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How the value-based distribution model can drive NDC adoption

Delta Airlines' agreement with Sabre last year added a further intriguing point to the airline distribution debate

By Viktor Nekrylov

IdeaWorksCompany contributed information to this article - - see italics.

Delta Airlines' agreement with Sabre last year added a further intriguing point to the airline distribution debate. The airline and global distribution system (GDS) agreed on a value-based distribution model that moves away from flat segment fees and pays the GDS based on the value of the ticket.

Delta believes the model will enable it to properly showcase and sell its products to passengers who seek more than just a seat in the aircraft. It could also help travel sellers drive higher value sales, while also helping buyers ensure their travellers know their options and get the best experience.

Similar deals were signed between the airline and other distribution partners. However, the adoption of NDC simultaneously could impact the value-based distribution model much more than endless deals with GDSs.

The adoption of the NDC technical standard has certainly been slow so far for well-known commercial and technical reasons. NDC is the standard driving airlines' desire to market their services in smarter ways for different audiences, while also encouraging travel agents to highlight the advantages of premium products to buyers and their travelling employees.

Right now, travellers search and select flights by departure date and price but there are many other factors that could be brought in to influence decisions and help inform choices.

In addition, NDC-driven bookings will also enable retailers to earn more and boost the experience because they will have the technology to easily add a seat, bag, WiFi, meal and numerous other services that could be built into a flight request going forward.

Industry reports have revealed that the revenue earned by airlines in ancillary fees has been increasing every year. It was estimated at $65.8 billion in 2021 according to the IdeaWorksCompany and CarTrawler annual airline ancillary revenue report, and that's still a way off from the $100 billion airlines were expected to reach in ancillary revenue in 2019.

Average ancillary revenue per passenger for 2021 was predicted to be $27.60 and some carriers posted increases of more than 50 per cent in ancillary revenue per passenger for the first half of last year.

The implementation of a value-based model more widely will bring some much-needed balance to the selling of not only flights but also related experiences.

This should resonate with the travel buying community which can pick and choose services most relevant to their travellers and won't have to pay for the things they don't need.

It also could lead to an environment where all players can clearly demonstrate their value with airlines able to differentiate themselves, technology providers enabling this to happen, and agents opening up services to travel buyers that best fit the actual needs of travellers, again improving overall user satisfaction.

The travel industry is in active recovery mode post-Covid-19 and will be for a while to come. This is the right time to implement new models that generate incremental revenue and upgrade the experience for passengers who are willing to pay more to receive relevant products and services. NDC is the perfect solution for a market that is seeking to add more value but with limited resources.

A great deal of work still needs to be done to bring the vision of NDC to life. However, the potential wins for airlines, travel intermediaries and corporate buyers, by putting travellers at the heart of the booking and flying experience, cannot be ignored.