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ENHANCING TRAVEL INDUSTRY DISTRIBUTION STRATEGIES **FOR SEAMLESS CUSTOMER REACH**

This paper examines the evolving distribution landscape in the travel industry, emphasizing its significance for business growth and customer satisfaction.

Paper premise

This whitepaper delves into the intricate world of travel distribution, examining how the growth of the tourism industry hinges on reaching customers across regions through innovative distribution channels. It explores the evolution of distribution in the airline, hotel, and car rental sectors, highlighting current trends and strategies that enhance customer experiences. Additionally, the paper emphasizes the role of emerging technologies like blockchain and artificial intelligence in revolutionizing travel distribution. It concludes by advocating for adopting new distribution strategies for sustained success.



Audience

This paper aims at the C-suite of organizations, cross-functional decision-making leaders, and transformation consultants to define a unified platform roadmap and transform enterprises to fulfill the needs of the next-generation customer and align to new norms of a changing business landscape.

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Introduction

The tourism industry's success heavily relies on effective distribution strategies that enable businesses to connect with customers across the globe.

Imagine owning a hotel and desiring a global audience to effortlessly book rooms. In the past, this process involved phone calls to reception. Today, by showcasing your property on a website, you enable the distribution of room availability to potential customers. This exemplifies how a hotel's outreach can grow.

In the contemporary world, countless hotels and resorts are scattered across diverse tourist destinations, interconnected by flights that facilitate travel. Additionally, customers often opt for rental vehicles for swift and comfortable transportation. Imagine how all these businesses are connected and how customers can seamlessly reach these businesses.

There are distribution channels that ensure a seamless booking experience for the customers. Distribution is executed through websites, mobile apps, search engines, and social media, playing a pivotal role in the business ecosystem. Distribution tools allow businesses to manage reservations, pricing, availability, and guest information onto a single platform, sparing businesses the burden of manual tracking.

We have all witnessed an era where over 75% of airline bookings were routed

through Travel Agents and online platforms, limiting airlines' control over last-minute customer requests. However, the past decade witnessed a transformative shift in airline distribution. Balancing travel agents and direct customer interactions became essential for airlines to maintain effective distribution across all channels without compromising customer experience.

Coming to car rentals, customers learned about service providers in the early days only upon reaching their destination airport, often lacking knowledge about local options. Car rental companies positioned their counters within airports, capitalizing on customers' tendency to choose the first available option. A seamless rental experience fosters customer satisfaction and repeat business.

Distribution is vital to a profitable business. Whether overseeing an independent hotel, bed and breakfast (B&B), vacation rental, or hostel, ensuring your inventory's visibility to potential guests is paramount. This is because travelers cannot book what they are unaware of. Drawing inspiration from airlines, major hotel chains introduced electronic central reservation systems (CRS) and online booking portals in the late 90s. During that era, hotels had to individually transmit data and availability to partners, mirroring the role of a human channel manager.

Customers today have high expectations for getting prompt and efficient services from travel operators. With technological advancements transforming every aspect of their lives, it is essential to keep up with the latest tools in the market. A channel manager is one such tool that can help

manage your distribution strategy, track all sources of information, and provide intelligent business insights. These tools are beneficial for keeping all the information in one place and ensuring it is always up-to-date.

2.1. Airlines Distribution

Traditional vs. Digital Channels

Airline distribution currently involves a combination of traditional and digital channels for ticket sales and service dissemination. Global distribution systems (GDS) and travel agencies are still essential intermediaries for airlines to reach customers. However, airlines are also exploring innovative ways to distribute their inventory.

The airline industry traditionally uses multiple distribution channels, including global distribution systems (GDS), online travel agencies (OTAs), metasearch engines, and direct channels. Coordinating and managing distribution across these channels can be time-consuming and challenging for airlines.

Challenges and Opportunities

Collaborating with third-party intermediaries such as GDS providers or OTAs can be costly for airlines due to fees and commissions, impacting their profitability. As a result, airlines face the ongoing challenge of balancing direct distribution via their websites with indirect distribution via third-party channels. While direct distribution offers greater control over the customer experience and eliminates distribution expenses, it requires significant investments in technology and marketing.

Emerging technologies such as artificial intelligence (AI), blockchain, and New Distribution Capability (NDC) have the potential to revolutionize airline distribution. However, implementing and integrating these technologies into existing distribution systems can be complex and challenging due to technical complexities and industry-wide adoption obstacles.

