

Delta's Bastian
Talks Virgin
Venture

15



Hotels Prepare
Mobile
Check-In

4



Bob Crandall
Envisions
The Future

20



Business Travel News

February 3, 2014

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INSIDE ASIA/PACIFIC

Suppliers seek new avenues to capture China's
growing volume. Page 22



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Contents

FEBRUARY 3, 2014

“We’re not going to tackle everything that comes up in this industry. We are going to be very selective.”
—ACTE’S GREELEY KOCH, PAGE 6



With the development of new technologies, many hotels are exploring the possibility of offering mobile check-in 4

On The Horizon 4

United Airlines plans to return its Economy Plus fares to global distribution systems; Conferma readies a virtual-card-generating app; American Airlines to cut some D.C. routes but add at LaGuardia

Metrics 8

ARC data shows agency-booked air transactions during the final four months of 2014; BTS figures detail airlines' 2013 bag fee revenue; GBTA data breaks down U.S. travel taxes by city

Procurement 10

The newly merged American Airlines' sales force begins to take shape; American Express sees investment possibilities; GBTA projects increased 2014 U.S. business travel spending

Management 14

Concur reports it has secured 30 of 90 U.S. federal agencies as ETS2 clients; Grasp Technologies relaunches its travel management consultancy with industry vet Joe Monaghan

Multinational 15

Delta president Ed Bastian discusses the carrier's joint venture with Virgin Atlantic and other international developments, and what they mean for corporate travel buyers

Lodging 16

New technologies could change the face of hotel shopping; Extended Stay America CEO Jim Donald talks about the brand's portfolio-wide investment in renovation

Distribution 18

Sabre files a registration statement for an initial public offering; American Express in Europe begins connecting its HotelHub portal to corporate online booking tools

Transportation 20

Airline industry legend Bob Crandall projects the future of U.S. infrastructure projects and corporate airline deals; Ryanair developing products and programs for the business travel market

Cover Story 22

Suppliers are investing to take advantage of the abundant opportunities in the Asia/Pacific region as business travel management and procurement practices continue to take hold

Hotels Expand Mobile Check-In Options

BY MICHAEL B. BAKER

ALREADY AVAILABLE at a smattering of brands and individual hotels, mobile hotel check-in is poised for rapid expansion this year across the industry.

While check-in kiosks and other methods of avoiding the front desk line in recent years have become more commonplace at hotels, integration of mobile technology into the travel process is spurring greater adoption across some major hotel brands. At the same time, some third-party technology suppliers are providing tools for hotels and distributors to offer mobile check-in.

"You're going to see a ton of change with hotel check-in apps," Concur executive vice president of supplier and travel management company services Mike Koetting said during The BTN Group's November conference in Dallas. "There's a tremendous opportunity to avoid the front desk, but it does require some infrastructure investment from hotels."

Marriott Hotels, for example, plans to offer during the first half of 2014 mobile check-in for Marriott Rewards members at all 500 of its hotels globally. Those guests can check from via the Marriott Mobile App from 4 p.m. on the day before arrival. Upon arrival, their key card is waiting for them at a designated mobile check-in desk.

Hyatt Hotels and Resorts has a similar process at select hotels, with kiosks available for guests to retrieve keys.

Starwood Hotels & Resorts Worldwide has taken a different approach. Last month, the company announced that in the coming months at select hotels it would test technology enabling Starwood Preferred Guest loyalty program members to use their mobile phones as room keys. Starwood first will introduce the technology at Aloft properties in the Harlem neighborhood of Manhattan and in Silicon Valley, with plans to expand this year to more W and Aloft properties.

In another Starwood pilot at nine Aloft properties, guests can receive an Aloft-branded Starwood Preferred Guest Card and, on the day they arrival, receive a text message with their room number. They then can head to their room and use the SPG card as their key.

Third parties also have been developing mobile check-in technology. Moun-



tain View, Calif.-based CheckMate late last year launched a beta version of a mobile check-in platform, which it piloted with a handful of hotels in California. Hotels using the technology, which works with any property management system, receive a daily report of arriving guests and can send out white-labeled emails the day before a guest arrives.

"Guests could send in-room requests, arrival times and add loyalty numbers or special requests," said CheckMate co-founder Anthony Maggio. "On the day of arrival, hotels access that information and can assign rooms in advance."

Besides individual hotels, distributors including online travel agencies and

travel management companies also can use the CheckMate platform, Maggio said. Distributors can field guests' requests and send them to a hotel prior to arrival, even if that hotel is not using the technology. Hotel booking and search tool Room 77 acquired CheckMate in April 2013 and is among its first distribution partners.

Maggio said that he would like to work with corporate travel agencies, as "a lot have not had the budget or resources for this type of operation, and we think their travelers would definitely benefit from these kinds of things."

Concur's Koetting said as more hotels retrofit their properties with the appropriate technology, it soon could be commonplace to check in online and get a bar code readable by a key dispenser near a hotel's elevator. As mobile check-in expands, front desk arrangements also could evolve to adapt, he added. Some hotels might move to models like an Apple retail store, with roving employees allowing "the front desk to come to you," he said.

Aloft's mobile check-in capabilities already have spurred rethinking about the front desk, said Starwood vice president of specialty select brands Paige Francis. At the Harlem Aloft in New York City, for example, the desk is in the center of the front lobby. "Some people do want to bypass the front desk," she said, "but with it in the middle, they can interact with them in a more meaningful way when they want to interact with them."

Some previous mobile check-in strategies have been slow to expand. For example, Holiday Inn's Mobile Room Key program, in which the mobile phone itself becomes a guest's key, first began tests in 2010 but remains deployed only in a handful of hotels. Sabre TripCase director of project management Ben Newell said some early attempts were "a solution looking for a problem."

"People don't necessarily hate keys; the real problem is they didn't want to go to the front desk," Newell said. "With this, the technology got a little ahead of itself, though it may end up being a solution eventually." ↻

United Targets First Half Of Year For Returning Economy Plus To GDSs

United Airlines expects to begin selling its premium-economy seating product via all three major global distribution system providers in the first half of this year, chief revenue officer Jim Compton said last month. The airline in 2012 suspended GDS sales of Economy Plus as it transitioned to a new passenger services system. That impacted **Sabre** and **Travelport** users, but the airline at the time had yet to implement a deal with **Amadeus** to sell the product. Speaking during the airline's quarterly earnings conference call, Compton said the return of the ancillary product to such channels will "allow our travel management company partners to fulfill Economy Plus transactions through their normal processes. Importantly, we'll be able to utilize the same dynamic pricing and offer the same rich information through the GDS providers as we do on United.com." For example, United and Sabre last year discussed work underway to deliver traveler-authenticated shopping and sales for Economy Plus. The airline set a goal of "exceeding \$3.5 billion in annual ancillary revenue by 2017," Compton noted. Ancillary revenue for 2013 rose to \$2.8 billion, and the airline expects an additional 8 percent increase this year. United during the fourth quarter on average collected \$21 in ancillary revenue per passenger, which Cowen and Company airline analyst Helene Becker called "probably highest among the legacy airlines."

Conferma Developing App To Generate Virtual Card Numbers

Corporate payment technology firm **Conferma** announced plans for an "early 2014" launch of a mobile app allowing users to generate 16-digit virtual card numbers for travel payments. The WebPay Mobile app will be available on iOS and Windows mobile platforms. As with Conferma's usual virtual card processes, corporate clients can control how and when employees use card numbers on their mobile devices, including specifying the merchant and the amount to be paid.

AA To Cut Some D.C. Routes But Add At LaGuardia

American Airlines plans to cut year-round, daily nonstop Washington Reagan National Airport service to 17 destinations, the carrier announced last month, citing slot divestitures required by the **U.S. Department of Justice** as a condition of approving American's merger with US Airways. Markets include Detroit, Minneapolis, Montreal, San Diego and Savannah. Timing of the service cuts hinges on the finalization of slot sales "in the coming weeks," according to American. Another market impacted by DOJ-mandated slot divestitures, New York LaGuardia, also will see services changes, including nonstop service cuts to Atlanta, Cleveland and Minneapolis. Yet, citing "the combined network of American and US Airways," American is planning new LaGuardia services to 10 markets, including Charlottesville, Va.; Little Rock, Ark.; Dayton, Ohio; Louisville, Ky.; Greensboro, N.C.; and Richmond, Va.

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“If DOT chooses to approve Resolution 787, with the detailed limitations that Open Allies and IATA have negotiated, then BTC will withdraw its objections filed with DOT.”

—*Business Travel*

Coalition chairman **Kevin Mitchell** in a statement supporting an agreement between the International Air Transport Association and the Open Allies for Airfare Transparency, an advocacy group of global distribution systems, travel agencies and others, concerning IATA's proposed New Distribution Capability standard. Open Allies agreed to withdraw the opposition it lodged with the U.S. Department of Transportation, in exchange for IATA's implementation of several conditions, including those related to existing standards and personal data privacy. Several other NDC critics joined BTC in supporting the deal.

“If travel agencies have an effective means to educate consumers on new services and have the ability to drive incremental revenue for those airlines, then it's a great opportunity for airlines to incentivize. As the list of services and options grows, there is an opportunity for travel professionals to consult and guide travelers to improve the experience. ... I do think airlines will more closely look at their relationships with sales channels that prove effective in converting and adopting ancillary sales.”

—*Amadeus North America head of distribution product management Robert Buckman on the possibility of airlines rewarding travel agencies for ancillary sales*



“Historically, hotels could count on cycles for increasing rate and occupancy, but if we track last year, global hotel prices rose 2 percent against inflation of 2 percent, and it took seven years to come back to that level. Everyone feels like they're in the same place, treading water.”

—*Hotel service supplier Magnuson Worldwide CEO Tom Magnuson on the importance of managing hotel distribution costs. Magnuson last month introduced its reservations system platform to select U.S. metro market hotels.*

Interview: ACTE's Greeley Koch



New York - The Association of Corporate Travel Executives in 2013 reversed two years of financial losses and will report positive net income of “a few hundred thousand” dollars, according to executive director **Greeley Koch**. “To us that's very good, because we have always run lean and mean and never had that large rainy-day fund.” *BTN* editors last month spoke here with Koch about the association's turnaround. Excerpts follow.

Business Travel News: It sounds like what amounts to about a \$1 million turnaround in three years. How?

Greeley Koch: Of course you look at your revenue line. About 40 percent of our revenue is registrations [for events], another 40 percent is sponsorship and 20-ish or so comes from membership dues. We focused on registration and had some really good numbers throughout 2013. And we did that by making sure we had the right content. What are the new models of travel management? How can we help people prepare? We focused on what we do best: putting on events that really give travel managers insight. We also scaled back in certain areas the types of events we did, and scaled up others.

We also focused on our cost side. We realized that we don't have to have a Las Vegas-type production. We don't need the fanciest lights and the highest-def cameras. People are not coming to an ACTE conference for the fancy lights. They are coming because we have the right speakers and the right content for them to learn. So we took a lot of costs out from the events side. And, quite frankly, we had too many staff in too many places. It was kind of Business 101, and we looked at everything from a cost perspective.

BTN: How many members do you currently have?

Koch: It fluctuates, but we have around 2,500 members in any given year. We focus more on how many people come to our events. We have more non-members come to our events than members. It's one thing we are going to look at this year: What is the value of membership in a trade association? The trade association marketplace is changing. How people get access to information, communicate and interact with peers ... it's completely changing. So to us, it's about how many people are we touching with our events, programs and database of information.

Once we understand the topics [that resonate with members], we want to cover them differently. How many “data” sessions have you gone to in the past couple of years? How many sessions have we done where just keep talking about the same thing? So now, if we're going to have a data session, what is it that we can give you as a buyer that you can take back to your company and actually do something with? For our spring conference in Miami, we are looking at mixing up how we do the sessions and which speakers we have.

BTN: What is ACTE's role in industry advocacy?

Koch: You probably won't find us talking about a car rental tax. Other people do that extremely well; we'll let them cover that. Instead, the advocacy we have taken has been more focused on industry developments. Several years ago we took on the issue of new passports that would identify U.S. citizens; we effected change and that's why they all have that strong cover on them. We took on the laptop-seizure issue at the borders. We took on cellphones on airplanes a few years ago.

In terms of our own corporate social responsibility, we have a good speaker's platform to bring awareness to certain issues. That's why in 2013 we joined the voice on the code on human trafficking [The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism], because of the way the travel industry is involved with that issue. In Hong Kong last [month] we had a group of buyers get together with a university that is focused on the hospitality industry with students who are mentally challenged but are interested in the travel industry. At our Canadian conference we raised money for some African relief support. You'll see us do different things and use our pulpit to create awareness.

We're not going to tackle everything that comes up in this industry. We are going to be very selective.

We have our European partners, travel associations, and we banded together to sign a joint letter to the European Commission on passenger rights legislation—how you get compensated for delayed or canceled flights. We banded together with our friends to increase our voice.

BTN: Is there room for friends here in the United States to create such a unified voice?

Koch: I don't think there ever will be one.

BTN: But you have done it in Europe.

Koch: I think that trying to say we will speak with one voice around the world, or in certain areas, will be more challenging to accomplish. We had a great relationship with our friends in Georgia [the Georgia Business Travel Association] in the past year. So we'll work with other associations. We are always open to that. We don't have any exclusivity where we say, “You deal with us, but you can't deal with anyone else.”

