Travel Procurement

December 2020

AON'S GLOBAL PREPAREDNESS

Travel lead **Hillary Dallas**' reimplemented global travel program weathers the Covid-19 pandemic and positions Aon for recovery.

page 15

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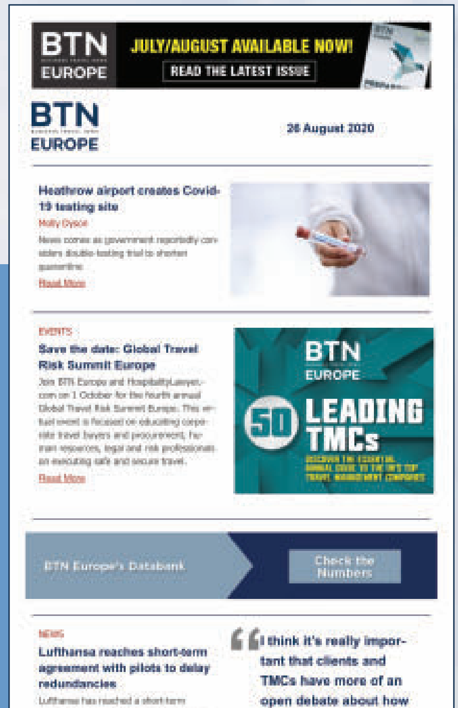

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Is 2020 In the Rear View Yet?

It's hard to summarize a year that brought such devastation to the corporate travel industry. Should we dig in with pessimism, keeping expectations low and preparing for the worst? Is it naive to view the Covid-19 crisis in terms of the opportunities it may have revealed to the industry? I believe we have to look at situation through both lenses as we assess the damage of 2020 and look realistically at corporate travel recovery all the way through 2021.

That is the perspective of this issue of Travel Procurement as we try to put 2020 in our rear view. While the industry must move toward a hopeful future, we can't leave behind some of the most painful realities that will continue to affect our industry in the year to come, even with the promise of a vaccine on the horizon.

You will read on page 9 about the recent surging infection rates in the U.S. and Europe and its effects on travel demand going into the November and December holiday season. You may feel discouraged as what we saw as a nascent late summer demand bounce descends into an early winter doldrum. Yet, our features this month could renew your faith in innovation and in the possibilities for safe business travel coming in the new year.

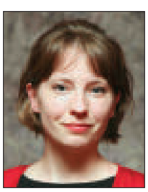
Senior editor Michael B. Baker covers the "comeback" of a less-than-obvious category of essential worker: the entertainment and production crews as well as sports teams and sporting event crews that have designed effective protocols to keep their workers safe while traveling to required locations. Could your company apply some of the same principles to get travelers back on the road?

Or take the story of Boston Consulting Group on page 13. Contributing writer Amon Cohen details the company's net-zero carbon pledge, and how the global consulting firm will return to travel with renewed purpose as the pandemic recedes. What lessons did the travel pause teach this company, and how did the travel team contribute to BCG's sustainability strategy?

Our cover story this quarter on page 15, penned by managing editor Chris Davis, explores the globalization initiative undertaken at insurance and professional services firm Aon. Not only did that company's focus on a comprehensive global program support repatriation at the critical moment in the pandemic, ongoing efforts are positioning Aon to be quick out of the gate as travel corridors reopen.

Finally, our Opinion columnist this month offers a frank summation of the situation. "The business travel industry is in hell right now," writes Deem CEO John Rizzo on page 18. But he follows with the philosophy that the ultimate southern route is the only path to heaven, and challenges the industry to work toward a digital transformation that will bring it in line with consumer travel on the other side of the pandemic.

There's no denying the reality: The pandemic has changed us all. Let's make sure it's for the better.



Stay well,

Elizabeth A West

Editorial Director, BTN Group

Air Travel

Delta Says Most Corporate Customers Have Resumed Some Level of Business Travel. Delta Air Lines reported a "modest improvement" in corporate demand, though third-quarter business travel volumes remained a small fraction of pre-pandemic levels. The carrier reported $3.1 billion in operating revenue for the third quarter, down 76 percent year over year. That demonstrates a "steady improvement" from the second quarter, when revenue was just 10 percent of 2019 levels, Delta CEO Ed Bastian said in an earnings call. Bastian said that trend will continue into the fourth quarter, projecting revenue rising to reach about a third of 2019 levels. Bastian said he had "no doubt" Delta would lift its policy of blocking middle seats within the first half of next year. Delta reported a net loss of $5.4 billion for the quarter, compared with net income of $1.5 billion in Q3 2019. Cash burn for the quarter averaged about $24 million per day.

American Sees Short-Haul International as Q4 Bright Spot. American Airlines executives noted "signs of a slow but steady recovery" in the third quarter, but the carrier does not expect to reach the break-even point by the end of this year. Demand for short-haul international travel, particularly to Mexico and the Caribbean, has been strong, and president Robert Isom said revenue for the region could reach 70 percent of last year's levels in the fourth quarter.

Passenger revenues for the quarter declined 76.9 percent year over year to $2.5 billion. The carrier reported a net loss of $2.4 billion for the third quarter, compared with net income of $425 million in the third quarter of 2019. Cash burn in the quarter was down to $44 million per day compared with $58 million per day in the second quarter.

Southwest, JetBlue to End Capacity Limits. Southwest Airlines on Dec. 1 ended capacity controls that enable it to keep middle seats vacant, and JetBlue by Jan. 8 plans to do likewise after first increasing available capacity on Dec. 2 to 85 percent from 70 percent. Alaska Airlines said it would begin phasing out its similar policy on Jan. 6, 2021. Delta Air Lines, however, has extended its policy of blocking middle seats through the end of March 2021, which would leave it at that time the sole U.S. carrier doing so.

Korean Air to Acquire Asiana Airlines. Korean Airlines has agreed to acquire chief competitor Asiana Airlines, with plans to consolidate into a single airline that will dominate the Korean air market. Per the agreement, Korean will acquire a majority share in Asiana for 1.8 trillion Korean won, about $1.6 billion. The carrier plans initially to operate Asiana as an independent affiliate but ultimately phase out the Asiana brand and integrate it into Korean Air. The combined carrier would be the 15th largest airline in the world by kilometers per passenger.

