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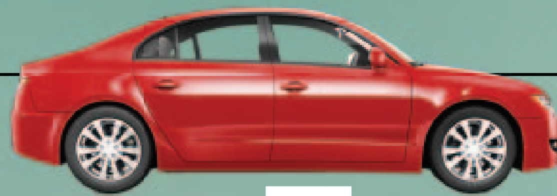

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The Volvo Group purchasing manager for marketing and travel Stephan Hylander (left) receives BTN's 2014 Multinational Travel Manager Of The Year honors from The BTN Group editorial director David Meyer. **14**

JOKE EMMERECHTS

Delta Plans Slight 2015 Capacity Uptick, While United Readies Schedule Shifts

BY MICHAEL B. BAKER

DELTA AIR LINES plans "disciplined" systemwide capacity growth of 2 percent next year, according to the carrier, which also reported an adjusted net income of $1 billion for the third quarter.

United Airlines, meanwhile, next year will accelerate its seasonal approach to capacity controls, particularly on its transatlantic routes, executives said during the company's third-quarter earnings call last month.

Delta CEO Richard Anderson, speaking last month on the carrier's quarterly earnings call, said the 2 percent growth rate is Delta's target as it finalizes capacity plans for 2015. He noted that "excess capacity growth" on transatlantic routes this summer has put pressure on the industry.

"Despite the capacity situation, our transatlantic profitability increased year over year, and we again produced good double-digit margins with a very significant load factor premium to the industry," Anderson said. "Together with our joint-venture partners, we have adjusted our course and will limit JV capacity growth to around 1 percent to 3 percent this winter, a level that is appropriate within the current demand environment."

That limited growth will enable Delta to more quickly retire its fleet of Boeing 747-400s as it redeploys smaller-gauge wide-body aircraft to the Pacific. All 16 will have left Delta's fleet by 2017, according to Anderson.

Overall, 2015 international capacity growth will be largely flat year over year and domestic growth up about 2 percent. A research note from Cowen & Co. called the plan "strategic capacity moves" that would "drive profitability."

"Delta clearly understands why the market is concerned with its capacity additions, but their track record has been to grow in markets where it makes sense and to leave weak markets (for them, think Cincinnati and Memphis)," the note continued. "Delta will see lower capacity growth in Asia as well as in European markets outside of London."

During the quarter, Delta's total operating revenue increased 7 percent year over year to $11.2 billion. Consolidated revenue passenger miles were up 4 percent, and yield increased 2 percent.

"This was an internal process that started a long time ago and required a lot of coordination in terms of utilization of the aircraft crews, stations and the schedule. We're confident where we're at."

—UNITED AIRLINES' JIM COMPTON

Systemwide capacity in available seat miles increased 3 percent year over year, and Delta's load factor increased 0.4 percentage points to 86.4 percent.

United To Increase 'Sculpting'

United Airlines chief revenue officer Jim Compton noted that as part of United's network optimization plans, it would "increase seasonal sculpting of capacity" with larger variances in the number of flights in peak summer traveling periods versus winter months with lower demand. The biggest seasonal shift will be on transatlantic routes, he said, with such July 2015 capacity anticipated at 40 percent more than in February 2015.

"This was an internal process that started a long time ago and required a lot of coordination in terms of utilization of the aircraft crews, stations and handling the schedule," Compton said. "We're confident where we're at, and we're right on the timeline for the execution to go well."

The airline also is in the process of returning its Chicago, Houston and Denver hubs to a banked structure: having flights arrive and depart around the same time, rather than spread throughout the day. Its next step in that process will be a "phased re-banking" in Houston late this year, according to executives.

United's net income for the third quarter was $924 million, compared with $379 million in the third quarter of 2013. Adjusted for special items, including a $95 million loss from fuel hedges settling in future periods, its income was $1.1 billion, the highest-ever quarterly profit reported by the airline.

Consolidated passenger revenue per available seat mile increased 3.9 percent year over year during the quarter, and yield increased 4.1 percent. Capacity increased 0.5 percent, and United's load factor declined 0.1 percentage points to 85.8 percent.

PwC Sees Lodging ADR, Group Demand Increasing In 2015

PricewaterhouseCoopers this month released an updated lodging forecast that projects a 6.2 percent year-over-year increase in U.S. average daily rate in 2015, following a 4.7 percent increase this year. PwC predicted 2014 U.S. occupancy to increase to 64.2 percent from 62.1 percent in 2013, due in part to increasing group demand. PwC projects 2015 U.S. occupancy of 64.9 percent. "Group demand improved significantly in the third quarter, leading to stronger-than-expected occupancy levels," according to Scott Berman, PwC principal and U.S. hospitality and leisure practice leader. "Despite an evolving supply pipeline, industry demand trends are expected to remain robust, giving confidence to the operating community to drive room rates higher in 2015." The projected 2015 U.S. occupancy level of 64.9 percent would be the highest since 1984, according to PwC.

JetBlue To Expand Premium Service

JetBlue Airways is expanding its premium-class Mint product, which has drawn attention from corporate travel departments since its launch this summer, airline executives said during a quarterly earnings conference call last month. Outgoing JetBlue CEO David Barger said he was "pleasantly surprised" by the level of interest he has seen for Mint from corporate travel departments. Mint, which offers lie-flat seats and enhanced amenities, began in June on a single daily flight between New York JFK and Los Angeles International. By the end of this year, JetBlue plans to offer Mint on seven daily flights between the two airports.

ACTE To Pilot Concur Location-Based Networking App

The **Association of Corporate Travel Executives** last month at its global conference in Copenhagen announced that **Concur** next year will make available for free to all ACTE members a new networking app. Concur is using technology from its TripIt and Concur Messaging (formerly known as conTgo) tools to develop a mobile app that enables location-based check-ins, which would enable ACTE members to contact or make themselves visible to other ACTE members in a given destination. "Concur will have no control over or access to the data," said Concur senior director of strategy and product marketing Johnny Thorsen. "ACTE needs to decide how to use it and who will administer it." ACTE for two or three months after Christmas will pilot the app with 25 to 50 people, according to Thorsen. Official deployment likely will begin at ACTE's spring conference, which it will hold in Atlanta, April 12-14.

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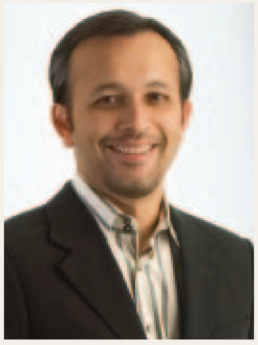
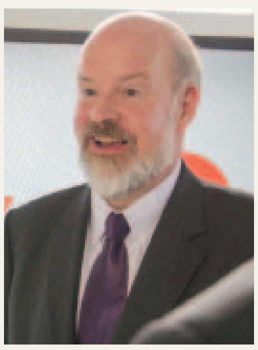


"We're not looking for rivals. We're looking for problems to solve, but that doesn't preclude others from doing it in another way. We've never been looking for a fight. No one at Concur runs around asking who we can disrupt next."

*—Concur president and COO **Rajeev Singh**, denying this month to The Beat that Concur is effectively trying to supplant the global distribution systems as a de facto "common ecosystem" for the travel industry*

"We have not lost any meaningful customers. We've been a net gainer, but the softness of the U.S. market versus the rest of the world has driven a slight decline in our share. There's really not much else going on there as we dig into our share numbers."

*—Sabre president and CEO **Tom Klein** on the company's reported third-quarter 0.3 percentage-point year-over-year decline in global distribution system market share to 36.1 percent*



"It could be a GDS for unstructured data, as it brings together lots of different travel data that can be sliced and diced in different ways. Over time, the value may grow like it did with the GDSs, expanding from airlines into other areas."

*—**Terry Jones**, the founding CEO of Travelocity, on Wayblazer, a travel business developed with former IBM Watson general manager Manoj Saxena that will use the technology to provide advice and enable travel suppliers to upsell services to travelers*

"With respect to air travel growth, these developments suggest that there is still enough demand to sustain a positive trend over the coming months, but that further acceleration particularly on some markets is now unlikely. "

*—The **International Air Transport Association** in a statement this month citing the effect of "yet another pause or flattening in positive momentum" in global economic indicators on worldwide business air travel*

Interview: Virgin Atlantic's Kreeger

Atlanta - As part of its tightening relationship with joint-venture partner Delta Air Lines, Virgin Atlantic recently began service to Hartsfield-Jackson International Airport here, taking over one of Delta's three daily flights to London Heathrow. During an event inaugurating that route, Virgin Atlantic CEO **Craig Kreeger** spoke to *BTN* senior editor Michael B. Baker about Virgin's long-term growth plans. An edited transcript follows.

Business Travel News: **How has the Delta joint venture affected your corporate business share?**

Craig Kreeger: The Delta partnership, for us, serves two specific purposes. One of them is to offer new destinations connecting onto Delta's network [where] we previously wouldn't have been competing for traffic, by virtue of our relatively limited network. The other is taking advantage of Delta's strength in the United States—frequent flyer, corporate selling—to help fill up our airplanes. Both of those things are great opportunities for us.

We want to make sure that we work together effectively to make the experience of flying across our airlines as seamless as possible, like trying to collocate in terminals where we can. We're in the same terminal in New York JFK, and we've recently collocated our check-in facility. We're collocated at London Heathrow. Most Delta departures are in the same terminal as Virgin Atlantic, and we intend to move the rest in there eventually. There are people who prefer the Virgin Atlantic airplane. Having a Virgin Atlantic airplane in the mix to Atlanta will help us sell Heathrow to New Orleans, Dallas, Oklahoma City and all the various places you go to via Atlanta, or even parts of the Caribbean and Latin America.

It's a lot of new markets that we think having a mix of Delta airplanes and Virgin Atlantic airplanes will do better than just having all Delta. Delta has taken one of the Los Angeles trips, which works well, and we've taken one of the Atlanta trips. This combination of offering mixed metal in these different markets gives customers the ability to choose if they have a preference.

BTN: **Do you have any plans to join SkyTeam?**

Kreeger: If we were to join an alliance, SkyTeam would be the choice. I've thought about it a lot. When I first came to the company, it seemed obvious that of course we'd join SkyTeam, but it turns out we have a lot of very good partners who are non-SkyTeam members and might not be able to keep their partnership with us if we were to join SkyTeam. It may make sense to join SkyTeam, but it will be a small benefit or small cost depending on how the analysis comes out, and as a consequence, I've put it off. It's not an urgent question for us to answer, and we have to focus on making the relationship with Delta drive value for customers and us.

That's a two- or three-year process, and we're only 10 months into it. At some point in the future, we'll take a good, hard look at SkyTeam.

BTN: **What's the timeline of your plan to move to Delta's reservations system, and what advantages will that offer?**

Kreeger: We're still working through the details, but realistically, it'll be a couple of years. We're on a relatively old and less-invested-in system with [Hewlett-Packard's] Shares. It's certainly been functional for us, but Delta has leapt so far ahead. If you look at their website, their mobile applications, the way in which their systems connect into those platforms, their ability to have information at the point of service delivery about their customers in a useful way for the people who serve, the ability to deal with operation disruption in a very automated and customer-friendly way, to get people where they're going as quickly as possible—those are all value-adds for us that comes from being on a system that they've really invested in.

BTN: **What other routes will you add?**

Kreeger: We've announced that we'll be adding Detroit, and we'll be adding Manchester to Atlanta. We've added some flights in markets where we're already doing well: New York, Los Angeles, San Francisco and Miami. We've just gone through a thorough review and built a long-term plan, and we're confident that we have planes in the right place for the short-term future, and then we'll just watch and see.

BTN: **In the long term, how big do you envision the Virgin network being?**

Kreeger: We do have a leisure network to operate out of Gatwick, so leisure markets like Las Vegas or Orlando, we could see some growth to places like that. We've been flying from Glasgow to Orlando for some time, and this summer, we're adding Glasgow to Las Vegas and Belfast to Orlando. It's very small frequencies, a couple of flights a week for several weeks. Each year, we've found we can add to those services to give us growth from other parts of the United Kingdom, where we won't be as constrained by slots.

BTN Survey: Buyers Value Pricing For Car Rental, Service For Chauffeured Transportation

BY MICHAEL B. BAKER

PRICING IS BUYERS' top priority with car rental suppliers, though for chauffeured transportation suppliers, service quality and security trumped all other factors, according to a new *Business Travel News* survey.

In the survey of 123 corporate travel buyers, overall price value ranked highest on a six-point scale in terms of importance for car rental suppliers. Buyers also rated complaint/problem resolution and vehicle cleanliness as highly important.

