



DELTA FLIES HIGHEST

IN BTN'S 18TH ANNUAL AIRLINE SURVEY

The Airline's **Fifth Consecutive Year** As
Corporate Travel Managers' Favorite Airline

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ADVERTISING COVER

Business Travel News December 14, 2015

UNITED



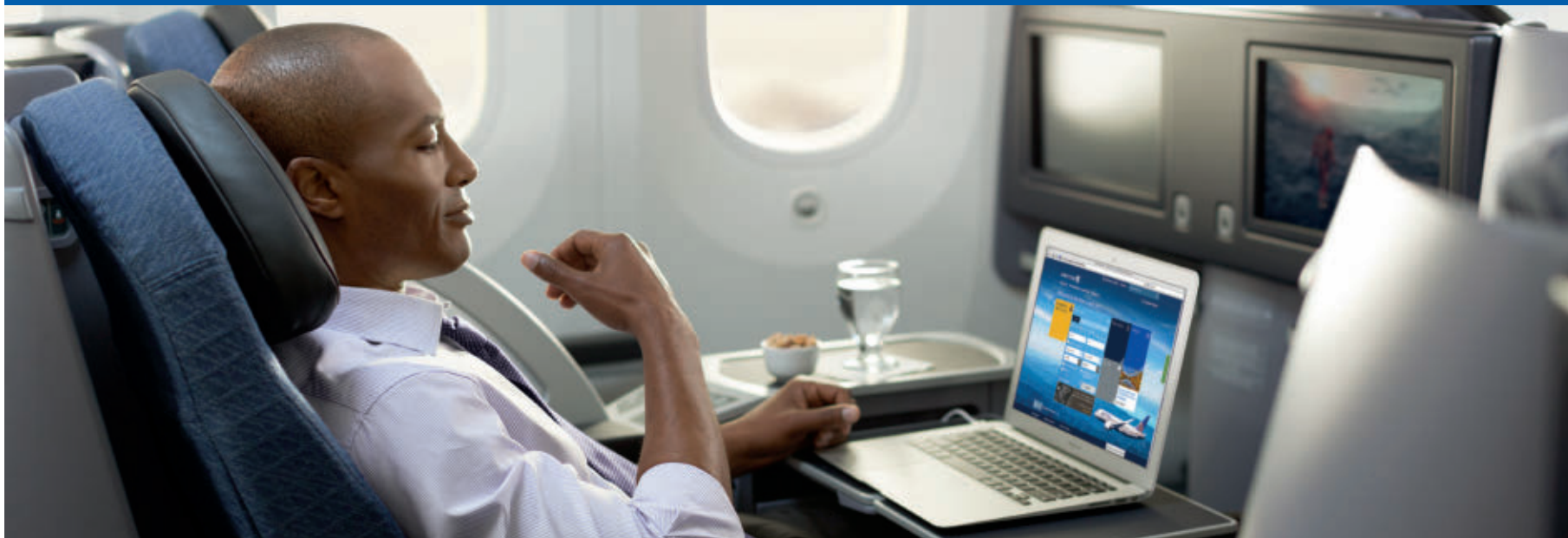
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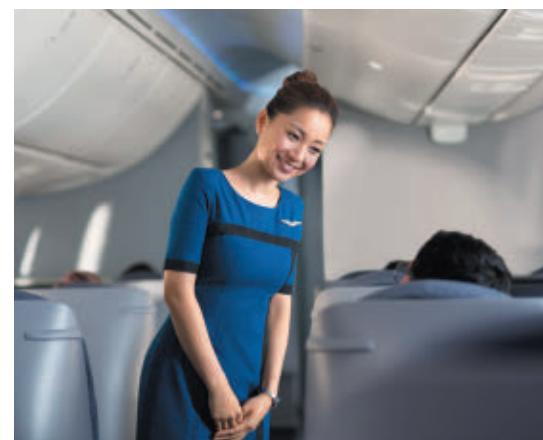
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Four Europe-based travel managers talk open booking, managing mobile and corporate travel personalization. Page 16

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Biggest 2016 Price Increases Will Come In Hotel

BY MICHAEL B. BAKER

For corporate travel buyers, 2016 will be a year of higher hotel rates, slightly higher airfares and flat car rental rates across most of the globe, according to American Express Global Business Travel's annual Business Travel Forecast.

The forecast, mined from Amex GBT's proprietary data and data from third-party research sources, projects "modest increases in global travel prices," according to vice president of consulting Caroline Strachan, who is departing Amex GBT at the end of the year. North American growth

upscale hotels, as both transient and group demand increases. "Momentum from 2015's strong rate performance is expected to carry on through 2016 as corporate travel managers continue to be challenged in negotiating aggressive discounts," according to the forecast. "While a healthy pipeline of new construction is on the horizon, the impact from added inventory is not likely to appear until after 2016."

Increases in EMEA will be more moderate, upward of 3 percent. The largest rises will come in major cities where the weaker euro is boosting tourism demand.

Even with generally weak economies in the region, "inflationary pressures" will boost hotel rates in Latin America. Stronger economies in the region—Peru, Colombia and Mexico, which also has a "robust manufacturing outlook and solid domestic consumption"—will see higher hotel rates.

Airfares

Airfare increases in North America will be slight, as rising capacity offsets growing corporate demand, according to Amex GBT. Short-haul economy fares will remain flat, owing to more competition from low-cost carriers.

capacity growth by Gulf carriers and lingering weakness in the region's oil-based economies."

In the Asia/Pacific region, airfare increases will be moderate. Domestic economy fares will experience the largest increases, ranging from 2 percent to 3.5 percent. They'll rise especially in India, as "its booming economy and poor ground infrastructure combine to push more travelers to solicit air options," according to Amex GBT.

Both business class and economy class airfares will decrease in Latin America, where economies are struggling, though consolidation among carriers in the region will mitigate that.

"Momentum from 2015's strong [hotel] rate performance is expected to carry on through 2016 as corporate travel managers continue to be challenged in negotiating aggressive discounts. While a healthy pipeline of new construction is on the horizon, the impact from added inventory is not likely to appear until after 2016."

—AMERICAN EXPRESS GLOBAL BUSINESS TRAVEL 2016 FORECAST

will be "healthy," while rate growth in Europe and the Asia/Pacific region will be moderate. Latin America, meanwhile, will continue to struggle amid economic instability.

Hotel Rates

Amex GBT projects corporate travelers in North America will pay as much as 6 percent more for midprice and

Corporate rates at midprice hotels in Asia/Pacific will increase between 1.3 percent and 3.7 percent, and upscale hotels rates will rise 1.6 percent to 4 percent. Amex GBT noted substantial rate hikes in Sydney and Tokyo, owing to strong currencies and limited hotel supply, and forecast smaller increases in India, owing to "lingering overcapacity."

Long-haul economy fares will increase between 0.7 percent and 2.7 percent. Business class fares will rise slightly on both short- and long-haul routes.


Fares in Europe, the Middle East and Africa will be "relatively stable" in 2016, though business class fares should increase slightly. In the Middle East, fares other than long-haul premium class should drop, owing to "rapid

Car Rental Rates

Car rental base rates across the globe should remain flat in 2016, according to the forecast.

