

GUESTLOGIX TAKEOVER OPENJAW - AIMING FOR ONE STOP SHOP FOR ANCILLARIES

T2RL staff

THE FACTS

Guestlogix, a Canadian based firm specialising in onboard retailing hardware has bought out the ancillary packaging software company, OpenJaw for \$41.2 million in a deal that will add more heat to the airline merchandising market.

The acquisition is a natural progression for Guestlogix to better exploit the opportunity available in the airline ancillary market by providing an end-to-end merchandising platform for airlines to enable them to deliver an omni-channel strategy for their ancillary selling.

Jointly, airlines make up around 72% of Guestlogix and OpenJaw's current revenue and will clearly be their preferred chosen vertical. It will be interesting to see if they will also continue serving other verticals within the travel industry where OpenJaw has built up a client base. OTAs, loyalty companies and hotels currently make up half of OpenJaw's revenue stream and both companies also have some key clients in the rail sector (Heathrow Express, SNCF).

The takeover also brings further potential opportunities and synergies moving forward with Guestlogix bringing their global payment processing capabilities and onboard retailing expertise to the table, combining this with OpenJaw's ancillary provisioning and merchandising platform expertise.

First intentions leading from the takeover, however, are clearly to leverage on each company's customer base - mainly to extend OpenJaw's t-Retail Platform to Guestlogix clients who consist of a good mix of tier 1 airlines (eg. United, Qantas, Ryanair, American Airlines).

THE ANALYSIS

OpenJaw's current airline solution focuses on offering an ecommerce platform for airlines to package ground products with their own seat inventory. Key airline customers in this area include British Airways, S7, Kulula and Etihad.



OpenJaw assisted British Airways Holidays back in 2009 to help them launch a new business model based around dynamic inventory supply, providing full website integration with BA.com for cross-sell and dynamic packaging offerings with hotels, cars and other ground content. The company also recently announced deals in this area with Iberia and Cathay Pacific.

Recently, OpenJaw have also been working on adding in-flight ancillaries including baggage and seating, having integrated EMD with certain PSS systems and developing a framework to support ATPCO.

Guestlogix have been a fairly quiet player in the ancillary retailing market up until recently, preferring instead to focus on the solutions used to produce such sales onboard the aircraft. The piece of the missing puzzle was the actual connection to the traveller and traveller data.

In the last few years they have been transitioning from selling hardware devices to providing software payment capabilities that integrate with other Kiosk and Seatback In-Flight Entertainment systems through partnering with the likes of NCR in Oct 2013, Thales in April 2013 and Panasonic in September 2012. They have also been building on their retailing analytics capability.

THE SPECULATION

T2RL believes that a takeover of OpenJaw by Guestlogix will certainly add more dynamics to the merchandising space. OpenJaw has made good progress with their flagship customer British Airways to fine-tune and scale their ecommerce packaging platform (t-Retail).

Although OpenJaw have struggled with direction in the past, the Guestlogix takeover should certainly facilitate a much clearer strategy, targeting the airline segment and a clearer offering of their t-Retail platform as a whole. It is also expected that the retail platform will be expanded to enable ancillary booking at the airport through kiosks and also on-board using Guestlogix's payment processing capabilities. This could enable a full end-to-end view of each customer, an area currently difficult for the airline to aggregate data and have full visibility.



It is believed Guestlogix intend to follow an investor favoured transaction model to support the sale of ancillaries such as food, beverages and duty free through the retail platform. There are also potential opportunities to use Guestlogix as the Payment Service Provider when OpenJaw sell their systems.

This takeover will have caught the attention of players such as Navitaire and Datalex who are currently providing merchandising platforms to the likes of Ryanair and Aer Lingus and airlines such as Air Canada who are currently using Guestlogix's onboard services.



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