

November 23, 2015

# **Business** Travel News

## **EY's Karen Hutchings:**

# **BTN's 2015 Multinational Travel Manager**

PAGE 12

- Inclusive Global Strategy
- Unique Service Configuration
- Continuous Innovation Effort

## **PREMIUM ECONOMY**

It Can Both Save Money & Improve The Traveler Experience, But The New Flight Class Also Demands New Travel Program Policies

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November 23, 2015

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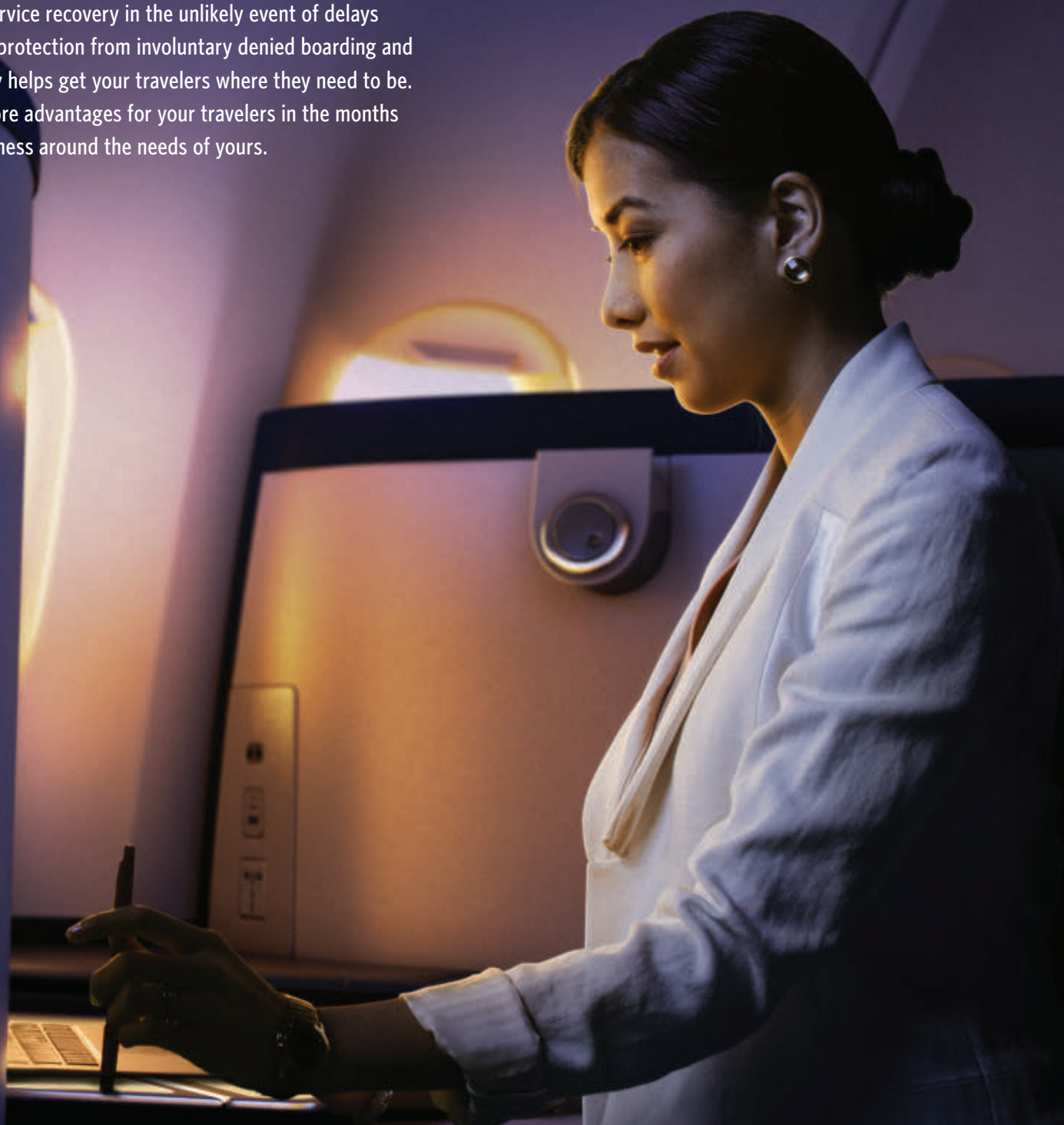
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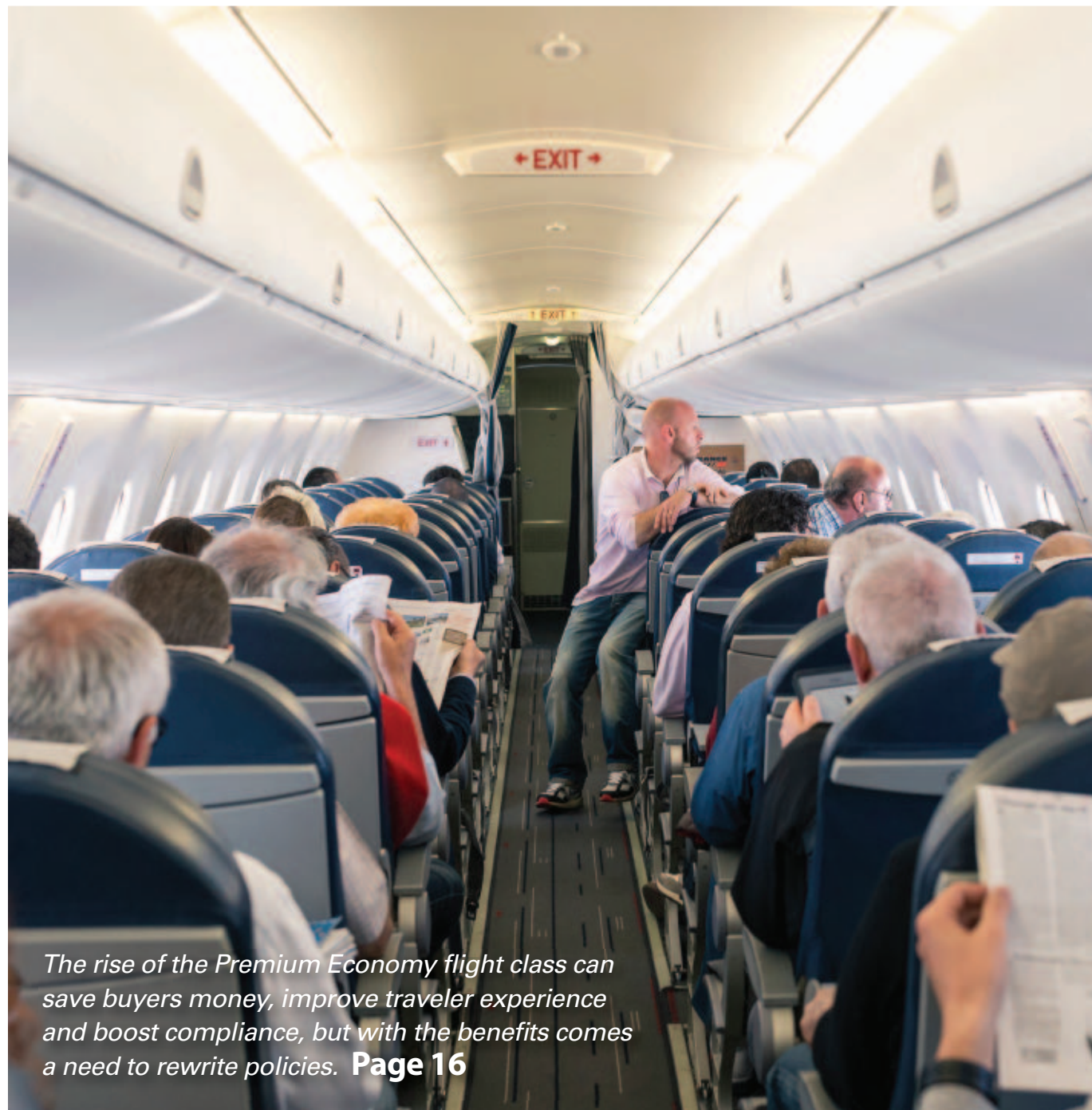


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# Lufthansa CEO: Distribution Fee Is Future

BY MICHAEL B. BAKER

Lufthansa chairman and CEO Carsten Spohr expects other airlines will follow the company's distribution cost charge flight path.

At the Global Business Travel Association's European conference in Frankfurt, Spohr's tone in defending the con-

dependent on corporate customers than we are."

Other topics he discussed:

**Joint ventures:** Lufthansa announced a joint venture with Singapore Airlines on key routes, as well as codeshare expansions and further schedule coordination. Per the

ripe for consolidation, Spohr said. While the five largest U.S. airlines control more than 90 percent of the country's market share, Europe's top five represent only 45 percent of that continent's market share. The largest airlines, Lufthansa and American Airlines, control only about 3 percent



"This is the future of our industry. It's a question of when times open up [for global distribution system negotiations] for other airlines. We'll see this as a new standard."

—LUFTHANSA CEO CARSTEN SPOHR

troversial €16 fee straddled apologetic and determined. "Things did not go perfectly in terms of communication." And, "The results show things have not changed to the degree we believe that we went the wrong way."

Lufthansa reported an 83 percent load factor for October, the highest ever seen for the month, Spohr said. While "some customers in some channels" were down, the carrier compensated through other channels, especially direct booking, which rose about 20 percent he said.

"This is the future of our industry," he said. "It's a question of when times open up [for global distribution system negotiations] for other airlines. We'll see this as a new standard."

Spohr apologized that its direct booking interface remains a work in progress but said the timing of its GDS contracts made it necessary for Lufthansa to introduce the fee when it did.

He said leisure travel will become a larger focus, as the potential to grow corporate demand is limited, but he added, "No airline in the world is more

partnership, flights between Singapore and each Munich, Frankfurt and Zurich will operate under revenue-sharing agreements. Singapore will add a flight between Singapore and Düsseldorf in July 2016 that will be covered under the same arrangement. Lufthansa also is nearing a JV agreement with a carrier in China, Spohr said. Fellow Star Alliance member Air China seems the most obvious partner.

**Operational efficiency:** The carrier will make Lufthansa, Swiss and Austrian Airlines operations more seamless across its four hubs. "There surely is a reason for having Austrian and Swiss in terms of brand, uniform and maybe even catering, but you don't need four different restrictions for hand baggage," he said. "We want to make sure the way people book across the four hubs, travel across our four hubs and irregularity management becomes a more homogenous experience." That also means more sales cooperation, he said.

**Consolidation:** The airline industry, both in Europe and globally, is

of global market share each, he said.

In particular, the nine major low-cost carriers in Europe likely will consolidate, he said, and Lufthansa could leverage that to grow its own LCC, Eurowings. "There's no way all nine of us can make it," Spohr said. "There will be consolidation in the next downturn, and that's just around the corner. Lufthansa needs to be an active participator in consolidation, not just watching."