In North America, the rental market will see limited growth, owing in part to ridesharing's increasing market share. Even so, buyers could witness higher overall prices, owing to rising ancillary costs, and companies without the volume to negotiate rates will bear the brunt of the increases.

Similarly, car rental base rates in EMEA will dip in 2016 on "increased competition and growing demand for smaller, more fuel-efficient vehicles," but overall prices will be higher on increased ancillary fees.

Latin America car rental base rates also will be flat in 2016 as the major car rental companies in the region see pressure from new local suppliers. 

IATA Will Pilot Digital Wallet in 2016

The **International Air Transport Association** is developing its own digital wallet that will allow members to send and receive airline ticket payments, according to an IATA spokesperson. The "pay-as-you-go" solution, part of the New Generation of IATA Settlement Systems between airlines and both travel agents and freight forwarders, will not apply to Airlines Reporting Corp. settlements. IATA plans live pilots for 2016.

No More Visa-Page Additions To U.S. Passports

The **U.S. State Department** will stop adding visa pages to U.S. passports Jan. 1 to "enhance the security of the passport and to abide by international passport standards." Travelers who run out of pages for exit and entry stamps will have to apply for a new passport by mail. Those applying within the United States may opt for either a 28-page or 52-page book at the same cost. The department began issuing 52-page books to all applicants outside the United States last year.

Air Canada Will Expand Service To United States

Air Canada will add service between four Canadian hubs and 12 U.S. cities in May and June, including daily year-round service between Toronto and Salt Lake City, Montreal and Denver and Vancouver and Chicago and daily seasonal service between Toronto and Portland, Ore. Air Canada Express will add twice-daily service between Toronto and Washington Dulles, Montreal and Philadelphia and Vancouver and San Jose; daily service between Montreal and Houston and Calgary and San Francisco; and twice-weekly service between Toronto and Jacksonville, Fla. Air Canada's low-cost carrier, Rouge, will add service between Calgary and Phoenix three times per week and daily seasonal service between Vancouver and San Diego.

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Travelport CEO Gordon Wilson on stable overall bookings versus a decline in Lufthansa bookings on the global distribution system: “We haven’t seen any discernible move-

ment out of the GDS channel, out of our channel, as a result of the Lufthansa action. We’ve certainly seen a decrease in Lufthansa bookings, but they’ve been replaced with other airline bookings. And that’s particularly by the online travel agencies but also by business travel houses. Lufthansa, in their earnings call last week, did talk about some away-market booking softness, which isn’t something [British Airways Parent IAG] called out on their [earnings] call. So, infer into that what you will.”



Expedia CEO Dara Khosrowshahi on his company’s acquisition of Orbitz for Business and integration of the brand name and personnel: “I don’t think we’ll maintain the brand. But you can bet we’re going to maintain that technology team, and that technology team is going to really add to our platforms going forward.”



Ron DiLeo, who has left Altour a year after becoming its executive vice president and chief commercial officer in order to focus on a medical application start-up he cofounded called Twin Bridge Technologies:

“I had a conversation with [Altour founder and president] Alexandre [Chemla] and said, ‘I’d be happy to cut back or do special project stuff, but I can’t commit to another year.’ So we decided it was best to just part ways.”



International Air Transport Association New Distribution Capability director Yanik Hoyles on his organization’s NDC standard for application programming interface to help airlines distribute content and offerings:

“How can the airlines and corporate work together? NDC maybe can support that. One way airlines and corporates could work better together is for the airlines to push out more value to corporates. Corporate identifiers and negotiated rates do exist today. But it’s quite likely in an NDC world that airlines will be able to offer better value packages to corporates because it will no longer be just seats and price. It’s not NDC in and of itself, but using the standards will enable airlines to engage and share increased value.

Corporate Travel After Paris & Mali From On Call International’s Jim Hutton



BTN editor-in-chief Elizabeth West spoke with On Call International chief security officer Jim Hutton about the corporate travel industry’s response and reaction to the November terrorist attacks in Paris that killed 130 and about the threat of terror attacks and necessary security measures for business travelers after a hostage crisis in Bamako, Mali, that left 27 dead.

Business Travel News: Has the situation settled since Nov. 13, or are companies still handling the fallout from the Paris attacks?

Hutton: The original activity was around accounting for personnel right away, doing a welfare-and-whereabouts check. There is a lot of great technology out there now, and a lot of firms have become much more sophisticated in this space to be able to do this quickly. Beyond that, clearly the information and notification stream will be a constant drumbeat in terms of alert messaging, email blasts, text messages, conference calls, whatever it might be to provide security reminders to travelers and briefings to crisis management teams to modify policy.

BTN: How well did companies perform with their crisis management plans over that weekend? What could have been improved?

Hutton: The larger firms that practice these things performed pretty well. Challenges crept in where we had leisure travelers, for whom this is very new and scary. Our academic clients [had their] study abroad programs, which introduce additional complexity around structure and process. But most organizations are doing a much better job of providing ongoing communications and updates. The fact that our call volume around welfare-and-whereabouts checks was pretty minimal suggests that a lot of the programs are maturing in this space.

BTN: Is the positive performance because everyone is carrying a mobile device?

Hutton: That’s a huge enabler. In addition: the ability to get to the Net and utilize Facebook and social media if it were from a laptop or PC in an Internet cafe. Those types of tools for a quick welfare check have been increasingly important. It’s a nice belt-and-suspenders approach where

you would send a message through all channels—personal mobile devices, Facebook, Twitter and others—to make sure you get the right coverage.

BTN: What were clients asking of On Call International? Did you have any hands-on interventions in Paris?

Hutton: Happy to say we didn’t have to specifically move anyone. Some clients wanted updates and wanted us to help them put context around the situation. It was a very dynamic event that happened in multiple locations. Once people began to understand what was going on, the conversation shifted to the knock-on effect. Were the borders closed? Were the airports open? Should we drive through Belgium? Some of our conversations centered on the “what’s next” piece once the initial shock wore off.

Beyond that, the conversation shifted to continuity of operations. Should I stay in France? What other locations are of concern? Finally, we always encourage our clients to think about what’s on the horizon in the next two or three weeks. What might be worth reconsidering based on the events we’ve seen? There is a very logical flow for the need for additional updating and awareness.

BTN: I assume there is quite a difference between companies that have official security managers versus those in which travel management, HR or some other department manages traveler security. Did you see a difference in crisis management success?

Hutton: Organizations that typically have an in-house vehicle to help manage crisis—whether managed by HR, a security officer or risk officer—tend to be able to provide organization-specific context around the guidance. Let me give you an example: When I was with Procter & Gamble, [employees] really relied on our

communications center to help [them] truly understand what events meant in their particular context, whether Paris, Western Europe or people who were booked for travel. We were able to put almost a personal touch on that with a drumbeat of updates and a channel to answer questions or concerns they had or their families had while they were away. So [it was] a very high-touch outcome that our employees really appreciated in a number of different emergencies.

