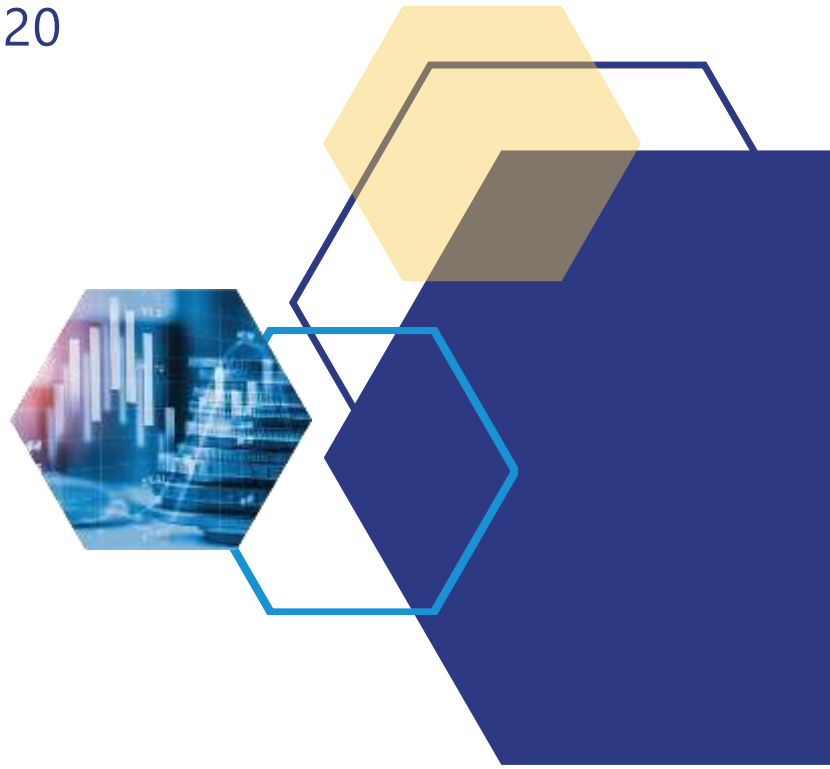




**FIRST VIEW**  
February 2020



# AMADEUS SCHEDULING MOVES TO THE NEXT LEVEL

First View: Rapid analysis of breaking news,  
providing perspective





## THE FACTS

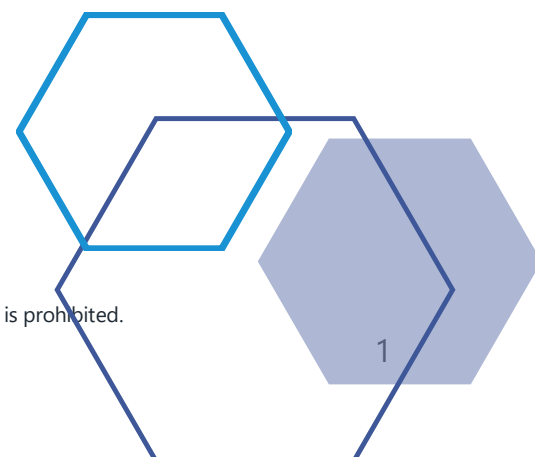
Amadeus and Optym have announced that the airline network planning business of Optym has been acquired by Amadeus. The two companies have had a partnership to market the Amadeus Sky Suite for three years and the 90 employees who work on it will now transfer to the Airlines R&D unit of Amadeus. Financial details of the transaction have not been released.

## THE ANALYSIS

Amadeus is the dominant player in commercial IT systems for airlines but until relatively recently it has not had significant offerings on the operational side of the business. In this it contrasted with its most significant competitor, Sabre, which by virtue of its roots as the IT department of American Airlines, has long had a much broader set of interests. It seems clear that Amadeus has ambitions to extend its offerings across the entire spread of airline IT systems and this announcement provides more evidence. It also supports the view that Amadeus has gradually evolved its position on the buy versus build question when it comes to new product developments. A decade ago it was very firmly in the “build” camp. New products were almost invariably developed within its own organisation – the majority by staff based at its campus in the south of France. Now the company is taking a more balanced position and is open to strategic acquisitions as well as industry partnerships when it judges that they can offer solutions that are better, faster or cheaper.

The T2RL database shows a large number of software vendors with some schedule planning capability. However at the top end of the market there are only four companies with product installed at the largest carriers. Among the top 15 airlines by passengers boarded, seven are using Sabre, four have Lufthansa Systems, while AIMS has two customers. Amadeus now makes up the group with Southwest Airlines and easyJet using Sky Suite. Over time it will certainly be looking to win business away from its competitors in schedule planning.

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The relationship with Optym came into the category of industry partnerships when it was announced in November 2016. At the time [T2RL analysis](#) indicated that the partnership offered great potential for a significant improvement in airline scheduling practice. Its capabilities in schedule optimisation on the axes of profitability and reliability went well beyond the current state of the art. Since then Amadeus has provided investment support to develop the product line and manage its introduction to launch customers.