**Labor issues:** As Spohr spoke, a good portion of the day's flights had been canceled owing to the fifth day of a seven-day strike by Lufthansa's cabin crew union, one of several labor-related work stoppages the carrier has seen this year. Even so, Lufthansa will not bend on cost-cutting measures related to labor, he said, calling existing labor norms relics from a more regulated time. "Historically, unions warned us about strikes, and we backed off," Spohr said. "That's like taking an aspirin. It doesn't heal; it just takes away the pain." 🌀



## Congrats!

*BTN's* own contributing editor Amon Cohen took home the Features Journalist of the Year – Destination award from last month's 12th annual Business Travel Journalism Awards, organized by Carlson Wagonlit Travel. Cohen—pictured with Paula Sheridan, head of sales for the United Kingdom, Ireland and Iceland for award sponsor Lufthansa, and *BBC Breakfast's* Steph McGovern, who chaired the panel of judges—won for *BTN's* Feb. 2, 2015, cover story, "A Mosaic Of Opportunity: Challenges Real And Perceived Mark Efforts To Manage Business Travel In Africa."

"The article challenged complacent prejudices not only about business travel but also about managing business travel in Africa," Cohen said. For the story, he interviewed Felicity Meyer (then with Massmart and now with Wal-Mart Stores), Chris Pouney (then with Severnside Consulting and now with Nina & Pinta) and Ian Epps of International Travel Partnership. "It was their colorful quotations and metaphors which made the article so memorable," he said, "my particular favorite being Felicity's warning that global travel managers should tread carefully on local agency relationships 'like you would on a Mozambique spitting cobra.'" 🌀

## United Kingdom Joins United States' Global Entry Roster

U.K. citizens are now eligible to apply for Global Entry into the United States. Beginning Dec. 3, they can apply for the expedited **U.S. Customs and Border Protection** clearance program at the **U.K. Home Office** website for a £42 fee. Successful applicants will receive a U.K. Access Code to apply online for a five-year membership through the Global Online Enrollment System for \$100. Approved applicants will move on to an interview with a U.S. Customs officer.

## Sixt Plans To Double Its U.S. Fleet


European car rental supplier **Sixt** plans significant U.S. expansion over the next five years, executive board member Konstantin Sixt said at the Global Business Travel Association's European conference. Sixt entered the U.S. market four years ago and has grown to 72 locations. "We have a fleet now of more than 50,000 cars and plan to run a fleet of 100,000 cars in the next five years," he said.

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A black and white photograph of a man in a dark suit standing with his back to the camera, holding the handles of a large glass door. The door is open, revealing a busy hotel lobby with many people walking in various directions. The floor has a circular pattern. Large windows in the background let in bright light.

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*Certares founder Greg O'Hara on how American Express Global Business Travel will spend Certares' massive investment in the travel management company, a move that made*

*O'Hara chairman of the TMC:*

"That \$900 million gets spent largely on technology. We hear a lot about open booking concepts, we hear a lot about all kinds of new technology. The adoption is circumspect at this point in time. I can't sit in judgment as to whether it will work or whether it won't work. What I can tell you is: As we look at making these technology investments, we're trying to focus them on what's important."



*Association of Corporate Travel Executives executive director Greeley Koch on managed travel safety policies in the wake of shootings and bombings that killed 129 and injured 350 in Paris on Nov. 13:*  
"Most business travel managers have an emergency contingency plan they can activate right away. A certain percentage of companies will automatically cancel trips to a city in crisis and evacuate their travelers quickly. Others will evaluate the impact of the crisis and act accordingly."



*Lufthansa German Airlines vice president of the Americas Juergen Siebenrock on whether Lufthansa ever might return to providing full content to global distribution companies and discontinue the Distribution Cost Charge:*

"At this point in time, it's not an option. It's not about the fee; it's about what we can do with technology in the future. We want to be able to distribute and sell the products how we deem fit and use the channels and the technology that's available out there."



*Carlson Wagonlit Travel senior vice president of global marketing Nicholas Vournakis:*

"Travelers want easy and efficient access to robust content in a way that's intelligent and intuitive. They want us to know them. They want us to be able to predict how they are going to answer. Personalization in five years is not going to be nice to have. It is going to be table stakes."

## AirPlus CEO Yael Klein On Crowded Virtual Card Space



As suppliers flock to provide virtual cards, AirPlus International president and CEO of the Americas operations Yael Klein talked with *BTN* payment editor JoAnn DeLuna about peers and partners getting involved in the space.

**Business Travel News:** What gains has AirPlus made in the past year?

**Klein:** It has been a very good year for us, up 13 percent in revenue in the U.S. compared with 2014. This year, the U.S. doubled new signed volume compared with what we've signed in the last couple of years and [ranked] third in new signed volume compared with our other 70 markets. We've been focusing on pain points and finding specific solutions for certain industries not only here in the U.S. but globally. Universities, oil and gas and staffing companies historically do not have a decentralized corporate card because they have a lot of infrequent travelers or guests they have to facilitate. Universities have to report on grants and budgets in very different ways, and they have to be more transparent. To help them with that and their data needs is something our solution lends itself to, the virtual cards, of course, but also the normal lodge cards that we've had for years.

**BTN:** So do you plan to add any features, products or integrations to your offerings?

**Klein:** We'll be launching our own U.S.-specific mobile app hopefully in January. We decided to have a different approach to mobile. Basically we're making sure it's embedded more to the U.S. environment. It will up the transparency and help travelers with the use of mobile payments. I can't give details, but watch this space.

**BTN:** More players have entered the virtual card space since even the Global Business Travel Association conference in July. Is the market saturated, or is there enough volume to go around?

**Klein:** There's plenty. With all these new developments, it's the same old players in the background. Say a GDS were to announce a new virtual card product. One of us will be in the background. They themselves will not launch into the payment industry but will embrace one of the players out there and will be co-branded with one of us. For us, it's an additional sales channel. Also, the more people who sell virtual cards, the more they will get it accepted, and that's a good thing. When we were [one of the few providers] that came out 10 years ago, it was a very lonely place and we had very

different conversations with hotels all over the world about why they should accept these very strange cards. We no longer have these discussions, or we have them in remote areas. So more people coming into the market is a good thing.

**BTN:** What do you think of Grasp and Wex's new virtual card solution, GraspPAY, which claims to be free and thus changes the existing business model?

**Klein:** We've never charged [clients] per transaction for virtual cards. It's been AirPlus' business model for years. Hotels pay us for accepting our card. No TMC or corporate has paid us for using virtual cards.

**BTN:** Nonpayment travel suppliers are getting into payment, as well. Why the sudden attention to the space?

**Klein:** People expect payment to be a silent facilitator. With new virtual cards coming in, technology partners have to start adjusting, and suddenly we're talking about it again. The corporate cards or lodge cards were an integral part for many years. Then virtual cards came in, and for many that was a disruption because it was a manual thing, as they had to generate a virtual card here and put it into the GDS there. Everyone has been adapting now, but we've been doing it for 10 years. Virtual cards need to be part of the natural flow and need to be part of the no-touch environment because as soon as you have a disruption, the process optimization you're trying to achieve goes downhill.

**BTN:** During The BTN Group's The Beat Live conference, American Express Global Business Travel chairman and Certares founder Greg O'Hara said Certares is looking to invest in the area. How do you view payment's role in the travel industry?

**Klein:** Payment has always been an integral part of the entire equation. The U.S. is a very mature payment market, with 70 percent of companies having some sort of payment mechanism, be it corporate cards, virtual cards, lodge cards or a combination. When you look at things like open booking or Lufthansa's announcement [of a €16 surcharge on global distribution system bookings], payment seems to be the glue to get it back together, but a very silent glue in the background. If the GDS can no longer do the reporting, cards still can. 🔄

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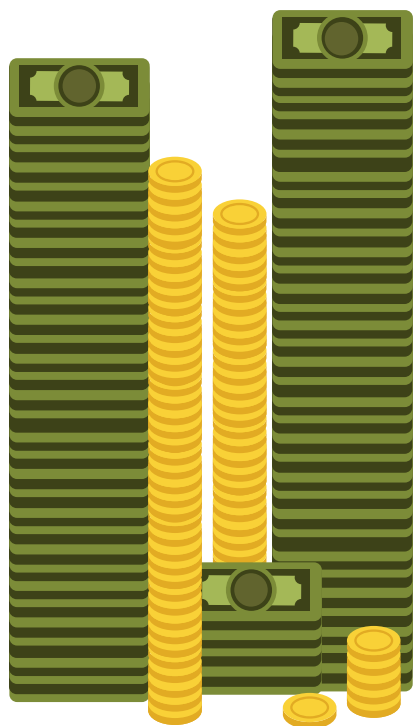
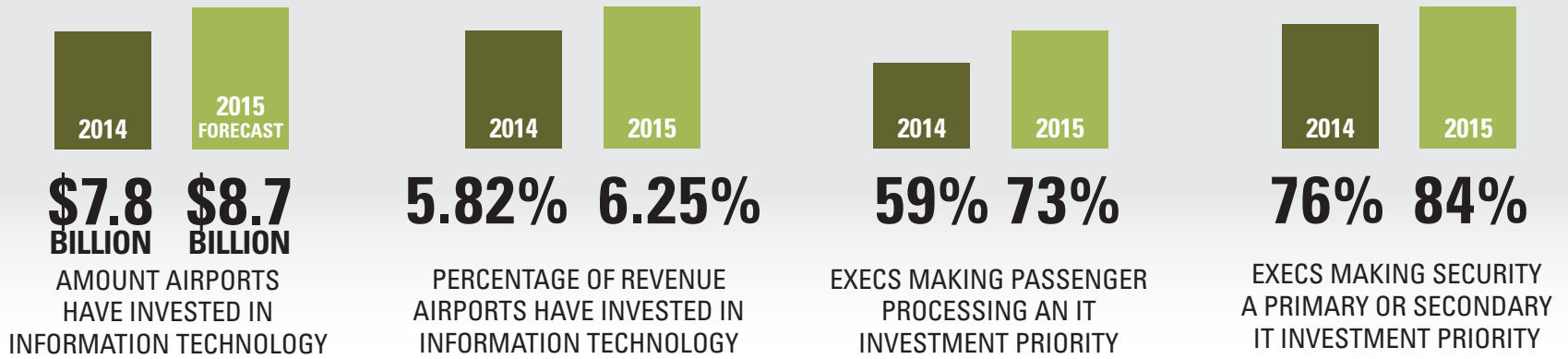
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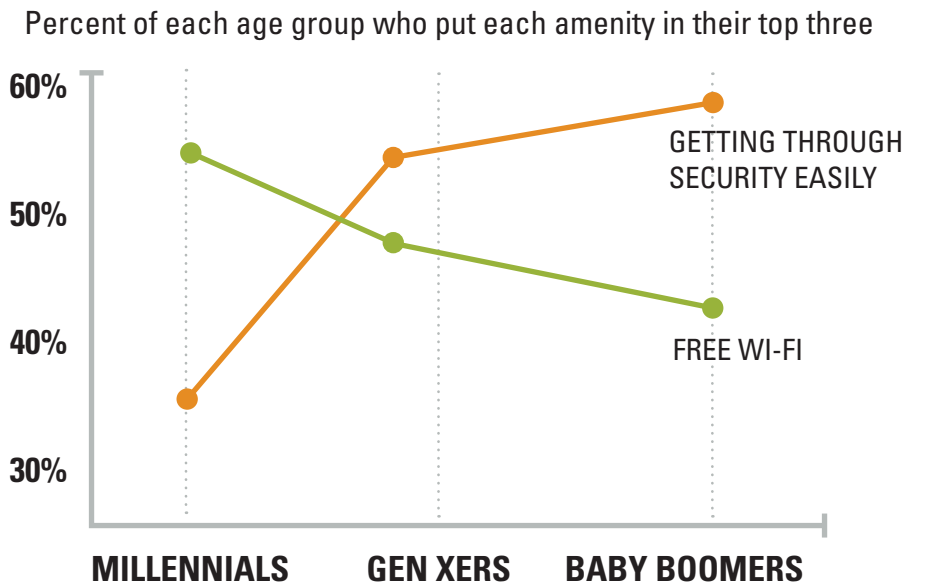
Source: Airports Council International, SITA & Airline Business' Airport IT Trends Survey of executives representing 223 airports

