

**THE
EASTMAN
GROUP, INC.**

Richard Eastman

Airline Seats

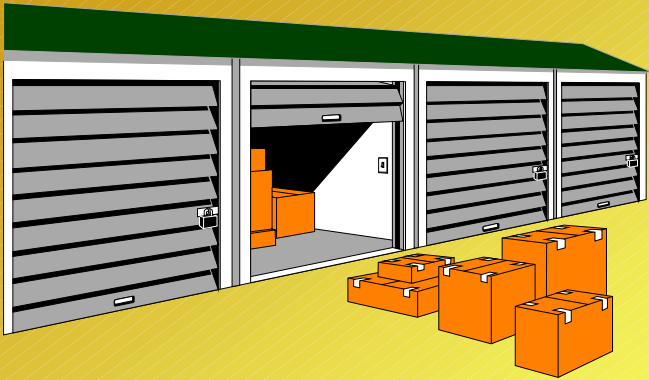
&

“Risk Taking”

Factors in

Travel Distribution

The Transition to Commodity Seat Distribution

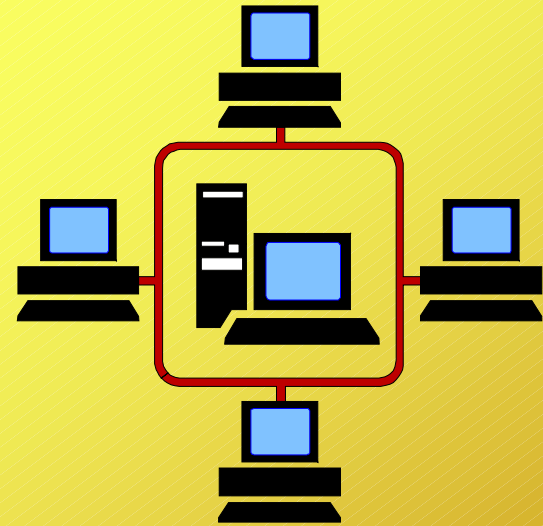


**INDUSTRIAL
AGE**

1980'S

1990'S

2000'S
**INFORMATION
AGE**



PARADIGMS

“Rules” that
we live by...