Car rental suppliers seem to be hitting the mark on all three of those attributes, as buyers gave them the highest satisfaction ratings of all attributes.

In open-ended questions in the survey, many buyers gave high praise to their car rental partners, several even saying "nothing" when asked what their supplier could do to improve the relationship. When asked how car rental suppliers are improving their relationships, rapid resolution of customer-service issues, detailed reporting and better availability of cars in remote markets were some of the most frequently cited accomplishments.

A few cited other ways in which car rental suppliers had stepped up service, including partnering to develop a carpool program and partnering with a third-party company to develop a driving-safety program for travelers.

At the same time, business traveler satisfaction with car rental suppliers has been improving. In the J.D. Power & Associates 2014 North America Rental Car Satisfaction Study, which tabulated more than 12,300 responses from car rental customers, satisfaction among business travelers improved slightly year over year while overall satisfaction dropped. Efficient service, including shuttles and car pickup and drop-offs, was the differentiator, said Jennifer Corwin, associate practice lead with J.D. Power.

"For the business traveler, the wait time is about four minutes less," she said. "We also assume this is in part because the business traveler is more familiar with the processes."

Open-ended responses in the *BTN* survey reinforced the importance of car rental pricing to buyers. Asked how car rental suppliers could improve their relationship, several buyers cited keeping rates low and/or flat as essential. A few others expressed dissatisfaction with refueling policies and upselling at the counter.

Though such technology add-ons as express-toll devices and GPS devices rated at the bottom in terms of importance, several buyers in the survey praised their car rental suppliers for adding those items at no cost.

In terms of chauffeured transportation service, in contrast, overall price value rated fifth in overall importance, taking a backseat to complaint/problem resolution, insurance for drivers, ease of making bookings and licensing of drivers. Flexibility in negotiating transient pricing ranked even lower, though that attribute also scored lowest of all attributes in terms of buyer satisfaction.

A recurring theme in buyer open-ended responses was the need for "reliable, safe and impeccable" service, particularly as company VIPs tended to be the ones who used the services most often.

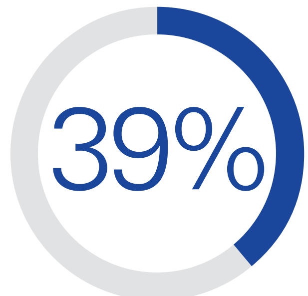
Additionally, the survey illustrated the growing influence of such on-demand driver services as Uber and Lyft on business travel. Nearly 40 percent of respondents said they allow their travelers to use those services. Earlier this month, Morgan Stanley announced that it was allowing employees to expense Uber rides through its corporate travel policy, claiming to be one of the first large companies to do so.

"Employees expressed their strong affinity for the convenience Uber offers them in their personal lives and wanted that flexibility for their business travel needs as well," Morgan Stanley chief human resources officer Jeff Brodsky said in a statement.

Those effects are spilling over even for those buyers who are not using the service. One buyer in the survey, for example, implored their chauffeured transportation supplier to add a working app similar to the Uber model. Another noted that "Uber has had this effect on the availability of drivers during peak times, since they can now 'troll' for rides, which seems to have decreased the number of available cars for corporate-negotiated rides."

BTN in October and November 2014 conducted the online survey through SurveyMonkey. *BTN* surveyed travel manager members of The BTN Group Advisory Board and Research Council, as well as qualified buyer subscribers of BTN Group publications, including *BTN* and *Travel Procurement* magazine.

Companies That Permit Use Of On-Demand Driver Services Like Uber And Lyft



Source: A BTN October–November survey of 119 corporate travel managers

Importance Of Car Rental Services And Satisfaction With Primary Domestic Supplier

Rated on a scale of one to six, with one meaning "not important" and "not satisfied," and six meaning "very important" and "very satisfied"

	Importance	Satisfaction With Primary Supplier
Overall price value	5.65	5.16
Complaint/problem resolution	5.36	5.14
Cleanliness of cars	5.31	5.30
Flexibility in negotiating transient pricing	4.89	4.86
Loyalty program benefits	4.45	5.00
Refueling policies	4.26	4.61
Availability of express toll devices	3.90	4.48
Availability of GPS devices	3.56	4.71

Source: A BTN October–November survey of 123 corporate travel managers

Importance Of Chauffeured Transportation Services And Satisfaction With Primary Domestic Supplier

Rated on a scale of one to six, with one meaning "not important" and "not satisfied," and six meaning "very important" and "very satisfied"

	Importance	Satisfaction With Primary Supplier
Complaint/problem resolution	5.58	5.01
Insurance for drivers	5.57	5.58
Ease of making bookings	5.55	5.21
Licensing of drivers	5.55	5.55
Overall price value	5.47	5.03
Flexibility in negotiating transient pricing	5.10	4.79
Payment terms for network partners	4.97	5.06

Source: A BTN October–November survey of 119 corporate travel managers

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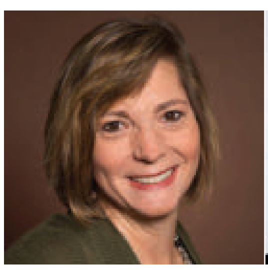

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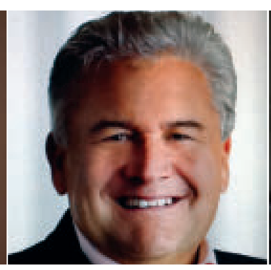

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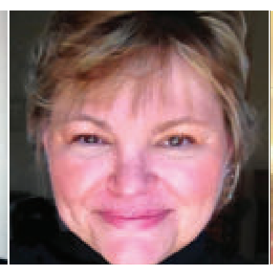

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CHANGING THE GAME

Cisco Ditches Share-Based Hotel Agreements For Revenue Deals

By Chris Davis

Photographs by Michael Sexton

Cisco Systems chief procurement officer Rob Falivene and director of global travel Susan Lichtenstein

TRUE CHANGE doesn't happen on the margins. True change happens when entrenched models are questioned, especially models cemented in place for decades, resistant to time and frustration, ossifying even amid upheaval around them.

Such it is with the hotel procurement process, one cursed by buyers yesterday and today for its short contract lengths, seemingly perpetual negotiations and renegotiations and the constant churn of requests for proposals. It's not a process particularly beloved by hoteliers either, for many of the same reasons, but it's in a sector in which leverage can change rather quickly. Given that many buyers and hoteliers over the years have at one point or another held the upper hand, a better way to contract—and one that both buyers and suppliers could agree to—has eluded the industry.

Until, perhaps, now. San Jose, Calif.-based tech giant Cisco Systems has signed multiple multi-year deals with multibrand hotel companies that contain no marketshare targets or room-night commitments, promising instead only revenue in exchange for lower room rates.

The terms of the deals are perhaps deceptively simple, but they are generating results: Cisco claims significant hotel spending savings for the first year since the contracts have been in effect, and it appears that hotel chains have increased profit from their client, despite the lower rate offered.

That may seem counterintuitive, but new games have new rules.

"It's a science, and we're applying a science when I think other people are kind of playing just a price-negotiation game," said Cisco chief procurement officer Rob Falivene. "We created a different game for Cisco in the technology industry."

SEEING AROUND CORNERS

A longtime member of *BTN*'s Corporate Travel 100, Cisco is among the largest buyers of travel in the world, and commensurately had negotiated in traditional fashion low hotel rates throughout the world. Still, Cisco, which closely watches and analyzes travel program metrics, a few years ago began to wonder whether those rates, though lower than a great many companies were receiving, were low enough to sufficiently reflect the amount of Cisco's business, and whether the hotel contracting process perhaps contributed to that disconnect.

"I was newly reporting to Rob, and one of the first conversations we had was, 'What are we doing that's

CONTINUED ON PAGE 12

CONTINUED FROM PAGE 11

forward-thinking? What are we doing that's different? What are we doing that creates not only a better program for Cisco but for the industry and how are we helping our partners?' " said Cisco director of global travel Susan Lichtenstein. "When you're in the top 5 percent of the lowest rates already in the world, that's a tough challenge to get from your boss."

Added Falivene, "We reached out to our partners to say, 'Look, we need to see around the corner a little bit here. You can't keep doing things this way, because supply and demand and the economic crunch are going to take money from you and it's going to take money from us, and we don't want to let that happen.' "

Around the corner was the realization that the true value of Cisco's business—and that of any company—to a hotel company is best measured in sheer spending, not marketshare percentages or room nights booked. And that's the basis, according to Falivene and Lichtenstein, on which hotel deals should be set. Committing revenue to hotel companies for a set period of time not only largely would inure Cisco from the annual vagaries of the hotel marketplace but also could improve hotels' bottom line.

A NEW NEGOTIATION

Rarely, of course, do suppliers enter into new forms of agreements lightly, and such was the case when Cisco approached hotel companies with its proposal to negotiate based on revenue.

"We went to our partners and said, 'We want to do this by spend. We want to be really strategic, not dynamic, not static, but strategic. What does it make sense to do this with?' The first reaction, of course, was, 'no,' " Lichtenstein said. "Then after about 12 months of really partnering to find the gaps and change the process together—we could not do this apart, we had to be better together—we really looked at that process. We really drilled into every brand, every property, where we're doing business, where offices are, where we're spending money. We started negotiating on spend versus market share, shortened the list of partnerships that we have, and aligned them to our strategy."

In the end, Cisco in 2013 signed five-year contracts (with "check-ins" during the third year) that commit Cisco to deliver certain levels of revenue in exchange for lower rates. Should Cisco deliver more revenue than projected, rates would decrease further. Among the hotel companies that have agreed to deals with Cisco are Marriott International and Starwood Hotels & Resorts Worldwide.

Still, those negotiations are easier described than conducted. A key complication was the franchised nature of hotel ownership, in that individual property owners may or may not find Cisco's initiative worthwhile. Lichtenstein said Cisco basically left that discussion to hoteliers.

"My feeling is, if I put a chunk of money into a partner, into a brand, into a chain, they need to figure out how to get that revenue around where it needs to be," Lichtenstein said. "We went to them and said, 'Hey, you're subject matter experts. You go to your franchisers and explain why it's good for them to do this. We'll make sure that we're managing that spend where we said we would manage it.' That took away the whole supply-and-demand issue.

"The strategy belongs to me; it belongs to Cisco," she continued. "The execution of that strategy belongs to my partner."

Key to the deals was proving to hotel companies that the new structure would enable them to realize more revenue from Cisco, even though rates would be lower.

"Once we were able to show them that they could balance revenue from our usage, as we would give them our spend, they then balanced the demand and were able to see where, as long as they get our spend and they assured themselves they're going to get the revenue, then they could lower our rates based on our larger spend," Falivene said.

Given the size of the revenue pool that Cisco offers, though, Falivene and Lichtenstein expect that hotel companies should not only agree to negotiate on the basis of that revenue but also compete with their peers for the right to gain a part of it.

"They know what we have to spend, they know what our needs are and where we demand rooms," Falivene said. "We allowed our partners to signal to us how badly they want our business. It is still today a competition. The competition is around [the fact that] they know there are few customers like us. How badly do they want us to stay at their place, as opposed to building a hotel of our own in certain locations or downscaling to a lower-tiered property?"

> "They know what we have to spend, they know what our needs are and where we demand rooms," Falivene said. "We allowed our partners to signal to us how badly they want our business. It is still today a competition."

The service that hotel companies offer Cisco and its travelers goes a long way to winning that competition, he said.

"They know they can earn more by improving service and delivery and cost on our basic spend," Falivene said. "That gets you more. It might get you some go-to-market stuff from their perspective to have us use their properties as temporary offices. It might get you a big Cisco meeting and event once a year. A dinner. That's where we feel like we are still very competitive, but it's a partner model."

Lichtenstein cited other personal touches as service improvements since the new contracts were enacted: special recognition at check-in, special on-property events for Cisco travelers and the like. "That's what [hotels are] focused on—not the price anymore—and it makes a world of difference."

Cisco itself serves as a supplier to the business travel industry through its remote conferencing technology, including TelePresence and WebEx, and these and other tools can play a part in the service improvements, she said.

"We want to make sure that our teams have when they get to a hotel the ability to go online and have a video meeting," Lichtenstein said. "So let's find a place in your business centers, something simple, that we can provide for you, a faster way, a more robust way to provide those face-to-face solutions without having to travel farther or more or go outside the hotel to make that happen. That's been going really well for both companies actually and [travelers can] stay there longer, which creates ancillary services for them."

