

Leading The Way For  
Global Business Travel



**LABTA**

Los Angeles Business Travel Association

Education Day March 8, 2006

# ***“The Evolution of GDSs”***

***GDSs GNEs ... What's Next***

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***President***  
***The Eastman Group, Inc.***  
***Acting CIO, Aloha Airlines***

# “GDSs GNEs -- What NEXT”



## 1. How current are your market pair corporate travel reports?

- 0 – No Reports ... *to* ...
- 5 – Daily a week prior to travel

## 2. How is travel buying reconciled with actual traveler expense reports?

- 0 – No reconciliation ... *to* ...
- 5 – Interactively against pre-travel approved expense plan that becomes expense form after travel

## 3. How is your travel agency compensated for its services?

- 0 – Commission only ... *to* ...
- 5 – Fee based on transformation of travel function to meet corporate strategies

## 4. What level of strategic travel knowledge do you access or monitor?

- 0 – Not your responsibility ... *to* ...
- 5 – Traveler’s reason for travel is captured interactively, measured against plan, and information is used to plan/respond to anticipated needs in both the short term and next planning cycle

## 5. Your company currently ...

- 0 – Pays for travel by reimbursement of travel via traveler expense report ... *to* ...
- 5 – Has implemented automated EFT (electronic funds transfer) direct settlement at time of service delivery with some travel or non-travel vendors

## Travel Manager’s Continuum Quiz

### 6. You, personally ...

- 0 – Have no computer literacy skills (that’s what “staff” are for) ... *to* ...
- 5 – Use a computer to access Internet, GDSs, and understand how to structure an SQL query to convert information stored in a data warehouse system to knowledge useful to meet your company’s strategic objectives.

### 7. You identify, today, in your travel agency management reports (i.e., not from credit card companies), air travel credit card charges ...

- 0 – Have not thought about it ... *to* ...
- 5 – Capture expected credit card billings via pre-travel reporting and interactively audit GDS/CRS or Internet booking data against expense reports filed by traveler.

### 8. Your personal view for the future of travel product distribution is ...

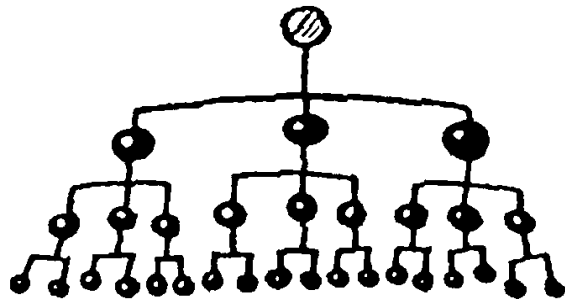
- 0 – The existing distribution model will remain the same for the next five years ... *to* ...
- 5 – New risk taking “players” will evolve in the distribution channel to effect better buying, settlement, and travel solutions for corporate buyers, few of whom will be available via the traditional travel distribution channel.

### Total Possible Score – 40 Points

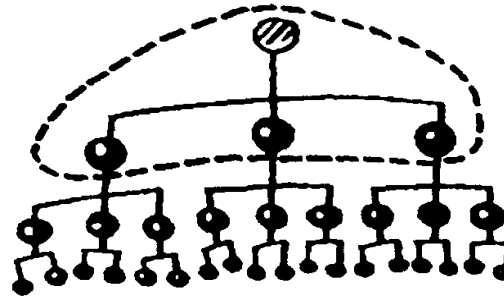
If you score 0, you are among those that believe that little, if any, change confronts the industry. If you score 40, you may be anticipating the future a little too much.

