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# Tour Operators Can Skip a Generation With Blue Sky Travel Systems

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## Catalyst

Vendor briefing

## Question

What are the alternatives for tour operators seeking an improved sales system?

## Answer

Although there are several credible suppliers of tour operator reservations systems such as **Anite** and **Logibro**, most of them rely on legacy technology. Many of the biggest operators use mainframe applications developed by in-house IT departments. **Blue Sky Travel Systems** is the only company currently able to offer a modern, scalable and well-supported system into the European market that it understands intimately.

The European tour operating industry is a very different creature from the business model prevailing in North America. The market is dominated by a small number of vertically integrated tour operators (VITOs) that tightly control all aspects of the vacation package. A typical VITO owns the travel agency chain that sells the product, the airline that carries the vacationers to their destination and quite probably the hotels in which they stay once they get there. In short, the VITO carries a huge amount of inventory risk that is largely absent from the allotment-driven model more common in the United States.

The scale of operations in Europe is much bigger than in the US market. **TUI**, the leading European VITO, carries in excess of 17 million passengers per year from six national markets. By contrast, **Mark Travel**, the leading US operator, carries only 2 million passengers per year and these are divided over at least 14 distinct branded products.

In the long term, the VITO market is vulnerable to new entrants with different business models. In particular, **Expedia** has signaled a strong intention to move into this market space in Europe. Taken in conjunction with the explosive growth of low-cost airlines, this represents a threat, not to any particular market player but to the whole business model for mass tourism in Europe.

These factors mean that the large and complex systems needed to support the sales and reservations functions within the VITOs must now also be flexible enough to allow for rapid evolution in business practices. The best solutions historically have been those produced by in-house IT departments, but these legacy systems are now showing all the signs of fatigue common to such applications. They are expensive to run and maintain, require skills that are becoming scarce and are inflexible when it comes to adapting to changes demanded by the business. There is common agreement that the time is ripe for a new generation of commercial systems for these companies and Blue Sky has addressed most of the issues:

- It is based on **Oracle9i** database, applications server and development environment.
- It is developed in J2EE for productivity and availability of developer skills.
- Its vacation search capability has already been benchmarked at more than 400 percent of the highest

load ever reported by a UK VITO.

- Its architecture separates bought inventory from products, allowing the same components to be offered in many different packages in a fully flexible manner.
- It offers clean APIs to revenue management systems and Web booking tools.
- It offers a Viewdata interface (vital for the UK market) without being constrained by that interface in other environments.
- It is tightly integrated with the Oracle enterprise resource planning (ERP) suite and can use Oracle standard adapters to integrate with other products.

The management team at Blue Sky has a solid track record both in travel industry systems and in delivering large complex applications on the Oracle platform. Support from Oracle will be a major success factor for Blue Sky. Many of the largest tour operators already have extensive Oracle operations, and for these companies Blue Sky will fit very comfortably into their existing data center operations. For those that do not currently use Oracle, Blue Sky will insulate them from the Oracle relationship completely.

The basic commercial model is per passenger charging, a concept that is very attractive to the tour operators since it makes this vital commercial system a variable rather than a fixed cost. Blue Sky is targeting the very biggest players in the industry but also plans to offer a hosted application service provider (ASP) version of the system aimed at smaller companies.

Giga believes this offering from Blue Sky is the clear technological leader in its industry. The only substantial European competitor, Anite, is offering much older and less flexible technology with no clear migration path to a modern architecture. The real competition to Blue Sky will come from the internal IT organizations that have built the incumbent systems. Senior management in the tour operators will need to establish very clear and transparent processes to assess their next generation of systems.

## Recommendations

Tour operating companies should be urgently assessing their business needs in the field of selling systems based on the rapid changes to the marketplace brought about by low-cost airlines and the market entry of companies such as Expedia and **Travelocity**. Based on that assessment, they must determine whether their current systems can be economically adapted to deliver the necessary functionality. Blue Sky Travel Systems offers a credible approach to delivering the new functionality required to continue to compete in an increasingly difficult market.