### WHAT TRAVELERS THINK OF SECURITY



Source: Global Business Travel Association and American Express' GBTA Business Traveler Sentiment Index

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- ORD** CHICAGO O'HARE INTERNATIONAL AIRPORT
- DFW** DALLAS/FORT WORTH INTERNATIONAL AIRPORT

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Increase in connections from busiest 2010 day to busiest 2015 day

- IST** 101,439 ISTANBUL ATATÜRK AIRPORT
- DFW** 81,502 DALLAS/FORT WORTH INTERNATIONAL AIRPORT
- PVG** 60,616 SHANGHAI PUDONG INTERNATIONAL AIRPORT

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- IST** ISTANBUL ATATÜRK AIRPORT
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# KAREN HUTCHINGS IS *BTN'S* MULTINATIONAL TRAVEL MANAGER OF THE YEAR

Investing in innovation and driving “co-opetition” move the global travel management needle for EY’s mature program.

BY AMON COHEN

**W**hen Karen Hutchings collected her *BTN* Multinational Travel Manager of the Year award at the recent Association of Corporate Travel Executives global conference in Paris, her visit was brief. The EY global head of travel, events and meetings had to fly straight back to London to pick up another award that evening, this one from her employer, in the ‘Innovation’ category of EY’s Executive Better begins with you award.

The simultaneous external and internal recognition for Hutchings is a testament to her transformation of one of the world’s largest travel programs (annual air spend alone is US\$600 million across member firms in more than 150 countries) into an operation with global power but acute sensitivity to the needs of travelers, local managers and even suppliers. Hutchings’ program also is characterized by a willingness to invest in her travel team, both putting money behind manpower on the understanding it will bring financial return but also placing faith in team members to propose and see through a long list of smart innovations.

Hutchings leads an exceptionally large travel and meetings team of 50-plus worldwide, including meeting planners. That is actually a smaller number than when she joined EY in 2012, a point at which, she said, “the organization was on a global journey but not moving fast enough.” Hutchings slimmed down the numbers to emphasize quality over quantity and set to work nurturing their talent.

Every six months, for example, she mounts a “whiteboarding project,” asking her team what they would do differently with the travel program. The most recent such exercise generated 20 projects, of which just one was rebooking “attrition rooms,” the sleeping rooms that go unsold when an EY firm block-books a hotel for a meeting. EY now runs reports to find which transient travelers are visiting the same city on the same night and, where appropriate, rebooks them into one of the attrition rooms.

EY in India also employs a travel support function to encourage smarter booking. The five-strong unit has, said Hutchings, “become self-funding” through its activities. In addition to auditing travel management company versus online rates, it monitors a log of internal training sessions arranged by EY personnel worldwide. If, after two weeks, trainees have not yet booked travel, the support team encourages them to make reservations. As a result, the average reservation lead time is lengthening and average fares are falling. “If we can reduce our air spend by 10 percent through changing behavior, we will have achieved our savings target,” she said.

#### Traveler Behavior

Hutchings has devoted her greatest energies to altering traveler behavior for two reasons. One is that she is tasked with finding

**“There have to be processes and procedures implemented across the globe. ... It’s when those processes and procedures cost more money than local arrangements that you can lose face. We embrace the fact they’ve negotiated something better locally and try to make that available to the rest of the globe.”**

– EY global head of travel, events and meetings Karen Hutchings

US\$63 million in savings and cost avoidance on the projected budget in fiscal year 2016. EY’s supplier program is already mature, so savings on that scale could only be found by managing travelers.

The second reason is that getting travelers booking better has become an urgent priority because EY is experiencing unprecedented growth. Seventy percent of its personnel travel. The number has shot up from 140,000 in 2012 to 220,000 in 2015 and is expected to expand to 300,000 by 2020.

Communication with such a vast population is essential, and one of the main weapons in Hutchings’ armory is Yammer. Travel is one of the most popular groups of EY’s internal social media tool on that platform, and Hutchings deploys a follow-the-sun approach to managing it. Travel managers around the globe take shifts of two to three hours to monitor Yammer so the team can meet its commitment of responding to posted queries within two hours. Other travelers are allowed to answer the posts, but, said Hutchings, “we have to control it because they don’t always get it right.”

She also interviews hundreds of EY’s frequent travelers every six months to verify that the travel program continues to deliver what they need. “We schedule 30-minute phone calls which invariably go on longer,” Hutchings said. “In the United States alone, we have 6,000 travelers who spend more than 100 nights a year away from home, so they are very keen to talk.” She also engages with other key internal stakeholders like regional managing partners, regional operational directors and executive assistants.

### TMC Collaboration & Competition

Hutchings displays a similar commitment to collaborations with suppliers and service providers, perhaps resulting from her broad experience within travel. She began her career with 13 years at Swissair before moving on to Business Travel International, now part of HRG. For the last decade, she has run global travel programs at Merrill Lynch, Citi, AIG and now EY.

When Hutchings arrived, EY firms were working with more than 100 TMCs. She wanted to consolidate, but like last year’s *BTN* Multinational Travel Manager Of The Year, Volvo Group strategic purchasing manager for marketing and travel Stephan Hylander, Hutchings did not consider it a given that a single TMC could meet her organization’s varied needs globally, so instead she went to tender regionally. Carlson Wagonlit Travel won the business in Latin America and Asia/Pacific, while HRG triumphed in Europe and American Express Global Business Travel in the United States and Canada.

Hutchings is, if nothing else, a pragmatist, so there are a handful of exceptions to the regional carve-outs. For example, the EY firm in Portugal retained its Portuguese TMC because it specializes in travel to Angola, a major and challenging destination for the Lisbon office. EY also retained the incumbent agency in Luxembourg because it stores data locally, in compliance with strict national data-protection laws.

Among the three majors, Hutchings also imposed a unique “co-opetition” arrangement. Amex GBT consolidates management information from its rivals, while CWT manages the hotel and meetings program and HRG the airline program. However, Hutchings is pushing coordination between the three even harder.

For example, she encourages EY personnel to use Telepresence as a substitute for travel. EY firms have Telepresence units in major offices like Paris, Frankfurt, London, Sydney, Atlanta, New York City and Chicago. The TMCs are working toward the ability to check Telepresence room availability, first when the same TMC serves EY at both the “origin” and “destination” and then when a different TMC serves each locale.

She also wants to see more enthusiasm from the TMCs. “One TMC said booking Telepresence is not its core business and it won’t make any money on this,” said Hutchings. “We told them we will pay for the service because the savings will outweigh the costs.” She is encouraging her TMCs to identify Telepresence opportunities from pre-trip reporting and then contact travelers to urge switching to virtual meetings.

### Ongoing Vendor Opportunities

Hutchings works closely with preferred suppliers, too, promoting them heavily internally to drive more volume for the benefit of client and vendor alike. Once again, she uses Yammer. One air supplier told her that its offer to match EY travelers’ frequent-flyer statuses on other carriers produced the highest engagement it had ever received.

On the hotel side, annual request for proposal negotiations are not the only opportunity to win a place in the EY preferred-rate program. The constant signing of new projects means the organization experiences unexpected spikes in demand for certain cities or hotels. As a result, it often negotiates special “project” rates, ideally including extras like laundry, dinner or parking.

### Meetings On The Management Horizon

Next up on Hutchings’ radar is meetings. EY already has created master service agreements which have reduced average contracting time with key hotel chains




from six weeks to three days. In early 2016, Hutchings intends to launch regional venue-sourcing RFPs to support her program’s global rollout of Cvent meetings management technology. EY already uses Cvent in a number of markets globally, and venue-sourcing providers will increase EY offices’ use of Cvent as a tool to identify the meetings spend. Hutchings realizes that this will not take hold completely during the initial rollout stage, so for those bookers negotiating independently, a data-capture form within Cvent is the minimum requirement for now.

### Pragmatism Paves The Way

This compromise is yet another example of the pragmatism Hutchings shows while balancing centralized strategies with local needs, the eternal multinational program manager’s dilemma. “There have to be processes and procedures implemented across the globe, and as long as they are sensible, there shouldn’t be any issues,” said Hutchings. “It’s when those processes and procedures cost more money than local arrangements that you can lose face. We embrace the fact they’ve negotiated something better locally and try to make that available to the rest of the globe.”

It’s also crucial to understand that all principles are not universal and thus to research local conditions. The support team in India, for example, does not pursue trainees to book flights well in advance in some Asian countries, such as China, because fares there are likely to fall closer to departure.

Hutchings’ instinct to approach local markets and stakeholders as unique has served Hutchings well. “I never talk about what goes on in the U.K. or United States when I am in Latin America or Asia,” Hutchings said, adding that, ultimately, a global strategy must demonstrate neutrality to be effective. 



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# PREMIUM ECONOMY & POLICY

**The rise of the in-between flight class can save buyers money, improve traveler experience and boost compliance, but with the benefits comes a need to rewrite policies.**

**BY MICHAEL B. BAKER**

As more carriers establish premium economy as a distinct service class, buyers gain a tool to increase both traveler satisfaction and savings.

As business class travel has risen, 3 percent to 5 percent higher in 2015 than it was a few years ago, buyers have become more lenient with their premium class policies, said Ameri-

can Express Global Business Travel global business consulting manager Thomas Nicholson.

In a recent Travel Leaders Group survey of 392 United States-based executives at agencies that handle mostly business travel, 67.4 percent of respondents said more than 10 percent of their bookings are for first or business class. That's a slight uptick from a

year ago and significantly higher than the 55.9 percent of respondents who said the same in fall 2013.