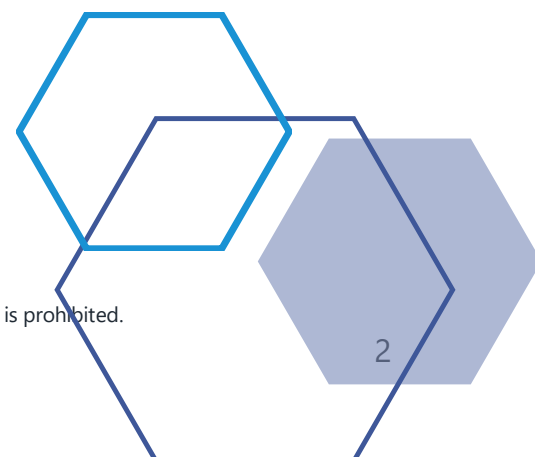
Clearly the results have met expectations and Amadeus has decided to consolidate its position by acquiring the intellectual property and human resources behind its Sky Suite product line. This does not constitute a complete takeover of the company. Just as it did with the acquisition of the Crane Loyalty program from Hitit, Amadeus has taken on the relevant part of the enterprise. Optym will continue with its core business of transportation optimisation, which will now principally serve modes of transport other than airlines.

So far there are three major customers - Southwest, easyJet and LATAM - for the Amadeus Sky Suite but we expect that number to grow in the months to come. Amadeus will be able to offer advanced scheduling capabilities as a high-value additional service to the 231 airlines that currently use its Altea and Navitaire PSSs but it will not be limited to those carriers. Schedules publishing is served by the very mature SSIM standard, which means that any airline with a compliant PSS (which is almost all of them) will be able to incorporate the output from Sky Suite into its commercial operations without any development effort. Amadeus is also working to integrate it with existing revenue management and disruption management tools. An added benefit will be the ability to react rapidly to critical situations such as the grounding and eventual reintroduction of the 737 Max fleet.

This transaction represents a further step along the road that Amadeus has been following for over thirty years. Its first product, the GDS, generated the revenues and profit margins that have enabled it to invest heavily in building out its capabilities, firstly into the adjacent area of PSS and subsequently across the whole range of airline IT provision. There is little doubt that the ultimate goal of its product development is to have a completely comprehensive offering such that it is a true one-stop shop for airline technology.

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## THE SPECULATION

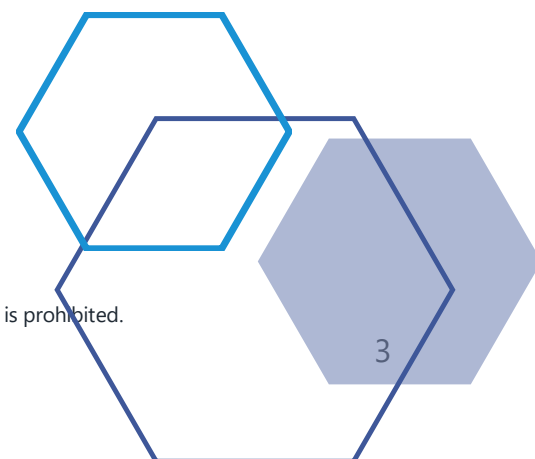
It is very unlikely that Amadeus's ambitions in the operational side of the industry are confined to scheduling. We expect to see further developments across a range of solutions from flight ops to crew scheduling to cargo management as the company builds a truly comprehensive applications portfolio. To become a one-stop shop Amadeus will use a combination of internal development, acquisitions, and partnerships with specialised vendors. It does not need to own everything but it must take end-to-end responsibility for the overall solution. Neither partners nor airline customers will have a broad enough perspective to solve problems that arise at the interfaces between solution components.

The previous generation of scheduling solutions, which matured in the early 1990s, focused on managing the incremental changes required by adding or subtracting small numbers of aircraft and realigning the schedule to take advantage of new capacity. However the models were at best incomplete on the subject of why customers select one flight over another. To address this problem we expect to see increasing use of artificial intelligence and machine learning (AI/ML) to augment the capabilities of Sky Suite and future products. Sky Suite already uses AI/ML in its "quick fix" capability that allows for rapid solutions to short-term scheduling challenges. We expect to see more applications of this technology as the company gains experience in its use.

Looking a little further ahead one of the big benefits of Sky Suite lies in its schedule optimisation capability. Large scale optimisations are expected to be one of the problem types that may be addressed by quantum computers as and when they become commercially available. IBM and Google are the two companies that appear to be making the most progress in the development of viable quantum computers. We expect that somewhere in the Amadeus R&D group there are people keeping closely in touch with one or both of those companies as the quantum story unfolds.

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