GUIDING TRAVELERS

Committing revenue to a hotel company necessitates that travelers are at least guided to stay at that company's properties. While the service improvements at these hotels serve as a lure for Cisco's travelers, especially repeat customers, Cisco's travel policy also governs travelers' hotel choices.

Cisco's policy requires travelers to book through Cisco's preferred channels in order for the booking to qualify as a reimbursable business expense, Falivene said, and a prompt in its online booking tool will prevent noncompliant hotel bookings without senior manager approval.

"Not only do we have a policy, not only do we direct them in an automated tool, not only do we drive their choices, but we also have a compliance effort around it," Falivene said. "It's a big deal at Cisco."

That said, Lichtenstein credits the hotels' service improvements with driving travelers' choices, especially those visiting for a second time or more.

"Our travelers feel that difference when they get there," she said. "If they don't feel it, if they don't know it, it doesn't matter what your policy is. The travelers, the second time they come back in the system, go right back to that preferred property. They don't even think about it because they know, 'I'm going to be recognized, they care about me.' "

And that loyalty, Lichtenstein said, helps make it worth hotels' while to be a part of Cisco's program. "The number-one thing hotels want, when I sat with their executives and said, 'Don't tell me about room rates; tell me your number-one goal this year,' the answer has always been the same. Loyalty. Repeat customers. How do I create loyalty for that person who's on the road?"

Added Falivene: "The only way they drive new revenue is to get loyalty where there's no question where you're going to stay."

THE BOTTOM LINE

With about 15 months of data to analyze since the new contracts took effect, Lichtenstein said Cisco's hotel cost savings—"I'm not talking cost avoidance"—were about 25 percent from the prior 15-month period, and she said about 80 percent of the contracted hotel companies' properties worldwide are participating. Additionally, she said, revenue for those hotel companies from Cisco has grown significantly.

Cisco closely monitors its performance as well as that of its suppliers, Falivene said.

"We have a very disciplined quarterly business review process," he said. "We have a supplier performance and recognition tool. We have a scorecard. We have all of the operating metrics that we stare at every day in hotels, as we have in the rest of our spending map. It's all about that supplier relationship management and supplier performance coming together in a partnership that we spend a lot of time with.

"There are thousands of suppliers and service providers today that we don't do that with that five years ago were a bigger part of Cisco's supplier mix," he continued. "They're not there anymore because they couldn't get to this kind of approach with us."

Falivene and Lichtenstein are aware that their model has the potential to change the way many companies—especially those of Cisco's size—manage hotel procurement. It's an idea whose time has come, Falivene said.

"The feedback has been that it's certainly better than it used to be," he said. "It just took somebody with enough gumption to be disruptive and put our spend out there and develop something better."

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BTN's 2014 Multinational Travel Manager Of The Year: Volvo Group's Stephan Hylander

BY AMON COHEN

VOLVO GROUP strategic purchasing manager for marketing and travel Stephan Hylander is the 2014 *Business Travel News* Multinational Travel Manager of the Year. He wins the award for breathing new life into his company's airline deals at a time when, along with those of many organizations, they arguably were heading toward obsolescence. Travelers often could find fares through public websites that were cheaper than the negotiated fare, leading to lower compliance with the travel program as a whole. Hylander's solution was to negotiate a discount on every fare offered by preferred carriers, so that travelers knew they always could rely on a better deal if they stayed inside the program.

The result has been a victory for all parties, with lower fares and higher compliance for Hylander's team, higher safety levels and less work for travelers (by booking through official channels) and increased market share for Volvo's preferred carriers. In addition, Hylander achieved all these improvements by influencing rather than commanding travelers, a much better fit with the group's typically Swedish business culture of consensual management.

Hylander is a 30-year veteran of the travel industry, starting his career with SAS before moving to travel management company Bennett BTI, later acquired by Hogg Robinson Group. In 2001 he was recruited as travel manager by one of his clients, Volvo Group, which primarily is a manufacturer of trucks—Volvo Cars has entirely separate ownership—and spends 1.5 billion Swedish kroner (US$205 million) annually on travel.

Hylander three years ago started to overhaul his airline program after becoming alarmed about the shrinking reach of his negotiated deals. "The market was becoming more fragmented, with airlines offering 20, 30 or even 40 fares per route," he said. "Twenty years earlier, our travelers didn't have a clue which fares to book and called our agencies to do it for them, but now they were becoming much more educated. I realized their selections were moving more toward published fares because they knew where to look for them, although that meant they were spending more time on the Internet and deviating from our authorized booking processes. It also meant our preferred airline deals weren't very relevant anymore because carriers weren't recognizing our public tickets in terms of volume."

Hylander concluded the solution was to secure a discount on all fares, "even if it was only 1 percent lower." However, persuading preferred suppliers that they would gain by agreeing to this strategy was no easy matter.

Getting Airlines On Board

"The first time we spoke to the airlines, they looked at us with horror," Hylander said. "But we met their senior management and yield management people to explain. We anticipated their arguments and pointed out that a 1 or 2 percent discount is almost nothing, and that availability of those fares is limited, but that it was important our travelers should always notice they were getting a slightly cheaper fare if they needed one. It was all about our ability to communicate internally that no matter what the fare, they will always get it cheaper through us."

JOKE EMMERECHTS

Volvo's Stephan Hylander

Home carrier SAS and Brussels Airlines were the first to take the bait, introducing the new-style agreements in 2011 and 2012. A sliding scale of discounts is based on availability in each class on each route, with the largest discounts on classes where most seats are available. Since then, neither Volvo nor its suppliers have looked back. The average fare paid by Volvo in 2013 fell 10 percent year over year and in 2014 fell another 2 percent, following several years of moderate increases. On some routes, the average fare has fallen as much as 40 percent.

Meanwhile, the number of expense claims for air tickets bought outside the approved agency and booking channels has declined. Use of the official booking tool is up, which Hylander believes has also contributed to the average fare decline. "We have realized savings are to be made not by driving suppliers down to the bitter end but by changing traveler behavior," he said.

A New Approach

Volvo's shift in focus from supplier management to traveler management extends not only to promoting preferred suppliers but also encouraging advance booking and even rethinking meeting times. "One of our entities has said there will be no meetings until after lunch on Mondays," said Hylander. "The first flights on a Monday are usually very expensive, and it also saves some of our people traveling on Sunday to be there, which improves their work/life balance."

For suppliers, the reward has been more business, because Volvo tries to avoid having more than one preferred carrier per major route. Market share for preferred carriers before the new deals typically averaged 65 to 70 percent. "Our goal was to give them 80 percent share on major routes, but they have ended up with more than 90 percent to important destinations like the United States, China and Japan," Hylander said. "The best recognition for what we did was SAS telling us it was very pleasantly surprised with the results."

Some airlines, however, had to adopt the new Volvo agreements the hard way.

"Lufthansa refused to accept our proposal or even negotiate with us," Hylander said. "We told our TMCs to do anything they could to decrease our market share with them." The tough approach worked. In 2013, Lufthansa came to the negotiating table. Although Volvo still doesn't have the across-the-board discounts it would like with Germany's flag carrier, the number of fare classes to which discounts are applied has increased to 15 from three.

Since then, Volvo has gone further, signing a deal in July 2014 with Star Alliance that applies to flights by member airlines originating in Europe and Asia. All of Volvo's top two dozen routes, accounting for 75 percent of its business, now are covered by the new-style airline deals.

Air is one of five travel sourcing categories for which Hylander is responsible, the others being TMCs, hotels, rental cars and payment. Sourcing strategies for each are renewed every three years and, in keeping with the group's consensus culture, need to be validated by multiple stakeholders, including senior management, policyholders and purchasing. It is a process that takes three to six months. "We try to avoid governance by the headquarters in Sweden," said Hylander. For that same reason, Volvo is distinctive for allowing each of the 25 countries in its managed travel program to select its own TMC, although they by no means have an entirely free hand. National entities are obliged to set up a sourcing project to make their decisions, with Hylander's team specifying a baseline of requirements.

Five TMCs (HRG, American Express, BCD Travel, Carlson Wagonlit Travel and Egencia) handle 90 percent of Volvo's managed spend, but Hylander believes it would be a mistake to consolidate further. "The value of awarding a regional or global contract is weak," he said. "TMCs are global brands but do not deliver globally, not even data. In reality, they are operated locally. A second reason is that we do not want to make countries dependent on a global contract. We want them to have the freedom to switch."

Hylander has not found consolidating post-trip data, used for sourcing purposes, from different TMCs a problem. To date, HRG has acted as lead consolidator, but Volvo is set to switch to Concur (using technology inherited through its 2013 acquisition of TRX) to give it pre-trip data for traveler tracking.

Although it's not enough of a nuisance to change Volvo's strategy, Hylander acknowledged that the lack of TMC consolidation does cause some duplication of effort. "If we need additional data or have to give instructions on specific issues, it means we have to contact several different agencies," he said. "We haven't had pushback from suppliers except when it comes to hotel rate loading. I have 450 hotel contracts, and some of them have to load separately for each TMC."

Reflecting the Volvo travel team's journey from focusing on supplier management to traveler management, ownership of the group's travel policy will shift, starting Jan. 1, 2015, from finance to human resources. Hylander expects communication to become an even higher priority in consequence, so perhaps it is not surprising that, asked for his advice to other travel managers, this year's *BTN* award winner said: "Have a balanced policy. Make sure it complies with senior management requirements but also with current market conditions, and make sure also that it makes sense. The majority will comply with policy if they understand it."

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AstraZeneca Examining 'Travel Friction,' Effects On Employee Retention

BY AMON COHEN

Copenhagen - AstraZeneca has started researching the effects of travel on its employees' well-being and whether there is a link to recruitment and retention. The company's travel team hired U.S.-based consultancy tClara to attempt to quantify "travel friction" caused by such stressors as traveling during personal time, enduring long flights and crossing multiple time zones, especially in economy class.

Speaking here last month at an Association of Corporate Travel Executives conference, AstraZeneca global commercial leader for travel Kerrie Henshaw-Cox said early results suggest the most frequent of the company's 25,000 travelers experience disproportionately more travel friction per trip than less-frequent travelers. The team managing Project Tex (short for Traveller Experience) during the next few months will review fuller results and consider corrective actions. Henshaw-Cox said options may include restricting travel on weekends and holidays, and not starting international meetings until Tuesdays.

Project Tex was prompted by research AstraZeneca conducted last year called "Project How Much," which attempted

GWEN ADLER

AstraZeneca's Kerrie Henshaw-Cox

to identify the impact of a 50 percent travel reduction imposed by the business. One consideration when weighing the most appropriate balance between too much and too little travel was the impact of travel on AstraZeneca's appeal to an employee. Employee welfare is not a matter of lip service at AstraZeneca. Making AstraZeneca "a great place to work" is one of its three key strategic objectives, along with achieving scientific leadership and returning to growth, according to the company.

Henshaw-Cox determined that traveler well-being merited further investigation and quickly won enthusiastic support from AstraZeneca's Australian business. She obtained sponsorship for Project Tex not only from the country's human resources director but also its chief financial officer and procurement lead. Owing to geography, Australians typically travel much longer distances than counterparts from other countries, and recruitment and retention of top talent in the country is an acute challenge, making HR issues a strategic priority for all senior executives. "Our Australian CFO is very pragmatic," said Henshaw-Cox. "It costs a lot of money if we have to replace talent within the company."

Research started last month and is both quantitative and qualitative. Travelers are being surveyed and interviewed. Meanwhile, tClara has analyzed 8,500 passenger name records for 1,128 travelers between June 2011 and December 2013 to log how many trips involved what it has defined as friction points. Once the research is completed, the Project Tex team will make recommendations to senior stakeholders in Australia about such potential actions as policy changes. Henshaw-Cox then will share the findings with the rest of the business. Other issues that may be considered include a supplier review. "Are we going to include in the program airlines that have a horrendous record for punctuality?" she asked.

TClara since launching in 2013 has analyzed PNRs from more than 40 companies, said managing partner Scott Gillespie. He has concluded that the most frequent travelers are the ones most likely to cease all travel abruptly, suggesting they reach a state of burnout. "We would like to draw conclusions about breaking points for moderate, significant and extreme road warriors, but it's very clear from the limited evidence so far that quit rates are very company-specific," he told *BTN*.

