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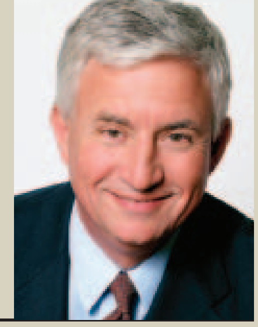

30 Years

Business Travel News

December 15, 2014

A CLEAN SWEEP

Delta tops *BTN*'s Annual Airline Survey for the fourth straight year, and this time it wins every measured category.

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"I've been pleasantly surprised how much large corporate business we've seen on Mint."
—JETBLUE'S ROBIN HAYES, PAGE 6

The frequency and duration of scheduled meetings is correlated with the likelihood of success of a business trip, according to new research from CWT. **27**

Amex Forecasts Flat-To-Modest Growth In 2015 Travel Pricing

BY JAY BOEHMER

AMERICAN EXPRESS Global Business Travel last month released its 2015 pricing outlook in which it forecast worldwide air, hotel and rental car pricing "to be neutral to slightly higher across all regions," with variance across geographic markets and supplier categories.

On tap for the United States are low-to-mid-single-digit percentage increases in each of the three major travel supplier categories. Europe, meanwhile, will see a mix of increases and decreases. Asia pricing should be up, but at a slower growth rate compared with recent years, while Latin America projections range from modest declines to modest gains.

Amex cited an "improving economy" and "capacity discipline" by airlines in North America as it projected airfares in the region would rise across the board next year: Short-haul business-class fares are projected to grow year over year between 2 percent and 6 percent, long-haul business class will be up between 1 percent and 4 percent, short-haul economy is projected to increase between 2 percent and 5 percent and long-haul economy should be up no more than 3 percent.

North American hotel rates, meanwhile, are projected to be "buoyed by favorable economic growth, increasing demand, and a lack of new inventory," according to Amex. "After an extended period of relative weakness, hotels are looking to capitalize on favorable market dynamics to increase profitability."

In North America, average mid-range hotel rates are expected to increase up to 6 percent year over year, with upper-tier rates up between 3.5 percent and 7 percent from 2014 levels.

Car rental base rate growth in North America should be more modest, rising no more than 1 percent, according to Amex, which added that it is "likely that rental companies will work with their customers to keep their corporate rates generally flat next year."

Mixed Forecast Elsewhere

"In 2015, European air prices will likely remain neutral, with the exception of added capacity on transatlantic routes, which may lead to depressed fares in that category," Amex noted.

Overall for Europe, short-haul business-class pricing could decline as much as 5 percent year over year, with long-haul business pricing roughly flat and short-haul economy up no more than 2 percent. Long-haul economy could range from down slightly to up 2 percent.

Including the Middle East and Africa, Amex noted that "hotel rates are predicted to rise slightly in nearly all countries and categories across EMEA, as demand steadies."

Mid-range hotel rates across EMEA should rise between 1 percent and 6 percent, with upper-tier average rates up no more than 5 percent.

In Asia/Pacific "lower prospects for economic growth compared to the robust levels of years past will likely impact business travel pricing in 2015." While travel pricing growth is not expected to be as high as in years past, Amex still projected modest year-over-year pricing gains. "Individual country predictions tend to be positive, with variability throughout the region," Amex noted.

> American Express cited an "improving economy" and "capacity discipline" by airlines in North America as it projected airfares in the region would rise across the board next year.

In Asia/Pacific, domestic airfares in both business and economy classes are projected to be flat to up 3 percent, as international business class could be slightly down or up 2 percent. International economy could swing from down 1 percent to up 1 percent. Meanwhile, intra-region airfares are projected to be flat to up 2 percent.

Across Asia/Pacific, hotel rates at both mid- and upper-tier properties should rise no more than 3.5 percent, Amex projected.

Pricing in Latin America should mostly increase in 2015, though Amex highlighted "differing levels of economic growth for countries in the region," leading to variance.

"Increased competition from European and American air carriers looking to expand their service offerings is expected, though airfares are predicted to rise slightly overall," according to Amex.

Projections for Latin America short-haul business-class fares range from a slight decline to up 3 percent year over year. Long-haul business class should rise between 2 percent to 5 percent, with short-haul economy slightly down or up 3 percent and long-haul economy rising no more than 3 percent or declining 2 percent.

Meanwhile, Latin America daily hotel pricing, including mid- and upper tiers, is projected to rise between 5 percent and 8 percent. Car rental base rates in Latin America are expected to be up around 2 percent year over year.

Hilton, Marriott Plan New Fees For Cancellations With 24 Hours Of Arrival

Hilton Worldwide effective Jan. 1, 2015, will levy "one night's room fee and applicable taxes" if cancellations aren't made by 11:59 p.m. the day before scheduled check-in, a spokesperson confirmed. The policy applies "unless a more restrictive cancellation policy is in place" at the reserved property. A Hilton spokesperson told *The Beat* that "these changes will make more rooms available for travelers needing last-minute accommodations." According to media reports, **Marriott International** plans to enact in January a similar policy.

Uber Raises $1.2B, Plans Asia/Pac Expansion

Uber plans "substantial investments" in Asia/Pacific expansion following its latest round of financing, which raised $1.2 billion for the rideshare app, according to a Dec. 4 blog post by CEO Travis Kalanick. During the past year, Uber's network has grown to 250 cities in 50 countries, compared with 60 cities in 21 countries 12 months ago, according to Kalanick. Besides expansion, Uber also plans to use funds to "invest in internal growth and change" that "lead to a smarter and more humble company that sets new standards in data privacy, gives back more to the cities we service and defines and refines our company culture effectively," Kalanick added.

AA Plans $2B In Service Improvements

American Airlines plans more than $2 billion in improvements during the next several years in its fleet, seating, onboard amenities, airport areas and premium services, the carrier announced this month. The investment includes 112 new aircraft next year and 84 the following year, fully lie-flat seats and direct-aisle-access seats in premium cabins on nearly every widebody jet, expanded availability of Wi-Fi and in-seat power, and worktable seating at gates in hub and gateway airports.

Loews Hotels & Resorts Appoints IHG's Kinsell CEO

Kirk Kinsell, president of **InterContinental Hotels Group**'s operations in the Americas, will become CEO of **Loews Hotels & Resorts** in March 2015, the company announced this month. Current Loews CEO Paul Whetsell, who has served in the position since January 2012, will shift to the position of Loews' vice chairman when Kinsell comes on board. Kinsell has more than 35 years of experience in the hotel industry, 19 of those in senior positions at IHG.

FIND DAILY NEWS UPDATES AND MORE AT BusinessTravelNews.com

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"With SAP, we are excited to expand on [Concur's vision of 'the perfect trip'] to re-imagine the way businesses manage their resources globally, connecting travel, procurement, contingent workforces or any other spend in real time."

*—Concur CEO **Steve Singh** in a Dec. 4 statement announcing its acquisition by SAP was official*

"As airlines—and hopefully other providers—start looking into diversifying and creating very innovative offers, then the offer itself deserves a system of its own, a layer that will be omni-channel."

*—Amadeus vice president of distribution marketing **Decius Valmorbida** on the company's forthcoming "Global Merchandizing System," a platform to be released incrementally that Amadeus indicated will permit suppliers to tailor deals and services to various customer segments and sell all types of ancillary and fare content through both direct and indirect channels*

"Airlines are charging the surcharge as they want without any relation to the market price trend for fuel. We have many examples of this kind of nonsense. There is no logic, which makes it very difficult for buyers to negotiate."

*—**Jörg Martin**, chairman of the aviation committees of GBTA Europe and German travel managers' association VDR, in* Travel Procurement *on airlines maintaining fuel surcharges despite falling crude oil prices*

"Hertz's issues in 2014 … highlight the dire need for improved revenue and yield management, [and] Tague's background in revenue optimization at United should be strongly suited to addressing this need."

*—MKM Partners managing director **Christopher Agnew** in a November research note on Hertz' appointment of former United Airlines president John Tague as president and CEO, which Agnew wrote "surprised investors who … were hoping for a CEO with car rental industry experience."*

Interview: JetBlue's Robin Hayes

New York - JetBlue Airways on Nov. 12 opened its new international arrivals hall extension at John F. Kennedy International Airport's Terminal 5 here. While JetBlue's international service from New York primarily includes such leisure markets as the Caribbean and Mexico, airline president **Robin Hayes** said the expansion provides expedited services that would be yet another tool for JetBlue to build on its budding corporate market share. During a preview event for the terminal expansion last month, Hayes, who in February will become CEO, spoke to *Business Travel News* senior editor Michael B. Baker about the carrier's corporate business growth and its technology initiatives in progress. An edited transcript of the interview follows.

***Business Travel News:* What will the new terminal mean in terms of growing corporate share?**

Robin Hayes: Most of what we have in the New York area is a strong leisure franchise, but we certainly carry a lot of business travelers. This facility is going to make that even more pleasant. What people love about Terminal 5 compared with other terminals at JFK is: I arrive at the curb, get through security and within five minutes, I can be at the farthest gate. Some of the walks, like at Terminal 4, can be a 15- to 20-minute trek. People want to arrive, get to the airplane. In Boston, definitely, we have a network that is strongest in terms of the corporate travel market. We're going to continue to grow our share of the corporate travel market.

***BTN:* Now that you're implementing Prism, is that changing your approach to the corporate market?**

Hayes: That was just getting smarter, as corporate business is becoming a more important part of what we do. Not having access to that data was starting to become an impediment to understanding how we were doing, our relative performance and what we need to change. It wasn't worth making the investment before, because we were too small in that segment, but as we've gotten bigger, it's been worthwhile.

***BTN:* Are you looking to make any of your markets strong corporate centers like Boston?**

Hayes: Not for now. There's still some growth in Boston. Fort Lauderdale-Hollywood is another area of growth for us, and that's a nice mix of leisure and business travel. Things like [premium-class product] Mint have been phenomenal in terms of making us more attractive to large New York- or Los Angeles-based corporates, and now San Francisco, where we just started. When we designed that product, we designed it around the leisure market and the small and medium-sized companies, but I've been pleasantly surprised how much large corporate business we've seen on Mint.

***BTN:* How do you intend to grow Mint?**

Hayes: By next February or March, we'll have eight on L.A. [routes] and up to five on San Francisco. Given the phenomenal success we've had on Mint, I see potential markets like Boston-San Francisco and Boston-LAX. You bet we're thinking about it, based on what we've seen. The most complimented feature is our flight attendants, who have done an incredible job.

***BTN:* What's the latest on inflight Wi-Fi?**

Hayes: We're across 82 aircraft in our fleet now, so we're more than halfway through the [Airbus] A320 rollout. It's going really well. There's still a few teething problems here and there, but they're very isolated now. We knew this was such a groundbreaking product that it would take some time to stabilize. Customers love it.

I don't think people are choosing JetBlue yet because of it, because it's still on less than half our fleet, but that's going to change quickly as we roll it out. Particularly on longer segments of more than three or four hours, during the next few years there will be a basic expectation of a high-performing Wi-Fi system, and we'll get customers preferring us because of that.

***BTN:* What about the small business portal you've been working on?**

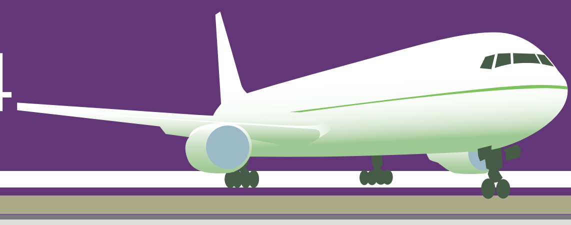
Hayes: I don't have the exact date, but I believe that's ready to roll out early next year.

***BTN:* When you take over as CEO next year, do you have any changes planned as far as the company's priorities and goals?**

Hayes: This is a company that's really been following the same strategy for 15 or 16 years, bringing humanity back to air travel.

It's a company built on the bedrock of a very strong culture. My biggest responsibility is protecting and nurturing that culture.

ARC Report: October 2014



October Average Airfares Mostly Higher On Key Routes

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

Route	Fare	Change
NYC – Los Angeles International	$896	+3%
Washington Dulles – Los Angeles Int'l	$657	+3%
NYC – Atlanta	$568	+12%
Chicago O'Hare – San Francisco	$542	+2%
Chicago O'Hare – Los Angeles Int'l	$528	+7%
NYC – Chicago O'Hare	$469	-2%
NYC – Miami	$413	-4%
Atlanta – Orlando	$408	+7%
NYC - Ft. Lauderdale	$407	+0%
Chicago O'Hare - Minneapolis/St. Paul	$378	+13%
Boston - Chicago O'Hare	$363	+2%
Boston – Washington National	$349	-5%
Los Angeles – San Francisco	$283	+14%

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

Travel Agency Segments

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

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

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

Average Fares

Aggregate Roundtrip Fares Purchased During The Month, Excluding Taxes

	MEGAS	ONLINE	OTHER
OCTOBER 2013	$735	$390	$647
OCTOBER 2014	$742	$400	$641

All Fares, By Advance Purchase

OCTOBER 2013

	MEGAS	ONLINE	OTHER
0–6 DAYS	$740	$402	$671
7–13 DAYS	$708	$358	$635
14–20 DAYS	$679	$322	$583
21–180 DAYS	$771	$376	$593

OCTOBER 2014

	MEGAS	ONLINE	OTHER
0–6 DAYS	$719	$399	$648
7–13 DAYS	$722	$377	$643
14–20 DAYS	$687	$327	$583
21–180 DAYS	$781	$382	$593

October Air Transactions

By Segment, In Thousands, Excluding Refunds And Exchanges

	OCTOBER 2014	YEAR-OVER-YEAR CHANGE
MEGAS	2,724	+4.0%
ONLINE	4,704	-5.9%
OTHER	4,418	+4.4%
ALL	10,846	+0.6%

Source: ARCLabs

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Running The Table, Again

DELTA SWEEPS BTN AIR SURVEY, GAINS GROUND AGAINST COMPETITION

By Michael B. Baker

Delta Air Lines further solidified its status as the darling of the U.S. corporate travel industry, as the carrier earned the top score in the *BTN* Annual Airline Survey for the fourth year in a row. Not only did Delta earn the top score from buyers in each of the 10 categories by which airlines are rated in the survey but the carrier also has gained ground against many of its competitors since last year's survey. Delta improved its scores compared with last year in all categories, and its overall average score increased a quarter of a point year over year. Its nearest competitor trailed Delta's overall average score by more than 0.7 points.