MAGNIFICA BUSINESS CLASS



ALITALIA Service Means Business

Alitalia is flying high on its expanded network and increased service to New York's John F. Kennedy airport with 19 weekly flights. In addition to maintaining hubs in six of Italy's major cities and serving 22 Italian cities, the carrier offers business travelers access to 61 international markets.

During the past four years, the airline has invested heavily in new aircraft. The fleet currently consists of 140 new or newly reconfigured aircraft making it one of the youngest in Europe, with an average aircraft age of only seven years. Operational performance has also been a key focal point for Alitalia. The airline is among the top-ranking carriers in the world for flight punctuality, with an on-time performance rate of 85.6 percent through the third quarter of 2013.

For international business travelers, comfort and in-flight services are also critical to arriving to their target destinations refreshed. To that end, Alitalia has fine-tuned its inflight and on-the-ground services to provide the finest amenities and products.

MAGNIFICA BUSINESS CLASS

Magnifica, Alitalia's Business Class cabin on intercontinental routes, delivers maximum comfort and a sophisticated travel experience. Magnifica seats on new A330 and newly refurbished B777 aircraft offer in-seat work and entertainment options, and convert to true flat-beds, reclining a full 180 degrees. The cabin configuration

offers travelers all-aisle seating, and service in Magnifica includes award-winning menus featuring regional Italian cuisine, linens designed by Italian luxury brand Frette, tableware designed by Richard Ginori, and a Ferragamo-designed amenity kit.

All Alitalia flights operating out of New York-JFK to Milan and Rome offer flat-bed seats in Magnifica. The seats are also available from Boston and Miami to Rome, and on seasonal Los Angeles flights to Rome, which operate between May and October.

MAGNIFICA FLAT-BED SEATS on B777 and new A330 aircraft offer:

- Electronic controls that convert the seats to 180-degree flat-beds
- Large 15.4-inch LCD screens that provide on-demand audio and video
- PC power and USB ports for PC charging
- Built-in massage technology and privacy screen
- Direct-aisle access

CLASSICA PLUS—ALITALIA'S PREMIUM ECONOMY CABIN

Classica Plus is Alitalia's premium economy cabin available on A330 and B777 aircraft operating from Alitalia's USA gateways. All Alitalia flights operating out of New York-JFK to Milan and Rome offer a premium economy cabin. It is also available from Boston and Miami to Rome, and on seasonal Los Angeles flights to Rome, which operate between May and October.

- Priority check-in and boarding
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- In-seat PC power
- Large 10.6-inch screens for on-demand entertainment

- Noise-cancelling headsets
- Dedicated dining experience inspired by Alitalia's award-winning Magnifica menu
- Welcome drinks and amenity kits

BEST AIRLINE CUISINE—FOUR CONSECUTIVE WINS

For four consecutive years, Alitalia has won the award for Best Airline Cuisine, in *Global Traveler* magazine's GT Readers Tested Survey. Alitalia has also recently received the Expert's Choice Award for its in-flight wine program in *Saveur Magazine's* 2013 Culinary Travel Awards. The prestigious awards recognize Alitalia's commitment to creating a high-quality Italian dining experience inspired by Italy's culturally diverse regions.

Magnifica Class menus are created and selected in collaboration with Alma, considered to be the most internationally recognized training center for Italian cuisine. Menus change every three months and rotate in each direction, so travelers enjoy a new dining experience each way. Wines are carefully paired with the menus in cooperation with the Italian Association of Sommeliers (AIS).

ALITALIA LOUNGE EXPERIENCE

Corporate travelers and their companies increasingly rely on the value of lounge services to support productivity and provide value. Business travelers with access to Alitalia's stylish lounges can enjoy a private check-in counter and personalized assistance, office areas with multifunction stations and complimentary Wi-Fi, and a variety of typical Italian wines and refreshments. In Giotto, Borromini and New York-JFK, shower rooms and personal amenities are available for passengers in transit, and all travelers in all Alitalia lounges can take advantage of relaxation spaces equipped with plush sofas, LCD television, and Italian and foreign newspapers and magazines.

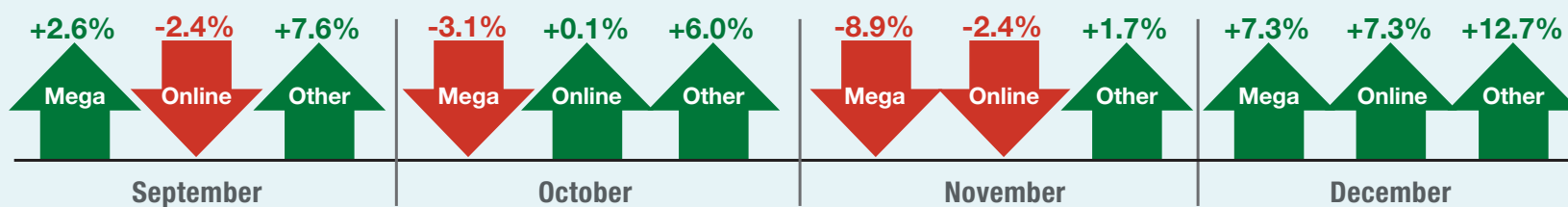
LA DOLCE VITA LOUNGE, ROME



Alitalia SKYTEAM
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Travel Agency Activity

2013 ARC Agency Air Transactions

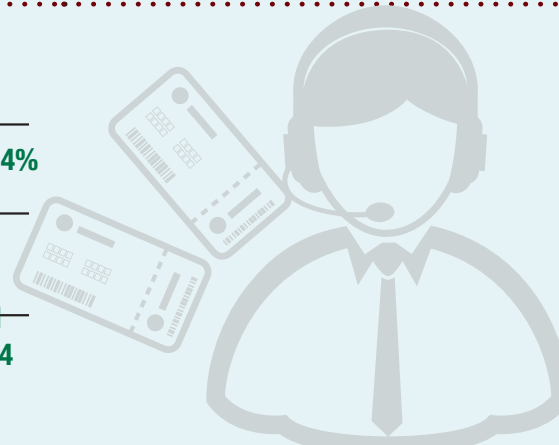


Notes: "Megs" include American Express, BCD Travel, Carlson Wagonlit Travel, Expedia's Egencia, Hogg Robinson Group and Omega World Travel. "Online" includes various online travel agencies, including Orbitz for Business and Travelocity Business. "Other" includes all other travel agencies whose data is processed by ARC. Transactions exclude refunds and exchanges. Source: ARC

American Express Global Corporate Travel Sales Year-Over-Year Changes



Source: American Express Company



Travel Taxation

Average 2013 Combined Taxes On Average Daily City-Center Lodging, Car Rental And Meal Costs*

Highest		Lowest	
Chicago	\$41.04	Ft. Lauderdale	\$22.61
New York	\$38.65	Ft. Myers, FL	\$22.61
Minneapolis	\$36.70	West Palm Beach, FL	\$22.61
Kansas City, MO	\$36.61	Detroit	\$22.80
Indianapolis	\$36.00	Portland, OR	\$22.86
Cleveland	\$35.41	Orange County, CA	\$23.61
Boston	\$35.32	Burbank, CA	\$24.59
Seattle	\$35.11	Honolulu	\$24.67
Nashville	\$34.75	Ontario, CA	\$24.93
Houston	\$34.16	Orlando	\$24.94

* Average daily costs include lodging (\$105.31), rental car (\$57.05) and meals (\$93.32)

Airport Car Rental Taxes

Single-Day Tax Rates Based On Average \$57.05 One-Day Rental

Highest		Lowest	
Chicago (ORD)	\$14.16	Columbus, OH (CMH)	\$3.99
Boston (BOS)	\$13.57	Detroit (DTW)	\$4.56
Minneapolis (MSP)	\$12.25	St. Louis (STL)	\$5.06
Las Vegas (LAS)	\$11.47	Ft. Lauderdale (FLL)	\$5.42
New York (JFK)	\$11.34	Ft. Myers (RSW)	\$5.42
		West Palm Beach (PBI)	\$5.42

Source: GBTA Foundation December 2013 report based on ERS Group data collection

Fees

Ancillary Fees Most Encountered By Clients According To Travel Agencies*

Fee	% Agency Respondents
Changing flights	77%
Checked baggage	55%
Airline seat assignments (upgrade and/or premium seat)	53%
Internet access at hotels	19%
Hotel "resort" fee	12%
Parking at hotels	10%
One-way car rental drop-offs	9%
Inflight Internet access	7%
Airline food	5%
Hotel early check-in/late check-out	4%

* Respondents could select multiple answers

Source: Travel Leaders Group November-December 2013 survey of 424 "owners, managers and frontline travel experts throughout the United States who identified that 50 percent or more of their portfolio consists of business travel clients."

Airline Bag Fee Revenue

January-September 2013

Delta	\$635 million	Southwest	\$118 million
United	\$471 million	Allegiant	\$96 million
US Airways	\$400 million	Alaska	\$74 million
American	\$383 million	JetBlue	\$56 million
Spirit	\$159 million	Hawaiian	\$53 million

Source: U.S. Bureau Of Transportation Statistics

BUSINESS TRAVEL TRENDS & FORECASTS

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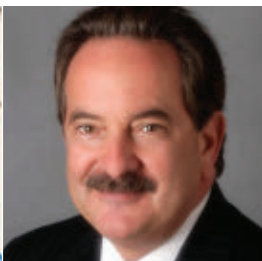
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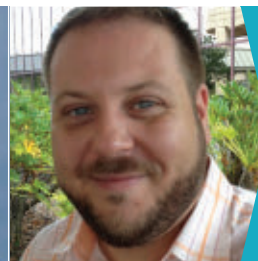
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New AA Sales Force, Corporate And Agency Programs Take Shape

BY JAY BOEHMER

SINCE OFFICIALLY MERGING in December, American Airlines and US Airways have named corporate sales leaders, implemented Prism as their joint corporate data aggregator and begun jointly fielding corporate requests for proposals. The merged carrier also is working toward new joint agency programs planned for this spring, according to AA vice president of global sales Derek DeCross.

For corporate clients, DeCross told *The Beat* that the two airlines now are “evaluating all new contracts as a single company that offers pricing across our entire combined network. That includes pricing renewals and responding to new RFPs. While we will offer one contract for travel, there will be separate pricing addendums for each carrier for some time as we continue our integration efforts.”

DeCross noted that those addendums are necessary in the near-term while the airlines harmonize fare structures and further coordinate revenue management practices. “But that won’t prevent us from being able to respond as one,” he said.

The airlines have settled on a joint RFP template based on the format American has used with international joint business partners, notably including British Airways. “Any of the RFPs that go out from this point forward will be using that template,” he said.

Meanwhile, DeCross noted that the merged company has selected the Prism Group—used by American for years but not by US Airways—as the combined entity’s data aggregator for structuring and monitoring corporate deals. “We’ve begun the process of migrating all of US Airways’ legacy data to our platform,” he said. “As a result, we’ll be able to provide corporate performance reviews for the new American starting with the first quarter of 2014.”

As for sales support, “Until we fully integrate the support desk, all service requests will be serviced by the ticketing carrier,” DeCross said.

Sales Leaders Appointed

DeCross last month named direct-report managing directors to help oversee sales and account management for the combined airline. U.S. and Canada field sales will be covered by Jim Carter



(Eastern Division), Kathy Keily (Southeastern Division), Tom Aichele (Central Division), Esther Maldonado (Southwestern Division) and Kyle Mabry (Western Division). International field sales will be covered Craig Dewey (Europe, Middle East and Africa), Erwan Perhirin (Asia/Pacific) and Peter Vittori (Miami, Caribbean and Latin America). Supporting sales initiatives at headquarters are Chris DeGroot (sales strategy), Brett Berman (sales operations) and Hank Benedetti (strategic accounts).

Prior to the merger, American Airlines’ distribution team reported up

basis “will assume their roles representing both airlines in late January,” with a “permanent structure in place this spring.”

Asked about potential headcount reductions on the sales side, DeCross said, “We expect to get targets from that perspective very shortly. My hope is to wrap up all of that type of exercise here in the first half of this year, so, in the spring, to have the vast majority of the organizational changes in place. It’s important to come together as one and have that completely behind you. As for total size or anything like that, I don’t have any number that I can share. We’ll make sure we staff appropriately so that we can cover the most important segments of the business.”

New Agency Programs On Tap

AA beginning in April plans to run new U.S. point-of-sale agency programs covering both airlines. DeCross said AA “for quite some time” had been developing new U.S. agency programs, “but we delayed rolling it out due to the impending merger.”

He noted that for now, “any existing agreements on the agency side with American and US Airways will remain

ways to better serve our best customers and earn a better share of their wallet. So, I think from a corporate side, an agency side, those customers and partners that generate high-quality revenue and deliver what they say they will, those are the customers that my team will continue to get closer to every day. Those are the partners and customers that will love our sales approach going forward.”

Frequent-Flyer Benefits Take Off

The merged company last month also unfurled its first joint customer benefits. While AA’s AAdvantage and US Airways’ Dividend Miles loyalty programs “will remain independent for now,” according to a client memo, the company last month enabled members to earn and redeem rewards on either airline.

The airlines also launched mutual benefits for elite loyalty program members, including priority check-in, security and boarding; preferred seating; waived checked bag fees; and airport lounge reciprocity.

