Travel Procurement

December 2022

BUYING TRAVEL IN 2023

Buying Travel in 2023

Corporate travel buyers are getting ready for some choppy waters in 2023. Pricing is already high, but airfares—at least in the United States—have dropped since their summer peak. That may be among the only breaks travel buyers get as they navigate budgets and supplier negotiations going into the new year.

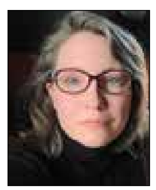
Supplier third-quarter earnings calls portend rising rates well into the first quarter; see managing editor Chris Davis' roundup on page 4. Travel management company and industry trade groups and analyst firms reflect the same. You can get your forecast fix from contributing writer Mark Frary on page 8.

But guidance for all travel buyers as we leave 2022 and venture into 2023 is not to look at the big pricing trends as the key to negotiations. Knowing specific markets and specific suppliers in those markets could still deliver negotiations success. Buyers will want to spend their time negotiating in locations and on routes where they have real buying power, good relationships and can fill a supplier need. Even in a booming leisure market, hotels, airlines and car rental companies need business travel and group revenues to meet their goals.

And a number of industry analysts and corporate travel experts predict that leisure travel will decline after the holidays, giving way to a first quarter that has better negotiation opportunities than the final quarter of 2022.

Some companies will continue to consider factors beyond rates. More travel buyers are being tasked with driving emissions reductions. A select few companies are even managing to carbon budgets or imposing carbon taxes on travel. If your company is one of these—or is looking to cut travel emissions at all—the report on page 17 will deliver the 411 on a new Airline Sustainability Index for travel managers. It's the first of its kind, and Travel Procurement, alongside our BTN Group portfolio mate Business Travel News, has partnered with the authors of the index and associated report to bring a critical benchmarking tool to our buyer community.

Though we know challenges await in 2023, travel buyers also should look for opportunities that will deliver travel programs and travel budgets a new beginning.



Enjoy this issue,

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Suppliers Warily Approach '23

The unusual post-pandemic economic conditions of 2022 have spurred concerns among some (but not all) economists that a recession looms in 2023. The combination of high inflation, low unemployment and continued supply chain friction combined with Russia's war with Ukraine, the persistence of the Covid-19 outbreak and in particular China's continually rigid response to it has persuaded some experts that a downturn is coming.

Travel supplier executives this autumn during quarterly earnings calls generally expressed concern over 2023 conditions, but not panic, and responses varied.

"Although, we are aware of the concerns regarding global economic growth, we don't see evidence of a slowdown in either leisure or corporate demand. In fact, we have seen fares globally remain very strong and well above the fares prior to the Covid-19 pandemic," **Sabre chairman and CEO Sean Menke** said in November. "Even with the recovery to date, we believe the opportunity presented by a normalization of travel from Covid is significantly larger than the effect of any prior economic recession on global passenger traffic."

American Express chairman and CEO Stephen Squeri in October said that "we are mindful of the mixed signals in the broader economy," and "we have plans in place to pivot should the operating environment change dramatically," but that "as we sit here today, we see no changes in the spending behaviors of our customers, and our credit metrics continue to be strong."

American Express Global Business Travel CEO Paul Abbott in November said that "we obviously recognize that the macroeconomic outlook for 2023 has become more challenging over the last few months," but added that "so far, we are not seeing kind of an impact of the macroeconomic conditions in the recovery numbers. ... The recovery has strengthened in September. It strengthened again in October."

American Airlines CEO Robert Isom in October pointed to strong demand for small and midsize enterprise business travel, leisure travel and blended trips, which "as well as the return of long-haul international travel leaves us very bullish about overall demand even in an uncertain economic environment."

Cvent CEO Reggie Aggarwal in November suggested hoteliers are "kind of expecting a little bit of economic headwinds for 2023" and recommended they "group up" to lock in event business on the books in case of a recessionary leisure slowdown.

While noting what he called the "headwind" of potentially slowing macroeconomic conditions, **Hilton Worldwide president and CEO Christopher Nassetta** in October countered it with what he said were the "tailwinds" of pent-up travel demand, increasing international travel as pandemic restrictions fell away, and growing corporate demand for meetings and transient travel.

"How long does [the economy] slow for? How much does it slow? Those are things I don't know. I'm not an economist," Nassetta said. "But my view is, for the next few quarters at least, those are pretty powerful tailwinds."

> "Although we are heading for a record year in 2022, we are also monitoring the economic trend very closely and are not immune to respective risks beginning at the end of the year."
>
> **KAI ANDREJEWSKI**
> SIXT

Rental car company **Sixt CFO Kai Andrejewski** in a November statement said that the company was "very satisfied with our economic development" but cautioned darker economic times could be on the horizon.

"Although we are heading for a record year in 2022, we are also monitoring the economic trend very closely and are not immune to respective risks beginning at the end of the year," according to Andrejewski.

"Nevertheless, we have a high degree of resilience and the capacity to invest counter-cyclical in our brand, the expansion of our network and our technology."

The company cited Russia's war with Ukraine, inflation and high energy prices as potential headwinds that could trigger want it called "a possible slowdown in spending and travel."

"The possibility of the business cooling down is both real and difficult to project in terms of its extent," according to the company.

Private aviation company **Wheels Up CEO Kenny Dichter** in November said that "there are clear macro-concerns that are prevalent in many sectors of the market today," but added that "we do expect demand from our high-net-worth customer base and our business clientele to be more durable than that of the broader economy."

2022 M&A Review

BY CHRIS DAVIS

It doesn't seem particularly likely that 2022 will go down in the history books as a year in which the business travel landscape was radically altered through merger and acquisition activity. Still, there were a handful of notable deals this year that could affect the approaches corporate travel buyers take in the market in the coming years.

What follows is not a comprehensive list of all business deals during 2022—look to Business Travel News' website at the beginning of 2023 for that—but instead a look at some of the most consequential deals for the business travel sector and a sense of where they stood at press time.