That competitor, Southwest Airlines, also showed a marked improvement compared with the 2013 survey, in which the carrier ranked fourth. Southwest's increased score moved it past American Airlines and United Airlines to finish second this year.

As a result, both AA and United slipped a place in ranking, and the overall score for both also declined year over year, though not dramatically. Overall averages for both carriers declined less than a tenth of a point.

As its merger with American deepens, US Airways remained at the bottom of the ratings and declined 0.21 points in its total overall average. Although that merger was completed in December 2013, *BTN* kept the two airlines separate in this year's survey amid the ongoing integration. The two carriers are expected to have a single operating certificate from the U.S. Federal Aviation Administration by the middle of next year.

Even with three of the five airlines declining in score year over year, buyers' sentiment toward their airline partners overall seems to have improved in the past year. Of the survey's 264 buyers with at least $500,000 annual spending in U.S.-booked air volume, 36 percent said they have seen airline customer service improve during the past 12 months, compared with 31

Corporate Travel Buyers Rate U.S. Airlines
Ratings On A Scale Of 1 (Poor) To 5 (Excellent)

	Flexibility in negotiating transient pricing	Flexibility in negotiating meetings pricing	Flexibility in negotiating services and amenities	Distribution channels	Complaint/ problem resolution	Quality of client communications	Value of relationships with account managers and sales reps	Quality of customer service	Networks, partnerships and frequencies	Overall price value	OVERALL AVERAGE
Delta Air Lines	4.10	3.85	4.00	4.21	4.30	4.39	4.45	4.33	4.31	3.87	4.18
Southwest Airlines	3.34	3.48	2.90	3.40	3.59	3.64	3.40	3.72	3.36	3.82	3.47
American Airlines	3.04	3.16	3.00	3.81	3.23	3.45	3.17	3.25	3.76	3.20	3.31
United Airlines	2.96	3.12	2.97	3.72	3.09	3.39	3.24	3.11	3.82	3.12	3.25
US Airways	2.96	2.62	2.60	3.61	2.91	3.08	2.90	2.94	3.25	2.96	2.98
Average attribute rating	3.28	3.25	3.09	3.75	3.42	3.59	3.43	3.47	3.70	3.39	

Rating Criteria Definitions

Flexibility in negotiating transient pricing: The airline's demonstrated ability to customize business travel program discounts and other negotiated pricing elements

Flexibility in negotiating meetings pricing: The airline's demonstrated ability to customize meetings travel discounts and other associated negotiated pricing elements

Flexibility in negotiating services and amenities: The airline's demonstrated ability to negotiate additional offerings for individual business travelers, including soft-dollar benefits and special treatment in-flight and at the airport

Distribution channels: The airline's demonstrated ability to provide comprehensive published and private airfare content through preferred booking methods

Complaint/problem resolution: The airline's demonstrated ability to respond quickly and effectively to business travel buyer and corporate traveler concerns

Quality of client communications: Demonstrated performance in informing business travel buyers about changes in airline management, products, programs, sales and service

Value of relationships with account managers and sales reps: Demonstrated performance in the productivity and frequency of meetings with local, regional, national and other airline representatives as well as representatives' power to negotiate agreements, offer options and make decisions regarding price and service

Quality of customer service: Overall perception of airline based on timeliness, reliability and cleanliness of service, support from airline personnel and communication to travelers

Networks, partnerships and frequencies: The airline's ability to provide the necessary service to the destinations organizations require

Overall price value: The perceived worth of an airline's service levels relative to fares, fees and other charges

percent in 2013. Only 15 percent said airline customer service has worsened, a decline of 5 percentage points from the 2013 survey.

Delta's Service Earns Admiration

Praise for Delta's customer service and flexibility were common themes among surveyed buyers' open-ended responses.

One buyer noted that Delta recently had become the company's preferred domestic carrier as "they always show extreme interest in providing the optimum customer service." Another lauded Delta's "exceptional sales rep that is supportive and knows our account, working with our onsite agents and communicating proactively." Yet another called Delta the "most partnership-friendly" of the U.S.-based airlines, with "service that has been superior to the other carriers through friendliness, customer service and the willingness to serve at least pretzels."

Sapient director of global travel and client experience Michelle DeCosta had particular praise for a program that Delta introduced in 2013, in which travelers from large corporate accounts get special recognition when checking in for flights.

"When a Sapient person checks in, it welcomes them at the kiosk, and Delta thanks Sapient for their business," DeCosta said. "People think, 'Wow, that's really cool.' "

Delta senior vice president of global sales Steve Sear said such praise was an example of the "material advantage in the marketplace" that Delta has gained through its service offerings.

"So many things can be replicated in our industry, but not customer service, and we always have had incredible relationships with our accounts," vice president of global sales Bob Somers added. "We spend a tremendous amount of time with our customers, through advisory boards and town halls, and we're always looking to get better, as we did more than 10,000 hours of training this year."

Several buyers in the survey cited the carrier's launch this year of Delta Edge, a suite of services that includes a web portal through which buyers can access reporting and manage various aspects of their relationship with Delta. One buyer noted the program "formalizes [Delta's] commitment to provide our company great service and provides us with the tools to put a metric to their partnership—no other airline comes close."

Among the legacy carriers' joint ventures, Delta's transatlantic joint venture with Air France-KLM and Alitalia also earned the top score and a healthy premium above its competitors in the survey in terms of flexibility, service and performance.

One area in which Delta earned criticism from buyers was its decision to move Delta SkyMiles next year to a revenue-based program rather than a mileage-based program, a move later followed by United. One buyer expressed concern that the switch would have "a deep impact on road warriors who are required to travel economy."

Southwest Gains With Buyers

With its scores up year over year in all 10 categories in the survey, Southwest improved its total score 0.22 points year over year.

As has traditionally been the case in the survey, Southwest earned its highest marks in overall price value and customer service quality. For the former category, Southwest was only 0.05 points shy of Delta's score, the only category in which any other airline was in spitting distance of the airline juggernaut this year.

Southwest vice president and chief marketing officer Kevin Krone said the carrier's continued decision to allow travelers to check bags and change flights without incurring fees remains a key factor of Southwest's value score. Its no-bag-fee policy became even more of an outlier among North American airlines this year, with both WestJet and Air Canada both adding first-checked-bag fees this year and JetBlue Airways recently announcing plans to move to a tiered pricing system in which the lowest tier does not include checked baggage (see page 19).

"There's a perception that people on business travel don't check luggage—but they do," Krone said. "With change fees, things are always changing in business travel, so letting the customer travel without additional change fees will drive the score."

CONTINUED ON PAGE 12

CONTINUED FROM PAGE 11

The distribution channels category was one of the few in which Southwest scored below average and the only one in which it was outscored by the four other airlines. Even so, its score in that category improved to 3.40 compared with 3.05 in the 2013 survey.

Although Southwest has less of a presence on global distribution systems than its competitors, Krone said its direct-distribution model benefits buyers in other ways.

"The low-fare component is so critical to people, so to get business done, we have to be nontraditional," he said. "We cover 75 to 80 percent of the market, not to mention all of the corporate distribution tools, and we think that's evidenced by overall growth in corporate relationships and corporate travel."

Krone said he expects Southwest to continue to make gains in the corporate market in the coming years. The recent expiration of the Wright Amendment, which restricted Southwest's ability to fly direct to destinations outside of Texas and its bordering states from Dallas Love Field, has "definitely sparked interest in finding ways for us to grow our Dallas-based business." Additionally, Southwest is in the early stages of a multiyear move to Amadeus' Altea reservations system, which Krone said would "provide capabilities to better satisfy business travel needs, and we'll be sitting down and talking to all our accounts as those grow over time."

Buyers Adjusting To Post-Merger AA

Financially, American Airlines has reached a strong position as it continues to iron out the creases in its merger with US Airways. Some buyers, however, still report issues adjusting to those changes.

AA's overall average score declined 0.08 points year over year, and its score dropped in all but two categories. Vice president of global sales Derek DeCross said the results were disappointing but that he "looked forward to seeing things come to light" in terms of improved buyer satisfaction as the two airlines continue to align operations and processes.

At a *BTN* event last month in Dallas, AA's backyard, several buyers during a discussion of airline relationships were critical of rising inflexibility and communication lapses they had seen since the merger. One buyer said he had been given a new contract accompanied by "the exact words: 'Take it or leave it,' " while another said she "couldn't even say I know who the sales team is, because the people we used to work with are not the ones interacting with us."

DeCross, however, said both of those areas have been points of focus for AA and would continue to be so next year.

"We're building upon frequent communications with our corporate customers and agency partners, and we're looking to get even better in terms of frequency and relevant content to provide to them," he said. "For our best customers and partners, we're looking at providing more flexibility and enabling them to tailor their experiences a little more."

With salesforces integrated, fare classes aligned and sales support policies and corporate agreements harmonized, DeCross added that "most of the heavy lifting is complete, so we can get back to focus on servicing customers."

One change already announced for next year is that AA plans to make live sales support for U.S. and Canadian customers available 24/7 beginning in January, complementing the carrier's 24/7 online support capabilities. DeCross also promised "major strides in customer reporting, focusing on partnership value" to be rolled out next year.

The two categories in which American improved its score this year were distribution channels and its networks, partnerships and frequencies. On the latter, DeCross noted that the newly merged AA now had daily departures more than 20 percent higher than its nearest competitor.

"If you think about our frequencies in key markets for corporate business, it's a very compelling proposition," he said. "Our fleet renewal also continues; when you look at our mainline aircraft combined with the regional jets we also are receiving, it's about two new airplanes every week through 2017."

A few buyers in the survey already had unequivocal praise for AA as well.

"American has helped us in numerous ways, like in organizing domestic group travel," according to one buyer in the survey. "It has been wonderful to work with them."

United's Turnaround Continues

Like AA, United faltered slightly in the survey compared with last year, dropping 0.06 points in its overall score and losing ground in nine of the 10 scored categories. Even so, buyer sentiment both by United's internal measurements as well as some external evidence point to a more optimistic outlook for the carrier.

United senior vice president of worldwide sales Dave Hilfman said the results "didn't seem to be reflective of what we're hearing from the majority of corporate clients around the world. From our travel management company partners and client accounts, we're hearing that United's made significant strides in every area."

Indeed, buyers both in the survey and at BTN's Dallas event had positive feedback for United. One Dallas buyer said that United "has been the most aggressive and flexible of all our deals," while a different buyer in the survey remarked that United was "working hard to win back my traveler loyalty." Another buyer in the survey praised its status-match program for frequent-traveler status.

"[The program] has been surprisingly seamless and painless, for both the traveler managers and for the travelers seeking the status match," according to the buyer. "Generally, it was completed within one day from the time the submission was received."

Client communication was the one category in which United's score showed a marked improvement year over year, which Americas vice president of sales John Slater said has been a priority.

"We've really pushed to spend more time in front of the customer, making sure we know what their needs are," Slater said. "We're also doubling down on our ability to allow customers to have self-service for customer transactions, taking the administrative burden off salespeople so they can spend more time with customers."

Hilfman cited several other areas in which United has sought to improve its standing with corporate buyers, including the extension of Executive Desk hours for contracted accounts to 24/7, adding evergreen components to master corporate travel agreements to simplify the contracting process and loading weather waivers into Travelport's Rapid Reprice tool in order to expedite travel changes.

Many of the criticisms of United in open-ended survey questions centered on operational issues. One buyer, for example, called United "the least friendly from crew to service offerings."

Hilfman countered that United has made "significant progress" in such operational issues as baggage handling and on-time performance as well as fleet modernization and new amenities, including expanding Wi-Fi availability and offering more flatbed seating on international flights. As such, he predicted the carrier's scores would improve in next year's survey.

"We're looking forward to a successful 2015, and we have a lot of momentum," Hilfman said. "Business has been improving, and we're getting significant new victories in the corporate marketplace."