2.2. Hotels Distribution

Evolution of Hotel Distribution

Hotels are harnessing technological solutions to enhance their inventory distribution capabilities. Advanced channel management systems, revenue management tools, and data analytics platforms are being adopted to streamline operations, optimize pricing and inventory decisions, and enhance overall distribution efficiency. Integrating different systems and data sources ranks top priority to ensure seamless inventory updates across channels.

Distribution Challenges in the Hotel Industry

In pursuit of market capture, hoteliers often heavily depend on third-party platforms for broad distribution. This reliance restricts their control over inventory and customer relationships. Hotels face heightened competition from online travel agencies with substantial marketing budgets and extensive customer databases, making it challenging to drive direct bookings. Hotels must incentivize direct bookings through exclusive discounts, loyalty offers, or additional perks.

Strategies for Hotel Distribution

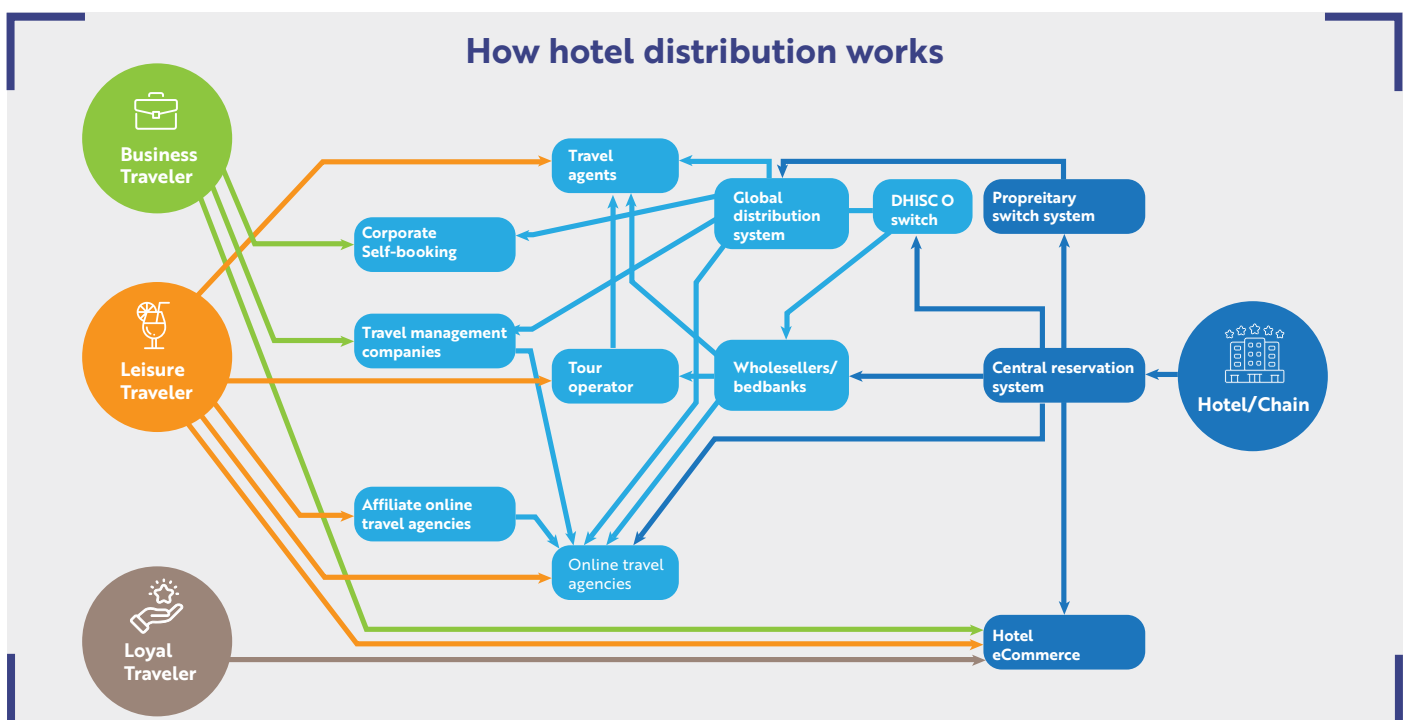
Customers' primary feedback frequently revolves around online offers and pricing, intensifying rate parity issues. Price transparency via metasearch engines and comparison websites further heightens the rate competition. Maintaining consistent pricing across all distribution channels presents a significant challenge, potentially reducing profitability and limiting hotel flexibility.

