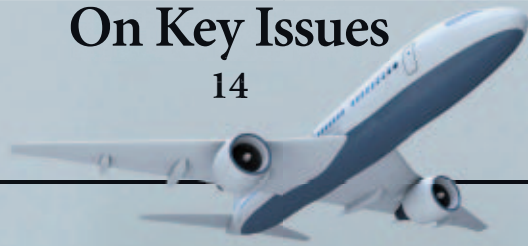


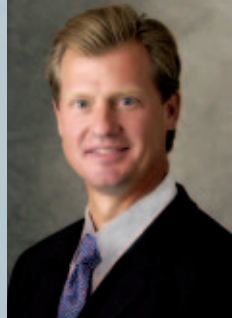
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August 25, 2014



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BEST PRACTITIONER



J&J's Christopher Wall
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CWT: Latin America To Lead Global Increases In Airfares, Hotel Rates In 2015

BY MICHAEL B. BAKER

CORPORATE TRAVEL buyers should expect higher airfares and hotel rates in 2015, but car rental prices should remain steady, according to a forecast issued this month by Carlson Wagonlit Travel and the Global Business Travel Association Foundation.

Overall, the 2015 Global Travel Price Outlook projected next year's global business travel spending levels to be 8.6 percent higher than this year's volume. Expanding emerging markets and a release of "pent-up demand" as mature economies recover will spur that growth, according to the report.

Globally, airfares in 2015 will increase 2.2 percent year over year, with accelerating demand outpacing slowly increasing capacity, according to the forecast.

Latin America will have the largest percentage airfare increase (3.5 percent) as airlines return capacity to normal levels following this year's increases in capacity to Brazil to accommodate World Cup demand. Airfares in Brazil will be up 3.5 percent and as much as 7 percent in Argentina and Venezuela, both of which are experiencing "runaway inflation," according to the forecast.

The forecast projected airfares in

BTN Seeks MTMOY Nominees

BTN is seeking candidates for its Multinational Travel Manager of the Year honors, to be awarded during the Association of Corporate Travel Executives' Oct. 19-21 Global Education Conference in Copenhagen. *BTN* seeks buyers and managers of multinational programs who in the past year have advanced a best practice or elevated the role of travel decision-maker. Submit nominations by Sept. 8 to *BTN* editorial director David Meyer at (646) 380-6246 or dmeyer@thebtngroup.com.



North America will be up 2.5 percent amid "plummeting capacity" following the US Airways-American Airlines merger and the Delta Air Lines and Virgin Atlantic joint venture. U.S. airfares will be up 3 percent, and fares in Canada will be up 1.5 percent.

Asia/Pacific airfares, meanwhile, will increase about 0.5 percent, as low-cost carriers grow capacity in the region and legacy carriers' pricing power weakens, according to the forecast. China in particular will see airfares moderate as its domestic economy slows, high-speed rail access between regional cities grows and completion improves due to "recent reforms and the liberalization of" global distribution systems, according to the forecast. India, on the other hand, could see airfare increases of 4.4 percent "on the heels of recent elections and prospects for market reforms that could lead to greater levels of business activity and a higher volume of business travel."

Airfares in Europe, the Middle East and Africa will be up 1 percent, with stronger increases in the Middle East and Africa and little growth in Eastern Europe, according to the forecast.

Hotel Rates To Rise Again

The report projected average daily hotel rates globally to increase 2.6 percent, as hotel operators are "in a better negotiating position than they have been in quite some time."

Strengthening demand in the United States should push its average hotel rate up 4.5 percent in 2015, according to the report. San Francisco and Houston stand to see the largest increases. Canadian hotels will see a more modest ADR increase of 1 percent.

In aggregate, the forecast projects Western Europe ADR will increase 1 percent, with rates up significantly in London amid limited supply, and more moderately in Germany, which is experiencing a growth in room supply. Eastern Europe, which saw ADR decline year over year in 2012 and 2013, is beginning to recover as bargain-seeking meeting planners explore options there, and Middle East and Africa rates

also will "grow modestly for the fourth year in a row," according to the report.

The forecast projected Asia/Pacific hotel ADR will be up 2.7 percent in 2015, with stronger increases in Indonesia (up 7.8 percent) and Australia (up 3.6 percent). ADR in China, however, will be about flat, as the country experiences an "extraordinary growth in supply."

Among the four global regions, Latin America will have the largest ADR increase of 6.3 percent, according to the forecast. This includes significant increases in inflation-troubled Venezuela (up 17.5 percent) and Argentina (up 11.5 percent) as well as increases for Brazil (up 11 percent), Colombia (up 5 percent) and Chile (up 4 percent). The forecast projects ADR in Mexico will be about flat as supply grows and demand wanes.

Car Rates To Hold Steady

Rental car prices globally will remain flat in 2015, according to the forecast. Despite pricing power in a few markets this year, car rental companies generally have been able to reduce fleet sizes to align with demand, the forecast indicated. Latin America will be an exception to that trend, with rental car rates projected to grow 2 percent "based on generally high travel demand throughout the region." 🔄

JetBlue Eyes New Fare Bundles, And Maybe An Opening For First Bag Fees

JetBlue Airways in the first half of 2015 plans to introduce the first phase of new bundled fare offerings after completing development with e-commerce software provider **Datalex**. JetBlue executives during a conference call with analysts and media last month gave few details on bundled pricing and products, but suggested they could include first-checked bag fees—at least on a limited basis. JetBlue CEO Dave Barger said the Datalex system will help the airline "improve the monetization of our differentiated products." That includes the ability to "put different bundles of offerings in front of customers," said JetBlue president Robin Hayes. Analysts asked whether that could include first-checked bag fees, which JetBlue has resisted. Hayes replied that in some markets, JetBlue commands a revenue premium by offering a fare-inclusive first-checked bag. Where it doesn't, fare families "allow you to monetize first bag where you don't get it, and we'll have that capability. What we haven't said yet is what that looks like and the structure of that."

Amadeus, United Partnering To Deploy Merchandizing Strategy Using IATA's NDC

United Airlines and **Amadeus** are collaborating on a merchandizing strategy that will include implementation of the **International Air Transport Association's** New Distribution Capability, said Amadeus vice president of commercial development and industry affairs Stewart Alvarez. Speaking in Los Angeles at the **Global Business Travel Association's** annual convention, Alvarez said Amadeus is "working very closely" with United and that the two "are working on implementing the IATA NDC XML communication standards to launch their product hopefully sometime later this year." An Amadeus spokesperson confirmed that the XML connectivity would be used in implementing the sale of Economy Plus premium seating.

Hilton Plans Digital Check-In, Smartphone-Based Keyless Room Entry

Hilton Worldwide by year-end plans to equip nearly all of its hotels globally with digital check-in and room-selection capabilities, the company announced last month. The technology enables Hilton HHonors members to check in via their mobile devices or computers from 6 a.m. on the day before their stays and choose their rooms from either a floor-plan map or room list. Hilton by year-end plans to have the capabilities at U.S. properties and more than 4,000 properties worldwide. Next year, Hilton also will begin to equip rooms with technology enabling guests to use smartphones as room keys upon arrival, with most rooms equipped with the technology by the end of 2016, according to the company.

FIND DAILY NEWS UPDATES AND MORE AT BusinessTravelNews.com

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“Across the globe we are very comfortable about where share goes longer-term, because we are acquiring customers at the expense of competitors. We believe we can take share anywhere in the world, and we’re going to do it by leading with product and innovation.”

—Sabre president and CEO **Tom Klein** during a conference call this month, in which the company reported a marginally lower share of global GDS bookings, attributing it to exposure in softer-performing regions rather than customer losses

“RoomIQ is a natural complement for customers currently using our airfare price tracking service, FareIQ. ... Hotel prices can be as volatile as airfares, and there are typically no penalties for making savings adjustments to reservations when room prices drop.”

—Yapta CEO **James Filsinger** in a statement announcing a hotel rate tracking system “with early adopter customers” and a few travel management companies, including Trivison and Ultramar



“For 2015, we currently expect our available seat miles to increase, year over year, largely driven by a two-to-three-percent growth in seats from the upgauging of our fleet, along with a higher

percentage of our fleet in revenue service post-integration.”

—Southwest Airlines president and CEO **Gary Kelly** in a statement, also announcing second-quarter net income of \$465 million, up from \$224 million for the same period last year

“We’ve developed a data ‘connector’ functionality that draws on intelligence from a range of third-party (or external) sources, which are fully managed by FCm.”

—FCm global technology leader **John Morhous**, in a statement announcing a cloud-based reporting system including traveler “friction” data from tClara, which provides benchmarks on how traveler “wear and tear” impacts sales attrition and other metrics

Interview: AA CEO Doug Parker



Los Angeles - Following his appearance here at the Global Business Travel Association’s annual convention, American Airlines Group CEO **Doug Parker** late last month spoke with *Business Travel News* senior editor Michael B. Baker about the impacts of the American-US Airways merger on corporate share and business, the merger’s next steps and possible effects of recent attention to airline route safety. Edited excerpts follow.

Business Travel News: Has the merger allowed you to grow corporate share as anticipated?

Doug Parker: We certainly have begun to leverage the new network and what we can provide with corporations, and they’ve responded. We’ve now created a product, particularly in the Northeast, that neither airline could provide before. You take the combination of American’s presence flying JFK international, US Airways’ shuttle product and American’s [Airbus] 321T product. All those together are something neither of us can do independently, but together, no one can compete. It’s a great example of what we’ve created in terms of the ability to produce something no one else can produce.

BTN: What’s your corporate demand outlook?

Parker: It’s the business cycle, but the U.S. economy has at least been growing 2 percent to 3 percent for a while. We’ve seen demand for air travel stronger than that, and it’s been largely corporate-driven. It’s difficult to project demand for corporate travel, because it can change quickly, but there’s nothing to suggest that it shouldn’t continue, as long as the economy continues to grow. You’ll see corporate demand in aggregate grow, and you’ll see corporate demand for American’s product grow at a faster rate because of the positive enhancements that we’ve made.

BTN: What are you hearing from corporate customers?

Parker: What I’ve heard is a lot of very good feedback about the 321T product, great feedback about [vice president of global sales Derek DeCross] and his team and how they’re working to give people the benefit of the combined network and doing so really quickly. In fairness, there’s a lot of hopeful optimism. They haven’t seen everything that we can provide yet, and we know that. All we ask is for them to give us a chance.

BTN: From the customer standpoint, what’s the next major milestone to be reached in the merger?

Parker: There are a series of them, but the next major one will be the integration of the frequent-flyer

programs. They’re separate today, and we’re planning to integrate those [in the first half of next year]. We’re doing a lot of things already to make sure for consumers that they get the benefits of the combined networks: code sharing, some frequent-flyer reciprocity, day-of-departure upgrades, use of the clubs—just not a combined mileage program.

[During an onstage appearance at the GBTA convention, Parker was asked whether American would follow Delta and United in moving to a frequent-flyer program based on money spent instead of miles flown. Such a move was “not even on the plate right now,” he said. “We have to get the two frequent-flyer programs

merged first. If it makes sense to make that innovation, we may do that, but to try to change the program now would be foolish.”]

BTN: What are your plans for growing Pacific routes?

Parker: We just added a couple into Dallas, to Hong Kong and Shanghai. They’re off to a good start. We’d like to add more. We’d like to fly to Beijing, though it’s difficult to do with

the slot constraints there. It’s not like we add those routes and they immediately are wildly profitable, but that’s OK. It’s such an important strategic market that we need to be there.

BTN: With the discussion around route safety related to Malaysia Airlines Flight 17 [shot down last month over Ukraine], do you anticipate any changes?

Parker: Not any changes so much that I know of. Obviously, we all closely monitor this. Tel Aviv is a great example of how important safety is to this industry. As soon as there was something remotely concerning in Israel, we didn’t wait for the [U.S. Federal Aviation Administration] to tell us not to fly there. We just canceled our flights, as did Delta and United. It’s a really competitive business, but we don’t compete on safety. To the extent there’s anything else out there that’s concerning to any of us, I’m certain we’ll do anything necessary to be sure our customers are safe. We at American have less of that issue than some of our competitors, because of our route network and where we fly. 🌐

It’s difficult to project demand for corporate travel ... but there’s nothing to suggest that it shouldn’t continue.

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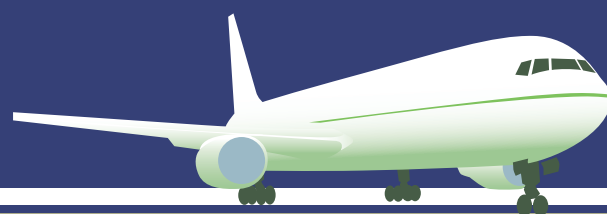
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ARC Report: June 2014



June Average Airfares Mostly Higher On Key Routes

Average Roundtrip Ticket
Price Paid Including Taxes,
With Year-Over-Year Changes

NYC - Los Angeles International

\$941 **+7%**

Washington Dulles - Los Angeles Int'l

\$687 **-5%**

Chicago O'Hare - San Francisco

\$618 **-2%**

NYC - Atlanta

\$586 **+19%**

Chicago O'Hare - Los Angeles Int'l

\$576 **+1%**

NYC - Chicago O'Hare

\$539 **+11%**

NYC - Miami

\$427 **+9%**

Chicago O'Hare - Minneapolis/St. Paul

\$433 **+16%**

Boston - Chicago O'Hare

\$420 **+3%**

NYC - Ft. Lauderdale

\$408 **+13%**

Atlanta - Orlando

\$363 **+6%**

Boston - Washington National

\$353 **+13%**

Los Angeles - San Francisco

\$287 **-2%**

Notes: Fare data is based on tickets purchased/issued in June 2014, includes mandatory taxes and fees and encompasses roundtrips originating in either airport on a given route. "NYC" includes New York LaGuardia, New York JFK and Newark Liberty airports.

Travel Agency Segments

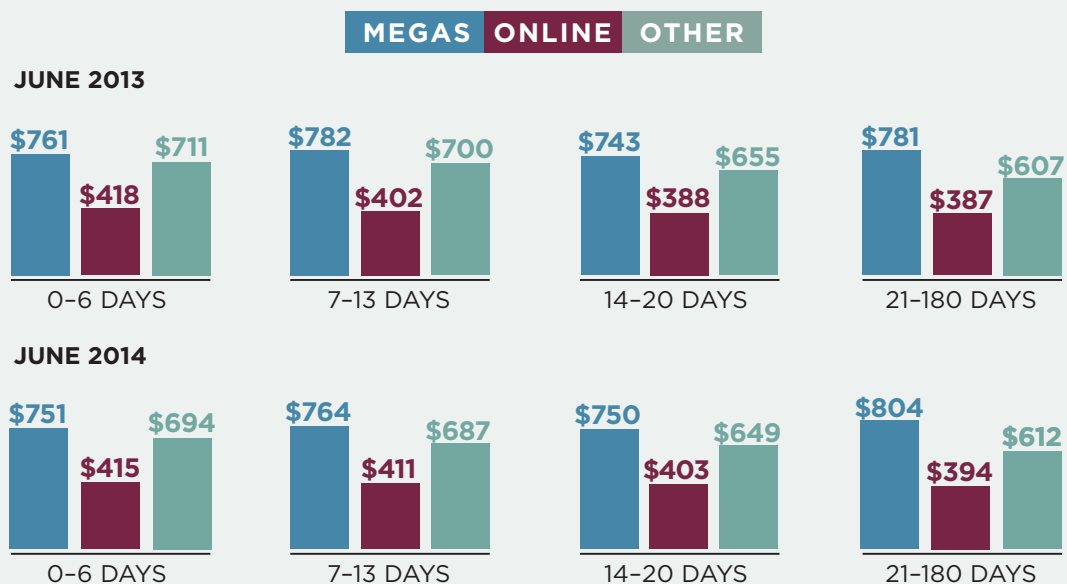
MEGAS include American Express, BCD Travel, Carlson Wagonlit Travel, Expedia's Egencia, Hogg Robinson Group and Omega World Travel.