Car Rental

Hertz Cites Improving Leisure Demand. Hertz Global Holdings reported third-quarter revenue of nearly $1.3 billion, down from more than $2.8 billion in the third quarter of 2019, but executives said some demand is improving. Hertz during the third quarter saw month-to-month revenue improve, thanks in part to leisure demand. "Since Labor Day, U.S. rental volume has trended better, reflecting pent-up leisure demand and market-specific rate adjustments," said CEO Paul Stone in a statement. For the third quarter, Hertz had a net loss of $222 million and liquidity of $1.1 billion. The car rental company filed for Chapter 11 bankruptcy in May.

Cost Cuts, Lengthier Rentals Mark Avis Budget's Q3. Avis Budget Group during the third quarter cut $1 billion in costs amid a spate of lengthier rentals by both corporate and leisure customers. Leisure continues to dominate Avis Budget's customer rental mix, and pricing for on-airport rentals is trending upward, Avis Budget Group CEO Joe Ferraro said during the company's quarterly earnings call. Pricing of one-week on-airport rentals is "positive" compared with last year and is being influenced by longer rental periods, Ferraro said. Avis Budget cut $1 billion in costs globally in the third quarter, bringing total costs cut to more than $2 billion for the year so far. The car rental company reported third-quarter revenue of $1.5 billion, down 44 percent year over year, and net income of $45 million.

United Sees 'Long Tunnel' to Recovery. United Airlines has shifted its focus from survival to recovery, though executives still expect any significant pickup in demand will not happen until well into next year, with business travel demand not reaching pre-pandemic levels until 2024. "The light at the end of the tunnel is now visible," CEO Scott Kirby said. "It's a long tunnel that will have twists and turns, but we'll begin to move back towards normal." United's passenger revenue in the third quarter was $1.6 billion, down 84.3 percent year over year, and total operating revenue was down 78.1 percent year over year. United reported a $1.8 billion loss for the third quarter, compared with net income of $1 billion in the third quarter of 2019. Daily cash burn during the third quarter averaged $25 million.

LODGING

Marriott Notches Sequential Quarterly Improvement. Marriott International's third quarter improved over its second-quarter results, as president and CEO Arne Sorenson this summer had predicted it would. Marriott reported systemwide comparable third-quarter constant-dollar revenue per available room fell 65.9 percent year over year, compared with a Q2 decline of 84.4 percent. Third-quarter occupancy was 35.1 percent, a drop of 40.8 percentage points from 2019. Average daily rate fell 26.4 percent to $117.44. Net income was $100 million versus $387 million one year prior.

Hilton Sees Uptick in Corporate Transient and Meeting Demand. Hilton Worldwide has seen a pick-up in business travel in the third quarter, as well as some group business bookings "in the year, for the year, and not in insignificant amounts," said president and CEO Christopher Nassetta. Small meetings are leading that growth, he said. Traditional groups are booking and rebooking very little in the first quarter of 2021 and "some" in the second quarter, with "the bulk picking up good velocity in the second half of next year and beyond," he noted. Third-quarter systemwide revenue per available room declined 59.9 percent year over year on a comparable currency-neutral basis. U.S. RevPAR fell 58.6 percent year over year. Systemwide occupancy was 42.5 percent, down 36 percentage points from the year prior.

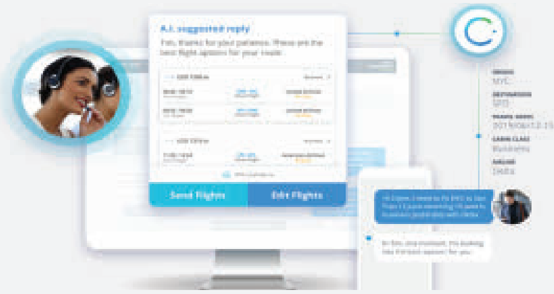
IHG Furthers Expansion in Tentative Third Quarter. InterContinental Hotels Group reported third-quarter performance that was relatively better than its second quarter but far below levels from the pre-pandemic Q3 of 2019. IHG third-quarter revenue per available room was down 53.4 percent year over year, compared with a 75 percent decline in the second quarter. Q3 occupancy ticked up to 44 percent from 25 percent in the second quarter. IHG's Q3 net system size grew 2.9 percent year over year and now represents 890,000 rooms. "Despite the challenges … we have continued to open new hotels and sign more into our pipeline," said IHG CEO Keith Barr in a statement.

Hyatt Expects Depressed Business Travel into 2021. Hyatt Hotels Corp. painted a somewhat different picture than the hotel companies that have expressed cautious optimism on recovery. "We are prepared for the first half of 2021 to be challenging," said Hyatt president and CEO Mark Hoplamazian. "We're mindful of the recent increase of [virus] cases in the U.S. and Europe and the resulting increase in restrictions being put in place that will have a negative impact on travel in the near term and could produce flat demand in the fourth quarter." Third-quarter comparable systemwide revenue per available room declined 72 percent year over year. Net income decreased 154.2 percent year over year to a loss of $161 million.

TRAVEL MANAGEMENT COS.

Australia's CTM Buys U.S. TMC Travel and Transport. Australian travel management company Corporate Travel Management has agreed to purchase U.S. TMC Travel & Transport for US$200.4 million. Radius Travel, the global travel agency network purchased in 2018 by Travel and Transport, is included in the deal. The companies' joint 2019 total sales were about $7.6 billion, according to the TMCs, which would make the combined entity one of the world's largest TMCs. Travel and Transport will be rebranded as CTM, according to the companies.

Amex GBT Buys 30SecondsToFly. Mega travel management company American Express Global Business Travel purchased artificial intelligence-driven chatbot provider 30SecondsToFly for an undisclosed amount. 30SecondsToFly operates a conversational booking interface that uses natural language processing to help users shop and book trips. GBT plans to extend 30SecondsToFly's conversational capabilities into messaging and chat touchpoints, including its mobile app.



TECHNOLOGY

Rocketrip Acquired by Mondee. Corporate travel savings and incentive specialist Rocketrip has been acquired by Mondee Holdings, a consortium of travel technology, service and content providers including airfare wholesalers. Mondee will use its global presence and apply its own travel technology capabilities to bolster Rocketrip's service, which provides travelers incentive rewards for cost-saving booking behavior. Terms of the acquisition were not disclosed.