Sabre buys Conferma. Travel technology company and global distribution system operator Sabre in August paid $72.5 million to acquire U.K.-based virtual payments company Conferma Ltd. Conferma Pay for years had powered Sabre's Virtual Payments product. While Conferma continues to operate as an independent entity, Sabre has continued to integrate Conferma and its issuer network across Sabre's products. In late November, Sabre announced that Mastercard had taken a minority share in Conferma for an undisclosed price. "The new partnership with Mastercard will help Conferma Pay to build new and enhanced digital capabilities in virtual cards, transforming the payment experience for issuers," Sabre Travel Solutions EVP and chief commercial officer Roshan Mendis said in a statement.

JetBlue agrees to buy Spirit. The year's twistiest acquisition came from the airline industry. JetBlue Airways successfully contested an agreed-to merger between Spirit Airlines and Frontier Airlines, pitching a $3.8 billion package directly to Spirit's shareholders over the opposition of Spirit's board of directors, leading Frontier eventually to drop out of the deal. There's no guarantee the deal passes federal muster, especially with JetBlue's Northeast Alliance with American Airlines already the target of a U.S. Justice Department lawsuit. Spirit's network and low-cost offerings are decidedly leisure-centric, but a bulked-up JetBlue would offer corporate buyers another airline option and could prove a more attractive acquisition option itself.

Choice Hotels buys Radisson. Choice Hotels International often has targeted its brands, including Comfort, Clarion, Quality Inn and economy brands Econo Lodge and Rodeway Inn, toward blue-collar business travelers like truckers and construction crews, who use highways to travel. But its $675 million deal to buy Radisson Hotel Group Americas, which closed in August, allows it to push deeper into the upscale segment with nine new brands, 624 properties—many in urban locations—and a refined pitch to the corporate market. Radisson purchased the brands from Jin Jiang International.

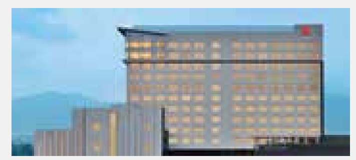
OTHER DEALS OF NOTE

Several business travel suppliers announced smaller-scale deals in 2022:

- **JPMorgan Chase** this year acquired travel management company **Frosch Travel Group** for an undisclosed sum. Frosch in recent years has been an acquirer, making deals with several TMCs including CorpTrav and Valerie Wilson Travel.

- Travel management company **TripActions** this year acquired Swedish TMC **Resia** and Berlin-based TMC **Comtravo**, and a Business Insider report indicated TripActions has filed confidential paperwork for an initial public offering next year.

- **Marriott International** in October signed a $100 million deal with Mexico-based midscale hospitality company Hoteles City Express to acquire its **City Express** brand portfolio.



- U.K.-based travel technology firm **Snowfall** acquired online booking tool **Psngr1**, with plans to merge it with its own technology.

BUSINESS TRAVEL BY THE NUMBERS

The continued recovery in both leisure and business travel throughout 2022, as well as persistent inflation, has helped to push average daily hotel rates to new heights and in some markets bring occupancy levels to 2019 levels. But 2023 could somewhat temper the upswing, particularly if what has been in 2022 a rather resilient economic environment turns recessionary. Meanwhile, businesses throughout the world appear ready to accelerate in-person meeting spending.

HOTEL

STR'S U.S. LODGING FORECAST

	OCCUPANCY	ADR	REVPAR	REVPAR VS. 2019
2022	62.7%	$148	$93	+7.9%
2023	63.8%	$151	$96	+11.6
2024	65.6%	$157	$103	+19.8%
2025	66.1%	$157	$108	+24.9%

Source: STR/Tourism Economics

LOOKING BACK AT ADR: CHANGE VS. 2019

	AMERICAS	EUROPE	ASIA/PACIFIC	MIDDLE EAST & AFRICA
August	14.4%	13.0%	-8.3%	-10.6%
September	16.8%	7.8%	-8.8%	10.7%
October	16.6%	9.3%	-10.6%	20.6%

LOOKING BACK AT OCCUPANCY: CHANGE VS. 2019

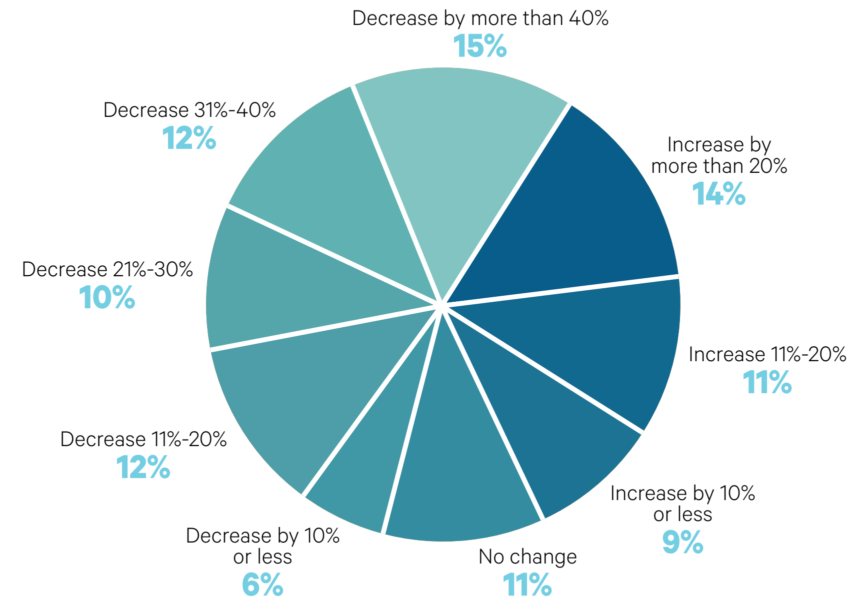
	AMERICAS	EUROPE	ASIA/PACIFIC	MIDDLE EAST & AFRICA
August	-6.1%	-5.5%	-16.8%	-4.6%
September	-0.3%	-4.6%	-15.4%	-2.9%
October	-2.2%	-5.2%	-21.3%	0.1%