# “GDSs GNEs -- What NEXT”

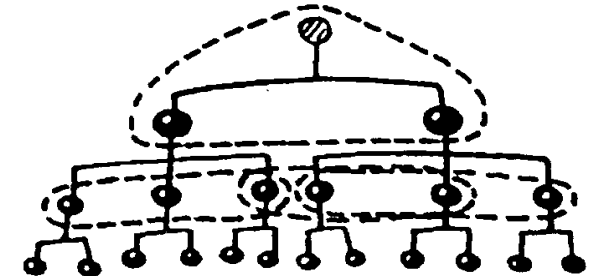
From “**Imaginization** : Gareth Morgan©1997



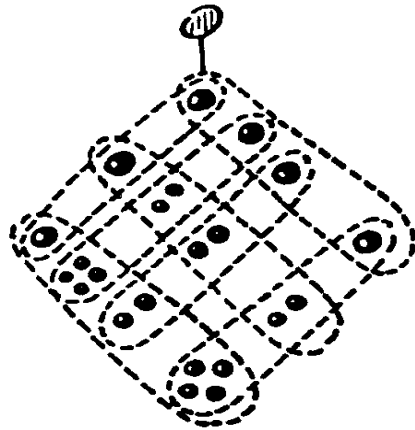
Model 1: The Rigid Bureaucracy



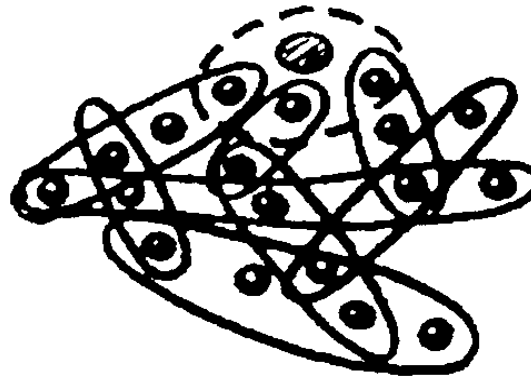
Model 2: The Bureaucracy With a Senior “Management Team”



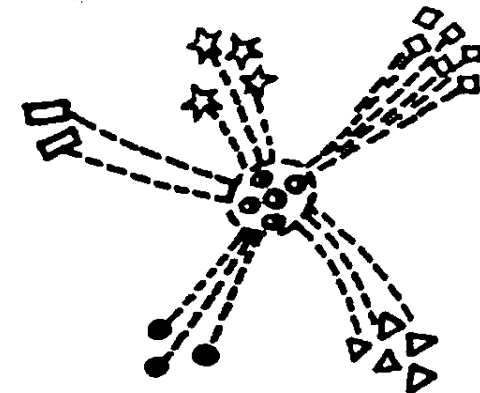
Model 3: The Bureaucracy With Project Teams and Task Forces



Model 4: The Matrix Organization



Model 5: The Project Organization

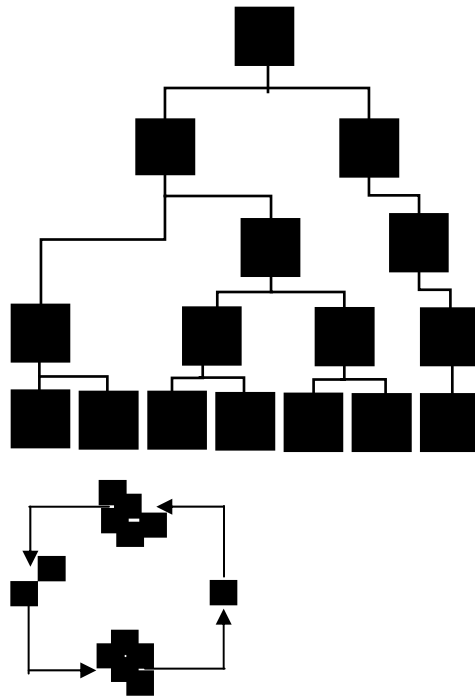


Model 6: The Loosely-Coupled Organic Network

**Structures are changing the way people relate to one another**

# “GDSs GNEs -- What NEXT”

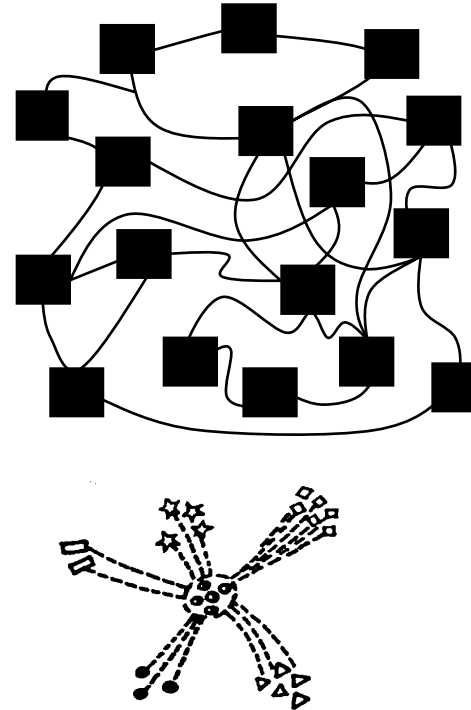
## *Industrial Age (1900-1999)*



Information flows from Vendor(s) through controlled distribution channels to buyers ...

