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THE NEWSWEEKLY OF THE TRAVEL INDUSTRY

January 26, 2004 \$4.95



Technology in Transition

Sabre Holdings moves beyond the CRS to become a true e-commerce company

John Stow, president of Sabre Travel Network (right) and Chris Kroeger, general manager of Jurni Network

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Sabre's Transition

Sabre Holdings moves beyond the CRS to become a true e-commerce company

It may not be fair to say that Sabre Holdings is reinventing itself. But this stalwart technology and CRS company is leveraging its many assets and transforming itself into a catchall provider of services. Sabre understood, perhaps more quickly than some of its competitors, that it needed to simplify its operations and become a more flexible company. It has found ways to reapply much of its existing technology over the past year to prepare for a deregulated market—and it appears it has done so with great success.

Sabre has been approaching the marketplace through four different units—the corporate business GetThere, its Airline Solutions Group, Sabre Travel Network (STN) and Travelocity. What became apparent, says Eric Speck, executive vice president and chief marketing officer of Sabre Holdings, is that GetThere was a flagship for the other three units, but needed to be more cost effective.

GetThere was part of the foundation for the launch of Travelocity for Business, Speck says. And because GetThere operates certain Web sites, such as United's, it is also a key component of the Airline Solutions Group, while its corporate bookings fit in with STN. Therefore, Sabre realigned its technology assets in September and moved the programmers from GetThere over to Travelocity. This move has allowed Sabre to fully leverage these assets across both the leisure and business markets.

A CHANGE IN THE FORCE

John Stow, president of STN, says the majority of GetThere's sales force was moved into STN. Because its customer base is global, GetThere will continue to be multi-GDS. So GetThere now is a product, not a stand-alone business, says Stow. "There were cost efficiencies we needed to focus on," he says, and the integration now has several benefits, including helping Travelocity to grow in scale on the corporate side against Expedia and Orbitz. This way, STN does not compete with agents, who are its customer base.

Fitting in with these moves at the same time was the resignation of its CEO, Bill Hannigan, who left to run AT&T. That opened the door for Sam Gilliland to step in and take over as CEO of Sabre Holdings. He has hands-on experience at Sabre, from his first job as a software engineer to leading the Airline Solutions group to running Travelocity. Michelle

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Peluso, Travelocity's chief operating officer, was then promoted to run the online company. These moves came just at the right time, as Sabre continues its quest to become a global e-commerce company.

Sabre has been moving all of its technology to an open system, to which it will transition U.S.-based agencies by mid-year. The new system is a Unix-based operation that replaces the company's legacy mainframe system. Greg Webb, senior vice president of product marketing, says this allows for "more rapid changes in time-to-market and diversity of response" to variations in the business.

With the vast amounts of shopping going on, Stow says companies such as STN must have better functionality, show more fares and offer more combinations. "We are moving into a world where data is more important," he says. "It also has been investing in its back-office products and will continue to roll out enhancements throughout 2004."

Webb says Sabre has been taking its technology and integrating it into the different aspects of its business in a way that ultimately impacts the end consumer. The Internet may have taken off back in the mid-90s, but customers were still trying to navigate e-commerce. The Internet, he says, "has changed the way agents need to deal with their customers, and the way information needs to be presented. It has changed the way that this business was built around the transaction."

Companies such as Sabre have now realized that the business now centers around the customer. "We needed to change our structure to be more flexible, and to present data in a more flexible way," Webb says, adding that customers today want to search the way they want to search. In other words, if they want to shop online based on a specific airline, or on dates of travel, or on price, the major e-commerce companies need to deliver those options.

To that end, Sabre is preparing to deliver in a big way. At some point in this quarter, Sabre will be releasing a new desktop for agents that will integrate the traditional Sabre display with a graphic one. As soon as an agent works on the air portion, he or she will see an option for



Fast Facts

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Sabre's executive team includes (front, L-R) Greg Webb, SVP-product marketing, Sabre Holdings; and John Stow, president, Sabre Travel Network. Standing are Erick Speck, chief marketing officer, Sabre Holdings; and Chris Kroger, GM, Jurni Network.

adding hotels and packages. Another tool will search for the best value. The idea throughout is to put more content in one place.

This desktop comes as part of Sabre's announcement in October that it will be introducing the Jurni Network, an offline leisure travel agency consortium. Jurni will give agents targeted marketing programs, combined with the ability to put the most preferred products onto the desktop. This is being made possible through Sabre's purchase of the assets of Nexion, a technology company that has acted as an agent for agencies—providing such options as GDS access, ARC reporting and ticket fulfillment.

That purchase could bring 750 independent agents into Jurni as charter members. The idea is to allow the Jurni Network to push preferred suppliers at the point of sale. This type of system also is obviously a big selling point with suppliers. Webb says the new desktop will replace Sabre's current eVoya desktop. This is once again another way that Sabre is looking at how to get as much leverage as possible out of its existing assets that can be cross-utilized.

