## Airline merchandising

# Enabling value creation for airlines

Travelport is answering the needs of airlines – low cost carriers and network carriers alike – to redefine the way in which their value proposition is delivered through the indirect channel.

Our airline customers are essentially transforming into retailers with merchandising strategies – this approach has become critical to their ongoing commercial success.

**Re-engineering our technologies**
Travelport has responded to this opportunity by redefining our technology set both on the front- and back-ends. Our Platform has XML connectivity at its core that enables LCCs to connect into our open platform and display their fares and products alongside the offers of the network carriers. In turn, this provides access to higher-value corporate and high-end leisure travelers in the indirect channel.

Furthermore, by re-engineering our Platform in terms of how we connect to airline inventory from a technical perspective, how we integrate the content into more traditionally sourced data and how we enable their sale of ancillary products we are able to capture not only more LCC participation but also enable all of our airline customers to distribute their full range of products and offers.

We have combined our back-end innovation with investment in our ground-breaking front-end capabilities. Travelport Smartpoint is redefining point-of-sale technology, combining an intuitive graphical user interface, incorporating the capabilities and functionality of our full merchandising suite with all the benefits of efficiency and integration of the traditional GDS.

Not only are our merchandising solutions available through our award-winning point-of-sale applications. We do far more than that. Travelport uAPI allows other third parties, such as online travel agencies who want to create their own front-end user experience, access to our content and functionality with ease. Our uAPI opens up all of Travelport's content, regardless of whether the point-of-sale is an internet booking engine, a customized agency desktop, or a corporate booking tool, delivering our airline partner's full value proposition and product offering to approximately 68,000 travel agency locations in approximately 180 countries across the globe.

For nearly 40 years the traditional GDS screen effectively reduced the airline's product offering to a line of alpha numeric text detailing the flight schedule, availability by booking or fare class and the type of airplane used. This worked well for booking, pricing, amending itineraries, billing and invoicing. It enabled agencies to track their sales and was integral to the daily workflow of the travel agency. However, the advent of the LCC model has driven a revolution within the industry whereby the basic airfare has been unbundled from all other ancillary services offered.

**Merchandising**
Through our industry-leading technology, Travelport focuses on helping airlines to differentiate their brand and to increase the revenue they earn per seat sold. How? Airlines need their customers to understand the attributes of different fares, the value of ancillary products, and their wider brand equity. We listened to the airlines and redefined our role by moving far beyond just selling seats. We now provide a suite of merchandising solutions for airlines that includes Rich Content and Branding, ancillary services, aggregated shopping and tailored offers.

These solutions enable airlines to not just maintain, but also differentiate their brand through the indirect channel – sometimes with even greater capabilities than on their own websites. We make these solutions available regardless of which point-of-sale our travel buyers use when they serve corporate customers and end travelers through the indirect channel.

Travelport is redefining the way in which the airline's value proposition is delivered to online and offline travel agencies and the corporate travel channel through which they seek to sell, enabling travel buyers to upsell and add-sell. We deliver all of these benefits for a cost to airlines of around 2% of ticket value. We believe there is no other industry that provides this level of value for such a low cost.

### Key differentiators

▸ Critical mass of airline participation in merchandising solutions
▸ Tailored content and offers for corporations
▸ Rich media and sales messaging
▸ Unique omni-channel delivery of content
▸ Unrivaled access to high-yield corporate and leisure customers
▸ Broadest geographic coverage

### Key statistics

# >150

Airlines actively merchandising their enriched product content through Travelport including branded fares and ancillaries

# >60%

Of our segment volume in 2015 was generated by airline customers upgraded to our merchandising capabilities

# $59.2bn

Global airline ancillary revenue for 2015 which have grown at a compound annual rate of 21% since 2010[1]

1   Idea Works Company 2015 survey

## Delivering innovation for Delta Air Lines



**Differentiating Delta's services and brand in the indirect channel**
Delta has invested $8bn to fundamentally differentiate the quality of its customer experience. Within the third-party channel, the airline did not want that investment simply to run through the traditional 'green screen' GDS, where the Delta brand and value proposition would be lost.

**Travelport enables merchandising and retailing of the full value proposition**
As a launch partner to Travelport Smartpoint, Delta welcomed the step change from commoditized displays to a richer and more engaging travel buying experience. The airline participates in our Rich Content and Branding merchandising capability through Travelport Smartpoint, which illustrates Delta's product offering in detail with imagery and marketing text, retaining Delta's brand in the third-party channel. With Rich Content and Branding, Delta can communicate the specific features of its products or fare families to travel agencies, such as Delta Comfort+ being introduced in May 2016, and also benefits from upselling opportunities that our technology facilitates.