For organizations that are less formal and have fewer resources—frankly, which is the case for a lot of our clients—the opportunity to take things from a provider directly or without context requires more engagement to [make it relevant] for their employees. That time and number of touches are obviously going to work against you in terms of the ability to educate people, get them

“The fact that our call volume around welfare-and-whereabouts checks was pretty minimal [after the Paris attacks] suggests that a lot of the programs are maturing in this space.”

comfortable in a crisis. That’s the strategic difference, although I would say [organizations with fewer resources] can hopefully get to the same place. We are seeing more of our clients [that don’t meet those more sophisticated criteria] still doing a good job.

That said, there were a lot of folks at the recent Overseas Security Advisory Council meeting who took absolutely frantic calls from both downstream travelers and their management. These companies had failed to make the investment in time and money to neutralize some of this. But ... the awareness has gone up.

BTN: Business travel will be affected for some time; security has intensified in many regions. Is this a lasting situation or a short-term reaction?

Hutton: Among respondents who weighed in on an Overseas Security Advisory Council survey about increased security in France and Western Europe due to terrorist activities, about 40 percent said it would last about a week. Another 26 percent thought we would see this posture for at least a month [lasting until the publication date for this magazine]. Beyond a month, 18 percent suggested we were looking at a midterm duration for countermeasures and procedures.

BTN: Why did corporations react this way after Paris and not after incidents in Beirut or other places where we know this is also happening?

Hutton: My personal opinion has a few components: There is such a critical mass around Paris and tremendous media presence and a lot of concentration of corporations and leisure travelers. There is also a geopolitical piece to this. France has had an interesting history from a colonial standpoint and an intervention standpoint in Syria and Lebanon. My third point, when you draw these comparisons with places like Lebanon, where car bombs went off [before the Paris attacks], there is a little bit of terrorism fatigue among the media and the public around certain markets. We’ve been reading about this since 1982. A car bomb in Beirut is tragic, but it’s not new, and that contributes to the lack of visibility or the lack of urgency that some people might bring to [similar] events in these markets.

BTN: But the corporate reaction: Is the difference in response tracked to media coverage or something else?

Hutton: I’ll go back to 30 years of history in Beirut. I’ll respectfully suggest that a lot of corporates have reduced their presence in Lebanon and markets like it, so there isn’t as much at stake for the larger players. They are using third parties to get work done: distributors, local Lebanese organizations that have jumped in and filled that space. There’s a wonder of commercial activity in Beirut. Lebanese people are all over the world conducting business and they’re great at it, and a lot of companies are leveraging that expertise in Lebanon and places like it [so they can] conduct business at arms’ length.

BTN: What is On Call International’s advice for continued travel into and through Paris?

Hutton: We want to be careful in that space. At the end of the day, from a duty-of-care standpoint, it’s the employer’s responsibility to make that call. That said, it’s important to provide perspective on what we’re seeing and [what we’re getting] from our sources to help [clients] form that opinion. It’s important for people to travel from a cultural standpoint, from a business standpoint. I’ve

hopefully built up credibility with them to start from ‘yes’—sometimes heavily caveated. Ultimately, [we] take a very integrated and cross-functional approach to understand the critical business need for travel to a market that is under threat, at least for the near term. You think about that continuum of response of an initial travel ban and then a relaxation, a phased approach. We understand the client’s need to go to places and do things to engage globally.

BTN: What about overall policy changes as a result of Paris and the ongoing volatility that seems to be in the air?

Hutton: A lot of organizations are going to take a good hard look at duty of care. This is a legal requirement creeping into this conversation more and more. Duty of care attaches a cultural and legal responsibility to do a few of things: 1) To have a well-defined policy and procedure around managing travel; 2) that you have done training and development of a crisis management function; and 3) communication.

From the moment an employee joins an organization all the way through sitting in the hotel room in Paris on that Friday night and afterward, you have to be able to communicate expectations and provide support. And beyond the legal requirement, it’s the right thing to do. 🌐

Hutton’s Insights After The Mali Hostage Crisis

- ▶ **Attack tactics remain similar to Mumbai and Paris, whether it’s al-Qaida, ISIS, Boko Haram, or another group.**
- ▶ **The attackers’ goals are mass casualties and major press.**
- ▶ **Before their trips, travelers should register with their embassies, reconfirm travel plans and refine their emergency communication plans, including a shelter-in-place plan, as logistics may become difficult and/or delayed.**
- ▶ **Corporations and travelers should expect copycat threats or actions.**

State Department Issues Travel Alert Through February

BY MICHAEL B. BAKER

The U.S. State Department has issued a worldwide travel alert through Feb. 24 that encourages increased vigilance for terrorist attacks.

Following attacks in Denmark, France, Mali, Nigeria and Turkey, as well as the alleged bombing of a Russian airline in Egypt, the department warns that terrorist groups ISIS, al-Qaida and Boko Haram “continue to plan attacks in multiple regions. These attacks may use

conventional and nonconventional weapons and target both official and private interests.”

The alert, the first worldwide travel alert since August 2013, includes the usual guidance for travelers: Avoid large crowds, be vigilant on public transportation and register in the State Department’s Smart Traveler Enrollment Program, which keeps U.S. travelers in touch with nearby embassies and consulates.

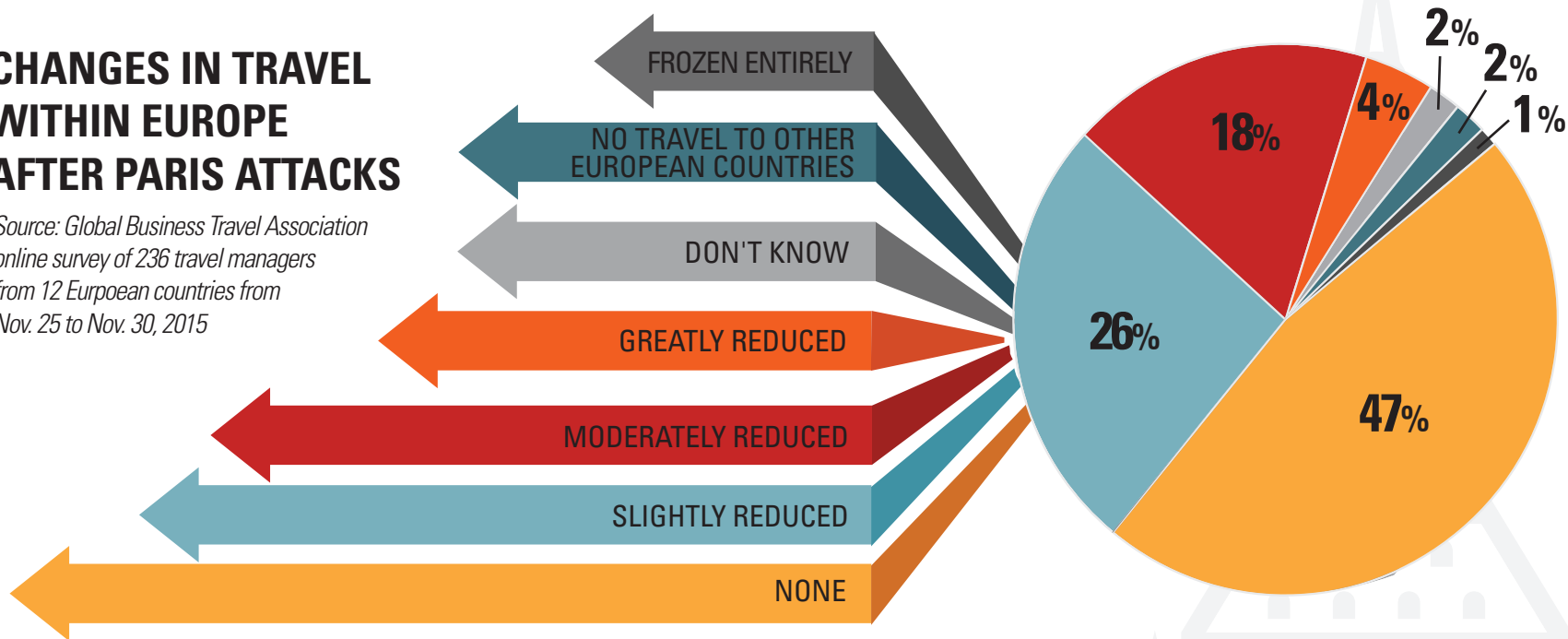
Increased wariness could impact demand for travel