1980'S

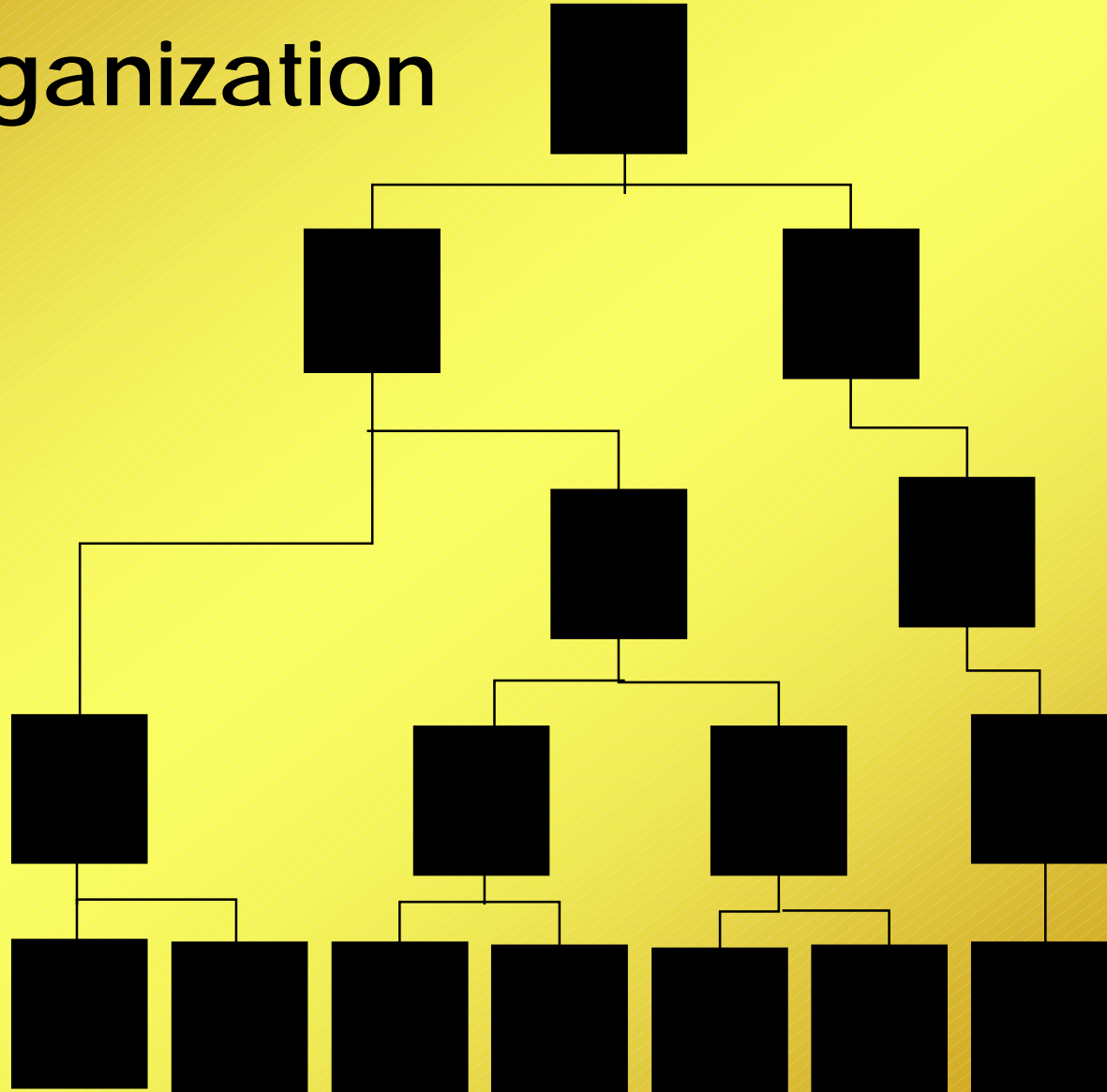
1990'S

2000'S

Create
Physiological
Filters ... data
that does not fit
your paradigm
will have a difficult
time getting
through your filters

Hierarchical Organization

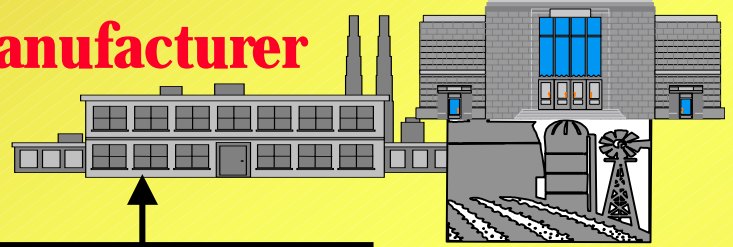
- "Richness"
vs.
- "Reach"
- *Power*
- *Market Flow*