Chris Kroger, the general manager of Jurni who most recently served as senior vice president of Sabre Travel Network-Europe, Middle East and Africa, says that both Jurni and Sabre Exclusives (its hotel merchant model) are tied 100 percent to its goal of becoming a travel commerce company. "This allows us to combine unique marketing intelligence capabilities, flexible technology solutions, robust travel products and significant revenue opportunities," Kroger says, "to pro-

vide a value proposition that is different, and allow agencies to continue to transform themselves." That, says Kroger, was the impetus behind starting the Jurni Network. And just as importantly, it is a compelling model for suppliers as well because it helps them to market their products better than in the past, he says.

NEW MODELS

The discussion of the past few years about deregulating the CRS industry through dissolving the CRS rules was what allowed companies such as Sabre to begin thinking about how to bring new business models to their customers. "Suppliers in general were looking for, and demanding, even greater value in their traditional GDS relationships," Kroger says. The airlines have been leading a charge to change the traditional booking fee model. "The agency community was facing its own set of challenges in how they provide value in the distribution of travel products," Kroger says. "And agencies also have to continue to provide value to suppliers."

Facing these challenges, Sabre desired to diversify and to grow its revenue stream in different ways, says Kroger. "That led us to explore a variety of different models," he says. "We felt we were extremely well-positioned in relation to the other offerings in the marketplace."

Sabre believes that it not only already possesses unique technologies but also that its acquisition of Nexion (with which it already had a partnership) brought more to the table to give it a leg up on the com-

petition. One reason was Nexion's ability to map supplier relationships, which was instrumental in meeting individual agent needs. He says the first phase of Jurni will be to give agency members one point of sale, multi-GDS capability, back-office products, and marketing and intelligence tools, all on one desktop.

Sabre has also partnered with Equitec, a provider of consumer-based business intelligence solutions, to develop its market intelligence. Equitec offers intelligence on how to predict consumer behavior and better market products. Kroeger says this will help agents turn shoppers into buyers.

Sabre has not targeted a specific number of agents whom it believes will join Jurni. "What is most important for us," Kroeger says, "is to have the right mix of agency members and the right amount of sales volume coming from those agency members." Sabre has received more than 200 applications to become a member of the consortium, which he says has exceeded his expectations. It is evaluating the applications to determine which agencies provide the best fit in terms of preferred suppliers and geographic location. As the consortium gains momentum, Sabre expects to see interest grow.

As for the supplier partners, Sabre does not want to divulge at this time which ones have signed up. The company will be establishing a "focused group" of preferreds across content type. At press time, it was preparing to announce the list of suppliers and first wave of Jurni agency members.

It will then take the Jurni desktop and evolve that into the Sabre desktop that will be replacing eVoya. As for Jurni members, they will have certain advantages, such as Travelocity hotel booking capabilities.

ENTERING THE FOLD

Kroeger says Nexion will now fit in as one agency member of the Jurni Network. "We will be a network of agencies, and one of those is Nexion," he says. Jurni is like an umbrella, Kroeger says, and will have two offerings to agencies—one is that if an agency wants to maintain its independence and ARC accreditation, it can do that, and use Jurni for the marketing intelligence and preferred suppliers. The second is that an agency can use the full resources of Jurni and outsource its functions to Jurni. "A number of small agencies out there will think this meets their needs," says Kroeger.



Sabre Travel Network has taken steps to be more flexible for today's consumer.

In addition, Nexion has a good track record with suppliers, which has helped Sabre meet with suppliers and show them the value proposition. "Jurni allows us as a supplier to offer a targeted channel to sell preferred supplier content," Kroeger says. "Particularly now with deregulation, our ability to deliver that is more important to suppliers." He adds that the criticism of traditional consortia is that they cannot deliver what suppliers want.

It does not do one any good to have vast amounts of data stored that cannot be used, says Webb, and Sabre realized some time ago that it needed better ways to allow its customers to tap into that valuable data. One product it launched last year, Relationship Index, is a matching technology that gives agents the ability to instantly pull up past travel information on a customer simply by typing in his or her name, or a frequent flyer number. When an agent can see the past client itineraries, he or she can better sell to that client by tailoring the information and advice they give.

"We have a competitive advantage because we can identify the trends more quickly," says Webb. That is because it can analyze shopping trends, the way agencies are interacting with their customers, and changes in business travel through GetThere and Travelocity for Business, as well as its Airline Solutions Group data. "It is much easier for us to identify from a technology basis what the potential changes need to be in our architecture," Webb says.

That is exactly what it did when it launched the DCA three-year contract option with airlines. It started the program long before it was clear that the DOT would be deregulating the

CRS business. Speck notes that there are six major U.S. airlines signed up for DCA now, and about 24 altogether. Sabre also has Southwest and JetBlue participating in its system at a much lower level. "It's an example of our overall strategy to customize our airline offerings," Speck says. What Sabre has done is to negotiate terms that have been embraced by airlines "and to put as much volume as they can through Sabre," says

Speck. STN's Stow adds that its agency customers are extremely happy that Sabre drove that model.