from the United States to other countries for the next few months, according to a Cowen and Co. research note. “Historically, when events like Paris occur, bookings come under pressure in the short term but improve as the weeks pass,” according to the note. “With all the global uncertainty due to terrorist threats and general instability in the world, we expect customers to be slower to book than in the past, especially to destinations outside the U.S.” 🌐

STATUS CHECK: BUSINESS TRAVEL IN EUROPE

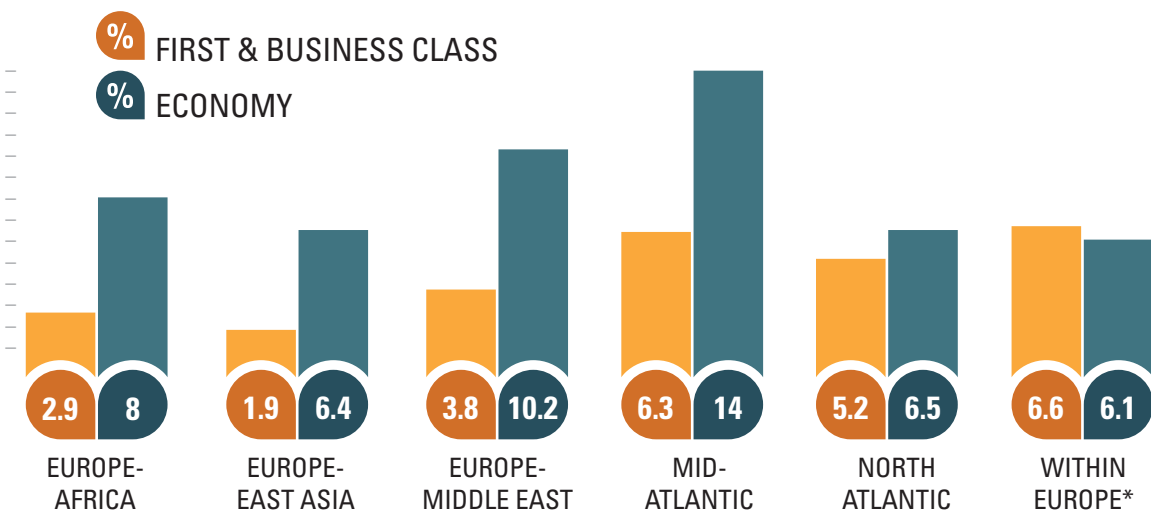
CHANGES IN TRAVEL WITHIN EUROPE AFTER PARIS ATTACKS

Source: Global Business Travel Association online survey of 236 travel managers from 12 European countries from Nov. 25 to Nov. 30, 2015



EUROPEAN ECONOMY AIR TRAFFIC HAS SURGED

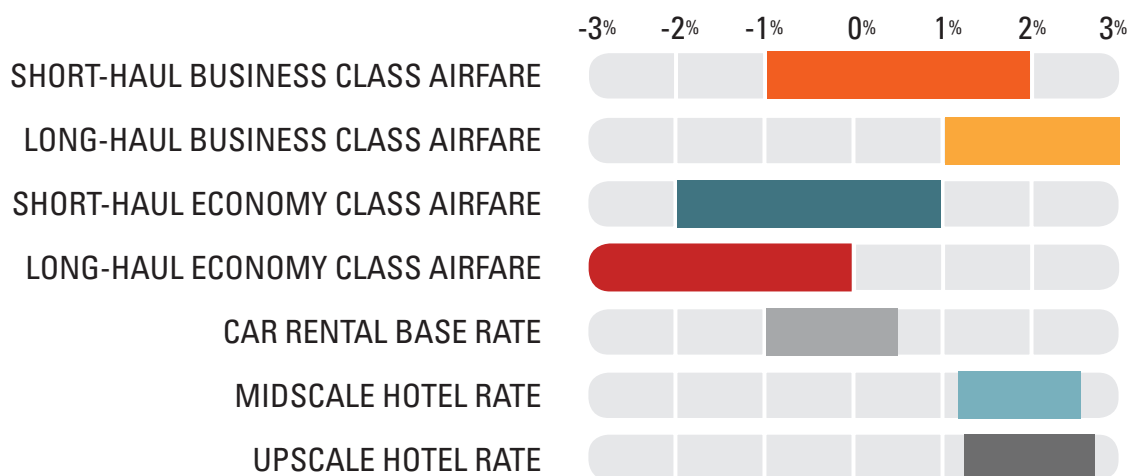
SEPTEMBER YEAR-OVER-YEAR CHANGES



According to <http://travelconsultantsskills.blogspot.com>, Mid-Atlantic is Europe-United States and Canada and North Atlantic is Europe-Mexico, the Caribbean and northern South America
*includes segments of long-haul flights that extend beyond the continent

Source: International Air Transportation Association's September 2015 Premium Traffic Monitor, released in November

EXPECTED CHANGES IN EUROPEAN TRAVEL PRICES IN 2016



Source: American Express Global Business Travel's 2016 Business Travel Forecast

AIRBNB'S GROWING SHARE OF LONDON'S LODGING MARKET

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AIRBNB'S RATE*



HOTELS AVERAGE DAILY RATE

*in 22 of the 25 boroughs with sufficient rate information

Source: STR Global analysis of Inside Airbnb data collected as of Sept. 3

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DELTA FLIES HIGHEST



The Airline Celebrates Its **FIFTH CONSECUTIVE YEAR** As Corporate Travel Managers' Favorite Airline

BY MICHAEL B. BAKER

Delta once again earned the top score in all 10 categories in *BTN's* Annual Airline Survey, and the carrier continued to gain ground on its competition. Its total score presided 0.9 points higher, on a five-point scale, than all its competitors. Last year, Delta's premium over the nearest competitor was 0.7 points.

