

# THE 'GLOBAL DISTRIBUTION SYSTEM' (GDS) AS FUTURE OF COMMUNICATION IN HOSPITALITY INDUSTRY

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**Abstract** Global Distribution System is an online computerized system commonly known as GDS. It is an advanced technology used to bridge the gap between tour operators and travel customers or bookers by providing centralized services. It covers a large spectrum of services like bookings of airlines tickets, cars on hire, renting of hotel rooms, reserving banquet function halls and MICE (Meetings Conventions Conferences and Events) destinations. It works as a single point of access for reserving airline seats, hotel rooms, renting cars by smaller travel agents, online reservation sites, and large corporate companies.

It delivers up to date world wide data, rack and discounted rates, accommodation room inventory, off season discounts, offers on bulk bookings, real-time availability of airlines seats, hotel room's status and bookings, car rental, bus tickets and other allied services to make the travel industry more informatics and sophisticated.

For decades, Global distribution System has been a key ICT (Information and communication Technology) area for airlines and hotels. This sector had been dominated by four Global Distribution Systems (GDSs) whose primacy had never been challenged. This paper explores the role of Information technology as a future of communication in travel industry.

**Keywords:** Global Distribution System, GDSs, Airline Industry, CRS, Information and Communication Technologies

## INTRODUCTION TO GLOBAL DISTRIBUTION SYSTEM

GDS Networks helps the travel companies, agents and their customers to access the travel data by comparing rates, reservation options, access scheduling and inventories (hotels, airlines, car rental, holidays, bus tickets, railway tickets) along with options of allowing the customers to book tickets online. At the time of inception there were 4 major GDS Systems heading the travel industry: Amadeus, Sabre, Galileo and Worldspan.

Galileo	1993	11 North American and European airlines, conducted by United Airlines. Currently owned by Centant Corporation.	US and Western Europe
Amadeus	1987	Iberia, Air France, SAS and Lufthansa	Europe, Middle East, N. Africa and Asia

Internet source: Importance of gds for travel Agents and Tour Operators by contact@orisysinfotech.com

Table 1. GDS in the Market

Name of GDS	Founded In	Founders	Area Of Strong Operations
WorldSpan	1990	Delta, TWA and North West Airlines	USA and Europe
Sabre	1976	American Airlines (Now AMR Corporations)	US and Asia Pacific

## HISTORY OF GLOBAL DISTRIBUTION SYSTEM

Since the beginning of time in travel industry, there has been noticed a need for a uniformity in information regarding data, costs and product information. There has been a constant need of information which has to be up to date. It was impossible for the small private travel agents to have commercial relationship with every airline, every hotel chain and every rental car agency in the world in order to

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fulfill the needs of their customers. And hence the original global distribution system (GDSs) was born.

In the inception era of the GDSs (late 70s to early 80s) GDS served an extremely useful role of allowing travel agents to connect to multiple travel service providers with a single computerized system, It also because the GDSs the travel service providers were able to connected to diversity of travel providers and the hospitality suppliers whom they could not reach earlier. They got a border audience than they could with direct connections themselves.

The ecommerce revolution of the 1990s brought about a breakthrough in business. The GDS brought transformation in the way consumer's shopped. The customers started to research about the products on the internet before purchasing them. At a glance the customers were able to compare services, products and prices for the similar tourism products. These advances in the technology gave a tremendous boost to the global distribution system in terms of mass connect and infrastructure. The technology system powering electronic travel commerce were then referred to as Cru or computerized reservation system.

The GDSs have traveled far in the past four plus decades. The three major GDS companies today power the critical reservation and technology infrastructure of over 163,0000

travel agency location and enable bookings by nearly half a million travel agents around the globe.

## GDS IN TODAY'S WORLD

There are currently three major GDSs that dominate the space including: SABRE, Travelport and Amadeus. Galileo and Worldspan were incorporated together to become Travelport.