Airline Survey Methodology

The 17th annual *Business Travel News* Airline Survey uniquely measures corporate travel buyer perceptions of airline performance in negotiating and maintaining preferred programs, delivering service and providing value. Survey categories were developed though a series of exchanges with travel buyers, corporate travel agency managers and airline sales executives to reflect the way in which corporate air travel buyers perceive each airline. Asked to grade only those airlines with which they "either negotiated a contract or booked a meaningful amount of business" in the past year, respondents ranked domestic U.S. carriers in 10 categories on a scale of one (poor) to five (excellent). *BTN* averaged scores in each category to create an overall score for each carrier. All categories were equally weighted.

Not every respondent rated every airline in every category. Those participating who offered no response for a particular category or airline were not included in that average rating.

BTN from mid-July to early September collected responses from travel manager and buyer members of the *BTN* Research Council and randomly selected subset of qualified subscribers of The BTN Group's *Business Travel News* and *Travel Procurement* publications. A total of 477 qualified respondents completed the online questionnaire, 308 of whom represented organizations that in 2013 spent at least $500,000 on airline tickets.

In an effort to restrict the survey to perceptions of those involved in managed travel programs, respondents whose organizations spent less than $500,000 in 2013 U.S.-booked air volume were excluded.

Of the 308 respondents in the final sample, 25 percent represented organization with U.S.-booked air volumes between $500,000 and $1.9 million; 35 percent represented those spending between $2 million and $1.9 million; and the remaining 41 percent represented those spending more than $12 million.

The survey listed the largest domestic airlines as identified by the U.S. Department of Transportation, excluding regional affiliates of major carriers. Alaska Airlines, Frontier Airlines, JetBlue Airways and Virgin America elicited responses from less than 30 percent of the final survey sample and therefore were excluded from this report.

Equation Research hosted the survey and tabulated results.

Reconsidering RFPs' Role

A panel of travel buyers analyzes the state of hotel procurement

From left, Mette Louise Skjærbæk, Marijke Poppink, Kerrie Henshaw-Cox and Geert Behets in Copenhagen

JOKE EMMERECHTS

BTN contributing editor Amon Cohen and editorial director David Meyer met four European-based buyers at the Association of Corporate Travel Executives global conference in Copenhagen in October to discuss all matters hotel procurement, including pricing prospects for 2015, whether to move to a two-year request-for-proposals cycle and even whether the RFP process retains any validity. The buyers were: **Geert Behets**, director of global travel and fleet management for UCB; **Kerrie Henshaw-Cox**, global commercial leader for travel for AstraZeneca; **Marijke Poppink**, travel manager for Europe, Middle East and Africa for Reed Elsevier; and **Mette Louise Skjærbæk**, strategic sourcing specialist facilities manager for Lego.

Business Travel News: **What pricing trends are you seeing in your 2015 hotel corporate request-for-proposals negotiations?**

Mette Louise Skjærbæk: It depends on which city you are in, but generally Asia is going up, Europe is going down.

Kerrie Henshaw-Cox: I agree it depends on the market. Another trend is that it feels like suppliers are using more information about clients to their advantage in negotiations. They look like they have smarter data and are more on the ball, yet it isn't always reflective of what's happening. I don't think prices in a few key markets are correlating with the true situation, so the onus is on us to negotiate, but it is making our task harder.

BTN: **Last year overall hotel spend rose 3 to 4 percent in a supplier's market. Do you think it's going to be the same overall increase this time?**

Marijke Poppink: We are seeing about 3 to 5 percent, and there is also more focus on cancellations. Marriott has said it is going to make its policy on cancellations stricter.

Geert Behets: Marriott is a big partner of ours, and I have been seeing that too. I sent all the contracts back because they had been changed to a 24-hour cancellation policy.

Henshaw-Cox: So you didn't accept it?

Behets: No, I didn't. They said they are reviewing due to the massive reaction they got to this, and for global preferred partnership clients they are making exceptions. But a lot of other hotels are also doing it, probably because they heard Marriott is.

Henshaw-Cox: I haven't heard about any changes to cancellation terms.

Skjærbæk: I haven't been made aware of any either. It's a very strong negotiation point. Price is not everything.

Behets: I do not see prices increasing as much this year as I have in previous years, except for the few usual culprits, like London and New York. Maybe I'm just lucky with my destinations. In Shanghai, I saw a decrease, with hotels taking their prices down by up to 18 percent. They also tried to pull one over us because last year the 15 percent service charge, which is kind of a value-added tax, was included, but now they try to exclude it. But even if I factor that back in, it is still a decrease.

Henshaw-Cox: We've experienced a rate cut in Shanghai as well and there is a theory behind it that the higher, deluxe grade of hotels are not being

We are in the middle of our second two-year period, but I also did this where I used to work before. The hotels say: "This is a two-year contract, so you need to put on an extra percentage point or so," but I say: "No, what I'll give you for a two-year contract is my loyalty for two years, so that we don't go somewhere else." I still only pay the one-year increase, and then I get two years at the same price.

— LEGO'S METTE LOUISE SKJÆRBÆK

used as much because of the GlaxoSmithKline situation and concerns over bribery and corruption. [*Note: The Chinese government in September 2014 fined GlaxoSmithKline $490 million after finding the company guilty of bribery*]. Doing the right thing and being seen to be doing the right thing means it's not quite so appropriate to be using them. As a result, demand isn't there and the price is reducing.

BTN: Are you getting good results in any other countries?
Behets: I have had the same maximum rate for eight years in Belgium, and the maximum is not very high.
Skjærbæk: Do you have a maximum rate per city?
Behets: Yes. We have a few regions and a few cities. But to show you how localized rate trends are, we have close to 5,000 room nights in the upper side of Atlanta, around Smyrna. We were always able to obtain extremely low rates there because there are a lot of hotels. Prices were around $110, including breakfast and high-speed Internet. But this year they all jumped to $130 because a new stadium is being built just next to where we are, and the hotels are all expecting that to increase demand tremendously. It's very hard to get that back to a reasonable increase. But I'd be very surprised if people going to the stadium do stay there because it's a very office-y neighborhood. I would expect them to stay in downtown Atlanta.

BTN: Do you think the RFP process is still a valid one? Is it worth doing less often?
Skjærbæk: I always make two-year contracts. I don't want to do them every year.
Poppink: Does that affect your pricing?
Skjærbæk: I don't think it does.
Henshaw-Cox: At my last company I proposed moving to two-year contracts, but the idea was clamped down on by the head of procurement. We carried on with an annual RFP. Within AstraZeneca I have put a case forward to change this. It's like a mortgage. In a rising market, you commit to a fixed rate to avoid heavy rate increases the following year, but does that mean in two years you see a horrendous hike because you are negotiating further up that climb?

But balancing that consideration is the time and the cost taken to complete an RFP every year. Our process starts in July with our engagement with the business and a review. We are paying American Express a lot of money to do our sourcing over a number of months. We have an outsourced person dealing with hotels all year round, although that isn't just for the RFP process.
Poppink: I agree. Is it still worth doing?

BTN: Mette, how long have you been operating two-year agreements?
Skjærbæk: We are in the middle of our second two-year period, but I also did this where I used to work before. The hotels say: "This is a two-year contract, so you need to put on an extra percentage point or so," but I say: "No, what I'll give you for a two-year contract is my loyalty for two years, so that we don't go somewhere else." I still only pay the one-year increase, and then I get two years at the same price, so I'm winning a year every time, and I'm also winning a year on the process because it's a really lengthy business. As the sole person doing it, I spend three or four months and I can't do that every year. We just don't have the capacity. For me, it makes a lot of sense. Markets don't move that fast. The capacity doesn't change that much in two years.
Poppink: There are really only a few months between finalizing the program, making sure all the rates are loaded correctly and making sure, after the third rate audit, everything is fine, before it's August and everything starts again.
Skjærbæk: And let's not forget the travelers. It's much easier for them if you keep the same vendors for a longer period and at the same rates.

BTN: But to go back to Kerrie's question, at the end of the two-year period, do you find the hotels want to give you a heavier increase to make up for the increase they didn't receive the previous year?
Skjærbæk: No, I always look at just the yearly increase in the market.

BTN: In the future, will the RFP process have any validity at all given that many travelers don't even book through authorized channels, which means they are not accessing preferred rates? It will especially seem irrelevant if we believe theories about traveler-centricity and allowing travelers more flexibility in how and what they book. Would it make more sense in future to set city rate caps and let your travelers get on with it?
Poppink: I think in your top markets it is still worth doing. Amsterdam, for example, is one of our top markets, and I can see our rates are so much better. But we also have lots of cities where we only have 100 room nights and I doubt if that makes sense because it is so much work.
Behets: And in those key cities having better rates gives you better compliance. It means you can include hotels that normally would not fit the rate cap if it were not for those negotiations. That's how we kept our rates steady in our top cities.

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I would say [RFPs} will still have a place but there is an opportunity for it to shrink in size. For me, the main reason it will continue to have a place is not just about the rate; it's also about security and safety.

— ASTRAZENECA'S KERRIE HENSHAW-COX

We used to have [city rate caps], but what we noticed was that, because we have four different companies, each of them visits a different area in a city, so they need different hotels every time. It means that if you put a rate cap in, they are out of policy all the time, so you might lose your adoption rate on the tool.

—REED ELSEVIER'S MARIJKE POPPINK

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BTN: Do any of you, in addition to Geert, currently have city rate caps in your program?

Poppink: We used to have them but we don't anymore.

Henshaw-Cox: They are imposed locally in China. We don't have them in our other markets, but it is a discussion point at the moment.

Poppink: Geert, do you have the rate caps loaded in your tool?

Behets: Yes.

Poppink: We used to have that, but what we noticed was that, because we have four different companies, each of them visits a different area in a city, so they need different hotels every time. It means that if you put a rate cap in, they are out of policy all the time, so you might lose your adoption rate on the tool.

Behets: It depends on how low you put your rate cap.

Poppink: What we now have is a rate cap per hotel. The corporate rate is our rate cap and you should not go above that. If you do, you are flagged as being out of policy, and it is pointed out that you should be able to find a lower rate than the one you have selected.

Henshaw-Cox: Back to your question about the future of the RFP, I would say it will still have a place but there is an opportunity for it to shrink in size. For me, the main reason it will continue to have a place is not just about the rate; it's also about security and safety. The program we put in place has complied with the standards we have as a company. We also ensure the properties in the program have taken into account the total cost of the trip, so we are not going for the cheapest hotel which is an hour away in a taxi. Regular travelers will know the hotels near the offices they are visiting anyway, but those traveling somewhere for the first time come to the program for guidance—what's acceptable, what's sensible, what's reasonable, where am I going to be safe and secure? So if you remove the RFP and the preferred program completely, that's removing responsibility from a corporate point of view, and we have a responsibility.

BTN: In that case, if you are reducing the RFP to cover key cities only, what controls would you put in place for cities not in the RFP?

Henshaw-Cox: This is very topical. At the moment, we are doing our 2015 RFP, and none of this is happening this time. We are running a big corporate program as we always have, but we are discussing whether in the future we should be revisiting how we tier the cities. The top tier, the key cities, is where we put in the preferred program and RFP. Can we then look at other locations where we do chainwide deals and even dynamic pricing? We do have chainwide deals for our tier-three cities at the moment, but can we bring it up a level and remove the RFP for tier two?

And the other question for the future is the use of tools and apps and other sources that give people greater access to hotel bookings. How do you manage that? To me, the future will be something like Google is doing, which tells travelers that if they go outside the program the one thing they must do is to feed the booking into the system so that we know what they have spent and where they are.

Poppink: Somebody told me last week that star ratings for hotels will disappear, and it will all be done by rankings and ratings on the Internet. [*Note: The U.K. government has considered removing its support for official star rating schemes, and earlier this year Starwood Hotels and Resorts CEO Frits van Paasschen said he considers stars obsolete.*]

Behets: Hotels would probably want to do that because it would free them up. Five-star hotels cannot be used by pharmaceutical companies, for example. Are any of you combining meetings and transient travel agreements with hotels? For instance, when I do the RFP in Brussels, I also look at hotels' meeting facilities and try to negotiate that at the same time. I now have fixed prices on meetings and events as well.

Skjærbæk: Yes, we have a huge program like that. Right now, it's only for Denmark, but that's where we have most of our meetings.

BTN: And you negotiate hotel and meetings rates at the same time?

Skjærbæk: Yes, if they have both. I have also created our own standard Lego contract, which is validated by our legal department. When I started the job, it was a mix of different Lego contracts and suppliers' contracts, so I cleaned it all up by moving to one contract.

Behets: With your own cancellation and attrition rules?

Skjærbæk: Exactly.

Behets: That's exactly what I did as well.

Poppink: So there is one contract for all hotels?

Skjærbæk: There might be some little amendments, but these will be in one appendix for meetings and one for room nights.

BTN: Did you meet much resistance to this?

Skjærbæk: Yes, of course. The hotels all hated me in the beginning. But if I was able to get eight out of 10 in a market to go with it, I could leave the others out and they came in eventually too. Also, conferences are really a buyer's market in Denmark, so hotels will do whatever they need to.

I do not see prices increasing as much this year as I have in previous years, except for the few usual culprits, like London and New York. Maybe I'm just lucky with my destinations.

—UCB'S GEERT BEHETS

CTM Finds European 'Anchor' With Chambers Acquisition, Expands In U.S. With D.C.'s Diplomat

BY JAY BOEHMER

AUSTRALIA'S Corporate Travel Management this month announced the acquisitions of U.K.-based Chambers Travel and Washington D.C.-based Diplomat Travel. The purchase of Chambers for A$43.7 million (US$36.9 million) represents CTM's first in Europe and gives the travel management company a desired foothold in the region. Meanwhile, the deal to acquire Diplomat Travel for A$8.9 million (US$7.5 million) represents CTM's third U.S. acquisition this year and follows one apiece in each of the prior two years.