ONLINE includes various online travel agencies, including Orbitz for Business and BCD Travel's Travelocity Business.

OTHER includes all other travel agencies whose data is processed by ARC.

Average Fares

Roundtrip Fares By Advance Purchase, Excluding Taxes



Note: Airfare data is based on tickets purchased/issued during the month of June.

International Premium Class

Percentage Of Tickets Issued In Premium Classes

	MEGAS	ONLINE	OTHER
JUNE 2013	40%	20%	23%
JUNE 2014	41%	19%	21%

First-Half 2014 Transactions

By Segment, In Millions, Excluding Refunds And Exchanges

		YEAR-OVER-YEAR CHANGE
MEGAS	15.3	+2.2%
ONLINE	24.9	-3.1%
OTHER	28.8	+8.0%
ALL	69.1	+2.5%

Source: ARCLabs

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Sapient Personalizing Travel Experiences For Employees, Clients

BY JAY BOEHMER

THERE ARE CERTAIN things you expect to find when entering a hotel room: a bed, of course, and the TV, maybe a desk and an alarm clock. But what about your favorite beer, chilled and waiting with some pretzels? Or maybe PowerBars and Gatorade, since you're such a fitness buff?

Tailored welcome amenities like those are one example of how Boston-based marketing and consulting company Sapient is working to personalize experiences for its most frequent business travelers as well as some clients. The initiative is a component of the Client Experience Project, a company endeavor that has coordinated internal departments and preferred travel suppliers to deliver personalized experiences.

Travel suppliers increasingly are emphasizing traveler personalization, but Sapient as an employer also has embraced the concept. While the company has all but mandated its travel program, director of global travel and client experience Michelle De Costa said it also has contemplated, "How do we make this a program that they want to use? How do we personalize this experience?"

At the same time, senior management during the past year tasked Sapient's global shared services unit, which includes the travel department, to help create "a competitive advantage" for the company when it comes to engaging clients and employees. "We're not there pitching to the client," said De Costa. "We're not doing the client work, but what can we do to contribute?"

What emerged were a number of personal touches to acknowledge road warriors and show appreciation for clients, especially those traveling to Sapient's largest offices.

Back to that cold beer waiting in the hotel room. One Sapient road warrior is a Pabst Blue Ribbon devotee, said De Costa. "The Colonnade is the hotel we use quite a bit in Boston," she said. "We said to them, 'When you send an amenity, he loves Pabst Blue Ribbon and pretzels.' Now, when he checks in, almost every time he has that."

A few iced beers in a hotel room seem simple enough, but execution requires internal and external coordination, particularly with Sapient's so-called Client Concierges. Back to them in a bit.

First, how does Sapient find out what

travelers would want waiting for them in a hotel room? "I have the Client Concierge reaching out to people who know others to find out what they like. I don't want to ask people, 'Do you like beer? Do you like wine? What do you like?' But when they get in their room and there's something put in there that they want, like PowerBars or Gatorade, that is meaningful," said De Costa.

In fact, after getting that information,

the Client Experience Team' so that they know they're special to Sapient."

Among other tailored traveler touches, Sapient delivers personalized messages to employees visiting Sapient offices away from home. "The first thing we did is develop marketing material, so each office gets the traveler list so they know who is coming," said De Costa. "We have this really cool welcome guide—or a guest guide—

are now known as the Client Experience Concierges, and in many ways function in ways similar to their hotel counterparts.

De Costa relayed the following story about one such concierge: "We had some VIP clients in our New York office, and after the meeting they were asking about getting a taxi to Penn Station," she said. "Our concierge said, 'I can definitely get a car for you, but the time of day it is, you'll want to take the train.' Our concierge went over, bought them train tickets and then walked them over and got them on the train. It was that kind of service, and the clients wrote back afterwards to say this person had such a positive impact."

The concierges also are tasked with ensuring warm welcomes when clients visit and execute on-site meetings. That can include special touches like branded pens and notebooks for meetings, room staging and "whatever it takes to make that meeting a success," De Costa said. Everything from getting flowers to catering and other details are "all on one request and the concierge in that office can bring to action." They even might be sent a photo with attendee names, so the concierge can recognize key clients when they arrive.

De Costa said the Sapient concierge program, along with those personalized hotel welcomes, is active at "our larger client-facing offices like London, Toronto, New York, Boston, Chicago, Atlanta and Miami. That's where we have a higher concentration of travelers and client visits."

Sapient is working on rolling out the program to other locales. "Our next iteration is that we want to see what Client Experience Light looks like," she said. 🌟



"I don't want to ask people, 'Do you like beer? Do you like wine? What do you like?' But when they get in their room and there's something put in there that they want, that is meaningful."

—SAPIENT'S MICHELLE DE COSTA

such personal preferences are catalogued in a centralized spreadsheet, to which Sapient "concierges" have access.

The initiative also required coordination with Sapient's preferred travel management company, BCD Travel. De Costa arranged for a special data feed so that local Sapient Client Concierges "get a daily traveler report," she said. "That's how they know who's coming."

In addition to the agency, Sapient also has worked with local preferred hotels, like the Colonnade. "I've really tried to connect my concierge to the hotel to bridge that up," said De Costa. "I get involved as well, but they're the front line and know when someone is coming. They can reach out to our hotel partner."

De Costa said the program not only acknowledges frequent travelers but also reinforces preferred providers. "Once they're treated really well at a hotel, that becomes their hotel," she said.

Not Just For Employees

Sapient also strives to replicate the experience for clients. "When we are brought in the loop that clients are being brought in, we will go to the hotel and have an amenity to the extent that we can find out what they like. If not, we just work with the hotel and say, 'We have a VIP client coming in, can you put something together?'" That comes with a note that "will always say 'from

that we send out to people traveling to those offices."

The guide includes a personalized welcome and a variety of visitor information, including general office details, suggestions for getting around the city, restaurant recommendations from local Sapient employees and other "fun tips to make it a personalized experience."

The greeting is sent out in an email with the guest guide attached as a PDF, but the company also is beginning to use its own public mapping and information app, called Dropcast, to incorporate relevant visitor information.

De Costa said the company now is furnishing visiting guides to employees, and "next generation will be to roll it out for clients. We're not sending a physical guest guide to clients today. That will be our next step, to re-engineer [the guides] with our marketing team to make them less geared toward someone who works for Sapient."

Sapient's Client Experience Project even has changed how the company positions some of its frontline office personnel.

"We took some of our front-desk people in some of our larger, client-facing offices and we started to hire differently for those positions, looking more for people with a hospitality background." They



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Amex To Transmit 'Near Real-Time' Card Swipe Info For Locating Travelers

BY DAVID JONAS

AMERICAN EXPRESS Global Business Travel is introducing "card swipe" tracking that enables clients to locate travelers through their Amex corporate cards. Amex claims the functionality can overcome "incomplete itinerary information and spotty cellular and data connections" during crises. It's part of a set of new features that Amex is announcing, including a "premium" service for clients' top travelers and additional integration with the Sabre TripCase itinerary management tool.

The card-swipe feature is an example of Amex's "unique closed-loop network" that combines the business travel operation, which now is a joint venture no longer wholly owned by American Express Company, and the company's corporate card, according to Amex GBT vice president of new product development Nicolas Buc.

Amex already had developed the means to transmit to expense management systems information from card swipes "in near real time," Buc said,



adding that a lot of customers had asked about using it for traveler-location purposes.

When asked if Amex GBT may consider developing similar functionality for clients using competing cards, Buc said, "For the moment we really are focusing on the American Express corporate card."

Amex also announced a new personalized service designed for executives and very frequent travelers. Dubbed First, the service focuses on compiling traveler preference information that is "much richer" than what is contained

in a typical traveler profile and provides dedicated "expert" travel counselors chosen by a "thorough" selection process, Buc said.

It includes "personalized trip planning," "continuous monitoring" of the traveler's itinerary and "proactive" care on the road.

For offline bookings, when travelers (or their travel arrangers) contact a First agent, that agent "automatically" would have available all of that traveler's information to help make appropriate choices, Buc said.

For online bookings by First travelers, Amex will, for example, "validate all reservations. ... When we reach out to a hotel to confirm we'll also provide those preferences on the type of room they prefer, the type of water they like, which newspaper, etc.," he explained. "We have a level of detail that allows us to provide a lot more information to the hotel which goes beyond the traditional booking."

First agents also are "empowered to proactively" assist travelers during trip disruptions, Buc said.

The service is available to customers in the United States, United Kingdom and Australia. Interested clients can select which of their travelers are afforded First services. Pricing is based either on annual memberships per traveler or a fee applied per passenger name record. "The fees depend on the type of traveler and service level required," Buc said.

Meanwhile, Amex added more information to the Sabre TripCase itinerary management app. Amex first integrated with TripCase last summer and enabled client travelers to link their Amex corporate cards. That connection has meant TripCase users can see within the app any travel-related benefits to which they are entitled by being Amex cardholders. Now, Amex is extending the provision of "trip-relevant and contextual information" with the addition of benefits to which they are entitled by being Amex business travel customers, such as free hotel Wi-Fi or breakfast, for example.

When asked if displayed benefits also can include those negotiated directly by a traveler's organization, Buc said, "We intend to add other types of benefits in the future." ➔

BCD Travel On TMC Deconsolidation: 'If Anything, It's Going The Other Way'

BY AMON COHEN

RECENTLY, *The Beat* reported an estimate from travel management company HRG that 30 percent of the global requests for proposals in which it participates end with clients making

regional TMC selections instead. The report quoted travel managers whose organizations

have shifted back to regional from global TMC appointments, and other sources commenting that they have seen the same trend (*BTN*, June 16). Carlson Wagonlit Travel took a contrary view, flatly denying that it's seen any evidence of the deconsolidation observed by others. Now another multinational TMC has entered the debate. Backing the CWT perspective, BCD Travel last month provided to *The Beat* figures to support its argument.

"We've not seen a shift from global to regional programs," said executive vice president of global client management Kathy Jackson. "Our figures show just the opposite."

BCD Travel provided analysis of all bids it entered between Jan. 1, 2013,

and June 10, 2014, for companies with annual travel spend exceeding \$20 million. At the time they went to bid, 38 percent of companies were hiring TMCs on a national basis, 23 percent on a regional basis and 39 percent globally. Jackson said that in not a sin-

TMCs on a country-by-country basis retained that arrangement. Thirty-five percent moved to regional TMC selections and 40 percent opted for a single TMC globally. Half of existing regional programs remained regional structures and the other half consolidated to a

of bids it entered.

The central reason for moving away from global selections cited in the June report is that TMCs are unable to offer sufficiently and consistently adaptable service worldwide. Jackson disagreed. "When a company decides to take its program global, we do not need to serve them on the same platform in every country," she said. "We choose the best back office for every market so we can reflect things like local taxes and invoicing rules."

Another cited reason behind deconsolidation is that companies are making more localized purchasing decisions, but Jackson also contradicted that view. "We are not seeing procurement shifting back to a regional basis," she said. "If anything, it's going the other way."

Jackson suggested that multinational clients continue to consolidate their travel programs for numerous reasons. These include a general policy of global supplier selection, ease of enacting and communicating policy changes to all employees and a wish to have one source of data for traveler security purposes. ➔



"We've not seen a shift from global to regional programs. Our figures show just the opposite. ... We are not seeing procurement shifting back to a regional basis."

—BCD TRAVEL'S KATHY JACKSON

gle one of those bids did the client or prospective client elect to lessen consolidation. Instead, every one either retained its geographical structure or chose to consolidate.

According to the BCD Travel figures, which cannot be verified independently, 25 percent of clients hiring

global TMC. All global TMC clients stuck with global arrangements.

Jackson added that no BCD Travel clients were lost through deconsolidation; those regional and global clients that were lost switched to competitors on the same geographic basis. BCD Travel declined to disclose the number

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Airline CEOs Weigh In On Key Issues



United's Jeff Smisek



Delta's Richard Anderson



American's Doug Parker

BY MICHAEL B. BAKER

Los Angeles - The chief executives of the three largest U.S. carriers—Delta Air Lines' Richard Anderson, American Airlines' Doug Parker (see story, page 6) and United Airlines' Jeff Smisek—in late July took the stage separately during the Global Business Travel Association's annual convention here. What follows is an edited transcript of their comments on some key issues related to corporate travel and the aviation industry.

On Plans For Regional Service:

ANDERSON: People don't fully appreciate what happens when a barrel of oil goes from \$20 to \$110. It has impacted small communities and, more and more, it's really a look at what are the intermodal ways people can get to the airports. When you think about how we ought to be organizing transportation in the United States, in the short haul, more and more, due to the cost of carbon, we should expect to see more light rail and other ways to get into airports. The impact has been on the small communities and the lack of favorable economics on 50-seat jets. The U.S. aviation policy has been focused on low-fare, high-frequency between large cities. It has not focused on small and medium markets. For many years, large carriers like Delta subsidized those markets, and we made the decision, when fuel prices got up to \$110, we can't subsidize those markets anymore. We did close down Comair, and that was part of needing to reduce from 600 50-seat regional jets. On the September schedule, we have 185. Fifty-seaters are going to continue to dwindle. You need about 150 percent load factor with these fuel prices.

SMISEK: We've been very focused on improving our on-time performance, particularly [at] our Express carriers;

we are changing the way we allocate our Express operations to our hubs. We've had too many individual Express carriers operating at any given hub, and we're rationalizing that, which gives our Express partners opportunities to do better maintenance flows and recover better from irregular operations, such as weather. We're also reducing significantly the number of 50-seat regional jets. By next year, we'll have about 130 fewer 50-seat regional jets. We're replacing many of them with brand-new 76-seat RJs with first-class product and Economy Plus product, and improved food offerings.

PARKER: Eagle is a really important part of the network. What's happening to regional flying is it has truly become a feeder to the mainline. We price the product, we schedule the product, and it's all about who can do that reliably at the lowest cost. We have an issue right now with the pilot contract—[which] will be resolved—that makes growth sub-optimal. Eagle will be a part of the growth of the airline if we can get this worked out with the pilots, but nonetheless, it will still be a big part of American.

On Fare-Based Loyalty Programs

ANDERSON: When frequent-flyer programs were first started, they were fare-based. Over time, they became not fare-based. The banks went down this road first, when you think about Capital One and a lot of the bankcards, so we went to a revenue-based model, and it makes redemption a lot easier. Redemption is about the same as the fare level, so the airline becomes indifferent as to whether miles are used or dollars are used or a combination of both.