"It's very pronounced in California, where talent retention and recruiting is the focus," Nicholson said. "A lot are allowing the traveler who has to go internationally six times a year to fly business instead of coach." Not all segments are thriving like the tech



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Air Canada	Premium Economy	Larger seats, premium meals and free wine and spirits	
Air France	Premium Economy	Extra legroom, larger reclining seats, amenity kits, premium meals, priority boarding and, for a fee, lounge access	Free for Flying Blue Gold and higher members
American Airlines	Main Cabin Extra	Front of the cabin, extra legroom and Group 1 boarding	Free for AAdvantage platinum-level members, full-fare economy ticketholders and AAdvantage Gold members booking within 24 hours of departure and half off for AAdvantage Gold members booking farther in advance
British Airways	World Traveller Plus	Wider seats with extra legroom, premium meals, full bar and larger free bag allowance	
Delta Air Lines	Comfort+	Priority boarding, extra legroom, amenity kits and free snacks and alcohol	Free for Platinum and above Medallion members, for Gold members booking within 72 hours of departure and for Silver members booking within 24 hours
KLM	Economy Comfort	Front of the cabin, extra legroom and deeper recline	Free for Flying Blue Platinum members, 50 percent off for Gold members and 25 percent off for Silver members
Lufthansa	Premium Economy	Extra legroom, free drink, separate armrests, footrests, premium meals and lounge access	
Turkish Airlines	Comfort Class	Distinct cabin, larger seats, deeper recline and premium meals	
United Airlines	Economy Plus	Front of the cabin, extra legroom	Free for MileagePlus Gold or higher members and free upgrade at check-in for Silver members



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industry, however, and some companies continue to tighten their premium class policies. The Travel Leaders survey indicated that 4.1 percent of respondents had zero premium class bookings in 2015 so far, up from 2.3 percent a year prior.

For those allowing more premium class travel and those cutting back, premium economy is another option, said Bob Brindley, vice president and principal of BCD Travel consulting unit Advito. His U.S. clients both have allowed travelers formerly restricted to standard economy to fly premium economy and have moved international travelers from business class down to premium economy. “It’s not widespread, but there’s been a little bit of movement in both directions toward premium economy,” he said.

In Europe in the past six months, the trend has tilted toward upgrades, Radius Travel head of global sales Emmie Mees said. “We’ve had more clients talking to me about the value of moving people from economy, particularly segments of their travelers like the road warrior types. They’re looking to review their policy to say, ‘If you come into that bracket, you don’t have to travel on the back of the bus.’ And you do arrive feeling far more refreshed than if you traveled economy.”

Premium economy, after all, is about more

than extra legroom and early boarding. On Delta Air Lines, for example, Comfort+ passengers get free alcoholic beverages, snacks and, on cross-country flights, amenity kits. Outside the United States, premium economy often features separate cabins with even more amenities.

During earnings calls for the past two quarters, Delta has noted an uptick in Comfort+ sales. And United Airlines version is gaining traction, said vice president of sales for the Americas Jake Cefolia. October turned in the carrier’s highest sales ever of Economy Plus on Travelport and the second-highest on each Sabre and Amadeus, he said.

“We’re finding a lot of business customers, if their company policy doesn’t allow premium economy, will pay for it themselves because of the affordability of the upgrade,” United senior vice president of worldwide sales Dave Hilfman added. “That shows we’re on the right track with the product itself.”

Mentor Graphics offers a certain, flat co-pay toward the business class upgrade fee, and any traveler who wishes to upgrade pays the difference, but global travel and meetings manager Joe Taus said the proliferation of premium economy offerings

warrants reevaluation of that policy. “We have to do some cost analysis to see whether we want to offer this,” Taus said. Travelers that have loyalty program status with the suppliers often get upgrades for free, “but with more international carriers coming out with this, we will have to revisit our policy.”

Free upgrades into premium economy are becoming less common, especially on international flights, Brindley said. “The days of status putting you in a better section is much less now,” Brindley said. “The focus is not to add service for frequent-flyers. It is to drive additional revenue, so it’s basically another ancillary fee.”

### Companies That Have Changed Policies

Tribune Media recently made its premium economy policy more generous, said corporate travel manager Valerie Fender. Use had been restricted to flights of at least four hours and an added cost of less than \$75, but the policy now allows any traveler to book premium economy if they intend to work on the flight. “We trust them to make that call,” she said.

Her policy, which allows business class on flights longer than six hours when budgeting permits, has become looser in terms of audit rules in the expense process. “I want to be perceived as the advocate for the traveler, not the police,” she said. “You have to have faith that people will do the right thing.”

Baxalta has reduced the business class threshold from six hours to five, and travelers on flights between three and five hours can book premium economy when it’s available, said global travel manager Mary Batal-Riley. For her program, it’s a compliance incentive contingent upon booking 14 days in advance of travel. “You can have the carrot if you buy it the proper way, use the proper channel, buy it with the card and book it in advance. It’s about making sure both sides win.”

### What’s A Buyer To Do?

New products soon may force buyers to adapt policies anyway. JetBlue’s Mint straddles economy and business class in both pricing and service,

and purely business class carrier La Compagnie, which launched in 2013 and operates between Newark and both London and Paris, is priced similarly.

Such offerings aren’t yet prolific, but they “can be really tough, because polices are black and white,” Brindley said. “You have these

tweener situations, and there even can be situations where one carrier’s business class is cheaper than another carrier’s economy, so there can be room for exceptions.”

As such, many buyers measure the costs of ancillary amenities against a premium economy class’ offerings and price. That helps evaluate not

only the worth of a premium economy class but also the comparisons among airlines, Mees said. “The traveler’s perception can be that premium economy is as sumptuous as business class in other airlines. When they’ve got new fleets, [premium economy] can be very similar to business class on some older, classic airlines.”



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# ImagineAir CEO Ben Hamilton On Growing His Airborne Taxi Service



Since launching in 2007, on-demand private jet service ImagineAir has grown to 11 aircraft serving about 900 airports in the eastern United States. Aiming to “turn a three- to eight-hour drive into a one- or two-hour flight” while “making the benefits of private aviation affordable on a large scale,” ImagineAir has served smaller businesses and now is eyeing more penetration into managed travel programs, president and CEO Ben Hamilton told *BTN* transportation editor Michael B. Baker.

**Business Travel News: How does ImagineAir work from the customer standpoint?**

**Ben Hamilton:** You go online or call in. ImagineAir was the first to allow online bookings for on-demand flights. You specify where you want to leave from and where you want to go. Behind the scenes, we take the closest airplane from the last dropoff to your pickup, and we fly the flight at the time you want to fly. When you book a flight online, you're given several options of price points and times. An average price for a flight is \$1,200 for one way, which is for the entire aircraft, up to three passenger seats. We simply show up at the airport. You can drive right up to the plane. There's no security, lost luggage, layovers or missed connections. There might also be discounted fares for flights that pair well with others.

**BTN: What is your customer base?**

**Hamilton:** It's about 70 percent business and 30 percent leisure. Folks making regional road trips are really the market. We fly doctors, lawyers, politicians making several campaign stops around a state in a single day or a construction company doing a site visit 250 miles away. There are about five times as many people making regional road trips as opposed to longer distance airline travel to give you an idea of the market size we're going after. We're not competing with airlines. We're really competing with the car.

**BTN: Are you working directly with managed travel programs?**

**Hamilton:** Most of our customers are small business owners that themselves are the decision makers. We have gotten into more small- to medium-size companies, where it might be a particular individual arranging the travel or a few individuals arranging travel for CEOs and executives. We're trying to slowly work our way in that direction, and it's an adoption curve. Once they start seeing the ease and the cost of doing this as compared to flying in a private jet, that will help it catch on a little bit.

**BTN: What is your distribution model? Could you be available through global distribution systems?**

**Hamilton:** There really is no GDS for on-demand aviation. There are some pseudo-GDSs, but we've developed our own proprietary software in house that looks at our fleet and says, “Is this flight available and how much does it cost?” It does that within about three seconds because you have to give the customer an immediate indication. The problems with a pseudo-attempt at making a GDS system for on-demand aviation is that there is a humongous waiting period. You go to your broker, the broker bids and posts it on a pseudo-GDS system, and they bid the trip with a bunch of operators and they take a while to tell them whether they're available, let alone the price. It goes back and forth for hours and hours,

and we've even seen days. It's all to the detriment of the customer. There's a big need for instantaneous reservations. Give the customer an instant yes or no and price, and if you can't do that, the industry won't change.

**BTN: Is there a mobile app for booking?**

**Hamilton:** Right now it's on the desktop site, but we are working on a mobile app that's slated to be out by Dec. 31 with the same online booking capabilities.

**BTN: How big do you envision becoming?**

**Hamilton:** Our 15-year plan is for at least 1,000 airplanes in the fleet. The market size we're talking about easily justifies it. Just that alone supports a fleet size of several thousand aircraft.

**BTN: What type of aircraft do you use?**

**Hamilton:** We use a uniform fleet of Cirrus SR22s. It's a four-seat airplane, like a little luxury car with wings. The pilots that fly for us often remark how much more sophisticated the technology is in this aircraft compared with what they flew in the airlines. It's got a lot of automation and a safety feature, which is a full airframe parachute system that can lower the whole aircraft to the ground if there's a problem we can't solve in the air. We've never had to use it, but it's there if needed. It's been a great airplane for getting folks new to private aviation into a small airplane for their first time. [▶](#)

## Uber Launches Tool For Event Planners

BY MICHAEL B. BAKER

Uber is expanding its UberEVENTS tool, which allows meeting and event planners to manage guest transportation payment centrally.

Following beta tests in New York City, Boston, Chicago, Austin, San Francisco and Los Angeles, Uber is making the tool available anywhere, Uber for Business lead Max Crowley said. Through UberEvents,

“We're really excited to see what people do with the tool. We haven't even remotely scratched the surface yet.”

—UBER'S MAX CROWLEY

planners buy passes that guests can use to book their own rides. It's Uber's first widespread launch of a tool allowing people to pay for others' rides, he said.

Users created more than 500 events through the tool over four weeks during the beta period, Crowley said. While a good portion were leisure events like weddings, some corporate uses also are springing up like employee transportation to holiday parties. Some hotels also are offering passes as a concierge perk to guests. “We've been getting the word out to folks within hotels, meeting planners and event planners, and we're really excited to see what people do with the tool. We haven't even remotely scratched the surface yet.”

The tool also allows planners to set up restrictions around passes, such as limiting the amount of spend per ride or geofencing within certain areas, he said. [▶](#)

# Certify: Ridesharing Gains More Ground

BY MICHAEL B. BAKER

Spending on ridesharing services continued to gain on taxis and rental cars in the third quarter, according to Certify's SpendSmart report, which is based on analysis of 8.5 million expense receipts.

Rideshare services accounted for 34

percent of overall ground transportation spending in the third quarter. That's up three percentage points from last quarter and double its share from the same period last year. The increase over the past 12 months came equally from taxis (22 percent of ground transportation

spending in the third quarter) and rental cars (44 percent).

Corporate spending on ridesharing is growing fastest in Boston, where the third quarter marked the first time it drew in more spending than rental cars. It's also growing fast in Atlanta,

Los Angeles, New York City and Dallas, according to the report.