Impact of Online Travel Agencies (OTAs)

Hoteliers also confront brand dilution due to the dominance of OTAs. When guests book through OTAs, the focus often shifts to the OTA's brand, overshadowing the hotel's brand. Consequently, brand recognition and loyalty may suffer.

Hotel Brand Dilution

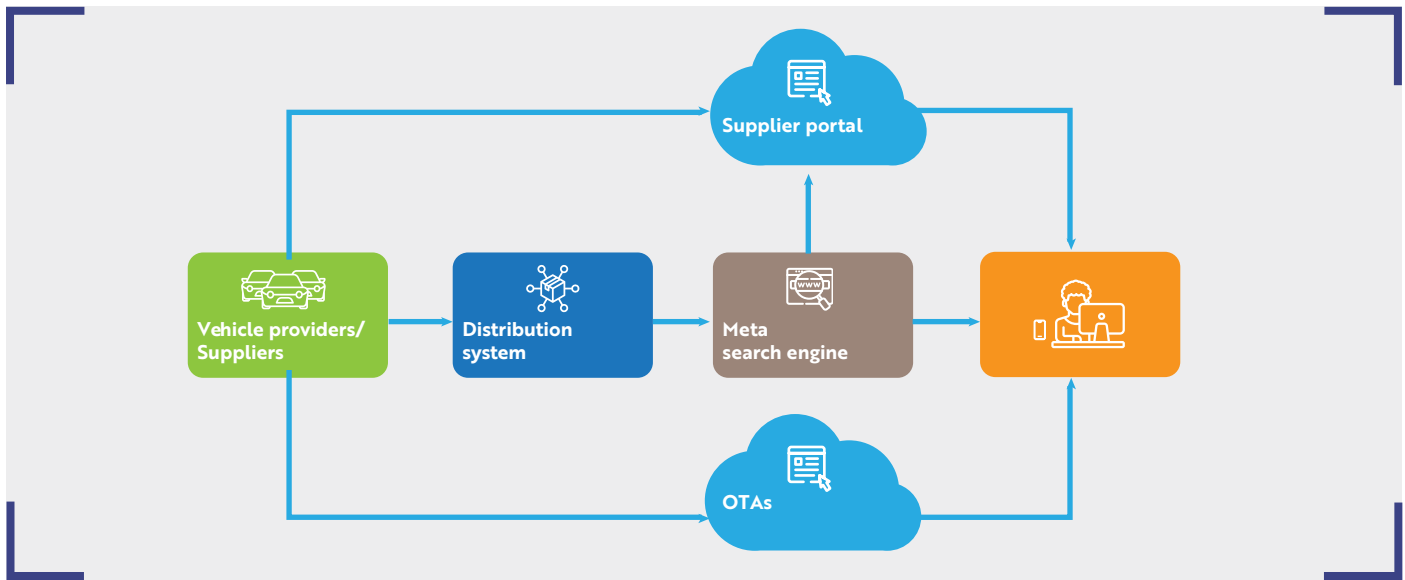
Addressing these challenges necessitates a strategic approach encompassing a balanced distribution mix, effective revenue management strategies, and investments in technology to enhance direct booking capabilities.



2.3. Car Rentals Distribution

Growth of the Car Rental Market

The global car rental market is experiencing substantial growth, with a valuation of USD 641.54 billion in 2022. This growth is primarily attributed to distribution tools employed by car rental companies to define strategies and reach their target customers, directly impacting revenue generation.



Distribution Tools in Car Rentals

Distribution tools enhance car rental companies' visibility, accessibility, and customer satisfaction through convenient methods, ultimately maintaining a competitive advantage in the car rental market. Additionally, metasearch platforms display vehicles from various suppliers, offering users convenient choices. Aggregators expose supplier inventory to OTAs, allowing customers booking accommodations or airline travel to conveniently book car rentals on the same website. Distribution has empowered customers to view inventory, depot locations, and geographical proximity of various suppliers on a single page, providing crucial information to make informed decisions.