SMISEK: We're not trying to encourage travelers to spend more, though we'd

love it if they would. This is a natural evolution of the loyalty programs. If you look at most loyalty programs, they're dollar-based, if you go to Nordstrom or Neiman Marcus. It applies the value of the loyalty program to the highest-value customers. TMCs and other providers of services to corporate buyers do a very good job making sure their people adhere to corporate policies, and I expect they'll continue to do so. All we're trying to do is to allocate better what is a very valuable, expensive set of benefits we offer to our best customers.

On Safety And Security

SMISEK: We take events like [the shoot-down of Malaysia Airlines Flight 17] incredibly seriously. We clearly have a lot of contacts in the U.S. government and people all around the world, security people, so we have a lot of information. With that, we in many cases have to make swift decisions, always erring on the side of caution.

ANDERSON: We establish our own no-fly zones. At Delta, we have a prohibition on dispatching airplanes across Afghanistan, Iran, Iraq, Syria and North Korea, and that's a dynamic process. We have security offices in every region around the world that make those decisions very conservatively.

On Competition With Middle Eastern Carriers

SMISEK: They clearly have a huge advantage with very low labor costs, no labor unions and little to no taxation. They're state-subsidized and state-controlled. Their governments recognize the importance of aviation and are very supportive of aviation. Our government views us as an ATM machine, a piggy bank. The most recent increase in the [U.S. Transportation Security Administration] fee is not being used

for security; it's being siphoned off the national debt.

ANDERSON: Broadly, we're in favor of Open Skies agreements, but we're also in favor of Fair Skies agreements. A number of those carriers are not airlines. They're governments. Those enterprises have huge subsidies and huge structural advantages. We've got to look at the balance of traffic to make for a level playing field. Fifth [freedom traffic rights] were really originally intended to be basically fuel stops, and we've reached a point now to be able to avoid fuel stops, so you can fly nonstop anywhere in the world.

On United's Integration In Concur TripLink

SMISEK: I would analogize our deal with Concur similarly to our wanting to be on every shelf, everywhere. We want to be omnipresent. However buyers wish to buy our product, we wish to be there, and we have buyers interested in coming direct to us but making sure they have all the reporting, back-office function and duty of care. We want to facilitate that. We're not forcing anyone to use this. We want to move with technology.

On The Carriers' Respective Mergers

PARKER: Putting two airlines together is a really long and difficult process. For our customers, for the most part, by 2015, it should feel like one airline, but we certainly won't be done with the integration [with US Airways]. There's a tendency to try to put things together and try to come up with something even better, to integrate and innovate at the same time. What we're doing this time is relying mostly on American systems, because that causes the least disruption to the team, because more people are used to using those.

SMISEK: A majority of our employees have now joined collective bargaining agreements. We have two larger groups left: one is our technicians and maintenance personnel, and one is our flight attendants. The flight attendants are taking longer than I would have wanted. We have three sets: the old Continental, the old Continental Micronesia and the old United, and they have very different forms of compensation. There's been some degree of difficulty in the three sets of unions coming together to decide what they want. I'm confident we'll reach an agreement, but I can't tell you when, because these things have a life of their own. 

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Interview: Hertz Executive VP Of Sales Bob Stuart



Business Travel News: What is Hertz's strategy now regarding the corporate side of the market?

Bob Stuart: We always want to make sure that we're appealing to all audiences. It's a big deal to us. It's a third of our business, even with the Dollar Thrifty acquisition. One of the things that we just worked on is our Gold Plus Rewards program. You used to need 40 rentals a year to become a President's Circle member, and 20 rentals a year to become a Five-Star member. We reduced those tiers significantly. We're making access into our loyalty and our highest status a lot easier to earn, and we're getting great responses on that. In our President's Circle, our transactions are probably up 60 percent just in that segment because we're making it more accessible. They earn points quicker and can redeem them quicker.

BTN: When did you make that change?

Stuart: We did that in first quarter. The other thing that we did is now you earn [points] real-time. If I earn Five-Star or President's Circle this month, now I start earning those benefits real-time. It's a pretty neat thing.

BTN: What was the impetus behind making those changes?

Stuart: Stickiness with our customers. We want their business rental, but we also want their leisure rental, so it creates more stickiness. Our Gold customers are loyal and they rent more often, like three to one, versus a non-Gold renter. So, it's an important segment for us to continue to get the stickiness with.

BTN: What's your sense of the corporate market now, in terms of demand? Are you seeing that business bouncing back?

Stuart: Yes, absolutely, and it's by geographies. In Europe, you've got to go country by country. Some countries are

Los Angeles - The Hertz Corp. executive vice president of sales and marketing **Bob Stuart** late last month sat down here with *Business Travel News* editor-in-chief Chris Davis to discuss the car rental company's strategy in dealing with the corporate market, its approach to corporate pricing, the state of corporate demand and Hertz's approach to on-demand renting. Edited excerpts of the discussion follow.

pretty robust; other countries are flat. Some are down. But overall, Europe has come back fairly nicely. Asia has a different story. Corporate is tied very highly to the mining industry, [especially] Australia and New Zealand. We're seeing softness on that end of it.

But on the corporate side, the United States is coming back. Still, they're always looking for productivity. We focus a lot on how we can give them productivity. We've been getting price increases. We need to do it; our costs are going up. So we find other ways to give them savings, and there's a million ways to skin a cat.

One that we brought to them was, if [the buyer] reimburses [travelers] for personal mileage, we do the calculations for them and anything over 100 miles, we show them the benefits [in that they would] save money if they rent a car versus reimbursing [using] the IRS rate of 55 cents a mile.

We look at their patterns now. Part of Gold Plus Rewards and the [data] warehouse that we have is that you can see patterns. Are they flying in on a Sunday or Monday, and are they leaving on Friday? And is that renter doing that repeatedly? So, we start asking questions. When they're doing that, are they paying parking for a full week? Well, then we say, "You are better off if, when you leave on Monday and return on Friday, that you actually rent a vehicle for the weekend, versus paying \$25, \$30 a day to park." So, we'll tell them, just drop the car, pay for the weekend rental and drop the car back off when you get to the airport. And then go on your way.

I've personally been involved, and I have converted people to doing that. Because there's real savings there and it adds up pretty quickly. I'm looking at different ways I can skin a cat.

BTN: Is that something you're doing as

standard procedure?

Stuart: We want to make sure that we're doing ongoing, continuous improvement, so we're always going in ways to see how we can help them. And again, that gives us stickiness with the corporate customers as well.

BTN: Looking ahead, what sort of rate increases are you targeting going into 2015?

Stuart: It depends. We segment our customers. We probably have eight tiers that we look at. And so we'll look at where we think we're on the balance. But someone may have gotten more out of whack than others. And you gradually try and bring them back.

BTN: How are folks responding to that?

Stuart: They're on board with it. I mean, not everyone, but you've got to share with them the data. That's powerful. And you show them the history, you show them the trend levels, and you show them what's happening. But then you give them alternatives: These are ways you can go back and get productivity.

BTN: There was some talk in the industry about renewals and how perhaps not everybody would want to renew all corporate clients. Is that the approach you're taking as well?

Stuart: We're going to look at the profitability of it. They need to be attractive to us.

BTN: Does that entail, when a contract ends, perhaps not agreeing to re-up?

Stuart: I think we have those conversations, but we're not arrogant about it. We don't wait for the contract to come up. We have this conversation six, eight, nine, 10 months out. Our customers, we're pretty entrenched with them. We will never go in there and surprise them. That's not our tactic ever. We have ongoing dialogue. We

talk to them; if [a renewal] is coming up, these are the things we're looking for, and what are your expectations? And then we try to come up with a win-win for both. It's been pretty good.

BTN: What's the strategy around on-demand renting?

Stuart: That's our 24/7 product. That's our on-demand model that we've been trying to perfect the latter part of the year. We're really in the throes. We're piloting this program [and] trying to commercialize it. We're trying to make sure that when we go full-scale with this, it's a flawless, seamless experience.

We bought a company, Eileo, from Paris [in 2009]. We bought it for the technology. We tried to really understand the model. Do we want to be on universities? Do we need to go into the big urban areas? So we actually took 16 off-airport locations and we put 24/7 cars with kiosks, and we actually allowed them to call our customer service desk in Oklahoma so we can unlock the doors for you. So you didn't need a key fob, and you didn't need an RFID card.

During that time, we found that half of the reservations were made when that location wasn't open, and it was made within two hours of when they were actually transacted. So, they made it at 7 p.m. after the location closed, and they're actually entering the vehicle at 9 p.m.

Then they were doing the same on the return. Some of them were returning them when the location was closed. To us, it showed there was an unbelievable opportunity for on-demand.

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When you return it, you just put the six-digit PIN code in and it locks the vehicle and you're done. It's that simple. Again, we have all kind of great technology with that tablet. We have Wi-Fi. We have hands-free technology. We have a concierge where you can push a button if you're in an emergency situation and we'll actually call the vehicle and ask you if everything's okay.

We'll also give you restaurant tips and hotel tips. The suite of products that we're going to have available on the tablet's going to be amazing. 🚗

PwC Cancels Whisk Ground Transportation App Pilot

BY CHRIS DAVIS

PROFESSIONAL SERVICES and Big Four auditing firm PricewaterhouseCoopers late last month discontinued a pilot program with mobile ground transport tech platform Whisk, according to an

internal memo from the firm's U.S. travel department sent to employees and obtained by *The Beat*.

Promoted to employees in the New York City area, pilot participants since the program began in the fall of 2013 were able to use the Whisk mobile app to book specific PwC-approved local chauffeured transportation suppliers service on demand at a discounted rate.

The pilot program was discontinued effective July 28. "We are ending the pilot because we did not see wide adoption by our people and because the Whisk App only offers service in the NY area and does not offer broad coverage across major cities in the U.S. where our people travel," according to the memo.

Fewer than 550 unique PwC users had booked service through the Whisk app since the pilot began, according to a source close to the situation, and during the first six months of 2014 about 5.5 percent of all rides booked with the designated chauffeured transportation suppliers were made through the app. Additionally, according to the source, the total number of rides booked through Whisk declined from March to June.

In contrast, according to the source, use of mobile on-demand transportation services provider Uber among PwC employees has increased sharply. In the metro New York City area, the percentage of all black car and taxi rides booked by PwC employees through Uber increased to 9 percent in the first six months of 2014 from 3 percent in the last six months of 2013, according to the source.

In an email to *The Beat*, Whisk CEO and co-founder

Michael Ibrahim wrote, "We are pleased with the market-share Whisk gained at PwC in just one third the lifetime of Uber. While PwC's official

marketing of the Whisk app has come to an end, Whisk is an open platform, so anyone who chooses to can still use the app. Whisk continues

to be the chosen on-demand platform for over a third of the New York black car providers, including all of those serving PwC. We are delight-

ed to be the only platform helping corporate riders benefit from on-demand access to their corporation's preferred providers." 

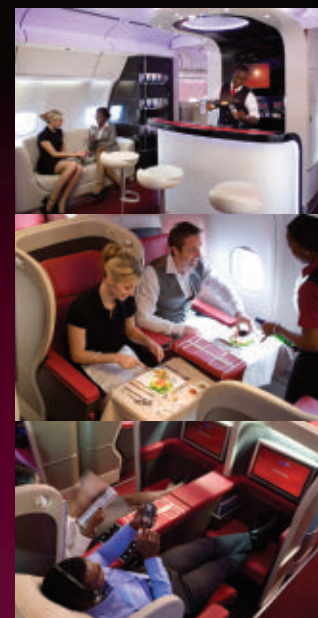
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Re-Deemed? Grady's Commerce Platform Recapitalizes, Charts New Course

BY JAY BOEHMER

IN A JULY BLOG POST, Deem founder and CEO Patrick Grady likened his company, once known as Rearden Commerce, to "an athlete on steroids."

"We looked invincible on the outside, but were rotting inside," he acknowledged.

According to Grady, the dealers of those steroids

were banks and credit card companies that over the years injected some \$300 million into Rearden and Deem, but took as much as they gave. Now, the company is putting all that behind it, and last month made a series of announcements that point to a reinvention. Those include new features and investments in its Deem at Work platform, recent revenue strength and cost-cutting successes, and a new round of funding—one without participation from the likes of American Express, Citi or JPMorgan Chase.

Deem last month announced that it secured a \$50 million "round of expansion capital" led by Chinese private equity firm Hony Capital, and separately finalized a recapitalization effort led by PointGuard Ventures and mutual fund investors that also includes Grady's participation.

Grady wrote that the new invest-

ments mark "the culmination of a comprehensive and transformational operational restructuring" and ends "a six-year perfect storm within the financial services sector for our company."

Grady added that while the company has "raised well over \$400 million since inception"—much of that from banks and credit card companies—accepting that capital turned Deem into

them drive deeper customer engagement and monetization to offset the secular decline of their interchange fees," Grady explained. "This view was shared by these partners at the C-suite level and served as the basis for their equity investments.

"Unfortunately," he continued, "off-contract and extraordinary high levels of custom software development



"Off-contract and extraordinary high levels of custom software development projects resulted in unsustainably high operating expenses, [and] increasing regulatory restrictions ... led to substantially fewer revenue-generating opportunities."

—DEEM CEO PATRICK GRADY

"the software development arm" of a few New York-based banks, which bled the company.

"When we entered into commercial partnerships with these banks and credit card companies beginning in 2008 our hypothesis was that they were brand, data and customer-advantaged but in need of a next-generation e-commerce partner to help

projects resulted in unsustainably high operating expenses. Additionally, increasing regulatory restrictions in a post-financial crisis era led to substantially fewer revenue-generating opportunities. The net of this? Wildly higher costs, lower revenue, massive distractions from our core, a bifurcated mission and plunging morale."

Grady said that chapter "radically

altered the company, our mission, culture, capitalization and allocation of resources, all for the worse."

Now, the company is attempting to recover some momentum. Grady claimed that since Deem began "decoupling" from the banks about two years ago, the company has "slashed operating expenses by 50 percent, grown revenue in our core business, raised gross margins, introduced new and market-leading products and entered into strategic partnerships with market leaders in business, consumer, mobile and travel services."

Deem's three primary businesses now center around its T&E procurement and booking tools, its merchant promotional offers platform and syndicated white-label commerce solutions.

The privately held company, which does not release audited financial results, claimed solid growth in its most recent fiscal quarter, adding 3,000 T&E clients and 1,000 new merchants.

New travel and entertainment clients range "from 100 employee startups to *Fortune* 100 multinationals," according to the company, and include Cognizant, Princeton University, SGS North America, GT Software, Aisin World Corp. of America and Safe Foods Corp. Meanwhile, Hertz is among the Deem commerce network's new merchants.

As for its syndicated business line, Deem noted that it "added and renewed numerous partners in the second quarter including Travel and Transport, Ultramar, All Direct Travel, Cain Travel, Accent Travel and Montrose Travel."

To demonstrate the company's recommitment to the travel and expense market, Grady in a statement last month noted that Deem allocated "over 130 of our best people focused solely on delivering innovation to our business customers."