- *Supplier-Driven Distribution*

## *Information Age (2000-2???)*

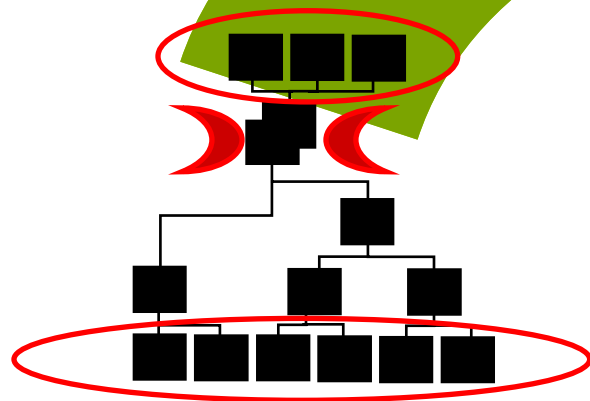


Information flows digitally and can be shared by everyone ... distribution becomes interactive...

- *Demand-Driven Distribution*

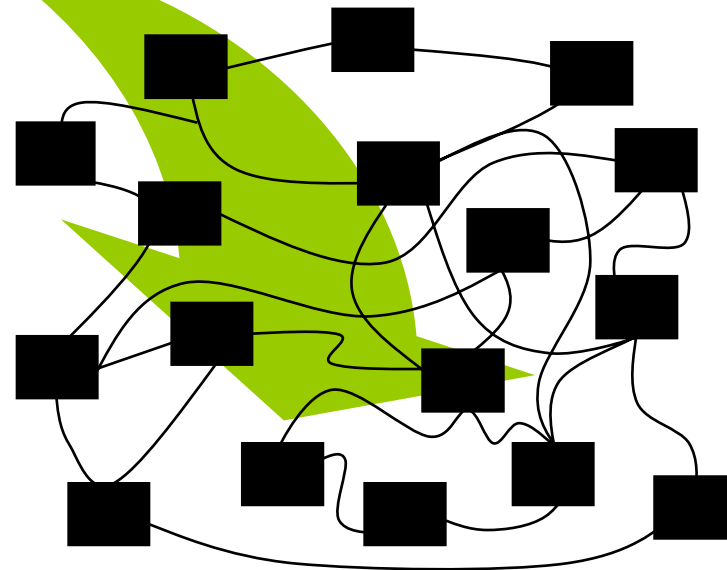
# “GDSs GNEs -- What NEXT”