Gillespie insisted the intelligence companies gain from studying their travel friction is actionable. "Companies can ask themselves if they need to mitigate the risk by altering schedules or policy," he said. "A very obvious answer is to look at cabin policy, but we are also finding that on average 60 percent of all flight hours are on personal time [outside the hours of 8:00 a.m. to 6:00 p.m. between Monday and Friday]. We understand why, but there is an opportunity for companies to ask if they want to continue this behavior and to ask travelers what it would take to mitigate their wear and tear. The answer could be, 'Get someone to fill in my expenses for me' or, 'Make sure there is a week each month when I don't have to travel.' I can see a point where companies will customize policy for each traveler."

Speaking here alongside Henshaw-Cox was her predecessor at AstraZeneca, Caroline Strachan, now American Express vice president of consulting in Europe, the Middle East and Africa. Amex reviewed 100 client travel policies and found that fewer than 20 percent referred to traveler well-being. Those that did often were technology companies with economy-class policies that sought to ensure their restrictions were not damaging traveler health.

Strachan said she is finding that more companies look for the "sweet spot between being there and not overworking the traveler." The recommendations Amex is making to improve traveler well-being include gauging traveler feedback, recalibrating policy to restore work/life balance (such as reimbursing personal calls home), choosing suppliers that offer healthy options, making travel processes easier and monitoring the health of frequent travelers.

Data Challenges Latin American Travel Management

BY JoANN DeLUNA

WHILE LATIN AMERICA is united by two common languages, Spanish and Portuguese, HRG Brazil business development director Eduardo Murad during an online education session hosted in September by the Association of Corporate Travel Executives emphasized that it remains a vast region with some daunting challenges, ranging from cultural diversity to data collection.

Murad said there are a number of reasons why travel managers in Latin America find it difficult to obtain quality data. For one, content from many low-cost carriers and some mainline carriers is not available in the global distribution systems typically used by travel agencies.

"When [Brazilian low-cost carrier] Gol came into the market, it came in running on its own website, so travel agents had to book outside the GDS for Gol," Murad explained.

"After [that], Tam started to run the same way. We have about 85 percent of the national and domestic content out of the GDS, as Tam and Gol are the major players."

Murad said that the situation is "worse" for lodging, as the majority of hotels in the region are not associated with global or regional chains. Many smaller independent hotels in the region also don't have the funds to invest in the technology needed to add their content to the GDSs, he added.

The situation forces travel managers to rely on agencies to capture all hotel and card data. "This presents one of the biggest issues regarding data collection and data analysis," he concluded.

"Our biggest challenge is to get quality data and integrated data," echoed Carla Blotto, who handles travel and meetings in Brazil for global agricultural company Bunge.

Unlike regions with more technologically advanced infrastructure—like the United States or Europe, which have more sophisticated travel management practices and rely on credit card data as a primary data source—Latin America has low usage of credit cards and automated expense management tools. Murad explained that Latin American countries for this reason primarily tend to rely on TMC data.

While international and local issuers like American Express, Brazil's Bradesco Bank and other major banks have local payment solutions, ghost cards are the payment of choice in Latin America when it comes to air transactions, with about 95 percent of them paid using ghost cards, according to Murad.

For lodging and car rental, invoicing continues to be the primary form of payment. While Murad said there are "some" ghost-card solutions for hotels, travel managers still are challenged by data consolidation.

Although international car rental companies operate in the region, they're not always willing to do business in the more remote places where many manufacturers or chemical companies have locations, according to Murad.

Due to a lack of automated ex-

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Study: One In Five Companies Suited For 'Managed Travel 2.0'

BY DAVID JONAS

New Orleans - Sometimes used interchangeably—though not necessarily accurately—with "open booking," the concept of Managed Travel 2.0 isn't for everybody. Many corporate travel management professionals don't look kindly on the idea of their employees booking through whichever channel they choose. To some, it undermines if not unravels the structures they've worked long and hard to create to save money, maximize supplier contracts (and therefore negotiated price discounts), properly service (and track) their travelers and capture all the data necessary for the complex discipline of travel management. But others see an opportunity to accomplish all that while also giving travelers freedom to book how and where they please, which in theory improves traveler satisfaction while also minimizing resistance to travel policies overall. The way global sales and marketing consulting firm ZS Associates figured it, Managed Travel 2.0 is a suitable option for about 20 percent of the 202 travel programs it studied.

In its report, ZS pointed out that Managed Travel 2.0 isn't about ripping apart the playbook for Managed Travel 1.0. The updated philosophy still must meet "specific parameters (such as preferred vendors or budget) and allow the company to collect all transaction and travel data in real-time."

Glenn Hollister, ZS principal and leader of the travel and transportation practice, speaking here last month at The Beat Live conference, where he shared his firm's research, noted that MT 2.0 also is "not just about open booking," which he described as the technology behind the philosophy.

If about one in five of the companies studied is suitable for MT 2.0, the other four of five aren't, at least for now. "I've talked to a lot of suppliers and asked, 'Why isn't everyone jumping on the Managed Travel 2.0 bandwagon?' " Hollister relayed. "A lot of the answers boiled down to some form of: 'It's a lot of risk and a lot of investment to do that, and we don't know if there is a market there.' That's the question we set out to answer, and we think there is."

The ZS analysis was based on grouping the 202 travel programs (which had an overall median annual travel spending of $20 million and included 18 members of *BTN*'s Corporate Travel 100) into five categories based on their program objectives and the importance they place on policy compliance. The market for Managed Travel 2.0, according to that analysis, consists of:

- Companies considered by ZS as "balanced partners," which represent 10 percent of those studied and "balance cost savings and employee comfort and productivity, without sacrificing one for the other. ... They prefer to book travel through agencies, and offer perks such as business class for long flights." ZS noted that financial services and pharmaceutical companies "figure heavily in this segment."
- The "employees first" group (8 percent of the sample). "What distinguishes these companies is they have the lowest amount of controls and greatest emphasis on employees than any other segment," according to the report. Hollister added that they "can use Managed Travel 2.0 to bring more of their travel spend under management and get cash savings or procure more benefits for their employees."

Companies falling into either of those categories are more likely than other companies to reimburse for amenities like early boarding, inflight Wi-Fi and airport club access, allow business class on long-haul flights and spring for an extra hotel night so employees can extend trips, according to the ZS analysis. They also are 1.7 times more likely to "use employee-centric metrics to measure travel program effectiveness" and 2.5 times more likely to measure "employee productivity and health and wellness costs when evaluating corporate travel program performance."

Average travel spending was about the same for the balanced partners and employees-first groups, and also about the same as two other groups that don't fall into the ZS MT2.0 zone: the "divergent priorities" group (22 percent of companies studied), which pursue good travel experiences for their employees "but lack necessary controls"; and "price negotiators" (48 percent of the sample), which prioritize savings, negotiate deals with several suppliers and offer comparatively fewer perks to traveling employees.

Regarding the latter and noting industry consolidation, capacity controls and the current trend of business travel demand growth, Hollister told attendees that buyers in that group occupy a position that "is not sustainable. Every supplier I talk to is either doing something to reduce discounts for this group right now or strategizing about what they are going to do. They don't see an equitable return value."

"Every supplier I talk to is either doing something to reduce discounts for ["price negotiators"] right now or strategizing about what they are going to do. They don't see an equitable return value."

—ZS ASSOCIATES' GLENN HOLLISTER

In terms of spending, the exception is the fifth group, the "value partners," which represented 12 percent of the sample and had an average travel spending about 50 percent higher than the rest. According to the ZS report, companies in this category also limit the perks they provide to employees and prioritize savings, perhaps going as far as changing employee bookings that don't adhere to company policies in an effort to "support preferred suppliers at a higher cost."

"Value partners is where Managed Travel 1.0 works really well," Hollister said. "As long as there is a good exchange of value, we don't think that is going to change."

Regarding development of MT 2.0, Hollister cautioned that travel manager interest alone cannot push the envelope. "It's a complex ecosystem, which is one of the things that has prevented a lot of innovation," he said. "It can't just be Concur coming out with this product. It takes TMCs who are going to have to change their business model; it takes suppliers from each category to make this happen."

Latin America Grapples With Corporate Travel Data Deficiencies

CONTINUED FROM PAGE 16

pense tool adoption in the region, keeping track of other travel and entertainment costs (like meals and taxis) also is challenging. A common practice is to issue cash advances or reimburse travelers, according to Murad. "There's a black market in some places where a taxi gives you a blank receipt so [the traveler] puts whatever amount [he or she] wants and makes money on that," he explained.

Additionally, the role and function of a travel manager is not always clearly defined. "The same person that deals with supplier relations or is the buyer for furniture is sometimes purchasing travel," Murad said. "Because they're not controlling the right spend or don't know the details of that, they're not doing the best negotiations."

Innovation

The lack of quality data and content available in GDSs has sparked some innovation in Latin America. Local companies, including some airlines, have developed their own multi-content search tools. Murad admitted, however, there still is some leakage.

"Those tools started as front-office tools for travel agencies and are now good online booking tools in the market," he said.

Meanwhile, with more travelers also using mobile travel apps, Murad said corporations have to allow their travelers to decide which apps to use and now are worried about IT security issues.

Accounting For Culture

Because travel management technology still is evolving, Murad suggested picking good travel partners based on a corporation's particular travel type and destinations. He said travel management professionals should stay aware of the local suppliers, as some global partners will not be as effective in certain markets.

Meanwhile, Murad emphasized that doing business effectively in Latin America means understanding the importance of interpersonal relationships. Face-to-face communication generally is preferred, and necessary to forming long-term business relationships.

"You can present the best business case," Murad said, "but if you can't convince the person that they can trust you on first impression, that makes a difference."

Interview: Southwest Airlines CMO Kevin Krone

New Orleans - Southwest Airlines vice president and chief marketing officer **Kevin Krone** last month took the hot seat at The Beat Live conference here, answering questions from onsite attendees and those submitted beforehand by readers of *The Beat*. Among the topics were Southwest's growth plans, an update on its new reservations system and the carrier's distribution strategy. An edited transcript follows.

Is Southwest straying from its winning formula by using multiple airplane types, a hub-and-spoke system and integrating AirTran employees who are far from being "type A" people?

Kevin Krone: I would take exception with a few of those assertions in the question. Through the AirTran acquisition, we did acquire a different aircraft type, the Boeing 717, but we are phasing that out. By the end of this year, that type will be out of our fleet, and we'll be back to pure Boeing 737s.

We don't have a spoke. We have some very large airport operations. Chicago Midway has nearly 300 departures, so it looks like a hub, but it's really traditional Southwest flying, just a lot of it. If you look at a hub airport, you'll see times when it's extremely busy, and then you'll see it turn into a ghost town. If you look at Midway, it's almost constantly active with Southwest flights. That's not a hub. That is a point-to-point carrier flying through there. There just happens to be a lot of point-to-point at the same time.

The AirTran employees, we're extremely proud of the service they provide. Any organization, you might have experiences that differ from what we see, but they're a fantastic group of employees, and they're excited to be a part of Southwest Airlines.

What sort of international expansion are you doing?

Krone: We will be expanding internationally, and that is a focused area of opportunity for us. We did announce last month that we'll be starting service into San José, Costa Rica, next spring. All the AirTran routes that are flying internationally will be converted fully into Southwest next month. We're currently building an international airport facility down in [Houston's William P. Hobby Airport]. We're not doing that just because we like building airports, so there will be opportunity for us to continue to grow out of Houston as well. That airport project wraps up in the fall of next year.

When you consider Southwest's sizable marketing and advertising spend, is your direct-distribution model still the most cost-effective?

Krone: Absolutely yes. When you stack all distribution costs for airlines—advertising, third-party fees and merchant relationship—and you look at it by airline, Southwest is next to the lowest. It varies, but we're either the lowest or in the bottom two to three on cost. The difference between us and a legacy model is dramatic. I'm absolutely convinced that it's working.

Distribution can be very expensive, and if it's expensive, that means it's got to show up somewhere, and it ends up showing up in the ticket price, or it shows up in some cases in a bag fee or change fee. We're really trying to be as fair and transparent about all that as we can. We have to be deliberate in the distribution channels and how we interface with them so it doesn't get so expensive that the fares go way up, because that's the worst case for everybody. It's not an antagonistic way we're trying to interact with anybody. In fact, we're going to great lengths to find solutions that provide all the inventory that are low-cost to no-cost and integrate seamlessly in your systems, so you get all that you need.

Why does Southwest seem hesitant to work with TMCs?

Krone: I'm sorry that you all feel that way. Since 2007, we've had a lot of effort in this, and we've grown the team since 2007. They are not as large as the other airline teams. They're small and mighty, so they take a while to get around to everybody, but they are very anxious to talk to you all.

