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Major Success for Hitit

February 2023

THE FACTS

On 23 February 2023 Hitit announced that it had entered a five year contract with Turkish Airlines Group to supply its Crane Passenger Services System to the group's AnadoluJet subsidiary.

THE ANALYSIS

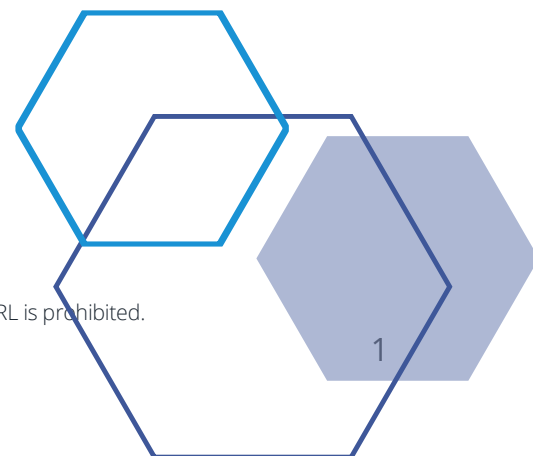
Hitit considers this to be a very significant contract and T2RL agrees. Simply taken at face value it will increase the business volume processed by Hitit's PSS by around 56% based on 2021 passenger numbers. It will consolidate Hitit's position as the number three global supplier of PSS, albeit still a long way behind Amadeus (including Navitaire) and Sabre (including Radixx). China's TravelSky and Russia's Sirena Travel both process more passengers but they are each effectively confined to their home markets.

AnadoluJet is a wholly-owned subsidiary of the Turkish Airlines group and as such it is currently hosted in the Troya system. This is one of the small number of remaining IBM mainframe based systems run by airline IT departments. Preliminary data for 2022 shows that last year AnadoluJet carried 21.8 million passengers which represented around 30% of the group's traffic. Turkish Airlines IT can expect a corresponding reduction in the load on Troya as AnadoluJet migrates to Crane. This should provide a useful saving on hardware and licence costs.

Hitit will certainly welcome the addition of another significant airline in its home market. Its largest current customer is Pegasus Airlines and the volume from AnadoluJet will more than compensate for the loss of SunExpress to IBS in 2017. Hitit is a global player, serving airlines in every region, but there is no denying that home market customers, with their advantages of proximity and shared language and culture, are particularly valuable.

First View: Major Success for Hitit

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THE SPECULATION

This contract is important in its own right. The fact that its announcement was first made to the Istanbul Stock Exchange shows that. However it is even more interesting for what it might mean below the surface.

It is an open secret that Turkish Airlines has been examining alternatives to Troya for many years. Even an airline group with over 50 million annual passengers cannot compete with the major PSS vendors in terms of the cost and effort involved in maintaining and developing a bespoke system. The decision to offload 30% of the volume from Troya may have been driven by the brutal economics of expanding a decades-old mainframe system. More intriguingly, it may represent a very calculated move to increase the load on Hitit's Crane system to determine whether it would be capable of accommodating the full volume of the mainline Turkish Airlines business. Certainly Turkish will have a privileged insight into the capabilities of Hitit as it picks up the load.

The other factor in play when considering the next moves in this market is the transition to Offer-Order-Settle-Deliver, which has started now and will dominate thinking around airline commercial IT for the next decade. Hitit has not so far made any substantial announcements about its stance on the new technologies. Its technical architecture should be better suited to the coming changes than older systems rooted in the last century but it will still have a lot of work to do in adapting to the new world. If it is to win the business of Turkish Airlines and other major network airlines it will need to have a convincing plan for how it will fit in to the future OOSD environment.

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