

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.

Datalex Enters South America

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The Facts

Last month saw the launch of a new website for Colombian airline Aero Republica, using the strategic platform developed by parent company Copa Holdings with Datalex. Online sales have doubled as a result.

The Analysis

What appears like just another piece of systems rationalisation masks a depth of complexity. Copa and Aero Republica may have the same ownership and branding but there the similarity ends.

Copa is a highly profitable hub carrier serving a number of unique international routes in a predominantly business market. Aero Republica is a domestic Colombian carrier with a high dependence on leisure traffic in a fiercely competitive marketplace.

Although still dominated by the traditional travel agency and GDS channel, Colombia has started to see rapid growth in e-commerce. Internet penetration has doubled in the last 2 years and adoption of aggressive Internet marketing by low cost operators such as Aires is starting to change consumers' buying habits.

For Aero Republica exploiting the investment already made by its parent was an obvious way to rapidly acquire market-leading functionality. The platform includes 7 & 35 day calendar shopping, comprehensive 'manage my reservation' facilities, multiple language support, profile management and the ability to hold and pay offline.

But it was not all plain sailing. Different fare structures, the complexities of Colombian fiscal law and an entirely different marketplace were just some of the challenges that had to be handled.

It is payment processing that has proved to be the biggest issue. International business travellers may be accustomed to purchasing tickets online but the same cannot be said of the general population in a country where cash remains the prevalent form of payment. Hence allowing customers to make reservations online and subsequently pay with cash in another channel is critical functionality. This is a very practical example of why e-commerce needs to be approached as part of an overall direct distribution strategy and not as a standalone initiative.

Payment by credit card is the norm on airline websites but in Colombia even this is not without its complications. Colombian banks, as in most of South America, offer the option to pay in

cuotas (or instalments) at reduced levels of interest. This is certainly not 'out of the box' functionality for the mainstream payment providers. Implementing it has been a testing journey for Aero Republica, Datalex, Global Collect, its payment processor, and the corporate IT department in Copa Holdings.

Early results have been encouraging with online sales doubling in the first week of operations. If the Aero Republica team achieve their online penetration ambitions then we estimate this implementation could represent an additional annual revenue stream for Datalex of well in excess of \$0.5m.

The Speculation

This is the beginning of an exciting and challenging journey for this Colombian airline. Aero Republica will have to learn how to attract and retain a customer base that is only beginning to use e-commerce seriously. We can expect to see the provision of further payment methods such as bank transfers and direct debit in the near future.

At T2RL we have long maintained that IBEs are a transient technology that will ultimately be subsumed within the underlying PSS. However, the Aero Republica experience demonstrates that we are still some way from that condition in developing markets at least. There is much more to a successful e-commerce implementation than delivering fares and availability. E-commerce solutions may have reached a reasonable state of maturity in North America and Western Europe but there is a long way to go before this can be said to be the case everywhere in the world.

The commitment of specialist vendors such as Datalex to understanding the challenges of specific markets and developing differentiating functionality will help to maintain their position in the market for some time to come. For Aero Republica the opportunity is to build Internet penetration to the levels enjoyed by airlines in other regions. While Datalex will share in that success through increased transaction revenues, its real opportunity is using the learning and experience to further expand its customer base.