Once you migrate to Amadeus' Altea systems, what changes will we see?

Krone: It's a multiyear, extensive project, and we are early on in that, so you won't see any meaningful results in that project for years to come. It is a more flexible system, so it does allow us to ponder new relationships, new codeshare partnerships, perhaps new distribution channels, although on the distribution channel side we have worked around and built some capabilities into our existing infrastructure so we can power third-party tools. That capability still will exist in the new system. Right now, we have a pretty rich depth of third-party offerings, and I don't know if that space will change with the migration, but there will be lots of other things.

Will it usher in bag fees at Southwest?

Krone: There's always a bag conspiracy. I could never say never, because never is a long time, but there are absolutely no plans to charge bag fees. While sadly it's becoming routine to us now as flying customers, it's still annoying, and we're not in the business to annoy people. We're in the business to connect people to what's important in their lives and make their day better. Charging a bag fee isn't a great way to do that. It's not a technology issue for us. We could charge bag fees today if we wanted to, but we're electing not to, because we think it's the right thing to do and it makes us more successful as an airline. We're winning new customers and making a heck of a lot more money winning new customers than charging someone for a bag fee.

What sort of growth are you seeing through Swabiz?

Krone: We don't disclose specific growth rates on channels, but it's got a niche. It's a managed travel tool. It's on the basic side, but it's free and is intended to provide lots of functionality, more than you would through a dot-com booking. It gives you tracking and reporting capabilities, but it's not the depth of features and functions you'll get with some of the commercial third-party tools. It's a fantastic tool and has a large user base and continues to be a healthy tool for us.

Corporate discounting at Southwest is relatively new. Any lessons learned?

Krone: We've approached it differently than a lot of traditional models. We focused our efforts in 2007 and have been growing since. From the get-go, we wanted to do things differently. It's the important difference in how we structure our deals, and as a result, we've had a tremendous success and a substantial growth in our corporate business over that period of time. A lot of people say Southwest is just getting into the business travel game—that's not true. We grew up as a business carrier. When you have 22 flights a day from Dallas to Houston, that's not aimed at the leisure traveler. Our routes were short-haul, high-frequency. Now, with long-haul, routes get a little thinner and there's not as deep of a schedule and frequency, but that doesn't mean we're not trying to be a great partner of businesses.

Are there plans to offer an upsell product, such as seats with more legroom?

Krone: There's nothing imminent. One of the areas of marketing I have responsibility for is our product development group, which is charged with thinking of things like that. We're always obsessing over whether the product is right and satisfactory to our customer base. The trick with it is: On the one hand, a more-legroom section has huge benefits to the people who sit there and enjoy but comes at the expense of fewer seats in the airplane, which then has a revenue and cost impact, which gets back to higher fares for all. We are very mindful not to force ourselves into a situation like that. Or, it means to really squeeze seats on the airplane for those who aren't in that section. There's a point there where it's too narrow and uncomfortable and not a product we want to offer. Something like a business-class cabin, that's a far stretch for us even to be thinking about. We're always tinkering around with it and will have some enhancements to the in-flight experience coming later this fall, so stay tuned for that.

Interview: La Compagnie's Yvelin And Luethi

Frantz Yvelin

Since launching its Paris-Newark service this summer, all-business-class carrier La Compagnie has met its share of skepticism, given the failures of the model by most prior transatlantic entrants. Co-founders **Frantz Yvelin**—who also founded L'Avion, the only all-premium-class transatlantic carrier launched during the last decade that did not fold—and **Peter Luethi** on Oct. 1 spoke with *BTN*'s Chris Davis and Michael B. Baker about the carrier's strategy. Excerpts follow.

Business Travel News: **How have your first months of operation fared?**
Frantz Yvelin: We made our maiden flight on July 21. Since then, we have operated almost 100 flights, and since mid-August, 100 percent of the flights have been on time or ahead of schedule. Load factors are going pretty well. The passengers are happy. You had the choice before La Compagnie of two kinds of horrible pains: the physical one if you were traveling in coach class, or the financial one if you were traveling in business. We are solving the equation.

With us, you can travel in a very affordable way in a high level of comfort on board. We provide true business-class service for two to three times cheaper than the other. We are proud and happy of these first results, but these are just the first ones. We're going to go further and expand. Our second plane is going to be delivered to us a few weeks from now, and we are going to expand more activity.

BTN: **What's your current frequency?**
Yvelin: We are six days a week. We operate 12 flights a week, every day but Tuesdays. Tuesdays are going to be launched probably early 2015.

BTN: **What will you do when you receive the second plane?**
Yvelin: The second plane is being delivered at the end of November, and of course it has to reflect the first one, so we have some work to be done on it. The decision has not been made yet as to what to do with this plane, and it will probably be announced in November and December.

BTN: **Will you look at other transatlantic options, and in the long-term, look at other routes within Europe or to Asia?**
Yvelin: Europe-to-Europe, the answer is no. This kind of product makes sense only on flights longer than three hours, and I don't see any interest for flights less than five hours. When I fly below five hours, I fly coach, and a lot of people do.

Do I see interest in other routes on the North Atlantic? Yes, there are plenty of routes in that category, and 85 percent-plus of seats being offered between Europe and North America are being offered by the alliances. You have three alliances: Star, Oneworld, SkyTeam, and that's it. As soon as you stimulate the market, you stimulate the demand. That is true even for premium traveling. Paris-New York is a big market, but there are several other Europe-U.S. routes that fall into that scope. Europe to other places and the United States to other places, I also think so.

BTN: **Will you be working with corporate travel buyers?**
Yvelin: We want to be accessible to the global distribution systems who are the links to the corporations being able to find us, either through Expedia or their travel agency. All travel agents and corporations in New York and Paris will be able to access us through the indirect channels, and that's very important for the corporations in particular. We'll start with Sabre, then Amadeus and Travelport and Worldspan. [La Compagnie on Oct. 14 began selling through Amadeus, Sabre and Travelport.]

BTN: **What about contracting with corporations?**
Yvelin: Any company who has significant traffic between Paris and New York should be contacting us, or we should be contacting them. That's being done. We have a sales team here in the United States and in France dedicated to corporations, and we are talking to a lot of them already. Even though it was not the priority to talk to the large corporations, because we know they have existing agreements, they already are starting to try us.
Peter Luethi: There's no sense for us to go after an IBM, but to go after the IBM business segment in France. The companies that do business with France are our main targets.

BTN: **Conceptually, would the structure of deals be typical: a discount for level of share or volume?**
Luethi: [This ties into] frequent-flyer programs. If you look at the corporation as a corporation, we are not dealing with the same concept as a frequent-flyer program. We fly at the moment to two cities. The traveler doesn't want to go back to Paris; he or she might want to go to Hawaii. So, we will approach this in a different way. You don't see any frequent-flyer program being given to the companies; it's always to the individuals. We have the choice; you can do it either way. If you have a group of 10 lawyers from the same firm traveling, we have a very flexible thing for them that will help the 10 lawyers rather than the individual who travels. The frequent-flyer program will be a frequent-segment program that will serve more the business than the individual.

This is a new approach that can only be done with a small airline. That's where we will be able to satisfy some of the big businesses.

BTN: **Will that be a standard offering or something you negotiate with every corporate client?**
Yvelin: Right now, the technology gizmo is not implemented, so we know a passenger is flying and keeping a record of their flights, and as soon as they reach X flights, they get one flight free. We look at it as similar to the JetBlue approach, which means we are not going to interface it with other actors and keep it inside the airline and for the airline. We are specialists, where the others are generalists.
Luethi: We have excellent examples in this country: Southwest and JetBlue. As soon as you go into the bigger complexity, in the alliance world, it is so complicated. They try to make it easier for the customer, but behind the scene, it's so complex. The perceived revenue you gain is far less than what you expected on your own cost base.

BTN: **Why do you think La Compagnie will succeed where others have failed?**
Yvelin: I have founded the only business-class airline that actually made it in the past. L'Avion was a tremendous success. With the other ones, you had three: Silverjet was British, and Eos and Maxjet were American. Considering Silverjet, the airplane was a bad one: 767-200, which burns a lot of fuel. They were not cost-conscious at all, and you have to be cost-conscious in this industry if you want to succeed. They had 120 seats aboard a 767-200, and the cost was too high to make it run a proper way.

Maxjet was another story. They opened Washington-London and closed it several times. You can do that once, perhaps, if you're very good at talking to get them back. You can't do it twice, and Maxjet did it three times. I tried it and was sincerely disappointed by the level of service and quality of food. They were doing maintenance by themselves, which was a mistake. We have chosen to do maintenance with a reputable actor in the airline industry. Maxjet also was 100 percent Internet-based, which was a mistake. When you talk to business-class travelers, you have to be able to talk to the agencies and GDSs, because those are partners for you.

Considering Eos, it was the exact opposite. It was successfully able to demonstrate, doing five flights a day between London and New York, that there was a market for an all-premium carrier, but the main problem was the business model was the wrong one: to provide first-class for the price of business. The market share is way too small. The price difference was not big enough, and the legacy carriers were in the position with their revenue management systems to shoot and kill. The product onboard Eos was a good one, and everybody who flew it would tell you that, but the cost structure was not appropriate.

AA, BA CEOs Bullish On Transatlantic Demand

BY MICHAEL B. BAKER

Washington, D.C. - Chief executives of British Airways and American Airlines shrugged off concerns of excess transatlantic capacity, saying capacity growth is well-matched to demand.

Speaking here last month to update the carriers' Atlantic joint business agreement, Willie Walsh, CEO of International Airlines Group, British Airways' parent company, said he has "no concerns" about overcapacity on transatlantic routes, despite warnings voiced by some analysts and carriers. Those concerns, he said, stem largely from capacity growth among a few select routes in continental Europe, many of which are undergoing trimming.

"We look at U.S. GDP, which is growing much stronger than we have expected, and at U.K. GDP," Walsh said. "So, if you look at our principal points of operation, we have strong, underlying demand, and if you look at London, it's even stronger."

Some capacity growth, meanwhile, includes adding such new markets as Austin, to which British Airways added a direct flight in March. Those add travelers without "cannibalizing our network," he said.

"What you really don't like to see is demand shrinking, and that's not the case," American Airlines CEO Doug Parker said. "Capacity has been added, and demand hasn't grown at the same rate, but those are issues we can manage over time."

IAG's Willie Walsh

AA's Doug Parker

Both Parker and Walsh said they were not particularly worried about competition from Middle Eastern carriers eroding capacity, at least in the short-term. Walsh said the ability to match the joint venture's network "is going to take years and years and years," though Parker added that their quickly growing fleet was a cause of some concern.

"Soon, we're going to have flying into Dallas/Fort Worth one 380 and two 777s from the Middle East, and there clearly is not demand for that much travel from Dallas/Fort Worth to the Middle East, certainly not on a nonstop basis," Parker said. "Fortunately, most of that connects onto places we don't take a lot of, but there's some concern of diverting traffic that would have gone elsewhere. When you have that much capacity flying, the fares will be so extraordinarily low."

The joint-business agreement itself, which also includes fellow IAG company Iberia as a founding member, itself has grown significantly since its 2010 start. Two carriers since have been integrated—Finnair and, as a result of its merger with American, US Airways—and the number of routes has grown from 50 to 88.

Both CEOs expressed satisfaction with the joint venture's effects on their respective carriers. Walsh said that over its life and buoyed by Oneworld, British Airways has increased its premium market share about 10 points.

"The corporates we talk to are much happier being able to deal with a joint business," he said. "They're looking for global access, which we weren't able to offer as individual carriers."

He added that he particularly would like to add a partner in China and has been talking to a "number of the Chinese carriers" about code-sharing agreements, although "we don't see any of these carriers joining an alliance."

During the press event here, the two CEOs also answered questions related to the Ebola virus. Both said they will remain in close contact with government health agencies regarding policies but, so far, they have seen little effect on air travel demand as a result of concerns about the deadly disease.

British Airways in August ceased flights to Sierra Leone and Liberia, both of which are at the center of Africa's rising Ebola death toll, but Walsh said that was "very much a commercial decision" related to the effects on demand, not a decision based on health concerns.

"Obviously we look at these issues very carefully and take advice from the health experts, but my understanding today is the risk of transmission remains very low," Walsh said. "It's clearly impacting the affected countries, but we're seeing no change in booking patterns."