In an investor presentation CTM indicated that the Chambers Travel deal "completes [its] strategic global footprint," and CTM managing director Jamie Pherous previously called Europe "the last key piece in the puzzle" to cap off CTM's presence in its "four corners," including its home markets of Australia and New Zealand, North America and Asia.

Chambers offers "an immediate and mature scalable presence in eight countries in Europe," according to CTM.

Based in London, Chambers brings to CTM operations in the Czech Republic, England, France, Germany, the Netherlands, Scotland, Sweden and Switzerland and "services clients in 10 European languages," according to CTM.

"For us, the point is always to find an anchor point first," Pherous told *The Beat* before the announcement of the acquisitions, "and once we've got that anchor point, we try to grow it both through winning new clients as well as acquisitions if we need to."

Chambers is a solid anchor for CTM. Based on their respective revenue profiles for the 12 months ending June 30, Chambers would have represented nearly 19 percent of CTM's worldwide revenue on a pro forma basis, according to figures published this month in a CTM investor presentation.

Chambers CEO Chris Thelen in a statement noted the CTM purchase would help "accelerate" its own growth ambitions, and that the two agencies already had worked together "on a number of global bids over the last 10 years." CTM noted that 60 percent of Chambers' clients are "global."

Chambers expects "to continue as a member of the GlobalStar network, with a view to developing a relationship with the whole CTM group."

Chambers has a 95 percent corporate mix and anticipates sales of approximately £135 million (US$211 million) for the year ending March 31, 2015. Chambers' staff of 214 employees "will retain their positions," according to the agency. Thelen agreed to be employed "as European CEO for a minimum three-year period," according to a CTM investor presentation.

Chambers indicated "no name change is planned for the foreseeable future."

Meanwhile, the purchase of Diplomat Travel gives CTM a presence on the East Coast of the United States. The deal follows a string of U.S. acquisitions, including this year's purchase of Alaska's USTravel and Houston-based Avia International Travel, 2013's acquisition of TravelCorp and the 2012 acquisition of Polk Majestic Travel Group (also known as R&A Travel). Those acquisitions have since rebranded under the CTM name.

"If you're going to win clients in the global or regional segments, you've got to be based in those regions, and we're coming into that phase. That's why Europe is very important to our business."

—CTM MANAGING DIRECTOR JAMIE PHEROUS

Helmed by Australian native Denise Guida, Diplomat Travel's client mix is roughly 90 percent corporate, with this year's sales volume estimated at $45 million, according to CTM.

Corporate Travel Management in an investor presentation cited Diplomat's "expertise" in the government, non-governmental organization and security and defense segments, complementing CTM's "current government and marine/offshore niches" in the United States.

Following the acquisition, "CTM will now cover all major time zones in the U.S.A. and operate out of 18 cities across eight states," according to the travel management company.

Once both acquisitions go into effect in early January, CTM will operate in four continents, 23 countries and 46 cities with a staff of more than 1,800.

Asked if the number of countries would grow further in the next 12 months, Pherous last month said, "I don't think that's going to change too much in a year's time," claiming opportunity to scale the business that has come under CTM's wing via acquisition and grab market share from the competition.

In the interview before the acquisitions were announced, Pherous cited demand among its U.S. client base for service across the Atlantic, and Corporate Travel Management's goal to further compete with mega travel management companies for multinational business.

"If you're going to win clients in the global or regional segments, you've got to be based in those regions, and we're coming into that phase," Pherous said. "That's why Europe is very important to our business."

While winning and maintaining small-to-midsize and "national" clients continue to be a priority, "We've got a structure now—not just a value proposition but people working that segment—around the larger segment, not just in the States but around the world," said Pherous.

That large, multinational set is "a segment we clearly think is dominated by four or five players globally," said Pherous. "We think there is a genuine opportunity to take a little bit of market share."

Pherous said CTM's competitive emphasis as it expands will be on service and technology, not merely pricing. "Take the States: The mega TMCs are selling on cheapest transaction cost," he said.

Reiterating the optimism exuded on a recent earnings call (CTM trades on the Australian Securities Exchange), Pherous claimed continued market share gains in the United States, and he now expects U.S. sales volume by the end of its fiscal year in June 2015 to be north of $600 million. "With the clients we've been winning, if things keep going well, we'll be close to a billion," Pherous said of the following fiscal year.

"We think America is around a $200 billion to $250 billion corporate market, and it's highly fragmented," said Pherous before the deals were announced. "One percent of that market is $2.5 billion in total sales. We've got a long way to go, and we hope to make more acquisitions, but they've got to fit our culture."

NEWSLOG

September International Premium Traffic Rises Slightly

The number of international air passengers flying in premium classes in September increased 2.3 percent year over year, according to the International Air Transport Association. The rate of increase was the same as that of economy class, and while IATA noted it was "relatively weak" compared with earlier months in the third quarter, the association added that premium markets have grown slightly this year, meaning "that the share of premium travel still seems to be trending upward from the low point reached at the bottom of the economic cycle in late 2012." Premium travel on the busy North Atlantic routes increased 2.8 percent year over year in September, which IATA noted was "slower than the trend so far this year" but still a big driver of premium traffic growth during the month.

Virgin Atlantic Adds Seat Fee

Virgin Atlantic now requires a $40 fee for advance seat reservations on all long-haul flights besides Tokyo routes, though many corporate bookings will be exempt from the fee. Among those exempt from the seat-selection fee are corporate travelers using negotiated corporate fares, premium and premium-economy passengers, tickets in the B and Y economy-fare codes and **Delta** SkyMiles or Virgin Flying Club members with at least gold status. All travelers still can pick seats without charge when checking in within 24 hours of their flight.

New JetBlue Fare Structure Has Some Bag Charges

BY MICHAEL B. BAKER

JETBLUE AIRWAYS next year will put a price on checked bags by introducing three tiers of branded, bundled fares, each with a different checked-bag allowance.

The carrier also revealed plans to reconfigure its fleet to add more seats, reducing some seat pitch.

As announced earlier this year, the carrier in the first half of 2015 plans to launch new merchandising platforms on its website, courtesy of a partnership with e-commerce software provider Datalex, and on its kiosks via IBM. JetBlue senior vice president of commercial strategy Marty St. George, speaking last month at the carrier's Investor Day, said the bundles would be dynamically priced, a "better strategy than a static [bag] fee."

Although he did not reveal details about pricing or the exact offerings each bundle would include, he did make clear that the lowest-fare tier would not include any complimentary checked bags, the middle tier would include one free checked bag and the highest-fare tier would include two complimentary checked bags. All fares still include snacks and television access, and the higher fares also will include some level of TrueBlue frequency-program bonus and extra flexibility regarding terms.

JetBlue had eschewed charging for a first checked bag, but St. George said that perk has been "moving down the charts" in terms of what was most important to travelers.

"We're seeing more and more morphing in what pieces of the customer experience that customers are willing to pay for," he said. "Less than half of our customers check a bag, so most customers already are paying for the service of checking a bag without using it."

Additionally, the new merchandising platforms will adapt to the International Air Transport Association's New Distribution Capability data transmission standards. That will allow for more selling through agency platforms, which St. George said currently are not big channels for JetBlue.

JetBlue estimates the new bundles will add $200 million in revenue annually.

The carrier also announced that it would begin in mid-2016 reconfiguring the cabins on its Airbus A320 fleet to increase the number of seats on each plane. JetBlue will add slim-line seats similar to those currently used by Lufthansa and Cathay Pacific on international routes.

The configuration reduces core pitch slightly but keeps coach legroom larger than its competitors, St. George said.

Interview: Tourism Business Council Of South Africa CEO Mmatšatši Ramawela

Africa in recent years has become a growing focus for development by major international hotel companies. While North Africa long has been the primary focus in such development, many hotel companies now are turning more attention to sub-Saharan Africa. Lagos-based research firm W Hospitality Group earlier this year reported that, for the first time since it began surveying African hotel development in 2009, the number of international and regional hotel chain deals signed for 2014 outpaced those signed in North Africa. The number of branded hotel rooms planned for the region has grown about 13 percent each year since 2011, according to W Hospitality Group. Tourism Business Council of South Africa CEO **Mmatšatši Ramawela** spoke recently to *Business Travel News* senior editor Michael B. Baker about the growth of local African hotel companies in both developing and mature markets on the subcontinent.

Business Travel News: Who are the major players to watch locally in African hotel development?

Mmatšatši Ramawela: Our big five has been Protea; Tsogo Sun, which is the group that used to be called Southern Sun; the City Lodge Hotel Group, which is the specialist hotel group in the select-service market; Sun International; and Peermont Hotels. With local brands, there's Three Cities, and that's pretty much it. The other guys are very small. Marriott buying the Protea stake changed the landscape of the ownership and landscape of the hotels in South Africa and the continent, because Protea had the biggest footprint of hotels on the continent, and they've got hotels as far as Ghana, Nigeria, Uganda, Tanzania and Zimbabwe. Marriott has bought that marketshare domination that Protea has, and they can only improve as far as deals they can have across the continent. Sun International has offloaded their hotel component in international operations. Sun International, outside of South Africa, doesn't own or operate hotels anymore, which will largely affect the hotel presence in places like Zambia and Victoria Island in Nigeria. Anything outside of South Africa, they've divested themselves of the hotel component and have sold it to the [Thailand-listed] Minor Group.

BTN: What are the details of their current expansion plans?

Ramawela: South African hotel groups are expanding, but mostly the expansion is outward. You are seeing groups like City Lodge that have almost limited their presence within the South African market because of the model—they wholly own the land and wholly operate the product—now, that allows them to do that within the South African space. That whole model is beginning to change when they get out of the country. They just opened a hotel in Botswana and acquired 100 percent of two properties in Kenya. So, they are extending into the other [parts of the] continent, into East Africa: Kenya, Ethiopia and some of the smaller countries, as well as Mozambique, Botswana and Namibia. Angola is a big focus. Nigeria is in the forefront. They've got the largest hotel pipeline in sub-Saharan Africa, with Ghana and Senegal coming in. A lot of our guys are exploring opportunities there. There's a lot of activity as well in Ethiopia. A lot of the international brands have entered the Ethiopian market. I'm not finding a lot of local brands entering that market. Our local brands, if they're going to East Africa, the farthest point is Kenya, because there are a lot of similarities between us and Kenya and we have a history of doing business with each other over the years.

BTN: What's driving the growth?

Ramawela: There are a lot of resource discoveries in various parts of the continent, especially in West Africa, like oil discovery in Ghana, and there's the whole rehabilitation of the Ivory Coast and Sierra Leone, despite Ebola putting the brakes on a lot of development happening in that part of the world. Right now and for the foreseeable future, business travel will be the major segment driving travel on the African continent, both intra-Africa travel and people coming from other parts of the world. Also, the middle class picking up means the standard of living is improving and people are being curious, looking beyond their own countries and borders, and that's driving this activity. When you look at the International Monetary Fund and the top 20 fastest-growing economies to watch, several of those are on the African continent. The buzz is in Rwanda, Angola, Mozambique, Tanzania, Nigeria, Ghana and Ethiopia in terms of economic development and hotel development. Mauritius also is right there. The island is quickly carving a niche for itself as the Cayman Islands of Africa.

BTN: Angola is one of the most expensive countries in the world in hotel terms. Why is that?

Ramawela: Angola is the second-largest producer of oil in Africa, so there's a lot of activity and interest. There's money to be made in Angola, and there's not enough infrastructure. The frustrating thing for a lot of people is while they have this need, a lot of people are not finding it easy to get into that market, so things happen slowly. There aren't many things in place to support international investment in the country. There's a little protectionism the Angolans are putting into place. The visa regime in Angola is one of the most onerous, and when you ask the Angolans, they'll tell you they're trying to protect their country, because they don't want to be flooded with undesirable people that end up damaging a fragile market. Angola has almost the same profile as Nigeria: The returns are huge, and you don't have much supply on the ground, and the Angolans have money. Everybody is clamoring to be in that market.

BTN: What about hotel development within South Africa?

Ramawela: Within South Africa, people talk about it being saturated, but there are plenty of opportunities. We like to talk about the triangle, which is Johannesburg, Cape Town and Durban. Cape Town is filling the other market segments, not just putting an emphasis on the four- and five-star hotels but working on good one-, two- and three-star properties. You hear talk about Cape Town wanting to become the business hub for the meetings business, because they know meetings bring a lot of people. The Durban market has a huge plan where it's reinventing itself, and Tsogo Sun is one of the major investors in the city. In Johannesburg, their focus is on looking into how do they harness, complement and enhance their position as Africa's business center. There's a focus on medical tourism, with people coming to take advantage of the private healthcare facilities. There's also a focus on secondary cities. The focus there is really extending the facilities and hotel space for the business traveler. They are finally finding when they go to those secondary cities, those cities have been served by smaller accommodations and guesthouses. There are business travelers looking for a hotel experience.

BTN: How is this affecting Africa's aviation industry?

