

Evaluating The Performance Of Some Global Distribution Systems And Its Impact On Airlines And Travel Agencies In Egypt

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ABSTRACT

Lately, Global Distribution Systems (GDSs) have had achieved tremendous progress through several updates and new innovations, which create fierce competition between some Global Distribution Systems. It has been found that updates have negative effects such as the retreat of some leading Global Distribution Systems especially in the Egyptian market. Most airlines and travel agencies impact on some Global Distribution Systems by shifting from one reservation system to another. Updates impact obviously appear at Egypt, which cause Global Distribution Systems sales to be lost and the exclusion of some systems from Egyptian market. From here, we can say that some global systems and travel agencies are subject to big pressure from global regulations and updates that contribute to weakening their competitive abilities and tend to be excluded from the global market. Yet, no previous studies have been conducted on the different performance of GDSs . Unlike previous work, this paper tends to look closer at the performance of the major Global Distribution Systems. As well, the study sheds light about the impact of some Global Distribution Systems on airlines and Low Cost Carriers.

Key words: Global Distribution Systems, Airlines , Travel Agencies , Shifting .

1 INTRODUCTION

Global Distribution Systems (GDSs) offer advanced technology solutions for the global travel industry. Not only do GDSs build strong relation between travel providers and travel agencies but also they are increasing airline's revenue and sales by expanding and strengthening airline's brand in the global markets. Furthermore, GDSs give travel agents the ability to search and book airline flight, hotel room, car rental, train, cruise, ferry and insurance services with the lowest fares possible on the world's leading airlines. At the same time, they streamline booking process by integrating mid and back office (Amadeus IT, 2008), (Amadeus IT, 2014).

They provide several updates and shopping applications to a large number of travel providers and travel agencies (Amadeus press kit, 2013). However, the updates of some GDSs can have their negative effects on the retreat of other leading GDSs. Updates not only cause system's sales declines but also extend its influence to travel agencies that do not have financial capacity sufficient to shift from one reservation system to another. Shifting not only requires financial capacity, but also requires human resources training for the new system. On the other hand, airlines have sufficient flexibility to shift from one reservation system to another because of its financial ability and ability to train staff in less duration (El-Sebai,2015). However, shifting is a high risk change and requires changes in the Information Technology

(IT) systems (NIIT Tec *, 2012). During the system shifting agents will not be able to issue tickets for 24 hours on the day of shifting. Agents will not be allowed to refund and reissue tickets on the day before shifting. Besides, some bookings will be queued and processed after the shifting is completed. Only check-in for flights departing will be available at the airport on the day of shifting (SIA*, 2012).

Not only GDSs impact Low Cost Carriers (LCCs), but they also lead to exclusion LCCs from global competitive by preventing them to appear on GDSs screens. Most LCCs do not migrate in the Global Distribution Systems because their rates can not be searched for and compared alongside legacy airlines in Global Distribution Systems (Venema, 2011; CWT *, 2012). The overall aim of the study is to evaluate the performance of the major Global Distribution Systems . The findings of the study will be useful to determine the impact of updates and marketing on some GDSs. By using comparing method, this study will be able to evaluate the performance of the major Global Distribution Systems. Furthermore, the study will present the impact of GDSs on airlines, travel agencies and Low Cost Carriers (LCCs) in Egypt.

2 METHODOLOGY

The research aims to evaluate the performance of some Global Distribution Systems by comparing the performance of Amadeus, Galileo, and Sabre and examine its impact on airlines and travel agencies in the Egyptian market. The study follows the comparing approach, which compares the performance of some Global Distribution Systems. According to Oyen (2004) comparative

research can be defined as follows “ Comparative research, simply put, is the act of comparing two or more things with a view to discover something about one or all of the things being compared.” This methodology choice is based on the objective of the research which is to compare and evaluate the performance of some GDSs. In addition, this study measures the impact of Amadeus, Galileo, and Sabre on airlines and travel agencies in the Egyptian market. In order to answer questions of the study and to reach its aims, both reviewing literature from books, periodicals, reports, websites and a survey are conducted. The research strategy includes face to face and telephone interviews with Travelport , Sabre and Amadeus managers. Telephone interview has been chosen because of some difficulties for travels for data collection due to the political tensions in Cairo. It also includes face to face interviews with airlines managers in Alexandria where the main offices of airlines are located. The sample size of legacy airlines consists of ten percentages of airlines in Cairo and Alexandria from the total number of airlines in Egypt. The sample was six airlines in Alexandria. Besides, it consists of face to face and telephone interviews with travel agencies employees . Telephone interview has been selected because of some difficulties for travels for data collection due to the political tensions in Cairo. The sample size of travel agencies consists of ten percentages of travel agencies in Cairo and Alexandria from the total number of the Egyptian travel agencies “category A”. The sample was sixteen travel agencies from Alexandria and one hundred and ten travel agencies from Cairo . The face to face and telephone interviews have been conducted during the period from December 2013 to February 2014.

