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# BusinessTravelNews

September 15, 2014

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airlines are bolstering their  
business-class products.

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# CWT Progressing On Internal Tech, Claims Share Gain

BY DAVID JONAS

Los Angeles - Carlson Wagonlit Travel has made clear its intentions to build its own technology, and president of the Americas Patrick Andersen said the company has made good progress. Speaking here with *The Beat* in late July during the Global Business Travel Association's annual convention, Andersen provided an update on CWT's proprietary agency desktop and other internal technology development.

He also noted CWT's "good start" in 2014, citing year-over-year increases in North America first-half sales volume and transactions of 10 percent and 5 percent, respectively.

"A major contribution is the fact that we are out of sequestration," Andersen said, referring to the 2013 across-the-board U.S. federal spending cutbacks. "The U.S. military and government are a big part of our portfolio. They are up in transaction terms year on year just shy of 12 percent. That's obviously helping our number."

Also considering new client wins, he said CWT is "probably gaining share. It's a big market and not necessarily something you can measure in whole percentages, but we are improving our position."

CWT last month reported 32.5 million global transactions during the first half of 2014, up 4.2 percent year over year. Sales volume increased 2.7 percent to \$14.4 billion. The company noted that figures comprise "air, hotel and ground transportation for wholly owned operations and joint ventures."

## 'Rejuvenated' IT

On tech development, Andersen said "the process of insourcing all the core bits of our infrastructure" will reduce operating costs "because we don't have to pay other people's margins to manage that." That then frees up funding for new development.

With an eye on reinforcing security and staying current, the TMC has "done a very vigorous diagnostic on what our architecture should be," he continued. "We rejuvenated the IT team to do this. We couldn't do it with what we had."

He also noted development of CWT's agent desktop, a "graphic user interface that can sit on the various GDSs to make sure that [agents] are more



CWT's Patrick Andersen

productive." Andersen said that application has been deployed throughout the United States and Europe, though globally "there's more work to be done in terms of rolling it out."

He explained that while there are many desktop applications available, and client contract terms sometimes necessitate using one provided by a specific GDS, "we have decided that this will be our core desktop application going forward. This is our solution for the future and where we'll put our investment dollars going forward for our agents."

CWT also uses proprietary mid-office and profile management systems.

Other ongoing projects relate to business intelligence for travel managers and mobile connectivity for travelers, including enhancements for the CWT To Go app. On the latter, senior vice president of global marketing Nick Vournakis in a June interview discussed click-to-call functions to help travelers "interact with our agents when they need the help the most," possibly including video capabilities.

Vournakis also noted an effort to better understand the circumstances and impact of trip disruptions. He said the idea is to "provide a service through email or text messaging, so when a traveler has been diverted and lands at an airport they weren't expecting, we greet them right when they land with messaging immediately about what their rebooking opportunities may be."

Vournakis said that feature "did not exist with the WorldMate platform. We are building it effectively from the ground up."

Regarding WorldMate, a mobile tech firm CWT acquired in 2012, Andersen

noted that the platform "is very aligned and now hosted within our infrastructure. It's got the same security rules and governance. It's given them the strength of the corporation without limiting their ability to have a development path."

Meanwhile, though it neither bought nor built it, CWT has been talking up the KDS Neo online booking tool. "We have a couple of customers trading on it and a lot of customers in the pipeline," Andersen said. "It's the new kid on the block, and success breeds success."

He added that the overall percentage of online booking adoption across CWT's U.S. customer base is in the 60s, while in Europe it's about 35 percent. "There's an evolution that has to take place, and we are seeing an acceleration of online booking adoption taking place in Europe as we speak," he said.

That speaks to the difference he sees in how companies are sourcing their TMC arrangements. "It's how technology plays in," he said. "It's so easy to see the technology opportunity right in front of you but actually to adopt that technology in your program is a lot more difficult than meets the eye." 🔄

## Report: Concur On The Block

**Concur** this month had no comment on a *Bloomberg* report that the company has discussed a possible sale to **Oracle** or **SAP**. "We do not comment on rumors or speculation," according to a Concur spokesperson. *Bloomberg* reported that Concur has enlisted an investment bank to pursue the idea, and that Oracle already declined the opportunity. Concur continues to report solid revenue growth but took losses for each of its past three fiscal years. Enterprise software maker SAP, meanwhile, recently announced plans for new integration between its Cloud for Travel system and **Amadeus**. Its expense system, which competes with Concur's, serves such big customers as BASF, ConocoPhillips, Interpublic, Merck, Nestlé, Novartis, PricewaterhouseCoopers, Publicis, Royal Dutch Shell, Sanofi, United Technologies Corp., Walt Disney and World Bank Group, according to *BTN's* 2013 Corporate Travel 100 report.

## Hertz CEO Frissora Resigns, Search For Replacement Underway

**Hertz Global Holdings** chairman and CEO Mark Frissora has stepped down for "personal reasons," and Hertz Equipment Rental Corp. president and CEO Brian MacDonald will act as interim CEO while the company's board searches for a permanent leader, Hertz Global Holdings announced this month. The company's board credited Frissora, who has led Hertz since 2007, with a tenure that "transformed Hertz from a single on-airport rental car brand to a world-leading rental car company with a portfolio of brands that reach multiple consumer and business segments both on- and off-airport," according to a statement by independent lead director Linda Fayne Levinson.

## Virgin Atlantic To Boost North Atlantic Service

**Virgin Atlantic** plans to boost services on North Atlantic routes while ceasing flights to Cape Town, Mumbai, Tokyo and Vancouver, the carrier announced this month. To better leverage its joint venture with **Delta Air Lines**, the U.K.-based airline intends to add new service between London Heathrow and Detroit and boost frequencies between Heathrow and Los Angeles and New York JFK, as well as add more summer seasonal service from Heathrow to Atlanta and San Francisco and additional winter service between Heathrow and Miami. Virgin also will pick up a daily flight between Atlanta and Manchester, U.K. that has been operated by Delta. Meanwhile, service to Tokyo Narita and Mumbai will end on Feb. 1, 2015, and summer seasonal service to Vancouver won't resume next year. Winter seasonal service to Cape Town will operate as planned until April 2015 but won't renew in the winter of 2015/2016. "Transatlantic flying has always been at the heart of our network and our most financially successful region," according to a statement from Virgin Atlantic chief executive Craig Kreeger, adding that the network changes "play to our strengths."

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Source: DOT Air Travel Consumer Report, 2/2014, p. 5 (on time rankings) and p. 32 (domestic enplanements). Delta's 2013 domestic on-time arrival rate was 84.5% and our closest competitor's was 81.5%. Based on Delta's total domestic 2013 enplanements, this difference equates to 3,033,858 passengers. Competitive set defined as US Global Network Carriers: American, JetBlue, US Airways, United/Continental and Southwest/Alitran.





“Airlines will have to comply with our no-fly list arrangements, give us information on passenger lists and comply with our security screening requirements. If they do not do so, their flights will not be able to land in Britain.”

—Prime Minister **David Cameron** in a statement to the House of Commons this month, announcing the government would put “long-standing arrangements on aviation security around the world on a statutory footing”

“Our experience was [that] we came in second a lot [in multinational tenders], but the feedback was, ‘We like the personalized service, we like the technology, we like all the stuff you are doing, but I am not going to get sacked for not picking a global TMC, so come back and show us that you can manage clients in more than one region.’ Now we are doing that, and that’s a turning point for us.”

—**Jamie Pherous**, chief executive of Australia’s Corporate Travel Management, discussing during a conference call the travel management company’s international expansion



“SPG Pro will also help us extend our reach beyond our managed accounts to attract new businesses, regional organizations and a next generation of travel professionals. ... With each 1 percent share shift in this business, we add \$80 million in revenue.”

—Starwood Hotels & Resorts sales organization senior vice president **Christie Hicks** in a statement this month announcing Starwood Preferred Guest Pro, a new loyalty program



“We continue to see signs that the market for data-driven event technology is massive, underserved and ripe for a winner-take-all outcome.”

—**DoubleDutch CEO Lawrence Coburn** in a statement announcing the meetings app provider had closed \$19 million in Series D financing

## Interview: Orbitz For Business’ Petito



Orbitz in May announced that its Orbitz for Business corporate travel division signed an agreement to provide an online booking tool for IBM. *The Beat’s* David Jonas last month spoke about that development with OfB president **Frank Petito**, who acknowledged that “this particular customer certainly generates a lot of interest,” and shared some general thoughts on OfB’s efforts to globalize its booking technology. Additional excerpts from the conversation follow.

**David Jonas:** What can you tell me about IBM’s decision to begin using the Orbitz for Business booking tool?

**Frank Petito:** We are certainly working with a very large company to take our consumerized technology and launch it with this company in 100 countries.

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We feel that the corporate travel industry is moving in the direction of consumerized technology and that absolutely plays to Orbitz for Business’ strength. This particular company identified that there is a better way of doing things.

**Jonas:** Obviously that particular company can ask for customized solutions. What are you developing for this type of client that can be translated to your pursuit of additional multinational clients?

**Petito:** Our technology is built off the work we have done in the leisure sector. To me, the leisure sector is where you see a lot of the online booking innovations. At Orbitz for Business, we benefit from all the innovations that tens of millions of travelers are experiencing on the leisure side. The major piece of differentiation about the projects we are working on on the technology side—this is not client-specific—is enabling others, even if they are not working with us as a full end-to-end agency, to have access to this great technology that we have built and that all of OfB’s other customers are using. The big work is enabling another TMC to use our technology, and make this pre-existing technology available and adaptable for dozens of different markets.