Source: STR

SPENDING

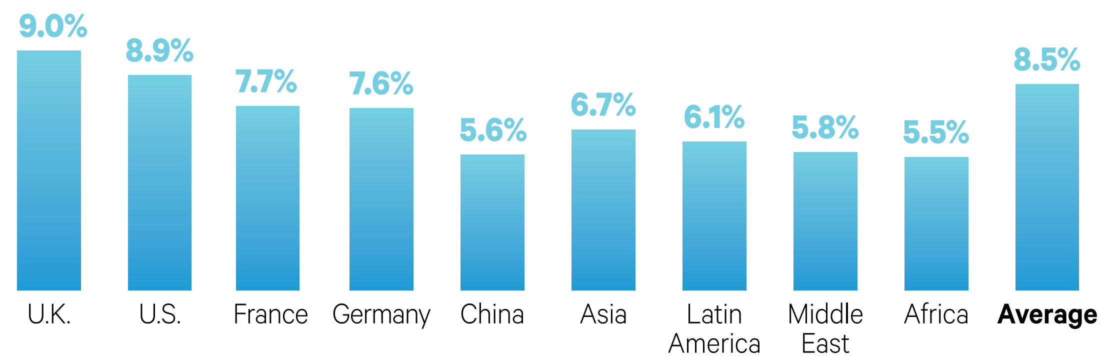
TRAVEL MANAGERS REPORT 2022 TRAVEL BUDGETS VS. 2019

Business travel demand and spending in 2022 proved far more durable than some pandemic-era projections suggested. In fact, 45 percent of travel managers surveyed in October by Morgan Stanley indicated their organizations already matched 2019 business travel spending. Pricing has kept pace. Buyers expect 2023 hotel rates to rise notably from 2019 levels, and a combination of inflation, the slow resumption of flight capacity and sturdy leisure demand has kept airfares throughout 2022 far higher than they were one year prior.



Source: Morgan Stanley/AlphaWise Oct. 6-24 global survey of about 100 travel managers

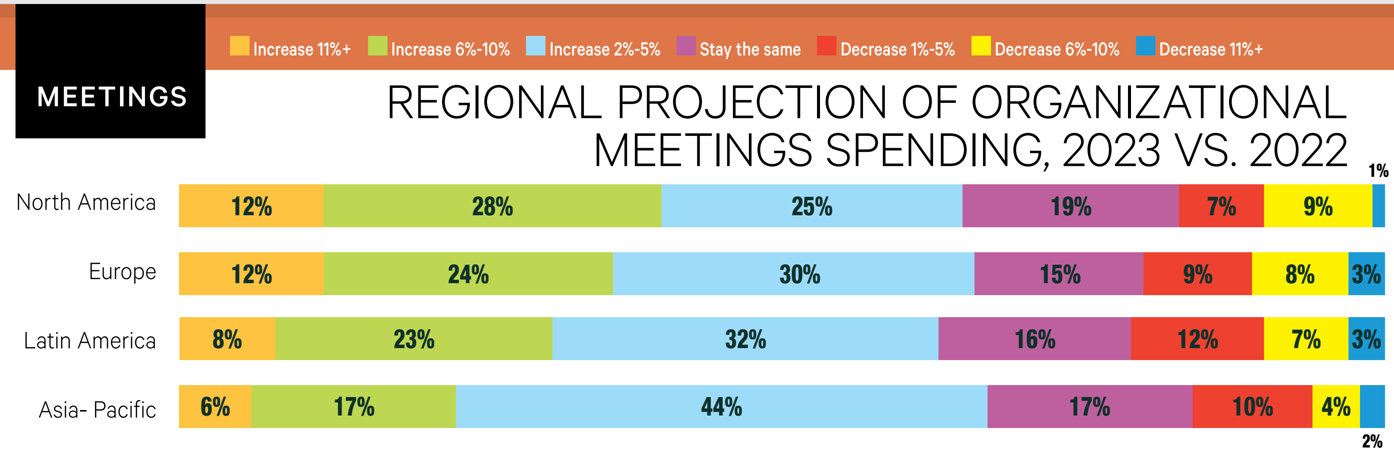
TRAVEL MGRS.' EXPECTED 2023 ROOM RATES VS. 2019



Source: Morgan Stanley/AlphaWise Oct. 6-24 global survey of about 100 travel managers

MEETINGS

REGIONAL PROJECTION OF ORGANIZATIONAL MEETINGS SPENDING, 2023 VS. 2022



Source: American Express Meetings & Events May-June survey of 580 global meetings and events professionals

AIR

AVERAGE U.S. ROUND-TRIP TICKET PRICE

Source: ARC

BY MARK FRARY

Recovery + Recession = Rising Rates

That's the global corporate travel forecast for 2023 in a nutshell. Here are the details.

For the past two years, corporate travel has been talking about the R word: recovery. Unfortunately, another R word now is stalking the corporate travel sector and the global economy at large: recession.

The World Bank has said central banks around the world have been raising interest rates this year with a degree of synchronicity not seen in the past five decades and that "the world may be edging toward a global recession in 2023."

Some indicators show consumer confidence in similar or sharper declines than in previous global recessions and some growth projections look weak, despite emerging from the pandemic.

In October, the International Monetary Fund in its biannual World Economic Outlook said that the global economy was experiencing "a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades." It forecast growth to slow from 6 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. The war in Ukraine and the consequent choking off of energy supplies largely is to blame.

Post-Covid economic recovery could be patchy. Saudi Arabia will lead the pack with growth of 9.9 percent in 2022 and 6 percent in 2023, according to the Organisation for Economic Co-operation and Development. India, Indonesia, China and Turkey also are projected to beat the global average in these years. At the bottom of the table will be economies like the U.S., Italy, the U.K., Germany and sanctions-hit Russia.

While the Fund says this growth profile is weak, it is not as gloomy as the outlook after the 2008 global financial crisis, the acute phase of Covid and the 9/11 attacks. Global inflation will peak at 8.8 percent in 2022, it said.

In the fall, amid these economic reports, many organizations in the corporate travel sector released their forecasts for the year ahead.

Business Travel Volumes

Business travel is back. In a June survey of 179 North American and European travel and procurement managers released in September by HRS and the Global Business Travel Association indicated 54 percent said business travel had rebounded faster than expected.

In an September GBTA poll of buyer opinion, buyers reported domestic business travel bookings were at around 63 percent of pre-pandemic levels with international bookings about 50 percent.