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- * SIA : Singapore Airlines
 - * NIIT Tec : is a leading IT solutions organization
 - * CWT : Carlson Wagonlit Travel

3 STUDY AREA:

The research will be subject to the following limitations:

- 1) The study concentrates on Amadeus, Sabre, and Galileo systems, which are the most important systems at global markets and Egyptian market (Radulovic’, 2013).
- 2) The field research will be in Alexandria and Cairo where the main offices of Global Distribution Systems, airlines and travel agencies are located.

4 RESULTS AND DISCUSSION :

The result of GDSs survey shows that Amadeus is the largest GDS provider serving the Egyptian market, with an estimated market share of 70%, followed by Galileo with an estimated market share of 20% , then Sabre with an estimated market share of 10% (Figure 1). Furthermore, the result of legacy airlines survey shows that most airlines are using Amadeus GDS, because Amadeus is the largest GDS provider serving worldwide, with an estimated market share of 37%. In addition, it is the largest GDS provider serving the Egyptian market.

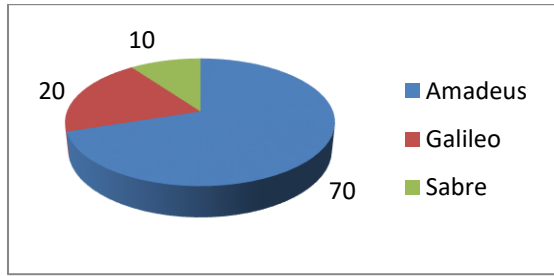


Figure 1 : GDSs Distribution in the Egyptian Market

However , the result of travel agencies survey shows that Amadeus is the largest GDS provider serving the Egyptian market, with an estimated market share of 41% , followed by Galileo with an estimated market share of 29 % , Sabre with an estimated market share of 11% , then Worldspan with an estimated market share of 1 % (Figure 2). This means that Amadeus showed superiority on Galileo and Sabre by expanding its position in the global and Egyptian markets.

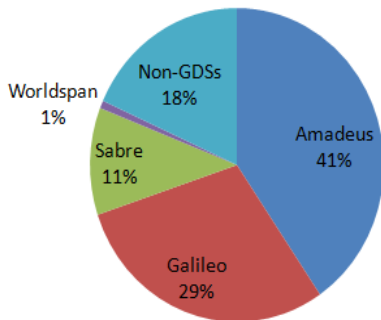


Figure 2: Distribution in the Egyptian Market

The result of airlines and travel agencies surveys show that most airlines and travel agencies shifted from Computer Reservation Systems (CRSs), Galileo, Sabre and Worldspan to Amadeus. This means that some Global Distribution Systems are retreating in the Egyptian market (Figure 3).

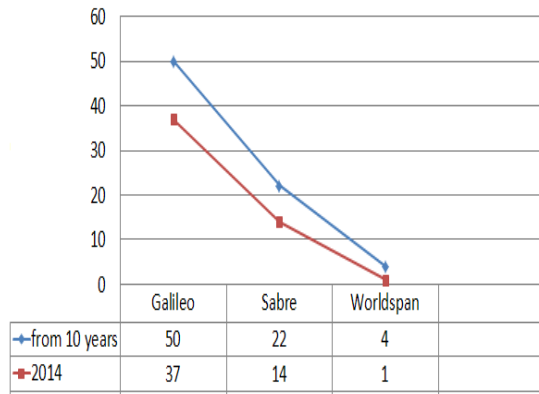


Figure 3: Retreating of Some GDSs in the Egyptian Market

All the three types of interviewees agreed that several airlines and travel agencies have been shifting to Amadeus because of the change in IT system of existing GDSs. As a result, it can be concluded that the updates of Amadeus has negative effects on the retreat of other leading GDSs. All airlines managers was hesitated about taking the decision of shifting to Amadeus, because shifting is a high risk change and requires considerable changes in the IT systems and ticketing services will be unavailable during the system shifting. Just during the system shifting, agents will not be able to issue tickets for 24 hours on the day of shifting.