Distribution Tools in Car Rentals

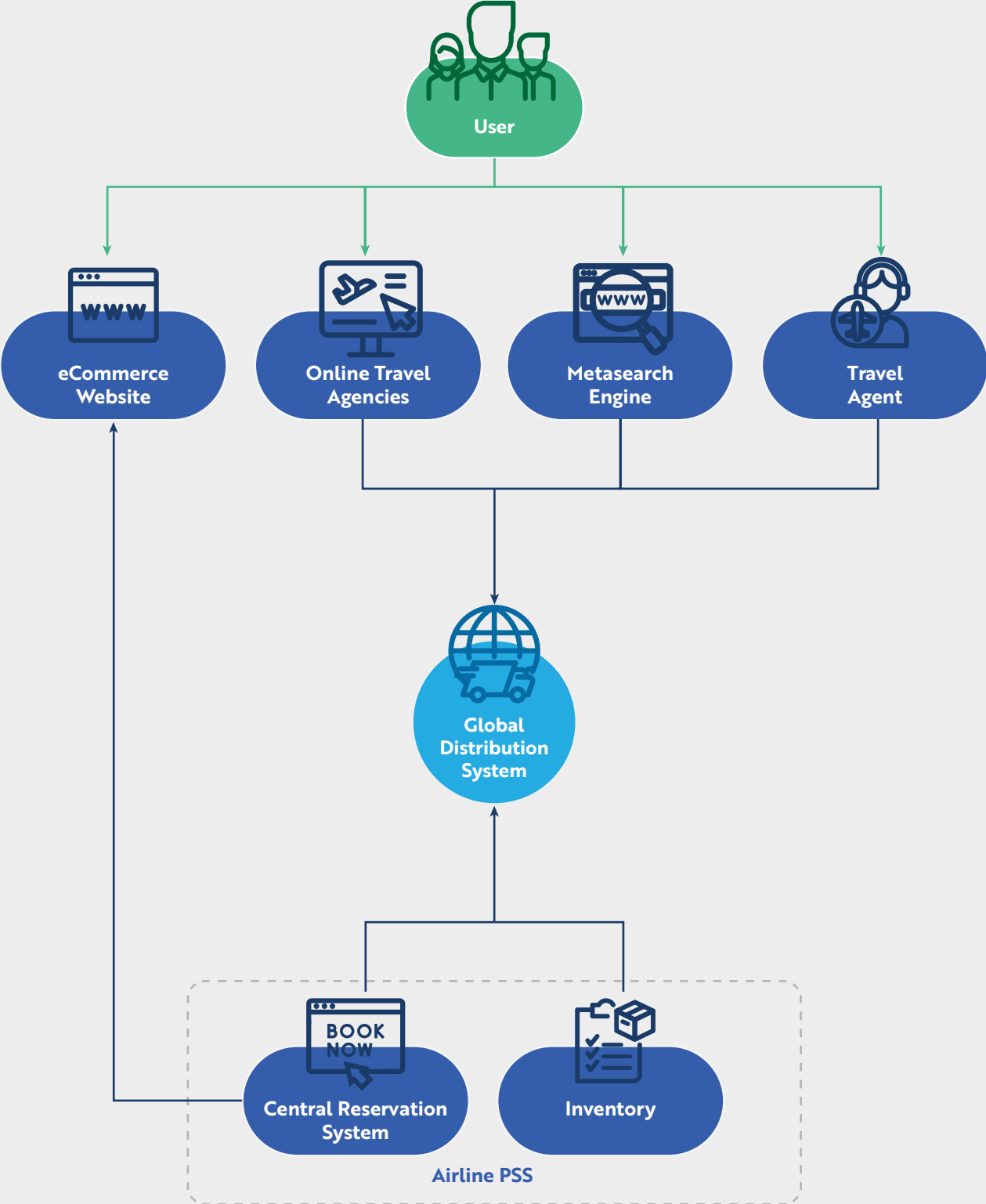
Distribution in car rentals has proven to be advantageous in several ways:

- **Wider Customer Base:** Enabling car rental companies to access a broader customer base and optimize fleet utilization and distribution channels has helped them leverage their expertise while maintaining lower costs than individual suppliers.
- **Standardized Information:** Sharing inventory has facilitated car rental companies in standardizing information across markets and channels, ensuring consistent and accurate details are provided to customers and partners, reducing confusion and errors.
- **Operational Streamlining:** Distribution helps car rental companies streamline integrations with other tools, facilitating the management of operations such as reservations, reporting, pricing, and customer service.