In the same poll, two-thirds of buyers anticipated levels of business travel, both for meeting clients and internal reasons, would be up in 2023 compared with 2022.

Concern about recession does not seem to worry buyers at this point, with three-quarters of organizations indicating they do not expect to limit business travel because of economic concerns.

2023 YOY HOTEL RATE INCREASE SAMPLER

30% Buenos Aires

10% Paris

9% Stockholm

8.2% New York

7.7% São Paolo

7.5% Seattle

7.3% San Francisco

Source: American Express Global Business Travel

"We are seeing people think more about where to invest their travel dollars so that it drives the revenues of their organization, drives attraction and retention of staff and to be a good corporate citizen," said CWT Solutions Group global head Richard Johnson.

Covid has not disappeared although vaccination programs have helped the world live with it.

"A lot of countries have adopted a new way of living with Covid," said Shawn DuBravac of the Avrio Institute at GBTA's annual convention in August in a session on the future of business travel. "They will plan meetings, and if some majority can't attend, then they will cancel or go virtual. ... We are going to live in that environment for a number of years."

Tara Colpitts, senior director for market management at Expedia, said the company has been cautiously watching the return of business travel in the past year.

"People started to think that maybe it wouldn't return with people working from home, but we are seeing it return to normal," she said, citing Expedia's Traveler Value Index, released in November. "Seventy-six percent of business travelers are planning to make full use of their business travel, with many doing the bleisure thing."

Airfares

In its annual review, published in June, International Air Transport Association director general

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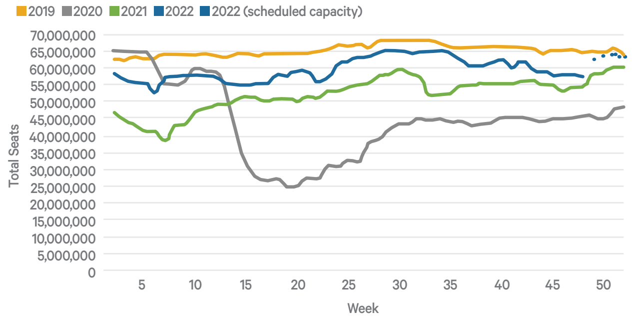
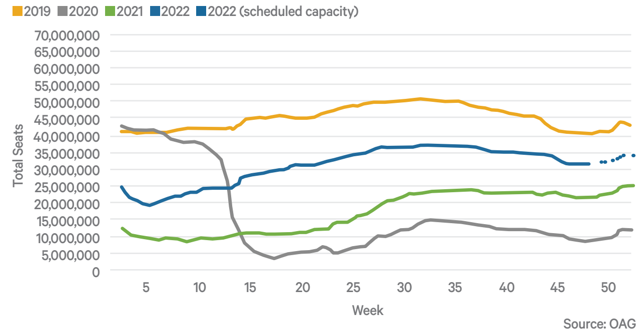
DOMESTIC SEATS



INTERNATIONAL SEATS



Willie Walsh said "by the end of 2023, most regions will be at—or exceeding—pre-pandemic levels of demand."

This inevitably will see airfares track higher, particularly as airlines are keeping capacity in check as they try to rebuild their balance sheets after many had to take government support during the pandemic.

The GBTA/CWT 2023 Global Business Travel Forecast, which is based on a growth scenario somewhere between those of the IMF and OECD, projects average global airfares to rise 8.4 percent year over year in 2023, compared with a jump of 48.5 percent in 2022 from 2021 Covid lows.

Business travel airfares in North America are projected to surpass pre-pandemic levels by the end of 2022, "driven in part by a strong recovery in consumer demand," the organizations said.

The cost of jet fuel is just one driver of this fare increase. At the time of writing, jet fuel was 48 percent more expensive on average than a year ago, but the pain of higher jet fuel prices is not being felt equally around the world—in Asia, the increases are 34.4 percent compared with 55 percent in Europe with differing cost pressures for carriers in those regions.

Domestic capacity has recovered more quickly than international as the chart above from OAG's travel recovery tracker shows.

John Grant, chief analyst of OAG told BTN airline capacity, in terms of total number of available seats, plateaued in October and November.

"There are a number of factors for this, including fewer resources being available, not just crew but getting some aircraft back in to the sky, as well as slower deliveries of outstanding aircraft orders, the price of fuel and recession," he said. "We think there is a much more cautious sentiment in the market from a supply side through to the end of March 2023."

He added, "Corporate travel has not come back as strongly as leisure, it is 15 to 20 percent behind where we would want it to be. It's extremely expensive to travel at the moment, and we are seeing increasing interest in premium economy and people moving back down the plane."

The aviation sector in Europe also must deal with the closure of Russian airspace.

"Flights that took 10 hours to Asia are now taking 13 hours," said Grant. "Fuel burns are higher, [segment] lengths are longer and scheduling has to change to accommodate those extra six hours for a round-trip. It will dampen the appetite for some of the European airlines to return to same level of capacity to northeast Asia and China."

Across the Atlantic, JetBlue has brought in additional competition, and a new Belfast-based carrier, Fly Atlantic, plans to offer transatlantic service from 2024. This could help brake fare hikes.

"JetBlue have been quite successful and the Airbus 321 XLR will give others a chance to try some things," Grant said. "But even JetBlue is treading cautiously in the market although they have announced Paris and will announce another route soon."

Hotel Hikes on Supply Issues

Hotel rates are only going in one direction in 2023, driven upwards by returning demand but also by pressure on key inputs. "Talent is scarce, hindering the drive by hotels to re-scale operations and welcome back guests ... and prices are increasing for key inputs including staff, energy, and food and beverage," according to American Express Global Business Travel's Hotel Prices 2023 report.

Hotel rates fell sharply in 2020 and 2021 because of the pandemic but the reopening of borders and the return of business travel will mean global rate increases of 18.5 percent in 2022 and a further 8.2 percent in 2023, pushing room rates above pre-pandemic levels by the end of 2023 globally, according to the GBTA and CWT forecast.