The result of GDSs survey shows that Amadeus faces competition by updates and creating new versions, new applications and offers new products such as selling a ticket for cinema or amusement park, Also it enables travel agents to reissue or refund a ticket with easy and short process. However, Galileo and Sabre face competition by giving extra incentive to travel agencies more than any other GDSs and by giving extra reservation screens, improving help desk and customer service and giving monthly training to employees. This means, Amadeus, Galileo and Sabre have different strategies. Amadeus faces competition by offering new innovations and presents in many destinations. However, Galileo and Sabre face competition by offering more services to customers and employees. This is the reason, why Amadeus is the leading providers of new innovations and the other GDSs are the followers. All the three types of interviewees agreed that the biggest competitor in the Egyptian market is Amadeus. Because Amadeus is a leading provider of advanced technology solutions for the global travel industry. Amadeus successes in marketing campaigns with airlines, and nowadays most airlines are using it.

It has been found that Amadeus and Sabre are contracted with airlines and travel agencies in the Egyptian market however Galileo “Travelport” is just contracted with travel agencies in the Egyptian market. As a result, Galileo retreats in the Egyptian market because airlines are not contracting with Galileo.

The result of GDSs survey shows that the stipulations of GDSs contract with airlines depend on the number of aircrafts that airlines owned and sales volume. However, GDSs only require official

papers and specify the annual cost in travel agencies contracts. However, GDSs contracts are different from one airline to another. In addition, all airlines and travel agencies must pay costs per segment to get access to the content of each segment. Furthermore, the result of airlines and travel agencies surveys show that GDSs require from airlines and travel agencies to reach a number of segments that mean they must reach a specific target. If travel agencies reach a specific target, GDSs will give them incentive. However, if travel agencies did not accomplish the specific target, they will pay expenses per segment to get access to the content of each segment.

All the three types of interviewees agreed that most GDSs enable travel agents to book the entire trips in the same PNR. In addition, the result of GDSs survey shows that the deadline for making a reservation is before departure procedures. According to the rules of airlines, travel agents can issue a ticket before departure procedures via any GDSs. However, Amadeus is the only GDS that has the ability to display the last seat available more than any other GDSs. As a result, most airlines and travel agencies shifted to Amadeus.

The result of GDSs and airlines surveys show that non- IATA (International Air Transport Association) company can not issue tickets on legacy airlines, because they are not connected with BSPs (Billing and Settlement Plans). BSP is a daily accountable system linked with IATA. BSP is sending bills to IATA companies either every day or every two weeks depending on the contract signed between both parties. This is why; non-IATA companies can not issue tickets on legacy airlines because BSPs can not connect with them. Non-IATA company has not any accreditation to issue tickets, only non-IATA company can issue tickets when an airline provides them an internal link. This means, if airlines refuse to provide an internal link, they will not be able to issue tickets on legacy airlines. Not only Egypt air, Saudi Arabia airlines, and Emirate airlines are preventing non -IATA companies to issue tickets but also they prevent non -IATA companies to book a seat. Egypt air, Saudi Arabia airlines, and Emirate airlines have been selected, because they are the most important airlines at the Egyptian market.

The result of GDSs survey shows that Low Cost Carriers should make codeshare agreement with legacy airlines, because they are not connected with BSPs. BSPs is a very important element for the selling process. For example, Hahn Air gets full seat from Flydubai and the trip on Flydubai flight. So Hahn Air is the mediator among GDS and Flydubai. Furthermore, the result of GDSs and travel agencies surveys show that Amadeus contracted with some Low Cost Carriers in the Egyptian market such as Flydubai, Aljazeera and al Nile. However, it is contracted with Low Cost Carriers in Europe more than Low Cost Carriers in Egypt because the integration with GDSs is expensive. The result of airlines survey shows that some airlines face competition of Low Cost Carriers flying the same routes, such as Egypt Air which faces competition from LCCs especially in Alexandria, because most LCCs are available in Alexandria. This is why; Egypt Air tries to reduce the prices of flights that depart from Borg el Arab airport or Nozha airport. Furthermore, it has been found that legacy airlines such as Gulf carriers and Turkish airlines are also facing competition by reducing the prices of flights. Besides, European airlines such as Lufthansa and British Airway are facing competition by using short-haul flights (Table 1) (Advito, 2014). In other

words , most legacy airlines are facing competition by reducing the prices of flights or by using short-haul flights.

