

## RADIXX AND FLYDUBAI SECURE THEIR FUTURES

T2RL Staff

### THE FACTS

Flydubai and Radixx announced their partnership for the provision of PSS on April 20, 2015.

### THE ANALYSIS

The key takeaway for airlines is that Radixx's source code solution is real for a 7.25 million passenger boarded airline. Flydubai spent time and effort to investigate the solutions from a number of other PSS providers and chose to renew their relationship with Radixx because they felt that the source code solution was the best fit with their current and future needs. Winning the business of such an important and rapidly growing airline is a major endorsement of the Radixx solution.

The timing of this deal is opportune for Radixx. T2RL's view is that the leading competitor in Radixx's market segment is Navitaire and Navitaire's new client growth appears to be slowing. This slowdown is a result of an increase in prices, driven by a focus on short-term increase in margin and valuation. Radixx are clearly an alternative to Navitaire.

T2RL also believes that Radixx's core capabilities are most closely aligned with ticketless carriers that are focussed on the direct channel, providing them with the ability to create, market, sell, fulfil and then account for ancillaries rapidly. These capabilities, according to Radixx's CEO Ron Peri, give their customers the ability to differentiate their products and services in an otherwise bland and undifferentiated set of consumer offerings.

Following a discussion with T2RL, Peri is acutely aware that airlines that distribute via the GDS will be attracted by GDS fee reductions and that this plays out in the decision to choose the PSS, assuming these reductions are offered as part of the PSS deal. He does not claim to compete for these customers and understands that the market opportunity might be limited to T2RL's assessment of the LCC and Hybrid segments as being some 800 million passengers boarded. His view is that this segment will definitely support Radixx's growth.



The Press Release is clear in that the deal includes a licence to allow Flydubai to modify the source code. Whilst one deal does not make a trend, T2RL's research suggests there are more airlines looking to bring in-house the supply of PSS. Emirates is not the only carrier that has brought their PSS back in-house. Delta Airlines also purchased the necessary licences from Travelport last year, in order to do the same thing.

T2RL see the Flydubai deal as key to the future of Radixx. To better understand this conclusion, note that Radixx supports more than 50 clients worldwide. By taking on the responsibility for development, Flydubai have liberated Radixx of the burden of meeting their market specific requirements. T2RL's research suggests that large dominant clients take a disproportionate amount of resource and also demand the lowest passenger boarded fees. As a direct result, the vendor spends valuable time servicing customers that are less profitable. As Flydubai is taking a source licence, Radixx are relieved of the burden of a very large client. In addition to management and resource attention, Radixx will have secured funding for ongoing product development.

It is T2RL's view the licence fee would have been reasonably substantial, likely to be a number of millions of dollars, given the timing of the announcement and T2RL's estimate of the current contract value. This funding will enable Radixx to:

- Make the transition to new generation technology for their existing solution platform;
- Further extend the complex functionality associated with codeshare and interline to address the needs of new market segment requirements;
- Execute on a strategy to reduce one of their key input costs by implementing IBM mainframe technology which in order to support transaction scalability, further improve reliability and reduce other third-party licence fees such as Oracle within a world-class data centre footprint;
- Increase resources for the sales and marketing function to drive new business.

T2RL see Radixx as well positioned for growth following this transaction. Meanwhile, Flydubai will be able to focus development effort on their specific requirements, thus speeding time to market for differentiation and consumer offerings. This is a win-win in T2RL's opinion.

## THE SPECULATION

Radixx will become more attractive as an acquisition target given the current market dynamics with respect to low-cost carriers and hybrid carriers. The benefit of the contract extension with Flydubai may bring about a set of unintended consequences.



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