Some destinations have already recovered. North America is way ahead of the pack. Occupancy already is higher than in 2019, pushing up rates, which is being made more challenging for hotel room buyers by inflationary pressures. Rates in the region are projected to rise 22 percent in 2022, and a further 11 percent in 2023, according to GBTA and CWT.

Consultant PwC in its November U.S. Hospitality Directions report predicted a less sharp increase—a 19.3 percent rise in 2022 and 4.5 percent in 2023 as the Fed begins to gain control over inflation.

Europe likely will see an uneven recovery in hotel rates. U.K. prices are set to rise by 31.8 percent in 2022, surpassing 2019 levels. Rates in Germany and France are unlikely to rise above 2019 levels due to the war in Ukraine. Parts of the Middle East, the UAE in particular, are seeing strong increases in hotel rates as occupancy rates climb.

Looking at specific business destinations, Amex GBT is predicting increases of 30 percent in Buenos Aires due to very high inflation in Argentina, 10 percent in Paris, where many hotels took the opportunity to renovate up a tier during Covid, 9 percent in business travel-reliant Stockholm, 8.2 percent in New York, 7.7 percent in São Paulo, 7.5 percent in Seattle and Frankfurt and 7.3 percent in San Francisco.

In its report, Amex GBT noted that non-last room available policies are rising as a proportion of bids as hotels try and increase revenues. Increasingly, big chains are promoting dynamic pricing over static corporate negotiated rates.

Hotel cancellation policies are still under scrutiny, said Expedia's Colpitts. "At this point, cancellation rates have settled to what we would consider pre-pandemic times and we are talking to our partners about refundability—it is still a predominant need of travelers to make sure they have bought that flexibility."

[For more on hotel negotiation strategies, see page 14.]

Car Rental Crisis

According to the CWT/GBTA report, global car rental prices will rise by 7.3 percent in 2022 and a further 6.8 percent in 2023.

"We are seeing people think more about where to invest their travel dollars so that it drives the revenues of their organization, drives attraction and retention of staff and to be a good corporate citizen."

RICHARD JOHNSON
CWT

Despite that global picture, in Asia-Pacific rates are set to moderate in 2022 and 2023, CWT said, with China's strict zero-Covid policy limiting rentals in the country.

The rising demand for electric vehicles may be stymied because of the significantly longer turnaround time for required for recharging compared to refueling with gas, according to the report.

Supply chain issues are a particular cause for concern and have driven rates higher.

CWT's Johnson said, "[British carmaker] Jaguar is to slowing down production due to cost of raw materials and one would expect other manufacturers to have similar challenges in terms of getting new fleet on the lots. We already know that car rental companies have taken strategic measures, e.g. keeping existing fleet for longer, diversifying the brands they use or having higher mileage cars and that is the smart play. If we see demand start to tail off from the leisure sector that might help reduce rates," he said.

Speaking at the GBTA convention, DuBravac said, "Rental agencies cut their fleet sizes significantly when we went into the pandemic and sold off their used cars and didn't replenish their fleets. That has artificially constrained some of the supply. As demand has come back, it has put pressure on prices."

More Meetings, Higher Prices

Virtual and hybrid were the in-thing during Covid but the appetite is falling off as Covid wanes and in-person is coming back. CWT Meetings & Events said in-person meetings jumped 65 percent in 2022 from 2021 while virtual and hybrid meetings decreased by 70 percent.

Some hotels and venues in key markets are now fully booked for large groups until 2024 and prices are likely to increase more, barring further major geopolitical shocks.

As a result of the increased demand, CWT forecasts average cost per attendee in 2022 to be around 25 percent higher than 2019 levels, with a further rise of 7 percent in 2023.

According to Amex GBT's 2023 Global Meetings and Events Forecast, there has been a six-fold jump in working from home compared to pre-pandemic and in-person meetings and events "have proven to be the most effective way to drive employee wellness and retention, instill company culture and corporate values, improve team bonding and increase professional development."

The company predicts overall 2023 meeting spend globally to increase 3.1 percent year over year on average, the same increase as in 2022. Broken down by region, 12 percent of respondents in both North America and Europe expect their budget to increase by at least 11 percent.

In a BCD Meetings & Events report, managing director for North America Charlene Rabideau, said, "Concerns around staffing and inflation are top of mind. Turnover and increasing salaries are driving conversations and influencing how and with what speed teams that downsized during the pandemic can scale back up to execute a full program of events."

The Three Rs

So we have come through recovery and are now worried about recession. In a recent GBTA Business of Travel podcast, DuBravac said a major concern was that business leaders are talking the world into a recession.

What is certain is that whatever happens to the global economy in 2023, there will certainly be another R, driven by inflation, supply chain issues, recruitment concerns, energy costs and the price of jet fuel. That R, clearly, is rising rates.

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BY ANGELIQUE PLATAS

Winning the Hotel Negotiations Game for 2023

Suppliers have pricing power, for now. Experts dish on what's working for current negotiations, and when to leverage the biggest power move: walking away.

With business travel rebounding at a solid pace in 2022 and shifting power to the supplier side, many travel buyers expected significant rate increases after hotel negotiations for 2023, and many got them. Add inflation to pressurize 2023 deals, and experts told Travel Procurement this year's negotiations are intensely rate-focused.

The Hotel Rate Environment

According to hospitality analytics firm STR, U.S. hotel market rates this year not only surpassed 2019 pre-pandemic highs but also broke some records. STR reported incremental rate increases across U.S. hotels' average daily rate and revenue per available room, first setting new benchmarks in July, then climbing again each month through October when ADR and RevPAR (among U.S. hotels) increased 16.8 percent and 14 percent over 2019 levels, respectively.

Several major international hotel companies in their respective third-quarter investor calls projected average daily rates would continue increasing into the fourth quarter of 2022, and likely beyond, including corporate rates.

Marriott International CEO Anthony Capuano in the company's third-quarter earnings call alluded to higher corporate rates in 2023. "The early results look positive for at least high single-digit year-over-year rate growth," he said in early November. Considering the consistent rate increases the industry is seeing, Capuano's assessment may not come as much of a surprise to corporates.

And despite rising rates, business and group travel demand persists, forcing corporates' hands when it comes to securing accommodations.