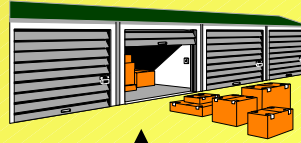
Traditional Distribution

*Risk,
Communication
... tied to
Hierarchy*

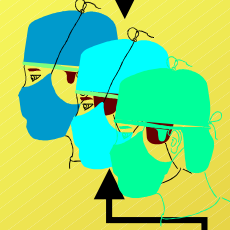
Manufacturer



Wholesaler



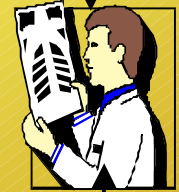
Repackager



Banking System



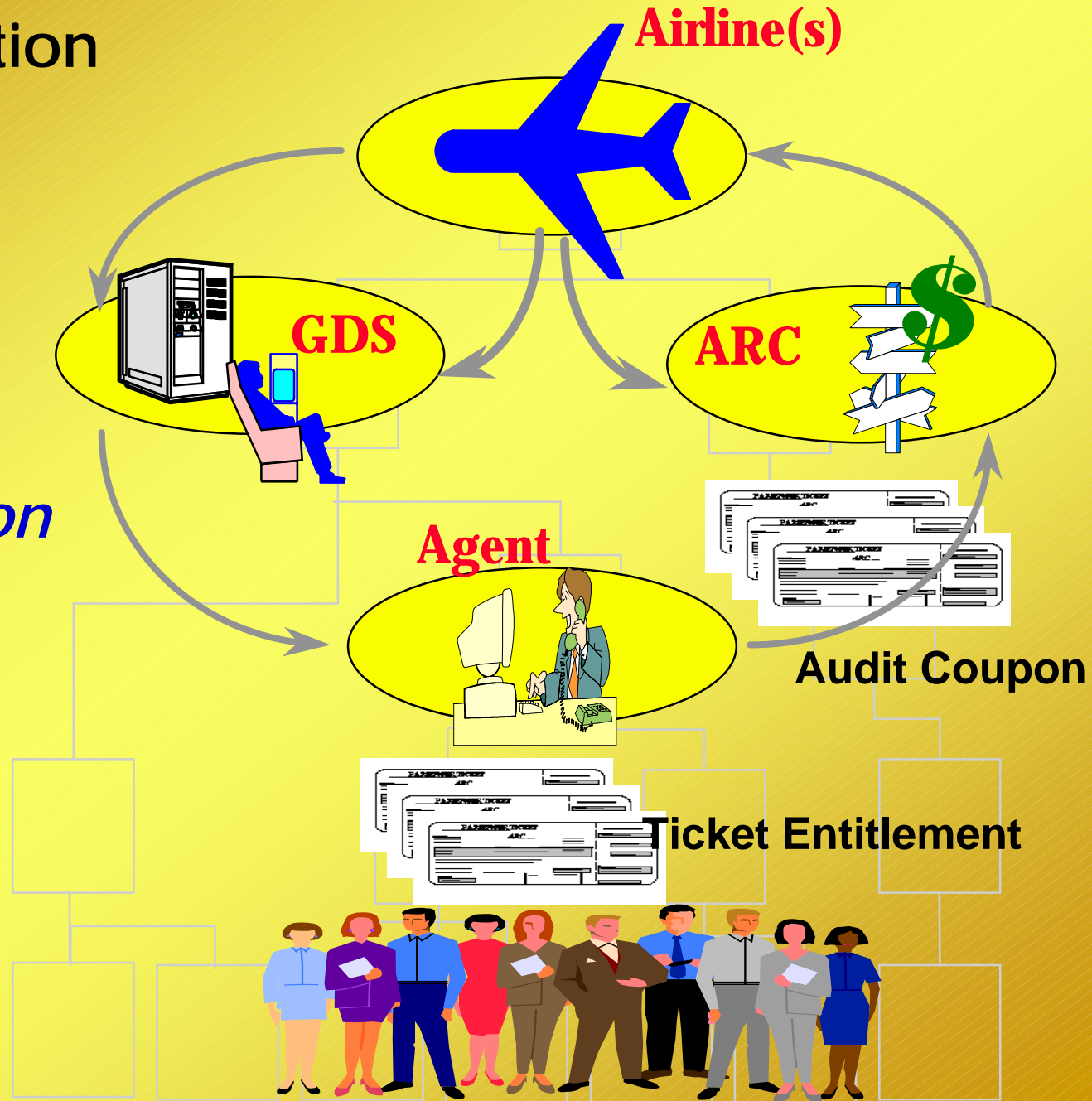
Retail



Airline Distribution

“Holistic”