*Legacy structure*  
**Airline Distribution**



**200,000 Agents**  
**1,000 Airlines**  
**4 Primary GDSs**

*Digital Distribution*

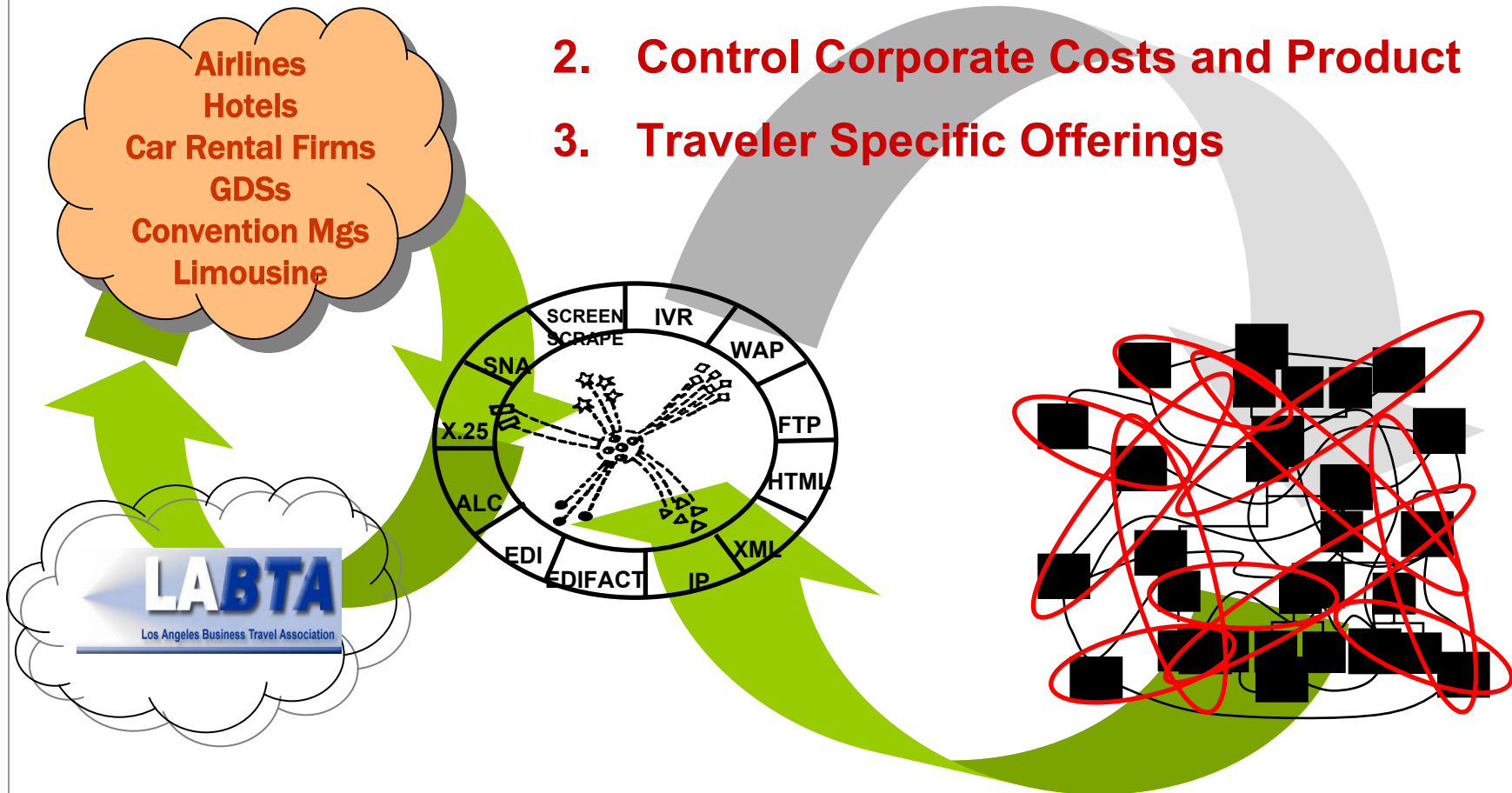


**135,827,206 U.S. – 245,827,225 World • Internet Users**

**Instant information is changing travel business relationships**

# “GDSs GNEs -- What NEXT”

1. Package Interactively
2. Control Corporate Costs and Product
3. Traveler Specific Offerings



*The context ... meeting on-demand needs!*

# “GDSs GNEs -- What NEXT”



## What does this mean in Cultural Sense ...

- ❖ **Baby Boomers = Decision Makers ... Gamers = Change Force**  
*Four Decades of using GDS/Airline “processes”*  
*By-passing Gen-Xer’s due to technology-enabled speed of information and knowledge acquisition*  
*GDS By-Pass is as much a cultural transformation as it is technical or economic*

### ❖ **Culture Transformation ...**

<u>Baby Boomers</u>	<u>Gen-Xer’s</u>	<u>Gamers</u>
<i>50 – 65</i>	<i>35 - 50</i>	<i>20 – 35</i>
<i>Remember TVs</i>	<i>Remember Computers</i>	<i>Remember Cell Phones</i>
<i>Person-to-Person</i>	<i>Phone-to-Phone</i>	<i>Digital-to-Digital</i>
<i>Follow-the-Leader</i>	<i>Team is Right</i>	<i>I’m always Right</i>
<i>Brand is Best</i>	<i>Low Cost is Best</i>	<i>What Fits the Need</i>
<i>Right for Company</i>	<i>“In it” for Me</i>	<i>Right for Me</i>
<i>Warehouse Inventory</i>	<i>Retail Inventory</i>	<i>Just in Time</i>