"The business travel component of our guest mix continues to approach historical levels and accounted for approximately 30 percent of stays in the third quarter," Choice Hotels CEO and president Patrick Pacious said during the company's third-quarter earnings call in November. "Our strongest occupancy growth during weekdays in September year over year was on Tuesday and Wednesday, illustrating the strength of returning business travel."

And while hotels want and need to play in the corporate space, they may not feel obliged to extend deep corporate discounts into 2023.

"Hotels are getting really picky. … They're not giving rates to everyone," Advito and Stay by BCD Travel VP and global hotel practice leader Laura Kusto told Travel Procurement.

Even large corporate travel programs have been surprised by difficulties. Flight Centre Travel Group chief experience officer John Morhous during a session at a PhocusWright conference in November said that corporate buyers "have an expectation—they have a large spending power and can negotiate big discounts, but they're just not materializing in today's world because capacity is constrained and the world is different."

> "Hotels are getting really picky. … They're not giving rates to everyone."
>
> LAURA KUSTO
> ADVITO

Speaking to Travel Procurement at the Global Business Travel Association convention in San Diego in August, Hyatt Hotels Corp. VP of global sales Gus Vonderheide said corporate business remained important, but when it came to competing for that business, "It's time to kind of get a little swagger back."

Approaching the Table

BTN's 2022 Hotel Survey, fielded in September and October, showed a whopping 87 percent of travel buyer respondents expected rate increases going into 2023. Thirteen percent predicted their rates would rise by more than 10 percent; 45 percent of respondents forecast increases of 5 percent.

So how can buyers optimize their leverage, and should anything else be on the negotiation table in a suppliers' market? Here's what experts had to say as they see what's working—and what's not—with corporate hotel negotiations now.

Know your markets. Buyers need to maximize leverage where they can, said Kusto, and that means getting a close read on the local markets, including pricing and inflationary pressures. "Understand those trends in the market. Get your hands on some data. … [It] has never been more important to negotiate where you have leverage, and you [must] have a good business case." Goldspring Consulting partner Neil Hammond agreed, adding that the variance in market recovery has been the biggest challenge for buyers and suppliers to resolve in 2023 negotiations and should inform every decision.

Have a smart data strategy. Buyers will need more than market data. They'll need to have a good handle on their own volume data and forget about relying on 2019 volume reports. Projecting future volume from 2022 data has been key. Hammond advised buyers to limit their hotel volume data analysis to the months where travel activity had ramped up—for many companies, that started in April or May.

"We've looked at or adjusted the numbers to reflect that [in] January and February really there wasn't a lot of data out there," said Hammond. "For some we've just really considered April and forward on an annualized [basis]. We wanted to present the best numbers, and obviously the most reflective numbers of what's really happening."

HRS Group SVP global supplier relations Lukasz Dabrowski reminded buyers that they need to look at data outside of the TMC if they want to find their true volumes, since at least some portion of business travelers continue to book hotels outside the preferred channels. "The most precious data comes from the actual payment statistics. … [It allows] us to really see where the leakage is happening, where the traveler is going versus the negotiated program," he said. Buyers should not only analyze that data but also be willing to learn from it as they take their travel business into each market.

> "The most precious data comes from the actual payment statistics. … [It allows] us to really see where the leakage is happening."
>
> LUKASZ DABROWSKI
> HRS

Consolidate the hotel program. Going in strong with volume and location data and market knowledge will help buyers consolidate their programs, if they didn't do so during the pandemic. HRS recommends taking an approach that is "all about convergence," said Dabrowski. "Looking into all categories of hotel spend—transient, long stay, meetings and groups and truly showcasing it to the selected strategic partners—[so they] understand the value of what we are referring to as the total account contribution." Suppliers then can respond to demand across multiple verticals, he added.

Don't get tied to one type of rate. Landing on a rate type, whether it's dynamic, fixed or a dual-rate that uses a fixed rate as a cap—depends on the local market and travel program demands. While Hammond said it was hard to make a blanket statement, he has seen "a lot of bids that were [last-room availability] coming in from suppliers as non-LRA, especially internationally."

But he said buyers should consider those terms "to avoid cases with LRA closeout and avoid cases where the traveler is seeing lower rates in the market." He also said dynamic rates would be a safer bet with more reliable savings and value in certain markets.

"Certain hotel chains are focusing static rate on their top tier properties and wanting to tier their offers down, and we tend to agree with that approach," Hammond said.

If a fixed rate is on the table, be sure both parties agree on the meaning of LRA and non-LRA, according to Tripbam CEO Steve Reynolds.

"Last-room availability in my mind as a buyer means I'm going to get this static rate on the last room at that hotel. The hotel thinks they're going to give you that discounted rate on the last room [they] want to give you at that discounted rate," he said.

If moving with dynamic rates, figure out an audit strategy, added Reynolds.

"The challenge is every single booking potentially has a slightly different rate," he said. "If I have a static rate, I can look through a spreadsheet and ... every time I see [that price] I know I got my discount."

But when it comes to dynamic rates it's not that simple, he said. Some hotels may even offer special rates that aren't visible to the public, which may be higher than the best available rate, according to Reynolds.

"So when you apply your 20 percent discount, you only get 10 percent savings or less," he said. "There's a lot of that going on."

Leverage relationships in a big way. Buyers should know up front which hotels to spend time with. It won't be all of them. "Most travel managers have direct relationships with their top hotels. That's where [they] should have a fixed LRA rate," Kusto said. Buyers should take a note, however, if their "top" hotel isn't responsive.

"Is the hotel making time for you? There has never been a better year to use that as your test," she said. "If a hotel's not willing to make time for you, maybe it's worth having a conversation with them and articulating that this hotel matters to you."

Knowing which relationships to fight for versus which ones to walk away from can streamline the entire travel program, saving both sides time and money on future negotiations.

Know what to push for beyond rate. Buyers and managers fight for all sorts of amenities, but are travelers using them? The truth is, it's difficult to track. If you don't know if travelers are using parking or breakfast, it might be time to cut them from the menu. More important to programs, but also harder to get this year, will be consideration on cancellation policies.