- *Communication*
- *Risk*
- *Control*

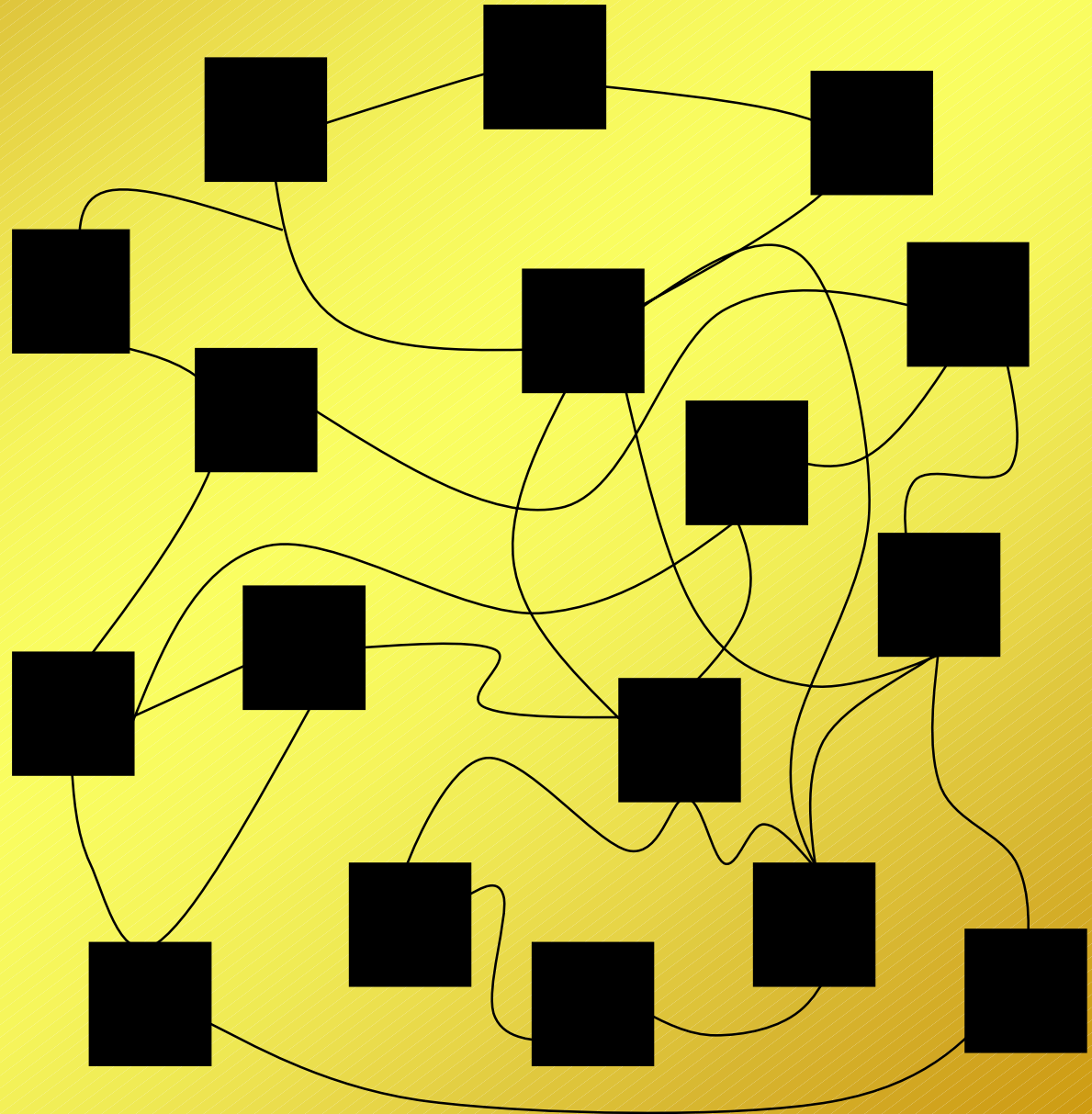


Hyperarchy

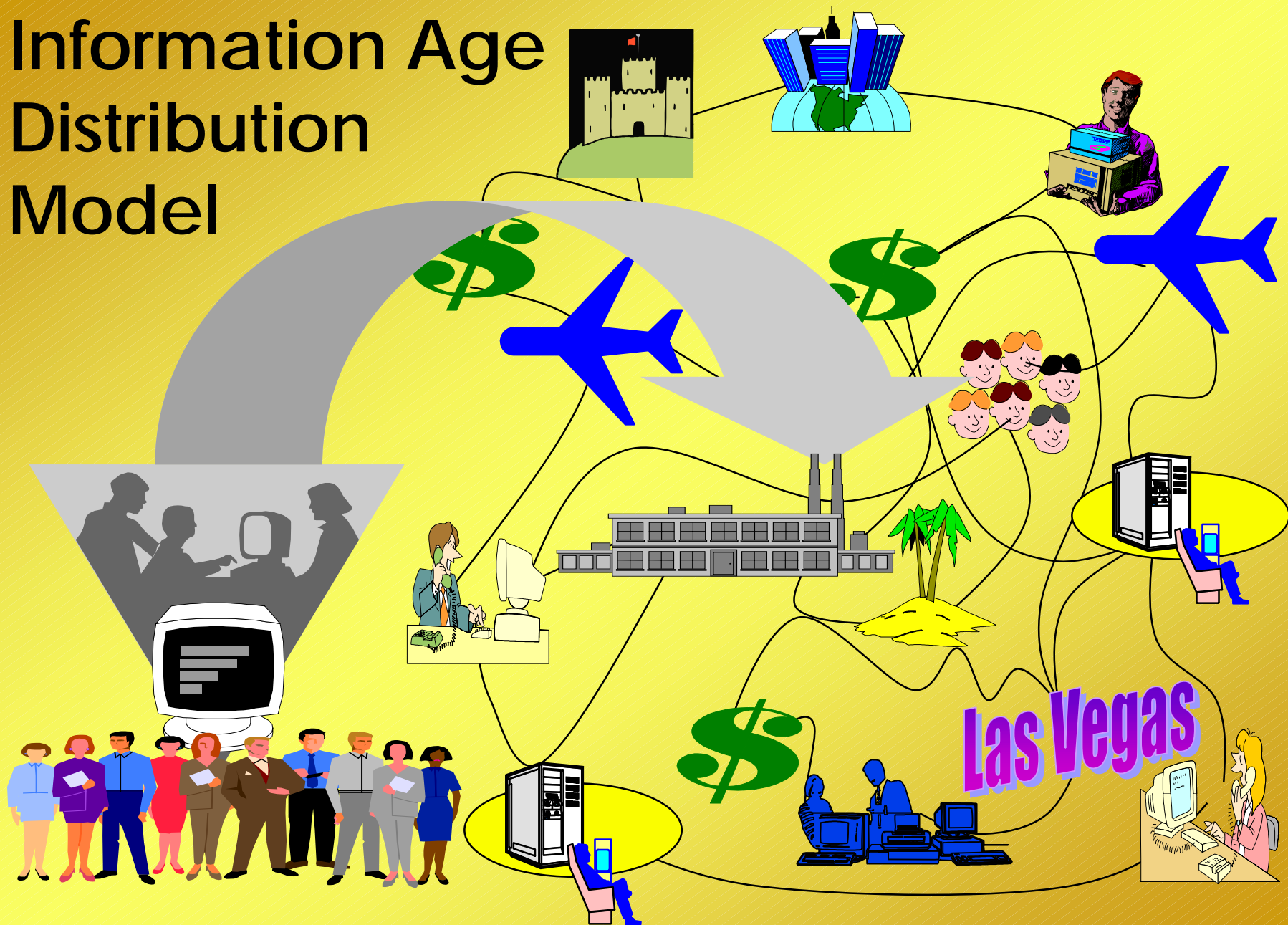
... an evolving Paradigm

- "Richness" and
- "Reach"

Everyone communicates "richly" with everybody else when standards are shared!