BUSINESS TRAVEL BY THE NUMBERS

Following September and October demand levels that slightly exceeded projections, STR and Tourism Economics boosted their forecast of U.S. 2020 hotel performance, but warned at least the first half of 2021 will be rough for the industry, with a full recovery to pre-Covid levels of revenue per available room not expected until 2024. Meanwhile, the International Air Transport Association found little reason for optimism in its September air passenger data.

STR'S U.S. LODGING FORECAST

	2019	2020*	2021*
OCCUPANCY	66.0%	42.2%	52.2%
ADR	$131.22	$103.65	$109.21
REVPAR	$86.67	$43.76	$57.03

* Projected

Source: STR/Tourism Economics Nov. 12 forecast

LOOKING BACK AT ADR: YOY CHANGE

	AMERICAS	EUROPE	ASIA/PACIFIC	MIDDLE EAST & AFRICA
July	-24.5%	-17.0%	-30.7%	-8.5%
August	-22.4%	-7.6%	-25.2%	-19.4%
September	-24.4%	-25.0%	-23.7%	-9.1%

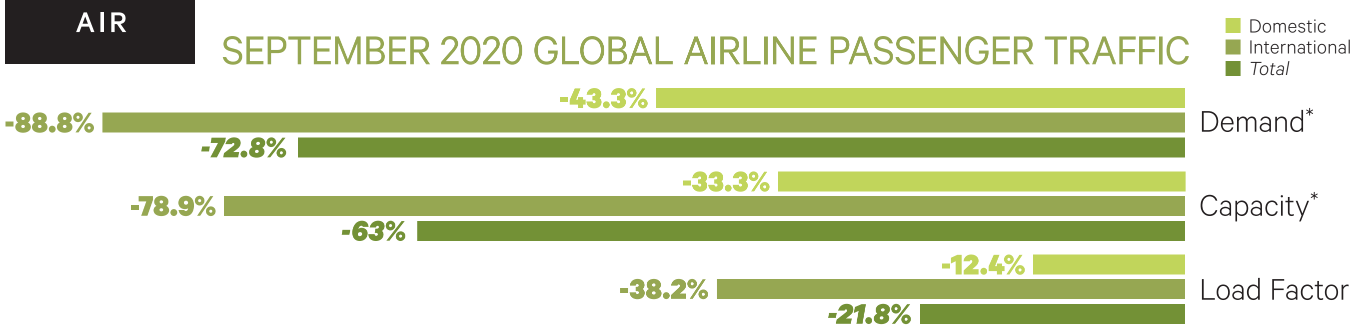
LOOKING BACK AT OCCUPANCY: YOY CHANGE

	AMERICAS	EUROPE	ASIA/PACIFIC	MIDDLE EAST & AFRICA
July	-38.3%	-56.6%	-52.2%	-36.5%
August	-33.9%	-44.6%	-41.6%	-31.0%
September	-30.3%	-51.7%	-41.4%	-24.4%

Source: STR

AIR

SEPTEMBER 2020 GLOBAL AIRLINE PASSENGER TRAFFIC



* Demand measured in revenue passenger kilometers; capacity measured in available seat kilometers Source: International Air Transport Association

American Express Meetings & Events in its annual forecast of upcoming meetings activity projected 2021 meetings spending would slide even further year over year on both an overall and a per-attendee basis, based in part on an August-September worldwide survey of 560 meeting and event professionals. Meanwhile, Hertz Corp. in a U.S. Securities and Exchange Commission filing detailed its U.S. market share as well as that of its competitors.

PROJECTED OVERALL 2021 MEETING SPEND, YOY CHANGE

NORTH AMERICA	-5.70%
EUROPE	-8.07%
CENTRAL/SOUTH AMERICA	-0.57%
ASIA/PACIFIC	-1.77%

PROJECTED 2021 PER-ATTENDEE, PER-DAY MEETING SPEND, YOY CHANGE

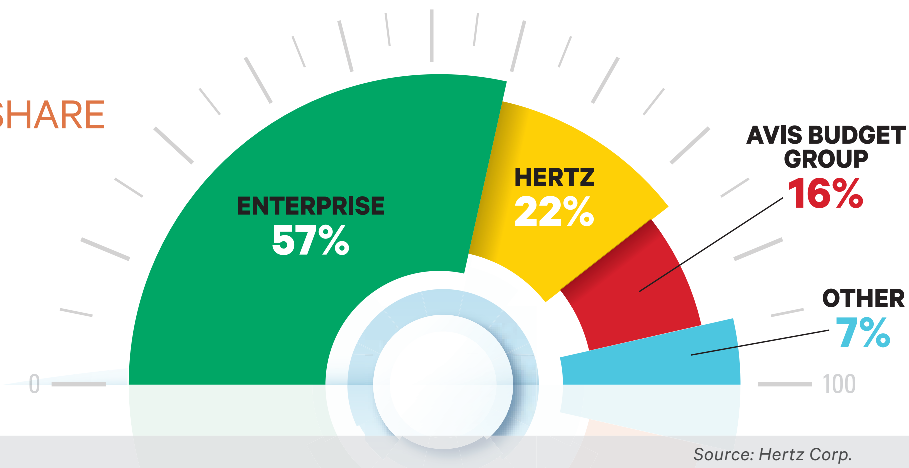
	N. AMERICA	EUROPE	CENTRAL/ S. AMERICA	ASIA-PACIFIC	GLOBAL HOTELIERS
Internal team meeting/Training	-3.61%	-4.47%	-0.58%	-1.73%	-4.30%
Product launch (Internal/External)	-2.75%	-3.93%	0.39%	-0.31%	-3.95%
Conference/Tradeshow	-4.56%	-5.45%	-1.07%	-0.99%	-4.95%
Senior leadership meeting/Board meeting	-3.36%	-3.51%	-0.56%	-1.21%	-5.19%
Client/Customer advisory board	-3.16%	-4.17%	-0.03%	-0.13%	-3.59%
Incentive/Special event	-3.49%	-4.60%	-0.47%	-0.55%	-3.73%
Small/Simple meetings	-3.78%	-3.56%	-0.87%	-1.60%	-5.95%

Source: American Express Meetings & Events 2021 Global Meetings and Events Forecast

CAR RENTAL

U.S. CAR RENTAL MARKET SHARE

- Enterprise includes the Enterprise, National and Alamo brands
- Hertz includes the Hertz, Dollar, Thrifty and Firefly brands
- Avis Budget Group includes the Avis, Budget and Payless brands



Source: Hertz Corp.