The carrier also raised its total score slightly year over year, improving in seven of 10 categories. United Airlines also improved its score year over year and moved from fourth to second place. Southwest Airlines and American Airlines—rated second and third, respectively, last year—saw scores decline this year, but each trailed United by only a few hundredths of a point.

As most lingering aspects of the American/US Airways merger wrapped up this year, including a single operating certificate from the U.S. Federal Aviation Administration and the merger of reservations systems, *BTN* no longer lists US Airways as a separate carrier. It ranked fifth in 2014.

U.S. airlines have been raking in record profits this year, and that has translated into the capability to invest in network expansion, fleets and amenities. As such, 47.3 percent of the respondent base saw airline customer service improve, an increase of 10 percentage points over last year. Only 10.5 percent said airline customer service has gotten worse.

Paccar global travel manager Kristinn Jackson outlined the significance of that rising tide across the industry. "It's really important, when you consider your program, to look for those carriers that can deliver. I'm all for airlines making money, as long as they reinvest it in the product."

Delta Ups Its Operations Ante

Delta's sales efforts of late have emphasized its operational success, and buyers in *BTN's* survey gave Delta's quality of customer service, which includes operational performance, the highest score of any airline and any category. Last year, Delta registered 95 days with a 100 percent completion factor, while

United and American combined for 10 days.

"In the September quarter, we delivered a record 99.9 percent completion factor, including 40 days with zero cancellations, and our on-time rate improved," Delta CEO Richard Anderson said during the carrier's third-quarter earnings call. "In the month of September alone, we canceled only 13 flights out of more than 83,000. Our competitors can't match it."

This summer, Delta banked on that reputation by introducing the Operational Performance Commitment, which compensates customers flying under corporate sales agreements should Delta's controllable on-time and cancellation performance fall below both United's and American's. The strategy outlined how "Delta's operations reliability in and of itself provides cost savings to a corporation above and beyond the contract savings," senior vice president of global sales Steve Sear said.

According to one buyer: "The Delta SLA for performance was a breakthrough for our industry. It takes the commodity mindset out and applies the service value." Another said,



“While the level of compensation could be improved, it is still an impressive commitment to their business partners.”

Buyers also praised Delta’s sales team, and the carrier improved its score in all three categories that gauge airlines’ flexibility in negotiations. One buyer noted that Delta was the only carrier to offer a substantial discount even for a nonmandated program that had little Prism data to back up spending reports. Another noted a “communication channel open for anything” related to requests for amenities. Delta’s reporting portal, part of the Delta Edge suite of services introduced last year, garnered bravos, as well.

“Delta has worked very hard at demonstrating they are willing to work with their corporate customers to achieve a win-win, and they correspondingly exercise flexibility and deliver innovation both within their contract space and in delivering beyond contract value,” a buyer said. “Unlike some other U.S. carriers, their approach exceeds simply getting bums in seats at the highest possible price.”

Additionally, Delta’s joint ventures with Air France/KLM and Virgin Australia earned top scores.

Buyers did criticize Delta’s Basic Economy fares, however. The carrier introduced the no-frills fares, which preclude both advance seat selection and changes, last year to compete with ultra-low-cost carriers like Spirit Airlines. A buyer said the fares were “not a competitive stance,” as they compete in certain markets with Southwest, which still allows ticket exchanges.

Looking forward, Delta plans to further develop its Corporate Priority program, in which travelers of corporate clients receive elevated priority in cases of delays, cancellations or oversold situations, vice president of commercial operations Kristen Showlin said. “We’re putting an emphasis and protection around prioritizing corporate travelers. We’ve listened to customers and are building on what they want.”

United Gains Ground

Despite internal challenges, United Airlines was the only carrier other than Delta to improve its overall score from 2014, by 0.06 points. It also improved in eight of the 10 categories, declining only in meetings pricing flexibility and customer service quality.

One buyer said, “United continues to provide excellent service and alliance flexibility.” Another noted, “They have certainly shown improvements in their airport services and quality.” Another buyer, however, said the carrier still needs to focus on in-flight challenges, including its on-time rate and services. “We are looking for more consistency from them.”

Since its merger with Continental in 2010, United has faced operational difficulties, including brief fleet groundings owing to computer glitches, and those continued this year. Additionally, CEO Jeff Smisek resigned this year amid a federal investigation of alleged deals with public officials. His successor, Oscar Munoz, was sidelined with a heart attack shortly after taking the position but expects to return early next year. Both inside and outside United,

the consensus seems to be that Munoz will take the carrier in the right direction. “When [Munoz] came on board, he got everybody focused on continuous improvement, and we’ve seen that play out in everything we do at United,” senior vice president of worldwide sales Dave Hilfman said. “Every group in the company has been looking under every rock for ways to improve and innovate.”

United’s highest scores came for its distribution and its networks, partnerships and frequencies. The carrier has grown its network—new service to Tel Aviv, China’s Xi’an, and New Zealand’s Auckland, for example—as well as its partnership network, including investment in Azul Brazilian Airlines. That has allowed United to reach out to a new base of corporate clients, United president of sales for the Americas Jake Cefolia said. “In many ways, we were the victims of our own success, with a high share of a large number of corporate accounts,” he said. “As we’ve been growing our network, internationally as well as with joint-venture partners, we can seek opportunities that weren’t available in the past.”

United also has worked to better coordinate schedules and service offerings with its JV partners, he said, and the carrier has benefited from a reorganization that moved distribution under sales, he added. Additionally, it has explored ways to include ancillaries in global distribution systems, becoming the first U.S. carrier to offer its premium economy product through all the major GDSs.

To improve sales flexibility, United developed and implemented a tool to give its field sales team more decision-making authority this year, managing director of worldwide sales resources Karen Catlin said. It enables sales team members to, for example, adjust discount terms within approved guidelines without having to go back for approval. “But they have pretty wide parameters,” she said. In October, the tool helped cut deal reworking by 20 percent.

While United’s lowest score was in the customer service area, it will continue to improve operations, Cefolia said. Part of that is coming from capital investment, not only in newer aircraft that require less maintenance but also in new ground equipment, including a laser-driven self-parking system that allows aircraft to park without someone on the ground guiding them, avoiding the need to wait on the taxiway when ramps are cleared after lightning strikes, he said.

The carrier has even changed the way it measures its own performance, no longer considering aircraft that make it to the gate within 15 minutes of schedule to be on time, he said. “Our measure now is zero. We’re not going to give ourselves a 14-minute grace period now,” Cefolia said. “That’s where our mindset is, and that’s how we schedule people and allocate ground equipment.”

Southwest Falts But Rates High On Value

Although Southwest Airlines’ score dropped 0.19 points year over year, the carrier continues to compete in the price/value equation among buyers. Southwest’s scores decreased year over year in nine of 10 criteria, most significantly in the three categories related to flexibility of

“Unlike some other U.S. carriers, [Delta’s] approach exceeds simply getting bums in seats at the highest possible price.”