DeCross also addressed some timeframes for including both carriers in programs that target small and midsize companies, including the pre-pay bulk buying program AAirpass. “Because of needed IT development, AAirpass is not yet applicable on AA codeshare or US Airways-marketed flights, but we do anticipate completion of all of those needed enhancements some time in the second half of this year,” DeCross said. “On Business Extra, because of the needed IT development, the ability to earn and redeem Business Extra points on US Airways flights is not yet available. But we do anticipate customers being able to earn Business Extra points on US Airways flights sometime later this quarter.”

Code Sharing Ramps Up

The “first phase” of code sharing between American Airlines and US Airways took effect Jan. 23, according to the carriers. It includes hub-to-hub routes, East Coast shuttle flights and “select” international services. “The two airlines are expected to extend the codeshare to include all flights within the combined network in the coming weeks,” according to the carriers.

Regarding the global network, US Airways is on track to officially exit Star Alliance on March 30 and convert to AA’s Oneworld the following day. “Shortly after that, we plan to bring US Airways into American’s joint businesses as well with British Airways, Iberia and Finnair across the Atlantic and then Japan Airlines and Qantas across the Pacific,” said DeCross.



“From a corporate side, an agency side, those customers and partners that generate high-quality revenue and deliver what they say they will ... those are the partners and customers that will love our sales approach going forward.”

—AMERICAN AIRLINES’ DEREK DeCROSS

through DeCross and the sales organization, but for the merged carrier AA vet Cory Garner—now head of distribution and data commercialization—reports directly to chief marketing officer Andrew Nocella. Former US Airways vice president of e-commerce, mobile and distribution John Gustafson last year was named vice president of digital channels, overseeing aa.com and mobile services and also reporting to Nocella.

In a Dec. 9 memo, DeCross wrote that he planned to provide corporate and agency clients “with a single point of contact in the U.S. market.” He noted that account managers on an interim

in effect,” but changes are afoot.

While DeCross cited “competitive purposes” in declining to provide specifics, he said the focus will be on high-value partners and aligning “our agency partners very much with our corporates.”

DeCross said that programs with agencies will be “much more focused on their revenue share gap” and “quality of revenue.”

“We don’t have a load factor problem in this industry, and you don’t need a great sales force, or any sales force for that matter, to drive low-yield demand,” he said. “I always tell my team that every day we’re expected to find

American Express CFO: 'Material' Gain From Proposed Business Travel JV May Mean 'Elevated' Corp. Investments

BY DAVID JONAS

AMERICAN EXPRESS expects to realize an unspecified material gain when its proposed business travel joint venture closes, planned for the second quarter. But Amex CFO Jeff Campbell noted that finalizing the deal won't be easy. "The

complexity of this is great,"

he said last month during a conference call with analysts to discuss financial

performance, which included a second consecutive quarter of global corporate sales growth, improved cardmember spending and higher net income.

"The negotiations for the joint venture continue to advance as we had planned," Campbell said regarding the 50/50 deal with private investment firm Certares, which agreed to invest between \$700 million and \$1 billion. "American Express would contribute the assets of our business travel business," he said. "As a result, we would expect to realize a meaningful P&L gain upon the close of the transaction. This could offer us some additional financial flexibility during 2014."

Pressed by analysts on the anticipated gain, Campbell replied that "there are so many moving pieces as we work through the last part of this that I am not comfortable giving you a number." But he noted "simple math" when considering that the \$700 billion to \$1 billion from the investment partner amounts to half of the value of the new entity, and "then what gain will drop out will be a function of what is on our books as we contribute the business travel enterprise to the joint venture. In any circumstance, even though there's still a range of outcomes here, we would see that the transaction will be accretive, or positive, to our capital ratios. While we can't quantify it, it's all upside.

"It is certainly possible that as we get into 2014 and as we execute on the business travel joint venture, you may see an elevated level of investments depending on how all the final economics work out," Campbell said. "These quite complex transactions do not come without a tremendous amount of effort and cost, both internal and external resources. Our business travel business is a highly global business which produces a very complex structure and will produce a very complex tax outcome, which is part of what we are still working through.

"There are some parts of this business that are quite old but they are very intertwined," he continued. "For most of our

long history in the travel business, we have run it in a pretty integrated fashion with other parts of our company that we will retain. We have done a number of acquisitions, which adds complexity. There are transaction costs. Part of it goes to just sorting through how we cleanly create a separate entity and how we make sure that we understand all the financials and tax implications."

"It is certainly possible that as we execute on the business travel joint venture, you may see an elevated level of investments depending on how all the final economics work out," Campbell said.

T&E Volume Up 8 Percent

American Express fourth-quarter global corporate travel sales increased 4 percent year over year to \$4.8 billion, a second consecutive quarter of growth that offset declines in the first half of the year. Full-year global corporate travel sales of \$18.9 billion came in about unchanged from 2012.

Fourth-quarter T&E-related charge card volume, which accounted for 23 percent of total U.S.-billed business, increased 8 percent. Accounting for 7

percent of U.S.-billed business, airline-related volume grew 7 percent. Both year-over-year improvements were ahead of prior-quarter growth. They compare with a 5 percent decline in U.S. consumer travel sales and 2 percent growth in worldwide travel sales.

Meanwhile, average U.S. cardholder spending increased 5 percent year over year for both the fourth quarter and full year to \$4,507 and \$17,211, respectively. U.S. cards in force finished the quarter at 53.1 million, up 2 percent. Outside the United States, average basic cardmember spending increased 1 percent each for the quarter and the full year while cards in force grew 7 percent to 54.1 million.

Amex's Global Commercial Services segment, which includes corporate travel and commercial cards, experienced an 8 percent year-over-year improvement in billed business (adjusted for the impact of changes in foreign exchange rates).

Companywide, total revenues net of interest expense increased 5 percent in the fourth quarter and 4 percent for the full year, to \$33 billion. Fourth-quarter net income doubled from a year earlier to \$1.3 billion, and full-year net income jumped 20 percent to \$5.4 billion.

Air Consolidation And Lounge Access Parity

Campbell also was asked about airport lounge access, given that Platinum

card holders from March 22 no longer will have free access to American Airlines and US Airways clubs. "We will have access to three sets of lounges: Delta, as well as Priority Pass and Airspace," he said. "We are experimenting with building our own [Centurion] lounges, and they have met quite a rousing reception thus far in the two we have opened, in Las Vegas and Dallas, and we have announced plans to open a couple of others in LaGuardia and San Francisco. We remain very competitive because as the airlines have consolidated you are really left today with no card giving access to any broader set of lounges than what our Platinum card does."

Amex also detailed separate settlement agreements reached during the fourth quarter with merchants and regulators. The settlement of an anti-trust suit with merchants, subject to court approval, "addresses merchant concerns while helping to ensure that American Express card members are treated fairly at the point of sale," according to the company's financial report. Amex for the fourth quarter recorded additional operating expenses related to the settlement of about \$66 million. The company also reached "settlements with several regulatory agencies to resolve previously disclosed reviews of marketing and billing practices related to several discontinued add-on products that were previously offered to cardmembers." ↻

Delta, United Report Corporate Revenue Growth

BY JAY BOEHMER

DELTA AIR LINES reported that ticketed corporate revenues for the last three months of 2013 rose 7 percent year over year, with "double-digit gains in the banking, finance and automotive sectors," president Ed Bastian said during a conference call last month. United Airlines last month separately reported higher corporate revenue as well.

Delta management is optimistic about further growth, as 90 percent of clients it surveyed expect to increase or "at a minimum maintain their spend levels in the new year, which is an encouraging sign for our business," Bastian said.

Delta pointed to particular strength in the domestic market, especially in New York City, where the airline has claimed gains among corporate clients.



Jim Compton

Delta's fourth-quarter corporate revenue growth builds on multiple quarters of such increases as well as corporate share expansion, according to the airline. For the prior-year December quarter, Delta reported 10 percent year-over-year growth in corporate revenue.

United: 'Steady Improvement'

United Airlines' fourth-quarter corporate revenue rose 7 percent from the prior-year period, an increase that chief revenue officer Jim Compton said continued a "2013 trend of steady year-over-year improvements."

The airline did not share corporate-specific revenue figures for the prior quarter. For the quarter ending in June 2013, United reported a 2 percent year-over-year corporate revenue increase, "fairly consistent with first-quarter growth," Compton said at the time.

United, meanwhile, indicated that it has addressed some flawed revenue management assumptions that led to its industry-lagging third-quarter unit revenue performance, Compton said during the airline's fourth-quarter earnings call last month. ↻

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Revenue Management Tool Hones Focus On Corporate Rates

BY MICHAEL B. BAKER

HOTEL REVENUE management technology supplier Duetto is devising methods to aid hotel clients in corporate rate negotiations by arming them with forward-looking data.

Launched in 2012, Duetto now has more than 100 hotels live in its system with the average revenue growth in the 10 percent to 20 percent range. CEO Patrick Bosworth said the company plans to have tools specific to corporate rate negotiations in place by the time request-for-proposal season rolls around later this year. Duetto already has built long-term forecasts using hotel industry data along with relevant external data, including airline data, he said.

“We’re forecasting a lot of different types of metrics for hotels going more than a year into the future,” Bosworth said. “Now that we have that live and tested in the app, we can do interesting things to help group sales, corporate contract negotiations and wholesaler negotiations.”

Speaking at the Duetto-hosted Revenue Strategy Summit in New York in November, Susquehanna International Group senior lodging analyst Rachael Rothman noted that corporate negoti-

ated rate projections made by lodging executives in the months leading up to RFP season often are based on historical data and often are off the mark.

“There are generalizations about corporate rate negotiations, but you never really know what the number is,” Rothman said. “Wouldn’t it be great if there was a [Smith Travel Research report] that looked forward and not just tell you what happened yesterday?”

Duetto currently is negotiating deals to integrate data for hotels to benchmark specifically within the managed travel segment: data showing where managed travelers from certain business sectors are booking, for example. With that, hotels could determine whether they were getting the optimum market share from their target segments.

“If the answer is no, they can figure out how to present the property in a different way: make the pricing appropriate, renegotiate some rates and figure out how to make the pricing on them more dynamic,” Bosworth said. “Some of our customers are doing interesting things, contracting with a fixed price in certain room categories but then having other room categories be yieldable, so we can

unlock those strategies so they get the volume of business they want but also make money from companies that have a very high demand for their hotel.”

Bosworth listed Concur as one potential data source, saying it “hasn’t been monetizing its data for the most part.”

Duetto already can break out data relative to corporate rate codes. Hotels can see not only how often bookings were made with rate codes but also how many queries were made using the rate code even if it did not result in an actual booking.

Bosworth said delving deeper into international markets is a goal this year. Duetto currently is live in 19 countries and is growing rapidly in Europe and Asia, although the company does not yet have teams on the ground outside of the United States.

“Each of those different regions is similar enough to be able to use the core product, but they also have some interesting quirks,” he said. “We’ll be diving deeper into those markets to find out what the differences are. In China, for example, 60 percent of all booking are through Ctrip, so it’s figuring out how to help that market differentiate a business-focused product.”

GBTA: Strengthening International Travel Trends To Boost U.S. Industry Spending

BY DAVID JONAS

THE GBTA FOUNDATION now expects total 2014 U.S. business travel spending to grow 6.6 percent year over year to \$290 billion, following estimated growth of 3.8 percent during 2013. Business trip volume is projected to rise 1.7 percent this year, rebounding after a projected 0.3 percent decline last year. Much of the 2014 improvement is based on strengthening international U.S.-outbound business travel trends.

“Next year will bring about much more robust growth in trip volume and spending as the U.S. economy continues to improve,” according to a report issued last month by the GBTA Foundation, the research arm of the Global Business Travel Association.

For 2015, researchers projected total U.S. business travel spending to

grow 6.7 percent and trips to increase 1.8 percent.

The report noted that international outbound spending, which fell 0.8 percent in 2012 and 1.8 percent 2013, appears to have “bottomed” and now is “beginning to work its way out of a cyclical trough.” Authors suggested that recovery is tied to economic stabilization in the European Union. As such, the report forecast for 2014 a 7.1 percent increase in international outbound volume (compared with forecast U.S. domestic trip volume growth of 1.6 percent) and a 12.5 percent jump in international outbound spending (with 5.8 percent growth for domestic U.S. business travel).

For 2015, international outbound projections now stand at growth of 6.8 percent and 10.4 percent for volume

and spending, respectively.

However, authors added that “challenged” U.S. export growth will restrain international outbound business travel “until economic activity improves in key trading partners such as Europe, Japan and China.”

Meanwhile, the GBTA Foundation projected some growth in U.S. group business travel following two years of decline.

“Group business travel will pick up the pace heading into 2014 with volumes projected to rise 1.7 percent,” according to the report. “Spend per trip will continue to rise, leading to a 6.5 percent growth in total group spend, the largest jump since 2011. We expect a similar year for group business travel in 2015 with volume projected to grow 1.6 percent and spending projected to grow 6.2 percent.”

The GBTA Foundation again commissioned the research to Rockport Analytics, which uses an econometric model based on data from D.K. Shifflet & Associates.