3.1. Airlines

- **Emphasis on Direct Channels:** Airlines are emphasizing direct channels to establish a direct relationship with their customers. This includes their websites and mobile applications, which allow them to bypass traditional intermediaries such as travel agents and global distribution systems (GDS). By doing so, airlines can reduce distribution costs and gain greater control over the customer experience.
- **Data-Driven Personalization:** Airlines leverage data analytics and artificial intelligence to gain insights into passenger preferences and behaviors to provide more personalized offers, tailored ancillary services, and customized travel experiences to specific customers. Airlines can increase customer satisfaction and loyalty by understanding travelers' needs and preferences.
- **New Distribution Capability (NDC):** The International Air Transport Association (IATA) is actively working on improving the airline distribution system by developing the NDC standard. This standard aims to provide airlines with a more modern and efficient way of delivering content directly to travel agents and other distribution partners. With NDC, airlines can offer a broader range of products and services, including additional services, in a personalized and flexible way. According to a report by IATA, 33% of airlines already use NDC as a more cost-effective channel.
- **Adoption of New Technologies:** New-age airline distribution companies are looking at Blockchain to enhance the transparency, security, and efficacy of transactions between airlines, travel agencies, and customers. This technology simplifies ticketing, loyalty programs, baggage monitoring, and settlement, reducing fraud and improving data integrity. Virtual Reality (VR) and Augmented Reality (AR) can potentially improve the pre-booking experience by providing a virtual tour of in-flight offerings, seat maps, and assignments. According to a recent survey, 39% of people would use in-house development and vendor solutions.
- **Mobile First:** Mobile devices and self-service platforms play a crucial role in airline distribution. Airlines will continue to invest in mobile applications that provide a smooth booking process, personalized notifications, real-time updates, and mobile boarding passes. Moreover, airport self-service terminals and automated check-in systems enable passengers to manage their travel independently, reducing reliance on traditional distribution channels.
- **Distribution partnerships and alliances:** To expand their distribution reach, airlines are forming strategic partnerships and alliances with other carriers, travel agencies, and online travel agents (OTAs). They are also exploring multimodal connectivity partnerships. These collaborations allow airlines to expand into new markets, take advantage of each other's customer bases, and offer passengers a more seamless and connected travel booking experience.

How airline distribution works



3.2. Hotels

Hotels adapt to the ever-changing landscape and welcome new approaches to enhance their distribution capabilities. The following are a few current developments in the hospitality industry:

- **Direct Booking Focus:** Hotels are moving toward direct bookings through their websites and loyalty programs. They offer incentives, exclusive discounts, loyalty benefits, and personalized experiences to book directly. This helps hotels reduce dependency on third-party platforms, create a guest database, and strengthen guest relationships.
- **Dynamic Pricing Strategies:** Hotels are leveraging revenue management systems and data analytics to implement dynamic pricing strategies by integrating revenue and distribution management. This allows them to adjust real-time rates based on demand, market conditions, and competitor pricing. Data integration enables a holistic view of the distribution landscape, aiding effective decision-making.
- **Personalization and Guest Experience:** Hotels use data and technology to record guest experiences. By knowing their preference, booking history, and behavior, hotels can offer tailored packages and targeted marketing campaigns. They are ultimately trying to make every stay/booking a memorable stay!
- **Negotiating Commission Agreements:** Commission being the primary cut in the booking revenue, Hotels are actively negotiating commission rates and terms with OTAs and other distribution partners. By increasing their bargaining power, hotels can secure better commission structures, reducing distribution costs and improving profitability.
- **Partnering with Niche Distribution Channels:** Hotels are trying new channels beyond online travel agents. They are now tying up with niche travel websites and tour operators to expand their reach and access new customer segments. This variousness allows hotels to have multiple options to reach a wider audience and reduce dependence on a single source.
- **Observing Market Trends and Evolving Technologies:** Hotels monitor market trends, industry developments, and emerging technologies. Although some technologies are still in the early stage of development, like blockchain, artificial intelligence, and machine learning, where relevant, to streamline operations, enhance data security, and optimize distribution processes. "The global Hotel Channel Management Software market size was valued at USD 393.32 million in 2022 and is expected to expand at a CAGR of 6.24% during the forecast period, reaching USD 565.49 million by 2028."

3.3. Car Rentals

- Online platforms, such as Online Travel Agencies (OTAs), social media, and various apps, showcase offers and trending promotions to potential customers. These platforms often tie up with other travel businesses or event organizers to offer bundled or discounted packages to their customers, expanding their customer base and reaching into new markets.

- On the other hand, for customers who prefer face-to-face interactions, there are offline platforms such as supplier depots, kiosks, or travel agent offices where they

can negotiate packages. This approach also enables car rental companies to build trust with customers.

04

Conclusion

Future Trends in the Travel Industry

With COVID-19 slowly receding into the background, domestic and leisure travel industries are experiencing rapid growth. Business travel is also showing promising trends. The car rental and leasing market is expected to reach USD 1,139.21 billion by 2030 from USD 728.13 billion in 2023, at a CAGR of 7.6%.