# “GDSs GNEs -- What NEXT”



## What does this mean to the GDSs ...

- ❖ Revenue Model Disruption ...  
\$4.00 to \$.40 cents • Revenue Transfers from Airlines to Users
- ❖ Control of Distribution Channel Lost ...  
Power = ability to connect, franchise, package or focus attention
- ❖ Technology cost trade-off ...  
Between Legacy Systems and Internet Technologies
- ❖ Business Process Changes ...  
Legacy Command Processes vs. Integrated Information
- ❖ *Add-On Culture Transformation ...*  
*From dominant distribution control to ...*
  - (a) taking “spill” from non-direct or bulk buyers*
  - (b) buying in bulk ... i.e. consolidation for small buyers*
  - (c) providing technology packaging*
  - (d) franchising*



## “GDSs GNEs -- What NEXT”



### What does this mean to Corporate Travel Managers...

- ❖ **Alternative Distribution Channels ...**
  - GDSs • Alternative GNEs • Agency Buyers • Direct*
- ❖ **Alternative Cost Models ...**
  - Based on Direct • Franchise • Packaged • One-Off Needs*
- ❖ **New Business Relationships ...**
  - *Automation replaces Manual Transaction Processing*
  - *Technology driven by Supplier Agreements*
  - *Direct is Strategic • Bulk is Tactical • Left-Over is Logistical*
- ❖ **New Business Models and Processes ...**
  - *By-Pass GDSs with GNEs for Strategic and Tactical Needs*
  - *The majority of travel is pre-negotiated and interactively packaged using real-time automation.*
  - *Travel is integrated with Corporate Strategies and Tactics ...  
Logistical implementation is automated*

## **“GDSs GNEs -- What NEXT”**



### ***Trends ...***

- ❖ **Demand Control versus Supplier Control**
- ❖ **Channel Restructuring**  
Direct e-Packaging • Fees • New Intermediaries • Niche & e-Niche
- ❖ **Interactive Packaging**  
Distribution Brands • Inverse Loyalty (Retail vs. Supplier) • Tiered
- ❖ **Internal Supplier Production Integration**  
Planning • Marketing/Sales • Inventory • Revenue • Accounting
- ❖ **External Supplier Production Integration**  
e-Co-Production • e-Tailoring • Context Production/Delivery

## “GDSs GNEs -- What NEXT”



### By-Pass is achieving Critical Mass ...

- ❖ Orbitz, CVT, Travelocity offer GDS By-Pass ...

*Not really by-pass because agency is intermediary*

- ❖ G2 SwitchWorks • ITA are GDS By-Pass ...

*Not really by-pass because of multiple intermediaries*

- ❖ Total By-Pass (i.e. Direct links buyers with suppliers) ...

*Currently in testing with key tour/cruise packagers/airlines*

*Some corporate gateways*

- ❖ Three Major Hold-ups ...

*Current back-office technology cannot deal with new technologies*

*Requires Major Changes in Business Processes*

*Requires Major Change in Culture; Attitudes*

*By Corporate and other Volume Buyers*

*By Airline Managements*

# "GDSs GNEs -- What NEXT"

## New Dynamics...

*Buyers Needs  
Differentiation*

*Progression of  
Economic Value*

(The Experience Economy ~  
Joseph Pine • James Gilmore ~ 1999)