2013 U.S. Hotel ADR Hits All-Time High

The average daily rate at U.S. hotels in 2013 reached a record \$110.35, up 3.9 percent from 2012, according to STR. U.S. hotels also sold a record 1.1 billion rooms during the year on record supply of 1.7 billion available rooms, resulting in overall occupancy of 62.3 percent, up 1.5 percent from the year prior. Full-year ADR increased in all major U.S. markets covered by STR’s report, with the largest gains in Oahu (up 13.9 percent to \$209.01) and San Francisco (up 9.3 percent to \$187.79).

‘Record’ Q4 Profit For SWA

Southwest Airlines reported a “record” fourth-quarter profit of \$212 million, up from \$78 million in the last quarter of 2012. Southwest’s average quarterly one-way fare rose 5.4 percent to \$156.05. Its average full-year 2013 fare of \$154.72 was up 5 percent from the prior year. “Strong travel demand and favorable year-over-year unit revenues have continued in January, thus far,” according to president and CEO Gary Kelly.

Serko Buys Incharge

New Zealand-based corporate travel tech provider Serko last month announced the acquisition of Australian expense management firm Incharge. Financial terms were not disclosed. The move allows the company “to round out its SaaS-based travel booking solution,” according to Serko. While Serko already integrates with several expense management tools, including SAP, the company in a statement said “tight integration” with Incharge could save travelers “significant amounts of time and provide finance teams with near-real-time visibility of spending.” Serko in 2012 launched a global online booking alliance with NuTravel and KDS.

Preferred Average Rate Up

The average daily rate at Preferred Hotel Group properties increased by 6 percent year over year in 2013, the company announced. The largest ADR increases were in Mexico (16 percent) and France (15 percent). Preferred generated \$834 million in revenue for member hotels in 2013, up 14 percent from 2012, and added 126 properties to its portfolio during the year.



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Concur Adds ETS2 Agencies, Some Extend With CWTSToTravel

BY JAY BOEHMER

THE U.S. General Services Administration last month confirmed that 30 of the more than 90 eligible federal agencies and bureaus have signed vendor task orders for the next-generation E-

Gov Travel Service travel management system. Each of the 30 has signed with Concur, though CWTSToTravel has secured multiple extensions for its first-generation system.

Carlson Wagonlit Travel's government-focused division last month noted that it had not signed a federal agency to an ETS2 task order. Concur has had a head start, as CWTSToTravel did not become an eligible ETS2 supplier until September 2013, following a court-ordered reevaluation of its bid. At the time CWT became eligible, 25 agencies and bureaus had signed task orders with Concur, according to GSA.

Concur in May 2012 initially became the lone recipient of the estimated \$1.4 billion, 15-year ETS2 contract. Described by GSA as "the backbone of government managed travel programs," ETS2 encompasses travel planning, authorization, reservations, fulfillment, expense management and travel reporting services and technologies.

Now that it has been declared an eligible contractor, CWTSToTravel is working to achieve from GSA the "authority to operate" under ETS2, expected to come this quarter, according to Matt Beatty, president of military and government markets for CWTSToTravel. Such testing and verification of contractor systems is "standard process



for GSA," Beatty said.

Beatty in December told *The Beat* that the authority to operate is not needed for CWTSToTravel to sign up federal agencies, but it is required before the travel management firm can go live with any implementations.

As an incumbent provider under the first-generation ETS contract, CWTSToTravel served "close to 25" federal agencies, according to Beatty. Since CWTSToTravel became eligible for the second iteration, "almost all of them have extended their existing task order under ETS1, some until the end of 2014 and some until the end of 2015, which gives them the options to go through a more thorough evaluation process and gives them the opportunity to make an informed decision," he said.

Concur has reported that it secured 70 percent of the ETS2 opportunity, as measured by eligible transactions, suggesting that it has signed task orders

with some larger government agencies.

"Even after the addition of a second approved vendor, we signed additional business," said Concur CEO Steve Singh during a November conference call with analysts. "More importantly, we saw new agencies go live. The Department of Interior, one of the five largest agencies under the ETS2 contract and an organization that would rival the size of many of our largest customers, went live this month."

Singh in a January 2014 interview with *The Beat* pointed out that Concur within the first year of the ETS2 contract went live with some civilian agencies, whereas the first deployments for ETS1 "did not go live for years with the original three vendors."

"It's not just Concur driving that value," Singh continued. "We are working with 10 travel management companies embedded in our ETS2 contracts, from BCD Travel to Travel Inc." [▶](#)

Grasp Relaunches Consultancy, Adds Joe Monaghan

BY JoANN DeLUNA

TRAVEL DATA management company Grasp Technologies is expanding its consulting department's focus beyond travel agencies and technology to include corporate cards specifically and the corporate travel space generally, according to the company. Travel technology veteran Joe Monaghan in October 2013 joined Grasp as senior vice president of the company's consulting department, according to Grasp vice president and chief sales officer Dave Lukas, to whom Monaghan reports.

Monaghan has 24 years of industry experience, including executive positions at American Express, WorldTravel BTI/BCD Travel, Tri-Pen

TravelMaster Technologies and his own consulting firm, The Monaghan Group. He is and will remain owner of Cloud Transaction Distribution Systems, which Lukas said will continue to run as normal and does not pose a conflict of interest. CTDS provides to corporate travel departments consulting services and a "low-cost travel transaction and fulfillment services platform," according to its site.

"Having a guy like Joe really helps us enormously to be able to look at how clients are doing everything on the front lines to better manage [their travel]," Lukas said last month. While Grasp Technologies already works with payment companies like MasterCard and AirPlus on reconciliation

and data enrichment for customers, Lukas noted that Monaghan's previous experience at American Express helps the company incorporate card program consulting.

In his new role, Monaghan will be supported by three existing Grasp Technologies employees who have expertise in managed travel, software and project management.

Lukas said Grasp is looking to further expand the consulting department and is in talks with "a couple of big-time names."

Lukas added that the firm already has received several requests for proposals for "larger-scale" consulting services from governments and *Fortune* 500 companies. [▶](#)

NEWSLOG

BCD Travel Unveils Itinerary App

BCD Travel last month made available a new mobile app for client travelers using iPhones. TripSource includes "automatically and securely synchronized" itinerary management, trip information sharing, "real-time flight status alerts and gate changes," driving directions and unspecified "rewards" for using the app. The English-language app is available for free in the United States and Canada, with versions for other mobile platforms and in additional languages to follow. BCD Travel also noted plans for an enterprise version scheduled for release in the second quarter. The customizable TripSource Enterprise app "will provide travel managers with a real-time communications tool for encouraging travelers to make smart choices during trips," according to the travel management company.

Futch Joins Partnership TC

Travel industry vet Duane Futch joined **Partnership Travel Consulting** as a partner and executive vice president. His nearly 40-year career most recently included a stint as **Sabre Travel Network** vice president of global government programs. He previously served as global travel director at **Wal-Mart**, earning recognition from *BTN* as the 2006 Travel Manager of the Year.

Jacques Joins Databasics

Expense management system provider **Databasics** hired industry vet Michael Jacques "to direct business development activities" in a newly created position. During his 30-year career, Jacques is credited with starting and selling four travel agencies, and serving in management positions at **Carlson Wagonlit Travel**, **Maritz**, **Farelogix** and, most recently, global outsource provider **EXL**.

Davis To Take GBTA Post

Sempre travel services administrator Jessica Davis will become president of the **Global Business Travel Association's** Chapter Presidents' Council, according to a memo from GBTA president Donna Kelliher to association members. Previously vice president of the council, Davis succeeds Karoline Mayr, who stepped down "for personal reasons," according to Kelliher, and will assume a seat on GBTA's board of directors.

Interview: Delta Air Lines President Ed Bastian



Business Travel News: What kind of traction has the joint venture had with corporate clients since you received antitrust immunity?

Ed Bastian: We're out in the market with quite a number of accounts. The accounts were coming to us in large numbers before we could even talk to them on a combined basis. There was so much market interest in the arrangement. We needed to wait until we had ATI before we could effectively start negotiating. We're in with a number of accounts, actively working on that now. Any deals that are coming, and there are deals that are in negotiation, are fair game. Most of our deals tend to be one- to two-year deals, so we have quite a lot of ground to cover. There are also a number of accounts where Virgin did not have a corporate deal at all, with some of these big financial services institutions. The ability to bring them in to some of our existing offerings is also powerful.

BTN: How long before the joint venture is running full-tilt?

Bastian: I would say by the end of the year we should be at that point. We'll

Delta Air Lines and Virgin Atlantic on Jan. 1 officially launched a joint venture through which they are sharing revenues, aligning corporate sales, coordinating networks and planning schedules between the United States and United Kingdom. Announced in December 2012 along with Delta's deal to acquire a 49 percent stake in Virgin Atlantic, the JV fills a significant gap in Delta's network for corporate travelers by expanding London Heathrow access. The partnership also represents a fortified competitor to the dominant American Airlines-British Airways joint venture on U.S.-U.K. services. Delta president **Ed Bastian** last month discussed these developments with *BTN's* Jay Boehmer. An edited transcript follows.

have the most important flights—which would be for us particularly Boston and JFK—in Heathrow collocated with them. We'll have a chance to show Heathrow that we do have the capacity to move the other flights over [to Terminal 3] as well. We'll be in the marketplace with a joint offering this year in a meaningful way, and we've got a lot of negotiations coming up over the year where we're going to be able to bring the power of the two brands together to enhance our position. It will also be the first chance to see how the financial sharing arrangement works. Any time you go into a joint venture, there are some assumptions and expectations that both parties have. We'd like to make certain they prove out to each other.

BTN: Delta has reported corporate gains in New York, particularly in the banking sector. How does the joint venture position you with those clients?

Bastian: We've been making a lot of strides in the last five years in the corporate space. Much of it was the reason we did the Northwest deal in the first place, so we could have an offering

on a global basis to attract our most important accounts. The one piece of the puzzle for us was a meaningful presence at Heathrow. You know how important Heathrow is to business travelers. It was only five years ago that we were granted access to even fly into Heathrow. We were restricted because there wasn't Open Skies [between the United States and Europe]. To think we went from a position where there was no access at Heathrow at all in 2008 to now having together with Virgin the number-two position at the airport, it's really great for our position with accounts that need Heathrow—financial services, the banking industry, the technology companies, the media/entertainment space. If you can't offer not just service to Heathrow but a time pattern that works that gives you full-day coverage, you're hamstrung in your negotiating ability with corporates.

BTN: What are the opportunities to align the Virgin partnership with the Air France-KLM joint venture?

Bastian: That's going to be up to Air France-KLM and Virgin to decide how they want to tap into the new opportu-

nities together. It's clear from London to the U.S. that the two main parties are going to be Delta and Virgin, but as it relates to more broadly between Europe and the U.S. and then the U.K. going eastbound and southbound to other parts of the globe, I think that's where that partnership can be explored. Those discussions are going to be coming in the future. There's nothing tangible at the present time because the focus is where the money is, which is across the Atlantic. I'd say in the future you will see opportunities for those companies to work together as well.

BTN: Looking at another equity partner, Gol, does Open Skies with Brazil next year open up an ATI relationship?

Bastian: There is that possibility. We do have a lot of work going on with them currently, because Gol today is predominately a local Brazilian airline and we don't need ATI to work effectively because we're not competitors in that space. They've got limited service to the U.S. through their Santo Domingo operation, and so a piece of that is carved out. But most of the work we're doing is to see how we can bring better service offerings from Delta down to Brazil, where we can blanket Brazil using the Gol network in-country and try to help Gol to bring their product offerings and their service offerings up to a little more of a U.S. business standard.

BTN: In general, how is corporate travel demand looking as we start the year?

Bastian: Our corporate sales activities continue to run strong year-on-year revenue gains. The numbers were in the high single digits for 2013, which is a significant number for us. When we look at the month of December, our unit revenues were up 10 percent on a year-over-year basis for the month, which is very significant. As we look out into 2014, all indications are it should be another strong year. ☺

NEWSLOG

Marriott Agrees To \$186M Deal For Africa's 116-Property Protea Hospitality

Marriott International signed a definitive agreement to acquire South African hotel company **Protea Hospitality Holdings** for 2.02 billion rand (US\$186 million). The agreement, which the companies expect to close on April 1 pending regulatory approval, gives Marriott Protea's three brands—Protea Hotels, Protea Hotel Fire & Ice and African Pride Hotels, totaling 116 properties in South Africa and six other African countries—and its management company. Marriott will manage about 45 percent of the 10,148 rooms in Protea's portfolio, franchise about 39 percent and lease the remaining 16 percent. The deal nearly doubles Mar-

riott's current distribution in the Middle East/Africa region and will make it the largest hotel company in the region, according to Marriott.

Zurich Tops 2013 Hotel Rates

Zurich in 2013 had the most expensive hotel rates in Europe with an average room rate of €144.93 (US\$196.93), based on bookings through Germany-based hotel reservations portal **HRS**. The Swiss business hub remained atop the list of 21 measured cities despite a 2.7 percent year-over-year decline in its average rate. London had Europe's second-highest average hotel rate

(€142.09, up 3.6 percent), according to HRS, followed by Moscow (€141.45, down 2.7 percent). The highest rate increase was in Oslo (up 5.5 percent to €132.57). The biggest rate drop was in Warsaw (down 9.1 percent to €74.42). The lowest rate was Prague (€70.28, up 4.33 percent).

ATPI Buys Voyager

Anglo-Dutch multinational travel management company **ATPI Group** last month acquired **Voyager Travel**, an Australian TMC with offices in Melbourne, Sydney and Perth. Financial terms were not disclosed.