—A corporate travel buyer

BEST U.S. AIRLINES FOR BUSINESS TRAVEL MANAGERS & BUYERS

Average of each airline’s scores—on a scale of 1 (poor) to 5 (excellent) across the following 10 categories

- 1 DELTA AIR LINES..... 4.19
- 2 UNITED AIRLINES..... 3.31
- 3 SOUTHWEST AIRLINES..... 3.28
- 4 AMERICAN AIRLINES..... 3.27

TRANSIENT PRICING

Customizing discounts & other negotiated prices

- 1 DELTA AIR LINES..... 4.13
- 2 SOUTHWEST AIRLINES..... 3.09
- 3 UNITED AIRLINES..... 3.00
- 4 AMERICAN AIRLINES..... 2.99

MEETINGS TRAVEL PRICING

Customizing discounts

- 1 DELTA AIR LINES..... 3.90
- 2 SOUTHWEST AIRLINES..... 3.11
- 3 UNITED AIRLINES..... 3.07
- 4 AMERICAN AIRLINES..... 2.98

SERVICES & AMENITIES

Customizing traveler-focused offerings like soft-dollar benefits & VIP treatment

- 1 DELTA AIR LINES..... 4.03
- 2 UNITED AIRLINES..... 3.08
- 3 AMERICAN AIRLINES..... 2.89
- 4 SOUTHWEST AIRLINES..... 2.67

DISTRIBUTION

Providing comprehensive content through preferred booking channels

- 1 DELTA AIR LINES..... 4.22
- 2 UNITED AIRLINES..... 3.84
- 3 AMERICAN AIRLINES..... 3.81
- 4 SOUTHWEST AIRLINES..... 3.11



COMPLAINT RESOLUTION

Quick & effective responses to buyers & travelers

1 DELTA AIR LINES.....	4.29
2 SOUTHWEST AIRLINES.....	3.39
3 UNITED AIRLINES.....	3.17
4 AMERICAN AIRLINES.....	3.15

COMMUNICATION WITH BUYERS

Informing clients of changes in airline management, products, programs, data, reporting, sales & service

1 DELTA AIR LINES.....	4.37
2 AMERICAN AIRLINES.....	3.49
3 UNITED AIRLINES.....	3.45
4 SOUTHWEST AIRLINES.....	3.31

ACCOUNT MANAGERS & SALES REPS

Productive & frequent meetings, plus their power to negotiate

1 DELTA AIR LINES.....	4.37
2 UNITED AIRLINES.....	3.38
3 AMERICAN AIRLINES.....	3.21
4 SOUTHWEST AIRLINES.....	3.11

CUSTOMER SERVICE FOR TRAVELERS

Timeliness, reliability, cleanliness, support & communication

1 DELTA AIR LINES.....	4.39
2 SOUTHWEST AIRLINES.....	3.71
3 AMERICAN AIRLINES.....	3.20
4 UNITED AIRLINES.....	3.06

NETWORKS, PARTNERSHIPS & FREQUENCIES

Service to the destinations corporations need to reach

1 DELTA AIR LINES.....	4.29
2 UNITED AIRLINES.....	3.85
3 AMERICAN AIRLINES.....	3.76
4 SOUTHWEST AIRLINES.....	3.46

VALUE

Service relative to cost

1 DELTA AIR LINES.....	3.94
2 SOUTHWEST AIRLINES.....	3.77
3 AMERICAN AIRLINES.....	3.18
4 UNITED AIRLINES.....	3.17

negotiation. Even so, vice president and chief marketing officer Kevin Krone said it had been an “insanely successful year” on the sales side in terms of new account volume. “We think differently than of lot of the airlines operating, and the corporate sales program is no different,” he said. “The airline is built around things like our value, and we’ve really worked hard on that message: how different we are with things that are included in Southwest.”

Travel buyers’ perception of Southwest’s overall price value slipped this year, but it still outscored both American and United in that area, by about 0.6 points. The airline has continued to buck industry trends by foregoing change fees and fees for two checked bags. On the latter, it became the last major player standing this year, as JetBlue moved to a tiered-fare system that includes a lowest tier with no baggage allowance. This summer, Southwest president and CEO Gary Kelly reiterated that the airline had no intention of changing that.

Southwest’s sales team and corporate booking tool, Swabiz, prompted praise from one buyer. “Southwest keeps track of our usage through our Swabiz account and contacts us if the rep notices we are traveling more frequently than our previous quarter’s contracted discount rate,” one buyer said. “The rep proceeds to negotiate even steeper percentage discounts on our behalf with the corporate offices, and we usually receive a better discount each time our rep negotiates for us.”

The one area in which Southwest’s scores improved year over year was networks, partnerships and frequencies. This has been a big year of network growth for Southwest, particularly as the expiration of the Wright Amendment allowed it to add significant service from Dallas Love Field. Southwest also saw strong business growth in Chicago, Atlanta and Washington, D.C., Krone said. Primarily a domestic carrier, Southwest has grown its international network through a new international hub at Houston’s Hobby Airport. Its international destinations trend toward leisure spots like the Caribbean and resort cities in Mexico, but that adds value for those who earn frequent-flyer points on business travel, according to Krone.

American Moves To Post-Merger Initiatives

While American’s overall score dipped slightly year over year, its handling of the merger with US Airways earned kudos. “Don’t want to jinx it, but the merger has gone well

for us so far,” said one buyer. “[It’s been] seamless from our point of view, which is an improvement over other mergers. Communications have been timely and informative.”

The carrier’s movement to a single reservations system in October has been trouble free, aided by a drain-down approach that began this summer, in which certain reservations moved to the new system ahead of time. In the first five days after the switchover, American’s on-time performance was a strong 89.4 percent and its completion factor hit 99.95 percent, American president Scott Kirby said during its third-quarter earnings call.

All corporate contracts are now merged, and all customer-facing features in airports fall under the single American brand, vice president of global sales Derek DeCross said. “The mantra here was integrate, then innovate,” he said. “We wanted to get everything right with the merger, and now that we’ve pulled that off, we’re focusing more on innovation to get us where we need to be.”

Some of that innovation began this year, though, including a move to round-the-clock sales support for both in-person and online communications. That perhaps aided American’s higher score in client communications on *BTN*’s survey. Other initiatives have included ongoing simplification of joint business contracts and the introduction of Flex Funds, which help corporate buyers and agents manage and access fee waivers through the carrier’s SalesLink online platform. That will be completed in the first quarter of 2016, according to DeCross.

In the second half of the year, American plans to introduce a corporate portal that will offer “on-demand, real-time reporting that will be critical data to see how clients are performing versus their contracts, which will help us help them with their travel program,” he said.

And last month, using the International Air Transport Association’s New Distribution Capability standards, American began a pilot to allow agents to book its Preferred and Main Cabin Extra seats through Sabre green screens and Sabre GetThere. The carrier plans to expand that and other ancillary content to other online booking tools and GDSs next year, DeCross said.