To keep up with today's millennial customers, travel service providers and distribution companies are exploring innovative ways to be more flexible, user-friendly, and personalized. Service providers and intermediaries should form better cross-service or intermodal partnerships to keep customers engaged. Distribution companies should cater to these needs through packaged distribution, allowing passengers to book multiple services in one go. These bundled services should be flexible enough to allow customers to pick and choose the services for greater adaptability.

Challenges and Solutions

The main challenge faced by travel service providers is dependency on legacy systems, with over 33% of airlines facing challenges due to this reliance, according to an IATA report. However, many have invested heavily in upgrading their tech stacks and onboarding new vendors, with initial investments expected to be over \$50M.

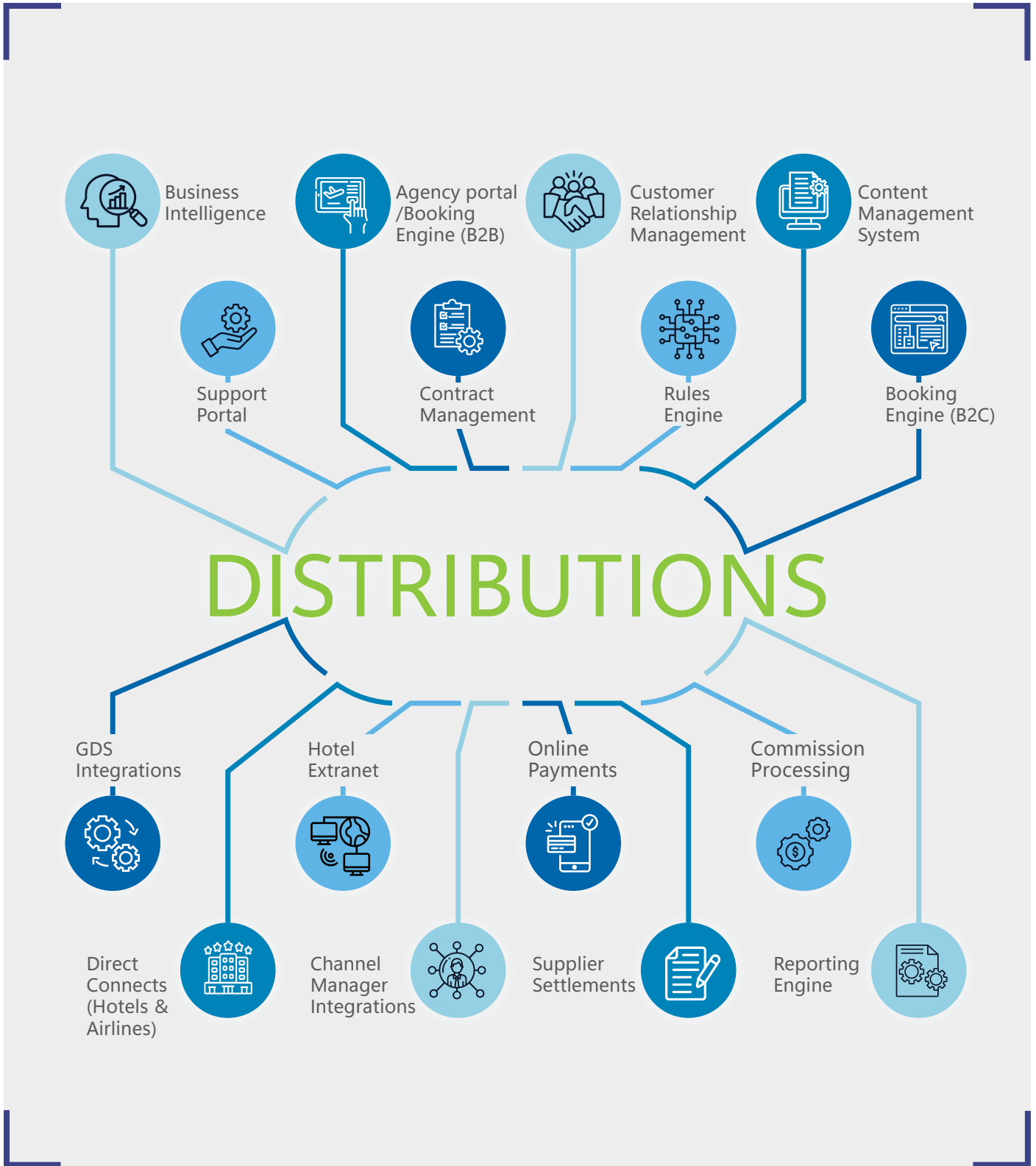
Embracing New Technologies

The responsibility to offer a connected trip experience lies with core service providers such as airlines, hotels, car rentals, taxis, and activities. These providers must participate in innovative ideas, not just through partnerships but by opting for newer ways of distribution. Combining blockchain and AI can have a significant impact. Blockchain can make the distribution network more secure and flexible, while AI can help with operational ease and better-targeted offers. Service providers should not consider this as capital expenditure but as operating expenditure for future cost savings.