Among "the scores of new features" Deem introduced are "mobile travel booking across smartphones and tablets with integrated policy" that enable "employees to easily search, book, change or cancel air, car or hotel purchases, and quickly filter, share, sync and update information, including tracking multiple trips at the same time."

The company also is releasing such features as "fully integrated pre-trip approval and notification," automated ticket exchanges and what it called an "Uber-like" on-demand ground booking function that gives corporate travel buyers control over suppliers and policy.

United's Revenue Management Tweaks Paying Off

BY DAVID JONAS

UNITED AIRLINES' efforts to improve revenue performance by adjusting its revenue management techniques appears to be delivering the desired results.

The company for the second quarter reported nearly 4 percent year-over-year growth in passenger revenue and consolidated passenger revenue per available seat mile, ahead of initial expectations. Representing fare paid, passenger yield improved by 3 percent.

United revenue derived from "large" corporate clients grew by 3 percent in the second quarter "despite decreased year-over-year corporate revenue in April due to the Easter holiday shift," according to chief revenue officer Jim Compton, speaking last month with analysts and media. He noted "good growth" for United's PerksPlus small business program and said that overall corporate rev-

enue increased about 6 percent.

Compton said a nearly 6 percent increase in domestic PRASM was driven by a "solid demand environment as well as strong execution on our revenue management initiatives." On the latter, United in last year's third quarter first publicly discussed the need to fix faulty revenue management assumptions, something it claimed to have started by the next quarter.

For example, the airline is "taking fewer early bookings and holding seat inventory for later, higher-yielding bookings," Compton explained, which contributed "three-quarters of a point of consolidated PRASM growth in the second quarter." He said United expects the practice to deliver a full point of PRASM growth during the current quarter.

Compton also said that the airline "recently restructured premium-cabin fares on many of our domestic and short-haul Latin flights," which led to

another 0.5 percentage-point growth in PRASM and helped boost paid premium-cabin load factor by 5 percentage points to 47 percent.

United also reported a 7.9 percent year-over-year increase in ancillary revenue per passenger, to more than \$21. That included a 28 percent revenue jump related to paid premium upgrades.

In a research note, Cowen and Company analysts wrote that while United "has historically lagged its major competitors in PRASM growth," the third quarter could represent "a turning point," given the airline's growth guidance of 2 percent to 4 percent. That is "in line with Delta," according to the research note, "and shows the company is beginning to bridge the gap in terms of PRASM."

United Continental Holdings for the second quarter reported net income of \$789 million, up from \$469 million in the year-earlier period.

New Yield Management Tools, Commercial Gains Lift Avis Budget Pricing

BY JAY BOEHMER

AVIS BUDGET GROUP for the second consecutive quarter reported a gain in commercial pricing, up 2 percent year over year in North America for the three months ending June 30. Management during a conference call this month said positive pricing trends continued into the third quarter amid tight fleet levels, sturdy demand and increasingly sophisticated revenue management tools.

Striking a sanguine tone throughout the call, CEO Ron Nelson said, "I'm probably more enthusiastic about our business than I've ever been, and one of the reasons is the meaningful change in pricing that we've now seen play out over the past six quarters."

In North America, rental car revenue during the second quarter rose 12 percent year over year, lifted by a 5 percent rise in rental transactions and 4 percent increase in overall pricing. The company expects full-year North America

pricing to grow 2 percent from 2013 levels with up to a 7 percent increase in transaction volume.

Avis Budget for 2013 reported its first overall gain in pricing in years, led by the leisure segment, and followed this year by commercial. "I've been loath to say one quarter or two quarters constitutes a trend, but I think six quarters does constitute a trend," Nelson said.

The 2 percent growth in overall commercial pricing for the quarter was "led by growth in the small business segment," Nelson said. Yet, as leisure pricing continues to make gains—up 6 percent year over year in the quarter—fewer contracted clients are "flipping" to such rates, helping to lift realized commercial pricing.

Even as Avis Budget in the first quar-



Ron Nelson

ter reported its first net gain in the commercial segment, large commercial client pricing remained down. Yet, Nelson noted "modestly positive pricing gains" for the segment in July and August.

In addition to tight supply and solid demand, Nelson attributed pricing strength to new revenue management tools. The company

has implemented "the first phase" of a new yield management system in 100 markets, enabling it "to be more nimble in these markets by being able to shift prices multiple times in the day, based on competitive factors at the individual airport level," he explained.

A second phase to be launched later this year involves "integrating a sophisticated new demand-forecasting model with the yield manager," he said.

The company then will make further

tweaks to "optimize fleet and pricing decisions in a very granular manner."

"When fully operational next year," said Nelson, "this system will literally integrate billions of demand, fleet and pricing data points to help us better optimize our fleet, pricing and revenue management decisions to deliver maximum profitability."

Other technology investments the company is making this year include upgraded Avis and Budget mobile tools that will incorporate some Zipcar technologies, upgrades to its reservations system, new customer service programs—including the deployment of tablets to select on-airport staff to assist customers while they wait in line—and new websites in select foreign markets.

"We will invest more in IT this year than we ever have," said CFO David Wyshner. "Of our expected \$200 million in capital expenditures this year, more than half will be spent on improving our technology platforms."

The company reported a \$26 million second-quarter profit, swinging from a \$28 million net loss for the same period last year. 

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Interview: AirPlus International U.S. CEO Yael Klein



Business Travel News: What are your goals and strategies in your new position?

Yael Klein: There are strategies, but I'm not ready to present them or talk about them yet. We had 27 percent year-over-year growth, so we're doing very well. Our JPMorgan Chase partnership is on track, and we are exactly where we wanted to be numbers-wise. We have a joint partnership with JPMorgan for the large market, but we sort of neglected the midmarket for a while, so we're refocusing back on that. Globally we have a totally different strategy, so I'm primarily talking about the United States.

BTN: Ron DiLeo, then CEO of AirPlus International North America, during last year's GBTA convention told us he anticipated bringing Mobile AIDA to the United States within six months. Where is AirPlus on that?

Klein: I believe he was overstepping his boundaries a tad when he said "in the next six months." We're still looking to bring Mobile AIDA to the U.S., but I can't talk about timelines. The virtual card is globally one of our biggest products. We had a year-over-year growth in the virtual card market of about 50 percent to 60 percent, globally, primarily driven from the U.K. and Italy markets. We have a large network of TMC partners in Italy and the majority of our business comes via our TMC partners in Italy. So of course at some point we would like to replicate the success in the U.S., but I can't give you timelines.

BTN: AirPlus' Volker Huber at the time pointed to challenges with U.S. regulations as stalling that process. Is that still the challenge?

Klein: It's the types of licenses that are required. Financial institutions in Europe are regulated differently than in the United States. So for the [card networks] it's quite hard to put a tag on

Los Angeles - A few months after her appointment as president and CEO of AirPlus International's U.S. subsidiary and head of its Americas operations, **Yael Klein** during the Global Business Travel Association's annual convention here last month spoke with *BTN's* JoAnn DeLuna about offerings for the midmarket, growth in virtual card payments, competitive differentiation and the impact of executive changes on corporate clients. An edited transcript follows.

us because we're not a bank, but there's nothing like the financial institutions that you have in Europe. The process just takes longer to get the correct licenses in place.

BTN: With so many virtual card products recently launched, how does AirPlus distinguish itself from the competition?

Klein: We have a very long history in travel and travel payment. When we launched our product 10 years ago, we did what we do with all our products and integrated it into all the systems. AIDA or Mobile AIDA is integrated into the back-office systems, into booking engines, global distribution systems, and automatically uploads to the [expense management systems] without the customer realizing what is happening. No one has to self-generate a number and type it into another system. The magic needs to be a non-touch process, and that's what AirPlus is very good at, and that's what makes it very powerful. What we also do with our lodge card is collect the data that

[travel managers] need to reconcile. So the cost centers, project codes, division codes—all that kind of stuff gets in in an automatic fashion. Many say that's what they want to do, but very few actually do it.

BTN: Some issuers already are visualizing the next generation of virtual cards, with some saying they will go back to plastic cards or be a hybrid product. How do you see the next evolution of virtual cards?

Klein: I don't perceive it going back on a plastic card because the beauty of a v-card number is that it changes all the time. I think a mobile virtual card is the next step, but to have the tap-and-go functionality on there probably will be the next logical step.

BTN: Will we ever get to a world where there are only virtual cards?

Klein: No. One day, maybe? Things take time, especially in travel. The technology has to evolve. Look at chip-and-PIN. We're in the United States, and people haven't adapted.

BTN: What are you hearing from your customers? What kinds of solutions do they still need?

Klein: I've been with AirPlus for 15 years and have been asking them for 15 years. Typically customers don't really know what they want. You have to find the issues for them, you continuously have to look at the changes within the processes and see how you can optimize it and make their life easier. They always say the same thing: folio data. Then you ask if they're willing to pay for it and they say no. So it's the same old things because we've heard it so many times. It doesn't seem to be a big enough pain point for them to pay for it. So we have to find things that really make their life easier that they didn't find themselves.

BTN: AirPlus has had a lot of executive changes lately. What can you say to clients to reassure them that AirPlus is capable of taking care of their needs?

Klein: We've been here for the long haul, and for a long time. We just received results of our customer satisfaction survey which we did in May, and the account management and customer service ratings went up compared to last year's results. So, customers, as such, didn't feel that they suffered. I think the issue was that partners felt the lack of stability because a new phase came every now and then. What AirPlus did to change it this time was to bring in someone from AirPlus who's been here for 15 years. I know the company, I could hit the road running, and I'm sure we'll continue to grow and see great things in the future. 🔄

BMO Piloting Virtual Payment With U.S. Clients

BY JoANN DeLUNA

Los Angeles - BMO Financial Group is piloting a MasterCard virtual card product with two U.S.-based clients, BMO vice president of North American corporate card products Steve Pedersen in July told *BTN* here during the 2014 Global Business Travel Association annual convention. Meanwhile, the bank also is gearing up to launch "in a couple of weeks" mobile capabilities, according to Pedersen.

The BMO virtual card pilot participants, which Pedersen did not identify, can create one-time-use 16-digit card numbers to pay for both travel and procurement expenses, he explained. Users can set exact available fund amounts, restrict available

merchants and set specific dates for the cards to be used.

"We're piloting first in the U.S., then Canada, and we'll be looking to do a full rollout beginning next year," he said.

When asked why BMO decided to partner with MasterCard, Pedersen said, "because it's a good product."

"It made so much more sense to leverage their capabilities as opposed to trying to create something from scratch," he continued.

Mobile Moves

Although BMO in June admitted to *BTN* that it was "a little behind" on the mobile front, the bank now is preparing to boost such online and mobile capabilities for both program administrators

and travelers with the development of new mobile features like payment capability, receipt-capture functionality and the ability to check balance and credit limits.

Users through the platform also will be able to view expense and delinquency reports and check whether travelers are nearing credit limits. BMO plans to allow administrators in the future to increase or decrease credit lines, Pedersen said. The bank plans to provide such capabilities for Android and iOS mobile devices.

BMO previously announced it would begin issuing chip-and-PIN corporate cards upon renewal or replacement. It also plans to have all U.S. ATMs chip-certified by the end of the year. 🔄

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Starwood Joins TripLink, Launches New Corporate Program

BY MICHAEL B. BAKER

STARWOOD HOTELS & Resorts Worldwide last month became the second major hotel company to integrate and go live with Concur's TripLink open-booking platform.

The integration links travelers' Starwood Preferred Guest profiles and Concur profiles, giving them "a more seamless process while giving the travel manager a better spend management perspective as well as duty of care," Starwood vice president of global corporate sales Alice Harrington-Caravella said. Travelers booking through the SPG or Starwood brand sites can see and book their firms' preferred rates, and Starwood also will automatically populate expense reports with folio data, she said.

Starwood joins InterContinental Hotels Group as major hotel companies that have integrated with TripLink. Marriott International also has been cited as a partner and is expected to go live by year-end.

Starwood also announced a

new corporate business travel program in which travel buyers can earn discounts and SPG elite status levels for travelers based on their volume of business with Starwood.

Through the program, travel buyers earn discounts off best

plan said feedback from travel buyers indicated the program was confusing in its explanation of how to redeem the points and that they "would much rather get true discounts so they can show their CFOs the value of the program."

Through the program, travel buyers earn discounts off best available rates as high as 7 percent as well as a select number of gold and platinum statuses they can bestow on their travelers.

available rates as high as 7 percent as well as a select number of gold and platinum statuses they can bestow on their travelers, Starwood director of new business development and prospecting Jonathan Kaplan said. Buyers also gain access to online reporting and tracking tools, he said.

The program replaces the points-based Starwood Preferred Business program. Ka-

Starwood plans to start the new program on Oct. 15 and is registering corporations for it in the interim.

Rate Hikes Expected

Meanwhile, Starwood CEO Frits van Paasschen during an earnings call with investors said the company's second-quarter North American occupancy reached a record 78 percent, nearly two percentage

points higher than the same period last year. The average daily rate in the region increased 3.3 percent year over year to \$175.73.

Amid high occupancies, Starwood hotels have been "mixing out lower-rated business," van Paasschen said. Group business also has been recovering, with group revenue at managed and owned hotels in North America up in mid-single-digit percentage levels during the quarter, and bookings in the year and for the year are up by double-digit percentage levels, he said. A high volume of association group business cancellations has tempered group growth, he added.

Group sales also have benefited from Starwood "investing in some sales tools to enable our associates from more locations and with more flexibility to not only access what inventory is available at what prices but targeting customers based on what we know about their past histories and inquiries," van Paasschen said. "This

has enabled our associates to be more productive."

Overall, a combination of factors, including high corporate profitability and below-average supply growth, should allow Starwood to "enjoy full hotels and rising rates for some time" in North America, van Paasschen said.

Global Performance

Worldwide, Starwood ADR during the second quarter increased 2.2 percent year over year to \$178.19, and occupancy increased by 2 percentage points to 71.9 percent.

In Europe, Starwood expects a "modest recovery will continue," according to van Paasschen. Systemwide ADR in Europe for the quarter increased 5.2 percent year over year to \$238.71, though occupancy stayed about flat at just below 70 percent. Starwood hotels in Italy and Spain had the strongest performance, while hotels in France and the United Kingdom had slower growth, van Paasschen said. He added that the fighting between Russia and Ukraine was the "biggest dark cloud" in Europe, with the potential to derail hotel performance in the region in the coming quarters.

Starwood's systemwide ADR in the Asia/Pacific region declined 2.9 percent year over year to \$153.01, while occupancy increased by 4 percentage points to 63.4 percent. China, where van Paasschen said "demand is not just holding up but growing," accounted for the bulk of the occupancy growth, with occupancy in Greater China up 7.2 percentage points to 62.1 percent for the quarter. In the rest of Asia/Pacific, occupancy was about flat.

ADR in Africa and the Middle East remained about flat during the quarter at \$185.61, while occupancy dropped by 1.1 percentage points to 62.9 percent. Van Paasschen said performance varied wildly by market, with RevPAR up significantly in Qatar and Abu Dhabi but down in Egypt and Nigeria, both of which were affected by political instability.