BY CHRIS DAVIS

Despite Vaccine News, Covid Spike Sours Demand

Some business travel supplier executives in recent months have resigned themselves to the notion that a full return to pre-pandemic volume levels depended on the development of an effective Covid-19 vaccine. In November, science delivered, with announcements that multiple pharmaceutical companies had developed, albeit without peer review, apparently astonishingly effective vaccines at a near-miraculous pace.

But that news stood in sharp contrast to the ghastly outbreak of new Covid-19 cases especially in the United States and Europe, with U.S. records for new cases and hospitalizations set a near-daily pace. As such, several travel suppliers and organizations in recent weeks warned that booking paces were again slowing, vaccine news notwithstanding.

Southwest Airlines in a Nov. 12 filing with the U.S. Securities and Exchange Commission noted that the carrier "has experienced a deceleration in improving revenue trends for November and December 2020 in recent weeks. While the company expected the [Nov. 3 U.S.] election to impact trends, it is unclear whether the softness in booking trends is also a direct result of the recent rise in Covid-19 cases. As such, the Company remains cautious in this uncertain revenue environment."

One week later, United Airlines in an SEC filing drew a more direct line between the Covid-19 outbreak and the carrier's booking pace. "In the last week, ending November 18, 2020, there has been a deceleration in system bookings and an uptick in cancellations as a result of the recent spike in Covid -19 cases," according to United.

Noting that United "does not currently expect the recovery from Covid-19 to follow a linear path and, as such, the Company's actual flown capacity may differ materially from its currently scheduled capacity," the carrier said it now expected fourth-quarter scheduled capacity to decline "at least 55 percent" year over year, versus a prior forecast of 55 percent.

Meanwhile, the weekly air sales levels by U.S. corporate travel agencies as recorded by the Airlines Reporting Corp. in recent months has been relatively static, generally down each week by about 85 percent year over year. Sales for the week ending Nov. 22 by leisure-focused and online travel agencies dropped noticeably year over year versus the prior week. Leisure sales were down 72.1 percent year over year compared with 68.2 percent the week before, while online travel agency sales fell 60.4 percent year over year versus 54.2 percent the week before.

Credit ratings agency Standard & Poors last month downgraded its outlook for global airline demand, according to Travel Procurement portfolio mate The Beat.

"We see a weak recovery in 2021," noted S&P Global Ratings credit analyst Philip Baggaley in the report. S&P now forecasts 2021 global air traffic and airline revenue to decline 40 percent to 60 percent from 2019 levels; previously, it projected no more than 40 percent declines from 2019 levels for each.

S&P called vaccine progress "promising," but "merely the first step toward a return to social and economic normality."

S&P issued the revised forecast after Pfizer announced encouraging results of its Covid-19 vaccine trials, but before Moderna, as well as Oxford University and AstraZeneca, did likewise. S&P called vaccine progress "promising," according to The Beat, but "merely the first step toward a return to social and economic normality." S&P added that "equally critical is the widespread availability of effective immunization, which could come by the middle of next year."

The International Air Transport Association last month downgraded its forecast for airline revenue and profitability, projecting that the first half of 2021 would be "difficult" in terms of passenger demand. IATA now projects global airlines to lose in aggregate $118.5 billion in 2020 and $38.7 billion in 2021, down from prior forecasts of $84.3 billion and $15.8 billion, respectively.

"The numbers couldn't get much worse," IATA director general and CEO Alexandre de Juniac said in a statement. "But there is a way forward. With the continued financial support of governments to keep airlines financially viable and the use of testing to enable travel without quarantine, we have a plan to overcome the worst immediately. And longer-term the progress on vaccines is encouraging."

In fact, IATA now projects global airlines in the fourth quarter of 2021 to turn cash-positive in aggregate, earlier than it previously forecast, based on "aggressive cost-cutting" and "increased demand."

For IHG, SME Focus Offers an Edge

InterContinental Hotels Group in 2018 introduced Business Edge, a product geared toward small and midsize companies, and says it has quickly grown, even during the pandemic. Travel Procurement's Donna M. Airoldi spoke with IHG SVP of global sales Derek DeCross about the program, its users and his assessment of demand trends. This interview was edited for length and clarity.

How many clients have you signed since launching Business Edge?
I can safely say we doubled the size of the program since the beginning of this year. We knew in February it was going to be a good year, but then when things started to go off the rails with the pandemic and demand falling off a cliff, I didn't know what to expect. [As of Nov. 6, there were more than 35,000 Business Edge accounts, according to a spokesperson.]

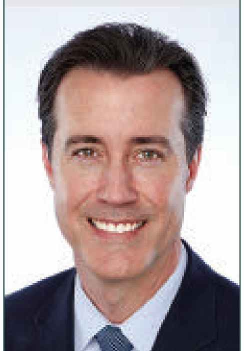
Between June 1 and Aug. 31, IHG signed more than 5,300 new Business Edge accounts. How does this pace differ from pre-Covid, and what is driving it?
That is outstanding growth even in a normal year, but in the face of a pandemic, it's extraordinary. In terms of what could be under the hood of that, localization of the program has been a key driver to engagement. Program materials are not just in English, but also in German, Spanish, French and Chinese. We had a tremendous response over the summer when we launched the Chinese-language registration utilizing WeChat. Another driver is linked to the dynamic discount program. In a world where most larger companies are at least including dynamic pricing as a key element of their relationship with their hotel suppliers, the IHG Business Edge rates had already been set up with a dynamic discount, which enables participating companies to instantly take advantage of those savings at all participating hotels globally. And we're at over 5,600 properties. [IHG has registered accounts in about 125 countries, with 40 percent in the Americas, 30 percent in Greater China, and 30 percent across Europe, the Middle East, Africa and Asia, according to a spokesperson.]

