

NIIT Technologies: Economic Recovery Will Boost Tech Investments in Travel

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November 06, 2009

The global travel industry segment is one of the sweetspots for NIIT Technologies, an Indian IT services provider. With nearly a third of its revenues coming in from this segment and over 50 customers, NIIT Technologies is upbeat about the potential for growth in this segment. The company provides ADM (application development and maintenance), infrastructure management, managed services, platform-based solutions and customized IT assets to the travel, transportation and logistics industry.

Arvind Thakur, CEO, NIIT Technologies discusses with Global services the challenges and opportunities in the travel industry.

What is the USP of NIIT Technologies as a services provider to the Travel Industry?

The travel industry has unique technical requirements; not everybody caters to this industry. For example- all reservation systems are built in a technology called the TPF (Transaction Processing Facility), which died in the 60's. It is mandatory to have TPF capabilities to have a significant play in the industry.

In the current scenario, service providers are skeptical to invest or create TPF resources. There are very few organizations who have invested in these resources, we are one of them and that makes us unique.

Moreover, we have also built platforms for our customers. For example, we are building a cargo ground handling solution for SATS, a company which provides airport services in Singapore. We assured them that this would be a great opportunity to have return on investments. As we built the platform for them, we used it for other airport service providers across the world as well. Therefore, we possess the capability to customize the platform and build it in any other location across the world. Consequentially, we have built the same platform in Taiwan, Beijing, Hong Kong, and recently Bangalore.

What is the basic challenge that you face as a service provider in the travel space?

Frankly, execution is not a challenge for our company. The biggest challenge that we face is "reaching out and making ourself visible "to the community we cater to. Traditionally, the market place gravitates to large players because of their prominent visibility. Though our business model suggests that we focus on specific industry segments, we believe in being the best in niche segments rather than being the biggest and just good enough.

How has the recession affected the travel industry?

Business travel and freight movement has reduced significantly and the travel industry is quite challenged in the current situation. There are less goods and fewer people moving around.

However, our focus is on the discontinuities that the crisis is creating. Every crisis has an opportunity and we look forward to identify that as a technology provider to the travel industry.

Basically, the industry went through two big shocks. One Oil shock happened in mid 2008 and another was the immediate financial markets meltdown which impacted the consumer confidence. So demand automatically went down with lower investments. .

I would term this as a period of “stress” for the industry rather than downturn. Under this stress, the industry has been in a phase of constant efficiency improvement and cost cutting. The interesting part is that even though the overall travel business has declined and last year the industry experienced a loss of \$ 9 million, efficiency has improved more than 70 percent.

The nature of business has changed. There is cost consciousness, most of the engagements have higher component of offshoring. The buyers believe that earlier if 50 percent of the work was happening outside, can it come down to 30 percent? So the overall approach for us has been to deliver “more for less” and the solution for that seems to be “offshoring” to the buyers.

Most of the deal discussions are not on pricing, but on efficiency with an amount of cost consciousness.

How do you think the travel industry will fare in the next quarter? What do you think would be future of travel industry in the next 2 years?

For the travel industry, we will have an “L-shaped recovery”, in economic terms. This basically means that there will be a while before the industry comes out of the current challenged phase. We saw a very sharp fall in freight traffic in December. This means the industry has hit the bottom of the L curve, but the challenge is how it comes out of it.

This requires large investment. The financial industry right now is in a turmoil and not positioned to buy new aircrafts etc. Recovery is going to be slow. However, I see it as a great opportunity to improve efficiency. The solution right now is automation and we are on the right track.

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