Starwood's net income for the quarter was \$153 million, up from \$137 million in the second quarter of 2013. 

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Interview: Furnished Quarters President Gary Brown



Corporate housing supplier Furnished Quarters in the past year rapidly expanded its footprint in the Northeast, increasing its portfolio of apartments outside New York City between July 2013 and July 2014 by nearly 40 percent. Furnished Quarters owner and president **Gary Brown** recently spoke with *BTN* senior editor Michael B. Baker about where the company is planning growth, including a new extended-stay apartment-style hotel that is under development, as well as the company's strategy for booking and payments.

Business Travel News: Is demand keeping up with unit growth?

Brown: We're growing like crazy right now. Our unit count will be up by about a third over the prior year. Massachusetts is growing tremendously. We've sold out the summer, so we're unfortunately turning people away. In White Plains, we've grown quickly in a short period of time, and we've sold out for the summer as well. In Manhattan right now, you can get some offerings, but you won't get a lot of choice right now for the summer.

willing to commit for three months, we'll build it for them.

In addition to that, we are just about to announce the start of a global solutions center, where it's a one-stop shop. So, if you have a corporate client with needs outside of our core market, we'll have a solutions center dedicated solely to sourcing the right apartment. Many are Go partners. We own a piece of [Go Furnished Housing Providers] along with about 14 to 15 other corporate housing companies across the country.

apartments, and you can do a less-than-30-day stay. There are very few buildings in Manhattan that are traditional apartments zoned for hotels.

BTN: Do you project unit growth will sustain during the next several years?

Brown: We always want to be somewhat conservative. I would expect our growth in the next five years to be at least 10 percent a year in our core markets. We have more than 1,000 units now across the globe. As we

Brown: One thing we're taking the lead on is how you pay for things. Traditionally, you swipe a credit card or write a check. Our clients are paying by credit card, wire transfer or check. The concern is the security of that client's card information when filling out a form and faxing or [emailing a] PDF to one of our offices. The concern is what happens to that information. We've solved it with an online solution through a company called PayLease. It's a simple login: You go into a secure login, get a user name and password and it's level-one security, same as on all major websites today. 

BTN: What other corporate travel demands have you been addressing?

We always want to be somewhat conservative. I would expect our growth in the next five years to be at least 10 percent a year in our core markets. We have more than 1,000 units now across the globe.

We continue to grow inventory, adding buildings in each quarter. We have about 30 properties now in Manhattan, so we have apartments for all types of guests, from interns to CEOs.

BTN: What specific types of growth are you pursuing?

Brown: We are catering to the higher end of the market. A CEO or an actor comes in, a lot of times they want a unit nicer than what even Furnished Quarters offers. So, we have clients now paying \$20,000 to \$40,000 a month for a high-end apartment. We're custom-building the apartments. They tell us what they want and where they want it, and as long as they're

We each have an equity stake in that entity, with a sales and marketing company for larger accounts, and that feeds into our network. We have relationships in London, Sydney and around the world.

BTN: What about your foray into the extended-stay hotel market?

Brown: The most exciting thing we have coming is 70 Pine. It's going to be coming online in the first quarter of next year, and it's a partnership with Rose Associates and DTH Capital. They're the owners and we manage it. It's a traditional apartment building, and the hotel units—the bottom four floors, with 132 units—are regular

grow, we can put some more of our own resources toward that.

BTN: Are you pushing for more online bookings?

Brown: No real changes in the booking side. It's such a consultative business that you can't do it justice by booking online. It's not like we have a 300-unit hotel and we block dates or don't block dates. Often, in corporate housing, one of our guests will come in and want that exact corner apartment in this building. Well, maybe that apartment's not available Aug. 1 but is on Aug. 13, so we can put them in something else prior. You need to have that discussion, that interview.



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BCD Travel Tests TripBam With Client Hotel Programs

BY MICHAEL B. BAKER

BCD TRAVEL is piloting with a small group of corporate clients the use of automated hotel rate shopping tool tripBam and plans to expand availability this summer, the companies announced last month.

Four of the travel management company's clients were set to turn on tripBam, which takes a booking and continually shops for better rates at the same hotel and those in a user-determined cluster. Two other clients, Sapient and WellPoint, already have been using tripBam through Travelocity Business, which BCD Travel acquired last year, said senior vice president of strategic marketing April Bridgeman. The pilot should last a couple of months, during which time the TMC will examine the implementation process, seek additional automation opportunities and formulate a commercial agreement with tripBam, Bridgeman added.

During the pilot, tripBam will work behind the scenes with bookings funneled from BCD Travel; no interaction is needed with the traveler or the corporate client, said tripBam president and founder Steve Reynolds. Corporations can set parameters for the clusters, such as whether to include only preferred hotels and chains or only the booked hotel itself. They also can opt to allow travelers to set up their own clusters, though Reynolds said no tripBam client as of yet has elected to do so. If a better rate becomes available in the

cluster, BCD Travel notifies the traveler via email, prompting him or her to verify with the TMC whether he or she wants to rebook.

Clients also can define parameters as to which rates are searched through tripBam, Reynolds said. Some clients might want to exclude VIP travelers or, especially, hotel bookings associated with an event. Another client has speci-

For example, to see which yields the best results, the testing will compare such potentially punitive methods as copying in a traveler's supervisor when rebooking options are rejected against such reward-based methods as offering a Starbucks gift card when significant savings are achieved, Reynolds said. BCD Travel also will be investing in automating the rebooking process, since



"We're interested in finding an understanding of traveler behavior: what types of offers they're most likely to accept and how it varies by company culture and traveler profile."

—BCD TRAVEL'S APRIL BRIDGEMAN

fied to look for new rates only when the original booking was at least \$200 per night, he added.

During the pilot, BCD Travel is less concerned about testing the technology itself and more focused on "getting a sense of what real results and opportunities might look like," Bridgeman said. "We're interested in finding an understanding of traveler behavior: what types of offers they're most likely to accept and how it varies by company culture and traveler profile, making sure we have the opportunities to increase the acceptance rate."

having agents rebook manually is "not sustainable," Bridgeman said.

Early Adopters Report Results

During their own pilot programs, Sapient and WellPoint have taken different approaches with tripBam, and both have reported savings.

WellPoint initially has taken the more limited approach of searching for better rates only at a traveler's booked hotel, which was the best fit considering the company's traveler culture, said director of travel and events Cindy Heston. While WellPoint's negotiated rates in

its primary markets have held up well, tripBam has proved useful in improving rates in markets where the company has either little volume or decentralized travel, she explained. Savings have averaged \$44 per room night on bookings in which tripBam found a better rate.

Heston now is considering wider use including clusters in markets where room rates are especially high. "Having to ask a traveler to move from one property to another is much more compelling when there's a high-value item there," she said.

Sapient, which began using tripBam in the second quarter of this year, has taken a broader approach, opening it up to all travelers and including clusters of both preferred hotels and other hotels within a certain radius, said director of global travel and client experience Michelle De Costa. The tool has found savings on more than 40 percent of original bookings, which she called "pretty staggering."

Sapient now is looking at refining its communication to travelers, particularly those who most often decline rebooking offers.

"We want to do some personalization, maybe have a more casual communication style since we have a young traveler base," De Costa said (see story, page 10). "We're seeing in the reporting what the offers are, so maybe we can do targeted, one-on-one communication."

In the longer term, Heston said she hopes to leverage tripBam to improve hotel program compliance and develop more data analytics around not only what rates are booked and rebooked but also overall rate availability via the tool. She already plans to use the data later this year when negotiating with hotels in secondary markets.

"Hotels where we keep repeatedly finding lower rates, we can say that it isn't working and needs to be renegotiated, or we need to look at options that will give us a better market value," Heston said. "The [tripBam] data is showing us what rates the market demands."

De Costa also said she expects use of tripBam eventually will push more hotel bookings through agency channels, as travelers will feel more confident they are getting the best rates. From her own perspective, it eventually could reshape how her hotel program is managed. "This could be a game-changer, because I'll know how my negotiated rates are stacking up out there," she said. "Maybe five years from now we won't even have to do a hotel RFP. We'll always have our preferred partners, people we work with closely for so many things, but the market intelligence from this is so much more information than I could gather and get on my own."

Replacing Traversa, Travelport Invests In Corp. Travel Tech

BY DAVID JONAS

TRAVELPORT HAS BEEN on a mini-buying spree, recently investing in a trio of companies that includes a pair of corporate travel tech firms. The company announced it acquired a 49 percent stake in Australian corporate travel management and procurement system provider Locomote and grew its ownership of the eNett payment solutions joint venture to 73 percent from 57 percent. Those purchases followed the June acquisition of B-to-B hotel distribution technology provider Hotelzon.

During Travelport's earnings presentation this month, president and CEO Gordon Wilson said the "highly targeted strategic investments," which totaled \$85 million, help improve "our

value proposition for the management and empowerment of corporate travel."

It's interesting timing, given that IBM, the largest user of Travelport's Traversa booking tool, is shifting over to Orbitz for Business. But in a follow-up interview with *The Beat*, Wilson said it's mostly a coincidence. Though he said Traversa "will be replaced because it is getting toward end of life," he added that he's "been looking for some years for a partner to work with to develop the next generation of corporate travel procurement capabilities. The market frankly is poorly served today."

About a year and a half ago, Travelport formed an alliance with Locomote, Wilson said, which claims to provide "seamless management" of "travel, authorization and procurement process-

es, including corporate traveler profile management, pre-trip approvals and duty-of-care capabilities." Some of those capabilities stem from the Travelport relationship, which includes use of the company's Universal Profiles, Universal Record, travel policy engine and Universal API for content. Wilson said that he was so impressed by Locomote and its ability to address corporate travel needs that "I actually wanted to own part of it. I knew I needed to do something beyond the traditional corporate booking tool, and beyond the capabilities of Traversa."

The policy engine in particular comes from Traversa, and Wilson claimed it's "one of the most sophisticated policy engines out there

CONTINUED ON PAGE 25

Concur Not Neglecting Traditional OBT Amid TripLink Development

BY DAVID JONAS
& JoANN DeLUNA

Los Angeles - Concur used the occasion of last month's Global Business Travel Association conference here to discuss the latest developments for its TripLink open booking service, including Starwood's activation and plans to bring Airbnb into the fold by this fall. It's certainly been among the most discussed and debated topics in the corporate travel industry during the past two years. But what of the pre-existing Concur Travel online booking tool? Has that been pushed to the side as the company embarks on its self-proclaimed mission to reinvent some corporate travel management processes? Not at all, claimed Tim MacDonald, executive vice president of platform and data services.

"The booking tool is a huge source of value for our customers that we continue to invest in," he said, adding that Concur Travel still is well-suited for those with large, complex programs.

He discussed the "first major user experience overhaul" for Concur Travel (and Concur Expense), expected in October. It's a project in the works for "about a year and a half" and one that will alter the user experience so "dramatically" that it'll require a lot of change management work with clients.

MacDonald said the new user experience coincides with "behind the scenes investment" on the tool's workflow, as it applies to travel managers and administrators. It also is being developed "in parallel" both with TripLink and a "heavy investment in the re-architecture of Concur Travel that will enable us to innovate a whole lot faster in the future."

When asked about specific features that may be added, MacDonald acknowledged that the company hasn't focused too much on enhancing the existing user experience as it's been working on the new one.

But one new feature is gamification. Developed with Google and now available, it allows companies to set price targets for air flights and hotel stays, and reward employees with points when they choose lower-priced options. In the initial version, points can be redeemed for future travel, including options that may exceed price targets. Concur also is working to enable customers to redeem points for gift cards and the like.

MacDonald said the gamification element "works across both Concur Travel bookings and TripLink." It's more



Tim MacDonald

straightforward in the former; users can see price targets right there as they begin the booking process. But for the latter, the user first must check the price targets within Concur Travel or Concur Expense before booking directly on a supplier site.

Isn't that a leap, to expect them to do so, since TripLink users by definition chose not to use the Concur booking tool? "I can only say that it has worked really well at Google where you have to check the price to beat first before you go book," MacDonald replied. Google was an early proponent of the open booking approach.

Since the gamification part for TripLink users would require use of Concur's systems anyway, is the company considering a scenario in which Concur Travel users would see TripLink options within search displays? That would allow the user to choose whether to continue the booking within Concur Travel or go to the supplier-direct website, and it also would address one criticism of TripLink, that by its nature it eliminates comparison shopping. "It's a question that frankly I am not willing to answer at this point," MacDonald said. "There is a lot of merit in that idea for sure."

Concur Beats Q3 Expectations

Meanwhile, Concur beat financial expectations for fiscal third-quarter revenue, earnings, cash flow from operations, free cash flow and new customer growth, according to executives speaking this month during an analyst conference call. Regarding new customers, the company claimed to add about 1,500 per quarter during the current fiscal year and within the next few years expects to accelerate that to about 5,000 per quarter, said CEO Steve Singh.

"Driven by continued strength across the business, we are raising our fiscal 2014 revenue growth target

to 27 percent," Singh said. "Additionally, new customer bookings continue to grow at a rapid pace which ... gives us confidence in our ability to sustain very strong growth rates into fiscal 2015 and beyond."

The company's long-time growth opportunities notably include Japan and the small- and medium-business sector, as well as U.S. federal agency customers via the second-generation E-Gov Travel Service and new customers obtained via a partnership with IBM. IBM is exiting the expense management business and referring users to Concur.

"We continue to see great traction in Japan as that market is in a footrace with leading [Europe, Middle East and Asia] markets to become our second-largest geographic market in terms of new customer bookings," said Concur president and COO Rajeev Singh. "Our SMB business continued to show great progress and is on track to become 50 percent of our new customer bookings in the years ahead." Steve Singh reiterated that enterprise customers, for now, represent "the largest driver of growth of all areas we are investing in."

Meanwhile, of the more than 70 percent of the total transactional business available from the federal government's ETS2 contract that Concur has signed, half of those agencies now are "live and in production," according to Rajeev Singh. Steve Singh emphasized that the company is in the "very early stages of the rollout," hence his expectation that "it's really fiscal '15 you start seeing the benefit of these ETS2 deployments hitting our P&L and fiscal '17 that you see the majority of that economic benefit."

Steve Singh also noted that the huge U.S. Department of Defense account "came out with an RFI and obviously we'll pursue that."

Concur hopes that successful ETS2 deployments will encourage other public sector and academic organizations to automate travel and expense processes via Concur.

Regarding the IBM partnership, Concur claimed to pick up 10 accounts that had been using IBM's Global Expense Reporting Solution. Steve Singh said Concur expects "we'll get the super majority of prior GERS customers to switch."

Overall, revenue for Concur's fiscal third quarter, which ended June 30, increased 28 percent year over year to \$177 million. The company's net result was a \$32,000 loss versus a \$2.8 million profit in the prior-year period.

Travelport Acquires Corporate Travel Technology Firms, Ups ENett Investment

CONTINUED FROM PAGE 24

today." Other "core assets" from Traversa will be maintained though the front end "will be replaced with Locomote and others."