Ramawela: South Africa has a small population, relatively, so over the years, we've always been struggling with harnessing our low-cost airline model here. There have been airlines starting up and going bust, and that whole development is continuing. We have a couple of airlines starting up, focusing on South African markets in particular but working on the big goal of getting Africans to travel. Air connectivity within Africa is an issue. The state owns South Africa Airways, which is international as well and has feeder airlines locally. It is pleasing that, in South Africa, you can fly not only to secondary cities, like Port Elizabeth, but you can even fly to the tertiary cities. You can pretty much fly anywhere. When you go outside of the country, air connectivity becomes an issue, and that's the big challenge that Africa faces.

Airbnb: We're Not For Road Warriors, Don't Fit With Entrenched Travel Distributors

BY AMON COHEN

Berlin - Private accommodation booking service Airbnb estimates 10 percent of its revenue comes from business travelers—but will that figure grow or shrink? Among challenges laid bare during a plenary session here at last month's GBTA Europe annual conference were Airbnb's incompatibility with entrenched distributors, lack of appeal to road warriors and frequently cited safety and security concerns.

Airbnb regional manager for Germany and central and southeastern Europe Christopher Cederskog said employees of many blue-chip companies already are using the service, though not necessarily with their employer's knowledge. He acknowledged that Airbnb is "not a solution for typical road warriors going city to city." Instead, it is more appropriate for travelers combining business and leisure or those on longer assignments, or for companies bringing executives together for brainstorming sessions away from the usual work environment.

The fundamental challenge for Airbnb, Cederskog said, is "how to merge the demands of the business traveler and the needs of employers and still deliver an authentic experience."

HRS CEO Tobias Ragge highlighted Airbnb's lack of interoperability with the travel distribution platforms on which managed travel programs rely. So far the one exception has been Airbnb's integration with Concur, announced in August. "It is a walled-garden approach, like ourselves 10 to 20 years ago," said Ragge.

Cederskog replied that Airbnb is unable to distribute through other platforms because none of them allows owner and renter to communicate adequately in advance of a booking. "We've spoken to pretty much all the distributors, and we've not seen an approach, frankly, that's good enough to do what we've done," he said. "Right now, we don't see a way around it."

Airbnb renters normally interact with and research their guests before agreeing to a rental, thereby demanding more information than companies would normally wish their employees to reveal. "The vast majority of our inventory is people opening up their own house," said Cederskog. "They have a right to know who is coming to them."

Sharing the stage with Cederskog, NH Hotel Group CEO Federico Gonzalez seized on the absence of health and safety regulation of Airbnb properties. "At my properties I don't have the choice to offer a cheaper room if the traveler decides they don't want a fire alarm or to open a hotel without fire exits," Gonzalez said. "I'm happy with all competitors, but competition must be fair. I'm not blaming Airbnb–it's not their fault, but the industry's, and all we ask for is fairness."

Cederskog responded that "30 to 40 percent of my job is explaining to city regulators," including the fact that their citizens rented out rooms to individuals without regulation for hundreds of years before the advent of Airbnb. "We need to distinguish the private citizen who wants to open their room for one night a year rather than a bed and breakfast or hotel opening up rooms 365 days a year," he said, adding that Airbnb is looking to provide home owners with fire-safety equipment.

STR Global: October Hotel Rates Down Outside Americas

BY MICHAEL B. BAKER

The average daily hotel rate for October increased in the Americas but declined in all other global regions, at least in U.S. dollar terms, according to STR Global.

October ADR increased 4.1 percent year over year to $119.50 in the Americas, coupled with a 5 percent increase in occupancy to 67.7 percent. The region's largest ADR increases for the month included San Francisco (12.3 percent to $244.24) and Mexico City (11.8 percent to $145.56). The largest decrease was in Rio de Janeiro (down 12.1 percent to $189.66).

In Europe, ADR declined 4.2 percent year over year to $139.23 in October, although the decline was a function of the exchange rate between the euro and the U.S. dollar. Measured in euros, Europe's ADR increased 4.5 percent to €110.42 and was the highest October rate the region has seen in 10 years, according to STR Global managing director Elizabeth Winkle. Several markets had particularly high ADR increases measured in euros: Geneva (14.6 percent to €243.28); Manchester, U.K. (12.9 percent to €94.32); Lisbon (12 percent to €97.86); and Amsterdam (11.1 percent to €161.27). ADR dropped 21.7 percent to €110.89 in Moscow, the largest decrease in the region.

Both ADR (down 3.6 percent to $117.54) and occupancy (down 0.6 percent to 72 percent) in October declined in the Asia/Pacific region. Occupancies remain high, however, in the Australia/Oceania region and Japan, according to Winkle. ADR in the Middle East/Africa region declined 2.4 percent year over year to $182.34 in October, but occupancy increased 7.2 percent to 67.6 percent, according to STR Global. Occupancy growth in Egypt and Lebanon helped drive that figure, while exchange rate issues in South Africa "created the largest drag on ADR," Winkle said.

Ryanair's O'Leary, Emirates' Clark Predict Distribution Disruption

BY AMON COHEN

ORGINIALLY PUBLISHED IN the beat thebeat.travel

Berlin - Some CEO interviews at industry conferences are bland affairs with evasive, nondescript answers to anemic questioning. Not this one. Interrogated here at last month's GBTA Europe conference by Global Business Travel Association senior vice president for global development Paul Tilstone, Ryanair boss Michael O'Leary took potshots at numerous targets, including global distribution systems, Google, the International Air Transport Association's New Distribution Capability and, above all, himself. But, while all good knockabout fun, what really caught the eye was the strikingly similar radical vision laid out by both O'Leary and Emirates chief Sir Tim Clark for drastically more direct, personalized distribution strategies made possible by digital platforms and big data analytics. Both men made it clear they will work in a very different way with all players in the distribution chain henceforth. Excerpts follow.

PAUL TILSTONE: Why is now the right time for Ryanair to go for the corporate market?

MICHAEL O'LEARY: We woke up to the idea that 27 percent of our passengers travel on business despite the fact that we've pretty much gone out of our way over the last 25 years to ignore them. Our attitude was: If you want to fly with us, fine, but we're not doing anything for you. We're not providing lounges, we're not giving you anything free, and we're not bending over backwards for you or your travel agents. And yet this year we'll carry more than 20 million businesspeople on our flights. Why? Because businesses save lots of money and they don't want to be delayed. They don't want to be hanging around in stupid lounges when they're just on one-hour flights.

And I think we woke up late to the fact that this is a market we should be serving, particularly as we have 380 aircraft on order for the next 10 years—probably nearly as many as Tim has. We're going to fly to many more primary airports because they are begging us to fly there, and the more we do that, the more businesses we will serve.

TILSTONE: So you do recognize that business travelers are going to require in most cases to fly from centrally located airports? Isn't that going to increase the cost of business for you?

O'LEARY: It's an astonishing misperception which keeps getting trotted out that airports are in central locations. Heathrow is out in the middle of [the county of] Middlesex, and yet the way they go on you'd swear it was in Pall Mall [a road close to Buckingham Palace]. But we want to break into the business market, and that means changing things I've held dear for many years. I said that over my dead body would I go back on not having a [global distribution system]. ... I'm now on three of them [Note: Ryanair fares currently are available in Amadeus and Travelport].

Emirates' Clark

Ryanair's O'Leary

I said: "We'll never again deal with a bloody travel agent; you should take them out and shoot them" ... and here I am kowtowing to the GBTA conference, which really goes to prove that you can never believe a word I say.

TILSTONE: Yes, because in 2012 you said "The Pope will turn Protestant before we work with the trade again. It took me 10 years to get out of the grip of the bastards, and we're never going back."

O'LEARY: One of the reasons airlines were loss-making in our early days was that we paid 20 percent for our distribution. The GDSs nicked 10 percent for doing nothing, and the travel agents generally got 10 percent for doing absolutely nothing. Thankfully, that model has now changed. We're now on the GDS, which has become a more efficient and lower-cost form of distribution, and the travel agency model has generally changed away from charging huge percentages on ludicrously high airfares to much more working on a fee for the corporate. And what we're saying is that if we save you 20, 30, 40 percent on your business travel, share some of those savings with the corporate travel agent, which is a compelling model for both businesses. The way to save 40 or 50 percent is to switch your short-haul flying to Ryanair. You'll save a fortune, and the business travel agent should be sharing in that revenue saving.

TILSTONE: Tim, do you see your relationship with the travel distribution chain changing in the future?

SIR TIM CLARK: I do see it changing. I am not convinced GDSs are doing the job that the airline community needs. I have a concern about the intermediaries. I always have, and I've been trying to 'disintermediarise' the business. We are currently looking quite seriously at building our own platforms in an open architecture form, so we will then distribute our own products. I know other carriers are interested in that.

I'm not necessarily taking on the great and the good of the GDSs, but I had difficulties in the early years because they charged us so much to do, as Michael said, not that much value-added. And they went off-message when the airline community passed them into the IPO era, and a lot of hedge funds and banks bought them up, and then the agenda started to change. I want them to do a better job. The way the smart mobility revolution is hitting us, we want to communicate directly with our consumers, including the business community, without having to go through a number of players. It's going to take time. They still add value, and we are still in them and with them, but I want to see another way. The digital revolution is going to strip out from our businesspeople who are trying to get in the middle of the supplier trying to work with its consumer. That's probably heresy, but there we are: burned at the stake.

TILSTONE: Michael, you have announced an arrangement with Google. Can you explain that to us?

O'LEARY: Google wants to set up Google Flight Search here in Europe, which is something it has established quite successfully in the U.S., where it is aiming to be the flight-comparison tool of choice for short-haul flights. Price comparison websites drive me nuts. I don't mind the honest ones where you book through into the airline's website. We license those without a problem. But there are so many masquerading as price-comparison websites when all they are is mis-sellers. They get the punter in, and by the time he or she has made the booking, they've paid some entirely different price with hidden handling fees. We've got to get rid of those, and I think the best way to do that, as Tim has already mentioned, is engagement.

It was blindingly obvious once the Internet came along 15-to-20 years ago that this was the way out of the hell of GDSs and the way to distribute across Europe. Ninety-nine and a half percent of all our sales are directly on our Internet site, but there are niche parts of the marketplace which I can reach through channels such as going back into the GDSs and working with corporate travel agents, and with Google Flight Search to get rid of the mis-selling intermediaries.

Now Google is equally dangerous. What I'm not going to have is, in 20 years' time, Google turning round and saying: "We account for 40 percent of your sales." But Google recognizes that it cannot operate in Europe without our price inventory. So I think there will be a healthy relationship between us.

One thing we are developing on our own website for the first quarter of next year is a price comparison, hopefully fed by Google. So confident are we our pricing is lower than everyone else that we'll shove on everybody else's prices. So I want to work with Google, but I don't want to be owned by Google.

TILSTONE: So, Sir Tim, in the legacy airline world is that what IATA's NDC is going to do for the likes of Emirates? Are you welcoming it with open arms?

CLARK: In my view, NDC doesn't go nearly far enough. It's tiptoeing in the park as far as I'm concerned. I don't want to be disingenuous towards my IATA friends who are working so hard on it, but it needs to go much further and quicker. You have to trust in the brand and the product, and if you believe you are the best proposition, whether through price or product or a combination of both, travelers will go to your website first. So I'd like to think the digital portal that people will go to when they are traveling long-haul is the Emirates website. We have to have control of our own destiny. We have to engage and strip out anyone who is getting in our way and impeding our ability to do that. We have to go back to the people who have been wagging the dog for a long time and tell them: "This is a partnership, and if you are going to involve us in your digital distribution, then you've got to play it our way and let's share the booty," because at the moment it's a one-way street and has been for too long.

O'LEARY: I share Tim's view, by the way: Whatever IATA is developing will probably be far too late, far too slow and will have been reinvented by some scuzzy 18-year-old in a desert in California two and a half years before some well-meaning but ultimately middle-aged guy in IATA comes up with the idea. Everybody is going to be on a mobile phone.

TILSTONE: How important is mobile for your distribution strategies?

O'LEARY: I think it's the most exciting part of our business at the moment. We set up an operation called Ryanair Labs at the end of last year, not just to develop the website, but to develop the mobile platform, the digital platform and big data analytics, and also the way we communicate with customers. The business is going to revolutionize over the next five years. One of the challenges I think for the GDSs and also for the business travel agents is that clearly we don't need them to sell our cheapest fares. We all know those customers will come to us anyway because they are price-sensitive. But as the business grows, and we add more and more customer data to our database, I will know who they are.

My big joke used to be: Who is my ideal customer? Answer: someone with a pulse and a credit card—and actually the credit card was more important than the pulse, because if you died you weren't getting a refund. I have completely revised that view, because over the next five years I will know exactly who each one of my 90 million passengers is. I know you're married, you have two children, where you travel, when you travel, who you support [in soccer]. We have all that information on you, and we can actually communicate with you now as an individual: You've traveled with us four times this year; you've been to your apartment in Málaga twice, you've been once on business and once for something else. Your kids have gone back to school: I'll send you a direct offer for you and your wife—25 percent off, take a weekend break.

I think it's going to be the big challenge for business travel agents in the future because we're also building individual digital portals for our bigger corporates. We will do that with the corporate travel agents, but if they don't want to work with us, we'll simply bypass them as we have in the past. That is such an exciting development within our business, and it gives us an opportunity to work with business travel agents but to target the businesses who want a package of services. It's one of the reasons why the GDSs need to significantly up their game.