Their revenues for year 2014 are reflected below:

- SABRE: \$2.631B
- Travelport: \$2.148B (Galileo, Worldspan)
- Amadeus: \$3.834B

With the advancements in the travel technology the Global Distribution Systems have seen a steep rise in the years. GDSs have adapted to challenges of the of content fragmentation by introducing new financial models for airlines and travel agencies and investing in new technologies to support airline merchandising and travel agencies and investing in few technologies to support airline merchandising and sales of optical services. The GDSs today play a major role in both leisure and business or corporate travel.

Following are the GDS Market share of selected GDS In 2016 & 2017

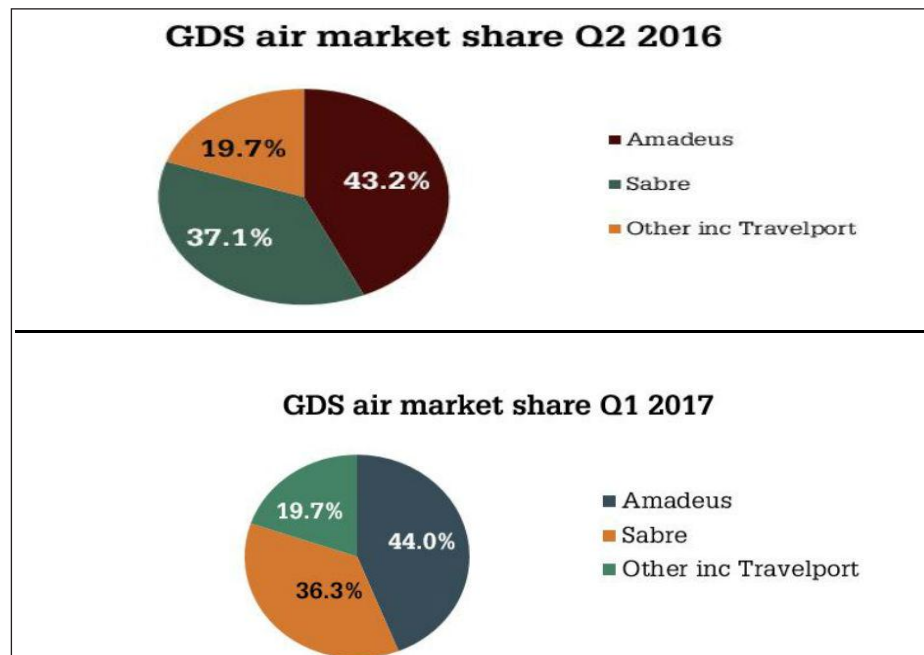


Fig. 1 and 2: GDS Market Shares

Source: Internet : GDS Market shares and more iQ Business Travel 11 May, 2017

The chart shows the market share of air bookings of the three GDSs for the first quarter of the year. Amadeus and Sabre publish their own market share statistics (44% and 36.7% respectively). This gives remaining GDSs, largely Travelport, a 19.7% share.

All three of the major GDSs report healthy growth in revenues and booked segments. According to the GDS Market Shares and More by Business Travel iQ | 11 May 2017, Amadeus enjoyed the strongest jump in revenues from distribution, up 11.4% from the same period last year. Travelport's Commerce Platform's figures grew by 7% while Sabre's Travel Network revenues were up 6.4%.

Others in the sector, such as airlines and TMCs, are usually keen to scrutinise the margins made by the GDSs. In terms of adjusted earnings as a proportion of net revenues, Amadeus made margins of 40.2%, Sabre 32.5% and Travelport 25.9%.

Travelport reports its agency commissions as well as revenues. For the first quarter of the year, the company made revenues of \$650.8 million and paid commissions of \$310.4 million.

## GLOBAL DISTRIBUTION SYSTEM IN INDIA

As far as India is concerned, one of the important invention has been the 'joy of planning or booking a travel itinerary at the click of your finger tips with the world in front of you on a computer screen and using this screen the travel agents have played a pivotal role in becoming the game changer for India's travel & tourism sector.

It has been a while that the travel agents have advanced beyond ticketing segment primarily of airlines into non air travel sector, which has tremendous potential like hotel, insurance, rentals.