Wilson added that Locomote sells directly to corporations, but while "we're looking at relationships with certain TMCs," the idea isn't to create a reseller program. "TMCs reselling every single corporate booking tool that is out there I'm not sure is the right way forward," he said. "Also, Locomote is more than a corporate booking tool; it enables a corporation to manage independently its profiles, its policies, etc., and it can snap into any corporate booking tool that the TMC wants to sell to the corporation or the corporation wants to use."

Meanwhile, Hotelzon brings to Travelport "extensive new, independent hotel content focused on the corporate traveler, enabling the input, display and application of special negotiated corporate hotel rates at these independent hotels," according to Wilson. It complements Travelport's Rooms and More metasearch capability, as well as traditional GDS activity. It also has a hotel-focused corporate booking tool that Wilson said is used either in lieu of or in conjunction with a corporation's traditional booking tool. He said Travelport made the acquisition to "plug the gap" in hotel inventory and predicted it'll be a means to help TMCs and their clients reduce hotel leakage from managed travel programs.

Meanwhile, Travelport invested further in eNett as the payment JV continued to grow at a healthy clip. For the first half of 2014, Travelport reported that 6.6 million individual eNett virtual account numbers were settled, representing a 38 percent year over year increase. The transaction in which Travelport upped its stake by 16 percentage points to 73 percent valued eNett at about \$450 million.

Wilson said low-cost carriers not participating in ARC or International Air Transport Association Bank Settlement Plans may be ideal early adopters, but added that "I can see very clearly a world in which even the network carriers start to get their money faster as a result of VAN payments, and they'll bite our hand off for it." He said that, along with the provision of better data to corporations to help with reconciliation, presents opportunities for eNett usage with corporate travel programs.

Interview: American Express GBT's Bill Glenn



Business Travel News: We're curious to hear you talk about "creating the curve."

Bill Glenn: Technology is going to play such an important role in the future. Consumerization, a global footprint and changing patterns ... it's going to require more and more technology, global scale, information and insight. Over the last couple of years there has been disruption from a technology standpoint. But I don't know if the disruption has added value across all the players and corporations. The disruption with the technology has been [targeted at] the business traveler because they are adopting in their business life what they want in their personal life. It doesn't necessarily meet the needs of the corporation [and the program administrator]. Why can't we address all three? If I managed ahead of the curve, it would be the next greatest technology for the business traveler. If I created the curve, it's more about end-to-end solutions for the corporation, for the program administrator and for the traveler.

Managed travel should be a foundation to build on. People haven't recognized the benefit principally because there has been new technology. We are in a great position to capitalize on our history, what we do every day and our breadth of customers. With our investments in technology and information, that's what I mean by creating the curve for our industry.

BTN: What is the timeframe to get there?

Glenn: I do not think there is a point of arrival. Next year when we're sitting here there will be some evidence that we have started to create the curve and not just manage it.

BTN: You've laid out four key strategic areas: investing in technology, information management and insight, international expansion and partnerships. Will you make progress on all of them within the next year?

Los Angeles - American Express Global Business Travel president and CEO **Bill Glenn** took the stage here last month during the Global Business Travel Association's annual convention. During his speech he discussed the ambition to "create the curve." The BTN Group's David Meyer and David Jonas later sat with Glenn to discuss that point, as well as development of the new Amex GBT, following the creation of a joint venture with outside investors. Excerpts follow.

Glenn: It's not iterative; there are some things we are going to do at the same time on a parallel path. On global scale, we have that today. And we are going to make some acquisitions. The question is: Are they the right ones, and what is the right timeframe? You'll see some things on the technology side probably faster. Those will be more apparent. We are now showcasing AX Connect [for travel disruption management] and linking that for mutual customers to card swipe data. That's probably leading because no other company can do that, given the relationships we have between the two businesses [the Amex corporate card and the Amex business travel JV]. You'll see us aggressively move on the information and technology side. And the acquisitions will come for what is right for the business. I'd love to do it sooner rather than later, but we have time because we have a global footprint right now. Our capital position puts us in a unique position, but we are not going to sit on it forever.

BTN: In terms of acquisitions, are other TMCs the sole focus or other kinds of companies as well?

Glenn: A combination. Scale matters in the business. It will be scale and acquisition that continues to add value to suppliers and customers. Seventeen percent of companies with over \$1 billion today are in emerging markets. Within 10 years it will be 50 percent. So for our multinational customers, we have to be where they are expanding. And in the same vein, companies are starting up from those areas and moving out.

BTN: Now that American Express Global Business Travel is a separate company, is there still an opportunity for prospects that are neither business travel nor corporate card clients to negotiate for both in a package?

Glenn: The question is, what is a package? One of the things we did was preserve in operating agreements the synergies. The working relationship between the two large acquisition teams and the two large customer teams, where we have joint customers, is wonderful. We'll do what is in the best interest of Global Business Travel as a standalone company, but Amex is a 50 percent owner and they should feel great and be supportive. We have had some success in the past six months. We want to bring to market what the customer wants and at the same time, the \$900 million [injected by outsider investors] is ours and not Amex's. The things we need to invest in and create the curve in are our business decisions.

BTN: Back to technology, and specifically for agents, is there work needed to bring point-of-sale tools up a notch?

Glenn: Absolutely.

BTN: What is missing that they need?

Glenn: I've told the organization to focus on the front line. We need to provide our salespeople, client management and travel counselors—our customer-facing organization—the best tools available. It's no secret that having access faster to more content is critically important. And it can't be static. Tools and platforms have to work for customers and for [travel counselors]. The more we innovate on the customer side, the more we have to make sure it integrates for our travel counselors as well.

BTN: Any work underway to reconsider how Amex handles sales and account management?

Glenn: There is a level of sophistication that we need to keep ahead of. Customers are more sophisticated because they have access to more information. They have access to technology as well. They have access to more competitors and

disruptors telling them what they should do. On a parallel path our folks have to be continually more informed than they were 10 years ago about changes, and aware of the fact that we're going to do a lot of investment in information management and insights. We have an advisory group and a consulting group, and powering that up is critically important, and that goes to the capabilities of the sales and client management organization. It's not enough to penetrate a customer and know the folks there; we have to bring products and services.

BTN: What are your thoughts on meetings management?

Glenn: What has changed over the past few years is the regulatory and compliance environment. You have organizations that have decentralized meetings, and it's a bear to get after because you have to go to 15 different executive assistants. This is where I think consolidation is coming: They are trying to consolidate for costs and also for regulatory reasons, regardless of if they are in the pharma space or some other space. We have a pretty good meetings and event business.

BTN: Regarding the open-booking model, we have heard from proponents and critics. Is there a happy medium, and what does it look like?

Glenn: To me, that's part of creating the curve. Some companies—not many—allow their employees to do whatever they want [regarding travel]. Yet those same companies probably will not fire people but censure them because they bought pencils out of policy. There is something missing in the dialogue with those customers. What's missing is somebody stepping in to create value for all the constituents. We are in a position to do that.

If you think about [Hurricane] Sandy, [the 2010 volcanic] ash cloud or flights delayed this past winter, [travelers] want service and they want to talk to somebody. The companies who allow employees to do whatever they want probably stopped a little during [those events] and said, "Where are my people?" Who are they calling? Do they have a TMC ready to take those calls?

Open booking has been more about spending money on sales, marketing and advertising and not necessarily solving a problem that corporations are tackling, or an issue that corporations have across the board. We'd love people to figure out how they want to book but have the same safety and controls that they would if they just booked through the regular channels. ➔



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Interview: Sabre's Greg Webb And Yannis Karmis



Gregg Webb

David Jonas: What's the latest with GetThere?

Yannis Karmis: A lot of what we have been focused on since the tail end of 2013 was taking a step back and looking at how Sabre wanted to play in the corporate travel space. Obviously we have GetThere, a strong product. But we also were making a number of other investments in corporate: We

announced TruTrip last year, and we have been investing in TripCase with corporate capabilities.

As we looked even broader, we had other IP and other products in other parts of the portfolio, some within Travel Network, some within our Airline Solutions business and some within Hospitality Solutions. We recognized an opportunity to bring those all together. Earlier this year we announced Sabre Corporate Solutions, and GetThere is the focal point, the central capability. With the existing products we have, we are looking for ways to drive more interoperability. Instead of having different logins, different credentials, how do we make data flow more seamlessly? How do we leverage different algorithms and different IP? You will see us over time harmonize the look and feel and capabilities we have. Our user experience team has been working a lot on the agency side and now is spending more time looking at what we are doing with GetThere and with the hotel RFP product.

Greg Webb: The reality is that the consumer is driving the travel experience these days. A lot of what the Corporate Solutions Group is trying to do is to make sure we're getting to that traveler experience that feels seamless, is easy and gives you a feeling that you are in control of your travel, even if behind the scenes we're applying policy and the things the corporate

travel manager wants, and making sure the agency is getting the components of the program they need. The end traveler is the one who ultimately will be driving the direction of corporate travel in the future.

Jonas: Rightly or wrongly, there is a sentiment in the industry that online booking tools have become stale and are lacking investment. Can you counter that?

Karmis: One of the big projects over the past year is that we have completely redone our hotel booking interface all the way through, with an eye on making it more of a consumer-oriented approach. We are probably not all the way down the path that we want to be, but made some significant strides away from the older way we did shopping.

vestments in the user interface. We've redone parts of the path, and we'll continue to do that, so the user experience is getting better. But you can't talk about it just in terms of that small portion because it's really about how the traveler interacts with technology, which more and more is being split between your laptop, your tablet and your iPhone. Trying to make that as seamless as possible is really where the investment has gone.

Jonas: GetThere has integrated with several expense management tools. Are these all pretty standard connections these days?

Webb: There's no magic to it. If you look into the future, there is an opportunity for real innovation. The issue is not integrating your online

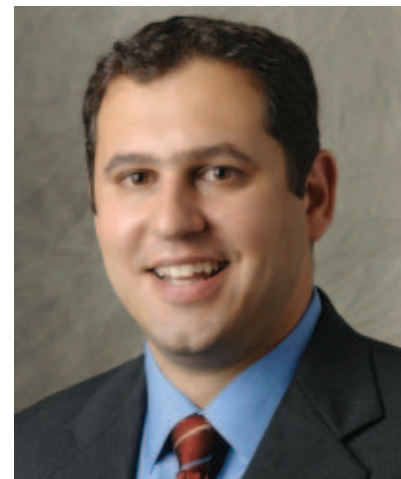
"We continue to explore different shopping paradigms: shop by trip versus shop by air, car and hotel. At this point the jury still is out on whether there will be a wholesale rapid shift to that type of a shopping model."

—SABRE'S YANNIS KARMIS

We've been looking at bringing in more content and have made connections to some of the local carriers in India through third-party aggregators. That's been very successful with a number of our large corporate clients; we have seen good adoption. We've invested in mobile, recognizing that shop-and-book on the web and shop-and-book on mobile are becoming interchangeable. So we have air, car and hotel shopping and booking [in the mobile channel].

Webb: If you classify the online corporate booking tool as purely the web interface, there's a case to be made that you are seeing minor, incremental in-

booking tool with an expense system. How do you leapfrog that expense paradigm? Virtual payments, virtual credit cards, everything digital so you don't have to have an expense report anymore. The next generation of that is having your digital wallet on your phone and all your transactions recorded and sent digitally. You are not talking about an expense system anymore, but rather data that is moved digitally around payment, automatically from the transaction to the back office. The expense side of things is not the silver bullet; it's about how to get past expense and digitally document travelers' payment.



Yannis Karmis

Jonas: GetThere's clientele skews toward large enterprises. Was that by design?

Karmis: We have a very competitive product for larger clients looking for more capability. Most of our larger clients are global, so we've got implementations for some in 30, 40 or 50 countries, and GetThere lends itself pretty well to that. We do have a fair number of SMEs, and there's an opportunity for us to go down-market. The product is actually very competitive down-market; we just need to do a better job engaging our sales team to go down-market and work with some of our TMC partners in that space.

Jonas: When considering investments in GetThere, how do you determine which bells and whistles are worth developing?

Karmis: There are certain things that truly are bells and whistles, that are nice to have. Then we have core functionality that we are building and platform work that we are doing. We take a look at what we think the market is doing, and we have processes that we take customers through to understand what their priorities are. Historically, it's been done solely with a GetThere lens. Now with a Corporate Solutions perspective, we are looking at it more broadly. What do we need to build within GetThere for interoperability with virtual payments, with TripCase Corporate and with TruTrip, so we are balancing the booking tool within the overall booking experience?

Jonas: Anything else new with GetThere?

Karmis: We continue to explore different shopping paradigms: shop by trip versus shop by air, car and hotel. At this point the jury still is out on whether there will be a wholesale rapid shift to that type of a shopping model. Certainly it's something we have on the radar screen. If we see more interest we'll pivot our shopping algorithms.

Jonas: Regarding Prism, which I understand fits nicely in Airline Solutions, what's the plan for the Avion corporate reporting tool? Why not split off that part and put it into the Corporate Solutions division?

Webb: In the first year after bringing Prism in, we had a lot of work to do just to integrate the company into the overall Airline Solutions product and the Sabre portfolio. Obviously the airline component of their solution is the lion's share of their revenue. Now that it has been integrated, you will see us get much more aggressive in looking at Avion as a corporate product. We will very quickly begin to look at how we expand that product because it does provide unique capability and a unique set of reporting structures to help corporations understand their spend. We think there's an extension to that, where you take the reporting capability and begin to apply that to policy, airline RFPs, etc.

Avion today is a product that as a standalone has a basic core reporting capability. It doesn't today have the ability for you to modify and create your own non-standard reports. Moving forward we'll want a more elegant, web-based user interface—kind of a software-as-a-service model—so cor-

porations can pull their own data and make reports as standard or as customized as they want.

Jonas: What is your perspective on if, and how, travel management companies are evolving?

Webb: The globals continue to gain momentum in terms of large corporate business. At the same time I do not see that regional TMCs today are losing business to the globals. You have seen that the consolidation on the high end has had a bit of an impact on some of the consortiums in terms of whether or not they're still as impactful and effective as they used to be, given the fact that Amex, BCD, Carlson, HRG and Egencia do have the ability to service with a single model global corporations. You will continue to see business move that way a little for them, but at the same time you have the regional guys that are super-strong in their ability to service customers, and you've got the high-end guys—Reed & Mackay and Hillgate in the U.K., and Ovation and some of the others in the U.S.—with a service model that is very high-touch and super concerned about the traveler experience, and I do not think those things are going away anytime soon.

Jonas: How about operationally? What's changing among agency subscribers?

Webb: We feel like we have a significant advantage with the Sabre Red Workspace and mobile app. If you look at the last three or four years, we've been able to bring out a brand-new interface, get 100 percent adoption across our entire subscriber base and create an ability to do ease of integration with the App Centre. We have seen 500,000 downloads of apps, which is pretty amazing in a B-to-B world where you have agencies downloading both simple and complex apps. We thought initially it would all be simple things that people would create and do little incremental things with. It's become much more than that. We introduced Dev Studio and have had a huge rush toward third-party developers testing our APIs. That's done two things: We're getting new third-party developers authorized and into the program, and it's also pushing our internal IT guys to think more creatively because they see what other third parties are doing. In the first week of launching Dev Studio we had more than 1,000 unique visitors. We'll see more innovation out of that space because you have nontraditional developers in the travel space coming

in and playing with it.