Will Shopping Automation Change Hotel Pricing?

BY MICHAEL B. BAKER

BEING FICKLE often pays when looking for the best hotel rate, but some industry leaders wonder whether technology developed to take advantage of fluctuating hotel rates soon may inspire hoteliers to alter their revenue strategies.

Several hotel booking technologies that have emerged in the past few years have added a new dimension to the searching process: time. TripBam, for example, helps users define a cluster of hotels that meet their needs, searches continuously for their rates and availability and, when a user-defined good rate becomes available, automatically makes a reservation the user can either reject or accept. BackBid follows a somewhat similar model but enables hotels to send competing bids to travelers.

Think of each traveler as a buyer and the initial reservation merely as the first round of negotiations—regardless of whether the hotel realizes it's negotiating.

"Twenty percent of hotels change their rates every day," TripBam president and founder Steve Reynolds said at a BTN Group travel management conference in Dallas in November. "There's a lot more rate fluctuation than anybody knows, and a lot more than anyone will admit."

Reynolds said that TripBam's track record has shown that when travelers shop six hotels in a market, they find savings 80 percent of the time, and that savings averages \$50 per night. BackBid reports a similarly high success rate.

These tools already have found a place in the corporate travel market. BackBid this year completed testing of a corporate version of its tool and is courting midsize companies. TripBam also has some corporate clients as well as some agency users, many of which are "signing up for the service and not telling [their clients] that they have it," Reynolds said.



"Eventually, the hotels figure it out, and they're going to change their fee structure to combat that. ... The more successful [tripBam] is, the more likely it is that they will shorten its life cycle."

—MARIA CHEVALIER

Many hoteliers clearly are less enthusiastic about these sorts of tools, which has many buyers, including one who helps manage the largest U.S. corporate travel program, wondering what the long-term impact will be.

"Currently, a lot of these systems are based on whether it's a distressed inventory or other market anomalies," said IBM category manager Garth Jopling during The BTN Group's September conference in Toronto. "As these tools become more prevalent, is the market going to change, develop and take away some of the benefit?"

Might hotels eventually turn to a pricing

model more similar to airlines: offering refundable rates at a much greater premium than nonrefundable rates, or requiring change fees when travelers alter reservations? And what about corporate negotiated rates? As nonstop, automated rate-shopping spreads, buyers seemingly would have less motivation to expend energy on securing flat rates in markets in which they do not

if those partnerships start to become about the best price on any given day at any given time, that changes the dynamics of the whole thing. We will pay very close attention to these tools, and if it invades the corporate travel space, we'll start to rethink some things."

Proliferation of such tools also could have consequences on the technology side for hotels, according to former Wyndham and Travelport executive Flo Lugli. "They're going to have to look at not only whether they create policies around the bookings themselves, but they're going to have to figure out how they manage all these shoppings," she said. "I've seen bots simply shut a system down, bring it to its knees."

Fans of the technology also expect a response. Former Hewlett-Packard and Johnson & Johnson travel manager Maria Chevalier said she "loved" Reynolds' model and suggested it has a shelf life.

"Eventually, the hotels figure it out, and they're going to change their fee structure to combat that," she said. "They spent millions and millions on revenue management, so the more successful he is, the more likely it is that they will shorten its life cycle."

"Until they do," she added, "you use it, and you run the hell out of it."

Reynolds sees his model as a sustainable one. Unlike airlines, the lodging industry is so fragmented that hotel companies rarely can make large-scale changes in lockstep. He said an industrywide move to add change fees or highly restrictive cancellation policies, for example, is unlikely.

"You may see something at a property or maybe one of the chains, but I don't see it happening, or else it would have been done years ago," he added.

Even so, hotels on the whole over the years have been tightening up cancellation policies, said Bjorn Hanson, divisional dean for New York University's Tisch Center for Hospitality, Tourism and Sports Management. While the prevailing policy used to allow travelers to cancel reservations by 6 p.m. on the day of arrival to avoid the cancellation fee, that is "almost unheard of anymore," Hanson said. Cancellation policies now largely require advance notice of 24 hours to 72 hours.

Lugli said hotel safeguards against last-minute booking changes also could increasingly find their way into negotiations, perhaps by hotel companies telling their client that if they "book within this certain period of time, we could promise to give you a certain rate." 🔄

have particularly high volumes.

Hotel companies more frequently are deciding that "inventory matters," said Starwood Hotels & Resorts Worldwide sales organization senior vice president Christie Hicks. "Everybody's got to make money, and it's got to be fair to the traveler, but for things that continue to erode the hotel side of the business, we will be much more selective about who has access to our rooms. Corporate travel has always been held in very, very high esteem, because it's almost this 360-degree view—you fill your weekdays, form relationships, there's growth and there are partnerships—but

NEWSLOG

BridgeStreet Develops Tiered Brand Structure

Corporate housing supplier **BridgeStreet Global Hospitality** last month announced a new brand structure that CEO Sean Worker said was designed to bring more transparency to the company's products and pricing. Formerly BridgeStreet Residences, Serviced Apartments and Suites, the company, which has a portfolio of 50,000 apartments across 60 countries, has created six brands to define the types of accommodations it offers and their respective amenities. Such product definition is largely lacking within the corporate housing industry today, Worker said.

"We're not trying to be complicated or creative; we're just trying to be understood," he said. "It's about bringing an experience and structure to a vertical of hospitality that needs to be identified as such."

The brands range from the luxury Exclusive brand, which largely will be in Europe and India, to the budget Stüdyo brand. BridgeStreet developed a comparison chart that outlines the standards for each brand: the size of the apartments; types of bedding, bath and furniture; Wi-Fi availability; frequency of renovations; and entertainment amenities, according to the company. BridgeStreet will rebrand its properties during the next several months so that they fall within the appropriate tier.

Red Lion Names Mount CEO

Red Lion Hotel Corp. last month appointed Greg Mount president and CEO. Mount most recently served as president of **Richfield Hospitality** and

previously led the **Starwood Hotels & Resorts Worldwide** division responsible for franchise and management contracts in its full-service brands. Red Lion's former president and CEO Jon Eliassen retired in August, and company director James Evans acted as interim CEO.

Loews Adds Free Wi-Fi

Loews Hotels last month began offering free wireless Internet access at all 18 of its North American hotels. Loews is one of the few upper-tier brands to offer in-room Internet without a charge, regardless of loyalty program status. "Prompt, reliable Internet access has become a necessary and expected hotel amenity," according to Loews president and CEO Paul Whetsell.

Interview: Extended Stay America CEO Jim Donald



Business Travel News: Where are you in the renovations process?

Jim Donald: We're still in the middle of phase six. I toured about 10 properties yesterday that are about halfway through. By March, we will complete 90 platinum renovations. It's exterior paint and a full-room renovation, including carpeting, vinyl. We refresh the hard goods: new mattresses, bedspreads, lights, flatscreen TVs, interior paint. It's the whole package. When we complete this phase, we'll have over 52 percent of our properties platinum-renovated over the last two years. The results we're seeing are fantastic, both from a return and from a guest perception and also from an [owner and employee] reality. Any time you renovate, you get a lift in enthusiasm and esprit de corps. The cor-

Extended Stay America just completed a watershed year in its post-bankruptcy turnaround, with the completion in November of a \$565 million initial public offering. Work continues on portfolio-wide investment and renovation to which the brand already credits a significant uptick in rates, revenues and guest satisfaction ratings. Extended Stay America CEO **Jim Donald** recently spoke with *Business Travel News* lodging editor Michael B. Baker about the progress in renovations and the response he's seen from the corporate travel community.

porations that have signed up are very enthusiastic about where we sit today. We're seeing new corporate guests come on board as well as continuing to grow our business with the existing ones.

BTN: What's the next step?

Donald: With phase seven, we're looking at approximately 60 properties. Phase eight, in 2015, will be roughly around 40 properties, which puts us over 65 percent of our base renovations. That can change one way or the other, but as we look at a road map of the next couple of years, that's what we're looking at.

BTN: How have guests reacted?

Donald: We have internal measurements of service scores by third-party

providers. We have freshness scores. We have the TripAdvisor reports, and the growth on TripAdvisor has been fantastic. We have a whole dashboard of internally measured metrics that indicate to us that we are doing the right thing here and seeing that lift both physically, with rate and revenue, and what I see as a satisfaction and engagement rate.

BTN: You said a few years ago that you were not looking to grow ESA's portfolio. Is that still the case?

Donald: We have a couple years ahead of us of just harvesting our own family farm, with regard to our current properties. Based upon the inventory growth over the next two or three years and what the industry pun-

ditions are calling for, we know there's a potential out there for either new growth—ground up—or a potential acquisition here and there. It's something that we talk about in my weekly staff meetings, but it's not something we're jumping on right now.

BTN: Are you still growing the ESA sales staff?

Donald: It's pretty much flattened out now because we have the right organization in place, and we're happy with what we see. We're all in sales. I was just on a plane from Seattle to Charlotte and got waylaid in Billings, Montana, so I was selling rooms to the entire plane as we landed in Charlotte at 1 a.m. When we take on that mindset, it goes to the property level as well, that they're all in sales.

BTN: What's your outlook for 2014?

Donald: As I read and listen to what other CEOs are saying and what the analysts in the hotel industry are saying, they're calling for a 5 to 6 percent [increase in revenue per available room], and I'm comfortable with that number. We still are creating a lot of our own tailwind and will continue to do so as we continue to improve with our renovations and our service levels, both from the corporate client perspective as well as the individual guests that come into our properties. ↗

Carlson Rezidor's Country Inns & Suites Debuts Modernized Design

BY MICHAEL B. BAKER

Springfield, Ill. - Carlson Rezidor's Country Inns & Suites brand recently opened here its first hotel featuring a new design. The brand aims to have within a year about 10 percent to 15 percent of its portfolio featuring at least some elements of the new design.

The new design modernizes some of the brand's recognizable features. Rather than the homey porch with rocking chairs, there is a veranda with a fire pit. Rather than hardwood floors, common areas have paneled flooring with hardwood touches on the front desk, ceiling and walls. The design also features a softer paint and carpeting color scheme and a more eclectic collection of furniture in guest rooms.

In addition to the Springfield, Ill., location, the brand expects to open within the next nine months or so several other new properties with the new design, said Scott Meyer, Carlson Rezidor Hotel Group senior vice president of midscale brands in the Americas.

Those include properties in Bozeman, Mont.; Roseville, Minn.; Katy, Texas; Enid, Okla.; Charlottesville, Va.; and Asheville, N.C. Several existing hotels are converting to the new design, including properties in Frederick, Md.; Rochester, N.Y.; and San Antonio, Meyer said.

While the brand had been affected by last year's U.S. government shutdown and spending cuts, "we're seeing that business come back," according to Meyer.

Carlson Rezidor, however, is not pushing for a swift conversion across its entire 470-property portfolio.

"If they opened two years ago or just finished a renovation a year ago, they're fine," Meyer said. "It's still a relevant design, and during the next renovation

cycle, they can start renovating to this."

Many hotels will phase in renovations, perhaps concentrating on one major project each year, such as replacing their wood flooring or bringing in new furnishings. Even the newest properties might take a small step—replacing duvets to conform with the new color schemes, for example.

By this time next year, Meyer said he expects that up to 15 percent of the brand will have some aspects of the new design, "and that will continue to build almost every month as you move forward."

The new design comes as Country Inns & Suites continues to pursue more corporate transient business. Government business is one of the brand's sweet spots, and while it had been affected by last year's shutdown and spending cuts, "we're seeing that business come back," according to Meyer.

The brand also has benefited vis-à-vis corporate transient business from Carlson Rezidor's corporate rate pro-

gram launched a few years ago, providing a larger source of corporate travel outside the traditional request-for-proposals process.

"Most of our hotels are independently owned and operated and have 75 to 80 rooms, so it's difficult for them to have full-time salespeople," Meyer said. "Corporations can deal with one contact to get them to accept us into their hotel program, and we can reach out to the hotels and say, 'Company XYZ has a need for rooms in their market,' and see what rate they can provide them."

Country Inns & Suites seeks to grow its footprint, not just in the United States where it still has "white space," but also in a few select international markets. India is one of its key focus areas right now, with a tweaked design that includes a restaurant serving three meals per day—a requirement for success in India's midscale tier, Meyer said. Canada and Latin America also are regions where the brand intends to expand, he added. ↗

Sabre Finally Submits IPO Registration Statement

BY DAVID JONAS & JAY BOEHMER

SABRE CORP. last month filed an S-1 registration statement with the U.S. Securities and Exchange Commission for a long-awaited initial public offering. Sabre has not yet determined how many shares it will sell, the per-share price range or the timing. Though there is no guarantee an IPO will commence, the registration statement provided a wealth of information on Sabre's financial footing and other tidbits.

Privately owned by TPG Funds and the Silver Lake Funds, Sabre for the nine months through Sept. 30, 2013, generated revenue of \$2.3 billion, essentially flat from the prior-year period, while net loss attributable to the company increased about 18 percent to \$127 million. Adjusted earnings before interest, taxes, depreciation and amortization declined about 8 percent year over year to \$577 million.

Sabre's net losses in recent years included \$611 million in 2012, \$66 million in 2011 and \$269 million in 2010. Adjusted EBITDA for those years was \$785 million, \$723 million and \$698 million, respectively.