Is your discount on rates for Business Edge clients a set percentage for all subscribers, or does it vary?
It varies. It's market-appropriate based upon the volume of the business, and similar to how we would work with larger managed companies. [Applicants must be a business versus an individual traveler, according to a spokesperson. IHG determines benefit level based on annual travel spend. IHG monitors production and reviews discounts yearly. Regardless of production, it will carry the same discount levels into 2021.]

IHG has seen less of a decline in SME travel than large corporate travel. Why is that?
IHG's broader SME segment revenue has not been as negatively impacted from a travel perspective as much as its larger counterparts. Our SME segment is down 15 to 20 percentage points less year over year than our larger managed accounts. Some of it has to do with the fact we added more SME accounts, as they saw the strong value proposition in the program. But it's also because many of our existing SMEs are less likely to have some of the very stringent travel restrictions that larger companies have imposed since the pandemic. From an internal travel approval perspective, the leaner an organization is, it can resume its operations much more quickly than larger, more complex companies. The other element perhaps is that [SMEs] tend to be more focused on regional, or shorter-distance domestic travel and not international long-haul travel. That is not an absolute statement by any stretch, but the latter has been more severely hit during the pandemic.

IHG'S DEREK DeCROSS TALKS:

- The sharp growth of new Business Edge accounts this summer
- Pandemic-era demand differences between SMEs and larger enterprises
- IHG's demand outlook



How is business travel recovering and changing?
We began to see the industry recovery back in late spring. And that started with the small and midsize enterprise and other essential service segments, like some of the ones we were talking about earlier, like trucking, emergency housing and the like. We've had quite a bit of success in the sports and entertainment segments already. And we've seen recent positive signs out of the auto industry, pharmaceuticals, and medical verticals as well when it comes to small meetings. The larger group meetings will be slower to recover for evident reasons. I strongly believe people will be ready to come together more than ever once there is a successful vaccine that has been widely distributed and this crisis is behind us. For early 2021, I believe it will continue to focus on a range of 10 to 50 rooms when it comes to small groups. I don't think you see the larger types of groups begin to manifest until the latter half of 2021 and into 2022.

BY MICHAEL B. BAKER

Entertainment Industry Provides Lessons in Traveling Safely During Pandemic

The designation "essential worker" usually brings to mind medical professionals, delivery services, grocery store employees and others who have been on the front lines of the Covid-19 pandemic. It also has come to cover some in one of the few industries to see significant business travel activity since the onset of the crisis: the entertainment industry.

"We've seen a lot of travel in the last couple of months for sports, and film and TV more so than before," BCD Travel director of media and entertainment Patricia McConnell said in a recent webinar organized by United Airlines. That travel has required some extraordinary measures to ensure the safety of all participants, and some might serve to inform other industries as travel and events return on a wider scale.

Filmmaker Tyler Perry's Tyler Perry Studios was among the first to resume production this summer in Atlanta, which was a "monumental task," Ed White, the studios' VP of aviation, said during the webinar. For production, Perry set up what became known as "camp quarantine," with multiple sets and productions. Of course, the cast and crew needed to get from Los Angeles to Atlanta, which required an intricate testing process.

Perry used a combination of negotiated travel with United and some private charter service to move the group. All passengers have to test negative for Covid-19 at a private facility in Los Angeles International Airport within a few days before travel to board, White said. Upon arrival in Atlanta, they must undergo another test with negative results in order to get into the production bubble.

Rigorous testing continues throughout production, and once it wraps, "we put everything in reverse," White said. "We have a curb-to-curb health solution to get them back to where they live, and we've had great success in doing this."

Motion Picture Corporation of America—which produces much of the family-friendly and holiday-themed film content for Netflix and Hallmark's channels—has made nine films since the onset of the pandemic, including four in Toronto, four in Vancouver and one in Scotland, as well as the television series "When Calls the Heart," CEO Brad Krevoy said in the webinar.

> "That shows me, as we look at the rest of the world, that slowly but surely travel is going to be returning. You'll have to discuss with your team and leadership the pros and cons to make people feel comfortable."
>
> **JASON WOO**
> NEXT GENERATION ESPORTS

In addition to testing, arrivals in Canada also are subject to a two-week quarantine, where actors and crew have to hole up in a house or hotel, Krevoy said. While he said he would like to see Canada implement an exemption for those who can provide negative tests, the protocols do provide an extra layer of comfort once they come out of quarantine, on top of extra precautions in place, such as masks and face-shield use on sets, he said.

"The protocols in the United States are too wonky and so disorganized," Krevoy said. "The idea of shooting in the United States—I'm not there yet."

Both Krevoy and White reported success with their programs. White, for example, said of all the people being moved through the various productions, there have been only 16 positive Covid-19 tests, and all of those occurred outside of the production bubble.

While the protocols for film and television production are much more intricate than what the average travel manager will need to handle—Krevoy estimated that about 30 percent of budgets are going toward

Covid-19 maintenance and safety—they share a common challenge in persuading and assuring travelers that it is safe to travel. To that end, MPCA also has been using United's Signature Service, which provides a concierge to guide travelers throughout their airport experience.

"It's almost like flying private, and it calms you down," Krevoy said. "You have to make sure the people you are asking to travel are comfortable."

BCD's McConnell said those returning to travel have had a heavy focus on communication, such as reminding travelers of itineraries and the need to bring masks—and extra masks—and information on getting through airports and staying in hotels. There also has been more work with suppliers, such as blocking off space in hotels for production bubbles and working with chauffeured transportation suppliers for driver testing, she said.

"This is not just a passing phase," McConnell said. "This will be happening for the next year."

Next Generation Esports president Jason Woo likened getting travelers back on airplanes to a trip to the dentist, meaning travel managers need to prepare to assuage the fear of the unknown. In the meantime, some major events in the esports world have started to come back, such as the recent League of Legends World Championship in Shanghai, which featured a limited live crowd using social distancing techniques.

"That shows me, as we look at the rest of the world, that slowly but surely, travel is going to be returning," Woo said. "You'll have to discuss with your team and leadership group the pros and cons to make people feel comfortable about travel."