*Services*

*Goods*

*Commodities*

*Experience*

*Transformation*

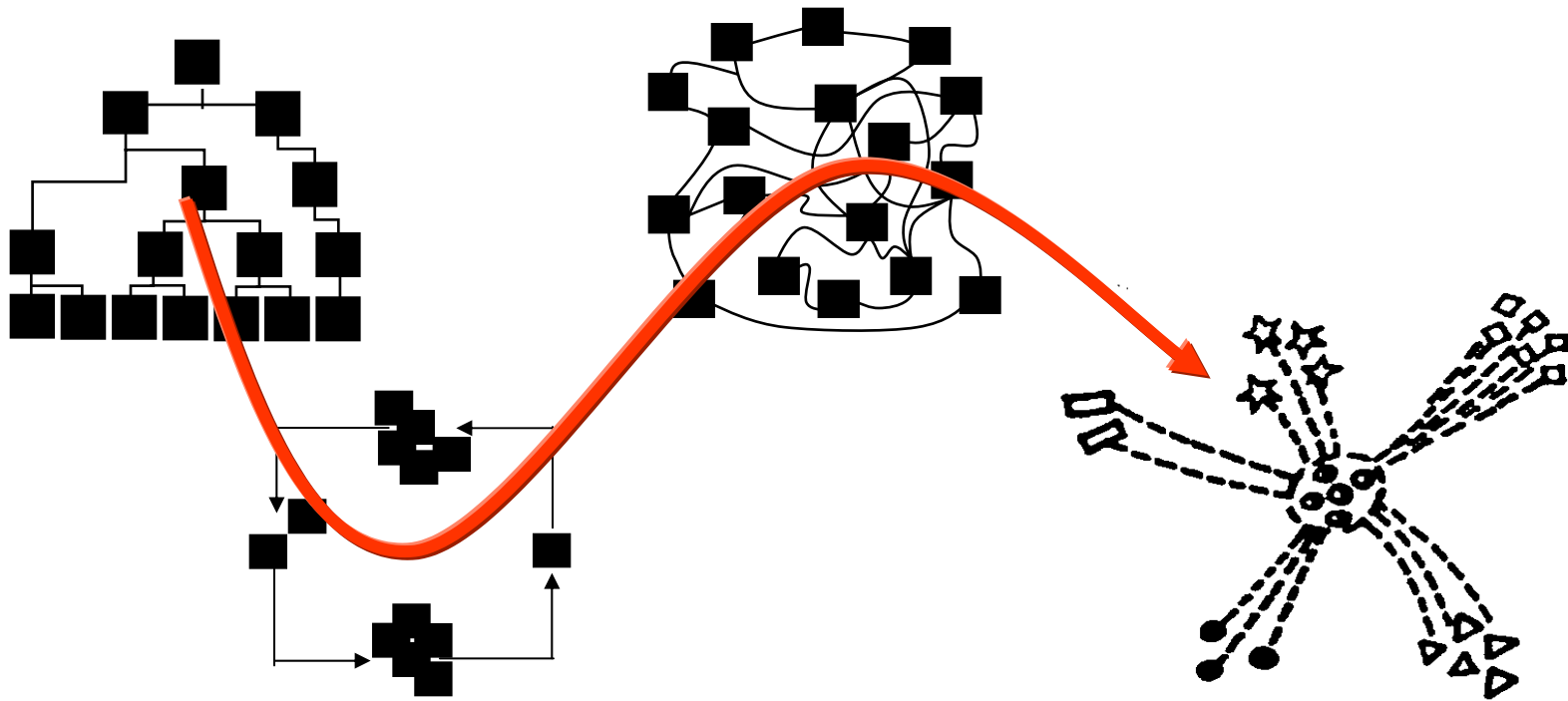
*Commoditization  
drives*

*Componentization*

(Let Go To Grow ~ Linda Sanford ~ 2005)

*Buyer Price*

# “GDSs GNEs -- What NEXT”



Goods to Commodities to Packaged Components

*Supplier-Driven*  *Demand-Driven*

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# Where are you on these Continuums???

corporate strategies

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## Points to Remember ...

- 1. G2 • ITA • others • are marginal as Technology or Economic issues...**  
*These are really industry “experiments” with new processes*  
*As suppliers manage these process themselves, the whole model changes!*
- 2. Metasearch type tools will continue to evolve...**  
*Corporate Travel will need to implement their own Metasearch tools*
- 3. The dominant Culture driving Society is/are the “Gamers”...**  
*Digitally Driven with Just-in-Time Expectations*
- 4. New Cultures • Processes will vary widely in next 5 years**  
*Technology and Cultural Agility will Drive YOUR Success!!!*



**Thank You!**

**THE  
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