CLARK: Listening to Michael, this is the script that I follow. We will build, using big data capabilities, to drill and mine every single passenger that contemplates entering our network. Today, upwards of 50 percent of our PNRs are lost to us, and we don't use them intelligently. I am changing that as we speak, so that every PNR in our system will be interrogated and given a separate identifier. It will allow us to track that person when they return to the system, build up our data and start using mobility platforms to talk to them in real time and do all sorts of things to win their business.

All this is moving at a pace. It's happening in every sector of the economy. This is not about marginalizing the importance of business travel agencies. It's about building on the value they can bring us but also us doing a better job for them, so we can talk to them in far more specific terms about a deal and how it's going to be worked in multiple markets at the origin points and how we can change the structure of commercial arrangements. In the end we'll all be better for it if we do this.

Interview: GBTA's Paul Tilstone On The 'Berlin Charter'

Berlin - The Global Business Travel Association during its annual GBTA Europe conference here last month announced a charter committing airlines to continue serving the needs of corporate clients as they remodel their pricing and distribution strategies to further personalize the offers they make to travelers. The catalyst for what GBTA called the Berlin Charter is the International Air Transport Association's New Distribution Capability standards, currently in advanced testing with several carriers and technology companies. The Berlin Charter is undergoing a review process by various GBTA committees, which is scheduled for completion by year-end with plans for a formal launch early in 2015. *BTN* contributing editor Amon Cohen during the conference spoke about the project with GBTA senior vice president of global development **Paul Tilstone.** Excerpts follow.

Business Travel News: **Why are you launching the Berlin Charter?**

Paul Tilstone: The next stage with NDC is no longer whether it is going to happen but what business models airlines are going to adopt. It is important that airlines understand the needs of the corporate client when they create their strategies rather than focus only on the needs of the traveler. All the focus so far has been on personalizing content for the traveler, but it's not the traveler who pays the bill. It's the corporate. As digital distribution evolves, there is a risk airlines could forget the corporate has additional needs than the traveler.

BTN: **What sort of needs are you weighing?**

Tilstone: One example is that companies need to understand where their travelers are so they can provide duty of care. Others we want them to recognize include ensuring the confidentiality of the data of the corporate; transparent pricing; policy control, giving corporates the ability to ensure travelers are booking what they want them to book; and payment solutions that the corporate wants.

BTN: **What do you think buyers will learn from the charter?**

Tilstone: It will ask airlines to tell us they acknowledge us. For those who don't sign, it may be telling us they are planning a direct-sell approach to travelers. If we didn't do this, and found in five years' time managed travel had been forgotten about, we'd be asking ourselves why we didn't do anything about it.

BTN: **What exactly is in the charter?**

Tilstone: The details are still being established by our committees, but it will be in two parts. The first will state what buyers need and why; the second will be a call to action, asking airlines to commit themselves to facilitating the various components of managed travel today.

BTN: **What action will you take if airlines sign up to the charter but fail to comply with it?**

Tilstone: Although it won't be part of the initial rollout, we have drafted a process for auditing whether airlines' behavior matches their words. If it doesn't, there will be a process of engagement in which we will ask them if they realize what they are doing is affecting corporate clients. If they still do not address the problem, their place on the charter will be reviewed. We will also attempt to engage those who don't sign up. There may be a reason we hadn't thought of, but we have had preliminary conversations with an airline that told us this was a positive way for carriers to say they support the interests of buyers.

Interview: Travelport CEO Gordon Wilson

New Orleans - Travelport in September floated an initial public offering, and within a fortnight of the flotation, president and CEO **Gordon Wilson** took the stage at The Beat Live here for an interview with contributing editor Amon Cohen. This edited transcript covers strategic issues: Travelport's growth strategy and its "travel commerce platform," as well as Wilson's views on payment technologies and the performance of corporate booking tools.

Amon Cohen: We received some questions from readers that relate to your performance and potential. One asked: "How are you going to beat Sabre and Amadeus with less money and less IT?"

Gordon Wilson: Well, Sabre and Amadeus are fine companies, but if you actually look at where they are spending their money, it's in the IT solutions they provide to airlines and hotels—the hosting systems, so to speak. I'm not in that business. I run the host systems of Delta [Air Lines], and I've done a new long-term agreement to continue doing that, but I'm not in the business of going to Southwest Airlines and saying: "Let me run your reservations system for you," or Airberlin, or whatever Amadeus and Sabre are knocking seven bells out of each other to try to do.

Where I'm investing my money is in my travel commerce platform. I'm spending 7 percent of my revenue on that, which is less in absolute terms than the other guys are spending, but when you actually drill down to it, it's a factor of 2x more money being spent on our platform than they are spending on their equivalent platforms. So your reader needs to look into the detail. How am I going to win? I'm investing more in the areas I'm choosing to focus on, which is where the growth in my business is going to come from.

Cohen: So when you talk about bringing in, say, more hotel revenue, is that going to be through the traditional GDS?

Wilson: "Traditional GDS" is a dirty word. We talk about "travel commerce platform," and that's quite deliberate, because the traditional GDS is this old green screen sitting in the corner, plugging away doing airline bookings. That's been a good model for 30-odd years. We consider ourselves a travel commerce platform because we've expanded way beyond what the traditional GDS does. We've brought in more low-cost airlines than anybody else. We're enabling carriers, and not just the low-cost airlines, to sell their ancillary products. We're enabling them to show their value proposition. And we've moved to 600,000 bookable hotels and added payment capabilities in there. So, traditional GDS, that's not us.

Cohen: Let me rephrase then to "traditional distribution channels." Is there still going to be enough business in providing all that content you've just described for travel management companies and agents? Is that whole route going to be used or is it all going to be bypassed?

Wilson: Bypassed to whom?

Cohen: Let me give you an example. I thought something that was very symbolically significant were the deals announced in July between Concur and both Airbnb and Uber. We have a new generation of suppliers finding ways to connect with the corporate world—certainly with travelers—and for that data to be captured, all in a way that bypasses the TMCs you serve.

Wilson: First, I'm not convinced there's a huge market in corporate travel for Airbnb anyway. Today, if Airbnb wants to connect to our platform to sell through travel agencies and indeed corporate self-booking tools which take content from us, it can do so. We don't have Uber at the moment; we do have Cabforce and people like that. There's no secret sauce in any of it. Increasingly, the self-booking tools are going to have to offer a wider range of content. A lot more of that content than traditionally was the case is going to come from me because of what I've just spoken about.

Cohen: When I'm talking about distribution channels, maybe I should be including corporate booking tools within that definition as well. They can be bypassed as well with open booking.

Wilson: Companies have duty of care and policies which need to be applied, so corporate booking tools have to be there, and there is a step change going on to improve the quality of those tools. Frankly, some of them from a user perspective are pretty lackluster and uninspiring, and need to move forward fast, but they are all going to need content supplied, and no one should underestimate that bringing in multi-source content and integrating all that and piping it out again is not easy to do. It's pretty hard to replicate.

Cohen: In a recent interview with *The Beat*, you said [regarding online booking tools], "the market frankly is poorly served today."

Wilson: The user experience is not as good as it needs to be and the content you can book is not extensive enough. There are very few today, for example, that you can book ancillary products in, and you certainly can't book the widest range of hotels that are available. I don't do the consumer experience, because there are companies out there which are better than me at doing it. What I try to do is provide a single-source capability that offers the broadest, richest content possible.

Let's give you an example. Short's Travel, one of the more enlightened and progressive companies in this space, has already written to our Universal API, which means it can put the rich depth and breadth we're offering today into its booking tool. We are doing the same thing with Egencia. They've just written to our API. Someone said it's like drinking from the fire hose in terms of all the extra content they can get. We're doing the same thing with Concur and KDS and others.

Cohen: You're not going to produce your own booking tool, then?

Wilson: I've bought into a tool—a company in Australia called Locomote—for a couple of reasons. One is I love the fact that the average age of the entire workforce is probably 23 and everything they build is for mobile first. Locomote have built apps for the way they travel, as I don't believe most travelers in their twenties want to talk to anybody. Only if there's an ash cloud or someone has pulled the plug out of the ATC center in Chicago do they need to talk. These guys at Locomote have built all their apps on our API, and I liked them so much I made an investment in their company.

Cohen: What are you going to do with it?

Wilson: I'm going to grow it. It's already being deployed with ANZ, which is one of the biggest banks in Australia and New Zealand. We're working with Carlson Wagonlit Travel on that. It's being deployed with Xstrata [now Glencore], which is a big mining company, and with Allen & Overy, a big law firm down there. I'm going to take it into different international markets.

Cohen: Are you going to operate that brand at arm's length or make it firmly a part of the Travelport offering?

Wilson: I don't own it wholly. It will keep its own brand name. We sit on the board and guide it where we can. But it's not the all-singing, all-dancing cure to everything. It will sit alongside the other partners we work with, such as KDS and Concur.

Cohen: Do you think there is an all-singing, all-dancing product out there or is there no such thing?

Wilson: There's no such thing. There's a view emerging that you take the best in class per region, or per country even, and as long as you can consolidate at the data level, then what you need at the central level becomes much easier. That's where payments come in. If you get all the level-three data so you can do perfect matching, and all the data flows you need in terms of policy and compliance, and actually put it at the center of the corporate world, then companies will really have their needs fulfilled. That's why I think payments are the next frontier and will be much more important than expense management tools going forward.

Headwinds Drag On HRG Half-Year Earnings

BY JAY BOEHMER

HOGG ROBINSON GROUP for its half year ending Sept. 30 reported a net rise in client booking and spending activity, claimed account wins outnumbered losses and benefited from robust growth in North America, according to executives and financial statements released last month. That's the good news for the U.K.-based travel management company, but the bad included an accelerated increase in self-booking levels, negative currency conversion impacts, less-than-anticipated business from the recently launched Canadian government account and softness in continental Europe.

Those headwinds dragged HRG's underlying operating profit down 23 percent year over year to £17.5 million ($28.4 million).

"Clearly, the first six months were tough for Hogg Robinson as we faced a number of challenges," CEO David Radcliffe said during an earnings conference call. "Individually, none of these would have likely set us back significantly. However, together, they caused a mismatch between our cost base and our revenue, which resulted in a significant fall in the group's earnings for the first half."

To offset those challenges, HRG is working on cost controls, but also advancing growth opportunities in the managed meetings and groups segment and among energy and marine clients. HRG claimed client wins in those areas.

Another looming opportunity is HRG's plan to develop and sell an end-to-end travel, expense and payment system. HRG previously had set aside £5 million to build the nascent software-as-a-service business. HRG expects to announce "a new and separate brand" for that business "in the coming months," said Radcliffe.

Revenue for the six months ending Sept. 30 fell 4 percent to £162.3 million ($263.6 million), though the company noted that, on a constant currency basis, revenue rose 2 percent. The strength of the British pound continued to create "some translation effect, although the recent strengthening of the U.S. dollar against sterling has eased this pressure a little," according to financial disclosures.

Total client travel spending rose 6 percent year over year and transaction activity was up 7 percent.

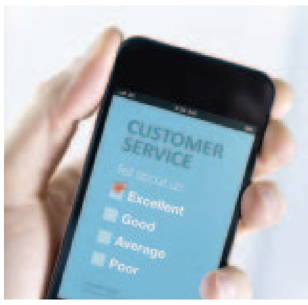
Overall, HRG reported significant growth in North America, as U.S. revenue rose year over year and new business with the Canadian government launched, though the latter proved softer than expected.

Expense Firm Certify Wields Cancellation Clauses To Engender Customer Loyalty

BY JoANN DeLUNA

WHENEVER TECHNOLOGY breaks down, be it a laptop, cable service or an expense management system, what feelings are evoked by the thought of having to call a support line?

"In America, we're predisposed to believe that 'support' by definition will be painful," said Bob Neveu, CEO of expense management firm Certify.



In many users' experience, it is. Navigating an automated call center with long wait times and non-native-language service representatives, along with service charges and issues not solved in a timely manner are common frustrations with customer service departments.

Some expense firms charge customers for every call or issue raised, but Certify's help service is included in the overall price, so customers can call for help as often as needed without racking up additional service fees or letting problems persist because of a desire to avoid the helpline, Neveu said. Certify, according to its CEO, is the "Zappos" of the expense management industry.

Zappos, the Amazon-owned online shoe and clothing store headquartered in Las Vegas, often is cited for its customer service, as well as its "free returns" policy if customers are not satisfied.

In many ways, Certify operates a similar business model, Neveu said. "My employees are all about keeping the client happy," he said.

Much as Zappos takes the risk out of online shopping—for example, not penalizing its customers for returning items or forcing them to be stuck with items that don't fit—Certify takes the risk out of long-term contracts if customers aren't satisfied, Neveu claimed. Certify offers a "convenience clause" by which clients can cancel at any time with 90 days' written notice. While Certify's multinational customers tend to have long-term negotiated contracts based on their requirements, they too can exercise the convenience clause. Small businesses pay $8 per user per month and are required to give 30 days' cancellation notice.

"If customers are happy, they'll stay. If they're not happy, we'll make them happy. If we can't make them happy, they'll leave," Neveu said. "It's better to keep them happy, but they have a right to cancel. We don't have to prove it, argue over service agreements or whether we answered the call in 20 seconds.