BY AMON COHEN

BCG Targets Travel for Intensive CO2 Reduction

Travel team plays key strategic role in push for net-zero emissions

Global management consultancy Boston Consulting Group has pledged to cut its business travel-related carbon emissions at least 30 percent per full-time employee by the year 2025 from 2018 levels. The target is part of a commitment BCG announced in September 2020 to reach net-zero climate impact for the business by 2030 through carbon-reduction initiatives while investing in carbon-removal projects for the footprint that remains.

Slashing business travel emissions is central to BCG's sustainability strategy, but it is a daunting challenge because travel accounts for more than 80 percent of the company's total carbon footprint. "Travel is an integral part of the way we operate," said managing director and partner for global operations services Kathryn Bell, who is responsible for BCG's travel and sustainability as well as procurement, security and facilities. "We know there is no single lever we can pull. We are dependent on traveling to put our teams together with our clients."

Yet continuing to travel as before—more precisely, before coronavirus—is not an option, as far as Bell is concerned. "BCG believes that we have a responsibility to the planet," she said. "The topic is urgent and important for us to be credible with our employees and our clients."

A net-zero climate impact is a more ambitious target than the more established concept of carbon neutrality. Net-zero means attempting to remove one metric ton of CO2 from the atmosphere for every metric ton emitted, partly by planting trees but also by investment in nascent technologies for sequestration of carbon into soil and oceans. "They are expensive, they require investment, they require focus, but there are organizations working on them, and they are beginning to prove themselves," said Bell.

Given its pledge, failure to reduce travel-related emissions also would be expensive for BCG. The company has pledged to invest $35 per metric ton of its remaining emissions in 2025, rising to $80 per metric ton in 2030—much higher figures than the current voluntary carbon-offset market average of $3 to $6. Beyond 2030, BCG aims to be climate-positive, removing more CO2 than it emits.

"The science is clear," said CEO Rich Lesser when BCG issued its net-zero pledge. "If we want to limit global warming to 1.5 degrees Celsius and avoid the worst effects of climate change, we, as a planet, need to halve CO2 emissions in this decade and reach net-zero carbon emissions by 2050 ... but those that can move faster should do so."

> "We have a level of confidence at the firm that we will be able to meet, if not improve upon, the reduction goals that we have put out."
>
> **KATHRYN BELL**
> BCG

Rival consultancies Bain & Co. and Accenture subsequently made similar net-zero pledges. The latter said one of its actions would include "equipping Accenture's people to make climate-smart travel decisions," but neither Accenture nor Bain stated public targets for reducing travel emissions as part of their pledges.

Devising a Strategy

BCG started reducing its travel-related emissions, which in 2018 stood at 438,000 tCO_2e (metric tons of carbon dioxide equivalent).

The company intends to cut emissions further through a twin strategy of reducing trip numbers and reducing carbon footprint per trip where there is no acceptable alternative to travel. Tactics for achieving the latter, said global head of travel Gehan Colliander, include extended stays at customer locations instead of shuttling back and forth; choosing meeting destinations that require the lowest combined travel emissions for all participants; and tweaking policy to favor rail over air, or direct flights over indirect routes.

Colliander said it is also "super-important to put information in the hands of our travelers where they need it. It's a combination of investing in online tools, for example, that enable you to filter and select flights on the basis of lowest emissions."

Although the company has not made any forecasts on the split between travel avoidance and lower emissions per trip, "I think most of the reductions are going to come from where we can shift physical meetings to virtual," said Bell. "The experience we have had [with coronavirus] has proven certain things work extremely well virtually."

The travel hiatus enforced by Covid-19 has proved an unexpected but useful laboratory for BCG's decarbonization plans. "It has reinforced and built confidence in the levers we could pull," said Bell. "We have a level of confidence at the firm that we will be able to meet, if not improve upon, the reduction goals that we have put out. It's been an unnatural context that we have been living in and so it is hard to fully extrapolate, but we have had some large meetings and training events where we have improved experiences from being virtual. We will take that learning and carry it forward." Bell added that connecting clients to subject matter experts remotely instead of having that talent semi-permanently in the air has made them more accessible and efficient.

Gathering the Data

To gain a better understanding of which trips can and cannot be converted to virtual interactions, "we've looked across our whole business, and at why we travel, in partnership with Gehan and the travel team," said Bell. The review was built on data assessment and deep internal collaboration, the two key recommendations she and Colliander offer to other travel managers contemplating intensification of their sustainability strategies.

"Good data is fundamental in making any good decision," said Colliander, adding that a central project team needs to take ownership for collating reporting and making it relevant, comprehensive and consistent.

The data BCG pulled together can be divided into three buckets. The first was operational reporting about the business: size of the organization, projected growth, locations of clients and so forth. The second, said Bell, was "the giant amount of transactional travel data so that we could deeply understand how, where, when and why we travel." Colliander's travel team was involved heavily, "cleaning" BCG's travel management company data to fit sensibly into matrices provided by a sustainability consultancy for assessing travel patterns.

"Travel is complicated," Bell said. "One has to understand deeply the way the travel supply chain operates and the nuance of the data. The sophistication of analysis that was required to ensure the sustainability team really understood how travel emissions relate to travel data was a very important role for Gehan and her team."

> "It's super-important to put information in the hands of our travelers where they need it."
>
> **GEHAN COLLIANDER**
> BCG

The third bucket was environmental data: measuring how emissions are influenced by such criteria as aircraft type and load factor to determine with reasonable certainty how much CO2 is emitted for every flight taken by a BCG employee. "I learned a lot," said Colliander. "Usually in travel you would not be thinking about the impact of a load factor on carbon efficiency. I would think of its impact on price."

The fusion of management, travel and environmental data epitomizes the intense cooperation among these three functions at BCG, which resulted in the present sustainability program. Colliander said the strategy was driven "first and foremost at leadership level," creating a sponsorship that has ensured engagement with relevant experts and stakeholders throughout the organization.

So far, so familiar, perhaps: All travel managers are aware that corporate travel initiatives rarely flourish without senior buy-in. However, for Bell, the senior status of Colliander and her team was equally important. Travel is treated as a critical strategic function at BCG, and the sustainability push "is the classic example of the importance of our travel team having a seat at the right table to be able to influence strategy," Bell said. "This is one of the most important commitments that BCG is making. The travel team was right there at the table fueling the information."