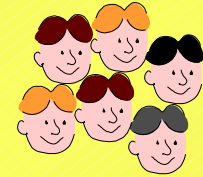


Information Age Distribution Model



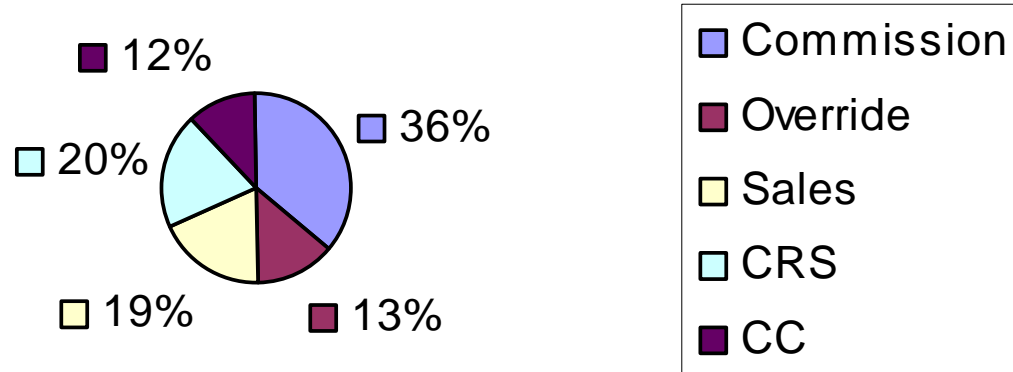


Study...



4 Month : 9 Agencies : \$32m : 3 CRSs

Airline Distribution Cost Share



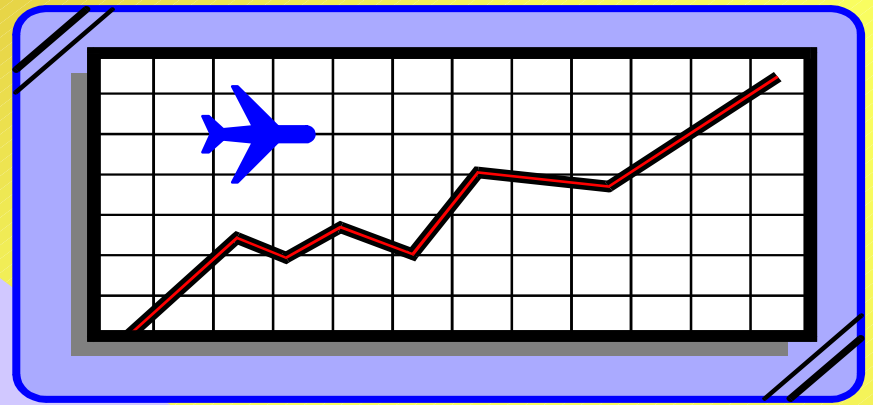
**Direct Direct
Enabled Airline
To Curtail**

- **Commission**
- **Override**
- **CRS**
- **Some CC Costs**

Commission Revenue to Agencies = 5.9%

Ranged from 4.1% to 10% : Included International and 10% Domestic Carriers

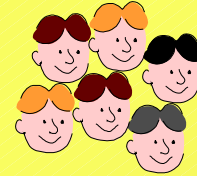
Airline Benefits ...



- ✈ Lower Cost
(particularly Commodity Seats)
- ✈ Control in Key Markets
- ✈ More Stable, Higher Yield Pricing
- ✈ Frequent Fliers



Study...



4 Month : 9 Agencies : \$32m : 3 CRSs

One Market Pair Example

- **\$2m : Mkt. Pair Region : 4 Carriers : 695/Mo.**
- **Average Cost Round Trip ... \$240**
- **Low of \$78 ... High of \$260**

~ ~ ~

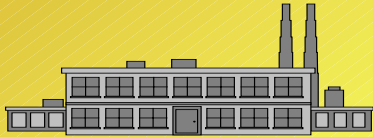
- **Negotiated \$140 Net Direct Direct + Limo**
- **More than \$80,000 in Cost Savings**

Discordance



- Massive Industry Contradictions
- “Old Skills” vs. “New Skills”
Legacy vs. New Technologies

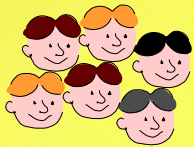
New Risk ...



