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Sent: Friday, June 23, 2017 11:27 AM
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Cc: Theo Kruijssen; Edna Lopez
Subject: Fwd: American Lures Agencies To Adopt NDC Connections With Content And Cash

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I am at this AA NDC Summit in Dallas with 200+ large travel agencies, tech providers, and GDSs, where AA just announced the NDC incentive program. It is clear this will put pressure on the GDSs to get these implementations going. They also announced new content availability on the AADC.

More to come.
Jim

Sent from my iPhone

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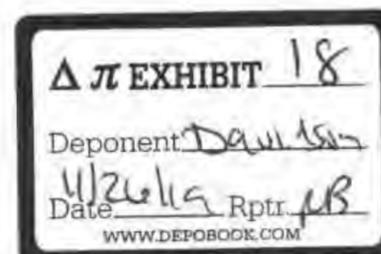
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American Lures Agencies To Adopt NDC Connections With Content And Cash

The Beat ~ a travel business newsletter
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In front of an audience of travel agency partners, distributors and travel tech providers here today, American Airlines is announcing a program that seeks agency buy-in to its New Distribution Capability-based distribution strategy. The optional program entices agencies to adopt NDC-based



distribution methods with the promise of financial incentives, new servicing functionality and enhanced fare and ancillary content.

American VP of sales and distribution strategy Cory Garner called the incentive program to stimulate NDC adoption "unlike anything that any airline on the planet has offered so far."

Lufthansa Group and British Airways parent International Airlines Group have enacted global distribution surcharges to move buyers and agencies in new distribution directions. If that's a stick, American is laying out a tray of carrots for agencies. American maintains it has no plan to surcharge. "Zero sticks," said Garner.

Already, a few have taken a bite.

HRG, which has thrown its support behind British Airways' NDC proposition, also will integrate American's NDC connection, as will Frosch.

"We're actually in the process of integrating," Garner said of those agencies. "We've been working on these for some time."

Beyond travel management companies, Concur Travel also will integrate American's NDC-based content. The T&E tech giant has similar work underway with Lufthansa and British Airways.

American hopes to attract more agency partners through its multipronged incentive program, available worldwide.

As a financial incentive, American is applying the so-called "wholesale" economic model, which is more prevalent between airlines and online travel agencies than between airlines and TMCs.

Through that program, American will pay agencies a standard \$2 per-segment commission for American-marketed tickets they sell through certified NDC-based connections. That incentive would be credited to agencies through ARC or IATA Bank Settlement Plans, depending on the market.

This flips the dominant economic flow in corporate travel distribution. Common practice now is for the airline to pay a booking fee to a GDS, which in turns shares a portion with the agency as an incentive.

While American's \$2 per-segment is the agency's to keep, the agency has to enable transactions through American's NDC-based application programming interface, piped in through American's direct connect tech provider, Farelogix, and that could bring costs.

American's API could integrate directly with an agency, but that would require the agency to invest in its own technology and development. For example, HRG has talked up recent investments in aggregation capabilities.

Other agencies might use a third-party aggregator, such as Travelfusion, which has worked with various corporate online booking systems to bring in non-GDS content.

The other avenue is through the major global distribution systems, each of which has signaled intent to facilitate NDC-based connections.

In an agency agreement addendum for its NDC incentive program, American noted that, under the optional model, it is the agency's responsibility to cover "costs charged to agent or American" by the agent's service provider, such as "booking fees charged by a GDS or aggregator."

"With our strategy, the agency has control over how they integrate with their NDC connection," said Garner. "For some agencies, they have in-house resources where they can perform their own connection. For other agencies, they might want to use a third-party aggregator. For others, they may want to use a GDS. For us, it doesn't matter what they choose on their side."

Of course, agencies could stick with the status quo, the way they've bought American tickets for decades.

As such, Garner said American's NDC proposition is "an option, not a mandate. We're not announcing any changes to how we're doing business with the GDSs." He added that American is "assuming things will be status quo in our GDS relationships."

Benefits Beyond

American is sweetening the pot for agencies with the promise of enhanced content and features available exclusively through NDC-based connections.

American can tailor corporate bundles that are negotiated by corporate clients and "customized at the corporate level and also at the subcorporate level," said Garner. "For example, if a corporate travel manager is interested in a bundle for just the C-suite, we can accommodate that through our NDC connection."

What could these bundles include? Dream big, Garner encouraged.

"What form the corporate bundles take, our corporate travel managers will have as much to say about that as we will," he said. "We have capabilities to bundle just about anything. The question is, what do they want? We can deliver on what they want." That could be a blend of negotiated fares, ancillaries and other inclusive services and perks.

Garner also said its NDC connection would provide a "seamless integration of waiver-and-favor capability." Today, redeeming travel waivers, for example, is anything but seamless, as Garner described: "In today's world, the corporate traveler and the TMC have to punch out of their systems, pick up the phone or log-in to a website to get their waivers and favors fulfilled. With the NDC connections, we can pump that capability into the TMC's environment."

Garner also noted that American's plan would enhance traveler tracking and risk management. "One of the misperceptions about NDC is that when you do an NDC booking, it disappears into a black hole and you can't track it," said Garner. "The opposite is true."

One duty of care example he shared is the ability to provide "information on whether a customer actually boarded a flight. Today, a TMC can see who is booked, but they don't necessarily know if they're on the flight."

TMC Concerns

Surely, agencies will question how NDC integrations will impact workflows, how they'd handle post-ticketing servicing and how reliable and scalable API connections prove to be in the corporate channel.

Solving for those within each agency environment will be a process. Already, American distributes around 4 million tickets a year through a Farelogix-based API, primarily to U.S. online travel agencies.

"We have to solve for that," said Garner. "OTAs have to do post-servicing just like anyone else, right? We've had to ensure that the NDC connection accommodates every scenario that a base of 4 million tickets presents you with. We've had to accommodate integrations with mid-office and back-office systems. As we turn the page and get our feet wet with the corporate market, the challenges will be different. We know that. Because this is a journey, because we're not on a deadline, we can work cooperatively with TMCs and corporate clients to work through those issues one by one, just like we've worked through with other agencies."

Further to its agency proposal, American is including a content commitment, meaning its NDC connections would ensure "the best available fares" and American's public content, said Garner. He said the proposition would not require volume commitments from agencies.

But will the program change if American gets scale? "The intent is perpetuity, but over the course of perpetuity, market conditions change," Garner said. "The program will change over time. For some agencies, that's fine. For others, they want more certainty."

Garner said any agency that integrates NDC connections to American by the end of 2018 will lock in today's advertised program benefits through 2020.

Meanwhile, American now has achieved NDC Level 3 status, the International Air Transport Association's highest NDC certification.

American will require the same on the agency side, as they will have to make use of a Level 3 NDC-certified connection to tap into the program, whether their own, an aggregator's or a GDS's.

Meanwhile, Garner added, "This program doesn't replace incentive agreements we already have with travel agencies. This is in addition."

There is one exception to that, however: for agencies that already have a Technology Services Agreement or wholesale agreement with American, such as OTAs that already are working in this manner.

"A travel agency can't have two TSA arrangements with American at the same time," said Garner. "We commonly operate under TSA arrangements with OTAs today. This isn't meant to add to that or conflict with it. The one we already have in place will continue in place. When that expires, the agency has the choice of what they want to do. They might go to the standard program or they might want to negotiate something custom with us."

Garner repeatedly said American views its new distribution strategy "as a journey" and acknowledged it's not for mass adoption immediately. It "will roll out over a period of time." In the meantime, TMCs have much to consider.

~ Jay Boehmer

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