As far as customization, we are a technology company. We release code every week. We make enhancements to our tool every week—some small, some big. So our tool is not stagnant. Certainly a client the size of the one you are referencing is going to have some specific things they want. But we get a lot of cues on product development from our clients—existing and prospective. Sometimes it’s the large ones and sometimes we get great ideas from the small ones.

But the big project we are taking on is separating our tool so it can function with a TMC that is not OfB, so it can be globalized.

**Jonas:** What has to happen for you to do that?

**Petito:** It’s a collaboration. You can’t just snap your fingers and connect to another TMC and have a

seamless experience. You need to work in connection with the TMC, make sure the reporting and duty of care lines up, make sure that our online experience is synched up with their agent experience. But it’s something we are very good at. At Orbitz we have taken on some very significant technology projects over the years, whether that is developing a platform that drives all of our consumer brands in multiple countries or developing and powering an online booking tool for the American Express leisure business.

**Jonas:** Should we expect to see more of Orbitz for Business as strictly a technology provider to those companies choosing different TMCs?

**Petito:** Our core business is that of being a full-service TMC. We certainly lead with our differentiation, which is our technology, but we also have a full suite of TMC capabilities: a dedicated 24/7 call center, full duty-of-care capabilities and great reporting capabilities.

The majority of transactions are going online; our clients on average are driving 90-plus percent online adoption. They are doing this from desktops and laptops and increasingly from mobile devices. So the tech piece of the decision-making process is very important, but I don’t want to trivialize the TMC discussion, because even if you have a client with 90 percent online adoption, there’s a very important 10 percent that needs to be handled flawlessly with experienced agents, great reporting, duty of care and strategic consulting advice. The two need to go hand in hand.

With the partnership that we are working that’s generating interest, it’s been a great collaboration between the client, the TMC [American Express] and us.

**Jonas:** We hear of many multinational companies opting for a best-in-region approach rather than a single global system. How do you make your tool better suited to serve all regions?

**Petito:** There’s certainly content aggregation. You need to have comprehensive inventory, which we do. You need to understand market preferences. In some regions, mobile will be the majority of what gets done just based on the infrastructure. As far as whether folks want best-in-market versus one global experience, I can see the benefits of both. But as far as one consistent experience across the globe, we are hearing from many folks that that’s what they are interested in. 🌐



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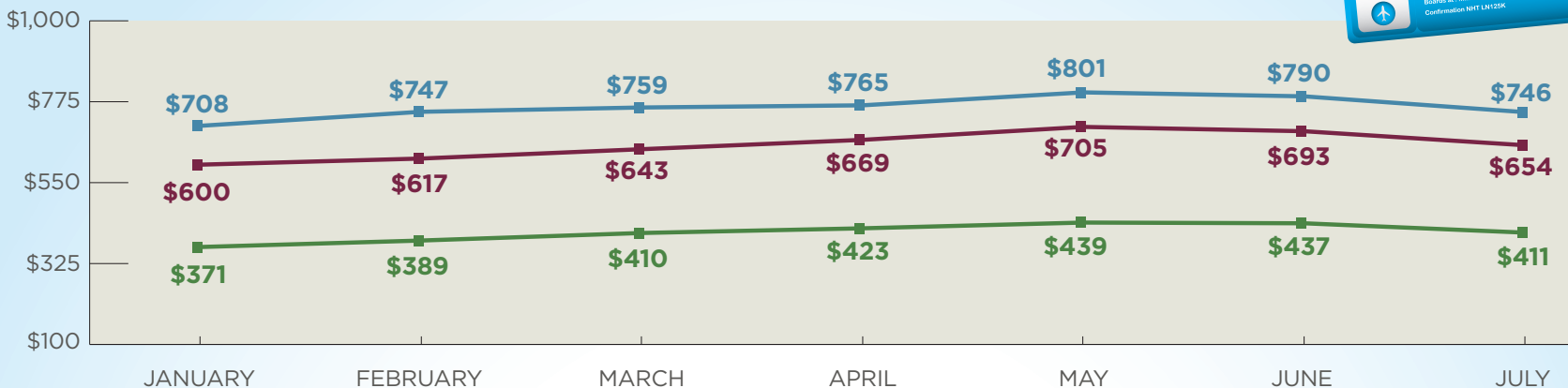


## Air Travel

### 2014 Average Airfares

Roundtrip Fares Processed Through ARC By Agency Category, Excluding Taxes

MEGAS ONLINE OTHER



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

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

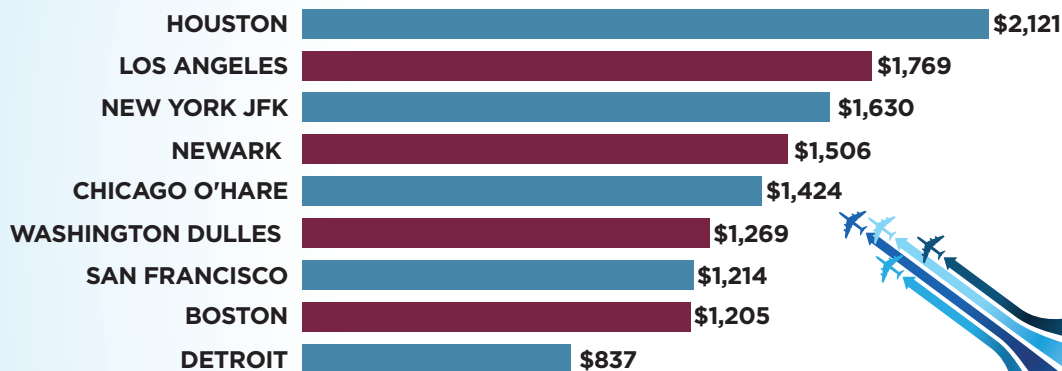
"Other" includes all other travel agencies whose data is processed by ARC.

Note: Airfare data is based on tickets purchased/issued during each month.

Source: ARCLabs

### U.S.-London Heathrow Corporate Air Travel Costs

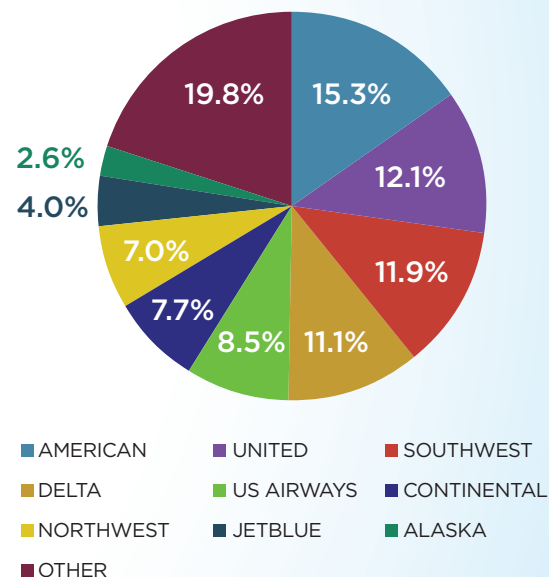
Cost Per Segment Between Heathrow And U.S. Gateways, January-July 2014



Source: Prime Numbers Technology's Prime Analytics database, based on 26,000 segments booked primarily by U.S.-based corporate travel management companies

### U.S. Airline Market Share

12 months through March 2007



### North America July On-Time Performance Report

Top-Performing Airlines

	On time (within 15 mins.)	Excessively late (45+ mins.)	Canceled
<b>U.S. Majors</b>			
DELTA	85.3%	ALASKA 5.1%	VIRGIN AMERICA 0.11%
ALASKA	83.7%	DELTA 5.8%	DELTA 0.24%
VIRGIN AMERICA	81.2%	VIRGIN AMERICA 8.4%	ALASKA 0.64%
US AIRWAYS	78.0%	US AIRWAYS 9.3%	SOUTHWEST 0.91%
UNITED	76.0%	UNITED 10.9%	AMERICAN 1.13%
AMERICAN	73.2%	SOUTHWEST 11.3%	UNITED 1.34%
SOUTHWEST	71.5%	AMERICAN 11.5%	US AIRWAYS 1.65%
JETBLUE	67.1%	JETBLUE 16.6%	JETBLUE 2.64%
<b>All North America*</b>			
HAWAIIAN	92.9%	HAWAIIAN 1.2%	JAZZ 0.02%
HORIZON	87.8%	HORIZON 3.8%	AIR CANADA 0.04%
DELTA	85.3%	WESTJET 4.5%	HAWAIIAN 0.10%

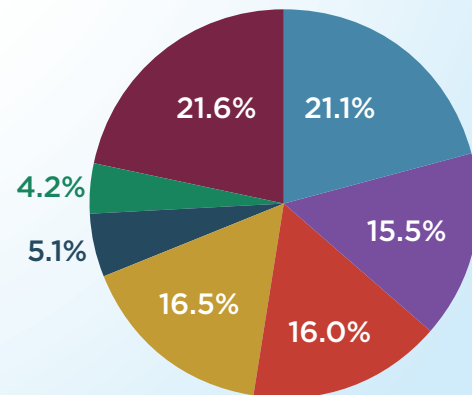
\* Rankings based on airlines with at least 5,000 flights scheduled during July 2014.

Notes: Horizon Air is a regional operator owned by Alaska Air Group. Pinnacle (also known as Endeavour Air) is a wholly owned subsidiary and regional operator of Delta.

Jazz is a regional affiliate within the Air Canada Express network.

Source: FlightStats

12 months through May 2014



Note: Market share based on total domestic revenue passenger miles

Source: U.S. Bureau of Transportation Statistics



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# Premium Pursuit

*AIRLINES INVEST IN UPPER CLASS AHEAD  
OF POTENTIAL POLICY SHIFTS*

**By Michael B. Baker**



## Business class is cementing its status as the darling of the airline industry, as the major carriers pump capital into improving their offerings. Meanwhile, while data has yet to show a major trend toward loosening corporate policies that limit premium-class air travel, some airline representatives report anecdotally that clients are beginning to let more travelers move to the front.