AON'S GLOBAL PREPAREDNESS

TRAVEL AND MEETINGS LEAD HILLARY DALLAS REIMPLEMENTED A GLOBAL TRAVEL PROGRAM JUST PRIOR TO THE COVID-19 PANDEMIC. IT HELD STRONG IN THE CRISIS AND HAS POSITIONED AON WELL FOR A STRONG RECOVERY.

BY CHRIS DAVIS

PHOTOS BY RYAN DONNELL

Travel managers the world over shared the mad scramble to identify and repatriate business travelers on those March days when the brutal consequences of the Covid-19 pandemic became apparent to corporations of all sizes. Far fewer did so on the heels of a just-deployed global travel services program, featuring a new global travel management company in dozens of countries, a refreshed travel policy and in some cases, a new online booking tool.

"In March, when the firm decided that we were going to put travel restrictions in place, we had to in an instant, like so many other companies, look at how many people do we have out on the road," said Hillary Dallas, senior director of global travel and meetings for insurance and professional services giant Aon. "We just kept saying to ourselves, 'This would've been absolutely impossible six months prior.' We just never would've been in the position to do what we were able to do in the course of 24 hours."

Of course, when Aon and Dallas more than two years ago embarked on the process of more fully globally consolidating its travel program and selecting an implementing a new global TMC, they never could have known how quickly their new structure would be put to the test by the onset of a worldwide calamity. But they were prepared for it.

Today, Aon's travel program remains mostly dormant, limited to some essential travel in countries like Australia and New Zealand that are in better Covid-related shape than most, and conducted mostly by car. But before the pandemic, Aon's travel program was among the world's largest, with 2019 companywide travel and entertainment spending of nearly $280 million, according to Business Travel News' Corporate Travel 100.

It was also a program at the end of 2017, when Dallas joined the firm, that was ready for a revamp in line with an internal companywide effort, dubbed Aon United, to deliver its services more broadly and consistently throughout the world.

"The charge was basically to bring this program together," Dallas said. "When I joined at the end of 2017, we knew there would be several steps taken to make that happen."

CRAFTING AN RFP

Aon in 2017 had an incumbent travel management company that operated in about 30 countries, Dallas said, but the travel program was "very U.S.-to-U.K.-centered, because those made up the majority of the transactions." Dallas is based in Washington, D.C., while Aon's global headquarters are in London. "The local stakeholders—whether that was an executive assistant or an operations manager or an office manager—were the ones dealing with it in [most other] countries."

Dallas' first step in crafting a more comprehensive global program, she said, was soliciting the opinions and assessing the business needs in those various markets throughout the world to help determine the services Aon and its preferred TMC should provide.

"It was a large undertaking to go out and speak to all of our stakeholders, speak to our leadership and understand what their needs were," Dallas said. "We can be subject-matter experts. We know travel. But it had to work in tandem. We have to partner with our stakeholders because they're the boots on the ground. They're the ones in-country."

After soliciting that feedback, Dallas' team made a key decision: It would look to choose and implement not only a single global consolidated TMC but also concurrently deploy a new online booking tool—if necessary—a new preferred global distribution system and other technology.

"We said, 'Look, we're not going to start here and just kind of piece this stuff in over the next few years.' Let's build it all at the same time," she said. "We did all of those things in tandem."

Aon formed an internal travel advisory council to help craft a global TMC request for proposals and evaluate responses. Members included Dallas and her team as well as several chief operating officers from various global regions and representatives from Aon's legal, financial and expense management divisions. That council would continue to meet roughly every other month, when Dallas would update them on the progress of the RFP and the responses it received.

"We can be subject-matter experts. We know travel. But it had to work in tandem. We have to partner with our stakeholders."

"This was a committee that worked with us very closely and helped guide the direction," Dallas said. "In addition, we spent a lot of time going out to all the markets [throughout the world] and shared what the strategy was, what the vision was, and got their support. There was no way we were going to do this, turn over this program and have this much change management involved, unless we got that universal support."

As for the RFP itself, Dallas said Aon tried to "build in everything we could. We tried to have as much foresight as we could, in terms of where we wanted the program to go and the bells and whistles that we wanted on the program."

The largest global travel management companies have a broad array of technological offerings and third-party partnerships, through which they can deliver any number of services. Dallas' team wanted to know all the details, even if Aon decided not to deploy those services, or not to immediately implement them.

As examples, Dallas cited Aon's use of rate-assurance provider TripBam and risk management provider WorldAware. Even though Aon intended to use those suppliers under the new contract, the team still wanted to hear about the bidding TMCs' rate-assurance and security partnerships and capabilities.

"Whether it's your [corporate social responsibility] reporting, whether it's your insights reporting, lay it all on the table, we want to see it," Dallas said.

After the formal bidding process, Aon selected American Express Global Business Travel as its global travel management services provider. Because of the travel council's desire to incorporate the full range of possible technology and other services, the contract with GBT was quite detailed and lengthy, Dallas said.

"We had to build in all our global data and security requirements. So we wanted to put all those technologies into place and go through this process once to cover as many countries as we could, so that we wouldn't have to go through this every time we wanted to add a country," she said. "The differentiator, at least from what I've done in the past, was that we tried to think of everything and build that into the program, even if it wasn't going to be turned on from day one."

MAKING THE SWITCH

After selecting Amex GBT, Aon spent roughly six months designing the new travel program before rolling it out globally. That included a mild refreshing of Aon's travel policy, which mandates use of GBT to book travel but allows for regional or country-level specifics regarding certain topics like permissible business-class use for long-haul flights.

"There were endless decisions that needed to be made as to how we were going to structure and set up the program," Dallas said. Among them was the incorporation of technology, including Amex GBT's Expert Auditor pre-trip authorization and approval tool.

"We spent a lot of time working through all the nuances," she said. "For example, in Asia-Pacific, we had large markets like Australia and Singapore that had the full gamut of technologies and programs. And you have a country like the Philippines, where basically we were implementing the offline service, but they didn't need pre-trip approval or some of the things that we were implementing in other markets."

The process also involved incorporating online booking tools. Aon selected SAP's Concur Travel as its global online booking option, but several countries use other tools and Aon did not mandate a switch, Dallas said. Aon in France uses Amex GBT's KDS online tool, and in some countries in Latin America uses Sabre's GetThere.