While Uber continues to dominate the ridesharing market, Lyft is gaining among corporate travelers. Spending with Lyft grew 60 percent from last quarter and 158 percent year over year. [▶](#)

# THE MOBILE MIGRATION

Virtually 100 percent of active business travelers surveyed this summer by *Business Travel News* carried a mobile device while on the road.

That's right, 100 percent were packing either a smartphone, tablet or a smartwatch—and many carried more than one. Yet, travel managers are still struggling with a scattershot approach to mobile travel strategy. In this webinar, *BTN* editor-in-chief Elizabeth West and a panel of mobile travel experts will discuss survey results as well as offer insights into how travel managers and the industry can move forward with mobile.

**Don't miss this event!**  
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# American, Sabre Launch Paid Seats Via NDC

BY JAY BOEHMER

This month, American Airlines begins transmitting a la carte seat-sale capabilities to subscribers of Sabre. It's the first global distribution system to integrate with the airline's XML-based application programming interface, American Airlines managing director of distribution and data commercialization Cory Garner said at the ARC TravelConnect conference in Washington, D.C.

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Garner has advocated modernizing the connection between airlines and intermediaries for years, championing American's Farelogix-powered API and leading the airline's controversial Direct Connect initiative. Online travel agencies have hooked directly to American via its API, but the carrier had been planning global distribution connections for years. The API was based on the Open Axis standard, which has evolved into the New Distribution Capability standard that the International Air Transport Association promotes.

Garner said Sabre "will be using NDC to connect to American Airlines'

paid seats products," including seat map functionality, pricing and sales. Garner also said seat sales will result in the issuance of an Electronic Miscellaneous Document, an IATA standard for documenting ancillary sales.

The XML connection will enable "personalized pricing," he said. "To the extent the frequent-flyer number is present in the record at the time you're doing a seat-map request, American will respond to Sabre with pricing that's specific to that customer," said Garner. He said the rollout to Sabre agencies will be gradual but expected the functionality to take "weeks, not months." Paid seats will not be available via Sabre's GetThere booking tool.

American has plugged its API directly into such OTAs as Orbitz, Priceline, Fareportal and CheapAir. "It's a pure XML integration. They speak directly to our systems, and we deliver the content directly to them." Garner said there "are more agencies to come."

He noted: "Our direct connect today processes 15 percent of our point-of-sale travel agency volume. That's good for third place behind Sabre and Travelport

and just ahead of Amadeus." Even so, travel management companies still have not implemented direct connect.

Garner expected the other GDSs to join the fold, as well, though Sabre represents American's first GDS implementation. "That may come as a surprise to some of you," Garner said, considering the two parties have butted heads for years in and out of court. "But it makes sense for a lot of reasons. American and

Garner likened seat sales and other merchandizing efforts to a campaign from Texas-based chain Whataburger that touted 64,000 ways to customize a hamburger. "It's the same with the airline product," he noted. "It's not just going to be the bun and the burger anymore. It will be all these other options that can come in different combinations, all enabled by this new technology." In his analogy, paid seats are like pickles.

"It's not just going to be the bun and the burger anymore. It will be all these other options that can come in different combinations, all enabled by this new technology."

—AMERICAN AIRLINES' CORY GARNER

Sabre have been tight for a very long time. There is a long history between the two companies."

Adding to the surprise that Sabre emerged as the first GDS to integrate with American's interface is the fact that American had inked deals with Amadeus and Travelport to connect years ago.

"It's not just the bread and the meat anymore. You can now get pickles through the travel agency channel."

He vowed more to come: "We are in active implementations with each of the GDSs and there will be a lot more from here, and hopefully we'll have a lot more than just pickles." ↻

# IATA: Agents Book Quarter Of Air Outside GDS

BY JAY BOEHMER

Though global distribution systems are entrenched as the predominant point of sale for travel agencies, agents transact 26 percent of air reservations outside the channel, according to a survey of 1,034 travel agents in seven countries.

Travel management company respondents, comprising 23 percent of the survey base, made 28 percent of air reservations outside the GDS, according to the study, which the International Air Transport Association commissioned to understand agent views on NDC. "Among the reasons for this may be agencies that operate in markets dominated by [ultra-low-cost carriers] or LCCs that don't sell in the GDSs, an airline not providing all of its content in the GDSs or an agency that uses a non-GDS channel to find a lower fare for a traveler," according to the study.

Further fragmenting content, the study found, is the rise of airline merchandizing initiatives like ancillaries and fare families. "As airlines have evolved what they sell and how they sell it, agents have adjusted," noted the study, which highlighted how agents make use of non-GDS channels, including airline websites and direct connections.

The very concept of "fare families" caused some confusion for agent respondents. About a third of TMC agents, for

example, weren't even sure if their agencies sold them. The study found that agencies that did used multiple channels: 66 percent of TMC respondents had used GDSs to sell "branded fares" or "fare families," 40 percent had used airline websites and 30 percent had used direct connects. Ancillary content also prompted agencies to go outside. Indeed, 87 percent of TMCs sell some sort of ancillary, compared with only 44 percent of online travel agencies.

Airline websites served as the channel TMCs used most to book ancillaries, and 64 percent of TMC respondents booked ancillaries via such direct sites. However, TMC agents also used the GDS (49 percent), called airlines directly (46 percent) and used direct connects (22 percent). "Airlines' websites offer the most complete selection of ancillary products—no doubt the reason why agencies use them most to book ancillaries," according to the study. In some cases, agents may have to "toggle between a GDS, where the agent books the flight, and an airline website to book the ancillaries."

The process is inefficient, the study noted. "Agency executives don't like this fragmentation. Agencies view having to use multiple channels to book air and ancillary products as counterproductive and aren't pleased with the additional effort required to integrate non-GDS transactions into their mid- and back-office systems."

It should be noted that the three major GDS operators—Amadeus, Sabre and Travelport—actively have signed new content agreements with airlines to make branded fares and ancillary content available to subscribers. Further, the GDS operators have found success converting some GDS-averse LCCs to channel participants. Ryanair is a notable example. Even so, gaps persist, as the study shows.

It is here that the research paper and survey function as a wrapper for IATA to promote its New Distribution Capability initiative. The study noted agents want what NDC professes to deliver: "better access to airlines' complete catalog of fares, products and offers."

Despite all the industry chatter about the standards-making initiative, only 53 percent of agent respondents had heard of NDC prior to the study.

Some viewed NDC, at times controversial, as a GDS bypass initiative, including unnamed agency execs commenting for the study. Yet, IATA has positioned NDC as a standard that GDSs should adopt to support agencies.

The study, however, found that many agencies "take a deliberately slow pace to adopt new technologies," and defer to distribution partners. "Agencies view GDSs as their primary technology partner," noted the study, which found that 64 percent of

TMCs called the GDS the entity to which they would "turn for technology and connectivity support when adopting NDC."

At IATA's World Passenger Symposium in Hamburg, IATA director general Tony Tyler touted NDC as "a modern, Internet-based data standard for communications between airlines and travel agents" that will lend "greater transparency and access to all of an airline's offerings when shopping via a travel agent or online travel site," according to prepared remarks. He claimed "strong progress" with NDC, noting that 24 airlines are "undertaking pilots or implementations." Even so, it is early days, and broad adoption remains to be seen.

The study was conducted with the support of the World Travel Agents Associations Alliance and produced by Atmosphere Research Group and T2Impact. The American Society of Travel Agents participated, as did national agency associations from Australia, Brazil, Canada, India, New Zealand and South Africa. Interviews with 22 travel agency executives based in six countries supplemented the survey.

The largest respondent bases hailed from Brazil and the United States (34 percent each). The study did not break out responses by country, which could skew results on GDS usage. For example, Brazil historically has had lower GDS utilization than, say, the United States. ↻

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# U.S. Chip Card Migration: PIN Vs. Signature

BY JoANN DeLUNA

In October, merchants took on additional liability on card transactions. Previously, card issuers carried that liability alone. Now, in the event of a fraudulent transaction, whichever party hasn't upgraded to EuroPay, MasterCard and Visa chip technology bears the cost, whether it's a merchant that hasn't updated its credit card terminal or a card issuer that hasn't rolled out chip cards. The change is the first step in transitioning U.S. payment practices, which rely on magnetic swipe cards, to the chip cards that predominate elsewhere.

In 2014, U.S. issuers accounted for \$3.9 billion in counterfeit fraud, representing 24 percent of global fraud losses, according to a July Nilson Report. Counterfeit card fraud occurs when card details are skimmed to make new cards for illegal sale and use.

Chip cards, regardless of whether they're authorized with a signature or a personal identification number, or PIN, are said to reduce such fraud. "The chip creates a unique transaction code for every purchase that can't be replicated by counterfeit cards," according to the PCI Security Standards Council. If someone skims a card and tries to use the unique code a second time, it'll be flagged as a questionable purchase, explained a MasterCard spokesperson.

## Signature Vs. PIN

The American Consumer Institute Center for Citizen Research has long protested chip-and-signature cards, contending that signature authentication is not as safe as entering a PIN to authenticate a transaction. In an October statement, president Steve Pociask cited U.S. retail banks' reliance on PINs as an argument for avoiding chip-and-signature cards. "If financial institutions believe PINs are secure enough to protect American bank accounts,

they should agree to couple them with chip-equipped cards to ensure consumer credit transactions are more secure," he argued. "Credit card issuers, the big banks and the card processing networks ... essentially argue that we should ignore the documented benefits of chip-and-PIN payment cards across the world and adopt a half measure here at home instead."

A MasterCard spokesperson and U.S. Bank head of commercial card product and marketing for large and public sector Mary Miklethun both acknowledged that chip-and-PIN technology protects lost and stolen cards, while signature authentication does not. Both also noted, however, that counterfeit fraud is a bigger problem than fraud on lost and stolen cards. Fraud accounts for 37 percent of all U.S. card fraud, compared with 14 percent for lost and stolen credit card fraud, according to a report for which Aite Group interviewed executives from 18 of the top 40 U.S. card issuers and payment networks in April and May 2014.

The MasterCard spokesperson added, "Right now, the biggest problem in the U.S. is counterfeit fraud. [Lost and stolen card fraud] is a concern—we don't want any fraud in the system—but it's not as big of a problem. Getting the U.S. economy to chip was the first priority," Miklethun added, "Just implementing chip alone would solve [a large percent] of the problem." Still, as long as the industry is taking the trouble, why not roll out PIN cards universally?

## Deciding Factors

For starters, the networks have allowed card issuers to decide, and

those banks take into account the impact on their cardholders' experience and convenience. "If [the bank's] portfolio tends to be a lot of debit cards, people are used to entering pins. If [the bank] has a lot of credit

for PINs, according to Miklethun. While Visa can carry and process PIN transactions, "the nodes or connections in between the merchant, the merchant's processor and acquirer may not yet have the infrastructure in place to carry PIN,"



"We didn't want to take the risk that the credit card system wasn't ready for PINs and we would potentially impact our cardholders' ability to complete a transaction. At the end of the day, that was the most compelling argument for us [for signature versus PIN cards]."

—U.S. BANK'S MARY MIKLETHUN

cards, maybe people are more comfortable signing," the MasterCard spokesperson said.