NEWSLOG

Avis Budget Achieves First 'Large Commercial' Pricing Gains Since 2009

Avis Budget Group has been focusing generally on raising prices and specifically on ensuring corporate business is profitable. For the third quarter, the company reported a 2 percent year-over-year increase in commercial pricing, the third consecutive quarter of such growth, which had been generated primarily through higher pricing in the small business segment. "But," according to CEO Ron Nelson, "possibly the most positive sign of success in our strategy to drive higher achieved pricing came in our large commercial segment, where we recorded year-over-year pricing growth for the first time since 2009."

Nelson was speaking last month during a conference call with analysts to discuss Avis Budget's third-quarter financial performance, which in North America included "record" quarterly revenue (which grew 8 percent year over year, including 7 percent in the commercial segment) and a 13 percent jump in adjusted earnings before interest, taxes, depreciation and amortization.

Much of that performance is attributable to solid demand—North America rental volume rose 6 percent, including a 5 percent increase in the commercial segment—and strong pricing.

In North America, overall pricing increased 3 percent year over year, with growth across all brands and for both on- and off-airport operations. Nelson said the company will continue to "consistently lead price increases across our entire book of business," and that North American pricing growth has continued into the fourth quarter.

In the Avis Budget small-business segment, revenue increased 8 percent, with pricing that was "more than $10 a day higher than our average large commercial rates," according to Nelson.

On those large-commercial rates, finally higher, Nelson said, "While one quarter does not make a trend, I am encouraged by our efforts to improve returns in our large commercial segment."

Amtrak Ridership Up

Amtrak ridership increased on its busiest line during the rail operator's 2014 fiscal year, but lagging infrastructure upgrades slowed overall passenger growth, Amtrak reported last month. During the fiscal year ending Sept. 30, Amtrak ridership increased 0.2 percent year over year to 30.9 million, and ticket revenues increased 4 percent to $2.19 billion. Amtrak noted year-over-year ridership growth was slower than in recent years "due, in part, to a harsh winter season and on-time performance issues associated with freight train delays and infrastructure in need of replacement."

Ridership on the busy Washington-to-Boston Northeast Corridor line increased 3.3 percent to 11.6 million, an all-time record, and the high-speed Acela Express service also had record ridership, according to Amtrak. Ridership was down, however, on both long-distance routes (down 4.5 percent) and state-supported services (down 0.6 percent). Many of those routes use tracks that are owned and dispatched by freight railroads that are in need of infrastructure upgrades, according to Amtrak.

"Not only are delays to passenger trains on these tracks increasing, but so, too, is the magnitude of those delays," Amtrak reported. "On many of these routes, passenger rail has experienced a significant decline in on-time performance, lower ridership and revenue and increased operating costs."

Amtrak noted that it is "pursuing remedies through the federal **Surface Transportation Board**" to address those issues in addition to working with freight railroads. The rail operator added that its busiest lines also "suffer from a chronic case of long-term underfunding" and require a new federal policy and funding arrangement to get back into shape.

Corporate Clients And TMCs Can 'Suppress' Delta's Restrictive Basic Fare

BY JAY BOEHMER

DELTA AIR LINES' Basic Economy fare is not for corporate travelers. The bare-bones offering isn't refundable, doesn't allow changes or seat selection and is available only in select markets, mostly where Delta goes head-to-head with discounters. Yet, corporate travelers conditioned by lowest-logical-airfare policies may very well be enticed to select Basic Economy—Delta's cheapest—when presented in search results. Buyers and agencies have a couple of options: either omit the fare type from displays or explain precisely what travelers should expect.

First launched in 2012 in a few markets, Delta this year briefly shelved, reworked and recently relaunched Basic Economy. It is returning with more restrictions and is poised to be up for sale in even more markets.

For now, the fare type is available in 21 markets, many between the airline's hubs and Florida destinations. The airline in a recent filing with the U.S. Department of Transportation disclosed "plans to expand to additional markets next year."

"Basic Economy is Delta's value-fare product for price-driven customers," according to the airline. "It traditionally has appealed to price-sensitive leisure travelers and has not appealed to corporate travelers."

As such, "some accounts have come to us and said, 'We don't want to offer this,' " a spokesperson said.

Delta is happy to oblige. According to materials distributed to travel agencies, "if a GDS, agency or corporate account has elected to suppress or inhibit the Basic Economy fare from their customer booking tool, our updated Basic Economy product will be suppressed."

Short of removing the fare from search results, buyers and TMCs may want to consider some disclosures. When Delta launched Basic Economy, it alerted third parties that "the customer must be notified of all the fare rules" and the "expectations of the travel experience must be clearly explained."

Delta said it is giving guidance to agencies on disclosures, and third-party distributors could take the carrier's lead.

When the fare is selected on Delta's website, a warning pops up before purchase: "You selected a Basic Economy fare, which includes the following restrictions." Then, a list of the multiple restrictions is displayed, followed by a click box so that the purchaser can "agree to these restrictions" before purchase.

"We want customers to know what they're buying, through the GDS or our site," the spokesperson said.

Corporate travelers would want to know some things before buying. For example, once changes to the fare type go into effect for travel beginning in February 2015, Basic Economy purchasers won't be eligible for free upgrades regardless of frequent-flyer status.

In fact, they can't select their seats at all, even if they want to pay for an upgrade. Instead, seat assignments are "automatically assigned when a customer checks in," according to the airline. Basic Economy fare purchasers also cannot buy select add-ons like priority boarding and will not be eligible for Delta's "corporate recognition" programs, among other restrictions.

Restaurant Network Dinova Claims Sales Increase, Targets SME Business

BY CHRIS DAVIS

NOW FIVE YEARS old, corporate dining network Dinova is reporting increased client spending at its member restaurants and relaunching a redesigned version of its app, which allows users to find Dinova eateries by proximity or cuisine, or in a designated area.

Dinova charges restaurants for membership and pays rebates to corporate clients based on spending volume at network restaurants. Dinova now has roughly 12,000 U.S. restaurants in its network, and second-quarter spending in the network was up 13 percent year over year, according to the privately held company.

Dinova is focused on continuing that growth, not only in the number of its network restaurants and the amount of client spending but also in the types of corporate clients it signs, Dinova founder and CEO Vic Macchio told *BTN*.

"We've actually gotten a lot of interest of late from smaller businesses that are interested in our program as well," he said. "We are working on developing a [small and midsize business] channel."

Macchio noted that Dinova's business model to this point has focused on attracting the world's largest companies—he claimed "probably 33 percent of *BTN*'s Corporate Travel 100 in our network"—but called the pursuit of small and midsize businesses "what Dinova's near-term future looks like."

He said that pursuit could include partnerships with travel management companies and an enhanced version of its app, released this year. Not restricted to Dinova clients, the app is available on Android and iOS platforms.

"The bigger we build our network, the better it is for everybody in the network," Macchio said. "The more clients we have, the more business can go to our restaurants. The more restaurants we have, the easier it is for the clients to comply and stay within the preferred network."

"The more clients we have, the more business can go to our restaurants. The more restaurants we have, the easier it is for the clients to comply and stay within the preferred network."

—DINOVA CEO VIC MACCHIO

Still, large companies remain Dinova's bread and butter. One of them, electronics and technology firm Philips, increased its share of dining spending at Dinova restaurants by 7 percent since the end of 2011 (when Philips signed an agreement with Dinova), said Philips mobility commodity cluster leader John Guarneri.

Guarneri wouldn't disclose any other data regarding Philips' use of Dinova, including the company's rebate. ("Let's put it this way: Prior to doing it, I was receiving nothing. Today, I'm receiving something," he said.) However, he mentioned that communication with Philips travelers about the availability of Dinova and its app has helped to increase use. All of Dinova's network restaurants are in the United States, but Guarneri said he promotes the service globally.

"We not only push it through [the United States], but we also put out a global news campaign, so it covers EMEA, North America and Asia, and that's also in there, so people realize when you come into the States, this is something you can download on your [device] and do business there," Guarneri said.

Dinova automatically receives a monthly data feed of Philips' U.S. dining expenses based on corporate card data, Macchio said, though he noted that clients often prefer to do so on a quarterly basis. The rebate is determined by matching that dining spending data with Dinova's restaurant roster. (Travelers need not identify themselves at the restaurant as Dinova clients.) Then, Dinova cuts Philips a check.

"We do [Automated Clearing House] deposits for the most part, but it's cash money, tangible money, and we find this to be a very appealing part of our model [for] corporate travel managers," Macchio said. "There is no dispute about how much they've saved their company on dining as a result of this because you know how many variables there are. [In other supplier categories] it's very hard to quantify the savings. You may be saving money on airfare, but you're traveling more, so the CFO said, 'You spent $20 million last year. You spent $22 million this year. Where am I saving money?' You know that you are saving money here. The appeal is you're getting the check."

Kerry Montgomery, national director of sales and marketing at Earl Enterprises, a restaurant firm that owns establishments including the Buca di Beppo chain, said Dinova provides quarterly data that shows its members' average expenses at the restaurants and average spending by day of the week, among other figures.

"We're seeing a trend where [business dining is] almost double our traditional transient dinner guests coming in with their family," Montgomery said. "That's really attractive to us."

ATPI Group Grows Presence With Griffin Deal

BY AMON COHEN

ANGLO-DUTCH travel management company ATPI Group is gunning for more business in the United States and parts of Asia after acquiring Griffin Group this month for an undisclosed sum.

Like ATPI, U.K.-based Griffin has an international network (33 offices, which are wholly owned in 13 countries and operated through joint ventures in another nine), but is focused on midmarket clients. Both companies, especially Griffin, also specialize in marine and offshore travel. ATPI's 2013 gross sales exceeded £720 million in 2013, but the company expects 2014 sales to hit £1.2 billion as a result of organic growth and the purchases of Griffin and Australian independent TMC Voyager Travel earlier this year.

Financial terms of the acquisition, which was announced Nov. 11, were undisclosed.

ATPI CEO Graham Ramsey told *BTN* the acquisition of Griffin will lead to marine and offshore accounts comprising a higher proportion of total ATPI business.

However, he added: “Strategically, I needed to strengthen in several geographies. We bought Voyager because we didn't have good coverage in Australia, but a further weakness was the U.S., and we were under-strength in China, Hong Kong and Singapore. Rather than buying four or five companies in those jurisdictions, we've covered them all in one go. Griffin is a size of business that makes a real difference to ours. It is significantly stronger than we are in the U.S., which accounts for 28 percent of its sales, and it has a very successful joint venture in China. We are looking after existing clients, but we weren't strong enough to go out and win new business in those geographies.”

The acquisition takes ATPI's footprint of wholly owned and joint-venture offices to just over 100 worldwide, but Ramsey said he is still not tempted to chase major corporate customers.

“The market we're interested in is midmarket, especially where we can really understand the sector they work in,” Ramsey said. “I'm not interested in Coca-Cola or in tiny SMEs.”

ATPI is not planning any further major acquisitions but Ramsey said he is considering opening more offices in the United States.

The company in 2013 completed a third management buyout in six years. Its acquisition of Griffin was backed by specialist asset management company Intermediate Capital Group, which owns 50 percent of ATPI.

The Good, The Bad And The Ugly Of The Tech User Experience

BY DAVID JONAS

New Orleans - The technology user's experience has become of paramount importance. The increasingly central role mobile apps play in the lives of business travelers applies an increasing degree of pressure on the makers of those apps. Because there are many options from which to choose for almost any conceivable task, retaining users is difficult, so service providers had better get their mobile presence up to snuff.

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During a panel discussion here at The Beat Live conference last month, examples of the good, bad and ugly of user interfaces and experiences were on display. Panelists tackled questions on how to better engage business travelers via the mobile channel and lessons on why corporate tools have fallen so far behind consumer applications.

KDS CEO Dean Forbes said that "a corporate online booking tool is an enterprise application, one of the most widely used applications in a company behind payroll and maybe CRM. Companies were building solutions for a buyer and not a user. That's why the consumer applications are pretty uniformly better than the corporate applications. [Consumer apps] are not building for a buyer. They are building for a user, and the user is the buyer."

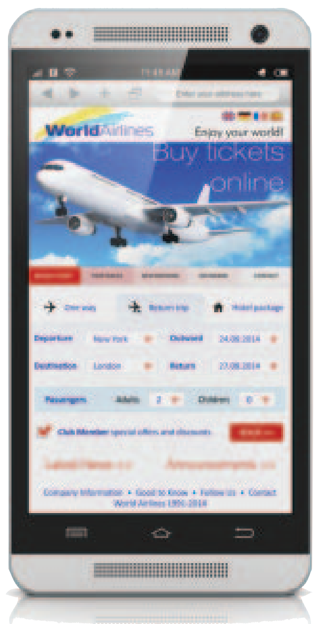
Forbes also noted "a much less forgiving cycle of evolution" for corporate tools as compared to B-to-C apps that can be tested, tweaked and done over much more quickly.