❝
Travelport gets it. The reason we are as committed as we are as partners to Travelport is because of the orientation to redefine travel commerce.❞

**Tim Mapes,** Senior Vice President of Marketing, Delta Air Lines, Inc.

# Hospitality

# Redefining hospitality distribution

Hotel and car distribution is a $610bn industry and growing at around 8% each year. As the fourth largest third-party distributor of hotel room nights globally, we are a major force in hospitality distribution.

The hospitality line of business enables our travel agency partners to sell hotel, car rental and other non-air content. We also offer digital advertising to travel content providers through our browser and app-based point-of-sale applications. This section focuses on hotel distribution.

### Hotel distribution
## $552bn
Global revenues, growing at 8%

## 52%
Independents account for 52% in the US (approximately 80% for the rest of the world)

### Car rental distribution
## $58bn
Global revenues, growing at 7%

## 95%
Top five providers at 95% of US demand and just 22% in Asia

### B2B travel industry digital media
## $7.2bn
Global hotel ad spend

Source: Euromonitor

Corporate travel is rapidly growing and represents high-value business for our hotel customers – with corporate travelers driving higher average daily rates (ADRs).

Therefore, for independent hotels, a key success factor is their ability to capture share of the corporate travel industry. Their challenge is competing with major chains with negotiated corporate rates and global brand recognition.

Moreover, independent hotel content has historically had limited availability through the traditional GDS channel.

**Sector growth and opportunity**
In the hotel space we are focused in two key segments, firstly corporates where our goal is capturing high-yield, high-value corporate business. Some 20% of this corporate business is transacted by TMCs and the remaining 80%

is booked by corporate travelers directly. Our aim is twofold: increase the hotel attachments rates when air bookings are handled by TMCs; and, attract the large proportion of corporate hotel spend that is booked directly by travelers into the indirect channel. Our acquisition of Hotelzon, an extranet for hotel bookings and hotel distribution technology to business travelers, has significantly enhanced our ability to do just that.

Our second key growth area is Online Travel Agency (OTA) hotel spend. OTAs account for around 40% of leisure hotel spend that occurs online through this channel. By building a Platform that can aggregate content from approximately 650,000 hotels, across all three hotel room rate categories and utilizing our advanced search capabilities returning relevant choice enables us to deliver unmatched efficiency that means the Travel Commerce Platform is the platform of choice for hotel bookings for OTAs.

**Delivering value across the travel supply chain**
Our approach drives a high ADR and high value customers – the corporate business – to our hotel partners at a relatively low distribution cost. On average, we deliver an approximately 10% to 15% premium for ADR over the hotels' direct channel. In 2015, we delivered 65m room nights in 2015 up from 63m in 2014 and making us the fourth largest distributor of hotel room nights in the indirect channel.

We focus on content too – offering buyers more choice in hotels. We've moved beyond chain hotels and now have ~650,000 unique properties bookable in our system – significantly more than any of our nearest competitors. Our access to higher-value corporate and leisure travelers, scale and global reach which results in some of our own customers – like Expedia and Priceline – are content providers to us.

Our acquisition of Hotelzon helps us make bookings at these independent hotels easier for business travelers and the agencies that serve them. With Hotelzon, we can take the corporate negotiated rates of small independent hotels and make them available to travel agencies or publish that content in Hotelzon for travelers who wish to book hotels independently.

We also have the ability to capture different rates – negotiated corporate rates, retail rates and merchant/wholesale rates. So we have the three key components for success – the content, the rates and we have built in to our Travel Commerce Platform the technology capability that allows our customers sell the products the way they want to.

Case study

## Travelport Hotelzon captures independent hotel bookings



> We have the content, we have the rates and we have built the intelligence to provide relevant choice. We've built the technology stack to allow our customers to sell their products the way they want to."

**Niklas Andreen,** Managing Director, Hospitality, Travelport

**An attractive opportunity**
The corporate travel sector is a highly-valuable one for hoteliers. Traditionally, mega-chains have been most successful in attracting this business. However, with 80% of the world's hotel properties outside of the US being non-chain, there is a growing opportunity to attract corporate hotel bookings to this large independent – or non-chain – hotel sector.