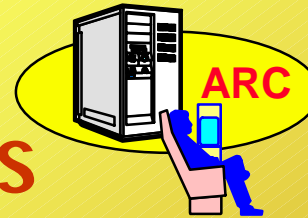
"Mega" Corporations



"Reverse" Consolidators



Risk Packagers



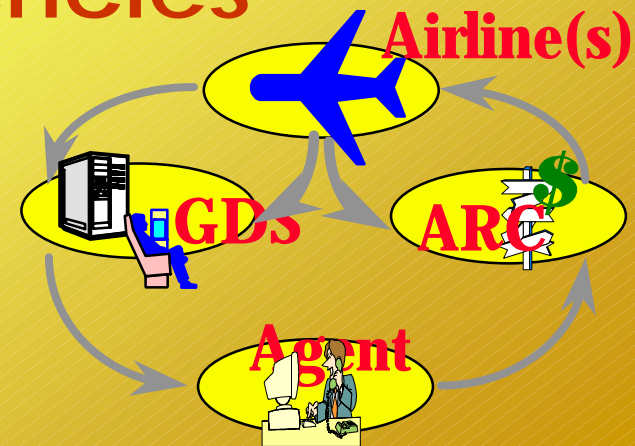
Tour Operators

Las Vegas

Blocks...



- Culture...
...The "Way We've Always Done It"
- Existing "Path Dependencies"
- Technology Paradigms
- Testing



Evolution ...



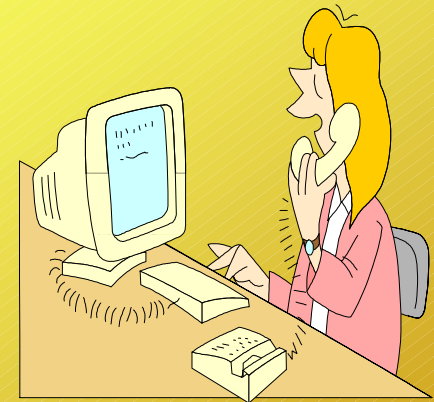
- Corporate Market Pair “Deals”
- Direct Settlement
- Competitive Response
- Distressed Inventory Outlets
- Purchased Knowledge



Refocused...



- Package Tour Operators
- Cruise Operators
- Destination Properties
- Complex Travel



May Take Risk ... But "Selling" will still demand Agents

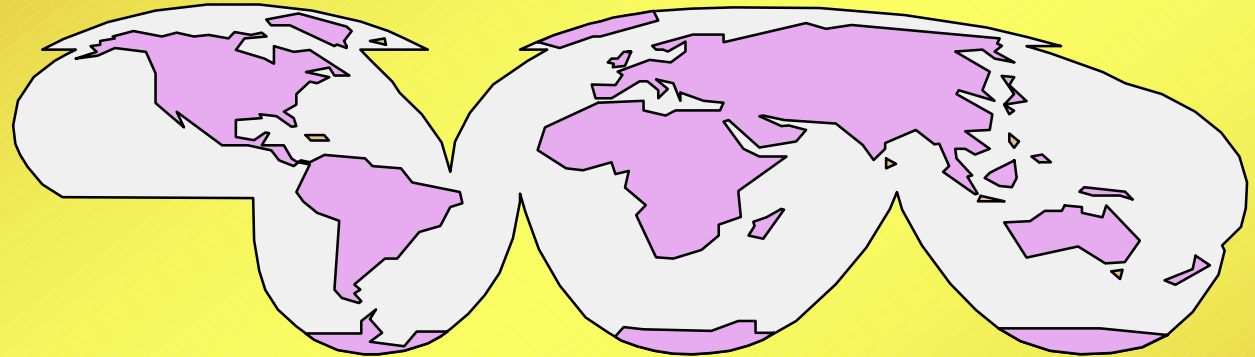
**Technology
Remains
Enabler ...**



**It Will Facilitate...
But NOT Replace...**

The Need for Human Interaction ...

Globalization



- Knowledge knows no Boundaries
- Networks of Business Clusters
- Evolving Hyperarchy Paradigms

Resources



BIG

is better...