If I look at the agency desktop, I think it's less about how much innovation happens on the desktop and [more about] how much you can extend that desktop to other devices. The Sabre Red mobile component actually is a pay model. If you are an agent and you want the iPad version, you have to pay for that because it does come with an expense for us. But we have a ton of adoption because it makes life easy, especially for work-at-home agents, because it seamlessly integrates with the desktop. You can be in the middle of a booking on your desktop, and then type two keystroke commands and it moves your desktop to your iPad. The travel agency community these days significantly has gone to work-at-home; there aren't the 1,000-person call centers there used to be. There are still some of those out there but there are great examples—Tzell, Travel Leaders—where most of their workforce, despite being a very strong travel agency, is a work-at-home environment. That phenomenon will continue. If you look at American Express and Carlson, those guys traditionally have been call center environments, but if you watch during the next three years that is largely going to change. 



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2014 Travel Manager Of The Year Advisory Board Co.'s Steven Mandelbaum

BY JAY BOEHMER

“We are building our own expense tool,” Steven Mandelbaum said during a recent phone conversation. “It won’t be oriented around expense reports but around line items.”

And so it is, yet another ambitious, perhaps audacious, project for The Advisory Board Co. vice president of business solutions and *BTN*’s 2014 Travel Manager of the Year.

A rare blend of travel manager and IT specialist, Mandelbaum is a do-it-yourselfer who takes things apart only to put them back together in new and unusual ways. In the past year he constructed a unique company-branded loyalty program—integrated with the corporate card and booking tool—to track and reward traveler compliance. It could be called gamification, but as with many things he tackles, it has some twists.

He’s also blended travel management expertise with IT know-how to build his own post-booking airfare audit tool. Most companies settle for something already on the market, but Mandelbaum constructed something a little more tailored.

He also takes apart travel policies, only to reassemble them in new forms. His advance-purchase airfare policy, initiated this past year, bucks the conventional view that booking further out always drives savings. He also has deployed a customized corporate payment program and reconfigured agency services to assist cardholders.

If those initiatives weren’t enough to occupy him during the past year, Mandelbaum also oversaw the introduction of a new booking tool in nuTravel and a new travel agency in Balboa Travel Management.

Then there’s the upcoming expense tool, another DIY tool in Mandelbaum’s growing portfolio.

His path to travel management was somewhat accidental. “I came to travel by way of technology,” he said. “I’m basically a technologist who had an interest in travel.” In fact, Mandelbaum joined the global research, consulting and tech firm “as a technology guy,” he said, focused on internal business systems. “I started doing that, then started getting into little pieces of finance operations, negotiating contracts, a little bit of procurement, a bit of travel.”

Eventually he took over the travel program, previously only lightly managed and largely outsourced to an agency.

BUILDING LOYALTY

A key achievement in the past year that melds skill sets in information technology, travel management

TRAVEL MANAGER OF THE YEAR

and finance is the deployment of an internal loyalty program to track and reward travelers.

The company previously had sponsored rewards via its card provider, but Mandelbaum saw “an opportunity to bring it in-house,” he said last year.

What came off the shelf didn’t do this: When travelers make in-policy purchasing decisions, they accrue points. Compliant flight bookings are rewarded through a mileage-based accrual system, and hotel points are accrued based on “a flat amount per night—assuming it’s compliant within the rate limits,” Mandelbaum said last year as part of a *Travel Procurement* report. Before employees can bank those points, they must file T&E expenses in a timely manner.

And the incentives are real—no badges or gold stars here. Points are tallied and can be redeemed for purchases through Amazon or converted into cash and steered toward a few company-sponsored charities. More interestingly, points also can be used for authorizations to file otherwise-unsanctioned corporate travel expenses.

Mandelbaum called those “travel enhancers,” noting that once enough points are accrued, travelers could, for example, upgrade to first class or a hotel suite when otherwise not permitted. Travelers can use those enhancers as they see fit, “so long as it is reasonably related to business travel,” he said.

Of course, the system—with all of its moving parts—took quite a bit of building. It involves a web of data feeds from the company’s travel agency, expense system and corporate card to track traveler compliance. Mandelbaum also used open-source code to build a system that tallies points and converts them into currency. He also structured an internal e-commerce site housed on the company intranet, which includes an application programming interface to Amazon, through which travelers can view point balances and redeem rewards.

CASTING A NET FOR FARE SAVINGS

“This is one of my favorite things to do in the morning, but most days it spikes my blood pressure,” Mandelbaum said as he perused a daily report generated by another tool he developed, the “lower airfare finder.” The homegrown system examines employee booking data and within the 24-hour void window searches for less costly alternatives. It sounds like Yapta or some other mid-office price-assurance tool, but Mandelbaum’s homegrown solution casts a bigger net.

While Yapta looks for lower fares on the same flight booked by the traveler, Mandelbaum’s post-audit software searches other carriers and even explores options that could introduce a connection, so long as it meets arrival- and departure-time thresholds: “an hour before departure and that arrive up to an hour after your scheduled arrival time,” he said.

In its current iteration, “We don’t push it out to travelers, but we monitor. We use it as an audit tool.” Mandelbaum plans to automate traveler alerts when savings opportunities reach a certain level.

For now, “If it’s really high, I will forward out to the traveler and say, ‘Can you take this?’” he said. They are not required to, but often they do.

Mandelbaum also was an early adopter of tripBam, which conducts post-booking searches of hotels near the one reserved. It’s a companion tool to his low-fare finder.

“I’ve become less interested over time in trapping people in the booking tool,” he said. “You want people

to book in your system—I’m not a fan of open booking—but use that as a lead to go after afterwards. Run it through the tools.”

BUCKING BOOKING CONVENTIONS

The conventional wisdom of airfare buying is that the closer to the date of travel you book, the more the fare will cost. It’s generally true and has given rise to wide-



spread advance-purchase policies. Though Mandelbaum’s company does have a longstanding seven-day advance purchase requirement, there are plenty of exceptions and business demands that require bookings closer to departure.

But, closer in is not always more expensive—at least within a week of departure. On average, based on Advisory Board booking data, fares spiked between four and six days, but came down within three days.

Mandelbaum’s solution: An advance-purchase policy that prohibits bookings in the four-to-six day range and implores travelers to book closer to the day of departure when traveling within the week.

Mandelbaum acknowledged traveler pushback.

“What they’re afraid of is when I get within three days, there won’t be a seat on that flight—I can’t get there. There are more alternatives than travelers may acknowledge. My argument is, you don’t have to get there on that flight. You have to get there within an hour,” he said, referring to his low-fare finder.

Even so, Mandelbaum has been cognizant of such concerns, accepting some exceptions. He even plans to tweak the policy to apply only to “certain areas of the business,” emphasizing that “part of this experimentation is getting it right.”

RECONFIGURING CARD, TMC SUPPORT

As part of Advisory Board’s switch from Travel Leaders to Balboa, Mandelbaum this summer shifted power to travel agents to administer aspects of the corporate card program. Now, corporate cards issued by the company include the agency phone number on the back. If a card is declined or an override is required to make a purchase, travelers can call dedicated travel agents—not the bank—for assistance.

“We are marrying travel agency and card support together, so the front line of card support will be the agency,” he said prior to the launch of the program. “The agency has tools to do some investigations and overrides and give us that second-tier support, which is no different than what a bank would do today. We’re trying to really centralize everything so we don’t have to say, ‘For this problem, call this vendor; for that, call that vendor.’”

Eventually, Mandelbaum wants the agency to send to the bank a weekly report of travelers embarking on international trips, so such notices are included on card accounts.

That is just one feature of a unique card program. The Advisory Board in the past year introduced a new declining-balance credit card, with chip-and-PIN technology, provided by payment company Comdata. It is configured as company bill/company pay on the MasterCard network.

“It’s like a gift card,” he said last year. “We’ve written code that does the math and we’re replenishing it. It operates [similarly] like a prepaid card—except it’s not; it’s a credit card. And as people submit expenses, we will add [funds] back in.” Among its benefits, the new program encourages the prompt filing of expenses since balances are refreshed upon submission.

Among other changes to the core program, the company late last year shifted its preferred booking tool to NuTravel from Deem (formerly known as Rearden Commerce).

With all the changes thrown at travelers, Mandelbaum has worked to ease transition. For example, one Deem feature appreciated by travelers was calendar integration. Not included as a core feature of the new tool, Mandelbaum rebuilt the concept. “I don’t know how much is novel, but when people make a reservation it pushes to us via web services. We pull down the PNR and then we go and update their Outlook calendar.” That means hotel check-in, flight arrival and departure and rental car pickup and drop-off times automatically are loaded onto the traveler’s calendar thanks to some integration work by Mandelbaum.

RETHINKING EXPENSE REPORTING

Not all of Mandelbaum’s solutions require an IT investment. For example, he launched a pilot program with some of the company’s most frequent travelers to ease the expense-reporting process. “We have someone whose job it is—called the expense concierge—to complete expense reports for people. They take the transactions, they classify them and get the report into draft mode. Then, they let you know that you need to submit it. After that, you review it and submit it.”

In the early stages with about 40 road warriors, “We’ll eventually scale it up.”

Indeed, Mandelbaum’s next major project involves rethinking the entire expense process. In the very early stages, Mandelbaum envisions doing away with expense reports, creating instead a transaction-oriented system in which line items are submitted when ready. The solution will focus on centralized auditing.

It’s not the only ambitious project on Mandelbaum’s horizon. “The endgame for us is to bring this all around to the full experience,” he said. “Travel is a component of the larger enterprise and it’s a vehicle for what we do.” Upcoming projects, including a new “social intranet” and employee mobility tools, will introduce a “broader context of communications and collaboration.”

Harman's Abella Better Utilizes Video Space To Chop Hotel Costs

While some companies successfully have integrated videoconferencing into their travel programs as a means to cut costs and reduce strain on frequent travelers, many others can tell tales of expensive equipment sitting in lonely conference rooms under a thin layer of dust. Harman International director of global corporate travel Sally Abella saw that equipment as an opportunity and in 2013 deployed a system that helps would-be users locate, book and use that equipment.

Due not entirely but at least in part to the initiative, total hotel room nights in the audio and electronics firm's five largest corporate locations—where the initiative was emphasized most heavily—last year declined 27 percent year over year, Abella said. That expenditure was redeployed elsewhere, she said.

"It really didn't reduce our travel costs but it did reduce the number of trips that were going to Harman campuses," she said. "In other words, our employees are now out there in front of people and spending money in front of people, like our customers, or maybe spending money on educational programs."

Abella worked with Harman's IT department to find and catalog the company's videoconferencing equipment, giving each room that housed it a descriptor in the company's Microsoft Outlook system so that employees could easily find and reserve such rooms. Abella also deployed Sabre Virtual Meetings to further make available internal videoconferencing rooms for booking online, and developed detailed, laminated instruction manuals to ensure any user would be able to figure out how to use Harman's 48 video endpoints.

"The IT group would send us a photograph of how

they placed it in that videoconference room, because we wanted to make sure it was there," Abella said. "They bought Plexiglas stands, stuck them to the walls, and put my laminated instruction sheet there. It was really important for us that we were able to do that."

Harman does not mandate use of videoconferencing (though it does mandate pre-trip managerial approval), so communication of the benefits of the initiative was key. This effort was helped by a direct message to employees from Harman's chairman, she said.

"I was delighted when we presented it to our executive committee [for approval] because they completely supported the idea," Abella said. "Our chairman actually put out a communication globally to all Harman campuses stating that although face-to-face is always important for internal meetings, we would like you to consider meeting with your teams more often virtually."



"We market it as balancing your work and life," she continued. "Being on the road is very difficult." 

— Chris Davis



Oracle's Visser Applies Ancillary Fee Spending To Airline Market Share Shortfalls

About two years ago, with airlines having aggressively implemented ancillary airline fees to help restore profitability, Oracle global travel process officer Rita Visser started having serious conversations with her company's contracted airlines about how to obtain proper reporting and receive some credit for such expenses.

"While we will always say we want them to make a profit because we need them, we have to be able to get credit for the money that we give to them," Visser said. "We started in the conversations pushing them toward some transparency, pushing them to

J&J's Wall Rapidly Deploys Global SMM Program

Like many large companies in the pharmaceutical sector, arguably the most meetings-intensive industry of all and with perhaps the greatest need due to regulation of detailed documentation of meetings and event operations and expenditures, Johnson & Johnson is no stranger to the strategic meetings management concept. With an effective program that spanned its U.S. operations, according to global manager of meeting services Christopher Wall, the company nevertheless was not where “we wanted to be on a global basis,” and in 2013 sought to rectify that.

Wall and his team crafted and submitted a global request for proposals for meetings services to several large third parties, with the winners tasked with helping to service the pharmaceutical company’s annual load of more than 10,000 meetings. In the end, J&J reached a decision that he wasn’t necessarily expecting at the process’ outset.

“We were really looking to find a solution that would really help us move our process forward at a more rapid pace,” Wall said. “We were really looking for acceleration. To get acceleration, we took a lot of time and effort on this particular RFP to really define and design what it was we were looking for. In the end, as we looked back at it and saw the results and had the conversations with the suppliers who were involved, we ended up implementing a dual global solution, which was a switch from what we previously have thought we would do with a single global provider.”

Wall selected two mega travel management companies to provide meetings services globally, with a single meetings technology tool to support the process and collect relevant meetings data. The rollout in fact was at a rapid pace: By the beginning of August 2014, SMM services had been established in 47 J&J markets and another 12 are in various stages of implementation, he said.

The use of multiple agencies but a single technology

tool enables J&J to not only provide service with global standards and local modifications but also collect and manage data in a single global format.

“We didn’t want to have each supplier operating with their own tool, managing the data in their own set and then providing us reports at the end. We really wanted to take a different approach,” Wall said. “We ask our suppliers to use the J&J instance of that tool so that whether they’re sending RFPs or tracking meeting spend or any of those types of things, we’re utilizing our tool in order to do that. We get better transparency, better visibility, better control versus them doing their own thing. We even have taken the step to begin developing and issuing on a global basis customer service satisfaction surveys, so no longer done by the agency themselves but being done, through our instance [of the tool] asking the same questions in every market so that on a global basis, we’re asking the same thing.”

In developing the RFP and modifying the meetings technology tool, Wall sought input from several internal stakeholders, including but not limited to its internal audit, legal and health care compliance departments.



“All of those groups together, as well as our customers, really define the right kind of solution to support our needs,” Wall said. “On a global basis, there are some markets that are more difficult to work in than others, that provide perhaps more risk than there are in others. It’s that risk that, in the end, we need to look to manage successfully both for the local company and obviously for the overall enterprise.”

— Chris Davis

understand what data we can get and pushing some of the other data suppliers to say we really need to understand what exactly we’re paying them.”

In Oracle’s case, those other suppliers were TRX (now owned by Concur) and card provider American Express. After long conversations, TRX started to provide some data and Oracle’s airlines developed more robust data management processes. At that point, once the data started “to make sense,” Visser said it was time to “have a real conversation about it. Of course, the airlines, in true fashion, continued to say, ‘We don’t really have a model built for that.’”