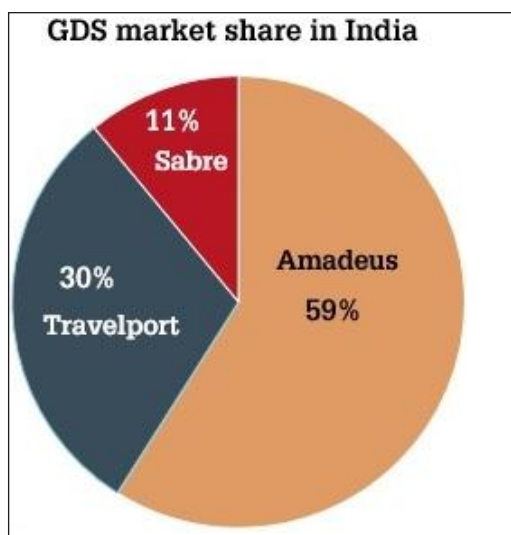


Fig. 3

Source: GDS market share India Internet: GDS Market shares and more IQ Business Travel 11 May, 2017

In India travel agents are getting themselves GDS connected as it is facilitating them to drive into non-air segment, exemplifying the efficiency by collecting and integrating pool of information on a same platform which will change the face of travel industry in years to come.

At the same time, in a fast growing market like India smart deployment of technology will enable business to manage volume growth, while containing costs Thus Indian travel agents will look for word for evolved technology and assimilated content for increased productivity and reach which will be the 'differentiator' in times to come.

## FUTURE USE OF TECHNOLOGY & HOSPITALITY

For Years, GDS has been serving the travel industry with reliability, security, speed and accuracy to airlines, hospitality, car rentals, bus tickets and many more. As per IATA study the future of GDS is very huge and it will create robust ecommerce platform for travel industry. If GDSs keeps continuing the ever changing needs of airlines and hotel industry then it will rule the travel industry.

Ten years ago the most popular way of planning a trip was to visit a travel agency to get your itinerary made. Besides direct hotel reservations, the central reservation system (CRS) and Global Distribution System (GDS) thus served as primary channels of sales for hotel room nights. The growth of internet since then has played a key role in truly globalizing the sales efforts as well as the marketing opportunities for the hotel industry. The advent of third party travel websites such as Hotels.com, Expedia.com and Travelocity.com as well as a few home grown websites like Make mytrip.com and Yatra.com has also been witnessed in recent years. These channels of distribution quickly gained strength and their contribution to the overall pie of reservations has been growing with every passing year. Additionally, independent hospitality review and opinion websites like Trip advisor are also very popular with the travelling population of today. While these websites offer the tech-savvy traveler the opportunity to see pictures and read actual guest comments about almost every hotel in the major city of the world, they also offer the hotels an opportunity to showcase their products and services to a mass audience.

The future of online marketing is now one of consideration. Hotel brands recognize the strength of internet as a medium of sales and are increasingly working towards making their Brand, com websites user friendly. Several brands have launched 'Best Rate Guarantee' programs that promise the consumer the best available online rate on their brand.com websites as opposed to the third party online vendor. Seamless integration of brand.com websites with the latest Property Management System (PM System) enables better

yield management and pricing strategies' division has grown faster than any of our other verticals in recent months. This relationship between technology and hospitality will only grow stronger in the years ahead Key Game Changers.

- Continued significant contribution of third party travel websites to hotel reservations.
- Increasing role of Brand.com sites in overall sales and marketing strategy of all hotel brands.
- Increasing reliance on search engine optimization, web advertising and e marketing.

## APPENDICES

Table No 1	GDS in the market	Internet source: Importance of gds for travel Agents and Tour Operators by contact@orisysinfotech.com
Figure 1	GDS MARKET SHARE INDIA	Internet : GDS Market shares and more iQ Business Travel 11May,2017
Figure 2	GDS MARKET SHARE INDIA 2017	Internet : GDS Market shares and more iQ Business Travel 11May,2017
Figure 3	GDS MARKET SHARE INDIA	Internet : GDS Market shares and more iQ Business Travel 11May,2017

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