BCD Travel director of strategic marketing Miriam Moscovici agreed: "In the corporate world you can't just float a button on a booking tool to see how many people click on it to determine if you are going to build that feature."

Moreover, Moscovici explained the difficulty in finding a client willing to test something "unproven and potentially provocative" within the organization. "A regular consumer has a lot less fear than a travel manager who has spent the last 15 years finally buttoning up their whole program," she said, "and we want to come in with some shenanigans that make them a little nervous."

Asked if his company's product development takes cues from travel managers or travelers themselves, Concur vice president of the user experience Robb Nielsen said the current rewrite of the booking and expense tools is influenced more by the latter. "We have had our success meeting the needs of the very few at the expense of the very many who use the product," Nielsen acknowledged. "The business has known where the areas of improvement are, it has just been very hesitant. How do I balance the needs of the end user versus all those promises I made to the buyer? It has taken awhile to figure that out."

Hammering home the point, Propelics senior mobility strategist Glenn Gruber noted that CRM and ERP systems "have horrific user interfaces" because developers dedicated only a very tiny percentage of the budget to their construction, and those were the models IT used to create other systems. "Who cared about the UI because the users, the employees, had no choice but to use the product given to them," he said. Gruber added that it wasn't until later in the last decade that more attention went to user interfaces.



Examples

The panelists were asked by moderator and Travel Tech Consulting president Norm Rose to cite specific examples of apps that work and those that don't. Starting with the good, Nielsen pointed to Uber's app. "Having an experience with the product goes way beyond just the clicks and the widgets and the bits you see on the screen," he said. "It goes into a totally immersive experience, and does it super quick." Uber, he continued, answers many questions that users have and many they didn't know they had: It provides a photo of the driver, tracks the car's location, provides an estimated cost and notifies users which side of the street to stand on. "They had to be pretty disruptive in their marketplace and approach it in a way that it had not been approached before," Nielsen said.

The bad? Air Canada's app, according to Gruber. It ultimately can do what most users would want it to do, but "not particularly elegantly," he said. For example, it's "essentially a wrapped version of their mobile website within an app"—which, as a result, slows down performance—and its home screen provides a set of functions most users wouldn't initially use. One, "completely mystifyingly," is cargo. "Why they didn't make that another application on its own is the kind of thing that is beyond me," Gruber said. He also pointed to "wasted space" and a visual design that's less than compelling.

For the ugly, Moscovici presented a T&E solution that she didn't identify but found "repulsive." To her, it "does not anticipate the customer persona," doesn't provide immediate navigation to the most used functions of such a tool (like receipt image capture) and doesn't effectively use imagery. Moscovici concluded that it's "a classic example of a solution built for a finance department instead of a user."

Improvements

When asked how their companies are making mobile offerings better, Forbes and Nielsen again each pointed to a focus on the end-user traveler. "A few years ago we made a choice that the person we wanted to please the most was the user," Forbes said, which led to some "hard conversations" with travel managers. "Their feedback was secondary to the traveler saying [that] easy seat selection makes a world of difference. Until you make the choice about who it is you are trying to please, you cannot prioritize feedback."

Forbes added that traveler feedback often is vague. "They say they just want it to be more cool, nicer or easier," he said. "That's totally unactionable feedback, until you build something 10 times and the eighth time he says, 'Actually, I really like this and will continue to use this.' "

He also discussed "dangerous" feedback, such as requests to improve hotel booking functionality. "You can misinterpret that as, 'Make it as complete and extensive as possible,' and that is the enemy of the great user experience."

Again citing Uber, Forbes said such companies are disrupting the ecosystem by showing constituents how "some things that you thought were precious to you are just not precious." PNR synchronization for ground transportation, for example, is important to TMCs, but Uber's explosive growth has proven that such things matter little to travelers.

Similarly, Nielsen said that when Concur started its user experience renewal project last year, "we decided it's time for us to take back the consumer experience on behalf of the end user without alienating the corporate buyer. It's been a real tough road for some of them who may be resistant to change, especially some of our larger customers."

But you can only go so far. Moscovici is on high alert to ensure new apps don't have too much of a consumer feel. She noted that legitimate business travel messaging may be ignored if it "looks like an amazing Travelocity cruise offer." Now, during testing, she's "considering going back to Times New Roman paragraph style, thinking perhaps they are just not ready for this look and feel."

Nielsen corroborated that view: "The look and feel is so hard to get right because people are so used to being advertised to. ... If it looks at all too shiny, they think, 'That's too pretty, that's not my corporate tool anymore.' "

The panelists also discussed some of the yet-unrealized promise of the mobile channel. It's ideally suited to send offers based on specific times, locations and context. It should also be a continuation of activity in other channels. Moscovici noted how Netflix users, for example, can pause a movie on their TV and pick up where they left off on their mobile device, but corporate tools don't really offer the same sort of continuity.

What about permissions, and requesting lots of information from users? The panelists agreed that apps shouldn't ask for information not needed to perform their tasks, but also agreed that apps should explain to users when and exactly how providing information can improve the experience.

Moscovici also suggested that TMCs must establish better links between res centers and client travelers on the road. "There's an automated message that reminds a traveler to check in, but there are cases where the agent needs to speak with the human and get an approval or get them to do something," she said. "We need to leverage that same technology."

Forbes agreed, suggesting the pursuit of end-to-end solutions must come from TMCs. "They are the only ones who can interweave technology and people in a just-in-time fashion," he said.

When asked for other ways in which corporate travel mobile apps can close the gap with consumer ones, the panel offered several steps: better integration between travel and expense apps, trip-sharing functions to easily add colleagues to booked itineraries, thoughtful calendar integration and health and wellness components. On the latter, Moscovici predicted that "this concept of the quantified self really is going to come into business travel."

NEWSLOG

Hilton, Starwood Further Mobile Room Key Plans

Hilton Worldwide expanded its mobile room key functionality to enable access to fitness centers, executive floors, elevators and parking facilities, the hotel company announced this month. Hilton previously announced HHonors loyalty members would be able to use the mobile HHonors app to check in and select and access their rooms.

The mobile room key first will be enabled at all U.S. Conrad Hotels & Resorts properties in early 2015, and will continue across the U.S. properties of Hilton brand, Waldorf Astoria and Canopy properties beginning in summer 2015. Expansion to other brands is slated in 2016, according to Hilton.

Meanwhile, **Starwood Hotels & Resorts Worldwide** this month debuted SPG Keyless mobile room key functionality in 10 hotels. SPG Keyless is available to SPG members who book a hotel room through one of Starwood's channels.

Accor Readies 'Digital Strategy'

Accor between 2014 and 2018 will invest about $284 million in a "digital strategy" including the development of a single mobile app "incorporating all of Accor's services before, during and after hotel stays," the hotel company announced last month.

Accor also plans to develop capability for "online booking of seminar facilities" as well as online check-in. Accor plans to dedicate about 60 percent of the investment to "improving middle and back-office solutions," with the remainder "used to expand market share and optimize distribution unit costs."

ITM Slams Marriott Wi-Fi Plan As Anti-Business Travel

BY AMON COHEN

THE UNITED Kingdom and Ireland's Institute of Travel and Meetings this month condemned Marriott International as "anti-corporate" after the hotel giant late last month announced that it would provide free Wi-Fi to members of its Marriott Rewards loyalty program only if they book directly through Marriott channels. ITM criticized the move, due to take effect Jan. 15, 2015, for undermining managed travel programs, which often require travelers to book hotels indirectly through corporate booking tools or travel management companies and other service providers.

A statement from ITM, which claimed in 2013 to represent more than £6 billion of corporate travel spend, said the Marriott initiative "could hinder companies' ability to manage money spent on hotels and breach duty-of-care procedures." ITM called on Marriott to reconsider.

"We are disappointed that Marriott has embarked on an anti-corporate initiative," said ITM industry affairs group chairman Mark Cuschieri. "We recognize the importance of rewarding loyal customers with complimentary services or amenities. For hotels, these people usually come from the business travel community. But when there is an effort to attract business travelers away from approved corporate channels, it becomes a major problem.

"On behalf of our members I request that Marriott reconsider its position and simply recognize the traveler for loyalty instead of seeking to use them as an opportunity by stealth to reduce overall distribution costs whilst undermining negotiated corporate hotel deals," Cuschieri said.

ITM chief executive Simone Buckley added: "Traveler compliance to the managed travel program is critical from a duty-of-care perspective as well as delivering market share to preferred suppliers. We do not believe that a corporate traveler who is a Marriott Rewards member should be excluded from benefiting from free Internet access simply because of the distribution channel that their organization has asked them to use."

Marriott was unmoved by the intervention from ITM. The hotel company in a written response said: "We understand buyers' concerns, but direct booking is Marriott's best opportunity to build a strong relationship with guests, prepare for their arrival and best understand their needs. Free Wi-Fi is one of many benefits that come to Marriott Rewards members who book direct."

Maritz Travel Plans Third-Party Network

BY CHRIS DAVIS

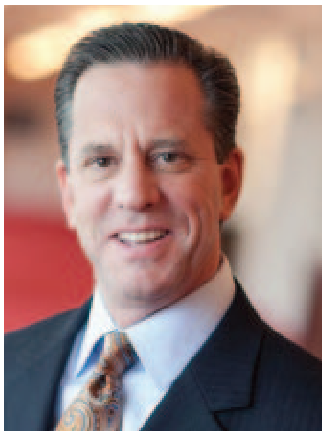
MEETINGS-MANAGEMENT firm Maritz Travel Co. this year will unveil a network of dozens of destination management companies, professional congress organizers and independent meeting-planning firms throughout the world to serve clients' multinational meetings needs, the company announced last month.

Maritz Travel "in the coming weeks" will identify the third parties selected to be part of what the company is calling the Maritz Global Meetings Network, Maritz Travel president David Peckinpaugh told *BTN*. The company expects to name first about 30 such companies—one per country, though some suppliers have multiple locations—in what he called "priority-one countries," including most of the European Union, China, Australia, New Zealand, Chile, Mexico and Argentina.

A second, smaller rollout of countries is expected by year-end, he said, giving the network a roster of about 40 companies and for now completing the effort.

"Our goal is to have a partner in every country where we either currently do or expect to do business in," Peckinpaugh said.

The selected third parties can fulfill clients' onsite meetings needs in their given countries, he said, including logistical planning as well as site selection and contract negotiation.



Maritz's David Peckinpaugh

"The idea of being a global company is not new to us, but what has changed is the significant interest of clients requiring assistance for meetings and conventions [overseas], particularly big sales and marketing events and even overseas client events," Peckinpaugh said. "We need to have reliable resources in local markets all across the globe."

The network, which Peckinpaugh said Maritz Travel began to develop 18 months ago, will be led by the three global general managers it appointed in February: Ben Goedegebuure in Europe, the Middle East and Africa; Eduardo Chaillo in Latin America; and Ping He in the Asia/Pacific region.

The three executives, Peckinpaugh said, "are responsible for building, maintenance, management, oversight and creating individual business plans with each partner to make sure we are completely aligned."

Maritz Travel this summer conducted first a request-for-information process, then a request-for-proposals process, with two to five potential members of the network in each country. "We had a global optimization team, and they along with the global general managers and [Maritz's procurement department] reviewed the information and did a grading process, then identified one partner in each of those countries," Peckinpaugh said, adding that the company is finalizing agreements with the first wave of network companies.

Maritz Travel currently is conducting an RFP process for companies in the remaining countries to be added to the network.

Maritz Travel will work with clients' preferred third parties in countries even if they are not members of the network, Peckinpaugh said.

The effort to develop the network was driven in large part by the needs of Maritz Travel's corporate clientele, a segment that this year generally is rebounding in terms of meeting activity, he said.

"Overall, it's very strong," he said. "There are a couple pockets of weakness, but all sectors are doing well. We are having a significant growth year, and we don't see that changing outside of an unexpected occurrence. The economy is strengthening, and corporations are investing in meetings and incentives. Budgets are not rapidly but slowly growing."

Cvent Reports Q3 Revenue Jump, Acquires Hotel Sales-Intelligence Firm Decision Street

BY CHRIS DAVIS

MEETINGS TECHNOLOGY firm Cvent this month reported a 28 percent year-over-year increase in third-quarter revenue to $37.4 million, fueled by increasing demand for platform services including its strategic meetings management platform. Cvent also announced it had acquired Decision Street, a hotel sales-intelligence software company.