In its most recently available data at press time, the International Air Transport Association reported that the number of international air passengers traveling in premium classes was up 1.8 percent year over year in June, most strongly on routes between North and Central America (9.7 percent), across the Mid-Atlantic (9 percent) and within North America (7.1 percent). During the first six months of this year, premium traffic growth has outpaced that of economy traffic, according to IATA.

Preliminary data from *Business Travel News*' annual benchmarking report of Corporate Travel 100 companies shows little eagerness to allow more corporate travelers in those classes. With about half of the 100 companies with the largest 2013 U.S.-booked air travel spend reporting, more than three-quarters said they planned no changes to their business-class policies this year. Twenty percent said they planned to make their policies more restrictive.

BCD Travel's Advito also noted in its 2015 industry forecast issued this month that the number of business-class tickets purchased for short-haul flights is continuing to fall, with nearly all passengers in premium cabins connecting with long-haul service.

Even so, American Express Global Business Travel vice president of global business consulting Pedro Paredes said he's seen more clients, particularly in the competitive professional and financial services industries, "exploring whether they have gone too far in policy decisions. We had one client that initially had asked for ways to drive savings, then the head of HR was looking for us to go in the opposite direction."

American Airlines vice president of global sales Derek DeCross reported a similar trend in those industries, adding that technology firms also are exploring letting more travelers fly business class.

"Technology firms have not been the most generous in terms of what they allow their travelers to fly, but there's more competition," he said. "The pendulum sometimes swings, and there has been a move afoot in certain sectors to focus on keeping their folks productive."

### Premium Investment

The three largest U.S. airlines, meanwhile, during the past couple of years have been investing in their business-class products.

Delta Air Lines this year completed fleet modifications that provided full flat-bed seats with aisle access in BusinessElite sections across widebody overseas flights. It also installed full flat-bed seats in Boeing 757-200 aircraft servicing the JFK-Los Angeles International route, with plans for all flights between JFK and Los Angeles, San Francisco and Seattle to have the seats by next summer.

"The difference in the products we have now versus what we had several years ago is pretty stark," Delta director of customer experience, planning and development Mike Henny said. "In spite of the vagaries of the economy, we've made some significant investments and tried to stay ahead of the curve."

United Airlines also has made flat-bed seats a business-class standard on long-haul international flights, said managing director of product development and brand management Maria Walter. The airline last

month also launched a new food and beverage service for first and business classes within North America, including new sandwiches and wraps and adding Prosecco to the menu, and it plans to begin offering meals in the premium cabin on shorter flights next year.

As they enhance premium-class options, airlines also are rethinking their deployment of three service cabins in certain markets. American, for example, last month announced that it was removing first class from its Boeing 777-200ER planes while increasing the size of its business class. Major airlines outside the United States, including Qantas and Lufthansa, in recent years also have removed first-class cabins from select aircraft.

"Lie-flat seats have transformed what it means to travel in business class, so they have to ask from a class standpoint whether they can do both," American Express' Paredes said. "Also, if business class is as good as first, [corporations] can move their [first-class] travelers to business class, though the trick is

making sure there's compliance."

American's DeCross said the airline is making its decisions based on what fits best by market. Its new first-class design on the 777-300ER jets, meant to emulate an upscale hotel experience, is a fit for the Heathrow, São Paulo and Hong Kong markets, while other markets are a better fit for an upgraded business-class cabin, he said.

Even as disgruntled passengers diverting flights over reclined economy-cabin seats are making the news, airlines are making investments into their economy products that also could change the policy equation. Delta, for example, aims to find more ways to differentiate its main cabin to "offer something that's materially different," Henny said. The carrier last month began offering free entertainment in domestic aircraft and two-cabin regional jets and earlier this year added sleep kits and other economy amenities on long-haul flights.

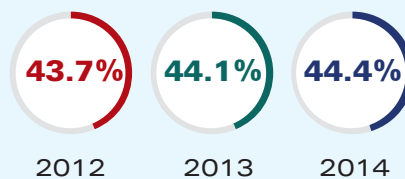
United is evaluating amenities outside of additional legroom for its Economy Plus seating, Walter said. American, meanwhile, will gain more premium-economy space from its 777-200ER reconfiguration.

"By throwing premium economy into the mix, this can make it all a fair balance, and we can see a little more customization in the offerings they provide," Paredes said. "More companies are looking into putting premium into their policy, and it's becoming more of an accepted option."

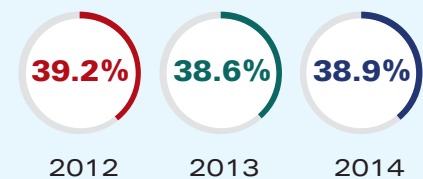
## Business Travelers' Use Of Premium-Class Air

As A Ratio Of All Intercontinental Flights, January-March

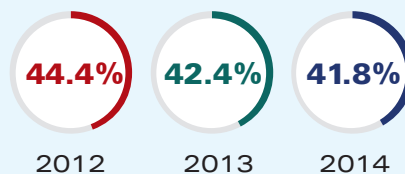
### North America



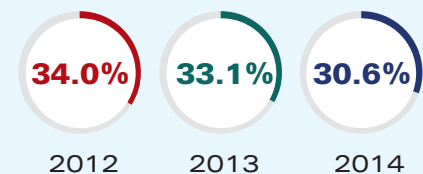
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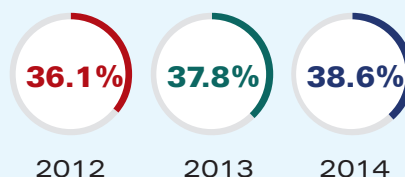
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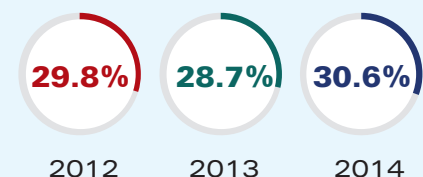
### Latin America



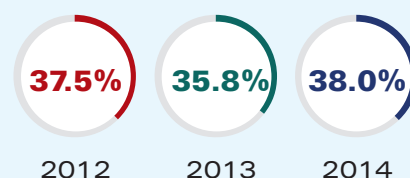
### Middle East



### Africa



### Southwest Pacific



Source: BCDTravel's Advito, based on client data

# TripBam, Whirlpool Win Business Travel Innovation Awards At The BTN Group's First Innovate Conference

New York – TripBam CEO and founder Steve Reynolds and Whirlpool Corp. senior manager of global travel services Madia Sargent won the Business Travel Supplier and Buyer Innovation trophies in a competition held here as part of The BTN Group's inaugural Innovate conference.

The event, held Sept. 3-4, brought together buyers, suppliers and third parties for a program of presentations of business travel product and process innovation and discussions about six of the industry's biggest challenges.

Reynolds won for his company's approach to reducing hotel pricing and Sargent for her effort to create an advanced mobile corporate portal.

Competitors for the Business Travel Innovation Supplier Trophy included Olset founder and president Gadi Bashvitz; CSI GlobalVCard chief product officer Jason Kolbenheyer and COO David Disque; TSI managing director Rick Kumpf and vice president of business development DeAnne Dale, who presented TravelAudit; Sabre director of corporate and global agency sales



Whirlpool's Sargent and tripBam's Reynolds celebrate at Innovate.

for TripCase Kristine Peacock, who presented Sabre TripCase Corporate; Travel and Transport general manager Michelle Holmes, who presented the Points 2 Points gamification program;

and Mozio founder and CEO David Litwak. Suppliers whose applications were selected by The BTN Group to compete in the competition were charged a fee to participate.

Competitors for the Business Travel Innovation Buyer Trophy included Bridgewater State University institutional travel coordinator Gregory DeMelo and Goodman Networks director of travel Karen Hatch. There was no charge for the buyer participants selected by The BTN Group.

Travel technology consultants Norm Rose and Ellen Keszler, PhoCusWright managing director Tony D'Astolfo and Microsoft senior travel manager Eric Bailey judged the competition and awarded honorable mentions to Olset and Mozio.

Task forces comprised mostly of corporate travel buyers helped design and lead think tank discussions aimed at advancing business travel developments in six areas: the sourcing of hotels, airlines and TMCs, building a better booking tool, maximizing mobile opportunities and travel policy development and deployment. The BTN Group will create white papers based on the task forces' work and think tanks' recommendations that it will share with participants and the industry.

NOTES

## BTN Sets Trends & Forecasts Dates

The BTN Group announced the 2014 dates for its series of one-day, buyer-only Trends & Forecasts events, in which attendees hear panels on industry developments and share in an open forum their experiences, challenges and solutions with fellow corporate travel buyers. Topics to be covered include benchmarks and best practices in business travel management as well as trends in airline and hotel negotiating and 2015 projections.

Trends & Forecasts events in 2014 will be held in Chicago, Dallas, San Francisco and New York.

- Oct. 22 at the Sheraton Chicago Hotel & Towers
- Nov. 18 at the Omni Dallas Hotel
- Dec. 2 at the Grand Hyatt San Francisco
- Dec. 8 at the Sheraton New York

For more information, please visit [btngroupconferences.com](http://btngroupconferences.com) or contact The BTN Group editorial director David Meyer at [dmeyer@thebtngroup.com](mailto:dmeyer@thebtngroup.com).