American also is changing the way it manages bookings during irregular operations and schedule changes, he added. Previously, corporate travelers had to call American’s reservations department to make changes. By February, agencies will be able schedule those changes themselves. [▶](#)

METHODOLOGY

BTN’s Airline Survey measures the way corporate travel buyers perceive airline performance. From late August to late October, *BTN* collected responses from travel manager and buyer members of the *BTN* Research Council and from a random sample of qualified subscribers of *Business Travel News* and *Travel Procurement*. *BTN* received completed surveys from 239 qualified respondents, those whose organizations spent at least \$500,000 on airline tickets in 2014. Of those, 10.5 percent represented organizations with United States-booked air volume between \$500,000 and \$1.9 million, 39.7 percent between \$2 million and \$12 million and 49.8 percent \$12 million or more.

BTN developed the categories with travel buyers, corporate travel agency managers and

airline sales executives. It averaged scores in each category to create an overall score for each carrier, weighing each category equally. Respondents graded only those airlines with which they negotiated a contract or booked a meaningful amount of business in the past year. Participants who offered no response for a particular category or airline were not included in that category or airline’s average rating. The survey listed the largest domestic airlines as identified by the U.S. Department of Transportation, excluding regional affiliates of major carriers. Alaska Airlines, Frontier Airlines, JetBlue Airways and Virgin America elicited responses from less than 20 percent of the final survey sample and therefore were excluded from this report. Equation Research hosted the survey and tabulated the results.

happy

Holidays

WISHING YOU HEALTH &
HAPPINESS IN THE NEW YEAR



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ROUNDTABLE

Open Booking, Mobile & Corporate Travel Personalization In The Eurozone

Managing traveler behavior via mobile apps, social media and other technology was the *plat du jour* when European buyers gathered for *BTN's* annual roundtable at the Association of Corporate Travel Executives global conference in Paris. Supplying the answers—and in some cases, the questions—in this excerpt: Denmark-based global head of travel and indirect services for Maersk, Mette Christensen; Ireland-based European travel manager for The Coca-Cola Co., Michael Hill; United Kingdom-based global travel manager for Willis Group Services, Deborah Short; and Italy-based Europe, the Middle East and Africa director of travel and meetings for Johnson & Johnson, Andrea Valvo.

BUSINESS TRAVEL NEWS: All of you manage policy compliance very effectively, but are you feeling the pressure to allow some form of open booking?

ANDREA VALVO: We are feeling the pressure. We get thousands of questions about “Why can’t I book on the Internet for less than through our agency?” But at this stage, the economic pressure on the business is such that we can still have a strongly compliant policy.

BTN: Will you be able to hold the line for the next three to five years?

VALVO: A typical conversation I have with senior management is: Why is there so much technology for leisure travel and so little for corporate travel? There is a lot of effort at the moment from [travel management companies] and technology providers to enable a different type of managed travel for the future. But three years ago, I expected us to be in a very different situation today, so I would not bet on us being in a very different situation three to five years from now because history says we need to be cautious.

METTE CHRISTENSEN: It’s going to be difficult. I can see the next generation coming. Right now, there is a very strong culture in our company of following policy, so I can keep them at bay at the moment, but we have to come up with another solution.

BTN: Give us your vision of what this model would look like.

CHRISTENSEN: It’s not going to be open booking, but it has to be a more flexible way of approaching the booking. It has to be more like the way people use mobile today. There have to be more options. I would prefer to do it with my TMC because then I can still control this.

MICHAEL HILL: The lack of mobile technology in our industry is our biggest hurdle at the moment. I am struggling to get my TMC to confirm when I am going to get an app for online booking.

CHRISTENSEN: We are developing our own app [and launched it in November 2015]. People are getting app tired, so you have to make sure it’s interesting enough, and it costs quite a lot of money to do it.

BTN: So, if it’s expensive, why are you doing this?

CHRISTENSEN: Because what’s out there is simply not good enough. We will give it to the travel agency afterward because they couldn’t deliver something that was good enough. Someone has to invest.

BTN: Are you working with a third party to build it?

CHRISTENSEN: I have one of our own developers assigned to me to do this.

BTN: What’s going to be in the app?

CHRISTENSEN: We will integrate information like: What do I do if I lose my luggage? What if I’m afraid in a hotel in India? It’s going to be everything from your itinerary to what’s the weather like, what is the currency, what’s in the hotel program. We’re going to link it up to Lanyon. In Quarter 2 or 3 next year we’re going to get online booking in there. There’s going to be security information. I want my travelers to be part of a club. I want TripAdvisor to be in there, as well. I’ve given my travelers a credit



JOHNSON & JOHNSON'S ANDREA VALVO ON PACE OF TECHNOLOGICAL CHANGE:

Three years ago, I expected us to be in a very different situation today, so I would not bet on us being in a very different situation three to five years from now because history says we need to be cautious.

card with a brand on it. Now I want to give them an app with a brand on it, too.

BTN: Do you really think you can keep up with the fast development of mobile apps?

CHRISTENSEN: I want to push someone else to develop further. I hope the TMCs develop a really hot app that I can just buy, but right now, it’s not there and I want to give my travelers something.

BTN: What about the rest of you?

DEBORAH SHORT: I’ll be relying either on a TMC or on Concur. I haven’t



MAERSK'S METTE CHRISTENSEN ON MOBILE TRAVEL TECHNOLOGY:

What’s out there is simply not good enough. We will give [the travel app we build] to the travel agency afterward because they couldn’t deliver something that was good enough. Someone has to invest.

got the budget to develop in the short term, and I certainly wouldn't have the budget year on year in the long term to keep up with what's on trend.

CHRISTENSEN: If you're depending on Concur or someone like that, then you need to have one enterprise resource planning system or do a hell of a lot of integration, and we have 18 ERPs. I have to find another platform because integrating into the ERP systems is going to kill me. It might be that it's obsolete in one or two years, but I've got to push the boundary somewhere.

BTN: How do you justify the investment when it may be obsolete soon?

CHRISTENSEN: I take it out of my own budget, and I have development money I can use for certain stuff. I can probably sell it [to a travel technology company], too.

BTN: Travelers have to use other apps, too, such as for hotel check-in and mobile boarding passes. What's your policy about allowing that?

SHORT: We're just changing our whole mobile strategy. It was all very BlackBerry oriented and controlled. We now have a strategy of smartphones or bring your own device, and that's allowing us to do more. We're a lot more flexible in the apps that people can download.

BTN: Do you try to control or direct in any way what apps they can use?

SHORT: We haven't quite reached that yet. You remember how in the old days, we would stage travel fairs? What we're looking at doing next year is having a travel technology day. I want to get to people who don't know how to work apps. Thousands of people have a TripIt account, but none of them use it because they don't really understand it.

VALVO: Our company recommends some apps. They have to go through checks with IT, data privacy and so on.

BTN: Do you participate in recommending the apps?

VALVO: I am involved in the whole process, but, of course, there are others, as well.

SHORT: Can you tell us which apps they have been supportive of?

VALVO: One is TripCase. We launched a corporate version of it, and the other big one was Concur Mobile.



THE COCA-COLA CO.'S MICHAEL HILL ON MODERATING AN ONLINE TRAVEL FORUM:

Honestly, not a lot [of your time is used]. There are five travel managers, and we are all watching it. I am fanatical about answering every single question as quickly as possible because I want the travel team to be seen as responsive.