Recognizing she’s no mathematician nor specialist in algorithms, she sought a simple solution. Visser told the airlines: “Let’s come up with a way that we agree on how much I spent on you that was additional to airfare. Let’s find a way to agree within a certain percentage of variation. Then let’s just divide that number by the average ticket price. We take that final number, it could be 30, it could be 3,000, and wherever we fall short in the contract, they’re applied to some contract measurements. The 30 tickets or the 3,000 tickets are applied appropriately to program marketshare opportunities and then might turn that no to a yes in con-

tract performance.”

Visser said she talked to all of the carriers with whom Oracle had spent money on ancillary services, focusing on bags and seat upgrades but not food nor entertainment charges.

Visser, citing a recent conversation with Delta executives, said she told them that as far as she is concerned, “If it’s food, drink, WiFi, that isn’t a travel cost. It’s a travel and expense cost, but it’s not the cost of travel. That will go to the meal part of the expense report or the account activity part of the expense report. The fact that they’re getting on a plane and you are charging them for a bag or a seat or whatever that is, that’s costs that I have to control through you and me.”

She said Oracle is asking now for more rich data on those seat upgrades to see if people are really going outside of policy to upgrade themselves at the airport, and if so, she plans to take action.

“We do have some allowances for premium economy seats in our policy depending upon who you are,” Visser said. “We have allowances for some of those at-the-airport charges. Interestingly, we see the spend and how it’s all tied back to the ticket. We came to that understanding with United, who we started this with.

It certainly is the bags and the seat upgrades that we’re certainly going after.”

While Oracle is getting credit for its ancillary expenditures when there is a market share shortfall, there is no credit otherwise. “This doesn’t take us into an overage,” explained Visser.

She said there was some hesitancy from some airlines before they agreed to make notations on the bottom of management review reports. “That was the start,” Visser said. “United was one of the first to just put it as a footnote. We said, ‘At least it’s a footnote. We’re having the conversation.’”

Eventually that conversation became more formalized. “United has now put it in our contract and is now using that approach with some of their other folks that are really pressing the issue,” Visser explained. “Delta is partnering with us. It’s not written into the contract yet, but there is an agreement. It’s now not only footnoted but also noted in the contract performance, even though it’s not written in the contract.”

Visser isn’t shy about acknowledging Oracle’s ancillary airline spending “isn’t small. We just want to make sure we get credit for it.”

—David Meyer



TALKING TRAVEL WITH 2014'S TOPS

Los Angeles – The BTN Group's 2014 Travel Manager of the Year Steven Mandelbaum and those it named 2014 Best Practitioners—Sally Abella, Rita Visser and Christopher Wall—last month participated in a roundtable discussion conducted here by *BTN's* Chris Davis and David Meyer. The four honorees reflected on how they implemented their best practices (detailed in the preceding pages) and lessons learned. Edited excerpts follow.

BTN: What type of internal approval did you need to get to go forward with your initiatives, and what sort of data did you use to make your case?

CHRISTOPHER WALL: We took an approach that was based on our operational history: the previous several years of our strategic meetings management initiative and where we had gotten to versus where we had hoped to get to. We hadn't reached that goal. We hadn't reached that level of implementation on a global basis that we were looking for. That really was key in the approach that we took of wanting to change. The stakeholders who we went back to were the businesses, other leaders within procurement, health care compliance, legal and the internal audit [departments] to come to agreement as to the approach. They are very much on board, and on a quarterly basis there is a review to the top leadership of the organizations as to our progress on a global basis.

BTN: Was everybody on the same page from the start or was there a bit of wrangling?

WALL: Generally speaking, I think everyone understood that yes, there's a need to get there. I think where you

see differences in any large company is where you're focused on driving revenue and containing costs. It can be sometimes challenging to take those two factors and pull them together. That's where this whole global approach provides us the ability to do that.

STEVEN MANDELBAUM: We have a traveler steering committee, which is made up of senior executives from our top traveling groups. We took it to them. We take most of our initiatives to them to see what the reaction is. We want to make sure this is something that will work across the board and we're not missing some backlash or we're not missing a detail. Occasionally the process backfires. It doesn't work perfectly. It just seemed like a very logical thing to do. We've had other way more controversial topics.

BTN: You don't need the CEO to sign off?

MANDELBAUM: Generally not, particularly on things that are consensus-driven. This seemed like a no-brainer. We want people to be compliantly traveling.

ROUNDTABLE

If we've got policy, we ought to be rewarding that and we ought to not be rewarding the other side.

RITA VISSER: I didn't need any. Delta did. It's good when they have to ask for approval and I don't.

BTN: Sally, when you went to the chairman, what sort of evidence were you bringing? What sort of numbers did you have to state your case?

SALLY ABELLA: We talked about the example of a one-day trip from Los Angeles to New York. I presented it to my boss, who is the [chief human resources officer] at Harman. He said, "We're having an executive committee meeting next week, and I'm going to get you on the agenda. Let's do it by videoconference." I did my presentation to the executive committee and explained to them how many room nights we had at our top five campuses and the fact that we want that money to be in front of the customer or being used for other things. We know that internal meetings are important, but we also thought we could cut down internal meetings by utilizing videoconference facilities that we've already paid for that aren't being used. It was a no-brainer.

MANDELBAUM: Sheer [videoconference] utilization isn't necessarily the metric you're most looking at here, right? It's the hotel rooms in the top six cities?

ABELLA: Yes. Our IT department knew they had invested all this money in this video equipment, and it wasn't being used.

MANDELBAUM: That is not uncommon. Videoconferences are very popular to put in, but using them, less so.

BTN: Was there anyone who influenced you—a consultant, adviser or someone else you saw doing work in this area who helped you to develop your concept?

WALL: Internally, the whole notion of a global approach is one that we use and how we run our business. I'd heard that concept within J&J. It makes lots of sense. Looking at our own business and how we provide services in trying to roll this out made all the sense in the world. It was really helpful to see that.

I see lots of great things that are happening, like with the folks [at this roundtable], but also people I work with who are competitors in the sharing groups that we all join. You always get lots of things from those to apply to your program, and that is something I continually look to do. There are lots of people doing lots of great things in this space, and it's going to continue to move and improve.

BTN: Did you bring in other external or internal sources to help shape the strategic direction?

WALL: Absolutely. Internally, we have regional leads around the globe. They're involved. Our whole leadership team was involved in that. Our key agencies provided us with input as well to figure out the solution.

ABELLA: It's local by region, right? For the Asia/Pacific region, for example, do they all have one policy and one process, or is it by country?

WALL: We have a global policy. That's the framework. There are certain aspects of that framework that everyone is going to follow. When it comes to then a regional approach, there are differences in how the meetings business works in Asia/Pac versus EMEA versus Latin America.

BTN: Rita, obviously there wasn't a lot of precedent for what you did. Did the idea come from conversations with other people or it was just a brainstorm?

VISSER: What's really funny about it is when ancillary [airlines fees first were implemented], there was an uproar. We also get together in peer groups and have conversations and participate in conferences like this, and we've got a group of people now that just get on a phone call once every three months and say, "What are you working on?"

In that peer group of people, they're like, "Oh we're having the conversation. We're having the conversation." Finally, I said, "Guys. This isn't rocket science. We have to have a strong conversation, and we have to go in with a plan for them. [The airlines] obviously aren't going to figure this out on their own."

One of my managers at the time said, "Do we have any idea on what this impact is going to be to us?" We said, "We're calculating some numbers." He was only thinking about it from the cost standpoint. I said, "We also have to try to find a way that we can get credit for it." He said, "What's the solution there?" I told him, "I'm not a math wizard, but it's as easy as this divided by this will get you something."

He looked at me and said, "Well, that's something to start with." Then I started to have some of those conversations in those peer groups. They said, "Yeah, it's something to start with because we don't have anything right now." Then I said, "Okay I'll forge ahead." I just wanted to make sure there wasn't somebody that said, "Rita, that was absolutely stupid." It really was too easy for it to even make that much sense.

I wanted to float it by some people and say, "What am I missing here?" Then after the fact, it's that relationship thing with the airlines. They had to trust that the information I was giving them and vice versa.

MANDELBAUM: It was a simple formula, right?

VISSER: Correct. I just used easy math, and it's had positive impacts for Oracle because we're performing on contracts.

ABELLA: I think it's a great idea. Why not jump on it?

VISSER: The airlines have always said, "Yes, we understand that you want credit for that." We just didn't have a way to formalize it, and they didn't have a way to rationalize it.

MANDELBAUM: Since it took them so long, you had an artful solution. I think timing was everything in this case.

VISSER: We had to have the information. They didn't want to take for granted or at face value my numbers. I didn't want to take it at face value what their numbers were. We had some conversations.

BTN: Sally, certainly other people have dealt with videoconferencing before. Have you heard of someone else following a path like this? Were you inspired by somebody else's action?

ABELLA: When our IT group approached me, it was two or three weeks before Sabre had a Virtual Meeting booth that they were displaying at GBTA. We used GetThere. Sabre was really very influential in helping me get this project off the ground.

BTN: Do you benchmark at all with any sort of benchmarking group?

ABELLA: No.

MANDELBAUM: We traditionally have not done a lot of that. It's hard because it's so circumstantial. Ticket prices are when you buy it, and we like benchmarks

as a way to control costs, but we don't use it really for any comparison.

BTN: As far as your best practice is concerned, did you look at others? Were you influenced by other buyers?

MANDELBAUM: No, I'm influenced by the airlines. They have some of the best loyalty programs around, and if the airlines ever wondered if these programs work, I can assure them that they do. We said, "Well, if it works for them, it would work for us." That's sort of the influence.

BTN: What advice would you give those looking to follow in your footsteps in terms of your initiatives?

WALL: I think it becomes real important to get the full view of stakeholders: what's needed, what the issues are. You really need to take a very focused, dedicated, long-term approach. It's not going to be a short-term win. It takes some level of perseverance in order to get there. Along that way, continued communication at multiple levels.

Having a very good communications program that targets senior levels on down to those who are actually doing a lot of the work that all of us get involved with, which are the administrative assistants supporting our businesses. They play a key and important role. You really have to understand the needs of all those different stakeholders. It's not just the senior executive who owns the budget. It's really all the stakeholders who are impacted or can affect or are affected by what you're doing.

VISSER: Go for it. Just ask the question. Start the conversation. The groundwork has been laid.

ABELLA: My advice is that you reach out to the stakeholders. Make sure that you have the right team behind you because literally I was helping our IT group. They came to me for assistance. They wanted the help, and I agreed to help them. It just makes you think about being one company. We're all in this together. And of course get executive buy-in. What was better than getting a message from your chairman out to the Harman community? I couldn't have asked for something better than that.

MANDELBAUM: Don't accept status quo. Don't be afraid to do things that you think make sense and that are logical. Just because solutions don't exist out there doesn't mean you can't develop your own, particularly if they have good, positive ROI. There are plenty of people doing innovative things, and there are plenty of solutions that don't exist. The trade show floor here [at GBTA's annual convention in Los Angeles] is filled with lots of people offering solutions, but there's plenty of unanswered problems or unsolved problems.

BTN: A lot of people don't have access to the IT resources that you do, especially at smaller companies. What would you say to them?

MANDELBAUM: I would say they should. I would say that if there's positive ROI in the project, it's a worthwhile investment. It's not about access to technical resources, it's about determining whether it's worth the investment. In some cases, we've made the investment because it's about employee engagement. In other cases, we think that there is a savings offset in it. Probably a little bit of that we just think it's the right thing to do. I would say if there's a good business case, the company should do it. You have to work that out in your budget. 🔄

Rotate Destinations To Solve Mtg. Burnout



BY WALTER STUGGER
MANAGING AND CREATIVE
DIRECTOR
INSPIRIA GLOBAL EVENTS

When planning meetings, conferences and events, two key questions must be asked. The first: Why are we meeting? The second: Where are we meeting?

Responses to this pair of questions are closely intertwined. *Why* you're meeting certainly helps determine *where* you're meeting. Why, then, do so many planners leapfrog the first question in their hurry to answer the second? Many never really ask the question at all, choosing instead to meet in the same location year after year.

The permanent-destination model offers, it's true, certain benefits. But how can you decide where to hold your event before defining what your event truly needs to accomplish?

Planning around the organization's true purpose, a process that requires analyzing, anticipating and prioritizing desired outcomes, is essential. Gaining clarity on that purpose allows collaboration on subsequent decisions. Of those decisions, the most impactful is choice of destination.

Yet many organizations maintain fixed-destination policies or practices. On occasions when I ask planners why they meet every year in Chicago—or Orlando, or London—I most often hear, "It's always been that way."

Sometimes I hear: "Our city is a good central location, convenient for everybody." And: "Our board members (or certain executives) prefer to go there every year." Also: "We've got everything at the venue down pat. Why change now?"

Why change now, indeed? Destination rotation—as the no-fixed-location approach is called—offers key benefits that accrue to planners willing to forego the familiar and cast their net a little wider when it comes to site selection.

Benefits To Destination Rotation

Lower costs. When there is only one potential provider, that provider is effectively a monopoly, lacking incentive to be price-competitive. Your supplier should bid on your event, not take your business for granted. Expect lower fees when multiple suppliers compete.

Greater functionality. Take a fresh look at what you actually need from your destination today. Have you outgrown the venue? Have logistical needs changed since you began there? Are support services aligned with what you now require? Are staff attitudes, level of training and internal systems still suitable? Are there adequate breakout

rooms? Do food and beverage services meet current expectations?

Fresh offsites and local attractions. Lead the troops off-premises. Explore the region's cultural attractions, famous landmarks and nightlife appeal. Create networking opportunities among local professionals, entrepreneurs and business owners. Turn the unique attributes of the city, region and country where you're convening into a series of compelling reasons to attend the event itself. Even if attendance is mandatory, everyone likes a good show.

Appeal of the new. When attendees relegate an event into the "same old, same old" category, the event goes downhill. Shake things up with new facilities, foods and faces. Let attendees enjoy a fresh experience every year.

Enhance productivity, engagement and collaboration. It's human nature to avoid over-familiarity. Fresh venues and offsite experiences help attendees be more productive, more engaged and more collaborative.

Additional Destination Benefits

The term "destination" specifically refers to both the venue, such as the conference center, exposition facility or business hotel, and to the city, region or country itself. When considering destinations, focus not only on concrete facilities but also the myriad resources, both concrete and human, outside the doors.

These resources include historical sites, cultural resources and architectural landmarks. They also include what I call signature locations: iconic parks, legendary streetscapes, famous theaters and other well-known places that connote the soul of a particular city or region. While siting activities in these places invariably requires additional planning, the effort significantly enhances attendee experience—and supports the meeting's true purpose.

The food and beverage category is a great opportunity to localize attendee experience and literally add local flavor. Cuisine can be one of the defining characteristics of any destination, an important—not to mention tasty—differentiator. Enable participants to sample local dishes and innovative approaches to national favorites.

Location rotation offers real opportunities to planners to be creative and imaginative as well as strategic and collaborative. Take the road less traveled to find remarkable and often inspiring destinations. ➤

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