Payment industry players also were concerned users might forget their PINs, especially while traveling, resulting in declined cards and further inconvenience, Miklethun said. That's even more likely in the corporate space than in the consumer sector, in which cardholders more typically choose their own PINs, she noted.

The MasterCard spokesperson said: "The recommendation from MasterCard, and all the card networks, was to take a look at your business and your risk for fraud, think about the experience you want the cardholders to have, then you decide. It's not up to us to mandate what's the best thing for cardholders, but it's up to us to keep the U.S. ecosystem secure."

Visa also had cautioned that U.S. credit card infrastructure was not built

according to a Visa spokesperson.

"We didn't want to take the risk that the credit card system wasn't ready for PINs and we would potentially impact our cardholders' ability to complete a transaction," Miklethun said. "At the end of the day, that was the most compelling argument for us."

Still, she suspects the market will migrate entirely to PINs eventually, and U.S. Bank cards offer both PIN and signature authentication options. "A more accurate term for a chip-and-signature card is that it's signature preferring," Mikelthun explained. "We do issue PINs, as well, because we have PIN authentication in our list of verification methods. It's just not first on the list." That means most U.S. merchants will ask U.S. Bank cardholders to sign, but the PIN capability enables the cardholder to use payment terminals that require a PIN. [↗](#)

## \$23 Billion Deal: Visa Inc. To Acquire Visa Europe In Q2

BY JoANN DeLUNA

Pending regulatory approval, Visa Inc. will acquire Visa Europe, an association owned and operated by about 3,000 member banks and other payment service providers in 38 European countries. The deal could be worth up to €21.2 billion (US\$23.3 billion), including earn outs. The deal is not expected to close before the second quarter.

Visa Europe became independent from Visa Inc. when Visa Inc. listed on the New York Stock Exchange in 2007.

The transaction includes €11.5 billion in cash, plus preferred stock that's convertible into Class A shares worth €5 billion and the potential for a €4.7 billion earn-out cash

payment if Visa Europe meets revenue targets for the 16 quarters following the transaction's closure, according to Visa Inc.

"It was expected. It's been long rumored that they wanted to combine," said MasterCard group head of global T&E products and solutions Richard Crum. "MasterCard has operated as a single global company with a single product, network [and] platform for long time. ... It's a great scale and it's been a great asset for us."

Visa Europe CEO Nicolas Huss said in a statement, "Integrating into one global business will ensure we have the financial strength and operational scale necessary to accelerate the next genera-

tion of payments through Europe."

European clients will have greater access to such Visa Inc. resources as "innovative technology," fraud and risk solutions and its analytics platform, and global clients will gain a more "seamless experience" in Europe, according to a Visa Inc. statement.

During a conference call with investors, Visa Inc. CEO Charles Scharf said Visa would make European clients' needs a priority when allocating its resources. Visa Inc. also will maintain a data center based in Europe. Its European headquarters will remain in London.

For the fiscal year ending Sept. 30, Visa Europe reported more than 522.6 million

debit, credit and commercial cards in circulation in Europe and processed more than 18 billion transactions.

Visa Inc. sees opportunity to convert to card spend the 37 percent of personal expenses, or \$3.3 trillion, that Europeans pay with cash and check. It also noted that Europe has been an early adopter of mobile payments, which are expected to grow more there owing to the widespread availability of near-field communication technology. "Visa Inc. has aggressively launched new mobile payment partnerships, platforms and products that will enable faster growth and adoption of mobile payments in Europe," according to Visa Inc. [↗](#)

# Marriott Buys Starwood, Corporates Brace For Change

BY JULIE SICKEL

Marriott International will acquire Starwood Hotels & Resorts in a deal valued at \$12.2 billion, creating the largest hotel company in the world. “This is the most significant hotel or lodging industry transaction of our lifetime on almost every measure,” said Bjorn Hanson a clinical professor at the New York University School of Professional Studies’ Tisch Center for Hospitality and Tourism, “in terms of number of rooms, number of brands, members of loyalty programs, number of countries in which these companies and their brands are represented, the dollar value.”

Recent press reports speculated that Hyatt Hotels Corp. or one of three major Chinese hoteliers would buy Starwood. The news broke on Nov. 16, however, that Marriott will acquire Starwood in a series of transactions. Stockholders of Starwood will receive 0.92 shares of common stock and \$2 in cash per share. Combined, the companies operate or franchise more than 5,500 hotels with 1.1 million rooms worldwide.

“On a combined basis this transaction will expand our presence around the world, broaden our appeal to younger travelers and increase the growth opportunities for Starwood’s valuable brands,” said Marriott CEO Arne Sorenson. “In addition, combining Starwood’s leading lifestyle brands with Marriott’s strong presence across select-service and luxury tiers, as well as our convention and resort segment, will create a very attractive portfolio that should be more appealing to guests, meeting planners and owners and franchisees.”

Starwood chairman Bruce Duncan had announced in April that the company would consider selling as part of an exploration of “strategic alternatives.” Following that announcement, Marriott CEO Arne Sorenson expressed a lack of interest in acquiring Starwood. “It is crystal clear that there is nothing like organic growth in this business,” Sorenson said during Marriott’s first-quarter conference call. “That’s what we want to remain focused on.”

On a call announcing the merger, though, he said the deal became more attractive as Marriott considered consolidation and Starwood improved the relative value of its company. “We’ve become more impressed by what we can accomplish by being bigger, whether you look at what some of [the online travel agencies] have done by consolidating in their space ... whether you look at the homesharing sites and the way they’re trying to get in,” Sorenson said. “Watching

all of that, we became more convinced that, strategically, we could drive better value and compete better by being bigger.”

## What Lies Ahead

While Marriott’s thinking is “quickly evolving,” Sorenson said, the company expects Starwood brands to remain in place. The companies have a combined 30 brands between them. “We have demonstrated our ability to rapidly grow the Marriott hotel system, and we believe we can meaningfully accelerate growth in many of Starwood’s brands, particularly in the upscale segment,” he said.

Marriott faces a challenge in distinguishing between brands like Marriott’s Renaissance and Starwood’s Westin and between the core Marriott brand and Starwood’s Sheraton, Hanson said. “But Marriott is as good at that as any lodging company is.”

Among Starwood’s more attractive features are its luxury brands like St. Regis, for which Sorenson sees strong growth potential, as well as its loyalty program, Starwood Preferred Guest. SPG has approximately 21 million members, more than half living outside the United States, according to Macquarie Capital analyst Chad Beynon. SPG members generate 50 percent of Starwood’s stays, he estimated.

“You look at their app,” Sorenson said, “you look at the way SPG skews a little bit younger in some respects, and it’s very valued by elite travelers. There is great value in that program. We will take the best of both these programs and make sure that the bests are preserved and enhanced.”

Hanson said that philosophy would offer consumers more hotels for earning and redeeming points. But what’s good for consumers isn’t always great for the corporate side of the industry. “Marriott is really strong on the loyalty side,” said TripBAM founder and CEO Steve Reynolds. “They give out points like candy, so travelers are heavily biased toward Marriott. ... I’d be concerned that as a travel manager, you want to make sure that you can keep pushing share where you want to go, if my employees are biased to another way ... life could get harder as a result.”

## Ripple Effects In Corporate Travel

With November almost over, companies are nearing the end of their corporate rate

negotiations with hoteliers, meaning the merger news likely will have no effect on their 2016 contracts.

“The timing could not appear to be worse, as we are in the middle of hotel [sourcing] season,” said GoldSpring Consulting partner Neil Hammond, “but we probably won’t see any disruption to negotiations

Marriott, he said, pays lower commissions than Starwood. “The concern now is: Is Starwood going to adopt those same practices? You could probably bet that they are.”

TMCs that rely heavily on hotel commissions are going to take a hit, Reynolds said, and how they cope “is anybody’s guess. Those that are dependent upon



“We’ve become more impressed by what we can accomplish by being bigger, whether you look at what some of [the online travel agencies] have done by consolidating in their space ... whether you look at the homesharing sites and the way they’re trying to get in.”

—MARRIOTT CEO ARNE SORENSON

as the 2016 season will be over before any post-merger changes are determined.”

For future request-for-proposal rounds, however, the Marriott-Starwood merger could add to an already difficult negotiating climate. Earlier this year, the New York University School of Professional Studies Tisch Center for Hospitality and Tourism released an analysis that said travel buyers could face the largest hotel rate increases in three decades in 2016.

“It’s a tough market for travel managers anyway,” Hanson said. “To the extent that those buyers send out their RFPs to a bigger, stronger company with more inventory control, this will make the job for corporate travel managers a bit more challenging.”

During recent quarterly earnings reporting periods, Marriott has been vocal about its initiative to reduce special corporate business in favor of higher-rated retail business.

“Starwood is a great partner of mine and my competitors, and Marriott typically is not,” said Chris Dane, president of Hickory Global Partners, a company that provides hotel rate programs for travel agencies. “That will be interesting, to say the least.”

Dane said each hotelier already has sent correspondence to partners that it’s “business as usual” and they’re still “two separate companies.”

Reynolds said the news has put travel management companies “in a bit of a tizzy.”

commissions are going to have to figure out a way to make money somehow, or some other way, or start charging fees for booking Starwood or Marriott.”

Hammond said the merger also could spark further consolidation within the industry. “We would expect this to trigger a response from the other players in the industry with Hilton, IHG and Hyatt potentially looking to strengthen their positions.”

Last month, among speculation that Hyatt or one of three Chinese companies would buy Starwood, *The Wall Street Journal* reported that AccorHotels is looking to acquire FRHI Hotels & Resorts, which owns the Fairmont, Raffles and Swissôtel hotels and resorts brands. Hanson said the deal would make sense, but neither company has officially responded.

Moving forward, Sorenson said the companies have a lot of work to do to pull the companies together. “That work we’re going to try to undertake as quickly as we can by having both teams work together and move to pull the platforms together as quickly as we can and drive the synergies as quickly as we can,” he said. “It would be foolish to underestimate the amount of work required to get that done.”

Hanson said the U.S. Federal Trade Commission will likely examine the deal, but he doesn’t anticipate any issues because “hotels compete locally.”

# Airbnb Unveils Host Tools To Attract Business Travelers, Manage Pricing

BY JULIE SICKEL

Airbnb launched a product suite that allows hosts to identify as business-ready properties more easily and automatically and flexibly price their listings based on booking trends.

With the Business Travel Ready tool, hosts can opt in to the Airbnb for Business program, which has been gaining traction since the company launched its travel manager tools in July. Business Travel Ready listings have business-friendly amenities, such as WiFi, a dedicated workspace, an iron, a hair dryer and clothes hangers. Hosts also must offer 24-hour check-in and guarantee they won't cancel within seven days of check-in.

Though Airbnb is moving swiftly into

the corporate space, CEOs of some of the major hotel companies think Airbnb simply is growing the lodging pie and that key clients will stay put. "The world's hospitality industry is large enough that it can accommodate Airbnb as a major player, as there are dozens of major players in the world's hotel industry today," said Adam Aron, interim CEO of Starwood, which Marriott has since agreed to acquire. "We—not only Starwood but anyone in the industry—will be able to be a strong competitor even with Airbnb alongside."