## At Inaugural Event, Winit Spotlights Travel Industry Gender Inequality, Calls For Change

BY JoANN DeLUNA

Los Angeles – A 2007 report by Catalyst, a nonprofit organization promoting inclusive workplaces for women, indicated that the top quartile of companies in terms of percentage of female board members outperformed those in the bottom quartile with a 42 percent higher return in sales, 66 percent higher return on investment capital and 53 percent higher return on equity. Yet, in 2012 only 17 percent of board members in *Fortune* 500 companies were women, according to a separate 2013 Catalyst study.

Such statistics regarding women's roles in the workplace confronted the 383 women and men who registered to attend the inaugural Women in Travel, or Winit, event here in late July. Winit committee members called for awareness, change and action to make the industry more representative of its female constituency.

"We have to change the dialogue. ... Do it not just because it's the right thing to do, but because it's good for the economy," said Klio Travel Ventures owner and Winit board of directors chair Hervé Sedky during the

event. "Women make most of the economic decisions in the world today, so if you want to impact a country's [gross domestic product] or a company's bottom line, you have to really focus on this important constituency."

Founded in January by Citi managing director and global head of general services and travel Mick Lee, Winit is a "network of women and men supporting women in travel," according to the organization's mission statement. The organization has raised 50 percent of its 2014 fundraising goal, Lee told *BTN*, and as of Aug. 25 has 1,218 LinkedIn group members, according to Winit's LinkedIn page.

Winit committee chairs during the event announced updates and 2015 goals. The association's global mentoring program is on track to launch in the first half of 2015, officials said. The measurement and evaluation committee gathered statistics on women in the travel industry and Winit survey responses that "reflect the inequality in the industry." Winit will monitor those figures to gauge the success of its efforts, explained Christa Degan Manning, HSF Research senior vice presi-

dent and Winit measurement and evaluation co-chair.

Of 157 Winit LinkedIn members who responded to an April 2014 poll, 42 percent reported that a lack of equal career opportunities has impacted their personal performance and 28 percent reported it's impacting their company performance.

"One out of two women in this industry is actively or passively looking for her next job," said Manning. "If we don't put the structures in place to give them the opportunity within the leading companies, they'll go to the ones that do."

Winit also plans to establish regional meetings in the Americas, Asia/Pacific and Europe, the Middle East and Africa, develop a job and resumé-posting network for the industry and create talent-development initiatives.

The one-day conference also provided tips on advancing careers through a LinkedIn branding workshop and personal accounts from Winit committee members of their career journeys to executive positions and the mentors who helped get them there.



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# BCD Travel's Advito Projects Generally Slight 2015 Hotel Rate, Airfare Hikes

BY DAVID JONAS

BCD TRAVEL'S Advito consultancy issued a corporate travel price forecast for 2015 that shows generally modest year-over-year increases for airfares and hotel rates in most geographies. Projections in part are based on expectations for improving economic conditions in many regions—though perhaps more so in developed markets than emerging ones—and the growing influence on airfares of low-cost carriers.

"Companies will want to travel more, as economic conditions continue to improve in 2015," according to Advito's report, released this month. "Yet more than five years after the height of the global recession, businesses remain cautious about spending too much too soon, so travel growth will be modest rather than spectacular."

## North America

Though Advito expects North American air capacity in 2015 to increase more than in recent years, it wrote that consolidation continues to push fares higher. "For now, airlines are generally continuing to post low single-digit fare increases for fear of killing off demand," according to the report. "However, once reduced corporate discounts and early closure of low-fare buckets are taken into account, the underlying price paid by business customers is climbing fast."

For next year, Advito forecast regional economy fares to increase 4 percent year over year and regional business fares by 2 percent. For intercontinental routes, it projected 3 percent higher business fares but flat economy fares.

Advito also noted the challenges related to negotiating air agreements in a market that has consolidated to three global airlines. "Only the very largest corporations (with travel budgets above US\$400 million), or buyers that consistently purchase higher-yield fares, can sustain deals with all of the 'Big Three,'" according to the report, referring to American Airlines, Delta Air Lines and United Airlines. "Everyone else is likely to be spreading their travel dollars too thinly and may face pressure to reduce to two carriers, or even one. ... With load factors at high levels, airlines are more tightly managing their corporate agreements and the Big Three are becoming quicker to drop clients who do not deliver increased business."

Due to the increasing complexity of

airline negotiations, Advito pointed to appetites on both sides for three-year deals rather than the more typical two-year arrangements.

In the North American lodging market, Advito predicted average rates to rise between 3 percent and 5 percent (excluding such high-demand markets as New York, Chicago and San Francisco, where rates seem set to rise more), despite limited new supply and a push by suppliers to achieve higher increases.

"Possible reasons include growing competition from mid-priced chains and lack of confidence about the strength of economic recovery, making hotels anxious to retain corporate clients who consistently deliver business," according to Advito. "As a result, clients with well-managed travel programs are successfully negotiating corporate rate rises close to inflation. Those with less developed programs risk increases of 7



"More than five years after the height of the global recession, businesses remain cautious about spending too much too soon," according to Advito's report, "so travel growth will be modest rather than spectacular."

percent to 10 percent or no deal at all."

On the car-rental front, Advito wrote that it's not seeing the corporate rate increases that some suppliers have claimed. "Clients who re-sign supplier agreements without going through a [request-for-proposals] process are achieving zero increases, or in some cases suppliers volunteer lower rates to prevent an RFP taking place," according to Advito. "That said, rates will have to move upwards soon, and 2015 may well be the year it happens—though, even then, only 2 percent to 4 percent."

## Regional Highlights

**Latin America:** With demand outpacing supply growth, Advito projected average airfares in Latin America to increase by a few percentage points, though intercontinental economy fares specifically are expected to retreat 2 percent "as the softening economic situation takes some heat out of demand in major markets like Brazil."

With the exception of Venezuela, Latin American markets are projected to have some of the highest average hotel rate hikes in the world, with Chile up by

as much as 6 percent, Brazil as much as 8 percent and Argentina as much as 10 percent. Advito cited "a combination of inflation and fast-expanding business travel." An earlier forecast issued by Carlson Wagonlit Travel and the GBTA Foundation also projected Latin America's hotel rate growth to lead the world.

**Europe:** Advito noted that despite improving economic conditions in the region, companies are "cautious about spending more on travel, especially for internal meetings, so expansion in demand will not be rapid"

It expects corporate fares to rise by a few percentage points (with growing low-cost carriers helping to keep increases modest), except for intercontinental economy fares, which are set to decline marginally. However, transatlantic joint ventures are starting to "realize the pricing power of consolidation."

In terms of hotel pricing, Advito projected low single-digit percentage

1 percent and 4 percent, as "growth in demand and supply will be well-matched." South Korea is an exception, where the average rate may rise as much as 7 percent.


**Southwest Pacific:** Business fares within, to and from the region—underpinned by the large Australian market—are expected to rise by an average of 2 percent. Advito cited recovering economic conditions in Australia and stronger inbound demand from other regions. Economy-class fares, meanwhile, are predicted to remain essentially flat—domestically due to heavy competition between Qantas and Virgin Australia, and internationally thanks to expanding operations by Gulf airlines.

**Middle East:** The region is the only one in Advito's report with lower airfare expectations across all categories (ranging from a 4 percent decline in regional economy fares to a 1 percent drop in intercontinental business fares). Authors pointed to "intense" competition between the region's carriers (and Turkish Airlines) and fare discounts used to fill seats on a growing number of flights. For hotel rates, the pan-regional outlook calls for an increase between 3 percent and 5 percent.

**Africa:** The region's price forecasts reflect the slowing economy of South Africa, where Advito has found that businesses are cutting travel. Intercontinental airfares are expected to drop back between 2 percent and 3 percent, while regional airfares will increase only by a few percentage points, if at all.

## Meetings

Given rising demand and limited new supply, Advito characterized the current meetings sector as "a seller's market." Yet, it expects rates related to meetings to grow only moderately (other than such very popular markets as New York and San Francisco). The firm also noted greater interest among clients in leveraging transient and meetings spending, bigger availability and rate challenges for those booking later, and a spate of new or higher meetings fees imposed by venues.

"Rates in the U.S. have returned close to previous record levels of 2007-08," according to the report. "Although businesses are keen to hold more meetings, they remain very cautious about cost, so they continue to stage events with fewer frills than before the 2009 recession." 



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## CWT Solutions Group: Negotiated Rates Often Better Hotel Value Than Dynamic Pricing

BY MICHAEL B. BAKER

NEGOTIATED FLAT RATES still provide better value than dynamic pricing agreements at high-volume hotels, though dynamic pricing does offer savings when properly applied, according to research by CWT Solutions Group.

The group, Carlson Wagonlit Travel's consulting division, tracked best available rates at about 6,400 hotels from January to April and compared them with 134 clients' negotiated rates. On average, the negotiated rates provided 22.7 percent savings off BAR, though that figure varied widely by market, hotel type and program volume. Negotiated rates in such markets as Houston, Atlanta and Toronto on average saved more than 30 percent off BAR, while the average negotiated rate in New York was actually higher than BAR, for example.

"In high-occupancy markets, we begin to see how a dynamic agreement could be more beneficial to a corporate customer," according to the report. "In

these markets where hotels don't need to offer significant discounts to attract business, a 10-percent-to-15-percent dynamic pricing agreement may very well be more beneficial than flat corporate negotiated rates."

At the same time, hotels that do not discount heavily on corporate negotiated rates are not likely to offer large dynamic discounts, either, the report continued.

The group's research also determined negotiated rates tended to offer more savings in higher-tier properties. The average negotiated rate at deluxe hotels was 39 percent below BAR, while at economy hotels it was 17 percent below BAR.