The Role of Cybage in the Future of Distribution

At Cybage, we boast extensive experience working with multiple distribution and channel partners in the travel service sector. Our domain expertise and technical proficiency have consistently aided our partners in enhancing their product portfolios. With expertise across various travel service areas and integrations with multiple stakeholders, Cybage stands as the ideal technology partner for embarking on the journey of new distribution strategies.

5.1. Our Distribution Expertise



5.2. Success Stories

5.2.1. Equipped a leading US-based car rental enterprise maintain an upper hand in a fast-evolving competitive market.

About the Client

- The 4th largest car rental company in the U.S. maintaining a fleet of over 23,000 cars, ranging from economy to SUVs.
- Through a network of 85 locations, the company capitalizes on its presence in 22 of the top 25 U.S. airports.
- Caters to a wide range of customers, including value-focused leisure travelers, independent business professionals, and customers historically under-served by the major car rental companies.

Business Needs

- Build a rate management system for managing Car Rental Rates
- Build a system to support multi brands for rate configurations
- Build a rate shopper application that allows user specific custom rules
- Build modules to shop competitors' rates from OTAs and GDSs

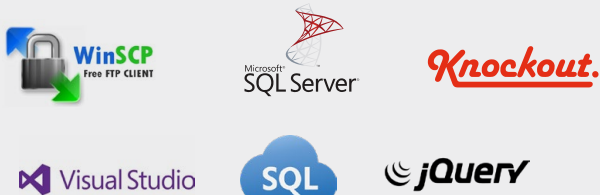
Solutions

- Created a scraping service framework that fetched rates from multiple car rental platforms and allowed seamless addition of new sources.

- Developed rules engine to support user-level rule set definitions
- Built automation console to manage jobs:
 - that monitored base rate and provided rate suggestions.
 - that allowed to push rates automatically at desired time interval.
- Built an end-to-end rate shopper application with the following features:
 - Intuitive and responsive UI
 - Multi-brand support
 - Integration with APIs provided by ISVs to get rates from GDSs
 - Ability to update external systems such as RezCentral and TSD
 - Support for one-way and two-way rentals
 - Car class tethering
 - Rate code tethering
 - Conditional rate update
 - Opaque rates for dependent car class

Technology Stack

Tools



Technologies



Business Impact

- User friendly interface and multi-brand support saved **25%** efforts of rate management
- Implementation of third-party APIs helped manage GOV rates and increased reservations by **15%**
- Base rate monitoring increased the rate accuracy by **85%**
- Conditional rate update helped cut down the bills charged from external systems by **10%**
- Car-class and rate-code tethering reduced scrapper load by **25%**
- Opaque rate for dependent car classes helped increase revenue by **5%**
- Allowing user-level rules decreased rate error by **80%**

5.2.2. Southeast Asia's largest bed bank gets a generational leap Cybage helps it achieve 15% revenue surge

About the Client

The client is the largest bed bank operating in Southeast Asia for retail travel agents.

The client needed to comprehensively enhance their booking experience, increase revenue, and improve margins.

- 5,000+ Daily Bookings
- 8,000+ Travel Agencies in the Region
- 15,000+ Travel Agencies
- 5,5000+ Direct Hotel Contracts in Indonesia & Southeast Asia

Business Needs

Cybage's proven expertise in offering travel and hospitality delivery excellence helped the bed bank to witness a 15% revenue surge along with a host of other achievements -

- 10% improvement in markup
- 99.5% uptime & 24*7 booking availability
- 1.5 millisecond response time for searching 5m properties
- 5x scalable technology for future business demand
- 25+ third-party integrations to boost revenue

Solutions

The solution was holistically designed to address large transactions, voluminous data sets, geographical spread, and multiple users. The real dealmaker was the solutions ability to auto scale and support up to 5X scaling of the overall volume of transactions without impacting the throughput.