Corporate travel isn't the only area where Airbnb is looking more like a hotelier. Its new Smart Pricing tool enables hosts to set pricing controls and let prices adjust to market demands automatically

in order to stay competitive. Not only have hotels done this for years, they're becoming more sophisticated at it through revenue management tools. To this point, Airbnb hosts have been operating somewhat blindly, though outside consulting firms like Airdna have stepped in with Airbnb-specific market data to fill the pricing-guidance void.

"As a company founded by hosts and led by hosts, we wanted to ensure that our host community played a key role in developing the right tools to make them successful," said Airbnb vice president of product Joe Zadeh. "Our team has spent countless hours working with hosts through feedback sessions, research and testing to understand their needs."

The product suite also includes Host

Assist, which allows for streamlined key exchange and keyless entry, eliminating the need to schedule a key hand-off, as well as Host Home, which allows hosts to see information like pending requests and alerts more easily.

This week, Airbnb also released a Community Compact, in which it pledged to release annual Home Sharing Activity Reports for key markets with such information as geographic distribution of listings, average number of days homes are listed and the safety records of listings. The company also stated it would work with hosts and host cities to ensure the company is honoring local laws and limiting the impact of short-term rentals on long-term housing availability in select markets. [▶](#)

## What Do Hotel Execs Really Think Of Airbnb?

BY JULIE SICKEL

Airbnb hung in the air over most major hotel companies' third-quarter earnings reports, and analysts weren't shy about asking hoteliers to expound on what effect the sharing economy platform and its rapidly growing supply could have on the industry.

"We don't see Airbnb as a particular threat," Starwood Hotels & Resorts CFO Tom Mangas said. "Maybe [Airbnb's] business model evolves. Given the kind of services that we're providing at our hotels and what we believe our corporate clients want, that's a low-risk threat to our business."

Hilton Worldwide CEO Chris Nassetta said the company believes a large portion of Airbnb's business is incremental. "The bulk of the demand is in higher-rated, high-occupancy, urban markets; it is longer length of stay with a predominantly leisure and value focus and stay occasions where customers are willing to accept inconsistent product with very limited services," Nassetta said. "We do not believe there is a material impact on the bulk of our markets or with our core business and leisure customers. As we speak to our largest corporate clients, we are confident that Airbnb will not satisfy a meaningful piece of their demand."

Extended Stay America CEO Gerry Lopez told analysts the platform is not a threat to the 30-day-stay segment. It's worth noting, however, that the company wants to shift to shorter-term, higher-rated stays.



"As we speak to our largest corporate clients, we are confident that Airbnb will not satisfy a meaningful piece of their demand."

—HILTON CEO CHRIS NASSETTA

Airbnb moved directly into the managed travel space when it launched Airbnb Business Travel in July. The platform, which provides travel managers with improved visibility and central billing capabilities, among other tools, has opened the door for travel programs that might otherwise have resisted Airbnb.

"As much as Airbnb makes me nervous, it's a platform that we're looking at and researching to see how they would fit into a managed corporate travel program," said Trish Rothman, global travel manager for William Blair. "They're already doing a lot of things that are trying to partner with us as a managed travel program; they're putting in security things. They've got International SOS that is linked to them on the back end. ... In cities like San Francisco, it's impossible to get a hotel room, so you have to have an alternative."

After signing an agreement with serviced apartments provider BridgeStreet

Global Hospitality in October, Airbnb continues to grow its professional inventory. "Airbnb is no longer sleeping on somebody's couch," said PKF Hospitality Research senior managing director Mark Woodworth. Airbnb offered about 250,000 units daily in the United States last year, and Woodworth estimated about 70 percent of that inventory competes with hotels. The competitive factor is whether a rental offers an entire apartment or house as opposed to shared space.

### The Airbnb Effect On NYC Hotels

Nowhere is the potential effect of Airbnb supply on the hotel market more evident in the United States than in New York City. Manhattan alone hosts nearly 13,500 active Airbnb listings. That dwarfs the inventories of Los Angeles (8,266), San Francisco (5,530) and Chicago (4,661).

At the same time, hoteliers in the city have struggled to raise rates in recent years in spite of record-level occupancy.

The average daily rate in the United States grew 4.7 percent during the first three quarters of 2015 and decreased 1.4 percent in New York City, according to STR. Meanwhile, supply grew 3 percent year over year, higher than the national rate of 1 percent, according to STR. What that 3 percent figure doesn't take into account is the growth of Airbnb, an entity that Woodworth said has the hotel industry "punching at phantoms." "If it wasn't for Airbnb we would be seeing rate growth much stronger than what we are seeing," Woodworth said.

### The Hotelier Outlook

Though the hotel executives who responded to Airbnb questions during their earnings calls largely rebuffed the idea that the provider would threaten them significantly, at least in the corporate market, they weren't entirely dismissive.

"Airbnb is real. It's here to stay," said Starwood interim CEO Adam Aron. "The hotel industry has some issues with Airbnb on things like collecting accommodations tax and other issues, but we all have to accept that the shared economy is part of the way the world will work in the 21st century."

Nassetta said: "I suspect over time, investors, everybody, will see it for what it is, which is a really good business but a business that is largely distinct from what we do. There is every opportunity for both of us to have really successful business models." [▶](#)

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TRIPBAM

# London Tops European Meetings Markets

BY ELIZABETH WEST

A spike in European requests for proposals has prompted Cvent to launch a ranking of the top 25 meetings destinations in Europe, said Cvent vice president of product marketing Kevin Fliess. It's the first time the meetings technology provider has built such a list for markets outside the United States.

"From 2013 to 2014, we've seen a 21 percent increase in RFPs for Europe, Middle East and Africa, along with a corresponding 21 percent increase in total room nights. That groups a few regions, but the growth in Europe has been robust," he said, noting that the

increase also underscores the growth of Cvent's vendor network and its technology penetration in the region.

Though usual suspects topped the list, secondary cities got some play, as well. Some of Manchester and Birmingham, England's volume may be the aura from London's bright star. According to Fliess, though: "We saw some smaller markets challenging the majors. Pricing and availability are certainly drivers there, but they've also invested a lot in infrastructure to lure some of that business."

The appearances of Istanbul, on the periphery of the European Union, and

Athens, in economically challenged Greece, on the list indicate the intense competition in the European market. "For all these destinations, meetings business is a critical part of their tourism strategy," said Fliess. "What we've seen in the [United States] is that destinations are keen to see where they fall in the rankings to be sure they maintain or increase their competitive positions."

Primary among Cvent's ranking factors were RFP volume and total room nights requested. Other criteria included awarded RFPs, awarded room nights, percentage of qualified meetings venues and number of profile views. [▶](#)

## Europe's Top Meetings Destinations

1	London	15	Copenhagen
2	Barcelona	16	Lisbon
3	Paris	17	Manchester, England
4	Amsterdam	18	Stockholm
5	Berlin	19	Athens
6	Frankfurt	20	Budapest
7	Madrid	21	Milan
8	Rome	22	Hanover, Germany
9	Brussels	23	Birmingham, England
10	Dublin	24	Zurich
11	Prague	25	Edinburgh
12	Istanbul		
13	Vienna		
14	Munich		

## Cvent Study Points To Emerging Meetings Strategies

BY ELIZABETH WEST

Meetings technology provider Cvent is helping companies place meetings volume, spend, budgeting, return on investment metrics and other strategic meetings information in the context of industry practices, now that it has released findings from a survey of 2,200 meeting planners, corporate executives and events marketing professionals. It's a data gap that has stymied meetings professionals, said Cvent co-founder and president of worldwide sales and marketing Chuck Ghoorah, and one reason they have not become more strategic players within their organizations.

"Benchmarking is a critical way to have a discussion with the C-level suite," he said. "At that level, they want to know if they were above [or] below the industry curve." According to the Cvent study, 94 percent of corporate executives surveyed already believed their organization's meetings were effective. That belief, however, often is based on what Ghoorah calls "tribal knowledge," rather than hard numbers. Some may have centralized data that can show year-over-year spend and revenue goals realized from a specific meeting or even a group of meetings. What has been missing, said Ghoorah, is that the eye of a disinterested party can broaden the perspective. And that, he added, is what the C-suite really wants.

Benchmarking helps set targets and build the business case to ask for what meetings pros need in order to push meetings performance to the next level, he said. "With this research in the market, planners may have the opportunity to say, 'If you give me budget, I can be here on the benchmark curve; if you starve my budget, I may have suboptimal performance.'"

### ROI Strategies

Cvent surveyed meetings professionals across eight meeting types. Trade shows and conferences loomed largest in the

survey, permeating 64 percent of the respondent base. These were followed by training workshops at 57 percent and internal meetings at 56 percent. The benchmarking metrics offered in the Cvent report focused largely on the trade show and conference segment, where registration fees, sponsorships, sales leads and other revenue streams can be tracked to calculate ROI.

Survey respondents leaned heavily upon registration fees, sponsorships and exhibitor fees to recoup the upfront costs of hosting a trade show or conference. Overall, registration fees recouped 61 percent of event costs, while sponsorships enabled meeting hosts to claw back 51 percent and exhibitor fees made up for 33 percent. It stands to reason, then, that meeting organizers looked to increase attendance by an average of 22 percent year-over-year as the most effective way to offset costs.

The survey showed varying degrees of success in increasing attendance. Trade show and conference planners fell slightly short of goal, realizing 20 percent annual increases. Slightly more than half of respondents raised registration costs throughout the registration window, both as a booking incentive and to realize incremental revenue closer to the event.

Given their ability to drive revenue, registration and exhibitor fees figured heavily into ROI calculations, as well. Thirty-seven percent of respondents tracked registration fees as part of ROI, while 32 percent tracked sponsorships. A quarter of survey participants tracked sales-lead generation as an element of ROI, while one-fifth looked at new business won and 16 percent measured client retention.

The study also examined budgeting,

marketing, content and event logistics timelines that meetings stakeholders can compare to their own practices.

### ROI: The Next Generation

In terms of ROI measurement, lead generation is the rising star, according to Ghoorah, both for Cvent and its customers. "In the past, people measured increased attendance, expenses and hard-dollar ROI. It's all important," he said. "With new technologies out there and with the expectations of attendees, we are now starting to measure the level

scores with a customer relationship management tool like Salesforce or Eloqua, he said, provides a new view of ROI for the organization. "Obviously, not everyone is doing this, but the progressive companies, they are starting to see the results," he said. "They can see 30, 60 and 90 days out, whereas before it was all tribal knowledge."

Cvent is starting to see results from the engagement trend, as well, and it's changing the company's business mix. "We are moving squarely into on-site event technology," said Ghoorah.



"Benchmarking is a critical way to have a discussion with the C-level suite. At that level, they want to know if they were above [or] below the industry curve."

—CVENT CO-FOUNDER CHUCK GHOORAH

of engagement as an indicator of ROI. That's why the [Cvent] mobile app is flying off the shelves. That is often how we are starting customer conversations now; it's starting with the concept of engagement."