> "If hoteliers are being foolhardy [with] what they're asking for from a buyer because they're expecting the future to be rosy forever, just say no."
>
> **DAVID MOLLOV**
> TRIPBAM

"We are seeing hotels take a stronger stance on the cancellation policy—same-day, especially," Kusto said. "They're pushing back on that a lot, like 24- to 48-hour minimum."

When the Timing Isn't Right

While pent-up demand from leisure travel helped the industry recover in 2022, some analysts project business travel will continue gaining momentum as the leisure boom subsides. This could shift some power from suppliers to buyers in certain markets. STR showed business and group travel for its the top 25 markets in October hit higher occupancy and ADR than all other segments, "reflecting continued improvement" in the corporate travel space.

"Keeping a pulse check on business demand versus leisure [is important]. I think we're going to see leisure kind of subside a little bit," Kusto said.

"I think the first quarter [2023] is going to be kind of the canary in the coal mine," according to Tripbam EVP of hotel solutions David Mollov. This could open up an opportunity for buyers to bide their time with 2023 negotiations, he said.

"When hoteliers are being bullish about expectations of the future, don't take them," Mollov said. "If hoteliers are being foolhardy [with] what they're asking for from a buyer because they're expecting the future to be rosy forever, just say no. Come back to the table [at] the first quarter of the year and then start negotiating when [we think] it's going to be much more favorable negotiating environment."

BY ELIZABETH WEST

Envest Global & CAPA Release Airline Sustainability Ratings

The second effort in the ongoing partnership covers 100 airlines, using 2021 data. The report places each carrier into a rating category based on 11 key metrics. The rating also accounts for how readily each carrier discloses its own sustainability performance.

Envest Global and the CAPA Centre for Aviation have introduced an airline sustainability rating system as part of the partners' most recent airline sustainability report. The groups released the report, which now evaluates 100 airlines, up from 52 last year, on Nov. 21.

The report will be available for purchase on Business Travel News' website during the first week of December. BTN, which is Travel Procurement's portfolio mate, receives a revenue share for sales of the report.

The Envest Global research team worked with publicly available emissions and airline operations data to create its sustainability metrics and compile the report, including in quarterly earnings reports, bi-annual and annual investor reports or sustainability reports published by individual carriers.

The carriers were contacted to confirm the data in the cases where it was fully disclosed. In other cases, they were asked to fill in any missing data or asked to provide the fundamental data if the carrier did not disclose such information. Some carriers were prepared and willing to provide it when contacted. Many were not ready, according to Envest Global co-founder Johnny Thorsen, who is leading the effort to distribute the report to the corporate travel community.

"Only 12 airlines out of the 107 we reached out to actually provide a full disclosure of their sustainability efforts," according to Thorsen.

"That was a big surprise because we thought more airlines would be sharing what they are doing," he said. "Even when we reached out and asked if they wanted to give us the information that was missing, most of them said no."

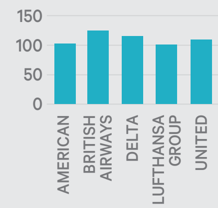
Thorsen speculated that these airlines likely did not have the data well documented or in a format they felt was credible to contribute, but one of the challenges he set forth for corporate buyers whose companies care about travel emissions is to begin pressing their preferred airlines to provide foundational sustainability data to help move the corporate travel industry forward when it comes to driving sustainability-based decision-making.

Having that data in a more public forum should lay the groundwork for a greener travel industry, according to Thorsen.

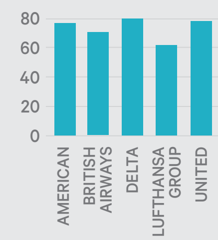
DARE TO COMPARE AIRLINE SUSTAINABILITY

See how five airlines measured up across six of the key metrics included in the CAPA & Envest Global Airlines Sustainability Report.

CO2 EMISSIONS PER RPK
(tonnes of CO2 equivalent per million RPK)



CO2 EMISSIONS PER ASK
(tonnes of CO2 equivalent per million ASK)



Source: CAPA/Envest Global Airline Sustainability Report

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The Metrics

The researchers evaluated each carrier by 11 key performance indicators to create the ratings and sort the airlines accordingly. In addition to emissions data disclosure itself, which weighed heavily in the ratings, the report also covered passenger CO2 per revenue passenger kilometer, passenger CO2 per available seat kilometer, total CO2 per revenue tonne kilometer, net passenger CO2 per RPK, net passenger CO2 per ASK, net CO2 per RTK, along with load factor, fleet age, the use of sustainable aviation fuel—not investment in SAF, but actual usage—and purchased carbon offsets.

Each of the "net" metrics accounts for emissions reductions credited to SAF usage and carbon offsets.

Not every KPI was weighted equally in the final ratings formula, however. Data disclosure was key, as it spoke to the carrier's credibility and commitment, said Thorsen. "Without the disclosure, the airline could not make it into the Platinum group," he said. But other metrics were more malleable as Envest worked to find the right formula, and may also change in future reports as conditions and opportunities change for carriers.

"We originally thought load factor would be a critical one because the higher the load factor, the better this airline would be at getting people moved for a given amount of fuel," said Thorsen. "But the reality of 2021 is that some airlines had limited control of load factors based on where in the world they were located and limitations or restrictions placed on their operations [due to Covid-19]. So load factor was demoted a bit."

Another interesting factor was SAF usage. Only 20 airlines reported any SAF usage—and it was infinitesimal compared to traditional fuel. SAF usage was weighted neither under nor over average in the ratings calculations. But carbon offsets, which already pose a challenge due to the impossibility of evaluating the quality of the offsets, will get more complicated as time passes, said Thorsen.

"One airline has announced it will stop using carbon offsets entirely, after being one of the most aggressive offsetters," said Thorsen, noting that offsetting is a strategy largely considered to kick the can down the road in that the carbon is emitted now, but the offsetting is delivered often over time—and is unlikely to catch up to current airlines emissions intensity. For that reason, some companies are moving away from them. "It doesn't make sense for them to drop out of a top category because they are moving away from offsetting, so we already have some interesting dynamics coming out of this work."