In terms of volume, the average negotiated discount unsurprisingly was higher for companies committing more room nights. The average discount off BAR for companies committing more than 500 room nights was 29.5 percent; for companies committing 100 nights or fewer, the average discount was 21.3

percent, according to the report.

The report said other considerations are required when evaluating dynamic pricing agreements. Such amenities as breakfast and Internet access typically are not included in dynamic pricing or chainwide agreements, which could further lower the savings threshold. Programs with many travelers who book at the last minute also are vulnerable to "yield management tactics" that could hinder dynamic pricing savings, according to the report. Dynamic pricing agreements can offer long-term savings in terms of time, however, since hotels often are willing to offer them on a multiyear basis.

"Travel buyers should continue to place most focus on corporate negotiated rates, as the greatest benefit is currently still here," the report concluded. "However, consider dynamic agreements as a beneficial program supplement in low-volume markets or at hotels with few room nights, particularly in the [economy] category and in seller's markets with low volume."



## Senate Committee Chair Opens Inquiry Into Airline Ancillary Fee, Passenger Data Practices

BY JAY BOEHMER

KICKING OFF AN "inquiry" into airline practices on data privacy and fee transparency, Sen. Jay Rockefeller (D-W.V.) in mid-August sent letters to the 10 largest U.S. airlines by revenue. He's probing "how they disclose certain additional fees to consumers when they are making ticket purchases" and asking carriers to detail "internal policies aimed at protecting consumer information gathered during the ticket purchase process."

The U.S. Department of Transportation is in the process of a third rulemaking that aims to bring greater transparency to fare- and fee-selling practices. Consumer advocates and some travel sellers don't think the first draft of the latest installment goes far enough.

Rockefeller, who is chairman of the Senate Commerce, Science and Transportation Committee, adds a high-profile voice to the call for greater fee transparency.

He also is pushing back at the so-called Transparent Airfares Act of 2014, which has cleared the U.S. House of Representatives and now sits with his committee. The airlines heavily favor the bill, which would roll back some previous full-fare



U.S. Sen. Jay Rockefeller

advertising requirements.

A press release announcing Rockefeller's inquiry said it "builds on concerns raised recently by consumer advocates about whether [ancillary] fees are sufficiently disclosed to consumers shopping for flights, in order to allow for true price comparison." Rockefeller's letter asks airlines to disclose how much revenue various ancillary fees generate, price ranges of different add-ons and fluctuations in ancillary pricing during the past five years.

What is new here, and not yet addressed by DOT rulemakings, is the focus on passenger data collection.

"An additional transparency issue concerns how airlines handle personal information that they obtain from consumers through the ticket purchase process or otherwise," according to Rockefeller's letter. "Data collected during ticket purchase can include a passenger's name, credit card numbers, date of birth, addresses, travel destinations and travel companions, among other information."

"No comprehensive federal privacy law currently applies to the collection, use and disclosure of consumer travel information," the letter continued. "Consumer advocates have expressed concern that airline privacy policies can contain substantial caveats and that it is difficult for consumers to learn what information airlines and others in the travel sector are collecting, keeping and sharing about them."

Rockefeller asked airlines how long such personal data are retained, sources of such information, how privacy and data security protections are ensured, whether airlines sell or share such data and whether they "provide consumers the right to (i) access the information you maintain about them and (ii) correct such information."

NEWSLOG

## U.S. Hotels Set For Record Fee Haul

U.S. hotels this year will collect a record \$2.25 billion in fees and surcharges, according to research by New York University hospitality clinical professor Bjorn Hanson. That figure is about 6 percent higher than last year's level and is the result of a combination of higher occupancy, more hotels adding fees and surcharges and hotels increasing the amount of those charges, according to Hanson. Group business in particular has seen more charges this year, including charges for bartenders and other staff at events, master folio billing fees and charges related to meeting room set-up and breakdown.

## TravelClick: Hotel Rates Up

North American corporate hotel bookings from August through July 2015 are up 3.7 percent year over year, and the average daily rate on those bookings is up 4.6 percent, according to TravelClick. Corporate transient bookings and ADR during that period both are up 5 percent year over year, and group occupancy is up 3.2 percent with a 2.2 percent increase in ADR. TravelClick's data is based on individual reservations and group commitments in 25 major North American markets made by July 27.

## PKF: Record '15 Occupancy

PKF Hospitality Research projects U.S. hotel occupancy will reach 65 percent in 2015, a record since STR began reporting occupancy data in 1987. PKF president Mark Woodworth said as economic recovery spreads beyond the major coastal markets, many of the largest occupancy gains this year are occurring in such secondary markets as Memphis, Richmond and Raleigh-Durham. With U.S. hotel supply growth forecast at 1.3 percent next year, PKF projects the average daily rate at U.S. properties will increase 5.7 percent year over year in 2015.

## Delta Adds Sales Exec

Delta Air Lines appointed sales director Athar Khan to a new role that will work with the carrier's financial services customers, Delta announced last month. As director of financial services based in New York, Khan leads a team that works with all major investment banks and will coordinate with Delta joint venture partners for those clients.

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## Interview: KDS Americas GM Mike Concannon



**JoAnn DeLuna: Where is KDS with the Americas operations?**

**Mike Concannon:** When I was hired six months ago, I worked very closely with Dean [Forbes, KDS CEO] and the board of directors to put together a three-year plan for what we're

going to be doing in North America. The plan consisted of a number of different components,

including a hiring plan and what to do from a sales, marketing and infrastructure perspective. After six months, that three-year plan has been elevated to an 18-month plan because of the interest, growth and enormous positive feedback we've had in the market. We had to change the strategy around hiring and sales plans and escalate things. That's good news.

We're moving at twice the speed of what we originally thought we would be. The [November 2013] PhoCus-Wright conference was a key turning point for KDS where we presented ourselves to the U.S. market.

**DeLuna: What are your specific goals?**

**Concannon:** From a sales perspective our objective is three-pronged. [First], it's to expand the existing customers we currently have and to have deep relationships with organizations in Europe and beyond. It's about that global expansion and how can we bring those customers to the United States. Two, it's about direct customers. We were getting a lot of interest from direct corporations for both travel and expense.

The third piece—and the most important—is probably about the partnerships. Carlson Wagonlit Travel, which we signed about a year ago, has been so successful. They're a key reseller of ours in this region. Our strategy is really about making that a success, then bringing on additional partners to also grow our business in North America.

After six months on the job as KDS' general manager of the Americas, **Mike Concannon** last month spoke with *The Beat's* JoAnn DeLuna about the travel and expense system provider's ambitions in North America, obstacles in the U.S. market, the state of the expense management market and partnerships with travel management companies, including a new deal with Travel and Transport. An edited transcript follows.

**DeLuna: What qualities are you looking for in your partners?**

**Concannon:** It's important to note that we're not going to sign 20 to 50 partners. We're being very selective about who we partner with to resell in the United States. We just recently signed a second U.S. partner. We're really looking for quality, not quantity in terms of our partnerships. We want partners who are similar to KDS and have a similar innovative, forward-thinking and entrepreneurial mindset. [We want] partners who are not happy with the status quo, [with] the way travel and tech tools have been operating to date and are looking for something different.

**DeLuna: Are there challenges specific to the U.S. market that you didn't anticipate?**

**Concannon:** I wouldn't say that we didn't anticipate, but I'd say there are absolutely very regional-specific features and functionalities that we had to address before coming into the U.S. market. From the travel perspective, it's things like being connected with certain providers: for example, Southwest Airlines and Amtrak. You need things like a ticket bank to apply old nonrefundable tickets to a new booking—something that's not necessarily an issue in Europe. There's a certain way travel agencies do business over here that is a little bit different than the way they do business in Europe. There are definitely challenges, everything from currency, to the vernacular, to the way everybody does business. But we saw most, if not all, of those coming in, so we were able to address them before we came to the market. We had to consider all that, but it was a very carefully thought-out, calculated move to come to the United States. So we needed to make sure we were ready from a sales and marketing perspective, but also from a product perspective.

**DeLuna: Considering IBM is retiring its Global Expense Reporting Solutions tool, now seems like an optimal time for KDS to enter the U.S. market. How do you see the opportunity?**

**Concannon:** We do see that as an opportunity. One of the key things about KDS Neo, both with travel and expense, is how different we are from everything else that's out in the market, and it's been very well received. We seem to be hearing from people as we talk to customers and partners that they're not satisfied with the tools currently in the market. If you take the new door-to-door philosophy, the new interface for the expense, the fresh approach and combine that with the fact that we have all these changes going in the market, but the competition keeps doing the same old thing—it's really a great opportunity for us.

**DeLuna: Will you be expanding into Latin America as well?**

**Concannon:** We do have interest from Canada, Mexico and South and Central America. The interest is there, and we are going to need to be moving into those regions, but right now the focus is very heavily on the United States. We have plenty to do here.

**DeLuna: In general, how do you see the business travel market?**

**Concannon:** People I've been talking to over the last six months—whether they're in procurement, travel or finance—are very concerned with two things: giving travelers an easy, effective, good tool to use and providing their organization with some form of [return on investment] or savings and making sure that it's efficient from an industry perspective. I think there's a lot of interest in both of those areas because people see the business continue to grow. They see that business travel is continuing to escalate even though there have been some dips

and really want to make sure they have the right process and tools in place for travelers.

**DeLuna: Is the adoption of expense tools increasing?**

**Concannon:** There are still so many companies out there that are not using any type of formalized automation. They're still using Excel spreadsheets to do their expenses, maybe using older, antiquated systems. There are so many different tools out there in the market and a lot of customers aren't using anything. There's a huge opportunity for companies like KDS to work with and talk to customers who aren't using anything, as well as customers who are on some kind of automation that they are not happy with.