Cybage's solution stack included:

- A high performing, secure, and scalable design
- A revamped B2B booking engine
- An intelligent cache solution to handle up to 25TB data
- Upscaling the user management, master information, markup management, reservation management, logs and audits etc.
- A System Integration layer to simplify interactions with third-party entities
- A robust contract management solution
- An intuitive user interface and design

Technology Stack



5.2.3. Assisted an airline solutions provider by designing and implementing an optimal cost-effective and scalable Azure Cloud solution

About the Client

- A leading cloud-tech solutions provider with products focused on the airline industry
- Core specialties include development in IATA New Distribution Capabilities and ONE Order resolutions standards
- Aims to help the airline industry evolve from a ticket-based system to a customer-centric world of the future

Business Needs

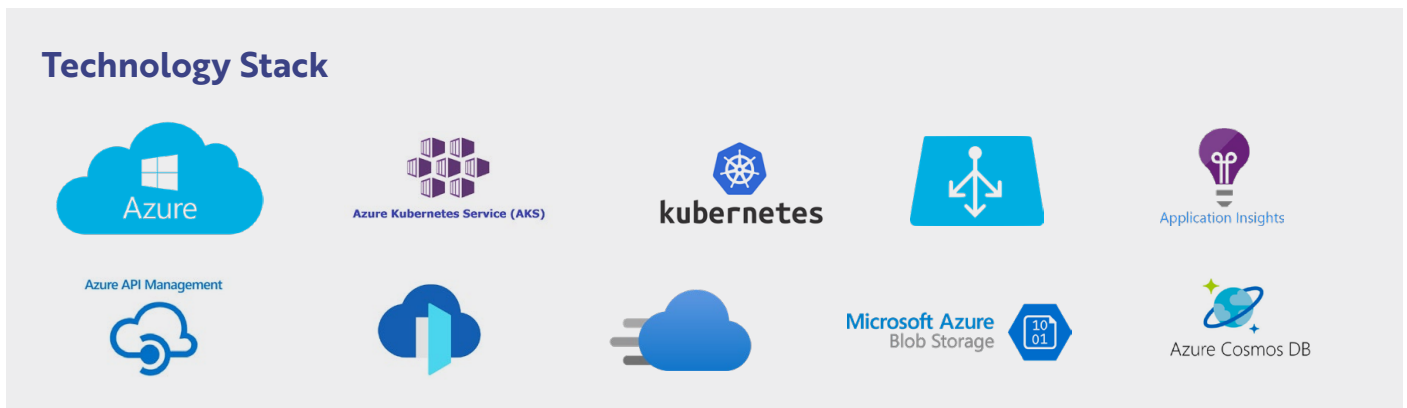
- Optimize cloud setup with the following aspects:
- 24X7 availability for CoreDNS and Metrics Server
- Autoscaling of cluster
- Ensuring secured accessibility of APIs for internal and external usage
- Effective logging mechanism
- Support the multi-tenant B2B and B2C applications with API assistance
- Effective disaster recovery strategy
- Supervised storage, retrieval and archiving of data

- Stringent authentication rules with enhanced user management
- Superior data security for multi-tenant applications

Solutions

- Utilized Azure Kubernetes Services (AKS) to manage clusters for services hosted on agent nodes
- Used AKS cluster auto-scaler for adding nodes to the cluster automatically
- Created a public AKS cluster and APIs that are accessible to permissible IP ranges
- K8s Load Balancer Service used to access application services from external environments
- App Insight Agent 3.0+ utilization that enabled coddles logging mechanism to collect automatic metrics for analysis
- Hosted containerized applications through Azure Container Instance (ACI)
- Organized 150+ APIs and exposed needed ones to the external sphere using API Management (APIM) from Azure
- Conducted path-based routing for the primary and secondary region using Front Door provided by Azure

- Hosting SPA sites on Azure Blob as a static website
- Harnessed Azure CDN and Blob storage for terabytes storage, and archival & catching of static data
- Utilized Cosmo DB for NoSQL database usage
- Implemented B2B and B2C flavor of Azure Active Directory for authentication
- Stored API keys, passwords, certificates, and cryptographic keys using the Key Vault service



Business Impact

- Launched the start-up phase of the application with dynamic capabilities scaled as per B2B or B2C demands with optimized Azure cloud setup
- Improved business continuity with the help of a highly secure setup with failover support
- Smooth storage planning helped in optimizing cost without compromising on scaling capabilities
- Easy on-boarding of new B2B partners without impacting existing B2B or B2C users
- Enhanced the multitenant application with an isolated database and secured data storage that helped gain better traction



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