Webb says operational changes, such as the negotiations with airlines to sign the contract for three years in order to reduce booking fees and give more access to fares, do not just happen "right out of the gate." Even what may seem like a simple change—now showing Web and published fares in one place for agents—takes time to implement, and is extremely important to the agent user. "We realized the agent still needs to be the travel expert," says Webb. "They need all the information and access that is available in options for travel. We provide that data in a way that is relevant and meaningful."

But to be as efficient as possible, agencies also need back-end help. To that end, Sabre delivered a suite of products that makes agencies more efficient, from automating service fees to revenue management. The latter is where the size and experience of Sabre gives it an edge. It was able to take the same revenue management tools it originally built for airlines decades ago, and help agencies manage their finances and airline partner agreements. Revenue Advantage is one of the tools that helps an agency best utilize service fees, which Webb says is not as simple as setting one fee for one type of trip because of the differences in high- and low-touch clients.

STILL FOCUSED

Moving into 2004, Stow says Sabre is still focused on cost leadership and finding better ways to do business. Because it has a large

Travelocity Powers Up

Already one of the most popular travel sites on the Web today, Travelocity has never been one to be happy with the status quo. And its new president and CEO, Michelle Peluso, who as founder of Site59 was instrumental in folding the technology of Site59 into Travelocity, has proved time and again that she is never comfortable sitting still.

Sabre's decision in September to realign its technology assets, such as by integrating GetThere's established technology, will help Travelocity compete against the likes of Orbitz for Business and Expedia Corporate Travel. This is allowing Travelocity to bring together the "absolute best technology and service with account management," says Peluso. "Nobody has Sabre's experience in the corporate marketplace [through GetThere]."

On the leisure side of course, Travelocity has a stronger footing. But Peluso says there are still many opportunities to pursue, such as in the case of merchant models. Travelocity has embarked on an \$80 million advertising campaign to connect



Peluso: "Our job is to be the best travel company for consumers who love to travel."

emotionally with travelers through its roaming gnome ads. Peluso says there is little differentiation in the mind of consumers of many of the large online players. "It is about how we show consumers that we are different," she says. "When you book on us, you have the best trip opportunities." The gnome is a savvy traveler who is photographed in different spots around the world. "It is the embodiment of our customers," Peluso says. "Our job is to be the best travel company for consumers who love to travel."

Site59, which caters to the last-minute travel market, has exceeded Peluso's expectations. "It's growing like a weed," she says. "It still has triple-digit growth." Those customers are loyal, she says—more than 20 percent send feedback after a trip and give a 90 percent or higher satisfaction rating.

Online cruise reservations also continue to grow "at a healthy clip," and Peluso says Travelocity is very comfortable with its position in online cruise marketshare.

Travelocity will continue to benefit from the advances Sabre has already made in the commerce arena, and the two are jointly developing products such as TotalTrip packaging technology and TotalPrice for car rentals. On the hotel side, Travelocity made technology improvements in early January that Peluso says has made the reservation process "blazing fast." She adds that the company will continue to upgrade the home page to make Travelocity more user-friendly.

presence in Asia, SARS hit it hard in terms of marketshare losses. But bookings are now strong. It is moving away from its core airline booking business and taking highly commissionable products to agencies. "We want agencies and airlines to both be healthy," says Stow.

The focus is still on the merchant content, such as through its hotel model, Sabre Exclusives. It has about 1,600 properties loaded in that system now, and it expanded to properties in Europe and the Caribbean in the middle of last year. Its goal is to hit 3,000 properties.

The plan this year for the U.S. is to maintain marketshare, as well as to see growth in Europe, which has been flat. Last year it benefited from Galileo's pulling out of several Latin American countries, where Sabre now has almost half of the marketshare, says Stow.



Travelocity will likely be helped by Sabre's leveraging of its GetThere technology.

STN is also investing in its Cruise Director booking tool. "It is a tangible example of how our agent customers benefit because we also own Travelocity," says Speck. Because STN and Travelocity can both benefit from the investment in upgrades to the product, Sabre can justify the expense. During this year, it will be upgrading functions, such as helping agents with negotiated rates, handling group bookings and improving connectivity. "We formed a single cruise team that handles all of our cruise relationships and of Travelocity's," Speck says. Considering the Nexion cruise sales and those expected by Jurni Network agencies, the cruise tool was ripe for automation, he adds.

For the immediate future, Sabre believes it has staked out its position and will continue to invest in services it has already enhanced. And it has 11,000 agents signed up for its hotel Rewards Program. "Clearly we want more," says Kroeger. "So 2004 is about growing."

As Sabre completes its transition into a new type of company, the bottom line, according to Stow, is that "technology sets us apart from our competition."