**DeLuna: For more advanced companies that already are using automated systems, what else are they looking for in terms of specific integrations or configurations?**

**Concannon:** The comments that we hear are that they want a tool that's easier to use and they want it for expenses specifically. Expenses are a pain in the neck. Nobody wants to do them because it's a big challenge in businesses today to do in a timely manner. That's why people gravitate to our tool. We can give them something that will be easy and quick to use, they can do on a mobile device or at their desk, and they can get it done quickly and efficiently.

**DeLuna: Regarding the second U.S. partner, what can you tell us?**

**Concannon:** We recently just signed a multiyear strategic partnership with Travel and Transport, obviously a very large agency here in the United States.

**DeLuna: Is the partnership a reselling agreement?**

**Concannon:** Yes, it's reselling KDS in the U.S. and North America. They will obviously be our second big partner doing that, with CWT being the first. Travel and Transport really is going to help us with our North America strategy in terms of getting corporates on the Neo platform.

**DeLuna: Why Travel and Transport?**

**Concannon:** They have similar goals, very similar customer service-focused culture. We just really felt like it was a good fit. We spoke with a lot of their customers. We really did our due diligence to make sure they were the appropriate fit for us. 🌐

# Cornell Study: Sustainability Certification Boosts Hotel Performance



BY MICHAEL B. BAKER

HOTELS THAT achieve certified sustainability requirements on average outperform in terms of rates and revenue per available room those that do not, according to a recent study from Cornell University.

The study compared 93 U.S. hotels certified by the

U.S. Green Building Council's Leadership in Energy and Environmental Design ratings system—which takes into consideration such factors as water efficiency, energy use and indoor environmental quality—against 514 comparable hotels without the certification. Hotels in the study

largely were upscale or luxury properties in urban and suburban locations.

Prior to certification, the LEED-certified hotels had an average daily rate that was \$10 higher than the noncertified hotels. In the two years following the certification, that average premium jumped to \$20,

according to the study.

Occupancy trended lower at LEED-certified hotels, though the study noted that figure was skewed by new hotels in the sample or those that had been undergoing renovation related to the certification.

“Considering those challenges, it is remarkable that LEED-certified hotels match competitors’ occupancy levels within a year of certification,” the study reported. “The LEED hotels quickly made up the occupancy deficit recorded in the year prior to certifica-

tion, and they outperformed competitors for two years following certification.”

The report indicated such research, including future research over a longer performance period, is necessary as there currently is little “empirical evidence demonstrating a link between LEED certification and performance.” The number of hotels earning LEED certification annually has declined since peaking in 2010 which the study attributes to the benefits of the certification not being clear to hotels. [▶](#)



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## STR Global: July Average Hotel Rates Up Worldwide

BY MICHAEL B. BAKER

THE AVERAGE DAILY hotel rate in July increased across all four global regions year over year, according to STR Global.

In the Americas, ADR for July increased 4.8 percent year over year to \$119.81, and occupancy increased 3.6 percent to 73.2 percent. The largest percentage ADR increases in the region were in Brazil, boosted by the 2014 FIFA World Cup: Rio de Janeiro (up 70.1 percent to \$325.65) and São Paulo (up 30.3 percent to \$169.32). Santiago had the largest ADR decrease for the month, down 5.3 percent to \$146.20.

ADR in Europe in July increased 5.9 percent year

over year to \$143.56, and occupancy increased 1 percent to 73.9 percent. Measured in euros, the ADR increase was 4.8 percent to €107.15. The region's largest percentage ADR increases included Manchester, U.K. (up 18.5 percent to €83.50); Copenhagen (up 17.7 percent to €116.54); Tallinn, Estonia (up 16.7 percent to €85.09); and Athens (up 15.1 percent to €111.43). The largest percentage ADR decreases were in Moscow (down 11.9 percent to €102.44) and Vilnius, Lithuania (down 11.7 percent to €52.70).

Both ADR and occupancy were up only slightly in the Asia/Pacific region, STR Global reported. July ADR increased 0.2 percent to \$112.44,

and occupancy increased 0.3 percent to 70 percent. The largest percentage increases were in Seoul (up 12.5 percent to \$193.39) and Osaka (up 11.9 percent to \$125.81); the largest percentage decrease was in Delhi (down 4.6 percent to \$91.70).

July ADR in the Middle East and Africa increased 6.9 percent year over year to \$156.54, and occupancy increased 0.9 percent to 49.3 percent. The region's largest percentage ADR increase was in Jeddah, Saudi Arabia (up 12.5 percent to \$286.28); the largest percentage decreases were in Nairobi (down 5.4 percent to \$141.62) and Riyadh (down 4.8 percent to \$207.05). [▶](#)

# TMC Execs Debate Agencies' Evolving Role

BY DAVID JONAS

Los Angeles - Those in the managed travel sector have heard plenty about consumerization, traveler empowerment and mobile technology. Have they compounded to turn the concept of managed travel on its ear, or does evolving technology and a focus on traveler preferences simply mean evolved travel programs that can provide better service within designated channels and prescribed policies? Of course, to some extent it's both. That dichotomy was central to a panel discussion on the changing role of travel management companies, convened here in late July during the Global Business Travel Association's annual convention. Effective use of data and content fragmentation also figured into the conversation.

Sharing their companies' perspectives were Travel Leaders Corporate president David Holyoke, Egencia senior director of sales and account management Kjarsten Philipsen, Alamo Travel Group CEO and president Patricia Stout and Covington Travel director of business development Candee Harris.

When asked what TMCs need to improve, Philipsen said service providers "generally do a good job vis-à-vis the travel manager, but where we tend to fall down more is with the traveler. It is the reason why we are seeing the open-booking buzz." And that means TMCs must "provide services that are equal to if not better than what the traveler can get by going direct," and that corporate accounts "expect TMCs to keep pace in technology and service, and create a more personalized experience."

Philipsen also pointed to consolidated global programs as an area ripe for improvement: "Global consistency is not easy—different GDSs, tariffs, taxes, content. There is a lot that can be done. A lot of our investment is reducing our two platforms to a single." (He noted that on top of parent company Expedia's investments, Egencia itself has kicked in \$65 million for overall research and development.) Philipsen noted the ambition to create "a global central repository for travel profiles, for company policies and for data."

Travel Leaders Corporate's Holyoke focused his answer on that last item. "It's been mind-boggling to me for a long time why people don't do more with the data that they sit on," he said. "TMCs really don't work well enough to bring in more than just transactional data." He said they should work to leverage behavioral data as well to create



"a consumer-like experience," something he expects the industry to better grasp in coming years.

Covington's Harris also pointed to data challenges. "I wish I could make customers understand the value of the data," she said. "A lot of big customers don't have someone in charge of looking at the data and making decisions."

Alamo's Stout offered a different view. Noting the bad rap that travel agencies in general seem to be suffering (and alluding to President Barack Obama's infamous 2011 comment suggesting travel agents had become obsolete), she said, "We need to get our respect back. We need to educate the industry."

Stout also acknowledged that she could use some education of her own.

In his answer, Philipsen noted interesting marketplace developments related to personalization and big data, and gave props to hotel booking platform Olset and the KDS Neo door-to-door trip-planning tool.

## Minding The Gap

When asked how TMCs can ensure full content and pricing parity regardless of booking channel as "content is becoming more fragmented," Harris said that Covington "doesn't agree with the underlying assumption of the question. We feel the content we are providing is better than we have in the past, and it's bound to get better still."

Holyoke offered a different take, acknowledging that there always has and

tomers are pushing us to make it easy for travelers to do what they want—within policy. We are going to have to do a better job as an industry serving to the personalization."

That led to a question on how TMCs can "close the gap" between personalized B-to-C travel apps and managed travel program processes, given the sentiments of some that business travelers increasingly are "dissatisfied with the corporate approach."

Harris said that customers must decide for themselves "how much of the gap they'll allow," but she deflected the idea of empowered travelers driving the bus. "I don't think that the desires of dissatisfied travelers who don't like the corporate approach should be catalysts for these decisions," she said. "That has to be up to the corporation and the culture they work within."

Holyoke addressed the question by saying "apps are not the problem. ... It's more about connectivity." So while he's observing "an arms race for apps right now," it's not a chief concern for Travel Leaders Corporate. "We put our efforts into building a secure messaging platform, and it's device-agnostic."

"Kind of opposite to David's point," Philipsen said "there's an opportunity when integrated to provide a much higher level of service with technology and mobile apps." (Egencia has been promoting its TripNavigator app, first for smartphones and now for iPads, the latter of which was demoed for *The Beat* during the trade-show and is pretty nifty.)

Holyoke responded, "The only problem with that is the operating system strategy; it continues to evolve. Where does the endgame end?"

Amid all the tech talk, the industry should not lose sight of "the human touch," according to Stout. "We serve small to midsize [accounts], and customers want VIP/concierge service, they want a particular agent no matter what, they want travel status, they want a certain airplane seat or a certain hotel with room on a certain floor."

Harris, who said Covington's average account annually spends between \$1 million and \$10 million on travel, shared a similar perspective. "Customers want to deal with specific agents assigned to their account," she said. "They want a consultative approach, and they want us to be upfront as to what is measurable and what isn't. ... Yes, we have all the technology in terms of mid-office and on the front line, but we haven't forgot that travel consultants do a lot for our clients. We have to listen." 🗣️



"Global consistency is not easy—different GDSs, tariffs, taxes, content. There is a lot that can be done. A lot of our investment is reducing our two platforms to a single."

—EGENCIA'S KJARSTEN PHILIPSEN

When the panel was asked about something competitors are doing that their companies would consider adopting, Stout said she's curious and excited by tech development. And while Alamo is working to create a customized travel services app, many of her clients "are not there yet" in terms of expressing an urgent need for emerging technologies.

