

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 Speeds up Migration

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### The Facts

Aegean Airlines has migrated its Inventory, Reservations and Fare Quote Services to Amadeus only eight months after signing a contract to move away from its previous supplier. Meanwhile, on the other side of the world TAM has completed a complex migration from Sabre to Amadeus.

### The Analysis

Since the groundbreaking deals signed with British Airways and Qantas a decade ago Amadeus has gone from nowhere to market leader for airline PSS. When all the currently contracted airlines have migrated to the Amadeus Altea systems it will be processing almost a quarter of all passenger boardings in the world. And there is the rub. To get to that state Amadeus will have to complete the migration of airlines with almost half a billion annual passengers between them. Never in the entire history of the airline industry has such a rapid rate of change of IT provision been sustained across all vendors, much less by a single vendor. The ability to complete these migrations is the biggest single element of risk in Amadeus's business plan over the next five years.

It is in that context that the migrations of Aegean and TAM are most illuminating. TAM is a mass-market airline that leads its domestic market in Brazil and has an increasing international presence. It has established a proprietary distribution channel to domestic travel agents that enables it to avoid GDS charges for its domestic business. It boards thirty million passengers per year. By any measure it is a large and complex airline.

Aegean, although smaller, is still a complex business. It came from the Low-Cost Airline tradition and boards six million passengers per year in a mixed domestic and international network. It is increasingly taking up the reins from troubled Greek legacy carrier Olympic Air, which replaced Olympic Airlines in October 2009. It has agreed membership of the Star Alliance.

Migration of an airline of this size and complexity is a major project, demanding huge commitment of resources from both airline and vendor. Migration projects typically take over a year to accomplish and so a vendor that planned to accomplish multiple migrations per year would need multiple complete and duplicated teams of people. Industry analysts have

expressed major concerns about the ability of Amadeus to even recruit the skilled people needed to achieve all the migrations to which it is committed, not to mention the management capability of deploying and organising them around the world.

Amadeus has addressed the problem by utilising its greatest strength - the ability to develop high quality and reliable software. Since the early days of British Airways and Qantas migration the Amadeus Development Company has produced a comprehensive suite of software tools for data conversion and transfer, message switching and functional testing. These tools are comprehensive and versatile and are becoming more so every time they are deployed to manage a real-world migration. As a result, each migration is accomplished more efficiently and effectively than the last. Fewer resources are required for a shorter time, which means that they may be redeployed more quickly. Which means that more migrations can be accomplished in the same time.

Since its inception as a pure distribution system in the 1990s Amadeus has invested significantly more of its GDS revenues in software development capability than any of its direct competitors. While this may have reduced historical margins and precluded investment in ventures such as online travel agencies it is clearly paying dividends now.

## The Speculation

Aegean and TAM along with other relatively recent customers like Egyptair and South African have been migrated with little fuss and at high speed. Although they are important customers in their own right Amadeus has also been able to use them as proving grounds for the tools and processes that they will need when it is time to migrate the balance of Air France's portfolio, SAS, Singapore Airlines, Cathay Pacific and other tier one airlines. Our expectation is that those migrations will go as smoothly as Aegean and TAM, and perhaps even better.