Table1 Examples of Legacy Airlines face competition

Airlines	facing competition by
Egypt Air	reducing the prices of flights
Lufthansa	using short-haul flights
British Airway	using short-haul flights
Gulf carriers	reducing the prices of flights
Turkish Airlines	reducing the prices of flights

However, most airlines (Air France, KLM, Alitalia, and Middle East Airlines) are not facing competition of Low Cost Carriers because their airlines are flying different routes . In addition, Saudi Arabia and Middle East Airlines see that Low Cost Carriers can not compete with legacy airlines , because Low Cost Carriers are issuing non-refundable tickets, non-changeable tickets, and re-routable tickets. They also offer low fares in websites. At the same time, they offer high fares in GDSs interface because GDSs costs are expensive. This means that , Low Cost Carriers should issue refundable tickets , changeable tickets and routable tickets to strength their competitiveness.

Finally, travel agencies require from Global Distribution Systems to reduce the costs that agents must pay to get access to the content of reservation system. Some travel agencies recommend GDSs to cut costs from commissions. In addition, they require from GDSs to simplify entries. Moreover, some travel agencies recommend from Sabre and Galileo to follow Amadeus updates.

5 CONCLUSION

It has been found that Galileo retreated at the Egyptian market with an estimated market share of 10.3 % , followed by Sabre with an estimated market share of 6.34 % , then Worldspan with an estimated market share of 2.38 % . According to the field and academic study; legacy airlines are not using Galileo. Only, travel agencies are using Galileo as a reservation system. Almost all airlines in the Egyptian market are using Amadeus GDS. Therefore, Amadeus enables agents to

sell a seat at the last minute more than any other GDSs. Galileo retreats in the Egyptian market because airlines are not using it.

In addition, it has been found that only a limited number of LCCs participate in the GDSs such as Flydubai, Aljazeera and Al Nile. Because Low Cost Carriers are non- IATA so they should be linked with legacy airlines. It has been found that non- IATA company can not issue tickets on legacy airlines, because they are not connected with BSP. Besides, GDSs require from travel agencies to reach a number of segments that mean they must reach a specific target. If travel agencies did not accomplish the specific target, they will pay expenses per segment to get access to the content of each segment.

6 RECOMMENDATIONS

1- Recommendations for Global Distribution Systems

- Sabre and Galileo should expand their position in the distribution business by using different marketing strategy with airlines.

- They should follow the strategy of Amadeus especially with airlines and try to create new and several innovations.

- Galileo and Sabre must update their Departure Control Systems. -

They also should increase the number of airlines who migrated to them by offering new innovations.

2- Recommendations for IATA -

IATA should offer solutions to non -IATA companies, that enable agents to book and issue tickets without needing an airline internal link. -In addition,

IATA must provide solutions to Low Cost Carriers, which allow agents to book and issue tickets without linking with legacy airlines

3- Recommendations for Travel Providers -

Travel Providers must offer low fares in the Global Distribution Systems.

- A large number of travel providers should migrate into Global Distribution Systems. -

Travel providers should monitor the performance of their marketing campaigns via GDSs innovations.

4-Recommendations for Low Cost Carriers

- Low Cost Carriers should enable agents' to issue refundable tickets, changeable tickets, and re-routable tickets.
- A large number of Low Cost Carriers should migrate with GDSs.
- They must offer low fares in the Global Distribution Systems.

5-Recommendations for Airlines

- All legacy airlines should provide non- IATA companies an internal link. -
Legacy airlines must ensure that agents have knowledge about all GDSs updates.
- All legacy airlines must promote and strength their brand via GDSs.

6-Recommendations for Travel Agencies --

- Travel agencies should use GDSs shopping applications.
- They must organize training courses for junior and senior agents.
- Travel agencies should monitor the performance of agents via GDSs innovations.

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