Sabre indicated that its global distribution system processed about \$100 billion in travel spending during 2013.

For 2012, Sabre claimed to handle "over 50 percent" of the GDS-processed air bookings combined from American Express, BCD Travel, Carlson Wagonlit Travel and Hogg Robinson Group. It also claimed an overall 37 percent share of global GDS-processed air bookings, and top market positions in North America (58 percent), Asia/Pacific (58 percent) and Latin America (40 percent).

Hospitality

On the hospitality side, Sabre claimed to process 11 million room reservations during the first nine months of 2013, and claimed to serve 4,500 properties with its property management systems. It also claimed to handle about a 26 percent share of all hotel rooms distributed through third-party central reservation systems.

"We estimate that, as of September 2013, approximately one-third of hotel properties participate in a GDS," Sabre wrote. "We believe this is an attractive opportunity and we are pursuing innovative strategic options, such as working with hotel aggregators, to access this and other segments."

Miscellany

Sabre's nearly 400-page document included other notable tidbits.



- Regarding the sale of Travelocity Business to BCD Travel, Sabre noted "a \$16 million decrease [in Travelocity segment revenue] related to the dispositions of TBiz and Holiday Autos," as well as \$22 million in proceeds from the sale of both entities. "We recorded a loss on the sale of \$3 million, net of tax, including the write-off of \$9 million of goodwill attributed to TBiz based on the relative fair value of the Travelocity North America reporting unit," the company added.
- A "restructuring" of Sabre's technology organization began in the fourth quarter of 2013 "to better align costs with our current business, reduce our spend on third-party resources and to increase focus on product development." The company expects that restructuring to be mostly complete by the end of the current quarter, resulting in 350 cut positions.
- Citing "strong bargaining" power among large travel agencies, Sabre noted that incentive payments "tend to increase in each round of contract renewals." Sabre explained that while incentive fees "have been increasing in real terms," they have been "relatively stable as a percentage of Travel Network revenue over the last four years partially due to our focus on managing the incentive fees we pay. We believe we have been effective in mitigating the trend towards increasing incentive fees by offering value-added products and content, such as Sabre Red Workspace, a [software as a service] product available to our travel buyers that provides an easy to use interface along with many

travel agency workflow and productivity tools."

- Sabre highlighted its dependence on "several large travel buyers, including TMCs and OTAs." While no single entity accounts for more than 10 percent of Sabre Travel Network revenue, "the five largest travel buyers" represented 35 percent of its revenue for the nine months ended Sept. 30, 2013. According to Sabre, "such revenue concentration in a relatively small number of travel buyers makes us particularly dependent on factors affecting those companies."
- Sabre claimed that the user base for its TripCase itinerary management product increased "six-fold" from the beginning of 2012 through 2013, to about 2.5 million. It added that 15,000 agencies and 26 airlines also are using TripCase to deliver documents to customers.
- Sabre specifically mentioned as a potential "significant competitor" Microsoft's in utero Travel 2015 trip planning tool. It also mentioned Concur's TripLink open booking service as having "the potential to evolve and pose a significant risk to our Travel Network business." However, discussing direct distribution generally, Sabre wrote that such initiatives "have not and will not have significant adoption by travel agents since cost and lack of features are not currently competitive with GDS offerings."
- Sabre hasn't been very keen on the International Air Transport Association New Distribution Capability. In its prospectus it noted that the initiative "suffers from many of the same problems" as direct distribution ini-

tiatives. Yet, Sabre claimed that it is "committed to working with IATA to develop uniform technical standards that would incorporate NDC capabilities in a manner that integrates with the GDS for the benefit of travel buyers and travel suppliers."

- News of a U.S. Department of Justice antitrust probe into global distribution systems broke in May 2011. DOJ subsequently has provided few updates. Sabre in its prospectus suggested the probe is ongoing and noted that it is "fully cooperating" with DOJ, which according to Sabre is investigating "the pricing and conduct of the airline distribution industry." Among potential outcomes, DOJ could "close the file," seek a "consent decree to remedy issues it believes violate the antitrust laws" or file a lawsuit against Sabre, and potentially others, "for violating the antitrust laws, seeking injunctive relief"
- Sabre estimated that the pending federal antitrust lawsuit brought by US Airways likely would go to trial in September or October this year. US Airways quantified damages "at either \$281 million or \$425 million, (before trebling)," according to Sabre. (Trebling refers to an antitrust statute that enables plaintiffs to collect three-times damage amounts.) Sabre called the damages "highly overstated. In the event US Airways were to prevail on the merits of its claim, we believe any monetary damages awarded (before trebling) would be significantly less than either of US Airways' proposed damage amounts."
- Regarding the Oct. 30, 2012, federal antitrust lawsuit settlement with American Airlines, Sabre "expensed \$347 million in 2012 related to this settlement agreement," or "\$222 million, net of tax." AMR previously reported "a \$280 million benefit from settlement of a commercial dispute" for the period in which it settled with Sabre.
- Sabre acknowledged that last year it lost significant transaction volumes from Expedia. But those bookings Expedia handles on behalf of Travelocity.com and Travelocity.ca will continue to be processed by the Sabre global distribution system "until 2019," as per last year's "strategic marketing agreement" between Expedia and Travelocity. After that, Expedia "may choose to use another intermediary for a portion or all of such air travel, subject to earlier termination under certain circumstances." 🌐

Amex In Europe Connecting Hotel Content System To Corporate OBTs

BY DAVID JONAS

AMERICAN EXPRESS Business Travel in Europe finally is connecting its HotelHub portal to corporate online booking tools. Announced in 2007 for Amex agents, the HotelHub interface brings together hotel content from global distribution systems and other sources and is meant to optimize hotel booking workflow. In the United Kingdom and France, HotelHub now is connected with Concur's booking tool, and soon will be integrated in France with the KDS Neo door-to-door trip planning system. Additional corporate OBT connections are in the works.

Amex in November announced it would begin distributing KDS Neo to French customers. The travel management company is angling to provide "the most complete centralized hotel booking offer in the market" and "an end-to-end solution" that also would wrap in Amex's virtual vPayment product.

HotelHub is designed as a single-source system that Amex claims now encompasses 200,000 properties globally. When it was announced six years ago, then-Amex global distribution vice president Bruno Peynichou told *The Beat* that "the GDS in Europe is not the best in class for servicing, the way it is in the U.S. So, we designed the solution to connect with the relevant content, wherever it is: GDS being one source, but also connections to individual properties and chains directly," as well as the likes of Pegasus Solutions and others.

Like in other parts of Europe, accessing hotel content can be particularly challenging in France, said American Express Global Business Travel France general manager and vice president Eric Audoin.

"We have seen that the weight of air has declined in the total spend and the hotel spend has been raised," Audoin told *The Beat* in December. "A majority of our customers in France, especially in the midmarket and public sector, have very specific needs outside Paris and the big cities and need very specific local, unique hotels that don't belong to a global chain or [participate] in the GDS."

Integration with KDS Neo in France is "not exclusive but for the moment is unique," Audoin said. "We started to grow the online business in France with KDS in 2000." Today, Amex is "one

of the biggest distributors of KDS in France," he added. "We have now come to a stronger relationship with KDS in the French market. We will launch in the French market in Q1 2014 an end-to-end solution."

That includes vPayment, a patented virtual payment and settlement tool Amex obtained in 2008 when it ac-



"Only the global or large companies really have an expense management system integrated and automated with the overall value chain of travel, online booking tool, etc."

—AMERICAN EXPRESS' ERIC AUDOIN

quired GE Money Corporate Payment Services. Like other virtual card programs, vPayment is based on single-use numbers and provides clients various spending controls.

Audoin explained that because many smaller French companies typically do not issue plastic cards to travelers, "they need this virtual mode of payment, especially to guarantee hotel reservations or late arrival to the hotel, and to ensure compliance to policy." It also helps automate processes, provide more detailed reporting and ease reconciliation.

The end-to-end concept generally also can include an automated expense management component, but Audoin said that is not yet part of many local French companies' T&E processes.

"Only the global or large companies really have an expense management system integrated and automated with the overall value chain of travel, OBT, etc.," he said, adding that vPayment nevertheless helps make expense management more efficient.

Meanwhile, according to an Amex spokesperson, the TMC supports KDS

in the United Kingdom, France, Germany, Sweden and Belgium, but the integrated KDS Neo system for now only is being prepared in France. (KDS in August struck a deal with Carlson Wagonlit Travel to distribute Neo globally.)

Audoin said Amex will use KDS Neo integration as "a roadmap" for additional online booking tool connections, which he said to expect sometime this year. Though Amex did not name any specific tools beyond those provided by KDS and Concur, a Sabre spokesperson in an email to *The Beat* wrote that the company has "a number of initiatives going on to increase hotel content in our marketplace, and we're in discussions about integrating HotelHub into Sabre and GetThere." [↗](#)

Lufthansa To Sell Advance Seats

Lufthansa and its Austrian Airlines subsidiary agreed to sell advance seat assignments via the Amadeus global distribution system. To be implemented "in the coming weeks," the deal will enable subscribers in 63 markets to "book advance seat reservations in Economy Class for travelers flying on domestic and European routes," according to Amadeus. "Additionally, passengers will be able to purchase seats offering extra legroom both on continental and intercontinental routes." Amadeus noted that both airlines have adopted the Electronic Miscellaneous Document standard for ancillary booking fulfillment.

Travelport, Air Canada Deal

Travelport and Air Canada last month announced a "multi-year" extension of their distribution agreement. The deal means that Travelport's Canadian agency subscribers will continue to access the full range of the airline's content, including "à-la-carte fare and Flight Pass products and product attributes." The deal extends an Air Canada and Travelport pact signed in 2010.

Sabre, WestJet Extend

WestJet last month announced that it reached "the basis of an agreement" with Sabre Travel Network. A pre-existing deal was set to expire Jan. 26. "Travel agents will continue to have access to WestJet fare content in the Sabre travel marketplace," according to a joint statement.

Directravel Adds Another Navigant Veteran

BY DAVID JONAS

DIRECTRAVEL HOLDINGS LAST month named Sam DeFranco president of travel agency Directravel, bringing to the fold another former Navigant International executive. Directravel intends to become a \$1.5 billion travel management company focused on midmarket corporate clients.

In a career spanning more than 30 years, DeFranco worked at American Airlines and then McGregor Travel Management—which he eventually co-owned and merged with several other agencies to create Navigant. DeFranco stayed with Carlson Wagonlit Travel after it acquired Navigant.

"There is a real void in the marketplace today for small to midsize accounts," according to a prepared statement from DeFranco. "Unlike mega agencies, we will deliver a high level of personalized service to every client, regardless of their size."

Private equity investment firm Silver Oak Services Partners in 2011 bought Directravel and placed former Navigant chief Ed Adams at the helm. At the time, Adams told *The Beat* that he and Silver Oak planned to roll-up some midsize agencies—something Adams had done successfully with Navigant.

The company since has acquired Minneapolis-based Corporate Travel

Services and Travel Management Corp. of San Jose, Calif. According to Silver Oak's website, "Directravel is actively looking for complementary add-on investment opportunities in the corporate travel management sector."

In addition to DeFranco and Adams, Directravel's leaders include former Navigant executives John Coffman and Darryl Hoover (Directravel's CFO and chief technology officer, respectively).

DeFranco follows industry veteran Tom Gleason, hired out of retirement as Directravel's interim leader, according to a company official. Gleason had followed Pat Fragale, who resigned in January 2013. [↗](#)

Interview: Former AA CEO Robert Crandall



Business Travel News: Will our economy gain strength during the coming years?

Robert Crandall: No. I don't think so. I must confess that I am by nature pessimistic, but it seems to me that until we get out of this tremendously dysfunctional political situation we are in, the economy is going to sputter along. The level of unemployment that we have is throwing away the potential productivity of a tremendous number of people. The level of income disparity that we have between the half of one percent and everybody else is going to continue to detract from the capability of the middle class to contribute to the kind of consumption economy that we've had for many years.

I'm not very optimistic about the United States from the political perspective. If the U.S. got its political act together, it has a lot of natural advantages versus a lot of other places in the world. Until we solve this business of these terribly gerrymandered districts, which send extremists to Congress, I don't see much hope for sorting out the political situation.

BTN: That makes the prospect of significant investment in infrastructure and the air traffic control system almost laughable.

Crandall: That just isn't going to happen. The infrastructure of the country—all the roads, all the bridges, all the water systems—are just not going to be maintained. To the extent they are not maintained, our ability to compete with countries that are maintaining their infrastructure is compromised. What has been one of the great strengths of the United States over the years is just going to diminish. This political extremism that we've fallen victim to is doing very bad things to the economy.

Former American Airlines CEO **Robert Crandall** during his tenure in the industry pioneered the development of airline loyalty programs, yield-management concepts and computer reservations systems. The inaugural member of The BTN Group's Business Travel Hall of Fame, who has been more frequently named on *Business Travel News*' annual list of the most influential executives in the business travel industry than any other person, recently spoke with *Business Travel News* editorial director David Meyer as part of *BTN's* Vision: 2020 project about potential changes in the airline industry, or lack thereof. An edited transcript follows.

BTN: What changes will affect business travel during the next several years?