One of the big notes coming out of the report was the future sustainability outlook for airlines with older fleets and/or a large percentage of long-haul flights that traditionally fly with reduced load factors—both were major contributors to more intensive carbon emissions and could portend both metal investment and route or network strategies.

Different Strokes for Different Folks

Ultimately, said Thorsen, the Envest Global and CAPA team wants to build a procurement tool for travel buyers that will account for their own KPI priorities, potentially allowing them to weight the metrics for their own programs. That's a few steps down the line—perhaps in a year's time.

"We want to create a digital version of the index, but that obviously will require a very clean presentation of what is currently a pretty complex Excel file," said Thorsen. "We'll also need to account for the program in which the company flies on two airlines 50 percent of the time and the rest is spread across 40 airlines. What impact should that have?"

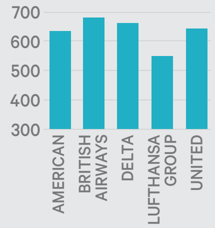
For now, Envest Global and CAPA are offering a pre-set ratings system that travel buyers can use as a starting place for emissions-based decision-making. "I've spoken to a few buyers and they were really positive about saying this was a tool they really needed," said Thorsen.

He admits that most corporate travel buyers aren't really at the point of making emissions-based decisions. "They come to conferences and talk about it, but when they get back to their offices, they may not be able to spend even five minutes on sustainability each week," he said, but pointed out these may be the buyers who need the report the most. "They need simple tools and information presented clearly just to get started."

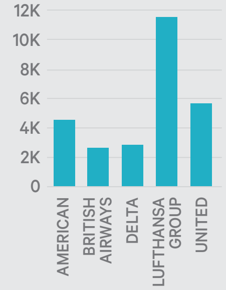
THE RATING SYSTEM

- **PLATINUM (8)** – Ranked in top 10 of 100 across a number of key metrics; full and transparent emissions data disclosure; mature offset and SAF programs
- **GOLD (9)** – Ranked in the top quartile across a number of key metrics; high level of emissions data disclosure; some SAF use and offsets
- **SILVER (38)** – Ranked outside the top quartile across a number of key metrics; variable emissions data disclosure; limited reported SAF use and offsets
- **BRONZE (29)** – Variable emissions disclosure; Covid-19 restriction challenges evident in recommencing operations; gov't policy significantly impacting load factors and operational efficiencies; aircraft/network efficiencies compromised by decisions made regarding fleet during Covid
- **BLUE (16)** – Insufficient public disclosure and/or no reporting of emissions data or other sustainability data

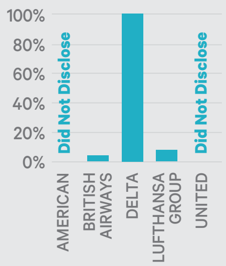
CO2 EMISSIONS PER RTK
(tonnes of CO2 equivalent per RTK)



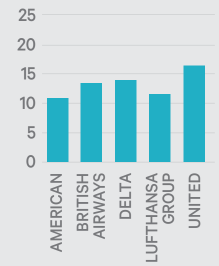
SAF USAGE
(in Tonnes)
Lufthansa Group uses the most SAF by far, but it's still 0.25% of total fuel usage; for other carriers the percent comparison is even lower.



OFFSETS PURCHASED
(as % of total emissions)



AVERAGE AGE OF FLEET
(in years)



Source: CAPA/Envest Global Airline Sustainability Report

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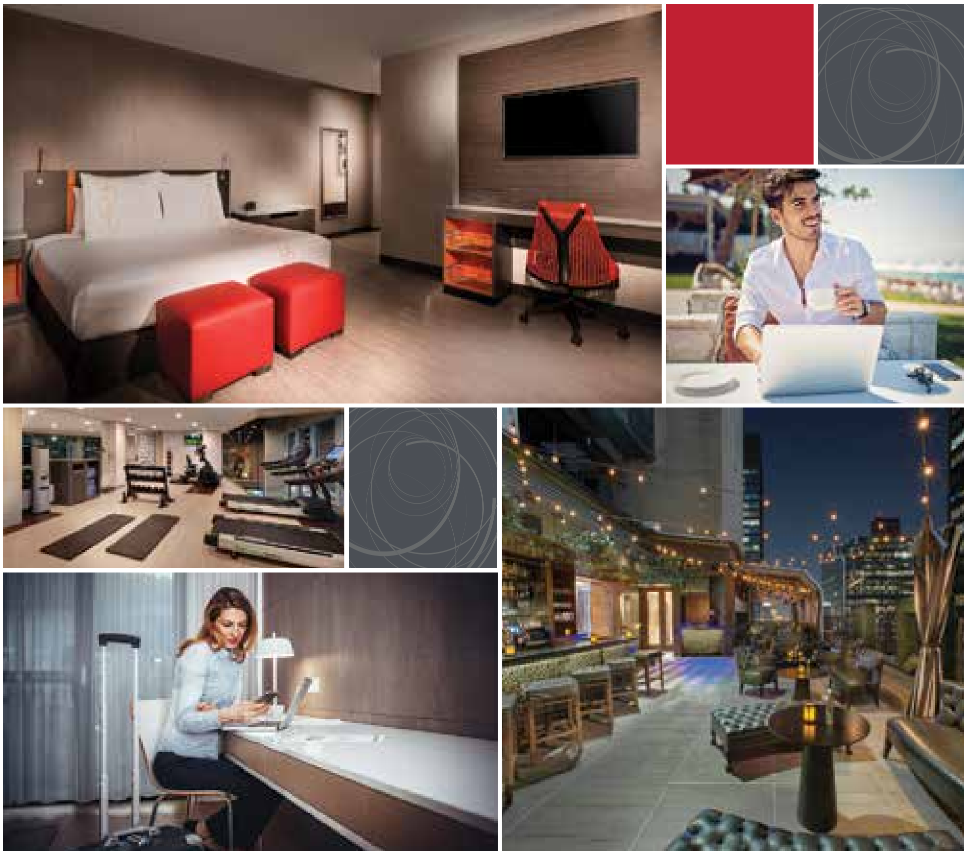

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