According to Cvent, Atlanta-based Decision Street offers request-for-proposal lead-scoring technology that enables hoteliers "to quickly focus on the best group-booking leads within the context of inventory, demand and profitability." The proliferation of electronic meetings RFPs through such channels as Cvent's in recent years has frustrated some hoteliers.

The company paid $4 million in cash for Decision Source, Cvent CFO Pete Childs said during a conference call with analysts.

Cvent's Reggie Aggarwal

Cvent reported third-quarter net income of about $1.1. million, up from a net loss of $829,000 in the third quarter of 2013. Third-quarter earnings adjusted for interest, taxes, depreciation and amortization totaled $6.5 million, up from $5.1 million last year.

Cvent reported third-quarter platform services revenue, which includes revenue generated from its strategic meetings management platform as well as other attendee registration technology, of $26.2 million, up 30 percent year over year. The company cited Genentech, Land O'Lakes and an unidentified "global *Fortune* 10 company" as new SMM customers and cited Biogen and IHS Global as customers with recently expanded SMM programs.

Meanwhile, Cvent CEO Reggie Aggarwal during the call said all Cvent's event clients have migrated to the company's new Blue Release platform, "two months ahead of our expectations."

NEWSLOG

Amex M&E Projects 2015 Mtgs. Uptick

American Express Meetings & Events projected a slight year-over-year increase in 2015 meetings spending for North American organizations, with such spending forecast to rise 0.3 percent. However, the meetings management company projected a 0.2 percent decline in per-meeting spending among North American organizations. Amex M&E also projected group air rates in 2015 to rise 2 percent globally year over year, followed by a 2.3 percent increase in 2016. The company based its projection on a July-September survey of 537 meeting professionals throughout the world, as well as "proprietary American Express Meetings & Events data sources, licensed third-party data and industry information, as well as interviews with industry leaders."

Amex M&E, DoubleDutch Team For Dashboard

American Express Meetings & Events and meetings app provider **DoubleDutch** unveiled a dashboard for Amex M&E clients. According to the companies, the dashboard features "quantitative metrics" from Amex's meetings management unit and such DoubleDutch attendee experience measurements as "event cost, savings and length; attendee population, interest metrics, and sentiment measures; and app interaction metrics, among others." Amex M&E also will make available to its clients the DoubleDutch event app.

LiquidSpace Raises $14M, Plans Expansion

Workspace management supplier **LiquidSpace** last month announced it has raised $14 million in Series C financing. It plans to use the new funding to "expand the range of space offerings available through its marketplace to support additional business use cases, and will also extend its booking options beyond hourly and daily reservations, to support longer-duration needs." LiquidSpace enables users through online and mobile channels to book space, including traditional meeting rooms or alternative spaces at hotels and other venues. The company cited **Accenture**, **Teva Pharmaceutical Industries** and delivery service **Postmates** as corporate clients.

Payment Execs: Commercial Cards Again Likely Exempt From EU Interchange Cap, With A Condition

BY AMON COHEN

Copenhagen - A shock April 2014 decision by the European Parliament to cap interchange fees on commercial credit cards at 0.3 percent is likely to be reversed but with a major condition attached that could affect thousands of corporate card agreements, senior payment company executives told *BTN* here last month during an Association of Corporate Travel Executives conference. According to AirPlus International and MasterCard, European Union member states have prepared draft amendments to restore an exemption for commercial cards from the 0.3 percent cap expected to take effect next year. However, the amendments also newly define commercial card agreements as contracts that are based on corporate liability.

AirPlus managing director and chairman Patrick Diemer said roughly half his company's corporate card contracts (as opposed to centrally billed accounts) are based on individual liability, which would not be covered. "We are more hopeful now [of a cap exemption] because we have received support from subject matter experts in various governments," said Diemer. "As things stand, they are intending to keep corporate cards out of the regulation, but a corporate card will only be considered a corporate card if there is corporate liability. Individual pay [in which the cardholder settles directly with the issuer] will be permitted, but personal liability cards are out of scope.

"This is a change the industry could live with," Diemer continued. "We believe joint and several liability [in which the cardholder is initially liable but their employer assumes the liability if the cardholder does not pay up] will be a way to manage the risk. Given the potential risks of this legislation, I believe it is the least impactful."

"[The intention of basing the definition on] corporate liability is to avoid consumers getting commercial cards when they shouldn't. We would have to understand what is meant by a liability."

—MASTERCARD'S RICHARD CRUM

MasterCard group head for global T&E products and solutions Richard Crum took a similar view, but warned of complications. "The original definition, that the ultimate purpose of the card is business expenses, was much simpler," he said. "That would be my ideal. [The intention of basing the definition on] corporate liability is to avoid consumers getting commercial cards when they shouldn't. We would have to understand what is meant by a liability. There is often a combination of liabilities in a program. Could we live with it? Yes, but it introduces a nuance that isn't helpful. There would be a lot of questions involved."

This yo-yoing story started in late 2013 when the European Commission published a draft regulation to cap interchange fees but recommended exemption for commercial cards. However, in April the European Parliament unexpectedly jettisoned the exemption when voting to approve the regulation. Card providers warned of significant consequences, including higher annual fees and the end of rebates for larger clients.

Privately, some card executives concede commercial card interchange fees are likely to be capped within the next few years—not only in Europe but also in the United States. But they were particularly alarmed by the European Parliament vote effectively allowing "three-party" schemes, such as American Express and Diners Club, to avoid the cap, though not Visa and MasterCard. Ultimately, their greatest concern is not whether there is regulation, but that it covers all issuers equally.

Diemer told ACTE conference delegates that the European Council of Ministers is scheduled to decide by Christmas whether to ratify the European Parliament's approved version of the regulation. If the council takes a different view, as Diemer and Crum expect, the two institutions along with the European Commission would attempt to resolve the issue through what is known as a trialogue, with a final decision expected in the first half of 2015.

Approached by *BTN* for comment, American Express issued a statement indicating it "understands that negotiations on the draft EU 'payments package' are ongoing and that the Council has yet to finalize its position, including on the treatment of commercial cards. Once the Council has an agreed position, a further round of discussions with the other EU institutions will commence. We will of course comply with whatever the final legislation says."

Payment Provider Wex Finding Virtual-Card TMC Niche

BY JoANN DeLUNA

WEX INC. IN the 1980s and 90s, under its previous name of Wright Express, established a presence in the payment industry as a fleet card provider, then as a travel card provider and eventually as a virtual card pioneer. In recent years, though, Wex increasingly is finding itself partnering with travel management companies to deliver virtual payment solutions to corporate clients. With virtual payment gaining more industry attention, Wex's footprint is growing as well.

The company, which handles virtual payments globally for large online travel agencies like Expedia, Orbitz and Hotwire, in recent years has partnered with the likes of Adelman Travel Group and Christopherson Business Travel, to provide virtual card solutions for companies including CHG Healthcare and Goodman Networks.

And virtual cards are helping Wex's bottom line. Revenue from Wex Inc.'s Other Payment Solutions business, which includes virtual cards, in the nine months ending Sept. 30 increased $39 million year over year to $180 million. Total revenue for the third quarter also increased to $78 million compared with $55 million for the same quarter last year.

While the Other Payment Solutions business also includes purchases and prepaid cards, revenue primarily is earned from processing payments through Wex's virtual card product, according to documents filed with the U.S. Securities and Exchange Commission.

Wex's virtual card business, which includes travel and other such industries as health, insurance and education payments, in 2013 processed more than $13 billion in volume, of which 90 percent was "true virtual card payments," meaning no plastic was involved, Wex strategic sales manager Mike Werrell told *BTN*. The remaining 10 percent of volume represented procurement card spend for which a physical plastic card was issued to a corporate accounts payable department.

Wex (as Wright Express) in 1983 got its start in the fleet card space, and the provider since the mid-'90s has been making strides in the travel card space, particularly with virtual cards. Wex also provides such corporate payment solutions as corporate cards, procurement cards, payroll cards and prepaid cards.

Challenged by paying its disaggregated hotel base, Priceline in 2000 became the first Wex customer to use virtual cards to settle payments directly with hotels on behalf of customers on a reservation basis, Werrell explained. Priceline can contact Wex to create a 16-digit MasterCard number—complete with expiration date and three-digit CV2 security code found on the backs of cards—and provide the card details to the hotel for settlement.

"That was the first iteration" of virtual cards, Werrell said. "The products have evolved from that point forward, and it's grown." That said, Werrell noted that virtual payment processing procedures have remained the same.

Wex's focus has been on large OTAs, travel wholesalers and tour operators, but Werrell said that in the past three years it's received more interest in virtual cards from TMCs. "The online travel agency case is an obvious fit because the business model begs for a payment mechanism like a virtual card," he said. "But the TMC case is not always so obvious, and it depends on their commercial clients."

Specifically, he said, virtual payments are particularly relevant for those companies with users, like contractors and interview candidates, who aren't issued corporate cards. Using virtual cards in these cases allows travel managers to avoid using their own p-cards to reserve and pay for hotel rooms, as some tend to do, Werrell said.

PERSPECTIVE

OP-ED

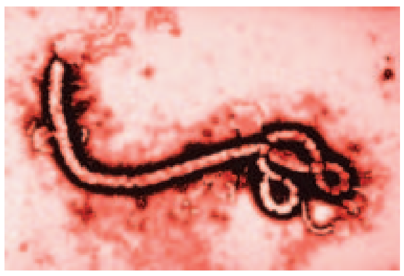
Industry Needs A Global Approach To Ebola

BY GREELEY KOCH
EXECUTIVE DIRECTOR
ASSOCIATION OF CORPORATE TRAVEL EXECUTIVES

Nothing cures Ebola headlines like election headlines, regardless of your politics. You would never know that just weeks ago, the United States was swept by a panic that galvanized hundreds of talking heads, prompted labor actions, closed schools and thrust the Centers for Disease Control into a bright spotlight. Stories about Wall Street investors beginning to second-guess airline stocks—imagine that—amid calls for a national Ebola policy to limit visas, restrict travel and confine those who may have been exposed to the disease, under the guidance of an Ebola Czar, were all the rage.

But that's over now. The United States at press time was Ebola-free. Only the first U.S. patient died, creating the impression that Ebola, unlike the common cold, can be cured if you throw millions of dollars at each individual case. Regrettably, it is a different case in West Africa. A World Health Organization situation report, dated Nov. 12, cited intense Ebola transmission in Guinea, Liberia and Sierra Leone, with case incidence still increasing in the latter country.

So it is likely that the disease again will surface in places like New York, Dallas, Madrid and other cities that host business travelers. The United States is ready for it. We now know the right gear to wear, the right number of people to watch healthcare workers put it on and take it off, the right tape to seal off the sleeves, and the number of days it takes for the disease to incubate (21 to 45, depending on who you talk to). I am not dismayed that there are only 19 "level four" bio-containment beds in the United States (for 317 million people). We can share. Still, we are fortunate that Ebola does not spread like SARS. Do you remember what SARS cost the airline and the hospitality industry (to say nothing of 774 lives)? Relax, almost nobody does.



The decisive domestic U.S. response to the Ebola crisis compels me to conclude that it will be far less stressful and risky for any nation with an economy dependent on air travel to deal with this disease in West Africa. To its credit, the United States has sent troops, at no little risk, to build seventeen 100-bed hospitals in Liberia. Where are the troops from the rest of the world? Where is the voice of the global business travel industry on this subject? In September, the United Nations estimated that the Ebola situation could be turned around for as little as $1 billion. I'm sure that number has increased since then. But what would be the cost of $2 billion or $3 billion divided between the United Kingdom, France, Germany, Scandinavia, China, Italy, Saudi Arabia, the United Arab Emirates and Russia (with manpower from these countries) to never have to deal with the threat of Ebola again?

Travel bans, quarantines, closed schools and similar short-term actions are tactical responses with inconclusive results. The Ebola crisis demands a strategic response for a lasting conclusion. The business travel industry and the global economy have a great deal at stake. I urge that every business travel association around the world petition their respective governments to participate in a global effort to stop Ebola in West Africa. In the final analysis, this is about duty of care and protecting the lives of business travelers, their families and their neighbors, plus saving the lives of people living in Guinea, Liberia and Sierra Leone.

> Travel bans, quarantines, closed schools and similar short-term actions are tactical responses with inconclusive results. The Ebola crisis demands a strategic response for a lasting conclusion.

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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/AirTran.
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