"We decided that we were going to select the best tools for the market," she said. "This is an old story, right? Not every booking tool is perfect for every market. So we decided that to reduce some of the change management ... we would stick with it. To me, that's doing the best by our clients."

Aon began making the switch to the new program and Amex GBT in March 2019, and to date has implemented the program in about 45 countries with plans for an additional 10 or so by the end of 2021.

Ensuring reporting of travel data from TMCs in a consistent format can challenge even the most experienced global practitioners, and Aon has created dashboards to not only gain visibility into that spending but also monitor key metrics like the use of lowest logical fares. Where there are gaps in booked travel data reporting, particularly in rare cases of booking channel noncompliance, Dallas said, Aon will supplement its travel data with expense data.

This year, everything was going swimmingly with Aon's agency implementation. Then came Covid-19.

The implementation of the new program, Amex GBT and its data feeds into WorldAware were key aspects of Aon's ability to track every traveler and work to return them to their home countries as quickly as possible, particularly in March when the United States and several European countries began to restrict inbound travel.

Currently, only essential travel is allowed in most countries, according to Dallas, and any attempted booking through an Aon online tool will trigger the type of travel-warning messaging that pre-pandemic was reserved for bookings to high-risk locations.

"Our policy is, nobody has to travel. Nobody is required to travel during this time," Dallas said. "If somebody says, I'm not comfortable with it, of course that's not something we push. But we do provide [travelers] with a ton of resources to get help and to be prepared for whatever they may be faced with." Those resources, she said, include links to travel advisories and contact information for 24/7 support.

Aon has shifted to virtual meetings, for now, and is closely managing the vast majority of them, she said.

In the meantime, Dallas continues to refine the global program and plan for its further expansion, she said.

"There's no doubt in my mind that travel is going to recover," Dallas said. "And when it does, the program is going to emerge even stronger than it was before we went into this thing. We've had the ability to take a pause, and when you're not dealing with the day-in, day-out operational aspects of the program at the volume that we were dealing with, it allows us to stop and get some additional resources into building that program further."

"There's no doubt in my mind that travel is going to recover. And when it does, the program is going to emerge even stronger than it was before we went into this thing."

Transforming the Business Travel Industry

It's become pretty clear to me that humans don't evolve and transform unless confronted with a crisis so extreme that we have no choice but to break from the status quo and change our context. A mentor of mine once said, "The path to heaven is on a route only through hell." I've found that to be the case time and time again.

The business travel industry is in hell right now, but I view that as a vehicle that transports us to heaven. The challenge creates an opportunity to transform and come out better and stronger on the other side. The industry was hammered by SARS and 9/11 and we came back. We will again. It isn't a surprise that technology is playing a bigger part in our industry every day. The bigger change is the rapid acceleration—by perhaps 10 years—of business model and technology modernization that we, as leaders in the business, should have embarked on long ago.

I'll illustrate through a personal anecdote going back to 1983 when I was on the Macintosh team at Apple. Steve Jobs often would walk the 20 feet from his office to my cubicle and, aside from a range of things that I can't repeat, would comment on the Macintosh packaging and user manuals. (I was responsible for the former, in addition to a long list of other things.) Finally, after making changes far too many times under an extremely tight deadline, I tried a different approach: I simply asked him why this was so important.

He said, essentially, "Your job is to stop the phone from ringing. That's because if the phone rings, any gross margin on the sale of that computer is wiped out." In effect, we needed to sell millions of computers in a way that our customers would be able to figure out how to use them on their own, with no other human intervention. This sharpened our focus and made it easy to make decisions that met the first principle: Don't make the phone ring.

Well, the business travel industry didn't get that memo. Up until the pandemic, the notion of travelers not calling an agent or having technology remediate problems without human intervention was not part of the industry's collective thinking. In many cases, it was actually frowned upon. Why? Because the whole industry was based, historically, on humans helping other humans travel. And many business models were built on paying for that human interaction.

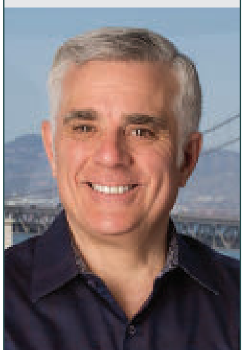
Contrasting this with the modern internet platform economies, I'll pose a simple question: When was the last time you called Facebook? Or Netflix? Or Apple? The answer, more often than not, is likely "never," "never," and "never."

Thus, business travel technology is now forced into an accelerated transformation that mimics what we've experienced for a long time in our consumer technology lives. Software and technology that is invisible. Software and technology that allows self-service. Software and technology that anticipates needs and automatically personalizes an experience and solves problems. Software and technology that's with us always, that is, mobile-centric.

This is now a requirement for survival as the economics of a human-centric mode of reservations, problem solving, and remediation simply isn't economically viable in the age of Covid. What the internet and platform economy has also taught us is that anyone who sits between the buyer of the services (in this case, the traveler and their company) and the provider of the services (in this case, the airlines, hotels, and mobility providers) must add value or run the risk of being disintermediated and eliminated.

If a brick-and-mortar fulfillment business (in this case, the TMC) doesn't provide unique value to a shopper in a transparent, authentic way, then the shopper will buy direct, online, and the fulfillment business will be eliminated. If the distributor of goods and services (in this case, the GDS) cannot make all the goods and services available to the buyer that they can find through other sources, then the distributor will be eliminated. If the provider of software to book travel (in this case, the online booking tool) cannot offer a frictionless, transparent and broad choice of content to the traveler, then the software provider will be eliminated. In sum, all of us must add value or face the laws of Darwin.

The business travel industry needs to move on. Get with the program. Look forward, not back. Embrace the future. Be objective and brutally honest about our purpose and add value. If we don't, the market will deliver us a healthy whipping. The rest of the consumer tech world has embraced the notion of the consumer-centric internet platform economy in the palms of our hands. Let's do the same.



JOHN RIZZO is the CEO of corporate online booking technology provider Deem. He announced his retirement in November. This opinion piece is an excerpt from a longer letter to the industry that he wrote upon announcing his January 2021 departure.