interestingly ANA have also chosen Amadeus for the international business, ANA made the decision in 2005 to adopt, adapt and deploy Unisys' Air Core technology for the domestic business.

Amadeus' GDS volumes in Japan have always remained modest, whilst T2RL does not have access to MIDT data we estimate that volumes do not exceed more than two million bookings. JAL owned Axess and ANA and Abacus' Infini are well adapted to the market place and the airline booking fees have traditionally been some of the lowest outside of China for the Chinese carriers. Amadeus will undoubtedly look to bolster their GDS market share on the back of the JAL announcement. JAL will want to make sure Amadeus does not make significant share gains in GDS bookings offsetting the savings and reducing the benefits from the Amadeus IT agreement.

Interestingly the announcement does not include any mention of Amadeus' e-commerce solutions. T2RL's view is that Japan's e and m-commerce needs are unique making it very challenging for Amadeus to develop a cost-effective solution for such a small segment of the global market. Priced availability is likely to be delivered by Amadeus if JAL opt for more complex inventory controls in the future.

The Speculation

Amadeus and Japan Airlines will find the project challenging, but the Japanese are generally thorough and Amadeus have a World-class development organisation. The project will take longer than both parties want but ultimately they will not take as long as ANA did to make Unisys Air Core work for their domestic business.