

Transforming Airline Distribution with Offer and Order Management



Source: Unsplash (2022)

Background

For many years, airlines have relied on global distribution systems (GDSs) to distribute their fares. However, under the International Air Transport Association (IATA)'s New Distribution Capability (NDC) initiative, a modern business framework called Offer and Order Management (OOM) has revolutionized the way airlines create, distribute, and fulfill travel offers (ADO, n.d.).

OOM refers to the end-to-end process of creating, optimizing, and delivering products and services from an airline to its customers (Sabre, 2024). Traditionally, GDSs acted as middlemen, gathering flight information such as seating, schedules, and pricing from different sources to create offers that were then passed on to online travel agents (OTAs) or other resellers. This resulted in airlines having little control over their inventory and a lack of customer insights (Altexsoft, 2024). By utilizing modern Application Programming Interfaces (APIs), NDC-driven OOM allows airlines to establish direct communication with travel agents and customers, helping airlines regain control over their offer creation and distribution, as well as enabling personalization according to customer preferences (ADO, 2024).

Furthermore, while previous GDSs distributed fares based on rules and fare classes predetermined by airlines, this method lacked flexibility and often resulted in many unsold seats, as airlines became less responsive to market demand when offers were made by GDSs (Altexsoft, 2024). Through access to real-time market demand, OOM empowers airlines to control their own inventory, bypass third-party restrictions on fare classes, and adopt dynamic pricing (Anjuna, 2024). By providing timely offers or complimentary services, airlines can react proactively to market demand and maximize revenue on each flight.

On the other hand, while airlines receive thin margins from their core services and rely on ancillary services such as seat upgrades and luggage options for profit, the offers created by GDSs usually contain only key booking information with limited ancillary support, which restricts customer choice for add-on services (Sciative, 2024). Unlike the traditional EDIFACT

model used by GDSs, NDC allows airlines to upload a wide range of videos and images to present their products directly to customers (Altexsoft, 2024). As a result, travel agents have full access to rich airline content, and customers benefit from a more transparent shopping experience (IATA, n.d.).

Challenges

Despite all the potential benefits, the implementation of OOM is a complex effort that involves both IT and business process transformation. British Airways was among the airlines that had difficulties coordinating different departments and sourcing sufficient talent to bring about the changes (Branchspace, n.d.). From a technical standpoint, despite efforts to transition to NDC, many airlines are still relying on GDSs to process information such as passenger name records, e-tickets, and electronic miscellaneous documents (Altexsoft, 2024). Furthermore, some OTAs and resellers who have heavily invested in traditional GDSs are now resisting the adoption of NDC modules (Travel Weekly, 2023). Therefore, airlines risk losing long-standing travel agency partners if they switch to NDC completely. Striking a balance and seamlessly integrating both GDS and NDC systems is therefore a priority for successful OOM adoption.

Discussion Questions

1. What are the primary advantages of adopting NDC-driven OMM for airlines?
2. How does Offer and Order Management (OOM) differ from traditional GDS-based distribution?
3. What challenges do airlines face in transitioning from GDS to NDC, and how might they overcome these obstacles?
4. How can airlines balance the integration of NDC systems and maintaining partnerships with existing travel agencies?
5. How might the widespread adoption of NDC and OOM reshape the airline industry's landscape in the future?

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Keywords

- Airline
- Inventory control
- Dynamic pricing
- Offer and Order Management (OOM)
- Global Distribution System (GDS)
- New Distribution Capability (NDC)