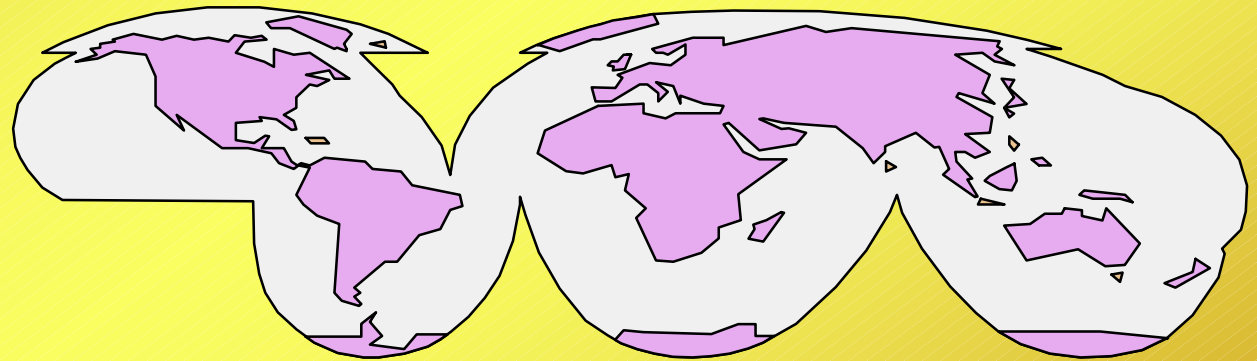
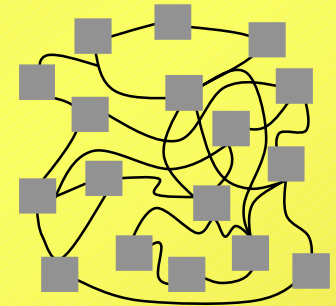
Small

is better...

Knowledge

Evolving Travel Paradigm Includes...

- Distributed Risk
- Distributed Knowledge



But with...

*Interactive Product Packaging
Requiring Centralized Access
for Distributed Product Packaging*

**Direct
Airline
Links**

*Southwest
ValuJet
Alaska
Lufthansa ...*

**Public
Data
Networks**

*Internet
Intranet
Compuserve
AOL ...*

**Global
Distribution
Systems**

*SABRE
Galileo
Worldspan
Amadeus ...*

**Travel
Agency
Networks**

*Inventory
Packaging
Direct Client
Distribution
Mktg. Data Mgt.*



**Changing Risk in
Travel Product Packaging**

**Bank
Settlement
Solutions**

*EDIFACT
ACH
ARC
Credit Card ...*

**Corporate
Travel
Direct**

*Contracted Risk
Direct
Settlement
Mandated Travel*

**Localized
Inventory
Control**

*Contract Fares
Auction Fares
Distressed
Inventory*

**Interactive
Vendor
Packaging**

*Tour Links
Corporate
Finance
Consolidators
Hotels / Cars*

**Direct
Airline
Links**

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Travel
Direct**

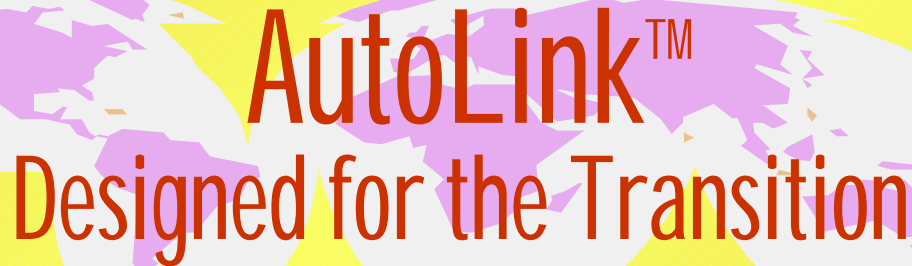
*Contracted Risk
Direct
Settlement
Mandated Travel*

**Localized
Inventory
Control**

*Contract Fares
Auction Fares
Distressed
Inventory*

**Interactive
Vendor
Packaging**

*Tour Links
Corporate
Finance
Consolidators
Hotels / Cars*



AutoLink™
Designed for the Transition

Thank You!

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