But it's not just the mobile app. He said Cvent's most advanced attendee-engagement proponents are following the event journey from the moment of registration, increasing the lead's engagement "score" every time they complete a significant action. Registration ups the lead score a certain number of points; attendance provides another boost. Visiting booths, using the mobile app or polling tool and posting images on a "social wall" all are engagement indicators. Integrating those lead

"Our mobile apps, social walls, polling, etc.—the C-level suite can see it, touch it, feel it. They can see all this interaction [of attendees] with their companies. It used to be that event tech was all back-office operations; it's great but a thankless job. When the C-level sees the interaction now possible and they see how meetings professionals are connecting the brands with clients and partners, they get excited and they want to fund it more.

"Planners have struggled to get out of the tactical weeds and take their rightful seat in the corporate boardroom and to be known for the value they bring to the enterprise," Ghoorah added. "They need data and technology to do that. They can have that now." [▶](#)



# ALITALIA

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\*Enhanced services and Wi-Fi connectivity will be available across entire long-haul fleet upon the 2016 scheduled completion of cabin interior renovations on A330 and B777.



# T&T To Launch Subsidiary Focused On Data Aggregation, Visualization

BY JAY BOEHMER

Travel and Transport is making a big bet on Big Data by forming a stand-alone subsidiary that will provide data consolidation, aggregation and visualization tools for clients and nonclients alike. The emerging platform counts Travel and Transport client Allstate Insurance as an early adopter.

Meanwhile, Carlson Wagonlit Travel is rolling out a data analysis suite, which its executives said paves the way to integrate card, expense and other data for clients.

During The BTN Group's Innovate conference, Travel and Transport general manager of strategic initiatives Brian Beard lifted the veil on what he

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called a "subsidiary company" that will be wholly owned by Travel and Transport. "T&T will be my sugar daddy," he joked during an on-stage demonstration. "We are offering this to the whole industry, all corporations."

Beard said the big idea is to help corporations analyze travel programs, assess out-of-program spend, bridge the data disadvantage that buyers face when negotiating with suppliers, predict spending and capture total trip details, including, for example, folio-level hotel data and airline ancillary spend.

Travel and Transport has partnered with several data firms to power its system and will pull data from various sources, including travel management company back- and midoffice systems, credit cards, expense reporting systems, HR tools, industry benchmark information, social media and public data, such as stock market or weather information.

"We're in alpha stage with two customers," Beard said in September, noting plans to go live with the Web-based software-as-a-service platform by the end of the year.

Allstate worked with Travel and Transport on its own data-transformation project, which kicked off with reformatted travel management dashboards. "We use just travel data right now," Allstate director of travel management services Duane Goucher said. "Allstate is going to bring in non-T&E data," such as expense and credit card information, which will lend line-item detail. The company is migrating its expense platform

"from a 1990s Fisher-Price platform to a complete cloud solution," said Goucher. That will lay the pipes to expose richer expense data into T&T's new platform.

Allstate will look to layer in other information, such as weather data, travel industry benchmarks and social media data like TripAdvisor reviews. Goucher expected Allstate's iteration of the Travel and Transport system to be configured and running

of-breed components," he said. "We combined seven or eight of the best tools on the market and integrated those together. That gives us flexibility and keeps our costs way down."

Beard did not disclose price points, but during the Innovate conference, he anticipated "multiple tiers." He expected to charge clients a flat fee for unlimited users, setting his sights on what he called a

end-to-end view of their entire T&E expenditure. Our vision is to be that single source."

While the core AnalytiQs tool is standard for CWT clients, "we do see that as a valued-added component to an end-to-end offer," Vournakis said about aggregating non-CWT data.

CWT sees business intelligence as a proprietary, self-built opportunity. "We want to be in a position to own,



"We use just travel data right now. Allstate is going to bring on non-T&E data, [migrating] from a 1990s Fisher-Price platform to a complete cloud solution."

—ALLSTATE INSURANCE CO.'S DUANE GOUCHER

at full speed as soon as the first quarter of 2016.

Goucher said the system should lend deeper insight into the company's travel spend while supporting policy compliance, budget setting, senior management visibility and supplier negotiations. "When I sit down with United Airlines and they say, 'You gave us \$11 million last year,' I can say, 'No, we gave you \$14 million because you forgot that we bought \$700,000 worth of cocktails and \$300,000 worth of Wi-Fi'"

Travel and Transport has referred to the project internally as the "Big Data initiative."

As for the technology and partnerships behind the system, Travel and Transport uses the Microsoft SQL Server as its primary data warehouse and will use tools from Information Builders, an enterprise business intelligence software provider. For what Beard called the "visualization layer," Travel and Transport is using Information Builders' Info Discovery and is experimenting with data visualization tools from Tableau Software. "In addition, we have a couple tools used in the background for administration and security of our data warehouse," noted Beard.

"The strategy is taking the best-

"low-cost" offering.

Travel and Transport is not alone in mining an opportunity in data management. Following a 30-client pilot, Carlson Wagonlit Travel is rolling out a data reporting and benchmarking tool, AnalytiQs, which provides a "near-real-time data dashboard" premised on global coverage, a "user-friendly interface" and "actionable" data, according to the company.

The tool centers around 40 key performance indicators, for which clients can drill down and benchmark against other CWT clients. The tool also includes a "community" tab, something of a social network that lets travel managers interact with other CWT clients.

For now, agency booking data feeds CWT's tool, but "down the road," CWT plans to bring in "third-party, non-CWT data, as well," said CWT senior vice president of global marketing Nick Vournakis. "We can consolidate data from other agencies, if necessary. We will be able to consolidate credit card data; we'll be able to consolidate expense report data. For us, we know that's one of the biggest challenges that any travel manager has today. They want one single source,

guide and direct how we develop on that particular aspect," he said.

There are signs that corporate travel buyers struggle with data management, which was reported as a major time suck for 57 percent of the 237 North American travel managers surveyed by the Global Business Travel Association and Sabre this year.

Agencies have long provided data analysis and business intelligence tools, though it's not clear how many more want to step into the role of nontravel data aggregation. FCM's ClientBank Cloud, for example, is premised in part on incorporating nontravel data.

Meanwhile, BCD Travel finished migrating clients to its upgraded Decision Source system last year, phasing out "multiple legacy tools."

Even so, BCD is not yet sold on expanding its role in aggregating nontravel data. "Long-term, do we need to bring in card data and other things? That's still up for discussion," said BCD Travel president and CEO John Snyder at the end of September during The BTN Group's The Beat Live conference. "Right now, we are focusing on having a very comprehensive data set for travel information."

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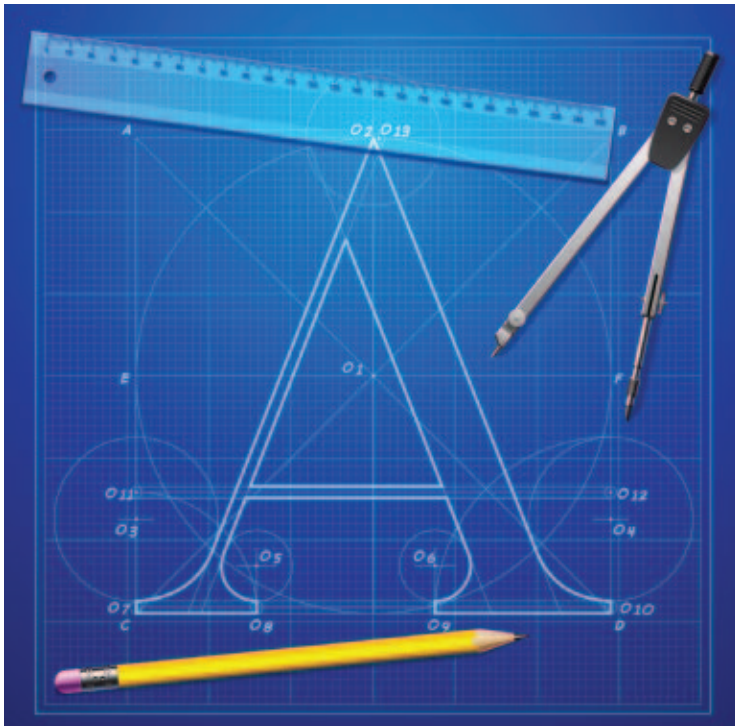


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## How Cisco Jumped Into Mobile



BY JoANN DeLUNA

*Editor's Note: Mobile technology's usage and potential in the managed travel industry advance hand in hand. The more companies engage, the better the tech becomes. The best bet when migrating to mobile is to communicate with your mobile technology providers, offering feedback on what is and is not working. That collaboration is what will push emerging technology forward. Here's how Cisco Systems has gone about it.*

Cisco made some big changes in 2015, partnering with Sabre to create a complete booking solution and building its own mobile application, all with the traveler experience in mind.

For its first mobile tool, Cisco wanted an end-to-end solution, senior global travel manager Carlos Almendros told *BTN*, and the existing functionality of Sabre's GetThere didn't fit the bill. "We didn't implement a mobile solution right away because it only had hotel and air capabilities," Almendros said. "And when our mobility teams looked at it, it was really quite clunky."

In the second half of 2014, Cisco began working with

Sabre to develop the next generation of capabilities for GetThere's mobile-optimized website. Sabre already was in the process of updating its mobile platform—accessible on desktops, laptops, tablets and smartphones—but GetThere president Yannis Karmis said Cisco's input added marketplace clarity and an understanding of what truly mattered to travelers. "[Cisco's] travel team also facilitated a broader collaboration between Sabre's technology team and Cisco's technology experts," he said.

The companies shared feedback and performed tests to improve the platform, according to Almendros. Developing a tool that maintained policy controls and program elements while giving the traveler an elegant user experience proved a challenge. "Cisco's expectation was an 'and' not an 'or'—not, 'How do I make a trade-off,'" Karmis explained. "Getting teams aligned on this can't be an exercise in making trade-offs. It has to be about finding ways to deliver on the value proposition."

The effort paid off. The new platform, available to all Sabre customers, adds car booking to air and hotel booking capabilities, plus an improved user interface.

Cisco also went a step farther for its own travelers and created a downloadable Cisco Travel Network app, which enables employees to book car, air and hotel through one log-in. "It was very intuitive for employees to recognize that it was an approved app and distributed in the Cisco app store," Karmis said. "That very quickly drove employee adoption of the solution and made it very easy for them to access, as before it was convoluted to access the mobile platform [through the Web]."

Cisco deployed the app to more than 70 countries, and Karmis said the amount of time for a Cisco traveler to book a round trip with air, hotel, and car decreased from 20 minutes to a range of five to seven. "We got high customer satisfaction, started seeing good utilization," Almendros said. "The other win was that Sabre now has a much improved mobile app that will be better not just for Cisco but for all customers." 🔄



"We got high customer satisfaction, started seeing good utilization. The other win was that Sabre now has a much improved mobile app that will be better not just for Cisco but for all customers."

— CISCO SYSTEMS' CARLOS ALMENDROS

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