"Concur locks [clients] into long-term contracts and when you do that, you don't have to be attentive to their needs," he continued.

Less than 1 percent of customers annually leave Certify, according to Neveu. He also claimed that 100 Concur customers have switched to Certify since the company's inception in 2008.

For Certify, customer service is not an additional source of revenue. In fact, Neveu said maintaining its current service model may add additional costs, but it's worth it to keep customers happy and retain them in the long term.

And it seems to be working. The company in May opened a new office in San Diego to sustain growth. It also has configurations for 64 languages and provides support for more than 140 currencies.

Expense Management 2.0

While more than half of Certify's new clients are first-time adopters, having migrated from such manual processes as Excel spreadsheets or even pen and paper, Neveu said Certify also attracts what he refers to as "version 2.0 expense reporting" clients. These are companies that have automated expense systems but want platforms with more capabilities, including mobile applications.

"Customers are saying, 'We're on a product, it's kind of clunky, we've been with it for a while, we think we can do more than what we're currently doing with it, and we're hearing about other companies with better functionality that we don't have,' and they're going to the market and looking to upgrade," Neveu said. "It's opening up opportunities to us before that we haven't had in the past."

Customers that plan to switch from ERP expense tools constitute about 20 percent to 30 percent of Certify's sales pipeline, Neveu claimed. Recently, three former IBM Global Expense Reporting Solutions clients—which Neveu declined to name—switched to Certify following IBM's exit from the expense management sector in May, he claimed.

While most expense management firms with standard offerings claim they can configure and tailor their products to suit clients' specific needs, Neveu said few providers actually want to do custom software development.

"The IBM GERS product is highly customizable, but it creates a situation where, when you go to leave from custom to standard software, it then has limitations—and GERS customers are starting to see and understand those challenges," Neveu said. "But they also see huge benefits from moving away from product. There's a reason why people move to the cloud."

EU Lawmaking Bodies Start Talks To Break Interchange Deadlock

BY AMON COHEN

The European Council of Ministers last month exempted commercial cards from a proposed European Union regulation to cap interchange rates at 0.3 percent, leaving the European Union's three lawmaking institutions split on the issue.

The European Commission, which originally framed the regulation, and the Council of Ministers (representing the governments of member states) want commercial cards exempted, but in April 2014 the European Parliament unexpectedly voted to include them.

The three institutions have started negotiations, known as a trilogue, to break the deadlock. With two meetings scheduled into early December, sources told *BTN* that the Italian government, which holds the EU presidency, is keen to finalize the regulation before Christmas, although other, even more contentious, points of difference unrelated to commercial cards make such a rapid outcome unlikely.

Typical interchange fees on Visa and MasterCard commercial cards in Europe are 1.5 percent, so observers have suggested a cap could affect the economics of the sector, leading to enforcement of annual fees for clients, the ending of rebates and charges for services such as management information.

> Sources told *BTN* that the Italian government, which holds the EU presidency, is keen to finalize the regulation before Christmas, although other points of difference unrelated to commercial cards make such a rapid outcome unlikely.

However, another complication is that American Express likely would escape such a cap because it operates what is known as a three-party model, which means that technically there are no interchange fees between card issuers and acquirers since Amex acts as both.

The Council of Ministers' version of the regulation clarifies that it does not apply to three-party card schemes, although it partially tightens up exemptions for companies like Amex when they operate under license with other banks or with co-branded partners.

The Council's version also tightens the definition of commercial cards, although its position has shifted since October when reportedly it considered narrowing the scope to include only cards carrying corporate liability. Now the definition is tied more generally to the purpose of the card and the reclamation of expenses.

According to the Council's definition, a commercial card is "any card-based payment instrument issued to undertakings or public sector entities or self-employed natural persons which is limited in use for business expenses where the payments made with such cards are charged, directly or indirectly, to the account of the undertaking or public sector entity or self-employed natural person."

AirPlus International senior manager for corporate strategy Michael Heilmann told *BTN*: "From what we understand, this definition would probably be acceptable to us, although it depends on how the regulation would be translated into business rules when implemented by member states."

Aware that the trilogue has commenced, American Express in a written statement noted, "We will of course comply with whatever the final legislation says."

CWT Study: Business Trip Value Heavily Influenced By Frequency, Duration Of Scheduled Meetings

BY AMON COHEN

QUANTIFYING THE VALUE, or, more precisely, the return on investment, of business trips long has been a sort of Holy Grail in corporate travel. Past research efforts, for example, have used econometric data and other factors to propose that every dollar spent on business travel generates a quantifiable dollar amount in revenue, but the findings never gained wide acceptance.

Now Carlson Wagonlit Travel is the latest to join the quest, though from a different perspective. The travel management company between May and October 2014 surveyed 10,000 travelers at seven global companies, and it claims to have identified common characteristics of business trips that are considered unsuccessful. Among the ingredients of the recipe for traveler dissatisfaction are a low number of meetings during the trip and booking only a few days before departure, meaning time to plan the meetings properly is limited. Avoid those characteristics, said CWT, and, in theory, companies should ensure that a higher percentage of trips are productive and therefore travel dollars are more wisely spent–*voilà*, a higher return on investment.

CWT asked travelers to rate the usefulness of their last trip on an ascending scale of one to five, with five being the most useful. Eighty-eight percent of respondents scored their most recent trips as a four or five (which CWT deemed a success), 9.5 percent rated them as a three (which CWT deemed only marginally worthwhile) and the remaining

2.5 percent scored them as one or two, which the TMC considered an unequivocal failure. CWT therefore labeled any trip scored one to three as unsuccessful.

CWT then matched these figures with the number of meetings held during the trip, and generally found that the more meetings respondents held, the more successful they considered the trip. Nineteen percent of trips that involved only one meeting were unsuccessful, for example, while 14 percent of trips with two meetings were unsuccessful, and 8 percent of trips with six meetings or more were unsuccessful.

The pattern was even more pronounced for total time spent in meetings. No fewer than 28 percent of trips involving total meeting time of one hour or less were unsuccessful, dropping to 17 percent of trips with two to four hours of total meeting time and 8 percent of those with at least two days of total meeting time. There were similar correlations between trip success and length of stay and how far the trip was booked in advance. Twenty-one percent of trips booked three days in advance were considered unsuccessful, falling steadily to 12 percent of trips booked more than two weeks in advance–a conclusion that strengthens the position of the many travel managers who promote earlier booking for cost-reduction purposes.

One cause for skepticism is whether travelers are reliable judges of whether their trips were successful. As CWT notes in a study accompanying the results, published this month, "the productivity loss generated by travel stress must be considered along with the actual expenses." In other words, perhaps short trips aren't unsuccessful; they're just more stressful for the individual involved.

Interviewed by *BTN*, CWT Solutions Group director of innovation and big data analytics Catalin Ciobanu acknowledged the point but said the survey also interviewed travel approvers, who on average estimated that 80 percent of trips they had authorized were successful. Ciobanu added that although "approvers don't see the stress for the traveler of trips booked close to departure," the correlation between trips considered successful by both arrangers and travelers was very high.

Ciobanu said companies can use the findings to weed out unproductive trips. "Thirteen percent of trips do not bring significant value relative to their cost," he said. "If you can learn there are patterns to these trips, you can attempt to affect them, and if you can convert even 3 percent of them into valuable trips, that is a success." By and large, frequent travelers understand how to put together a successful trip, Ciobanu added. He recommended travelers analyze the data of more junior, occasional travelers to see if they can be educated about better planning.

The CWT study also attempts to attach a dollar value to wasted journeys. Assuming an average cost per trip of $1,000, regardless of its "success," duration or any other factors, a 12 percent failure rate means a company "wastes" $600,000 of every $5 million spent. Based on all the criteria of success established in the study, CWT estimates that by making all trips have at least two meetings and more than four hours of combined meeting time, a company with $5 million trip spend could reduce spend on unsuccessful trips by $160,000.

Perhaps as noteworthy as where CWT found a correlation with trip success was where it found no correlation. Variables that apparently made no difference included traveler gender, whether the traveler journeyed alone or with colleagues, how often the traveler visited the destination, or where the traveler was located. Purpose of trip also made little difference. The most common reasons for travel were client/prospect meetings (31 percent), team-related meetings (21 percent) and training and development (13 percent).

CWT said it would follow up next year with research on how effectively business trips align with companies' key performance indicators for their strategic corporate goals.

NEWSLOG

GBTA: More Buyers Earning Top Dollars In 2014

The total average pre-tax compensation for U.S. corporate travel buyers in 2014 increased 6.7 percent year over year to $112,000, according to a new **Global Business Travel Association** survey of 241 buyers conducted in late September.

The bulk of the increase stems from an increase in the number of top-earning buyers, the GBTA reported. Changes in the distribution of income ranges showed "minimal changes" year over year, but the number of buyers earning at least $200,000 in total compensation nearly doubled compared with 2013.

Unsurprisingly, the survey showed that buyers managing larger amounts of spending tend to earn more. For example, buyers at companies spending between $10 million and $50 million annually on travel earn an average income of $105,000, while buyers at companies spending $50 million or more on travel earn $143,000 on average.

Seventy-two percent of buyers in the survey indicated they are satisfied with their compensation levels, an increase of 9 percentage points from last year's survey.

Business Travel News' annual Travel Manager Salary & Attitude Survey, released in August and based on 248 travel buyer respondents, similarly found that buyer total compensation is up year over year. More than 40 percent of respondents in *BTN*'s survey, however, indicated they were not satisfied with their salaries relative to their responsibilities.

Concur, Rocketrip Partner

Rocketrip this month announced a partnership to "automatically push all relevant expense data to **Concur**." The Rocketrip platform enables companies to reward business travelers who book travel at prices below predetermined budgets, and earlier this year indicated work underway to integrate with expense management systems. "This integration with Concur means that all receipts will flow directly into Concur during expense submission," according to the announcement. "Rocketrip is now available in the Concur App Center, which offers streamlined integration with Concur Travel, Expense, and Invoice products."

KDS: Service Enhancements, Innovation Will Win United States

BY JoANN DeLUNA

TO "WIN the hearts and minds" of the North American market, booking and expense management provider KDS is taking an unconventional approach to growing its business, CEO Dean Forbes recently told *The Beat*.

ORGINIALLY PUBLISHED IN the beat thebeat.travel

"Any law for building a fast-growing [software-as-a-service] company will tell you that the companies that grow fast do that by spending nearly 40 percent on sales and marketing," Forbes said. "That won't be true for us in North America. More than 50 percent of spend in North America will go to looking after clients."

For KDS, looking after customers means investing in the hiring of customer service and account managers. Forbes credited KDS general manager of the Americas Mike Concannon for suggesting the alternative approach following his appointment earlier this year.

"It took us a few iterations to get through this principle of, if we serve customers better than anyone else we can grow faster than if we sold to more customers than anyone else," Forbes said. "It doesn't mean we care less about customers in the rest of the world, but that's what we're hearing here [in North America]—we're not hearing that so much in Europe."

Forbes said the market has shown a willingness to conduct business with companies that focus on customer service. Several companies have expressed to *The Beat* dissatisfaction with service quality and efficiency from one of the United States' largest online booking players, Concur Technologies, and concerns about the effect SAP's acquisition of Concur will have on service.

KDS is a major player in Europe but an "emerging challenger" in America, Forbes said. KDS hopes to gain customers by partnering with "selective" travel management companies that share a similar "innovative, forward-thinking and entrepreneurial mindset," Concannon said in August.

Following a partnership agreement with Travel and Transport announced in August, Forbes claimed KDS in October signed a new U.S.-based TMC partner, the identity of which he did not reveal. KDS since 2013 has partnered with Carlson Wagonlit Travel through a similar agreement.

Competing With A New Concur

While IBM's retirement of its Global Expense Reporting Solutions tool presented KDS an opportunity to enter the North American market, SAP's acquisition of Concur won't affect KDS, Forbes claimed. "I don't think it makes a big difference," he said of the SAP-Concur deal.

Clients who prefer to standardize their technology with their enterprise resource planning systems were "always difficult customers" for KDS, as it is not part of a larger company that offers an ERP solution, Forbes explained. KDS at times has been the topic of acquisition rumors, but Forbes said the company prizes its independence.

"Our independence is an absolute strength for us and something I've fought hard to protect over the three years I've been with this company," Forbes said. "Remaining agnostic and independent allows us to take a role with a customer that few others [can] take."

> "It took us a few iterations to get through this principle of, if we serve customers better than anyone else we can grow faster than if we sold to more customers than anyone else."
>
> —KDS CEO DEAN FORBES

Independence has come at a price, Forbes admitted, as KDS has had to decline incentives from suppliers in exchange for preferring specific providers. However, "for anyone who doesn't fall into what's actually quite a small community of radical SAP fans, we're going to be a more natural choice," he said. "There are a group of customers who are SAP wall-to-wall radicals and don't want anything else. They were never great customers for us."

Likewise, when asked whether KDS's relationship with SAP would be affected, Forbes reiterated he didn't think it would change. "We have a lot of customers using SAP, including Shell, which might be our largest global travel customer in terms of countries deployed," he continued. "We do a lot of work with SAP to make sure our integration is as good as our customers need it to be, and that is driven by customer requirement."