Crandall: I don't think business travel is going to change dramatically. You will have three very large multinational mega carriers competing against one another, and the only thing I think that will drive is a greater focus on service levels. Because there will be three big carriers and because business travel is tremendously important, carriers rather than focusing maniacally as they have in the past on growth will focus on hanging onto their share of the business traffic, and that's going to mean more attention to better service. People able to pay business-class and first-class fares are going to see improved service levels.

BTN: That's almost a characteristic of a seller's market, right? You can charge more but then you have to deliver.

Crandall: That's kind of the world I think we're going to be in. You are going to see a continued growth of the so-called low-cost carriers. They are really not low-cost, as you know. But the Southwest and the JetBlues are going to continue to take share from the big guys and the international-based carriers, and the international carriers will pay more attention to hanging onto their share of the business market that is headed out across the Pacific and the Atlantic and down into South America. I think we'll see sort of a revitalization of service standards.

BTN: With the airlines getting control of their inventory, we've seen a tightening of corporate airline contracts to the point where some smaller companies now think less about the possibility of being able to negotiate. Will that trend continue?

Crandall: That would be my guess. As the supply of any product dries up,

the willingness of sellers to discount it diminishes. Very large companies will continue to get deals of one kind or another because they control so much business traffic but smaller and medium-size companies are very unlikely to see the benefits of that. If carriers don't get back into the business of growing domestic capacity, then it becomes sort of a market segmentation game.

BTN: Will we eventually see a change in airline-ownership regulations?

Crandall: No. I would certainly hope not, because that's sort of the last redoubt, if you will, of the U.S.-based international carriers. To the extent that you let foreign flag carriers in effect control U.S. flight carriers, then the ability of the U.S. flags to sustain their domestic market position would be further weakened.

Look, Lufthansa doesn't give a [damn] whether they can fly in the United States or not. To the extent that a Lufthansa controls a United or an Air France controls a Delta, those people are going to eliminate more and more of the segments within the domestic system that don't contribute adequately to aid the national service, which would turn even more business over to the JetBlues and the Southwest. I don't think you will see that.

BTN: Will we see consolidation in Europe of the national flag carriers there?

Crandall: To some limited extent, yes. Alitalia is a case in point. I don't know how long the Italian state is going to be prepared to sustain Alitalia. That's more of a matter of the political will of individual European states to sustain flag carriers, and my guess is that is limited. Given the European financial problems, it would seem to me consolidation within Europe is likely to happen.

BTN: Today, joint ventures are where it's at in terms of doing business on a multinational basis—

Crandall: Yes, and it's really just another turn of the screw in terms of the alliances. The alliances are for the most part simply exclusionary inter-line arrangements.

BTN: As far as the labor situation is concerned, what can be done?

Crandall: It is just going to be a problem. Labor costs will continue to escalate. Which in turn is likely to turn more business to the Southwest and JetBlues if they control labor costs more effectively, although they are looking more like the big guys except for the percentage of domestic versus international flying.

BTN: Is the challenge how to differentiate and keep from being a commodity?

Crandall: But it is a commodity and has been. And that's one of the reasons why I think you are going to see a greater emphasis on service standards.

BTN: Will there be more direct deals in the future?

Crandall: The airlines over the years have worked to cut out the intermediaries and will continue to do that. When you add it all up, I don't anticipate that a lot of dramatic change is going to occur in the next five to 10 years.

BTN: We can get biblical and say there is nothing new under the sun.

Crandall: That's right. It's just not going to be transformative change. You are going to see the continuing evolution of the business, but I think it is going to be pretty much the way it has been. Back at the 1929 World's Fair [they thought] we were all going to be riding around in helicopters, but we're not. We're still stuck in traffic jams. 🚗

Ryanair To Add Business Travel Offerings

BY JAY BOEHMER

RYANAIR THIS YEAR plans to “actively” target group and business travel by launching a “business product” and appointing a sales leader for those segments. The Ireland-based no-frills airline last month noted it planned to release details of its offering in the coming weeks, indicating it would include “flexible tickets, reserved seating and fast-track through selected airports.”

Ryanair previously noted plans to “move to fully allocated seating on all flights, making the boarding process smoother,” effective Feb. 1. Passengers who elect not to pay the €5 seat assignment fee “will be allocated seats during the 24 hours prior to the date of scheduled departure,” according to the airline.

Ryanair in recent months has attempted to soften its public image as a nickel-and-diming, passenger-unfriendly airline. Its plan to target the business

segment echoes efforts by rival easyJet, which has to some degree reworked its no-frills, low-cost model to grow share among business travelers.

Ryanair’s pivot could lead to a return of the carrier’s fares and inventory to one or more of the primary global distribution systems, but befitting the no-frills airline, achieving a “low cost” is paramount to the decision, said Lesley Kane, the carrier’s new head of groups and corporate travel.

Heading into the newly created position, the carrier’s former European head of sales and marketing last month said Ryanair is in discussions with Amadeus, Sabre and Travelport, but that “it could go either way. We’re neither in nor out with the GDSs, but it is something we’re looking at.” Kane indicated that a decision on GDS participation should come before spring.

What does Ryanair want from a po-


tential GDS partner? Keep it cheap and withhold the bells and whistles, according to Kane. “If you look at the GDSs, they all have different levels of participation,” she said. “You can get the all-singing, all-dancing level, which is obviously the most expensive. That’s not necessarily what we’re after.”

GDS costs were a turn-off when Ryanair exited those channels “in excess of 10 years ago,” said Kane. “For us to move forward and do a deal with any of the parties, there needs to be significantly lower distribution charges than there were many years ago.”

Meanwhile, for an airline that once floated a charge to use toilets onboard, it should come as little surprise that Ryanair’s GDS participation may come with a user fee. That is how the carrier has offset the merchant expense of credit cards, and how rival easyJet has approached the GDS channel.

“There’s a couple of options we’re looking at,” said Kane. “It might be a case that we pass along the cost to the corporate agency, which in turn passes that on to the corporates. That might be one option, but that’s not finalized yet.”

Ryanair appears to be charting a course somewhat similar to easyJet’s, which in recent years expanded GDS participation, introduced new business-oriented fares and worked directly on negotiated agreements with corporate clients. However, Kane said that corporate discount agreements are “not in our current plans.”

The planned business travel offering would not include any change to the onboard product Kane said. As for the airport fast-track benefit, Kane said it likely would apply to passengers traveling at Dublin and London Stansted airports, adding that the bundle also would include priority boarding. 

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GBTA: China Poised To Surpass United States As Largest Business Travel Market

By Jay Boehmer



China is on pace to displace in a few years the United States as the largest business travel market in the world, based on domestic and outbound business travel spending projections for national points of sale, according to an October Global Business Travel Association report.

“China is growing its business travel market faster than any other nation,” according to GBTA’s biannual Business Travel Index Outlook for China, updated in October 2013, “and continues to close the gap on the U.S. as the largest business travel economy in the world.”

Spending on business travel from the Chinese point of sale was set to grow by more than 14 percent year over year in 2013, followed by a 17 percent growth rate in 2014, according to Rockport Analytics, which conducted the analysis on GBTA’s behalf. GBTA noted the projected China growth rate is “more than twice the

rate of the U.S.”

GBTA Asia regional director Welf Ebeling during an October webcast presenting the research said that business travel spending in China in 2000 stood at \$26 billion. It since “has grown to \$200 billion, and we’re forecasting it going up to \$375 billion in the next five years,” he said. Given that growth, Ebeling said that China “overtook Japan in 2006, pushing it from position number two to position number three.” GBTA predicted that “China should surpass the U.S. as the world’s most dominant business travel market as early as 2016.”

Travel demand within China has been lifted by stronger economic growth rates than in many Western markets, a growing middle class and surging corporate interests from home and abroad.

Domestic travel “continues to perform better than international outbound,” according to GBTA, which estimated that 2013 spending on domestic travel would increase 14.3 percent year over year and an additional 17.2 percent in 2014, according to the report. “In comparison, international outbound business travel from China has slowed considerably over the last two years,” according to GBTA, which cited “weaker international trade, particularly with Europe and North America.”

Still, international outbound growth rates from Chinese points of sale are “likely to reach 12.8 percent in 2013, followed by another 16.5 percent in 2014.”

Regarding an increasing appetite for domestic China travel, Radius general manager of Asia Pacific Roger Pfund in a presentation prepared for an April 2013 GBTA conference in Shanghai noted that “about 90 percent to 95 percent of the spend for 2013 will be on domestic business travel.”

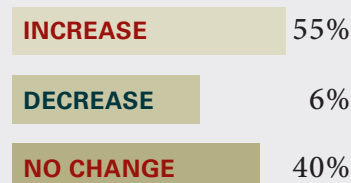
The nation has been rapidly expanding its travel infrastructure to accommodate that growth. For example, China plans to add “approximately 100 new airports in the next 10 years,” according to Pfund’s presentation slides.

“Over 160 cities in China have populations of more than one million, and most of those cities you’ve never heard of,” said Joel Chusid, North American managing director of China’s Hainan Airlines, in November at the 2013 Boyd Group International Aviation Forecast Summit in Baltimore. “The airlines in China can barely keep up with the demand.”

China in particular has been a bastion of growth, and Asia as a whole will represent a growing portion of the worldwide business travel dollar.

“Within the next few years, every second dollar spent on business travel will originate within Asia/Pacific,” said Ebeling.

Anticipated Change In 2014 Asia/Pacific Travel Spending At Points Of Sale Throughout The Region, Compared With 2013

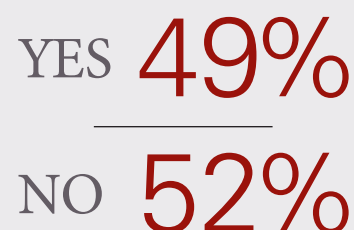


Respondents: 101

Note: Some percentages do not total 100 percent due to rounding.

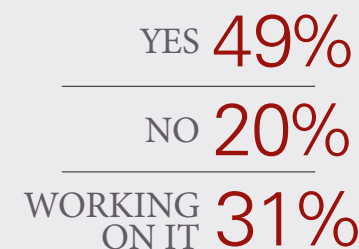
Source: A December 2013-January 2014 survey conducted by The BTN Group. Respondents represented organizations with a wide range of travel spending, from less than \$500,000 in 2013 U.S.-booked air volume to more than \$12 million. China was the country identified by most respondents as a market in which organizations manage travel spending, followed by Australia, Japan, India and South Korea.

Organizations Using A Consolidated Travel Management Company In Asia/Pacific



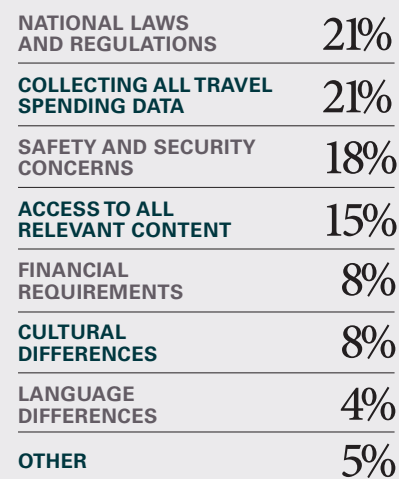
Respondents: 101

Organizations That Have Aligned Asia/Pacific Travel Policies And Sourcing Decisions



Respondents: 102

Biggest Organizational Challenge In Asia/Pacific



Respondents: 100



Asia/Pacific's Business And Regulatory Kaleidoscope Complicates Payment, Expense

By JoAnn DeLuna



That the Asia/Pacific region remains a perpetually burgeoning opportunity for business travel has become a bit of a cliché. However, opening new markets and gaining adoption for commercial card products and expense management systems has proven anything but easy. Extensive and diverse regulations in countries across the region make it especially challenging to introduce solutions to help businesses manage their travel spend. And, as many have learned, what works in one country will not necessarily work in another.

"It's a very vast and varied region," said Citi Asia Pacific head of commercial cards Deven Somaiya.

Though the United Nations predicts "subpar growth" in 2014 for the Asia/Pacific economy—compared with an average of 8.4 percent growth during 2002-2007, before the global economic recession—that still would represent a projected 5.6 percent year-over-year economic expansion, up from an estimated 5.2 percent growth for 2013. That forecast is higher than the International Monetary Fund's 2014 global GDP growth forecast of 3.7 percent.

"It's the fastest-growing part of my business," said MasterCard group head of global T&E products and solutions Richard Crum. "It's growing tremendously fast and across different parts of the region, not just in China and India."

Similarly, Somaiya said he's seen in the last three years "tremendous focus" on and "latent demand" for corporate cards in the region. Citi in 2005 entered Australia, Japan, Malaysia, Hong Kong and Singapore. It now operates in 13 Asia/Pacific markets.

During the past five years, multinationals in North America and Europe typically have sought global card solutions, while Asia-based multinationals pur-

sued in-country or in-region solutions, said Kevin Phalen, head of global card and comprehensive payables for global transaction services for Bank of America Merrill Lynch. However, since the second half of 2013, that trend has changed, he said, and "it was evident [Asian multinationals] were looking for global solutions."

In addition to local banks, AirPlus, American Express, UATP and Visa in varying degrees have a presence in the region—primarily but not exclusively through partnerships. Bank of America in 2011 began providing commercial card solutions in the same markets Citi first entered, as well as China, India, New Zealand, the Philippines, South Korea and Taiwan, Phalen said. Local networks have also sprouted, including China Union Pay, Bill99 and RuPay.