**Travelport's innovative solution**
Travelport Hotelzon's Hotel Extranet allows an independent hotel property to load rates for a specific corporate client and then manage and distribute these with any other hotel rates to the corporation or the TMC serving that corporation. In addition, Travelport Hotelzon's self-booking tool – hotelzon.com – provides corporations and TMCs with the tools to simplify the corporate hotel booking process both in mobile and in desktop, implement comprehensive company travel policies, utilize company preferred payment method and benefit from extensive and real-time reporting. At the same time, Travelport distributes Hotelzon-contracted hotels, including the special rates negotiated for corporations, through the existing Travelport hotel booking system used by our TMC clients. All of these innovations enable our independent hotel customers to win business from high-value corporate travelers.

# Payments

# The world's leading B2B travel payments solution

Leveraging over 40 years of domain expertise, Travelport has developed a unique and pioneering B2B payments business called eNett in order to address significant unmet needs in the travel industry. With a proven business model and revenue approaching $100m, eNett has a clear first mover advantage within an addressable market of over $800bn.

eNett is a key component of our vision to redefine travel commerce. Invested in and developed by Travelport since 2009 in tandem with Optal, one of the largest commercial card issuers in Europe, eNett is a proprietary platform for B2B payment transactions that addresses major inefficiencies within the travel payments ecosystem.

**B2B payment opportunity**
eNett operates in a $2tn travel industry that is fast-growing. eNett's 'sweet spot' within this market is where the travel agency is the merchant of record – i.e. where consumers buy travel from a travel agency, who receive cash or card payment from the traveler and then onward pay travel providers such as airlines, hotels and car rental companies. We estimate that such transactions account for over $800bn of the $2tn industry.

The traditional payment methods of travel agencies involve either bank wire transfers, the use of the travel agency's own credit card or, in the case of flights, an airline-industry managed clearing system. These various methods have a number of drawbacks such as the risks of travel provider default and fraudulent credit card use, as well as the significant time and resources devoted to manual processing and reconciliation.

**eNett is positioned to win**
eNett has been designed to replace these outmoded forms of payment with their inefficiencies and risks, and convert the travel business to the use of Virtual Account Numbers (VANs). These are single use virtual cards – which are pre-funded so there is no credit risk – which run over the MasterCard global acceptance network and can be set up to pay a specified supplier on a specified date, for a specified amount of money.

As VANs are primarily single use, each number issued can be reconciled back in an automated manner to the element on each individual customer's itinerary the payment was made for. Moreover, the payments made by travel agency fall under the MasterCard Guarantee which gives a much higher degree of protection to the paying travel agency should the travel provider default.

The eNett system is fully integrated both into the Travelport Travel Commerce Platform and can also be written to an API which enables further integration into back-office and other systems that travel agencies use.

eNett makes money through being the recipient of interchange fees, some of which it then shares with its travel agency customers. Travel agencies are effectively turning what was an administrative, inefficient and costly part of their operation into an efficient area of revenue and profit generation.

**Strategic priorities**
In 2015, eNett generated revenue of $92m, an increase of 36% on 2014. eNett is already generating profits and we believe the model is highly scalable as we expand beyond the core hospitality sector into air travel, including LCCs, as well as other sectors of the travel industry.

The immediate focus of eNett is to increase penetration in the OTA space. Furthermore, eNett is looking to significantly speed up payments in scheduled air ticket payables and see a major opportunity in the LCC market (see adjacent case study). Our estimates suggest that these markets, combined, represent around half of our total addressable market.

eNett is also constantly increasing the range of currencies that it can manage its solutions around, and continues to build scale in people, systems and processes.

## Key statistics

### >$800bn

Total addressable market where eNett has first mover advantage

### $92m

eNett's 2015 revenue which grew at 36% in 2015 and has more than doubled over the last 2 years

### 71

Countries where eNett is available to agencies of any size

Case study

## eNett payment model in partnership with AirAsia

**eNett**
Redefining payments

**Travel agency challenge**
Traditional credit card surcharges impacted AirAsia's ability to offer the most competitive all-inclusive fares in the market.

**eNett's solution**
Using eNett VANs, travel agencies are able to save up to 70% on card fees when booking AirAsia's fares. This is based on a 1% maximum surcharge to the overall fare price that is applied exclusively to eNett VANs. It also lets agencies use the savings to offer the lowest prices to their customers, improving their competitiveness in the marketplace.

In addition, eNett's innovative fund-as-you-go model enables travel agencies to make AirAsia bookings and pay for them without tying up their cash with bonding requirements that AirAsia would otherwise request. Also, by using eNett VANs to make supplier payments, agents mitigate the risk of supplier default, credit card fraud, improve automatic reconciliation and generate financial, data and efficiency rewards.

eNett is available in Travelport Smartpoint, or via a direct API connection, or via Conferma, a payments switch into other GDSs

❝ eNett is accessible to agencies of any size, in 71 countries, where we can on-board customers in less than three days."