As a whole, the Concur acquisition is good for the industry as it raises the profile of T&E applications, according to Forbes. "That customer understands that they're spending 6 percent to 8 percent of [revenue] on T&E … but committing them to action and the necessary investments to do it is sometimes a challenge," Forbes said. "[The acquisition] brings the SAAS discussion back and puts T&E back on the minds of people. It's great for awareness."

Killer Apps

Some travelers who seek a seamless and efficient trip experience have resorted to using consumer mobile travel apps for booking without travel manager awareness or consent. Many travelers and travel managers desire an all-encompassing "Holy Grail app" that will allow travelers to perform such tasks as easily booking every aspect of a trip, making changes in case of disruptions, viewing itineraries, checking corporate card balances and executing expense reports on the go, as well as capturing all data regardless of the source and tracking travelers for duty-of-care purposes.

Who will be responsible for building this one-stop app?

While Forbes agreed this hypothetical app needs to be built, he was unsure of who would step up with the needed resources to do so, much less exactly how or when it would happen.

"[This] one app will have to be super-usable for the traveler to divorce the eight things they use, and super-usable is the enemy of corporate policy, duty of care, all the back-office and information the TMC needs," he said. "Super-usable and those things don't easily go together.

"If [KDS] creates it—which we will, actually—to make it great, we have to make choices that have to be controversial to some of my business partners."

The corporate travel industry has progressed, according to Forbes, by individual companies that have tried to balance moving their businesses forward while not upsetting their partners. However, to progress further, Forbes said, the industry in the future will have to be more decisive.

As an example, Forbes said some TMCs may require ground transportation content to filter through their back offices in a specific manner. After potential months of discussions with KDS to find a solution and get such content to the TMC in a suitable manner, the traveler is "pressing the life out of Uber," Forbes said.

"This is where I can just put Google content into every KDS Neo timeline," Forbes explained. "The traveler is happy with it, and the travel manager will live with it, but I'll probably lose some friends in TMCs, but that's one example of how we'll get to a workable, highly usable, fully integrated app."

Additionally, KDS partners with SnapCar, an Uber-like on-demand car service for business travelers that operates in France and has plans to expand to other markets. SnapCar co-founder Yves Weisselberger also is the founder of KDS. SnapCar's other co-founder, Dave Ashton, previously worked for KDS.

"It's just one example to get to things corporations want," according to Forbes. "We'll do it, but there will be some discontent."

CWT's Anderson: As Industry Tech Advances, Customer Service Must Too

BY CHRIS DAVIS

New Orleans - Kicking off The Beat Live conference here in October, keynote speaker Doug Anderson, CEO of Carlson Wagonlit Travel, called himself "energized" by his travel management company's recent commitment to taking greater ownership of its technology. But he acknowledged that the business travel industry has not "done the same amount of work with our customer service journey as we have with our technology."

"Technology has taken the front seat, and in many cases, I believe, at the expense of and taking attention away from the service heart for many companies," he said. "As a result of that, some companies are now facing significant customer-service challenges."

Anderson sketched out a vision of CWT's future that relies on the CWT To Go app as "a single point of access for the entirety of [a traveler's] journey," infused with new capabilities and customer-service components. For example, he cited the recent introduction of the app's hotel booking functionality, the promise of air booking capability and, "in the near future," a click-to-call function to contact CWT agents.

He also promised "increased reporting and visibility that will benefit our corporate clients and travel managers. Many of the developments on our digital roadmap will help travel managers keep travelers within policy and promote safety and security as well."

Anderson previewed a homegrown dashboard called CWT Analytics, which the TMC "will launch sometime in 2015." He said it would become "the key source of information for travel managers, providing not only real-time reporting but also recommendations, benchmarking—which will help them toward program improvement—as well as knowing where their travelers are, when and why they're traveling." The new dashboard will in fact be new, and not simply a "replatformed" version of CWT's existing Program Management Dashboard.

Getting 'The Message'

Responding to an attendee's charge that travel management companies are not innovative but instead are pulled toward innovation by corporate clients, Anderson replied: "I think we've got the message. I think we've got a plan." Citing CWT's tech strategy and regarding mobile booking development, he vowed not to make the same mistake TMCs made with corporate online booking tools: giving up ownership.

CWT, Anderson said, probably was the last one to do so when it decided to sunset Horizon. "We just couldn't muster the kind of investment necessary to keep that technology and market," he explained. "The five or six more commonly recognized and utilized corporate booking tools took that space. I would argue that there was under-investment as a result of that in the corporate booking experience. That's one of the key reasons that the consumer experience has hurtled past the business traveler experience."

> "Technology has taken the front seat, and in many cases, I believe, at the expense of and taking attention away from the service heart for many companies."
>
> **—CWT CEO DOUG ANDERSON**

Snippets

Anderson fielded several questions from audience members as well as readers of *The Beat* who submitted inquiries in advance.

• When asked by a reader why CWT did not purchase American Express' business travel unit—which instead now exists as a joint venture between American Express and an investment group led by Certares—Anderson said that "the regulators would never have allowed that to happen. That's not a cop-out; that's a fact. You can take that to the bank. It would have taken more debt capacity than we currently have. It would have taken some sort of a joint-venture partner like what's been put in place because of the $900 million price tag."

Anderson added that Amex Global Business Travel has "as close as any of our competitors to the global footprint and capability that we have" and that "we've seen a couple of things that they've done recently that are interesting but not particularly alarming." He called Amex GBT "a better competitor than they have ever been. I take all that as a good development for the industry, and I'm not particularly worried about it."

• Of Carlson Companies' deal with JPMorgan to take full control of CWT, he said, "There was nothing wrong with operating in a joint-venture structure, but over the last couple of years, it had become evident that in order to coalesce the strategy and the way forward, we would be better off with a single share owner. … That's a development that I think we'll look at positively going forward. It may lead to some opportunities that we haven't had in the past."

• In response to a question on the efficient sale of ancillary airline services through TMCs, Anderson acknowledged that "I don't know if we've figured that out yet, except to figure out that it needs to be addressed." Doing so, he added, won't be "the toughest thing we've ever done."

"There are a lot of cooks in the kitchen right now, but I think the traditional players, without the regulators looking over the shoulder, have been looking for a solution to this for the last five years," he said. "I think the suppliers, the TMCs, some of the technology providers that are interested in this space will figure it out, and it will work. I'm disappointed that we haven't found that solution a bit sooner because it's getting more airtime than it's worth, but we'll find a solution."

• When asked about the industry's ability to attract travel agents, Anderson cited the importance of experienced agents with deep client relationships. "We have to find ways to attract new talent pools," he said. "How do we attract people? We give them opportunity. We give them a chance to learn things that they are interested in learning. We move them around a bit. … [The travel industry] creates a lot of opportunities for clever people that have good ideas to find ways to implement those ideas and drive change. It's a fun place to work."

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Concur's Koetting, The TMC Of The Future And The Power Of 'And'

BY DAVID JONAS

ORGINIALLY PUBLISHED IN the beat thebeat.travel

New Orleans - "What's the greatest business superpower? In my opinion, it's the power of 'and.'" That's how Concur executive vice president of supplier and TMC services Mike Koetting in October began his keynote speech here at The Beat Live. Voted by *The Beat's* readers to deliver that keynote, Koetting shared his vision of the future travel management company. To be sure, that vision aligns with Concur's current initiatives, and has been shared, at least in part, by other Concur executives. But Koetting didn't show up to give a commercial. He rarely mentioned Concur during his 30 minutes in front of attendees, and only once or twice in passing did he mention TripLink and The Perfect Trip. Instead, he maintained focus on the big picture, a dramatic and challenging evolution that would see travel management companies adapt their services, technologies, fee structures and underlying economic models while corporate travelers and their employers leverage the concept of "My Data." Excerpts of his presentation follow.

"Why can't the TMC tell me that I need to leave earlier because the on-airport parking is almost full? Or send me a text to a map link to a gas station nearest to the airport so I can refuel my rental car?"

— CONCUR'S MIKE KOETTING

The Power Of 'And'

"And," Koetting said, is "novel and revolutionary" as it challenges the status quo. "Amazon is an online retailer and a platform for thousands more retailers," he said. "OpenTable gives convenience to diners and increases revenues and lowers costs for restaurants. Tesla cars are better for the environment and they are super-cool. Each of these companies uses and to change the paradigm and to solve what everyone else thought was a paradox."

There are lessons to be learned. First, paradigm changes often are brought about by industry outsiders. "The smartphone platform wasn't invented by Ericsson or Motorola," Koetting said. "It was invented by a company that hadn't sold a phone before 2007. Amazon wasn't invented by Target or Walmart, and Zillow wasn't invented by Coldwell Banker."

Second, "Just because customers don't know to ask for a solution doesn't mean they won't want it." (Here he cited the familiar Henry Ford line, that if he had asked people what they wanted they would have said "better horses.")

Third, obviously, is that change is hard. But Koetting said that "the passion of those that believe always overcomes the skepticism of those who doubt."

Lastly, "and" isn't synonymous with choice. "Netflix didn't kill Blockbuster because it simply offered more selection," Koetting explained. "Netflix killed Blockbuster because it offers more content and I didn't have to leave my house—or my couch for that matter—to get it."

'My Data'

Koetting then spelled out what he sees as the old-school thinking that plagues the travel industry: "As leaders in our industry, we fall victim to our own experiences and do not see the anachronisms that constrain us and our customers. We've trained our clients, our travelers and even ourselves to accept the complexity and antiquated limitations of business travel. We don't question forcing travelers to create and maintain a different profile everywhere they buy. We think it's normal to provide service for free and only charge a fee if we sell an airline ticket. We've built inbound call centers designed to react to traveler requests even though travelers most value outbound proactive assistance. We accept that travel data will always be messy and that a big part of TMCs' value will be cleaning up. Unlike almost every other service provider, we only service what we sell. We defend our ownership of the transaction. We restrict visibility and try to maintain the anonymity of the purchaser in order to protect supplier revenue. As a result, we can only help you if you've made your reservation with us. It's as if I can only get my car serviced at the dealer where I bought it. Worst of all, we've grown comfortable with the fact that many—perhaps most—of our travelers don't use us because they want to but rather because they are required to.

"All of this is going to change."

Why? Because Big Data will give way in the travel industry to what Koetting called "My Data." It's a concept in which travelers and their companies will control their data, easily share their profiles and itineraries and "create customized networks of trusted preferred suppliers and service providers." It includes the ability to "capture all bookings and all spend" regardless of where reservations originated. TripLink, he said, is one mechanism enabling My Data, "but other solutions will surely follow."

The TMC Of The Future

Koetting asserted "the paradigm that the TMC can only service what it sells will be broken. Services to the traveler and to the travel manager will be universal, encompassing all travel spend."

In his vision, the travel management company of the future, in addition to servicing a traveler regardless of the distribution channel, will:

- "Be proactive, altering the paradigm of reactive inbound call centers and transaction processing." That means, for example, knowing when disruptions occur, quickly providing that information to travelers and reaccommodating them with new itineraries. "Google now tells me when I need to leave work based on the destination and the current traffic," Koetting said. "Why can't the TMC tell me that I need to leave earlier because the on-airport parking is almost full? Or send me a text message to a map link to a gas station nearest to the airport so I can refuel my rental car?"
- Offer new unbundled services and content. "The battle to convince travelers that TMCs have all the content has been lost," Koetting said. "Instead, TMCs will begin to promote new proprietary content that isn't available anywhere else." That could include VIP and concierge-like services. In noting that Virtuoso travel agencies provide special perks and packages to leisure travelers, Koetting said, "I don't see any reason why TMCs can't start to do that on behalf of their corporate customers as well." Moreover, he suggested that travelers not currently fond of paying service fees for basic transactions "will gladly pay a premium for flexible, proactive, expert service, even if it means paying out of their own pocket."
- Personalize services "in ways that travelers have come to expect from Amazon and iTunes." That means agencies would leverage traveler preferences and histories to offer up relevant, policy-compliant recommendations.
- Charge for their services in bundles "that more closely correlate the price with the value received. Fees for transaction processing will go away, and make way for fees for service, and in some cases companies or travelers may opt for subscriptions instead."

Overcoming 'Heartburn'

Koetting readily acknowledged some challenges to his vision, including one biggie: "Let's be honest and acknowledge that this issue—supplier revenue—is what really gives TMCs heartburn. Supplier revenue and a fear of losing ownership of their customer and the traveler is what drives TMCs to remain entrenched in the status quo."

Therefore, travelers and corporations will have to change the way they compensate their TMCs. And suppliers, meanwhile, "will reward those TMCs that provide genuine value and create new ways to partner in supporting travelers."

The net result? Koetting said he would anticipate "higher incentives and commissions on a smaller percentage of transactions."

The other "legitimate" challenge is technology, specifically the decision by TMCs on which technology stack to integrate. (And that would be in addition to global distribution systems, which Koetting said have an important role within his vision, but "no longer will be the sole mechanism for transacting and supporting a traveler going forward.")

He noted the fundamental changes in the industry from the mid-1990s, precipitated by the one-two punch of the first airline commission cuts and then the advent of Internet fares a few years later, and said "the next paradigm shift of managed travel will be far more dramatic." It will require adoption of and participation in open platforms by all industry constituents.

"I remain optimistic that there are travel management companies that will embrace and lead the change," Koetting concluded, "and those TMCs are the TMCs of the future."