

## INTERVIEW: Farelogix CEO Jim Davidson



**Jim Davidson**

*Farelogix has been doing NDC before NDC was cool. The Miami-based travel tech company not only builds engines that support airlines in the areas of pricing, retailing and merchandizing, it also constructs application programming interfaces for some of the largest carriers in the world to transmit fares, offers, bundles and ancillaries from their own systems to intermediaries. Those intermediaries can include connections directly to travel agencies but also to non-GDS aggregators, other tech players and, increasingly, to the global distribution systems. According to Farelogix, the company furnishes distribution pipes that are Level 3-certified under the International Air Transport Association's New Distribution Capability standard for more than 20 carriers. When such carriers as American Airlines, Emirates, Lufthansa Group and Qantas Airways pipe NDC content, it's Farelogix technology supporting it. A one-time GDS exec with Amadeus, Farelogix CEO Jim Davidson has been an occasional GDS provocateur, gadfly and agitator, especially when his business was premised on GDS-bypass. Now, he's working more and more with the GDSs and is bullish on the airline distribution complex putting old-fashioned protocols behind it and moving into a more modern era. He recently spoke with The Beat editor-in-chief Jay Boehmer. An edited transcript follows.*

**Boehmer:** When it comes to NDC, it seems like airlines, GDSs and agencies are skating in the same direction now. What do you see?

**Davidson:** That's exactly what I see. Everybody realized that if we all skate in the same direction, to use your analogy, that we're going to raise the tide for everybody. We've got six airline-GDS integrations going for NDC—some with every GDS, the big three. It will still take a little bit of time. When you have a mission that you believe in, it either never comes to fruition and you just fade off into the sunset or it does and the cylinders keep humming away. And that's where we are. We're investing heavily in NDC implementation. We have over 100 third-party implementers that we support with Lufthansa, American and the other airlines. It's really starting to get to critical mass now.

We're no longer battling on this "Should we do this?" kind of thing. Now, it's really about making sure we've got the scale in place and making sure we've got everything lined up to do it.

We've changed our organization a little bit, too. We've got a whole department, around 45 people, focused on NDC implementation. Then, on the airline side we used to do this shared-services model with our resources for all of our airlines. We're moving to a dedicated airline team model. It's much more efficient. We're also expanding. We're moving into Asia/Pacific. We've got a new hire, a regional director, out there who will get announced probably in August. We're going to base a little center out of Hong Kong.

**Boehmer:** You already have some action in that region. Qantas, a Farelogix customer, is making some noise.

**Davidson:** Qantas is kind of our foundational customer there. Deliberately, we weren't going to invest in resources there until Qantas came out, and they did in a big way. We already have two Farelogix people in Sydney. Now, we're going to open up a little bit in Hong Kong so we can spread that around. And we just started advertising for a regional director in Europe. We're growing. The last time I counted, I think we're almost 250 employees. I just still keep thinking we're 30 people. Now, I look at the payroll and go, "Oh, wait a minute." But it's all about people. That's all we have. We don't build widgets. We build software.

**Boehmer:** You said there are six airline-GDS connections underway and 100 outlets that are connecting Farelogix pipes through all of your airline partners. Who are these connections to?

**Davidson:** Most of them are aggregators. There's some OTAs. There's some metasearch, and then there's some just what we call tech providers that somebody may have hired. It also includes Travelfusion. It includes Priceline and others out there that are connecting. It's everybody who is either consuming an API themselves or helping somebody else consume an NDC API. Are they all as productive as I'd like them to be? No. Of course not. But certainly we're seeing some movement there, which is good.

**Boehmer:** Through IATA's Leaderboard initiative, 21 airlines are committing to pushing at least 20 percent of their indirect channel volume through NDC-capable APIs by 2020. By my count, more than a third of them are confirmed as Farelogix customers.

**Davidson:** Probably a little more than that.

**Boehmer:** OK. So, how many are Farelogix users?

**Davidson:** I don't have the list in front of me, but the majority of the volume is—and this is not bragging, it's just we've been doing this for 10 years—Lufthansa, Qantas, American, United, Emirates. ... Probably the far majority of transactions are coming from our airlines. The [Leaderboard] initiative is about adoption—real, commercial adoption. It's not just messing around with pilots any more. It's all about commercial adoption.