Asked the same question, Harris said that at Covington, "we really have grown organically, but looking at what some of our competitors are doing, we are looking at possibly growing our company through acquisition." In noting that the average agent tenure at her agency is 20 years, she added that any acquisition must have a cultural match and not impact quality of service.

always will be some degree of content fragmentation, and it's just a matter of TMCs using either manual or automated means to mitigate it. He suggested that industry standards should play a role and that it "makes no sense for us all to build different pipes to bring in content." But he added that each TMC needs to approach the issue in a way that works best for its business.

While Philipsen acknowledged the importance of content aggregation, he said it won't much matter if travelers don't find what they are looking for, hence the push for personalization. "As to what TMCs can do, definitely direct connect, multi-GDS strategies and leveraging size and spend," he said. To address the open-booking issue, "cus-

# Delta Sharpens 'Edge' With Personalized, Self-Service Programs For Corporate Clients

BY JAY BOEHMER

DELTA AIR LINES is introducing to corporate clients a suite of new services and tools, including a new web portal through which travel managers can access on-demand reporting and manage aspects of their relationship with the airline. As part of the new Delta Edge program, the carrier also launched a new points-based system clients can use to manage soft-dollar benefits and waivers. It also is enhancing corporate traveler recognition programs to include priority service during delays and cancellations.

Delta Edge comprises core features of corporate relationships, such as discount programs and other established attributes, and brings in new elements that emphasize personalization and client control.

A key component is the new "Delta Professional" corporate portal that has gone live with roughly half of Delta's corporate accounts and will be expanded to the rest by year-end. A similar site in the works for Delta's agency partners is expected to launch later this year.

Delta vice president of sales operations Kristen Shovlin last month said the first iteration of Delta Professional gives individual corporate clients "their own secure portal" with on-demand access to Sky Partner reports. Introduced a few years ago, the reports detail aspects of the client relationship and offer client-specific metrics on checked bags, upgrades and the passenger experience, including the rate of delays and

cancellations that impact the organization's travelers.

"We took the Sky Partner report and created it all on demand, so they can analyze their own performance and create their own presentations," said Shovlin. "They have access to all that information now at their fingertips."

Delta began piloting the portal at the beginning of this year with some clients "to gather feedback," and this summer began rolling it out on a wider scale.



"We took the Sky Partner report and created it all on demand, so they can analyze their performance and create their presentations. They have access to all that information now at their fingertips."

—DELTA'S KRISTEN SHOVLIN

Shovlin said the secure portal presents further opportunities for Delta to interact with clients in new ways.

Another recently introduced feature of Delta Edge is a unique points-based system through which corporate clients can manage what Shovlin called "business exceptions," such as name changes and fee waivers, as well as such soft-dollar benefits as preferred seats and status allocations.

"They can leverage the points best for their travel policy," she said. "It just

allows a bit of flexibility and empowerment for the corporate travel manager and their agency partner to better manage the relationship."

How corporate clients fill their bank with "Edge Points" is subject to their relationship with the carrier and, of course, negotiations. For now, though the point system is live and available, service largely "is done through their relationship with the agency and directly through our 24/7 support center."

The next phase of the Delta Professional site will include "self-service tools" that enable clients to manage points and other aspects of their Delta relationship.

Similar to the corporate client site, the forthcoming Delta Professional site for agencies will provide access to agency Sky Partner reports and provide capabilities for agencies to manage aspects of their Delta relationships.

The agency web portal should launch in the fourth quarter after further pilot-

ing with select agencies. "They'll have their on-demand reports and we developed a few new reports within that suite for them," said Shovlin.

## Recognizing Corporate Travelers

Delta last year launched with select corporate accounts a "check-in recognition program" that greets travelers and makes note of their company affiliation when they check in for flights. That program has since expanded to other clients.

As part of Delta Edge, the carrier has furthered efforts to recognize client travelers throughout the trip. Through a program called Corporate Priority, Delta is providing corporate clients with priority rebooking and service recovery when delays or cancellations impact their travelers.

That program is enabled by a broader Delta initiative that assigns a "customer value" to passengers. It is calculated based on a number of inputs, including frequent-flyer

status, passenger type and even trip-specific attributes, such as upcoming connections or passenger needs. For example, an unaccompanied minor traveler may be assigned a higher score to ease disruptions.

Delta aggregates those customer values to assign each flight a score to help the operations department make on-the-fly scheduling decisions and undertake re-accommodation actions when irregular operations happen.

Shovlin said the next phase of recognition programs will focus on the passenger experience; the airline is working with clients to determine worthy components around priority boarding, complaint resolution and customer care, among others.

As with the kiosk check-in program, more traveler recognition touch points increasingly are available to the airline, with Shovlin highlighting opportunities at Delta lounges and even inflight, as Delta arms flight attendants with handheld devices.

Such recognition programs may not fit the needs of all clients, so Shovlin stressed that they can use the new web portal to opt in or opt out of various aspects of Delta Edge.

"There will be what we call the benefits application where they can select the suite of services," said Shovlin, noting that clients would be able to "choose which of these components are valuable to them."

## NEWSLOG

### Ryanair Launches Business-Traveler Package, Places Big Boeing Order

Ryanair last month detailed the components of a new set of services designed for business travelers, available immediately. Dubbed Business Plus and available now from £59.99, the offering includes ticket-change flexibility, a checked bag at no charge, "premium seats," priority boarding and expedited security screening "at selected airports." The airline also indicated it "will soon launch a second GDS partnership" following its return in March 2014 to the global distribution channel by way of a deal with **Travelport**.

Meanwhile, the carrier this month announced it would buy up to 200 **Boeing** 737 Max 200 "gamechanger" aircraft, which offer more seating and legroom than the carrier's current fleet. Pending shareholder approval in No-

vember, the \$22 billion deal includes 100 aircraft with an option of 100 more and will be Boeing's largest-ever order from a European airline, according to Ryanair. The aircraft will have 197 seats, compared with 189 seats on Ryanair's existing fleet, and has slimline seats with average legroom of more than 30 inches.

### Air Canada Reconfigures Seats

**Air Canada** has reconfigured cabins of select aircraft to add more premium economy seats, the carrier announced. The number of Preferred Seats—which generally provide 35 inches of legroom compared with standard economy seats that provide legroom between 31 and 33 inches—on 97-seat Embraer 190 aircraft has increased to 24 from eight, and

premium economy seating on 146-seat Airbus A320 aircraft has increased to 36 from 16.

### Cathay OKs Electronics

**Cathay Pacific** and **Dragonair** will allow passengers to keep small electronic devices on in airplane mode during taxi, takeoff and landing beginning Sept. 15, the carriers announced. Hong Kong's **Civil Aviation Department** this month reported it revised its regulations after determining the use of such devices is safe during all stages of flight. Passengers still must store larger electronic devices, such as laptops, during takeoff and landing and cannot use power outlets to charge devices during that time.

## Interview: Prism Founder Michael Whitesage



**Jay Boehmer:** What are your plans in the private equity sphere?

**Michael Whitesage:** What I really want to do is advance new technologies. It's a slow burn. Like anything in tech, it appears to come on fast like a revolution,

but actually it takes years of groundwork. We think we're well suited for that task, given what we've gone

through building a company at Prism and understanding what it takes to create the right environment for innovation. What works well and what can be monetized ... we have a lot of experience in that area. We've incorporated as an LLC, Cottonwood Management, but there's no website or anything like that. We're pretty low-key and we don't need to market. We're basically going out and directly working with people.

**Boehmer:** Will this fund be travel-focused?

**Whitesage:** We have a lot of associates and experience in travel, but at this point we're looking outside of travel.

**Boehmer:** Have you already found any investments worth pursuing?

**Whitesage:** We're qualifying things right now. It's a different role. I feel we've grown into business—learning how to do business and creating a company. We know the stages entrepreneurs go through, so that experience has been invaluable. In a lot of ways, we're angel investors that go in and help them understand what they have to do to succeed. But it's still fraught with risks. Just with doing new technology, you have to assess the risk that's inherent.

**Boehmer:** Is this a solo project or are you bringing on a team?

**Whitesage:** I've actually formed a team. It's a very small team again. Doing what we do, you don't need a lot of people. It's a small group of very experienced and knowledgeable people, so I'm very excited about that.

Two years after selling his firm to Sabre, Prism Group founder **Michael Whitesage** last month departed the company. Just don't call it a retirement. Whitesage is keeping busy by launching a new private equity firm, Cottonwood Management, and running the already established Mentors Foundation. He recently caught up with *The Beat's* Jay Boehmer to talk about his latest pursuits and the company he's leaving behind. An edited transcript follows.

**Boehmer:** Would we recognize any names from the travel industry?

**Whitesage:** No.

**Boehmer:** As you step into the role of funder and mentor, are you still building technology?

**Whitesage:** I considered that, but to develop a product and release it and break into the market—it takes 10 years. The Prism product started with Travel Manager's Workstation in the late '80s. We sold one version of it to Sabre and then we went over to the airline side because of a non-compete. But it takes years to prototype and take things to market. If you're really a true innovator, in some ways you have to be knees and elbows—you have to create a space for yourself. So that takes time. At some point, you run out of time. You have to go out to young entrepreneurs and help them.