**Anthony Hynes,** Chief Executive Officer, eNett

# Mobile commerce

# Mobile travel consumption – a key element of digital travel commerce

Mobile is fast becoming the key channel for travel commerce and services. Our recently acquired specialist business Mobile Travel Technologies (MTT) has built a leading position in the development and running of mobile apps for the travel industry.

MTT is one of the key elements in Travelport's wider digital and mobile commerce strategy which includes recent investments made in Travel IT (tour distribution), Hotelzon (hotel distribution), Locomote (corporate travel management apps) and eNett (payments).

**What is the opportunity?**
Mobile travel commerce is growing exponentially and transforming how travel companies interact with travelers and generate revenue. For example, it is expected that more than 500m air tickets will be purchased by mobile by 2018 (from ~200m in 2014), with the corresponding transaction value expected to grow from $52bn in 2014 to $145bn in 2018[1]. In the hotel space, in the US alone, it is expected that hotel bookings via mobile will grow from $2.7bn in 2014 to $5.4bn in 2016[1]. All this means that travel agencies and providers alike are focusing heavily on implementing competitive mobile strategies that deliver engaging services via smartphones and tablets.

**Enhancing the Travel Commerce Platform's capabilities within the mobile channel**
Through MTT, Travelport is building its mobile capabilities to be a part of this transformation. MTT enables airlines, corporate travel agencies and hotels to deliver sophisticated mobile travel applications. Its comprehensive and innovative product set supports the entire journey end to end, from travel research and booking, to planning and preparation, to in-airport, in-flight and at-destination services.

MTT has a unique focus on mobile travel apps, with an expertise in 'B2B2C' applications and mobile development that is hard to replicate. We believe that MTT is the largest specialized company in the world in this area. Its revenue comprises professional services and license fees for its products and platform, as well as monthly fees for support, maintenance and hosting.

**Our strategy**
MTT is continuing to build its leadership in mobile travel with travel companies worldwide, combining expert app engineering with creativity and a strong traveler end-focus, while increasing scale, building market share, and exploiting new mobile opportunities.

We estimate that approximately 500m travelers worldwide use MTT's airline and other travel apps every day. A key focus at Travelport is to leverage this position in order to connect MTT apps to the full breadth of content on Travelport's Travel Commerce Platform – including its extensive hotel and car content, and payments capability – and drive higher transaction fees by merchandising airline ancillaries to the end traveler.

**Mobile apps by the end of 2017**
## 92%
of airlines will enable flight bookings via apps
## 96%
of airlines will provide flight status updates
## 72%
of airlines will offer self-service tools for rebooking (up from 11% in 2014)

**Mobile ancillaries by end of 2017**
## 93%
of airlines will enable retail promotions and offers via mobile

**Mobile growth across corporate travel market**
## 25%
of corporate travel bookings to be made via mobile by 2017, compared to 7% in 2014

**New revenue opportunities**
Mobile booking transactions will more than double between 2014 and 2016 in the three main travel categories (air, hotel and car rental)

Sources: CWT Insights, 2015; SITA Airline IT Trends Survey, 2014

[1] Juniper Research

"Mobile is front and center of the strategy of our clients. It's vital competitively for them to offer engaging services via smartphones and tablets."
**David Moran,** Chief Executive Officer, MTT

"The new combination of Travelport and MTT is going to drive unbelievable things for our TripSource mobile app, which really is the future of our business."
**John Snyder,** President and CEO, BCD Travel

## MTT partners with easyJet to deliver award-winning mobile services

**A better way to interact with customers**
In 2011, easyJet commenced a search for a technology partner who could build a cross-platform app capable of communicating with customers at all times and places, while facilitating booking and self-management of travel by end travelers, particularly in times of flight delay and cancellation.

**MTT delivers award-winning application for easyJet**
MTT has worked with easyJet since 2011, delivering a beautifully designed, intuitive and easy to use app that has evolved from booking and check-in functionality to include passport scanning, live flight tracking, mobile boarding passes, Touch ID and sophisticated 'day of travel' guidance at the airport with MTT's Concierge Live product. This flagship relationship is synonymous with innovation and in 2015, MTT and easyJet launched one of the first bespoke airline apps for the Apple Watch, which was soon followed by an entire revamp of the airline's award-winning iPhone app. The app, powered by MTT, provides easyJet with a bespoke, sophisticated mobile channel that provides significant brand and product differentiation as well as an important source of revenue for easyJet.