The case for a new airline distribution model [INFOGRAPHIC]

NB: This is a guest article by Michael Miller, vice president of strategy for the American Aviation Institute (on behalf of Take Travel Forward).

Today, airlines distribute and sell their products in two ways: through their websites/call centers (direct channel) or through travel agents and online travel sites (indirect channel).

Of the one billion or so airline tickets sold globally each year, it is estimated that more than 60% are sold through the airline indirect channel.

In the vast majority of the world, Sabre, Amadeus, and Travelport control the distribution of the airline product for the indirect channel.

The GDSs charge the airlines for each ticket sold through their systems, with the average charge being in the $12 per ticket range.

Multiply that $12 by 600,000,000 tickets per year and you get about $7 billion dollars. From these funds, the GDS pay the travel agency or online travel site a financial assistance incentive.

As a general comparison, it costs airlines about $2 to $3 per ticket to sell through their own websites or using new direct connect technology available to them, their travel agency customers and even to the GDS.

This provides an estimated 80% savings over the cost of the indirect channel. If the airline is paying $10 more per ticket to sell through the indirect channel, ultimately it's the consumer that pays for that higher cost.

To quote leading business analyst Zvi Bar:

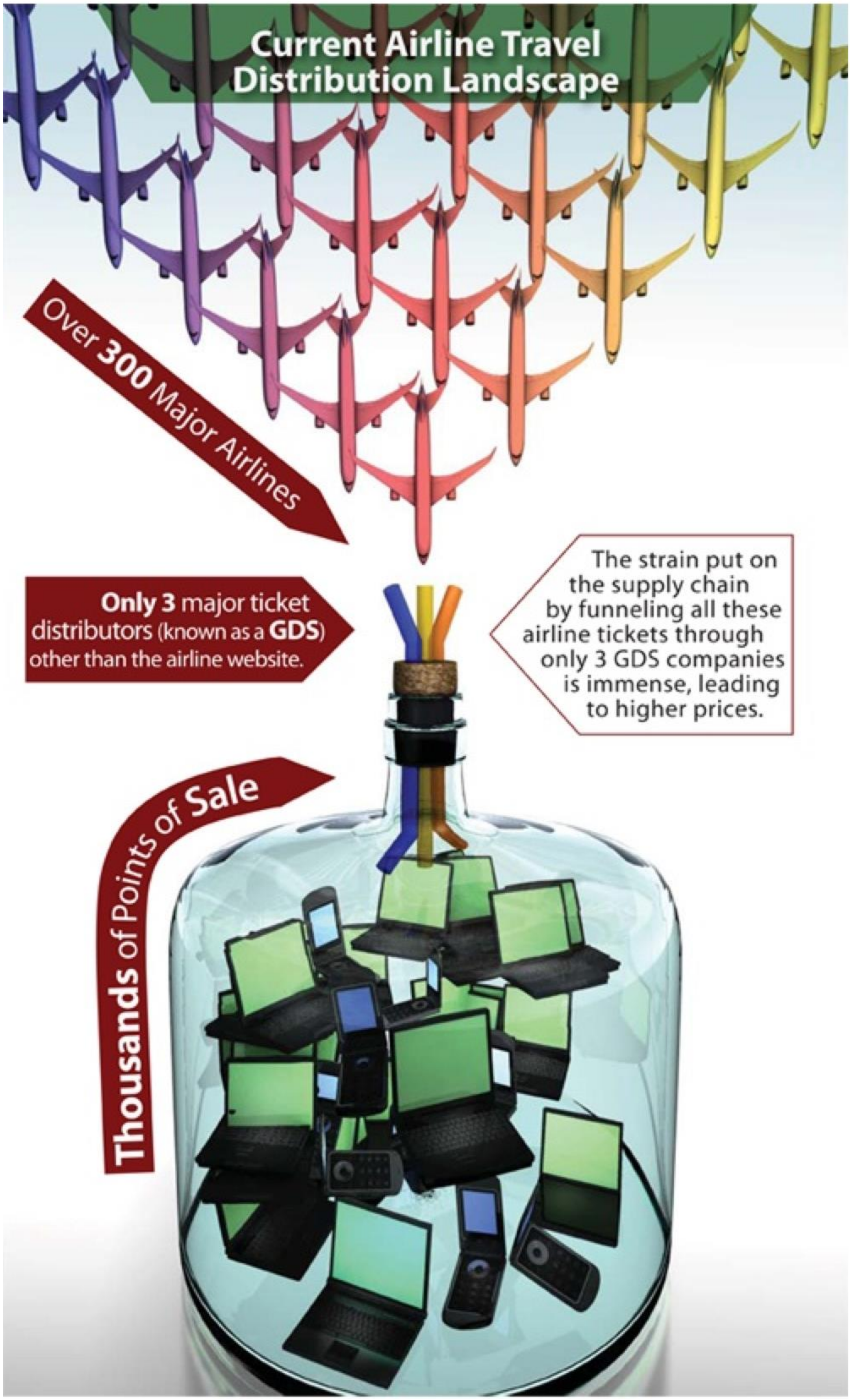
"…any resulting changes to the current GDS business model should lower prices to consumers and/or streamline the industry… The long term result should likely be a net positive for consumers."

Clearly, the GDS companies are critical pieces of the travel supply chain and it is foolish to suggest they go away.

However, it is also fair to advocate for use of lower cost technologies and modernized business models that can lower costs across the board, including for consumers at the proverbial ticket counter.

This infographic simplifies the argument:


4 YEARS AGO
Follow the Money
The GDS process 600,000,000 tickets per year
x $ 12 in GDS fees
paid by the airline per ticket
$7,000,000,000



Current Airline Travel Distribution Landscape
Over 300 Major Airlines
Only 3 major ticket distributors (known as a GDS) other than the airline website.
The strain put on the supply chain by funneling all these airline tickets through only 3 GDS companies is immense, leading to higher prices.
Thousands of Points of Sale

Follow the Money
The GDS process 600,000,000 tickets per year
x $ 12 in GDS fees
paid by the airline per ticket
$7,000,000,000
That's $ 7 billion in GDS fees!
Who do you think really pays for those fees?
That's right You, the Consumer

Follow the Money

Wouldn't it be nice if we had Distribution Fees of up to 80% Less? New technology exists today that would allow that to happen, and could save the airline industry and consumers Billions of Dollars!

Problem is:

1. GDSs control how airline product is sold by travel agents.

"Incentives"

Distribution Fee

3. Travel Agents are paid an "incentive" by the GDSs to use their antiquated systems, thus slowing progress.

2. **The real 'Hidden Fee':** The airlines are charged exorbitant distribution fees by the GDSs.

Again, this all leads to **Higher Prices** for **You, the Consumer.**