**Boehmer:** Is the Mentors Foundation related to the private equity endeavor?

**Whitesage:** They are very separate. I founded Mentors really after the Sabre sale, so it is fully operational now. With Mentors, one of the things I've experienced is that people in their careers and their lives get stuck and what they really want to do only requires 10 percent more than what they have. You don't have to fund a big project; you just need a little bit more to get going. So Mentors gives them that last little bit. The analogy we use is that it's a missing rung in the ladder. They're already on the ladder, they know what they want, and they know what they're trying to do. What we do is help fund that missing rung to make them independent. That really is the objective: independence and self-sufficiency. As you know, I came out of higher education and I found that a lot of funding doesn't create independence. It creates dependence on funding. That's the last thing we want to do.

**Boehmer:** Looking back at Prism, have you seen the kind of growth you were looking for out of the Sabre transaction?

**Whitesage:** We share the same core business so that makes it a lot easier than being acquired by someone who doesn't know travel. They brought a lot of carriers and contacts to the table that made our growth accelerate. Growth is up 40 percent. It's just remarkable what Prism has done in the last several years—both domestic and international. We're real pleased by that.

**Boehmer:** When you say 40 percent growth, is that since the acquisition? And how do you measure that?

**Whitesage:** Yes, and that's revenue. And that's not just with bringing on new carriers. It's two things. New carriers come on with a small footprint. It's in a year or two years after that they really master our method and our approach, and it grows really rapidly because they start seeing the results.

**Boehmer:** Has the Sabre relationship changed how you positioned Prism?

**Whitesage:** There's been a knowledge transfer to be sure. That takes a little longer to integrate and come about. The lesson is: If it's not broken, don't fix it. Prism is running so well, there's really little you have to do to make it better. What they did was give us was more contacts and associates. So, that really did make a difference.

**Boehmer:** Considering so many of the largest airlines already use Prism, where are the growth opportunities?

**Whitesage:** The growth opportunity is huge. We're a true innovation company: It's something that people have never done before, and that's how I define innovation. The corporate model still has some steam in it. There are still some major carriers that will benefit from the corporate model, and that's basically carving out the corporate

high-yield travelers and giving them incentives—discounts—in exchange for market share. There's still a lot of that available. What I've researched and worked on with a couple of different carriers is the widening of the model. There's no reason that travel agents can't be incented the same way and there's no reason you can't go through and do your wholesalers and other groups the same way. We're working with the carriers to expand the incentive/share approach.

**Boehmer:** Avion seems targeted at the largest corporate buyers. Can you address smaller market segments with that?

**Whitesage:** When you do software as a service, you don't have all that expense, and that's what we do. We've had our hands full growing as fast as we have with the airlines, but once you go into the corporate side, it's not a matter of size—and this is what we've learned with Travel Managers Workstation—but really a travel manager know-how issue. It really gets down to what their approach is and how much they know about the industry. A lot of them are still outsourcing airline negotiating to their agent, but it really does take someone with that know-how to be effective in doing it. There will be an opportunity to pursue that more with Sabre with all of their corporate contacts.

**Boehmer:** There are negative reactions to Prism coming from VDR in Germany. Are there different challenges in Europe?

**Whitesage:** There are really two issues: there's dealing and there's data. People always raise the data issue when sometimes they're really raising a dealing issue. The data has no personal information, it's been secured and audited and the data are secure. There's nothing in there that would provide personal information or credit-card information. On the dealing issue, what we'll find is a lot of these organizations like VDR have their own corporate programs. They have their own corporate discounts, so what they're basically doing is grouping people to do joint contracting, so in that sense we help companies be independent and negotiate independently. What you'll find a lot of times is these companies are raising objections about data when they're really raising objections about dealing and they want to be the consolidator for these companies.

**Boehmer:** Any wisdom to impart to a startup or entrepreneur?

**Whitesage:** It's really simple: Have passion and be fearless. 🚀

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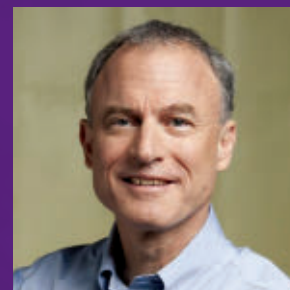
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# Tech Firm LiquidSpace Courts Shortest-Term Corporate Meetings With Contractless Booking

BY CHRIS DAVIS

WORKSPACE MANAGEMENT supplier LiquidSpace is targeting the corporate market with the promise of a booking solution for small, single-day, short-term meetings, requiring no requests for proposals or contracts. The nearly four-year-old San Francisco-based tech firm claims “brandwide” deals with Marriott International and Hilton Hotels Corp. and corporate deals with clients including Accenture, Autodesk and investor Steelcase. Overall, its database includes hundreds of hotels and other meeting spaces.

LiquidSpace enables users to book space—traditional meeting rooms or alternative spaces at hotels and other venues—on demand through mobile and traditional online channels, LiquidSpace president and COO Doug Marinaro recently told *BTN*. Once booked, that space is reserved for the user, who can invite other participants. If a space is booked at the hotel-set price (as opposed to some spaces, like hotel lobby workstations, for example, that carry no charge), an email is sent to the venue alerting it to the booking, along with any ancillary services ordered, potentially including Wi-Fi access and food and beverage service.

LiquidSpace takes half of the listed cost for a first-time booking and declining percentages thereafter, Marinaro said.

“We’re solving a different problem that the Cvents and the StarCites and the catering systems are all meant to solve, which is that our sweet spot is a meeting anywhere from two people up to 25 people, [held in a single] day,” Marinaro said.

For those events, he said, hotels have an interest in making available in the very short term the meeting space they typically reserve for longer-term, larger events. “We’re addressing that inventory that has this diminishing return as time passes,” Marinaro explained. “Once the time has passed, it’s gone away. There’s no value there.”

Hotels, though, typically restrict availability of that meeting space to events booked within 30 days, Marinaro said. They’ll also often require a booking window of at least a few hours.

“What’s interesting is that actually our lead time for meetings sometimes is negative, in the sense that we’re

standing outside the hotel and I want that meeting room now—I’m going to book it, and I’m going to walk in,” Marinaro said. “So the hotel can say, ‘I need a minimum of two hours to make sure that our quality of our brand is represented well.’ On the flip side, they can also set an outside booking window that [allows] no bookings [further] than 30 days out.”

Hotels and other venues that choose to make inventory available in LiquidSpace can do so in less than an hour, Marinaro said.

“They’re asked to go through and describe their property, put in the hours of operation, describe the spaces that they want to put on and upload the photographs,” he said. “That’s the start of the process, then we reach out to ev-

be double-booked, Marinaro said, because the company essentially functions as the property management system for spaces made available by participating hotels. “If the hotel’s not willing to let us be that, then we’re not in that hotel,” he said. “There is no double-booking. There is none of that conflict because we are the property management system for those meeting rooms. We give that to the hotels. We say, ‘You don’t have a property management system for short-term use of your meeting rooms. We’re going to give you one for free.’”

LiquidSpace collects the fee the hotel sets and retains half of a user’s first booking of a given space. That fee declines to 25 percent of a second booking through LiquidSpace of that



“The world of where I work, not just where I meet, is changing to a world that’s being serviced by hospitality, as opposed to being serviced by real estate. That is a huge opportunity.”

—LIQUIDSPACE’S DOUG MARINARO

ery property and we vet them; we make sure that they’re actually a real property. We get them trained on this real-time brand promise and what it means to actually deliver that, because it’s a digital/physical experience.”

Comparing the training process of a LiquidSpace venue to that of ground transportation network Uber’s training of chauffeurs or Airbnb’s training of homeowners, Marinaro said the company offers assistance in ensuring meeting spaces are attractively displayed in the platform.


“The technical uploading and setting up of the venue is very simple,” he said. “We actually even send out photographers for various locations, to go through and make sure that the photographs are awesome. It’s more of a problem with business centers than hotels, but sometimes even with hotels, they’ll just go ahead and pull some stock photograph of a room. They don’t take great photos of meeting rooms. We’ll bring in someone who can really make that room look awesome. And then they’re up and running.”

Spaces listed in LiquidSpace can’t

space—“you come back a second time, we figure they’ve earned your attention,” Marinaro said—and 10 percent of any subsequent booking.

Meetings reservations are not the extent of LiquidSpace’s business proposition; the company cites inroads into workspace management and claims more than 16,000 corporate users. Marinaro pointed to a deal with Accenture’s real estate department, not its travel department.

“The world of where I work, not just where I meet, is changing to a world that’s being serviced by hospitality, as opposed to being serviced by real estate,” Marinaro said. “That is a huge opportunity. That’s three billion meetings. That’s why Marriott approached us. They wanted to be known not just as a place to sleep, but a place to work.”

LiquidSpace since its 2010 founding has raised \$12.2 million in four separate rounds of funding, according to CrunchBase. LiquidSpace identified investors that include Greylock Partners, Floodgate Fund, Shasta Ventures, GPT Group, CBRE and Steelcase. 

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WINiT is a non-profit network of women and men serving as a catalyst to drive change and provide support to the career development, visibility and promotion of women in the travel industry.



# WINiT

## WomenInTravel

**2014** WINiT is formed.

**104** leaders brought WINiT to life.

**11** sponsors support WINiT (and counting!).

**383** people attended the WINiT launch event.

**1,242** industry professionals joined the LinkedIn group.

**Become a member and help change the face of the industry.**

### Visit

Visit our website to learn more about the organization and sign up for membership — it's free!

[www.WomenInTravel.org](http://www.WomenInTravel.org)

### Join

Join our group, make connections and stay updated!

WINiT-WomenIn Travel



### Participate

Volunteer on a committee:  
[Info@WomenInTravel.org](mailto:Info@WomenInTravel.org)

Be a mentor or mentee in the fall 2014 WINiT Pilot Mentor Program

[Mentorship@WomenInTravel.org](mailto:Mentorship@WomenInTravel.org)

### Follow

Follow us on Twitter and keep the conversation going!

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