Expense management firms also see opportunities. SAP for the past 20 years has operated in the region, offering enterprise resource planning and cloud expense management solutions. Concur also offers Asia/Pacific expense management, travel booking and invoicing services. While some companies in markets like Australia and Singapore are more advanced in managing their business trav-

el expenses, many in China and India still are in the early stages.

THE REGULATORY ENVIRONMENT

Despite significant differences among Asia/Pacific countries, several have one common factor: strict regulations, though they too vary by country. "The commercial card business in Asia is pretty much governed by consumer credit card regulations," Somaiya said.

For example, some countries, including India and Singapore, require banks to send users text or email alerts notifying them of fraud alerts or large purchases. Singapore, meanwhile, recently introduced a resolution to disable overseas access to ATMs, Somaiya said.

"[The regulations] are meant for protecting the consumer, but a corporate card is meant to enable and facilitate smooth functioning when traveling overseas," Somaiya said. "You don't necessarily want to send an SMS to the bank every time you're traveling to enable cash access."

China is the most regulated and protectionist market in the region, according to card networks and banks. "China is very skeptical about U.S.-branded cards," said SAP chief product owner of financials and travel management Hendrik Vordenbaeumen. Similarly, AirPlus executive director of Asia/Pacific Christian Gall said China has a "very nationalistic" view with a distrust of and "strong resistance" toward European and American players.

Although China is slowly relaxing regulation, Gall said regulators are "taking their time and will make sure their local players are well-positioned first."

ADVANCED MARKETS

Australia is one of the "most sophisticated" Asia/Pacific markets regarding payments infrastructure support as well as demand for more sophisticated products like virtual cards, according to Somaiya. Beginning in August, the country solely will use chip-and-PIN cards, banks and credit card networks announced in January.

"Their requirements are more complex. They know what they want and have experienced a card program with other providers," Somaiya said. "Typically, the local banks have very sophisticated solutions as well."

Singapore also is a fairly mature and sophisticated market regarding payment and managing business travel spend, according to Gall. The country's credit card penetration is similar to that of the United States with people often holding five or more credit cards and accustomed to rewards programs. Local banks, such as DBS and United Overseas Bank, offer a strong presence, Gall said. "It's a hyper-crowded space and very competitive," he added.

Nevertheless, these markets are not oversaturated, according to Gall and Somaiya. "Oversaturation would imply [credit cards] have become a commoditized product and banks are taking business from each other and leading to price wars. We're not there yet," Somaiya said. "There's a tremendous amount of untapped potential."

Similarly, expense management system adoption is high in these countries and in New Zealand, according to Vordenbaeumen.

CONTINUED ON PAGE 24



China's Corporate Hotel Rate Growth Sputters As Development Boom Continues

By Michael B. Baker

Surging supply amid government spending austerity has taken a bit of the shine off China's hotel market, but the country remains by far the dominant market for development in the Asia/Pacific region.

Corporate negotiated rates for 2014 in the region were about flat compared with 2013 rates, according to Carlson Wagonlit Travel hotel solutions group director Yon Abad. The average rate is up 2.7 percent year over year in Hong Kong but down in China, Japan and India, largely a result of increasing supply, he said.

In China, at least, that supply growth hardly is finished. Lodging Econometrics reported that as of the third quarter of 2013, China in its construction pipeline had 1,695 hotel projects totaling 435,000 rooms (up 6 percent from the year prior). That represents 68 percent of all projects and 74 percent of the rooms across the total Asia/Pacific construction pipeline.

Six of the seven Asia/Pacific cities with the largest construction pipelines are in China. Shanghai is at the top with 91 projects totaling 16,437 rooms (down 8 percent from the prior year), followed by Hong Kong with 73 projects totaling 13,544 rooms (up 23 percent from the prior year).

"Despite a minor economic slowdown, China's total pipeline has been trending upward for 17 quarters and is at a new peak," according to Lodging Econometrics. "Development is so strong that some cities like Hong Kong are concerned that future supply coming online might cause a prolonged glut of rooms."

Nevertheless, the market may well be able to sustain that supply growth. "From an investor's point of view, we haven't seen evidence that the occupancies are dropping or the rates are dropping at a level that would indicate an oversupply," Lodging Advisors CEO Sean



Hennessey said during The BTN Group's Travel Management 2014 event in December. "I've heard the same kind of rumors, that it's not sustainable, but overall, the interest is so strong relative to the size of the markets that they have a long way to go to fully emerge."

Speaking at the same event, Citi managing director and global head of general services and travel Mick Lee said she is seeing volume increase in six out of 10 of her organization's top Chinese markets, including a 19 percent increase in Beijing and a 38 percent increase in Shanghai.

In India, however, hotel development is slowing. As of the third quarter of 2013, it had the second-largest construction pipeline among countries in the Asia/Pacific region, with 335 projects totaling 56,276 rooms. But those numbers are down 8 percent and 11 percent, respectively, from the prior year. India's pipeline has been trending downward since the end of 2010. Brazil

recently surpassed India with the third-largest pipeline in the world, according to Lodging Econometrics.

Even so, the firm noted that India has seen "some indications of an economic resurgence brought about by the recent statewide elections. The stock market has risen strongly, the rupee has gained strength and there are signs of foreign investment returning."

Meanwhile, development in Indonesia is on the rise. The country's pipeline as of the third quarter of 2013 stood at 203 projects totaling more than 33,000 rooms (up 19 percent from the year prior), good for third-largest in the region and the fifth-largest in the world, according to Lodging Econometrics. With 73 projects totaling 12,615 rooms, Jakarta's market-specific pipeline is surpassed in size only by Shanghai and Hong Kong among Asia/Pacific markets, the firm reported.

Real estate investment management firm Jones Lang LaSalle noted a growing interest in hotel investment and development in Southeast Asia's markets, particularly Vietnam, Cambodia and Myanmar. Those markets in recent years have seen increased lift provided by airlines, improved infrastructure and a boost in tourism, the firm reported.

Rate and occupancy growth is particularly strong in Myanmar, with Yangon and Mandalay seeing an increase in corporate and leisure travel amid limited supply, but hotel development in the country is a challenge.

"Until further foreign investment law is enacted and economic reform takes shape, it will be challenging to establish genuine hotel investment sales," according to Jones Lang LaSalle. "That said, international hotel companies are doing their best to secure opportunities with domestic owners and developers, including Accor, which is developing three newly built hotels in Myanmar." [?](#)

Payment, Expense Vendors Push Further Into Complex Asia/Pacific Markets

CONTINUED FROM PAGE 23

CHINA AND HONG KONG

Most Western companies operating in China are expanding, and "cost control is not at the top of their agenda," according to Gall. AirPlus International through a partnership with China Merchant Bank in 2008 became the first card network to offer corporate cards to businesses operating in China. Through this "monopoly," as Gall described it, the firm's 2013 volume in China was €530 million (US\$730 million), up from €1.8 million in 2008.

"Compared to the size of the China market, this is very small," Gall said. "The Chinese are still learning to control travel spend and how to use corporate cards, but of course they're developing quickly."

AirPlus admits it's only a matter of time before more international banks enter the market. The race has already started. Unlike AirPlus, which partnered with a local partner, Citi entered the market with its own platforms and systems. The process took about three years from Citi's first step of forming a locally incorporated entity to provide consumer debit cards to eventually gaining a license to issue commercial cards in 2012. Citi issues cards locally through China Union Pay and internationally through MasterCard and Visa. It also offers dual billing currency

in renminbi and U.S. dollars, as well as data in local language. In addition to corporate cards, Citi offers a procurement card and One Card product, which combines two or more commercial card offerings, such as a p-card and a travel card.

Hong Kong poses a particular challenge, as its flag carrier, Cathay Pacific, has refused to pay merchant fees for card-based bookings. The fees instead are passed to the travel agency, which in turn passes them on to corporate clients, according to Gall. While there has been some lobbying to change this practice and bring down merchant fees, refusing to pay merchant fees has become an accepted practice in the region.

"There's a fair amount of negotiation that goes on between the company and travel agents to see who actually bears the cost," Somaiya said.

Hence, cash remains king and invoicing is a common practice when paying for flights in China and India.

INDIA, MALAYSIA AND THE PHILIPPINES

India's growing number of low-cost carriers has hindered many companies accustomed to booking flights through travel agencies' centrally billed products in their attempts to capture spend, as the LCCs are not available for booking in global distribution systems, according to Somaiya. Consequently, business travel-

ers are booking direct, further complicated by Indian regulations that require consumers to hold one-time-use PIN numbers for online transactions. "The GDSs are trying to get the low-cost carriers on the network to simplify life," Somaiya said.

Another challenge in countries like India and China, and to some extent Thailand and Vietnam, is developing a suitable pricing model for expense management systems, as local labor is so inexpensive, according to SAP's Vordenbaeumen. While multinational companies operating in the region are accustomed to existing pricing models, local corporations are not. Several local businesses provide manual expense report processing services at prices lower than established companies like SAP, although they don't typically offer reporting capabilities.

"For example, the price [to process] an expense report may be €3, but €3 is a day's work for an assistant in these countries," Vordenbaeumen said. To increase adoption, SAP said it partners with online booking tools and competitors to offer bundled services.

In Malaysia and the Philippines, air tickets primarily are paid for in cash with invoices filed manually. Because of this, collecting data is challenging, Vordenbaeumen said, "but they're opening up under pressure from multinational companies." [?](#)

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United Embarks On Secondary-Market Plan In Asia With Chengdu Service

By Jay Boehmer



United Airlines in June plans to launch three weekly nonstop roundtrip services between San Francisco and Chengdu, China, which, along with new nonstop flights to Taipei, Taiwan, “are good examples of the second phase of our Pacific network strategy,” chief revenue officer Jim Compton said last month.

Already claiming nonstop service “to the most cities in Asia” when stacked against its U.S.-based competitors, Compton said United now is “beginning to introduce nonstop service to secondary cities” on the continent. He previously said he sees more Chengdu-like opportunities.

While United and its U.S. competitors previously have steered their limited China access toward Shanghai and Beijing, Chengdu represents an emerging opportunity for corporate business.

“When I first saw this I said to myself,

‘Where in the world is Chengdu and why in the world would United be adding nonstop service to this hole in the wall in central China?’” Executive Travel president Steve Glenn wrote in a September 2013 client newsletter. “Now that I have proven to the world how ignorant I am, I proceeded next to Google ‘Chengdu.’” The result? He was “amazed” at the city’s size, which at 14 million residents surpasses the populations of New York City and Los Angeles combined.

Announcing the new route last year, United noted the city also “has been

one of the country’s fastest-developing cities economically, and more than 200 *Fortune* 500 companies have a presence in the city.”

Willie Walsh, CEO of British Airways parent International Airlines Group, said he sees booming corporate demand for the Chinese city. “We went to corporate customers and asked where we should fly,” he said in November at the 2013 Boyd Group International Aviation Forecast Summit in Baltimore. “Chengdu came right up.”

To meet that demand, BA in September 2013 launched three weekly roundtrips between Chengdu and London Heathrow using a four-cabin Boeing 777-200. BA in May will add two additional weekly flights.

Boeing Commercial Airplanes director of market analysis Michael Warner at the conference called Chengdu “the tech center of Western China,” a fitting match for United’s San Francisco city pair.

United will serve the route using a Boeing 787 aircraft, which Compton last year during an earnings call said “makes this service viable and enables United to be the first mover among domestic carriers to serve such important markets in Asia.”

Boeing’s Warner explained, “There’s never been enough demand to fill a large widebody aircraft. It’s a long distance, about 6,000 miles from San Francisco. You’ve always needed a large widebody in the past. Now with a 787 coming in, United has it configured with 219 seats. It’s the perfect size—a midsize airplane—to fill a route like San Francisco to Chengdu and link those cities, which people have been asking for.”

Chinese Carriers Boost U.S. Services

BY JAY BOEHMER

Regarding the U.S.-China bilateral agreement for reciprocal airline access, “Chinese airlines are not using all of the frequencies allocated to them, whereas the U.S. carriers are pretty much at the top,” said Hainan Airlines managing director of North America Joel Chusid in November at the 2013 Boyd Group International Aviation Forecast Summit in Baltimore. Since then, several airlines have made moves to use those rights.

Hainan, which already offers Seattle-Beijing services, plans to launch on June 20 four weekly roundtrip nonstop flights between Boston and

Beijing, “the first scheduled nonstop flight from Boston to Mainland China in history,” according to the airline. Hainan in September 2013 launched twice-weekly nonstop Chicago-Beijing flights, which will increase to daily service in June.

Meanwhile, China Eastern plans to launch in April daily San Francisco-Shanghai service, adding to a network that includes Shanghai service to Los Angeles, New York and Honolulu.

Air China on June 10 plans to launch four weekly nonstop roundtrip flights between Washington Dulles and Beijing, pending U.S. Department of Transportation approval.

Air China in July 2013 launched four

weekly services between Beijing and Houston, which vice president of North America Dr. Zhihang Chi during the Boyd conference said “turned our traditional air model on its head.” That’s partly because “we almost always go to coastal cities with a big ethnic Chinese population. This time we did not.” Instead, the airline’s Houston service is “going after mainstream business traffic, in this case the oil traffic.” Houston is a key hub for Air China’s Star Alliance partner United. Air China, meanwhile, in January this year launched Beijing-Honolulu services. The airline from its Beijing hub also serves New York, San Francisco and Los Angeles.

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