It's where the airlines are spending money, too. Lufthansa made a presentation at an IATA meeting [last month that] they have 62 people dedicated to this distribution initiative. When we first started working on it, I think it was maybe three or four. Qantas did it right. They took their time, and put the right people on it. They've got a good team. Certainly if you look at the size of Lufthansa or American and you start to see these other airlines that may not be as big as them but are having a proportionately-sized number of resources on it, that's a good way to tell whether somebody is serious. That's how I look at it. When a new airline comes to me and says, "Oh, Jim, we want to do an NDC API." I say, "OK, show me the team or plans for the team." And it's like, "Well, this person over in distribution is going to do it two hours a day." I'm like, "You know what? There's probably somebody else better you can talk to for that." It's no longer an experiment. This is the way airlines will connect.

This is how they're going to connect to the GDS. This is an API ecosystem now—the world is, not just airlines. NDC is going to turn into just the way airlines deliver their content regardless, whether it's a mobile app or the GDS. It makes so much more sense to support one consistent API across your entire network. That's really the next frontier. That's what we look at as the next five years is how that API becomes mainstream within the airline ecosystem from [passenger services system], GDS, Web, mobile—this digital commerce world that they want to deliver.

**Boehmer:** Does critical mass inherently mean that most of the volume will go through the GDSs?

**Davidson:** Airlines will have a portfolio of distribution delivery methodologies. If the GDS is not part of their delivery mechanism now, then it's probably not going to be tomorrow. But if you're playing in the GDS today, you're going to play there tomorrow. I think airlines are realizing that "I can play smarter and I can play better and can get more content by switching from the existing [distribution protocols] to NDC."

The airlines that we talk to clearly want to have a diversified mix. We're seeing more of a direct relationship to some of the OTAs and the metasearches, where the GDS doesn't really necessarily bring support value or even technical value. That's where we're probably going to see more and more of the one-to-one airline API relationships.

In the large TMC community, I think you're going to see a mix of GDS and one-to-one. Some large TMCs will invest in aggregation technologies. They won't want to be left out. Their preference will be to take it through the GDS, which is fine. The question is: If the airlines start moving faster than the GDSs can in terms of true content, then there may be some cases where it makes sense to deliver it on an aggregation platform.

But, yes, I think the GDS is where the majority of that track to scale is going to be. There are some paths how this can happen. That path in many cases will include the GDSs consuming the APIs.

**Boehmer:** If this Leaderboard thing happens and you represent X percent of these airlines and each is pushing 20 percent or more of their volume through your pipes, where there's a transaction-based pricing element, you stand to gain. I can't do the math, but I can tell it's good for Farelogix.

**Davidson:** It's good for us. That's one of the reasons we're pretty bullish on this. When you start looking at models where an airline says, "We're not going to do EDIFACT any more. We've joined the API ecosystem and this is how you connect to us," and [Farelogix is] the technology behind that, that's very good for us. We've established a competitive total cost of ownership to do that at scale, too. So, yeah, that's good.

**Boehmer:** Considering where things stand in distribution and what Farelogix does, are you a good target for acquisition, perhaps by one of the GDSs?

**Davidson:** I would think so. We fill gaps both on the GDS and PSS side. I think we could be attractive to a number of players, but we have not put ourselves out there. We have a banking relationship with Evercore. They've been with us for a long time. They sift through these occasional inquiries. We've just never felt like it was the right thing to do at the right time. We've got Sandler [Capital Management, a private equity firm with a stake in Farelogix] who's very interested in the business. We're feeling pretty bullish about the business right now. That doesn't mean that somebody won't come along. Sandler is a private equity company: Their appetite is not to run this forever, but I'm not ready to call it in by any means. I don't think there's a defensive acquisition out there anymore, which I think is good. And what I mean by that is: "Let's just take them out of the neighborhood so they don't mess with us." I think we're beyond that. But if you start to look at what the new world of distribution and PSS looks like, you see some attractive matches out there. But those happen when they happen. Forcing it never works.