CHRISTENSEN: We have our own app store for which apps need to get through our IT security department.

BTN: What exactly are you taking on when you recommend apps?

SHORT: My problem is that if I recommended an app, I would end up with a million questions.

VALVO: I was afraid of the same thing, but it didn't happen. But you need something that is self-explanatory. Otherwise, you could be overrun.

BTN: Staying within the digital world, do any of you engage with your travelers through digital media?

HILL: We have a Salesforce Chatter account. We set it up for many things, but it includes a business travel forum. It's a great way for people to ask questions, especially if they don't know who to send [the questions] to. The travel managers are all responsible for monitoring the account.

BTN: So you have to be responsive to what comes in?

HILL: Yes, but that's your job as a travel manager anyway.

SHORT: I'm in meetings most of the day. Doesn't someone have to be there to respond to it?

HILL: There aren't that many questions. It's the same point as your fear about the app. It doesn't create much more work, but it does create an awareness and everything gets stored so people can refer to previous topics of conversation.

BTN: Don't people tend to rant on social media? How much of the comments are negative versus positive, and do you try to control that?

HILL: Not as much of it is bad as you might imagine. I post information about strikes in Europe or if we have any new deals with a hotel. I

encourage preferred hotels to give us offers for weekends so that we can help our partners to create incremental revenue. We do get feedback, and some of it is excellent.

BTN: How much time are you putting into moderating your forum?

HILL: Maybe 30 minutes a week. The questions are very basic. You can fire the answer off straight away, so honestly, not a lot. There are five travel managers, and we are all watching it. I am fanatical about answering every single question as quickly as possible because I want the travel team to be seen as responsive.

SHORT: It has to be because people are now used to having instant conversations online with companies like Apple and Amazon.

HILL: That's an excellent point. The technology for chat is there, but we



WILLIS GROUP SERVICES' DEBORAH SHORT ON EDUCATING TRAVELERS:

Remember how in the old days, we would stage travel fairs? What we're looking at doing next year is having a travel technology day. I want to get to people who don't know how to work apps.

don't have it in corporate travel.

CHRISTENSEN: I want chat with our TMC on the app. The first time I suggested this, they looked at me and said, "You are crazy." I said, "Probably, but let's get on with it." And now they are completely into it because when we get our app, that's going to take off like mad. We have so many transactions and emails going into the agency that I need to find another solution for it, and chat is going to be the way forward.

BTN: What about your online adoption? Chat capability makes it easier to talk to the agent?

CHRISTENSEN: My online adoption is bad anyway because we have such complicated travel, including marine and offshore travel. In some countries like the U.S., it is 80 percent, but overall it is around 10 percent. I'm actually trying to circumvent the online tool. That technology is going to be lost in a few years. We're trying to develop an old technology.

SHORT: And chat is definitely the future. It's the easiest thing. But it's expensive because you need to have multiple people available to respond instantaneously. In the U.S., we have 98 percent online adoption. Was it easy? No, it wasn't. We had to mandate it, and the agency isn't allowed to take any simple bookings. I know if we had chat, people would do just that and not book online.

BTN: What else are you doing to engage with and motivate your travelers?

HILL: What I've started to do with a couple of hotels in London where travelers have booked the Coca-Cola rate is to put a personalized welcome message on their bed when they arrive. It shows them the rate, what's included in the rate and a map of how to get to our office. It's working really well, and I'm going to expand it. Knowing what's in the rate is particularly helpful. Is Wi-Fi included? Is breakfast included? This cuts those questions out. 🔄

Air France-KLM Scraps Short-Haul Surcharges

BY AMON COHEN

Air France-KLM has scrapped surcharges on flights within Europe and reduced them on long-haul routes that don't cross the Atlantic. Instead, it has integrated the price element into the total ticket price.

Travel management consultants said the change, which took effect Nov. 3, should reduce costs for many corporate clients because more of what they pay will be subject to their negotiated discounts. Surcharges can account for well over half a ticket price, yet are ineligible for discounts. "No one understood why, if you had €1 million of air spend, only €400,000 was negotiable," said Jörg Martin, the Germany-based managing director of CTC Corporate Travel Consulting and chairman of GBTA Europe's aviation committee.

However, another move by the carrier may confirm the "heads they win, tails we lose" way some buyers' view airline pricing. The carrier has pushed up some fares by more than the amount it has reduced its surcharge. According to Olivier Benoit, senior director and air practice area leader for BCD Travel consulting arm Advito, it reduced the surcharge for business class from Paris to Hong Kong by €114 but increased its published fare by €215. "For a client with a significant discount, the total price will decrease. For a client with a limited discount, the price will remain flat or could even increase," said Benoit.



"For a client with a significant discount, the total price will decrease. For a client with a limited discount, the price will remain flat or could even increase."

—ADVITO AIR PRACTICE AREA LEADER OLIVIER BENOIT

Surcharging has long been contentious. Introduced as fuel surcharges more than a decade ago, YQ and YR boxes on air tickets since have ceased to bear any relation to fuel costs. Indeed, Lufthansa Group gave up any such pretense in 2014, renaming the YQ box an "international surcharge" to cover costs it considered uncontrollable, such as air traffic control. Others, such as British Airways, renamed them "carrier-imposed surcharges."

Airlines have received considerable criticism since late 2014 for maintaining surcharge levels while fuel costs have fallen. Other than in regulated markets like China and Japan, examples of change have been rare. Qantas and Virgin Australia integrated surcharges into their base fares on international routes in January, and British Airways quietly did so on short-haul flights a couple months later, Benoit said.

Buyer groups object both to surcharges' lack of transparency and to their immunity to discounts. "We have been talking

in depth with airlines since the beginning of the year to make them understand our perspective," said Martin. Air France-KLM wrote to the travel trade last month that it had "decided to move towards a transparent and simplified pricing policy, integrating (fully or partially) the carrier surcharge (YR) in the net fare."

Moving Forward

Benoit said the carrier has retained a surcharge on long-haul routes so that it has a mechanism to respond to future fuel price increases. "In a perfect world, it would be fully integrated on every route, but the fuel price is still volatile. A surcharge could make sense but only if it is transparent"

Though Air France-KLM reduced the surcharge on other long-haul rates, Benoit said it did not do so on transatlantic routes because surcharges there already are lower. For example, a typical business class surcharge from Europe to Asia is €450 to €500; from Europe to the United States,

most airlines charge around €175. However, Martin said the stasis on transatlantic routes also represented Air France-KLM's failure to reach consensus with joint-venture partner Delta Air Lines. Delta did not respond to a request for comment.

Benoit warned: "AF/KL may revise its discounts policy in ongoing requests for proposal or by offering lower discounts to corporate clients from 2016. Although AF/KL has to offer competitive pricing, this could be a challenge when negotiating routes where it is in a monopoly or dominant position."

Both Benoit and Martin believe more airlines will reduce or scrap surcharges over the next year and welcomed the improved transparency. They have one complaint, though. "Total ticket prices have not benefited from the drop in fuel prices," said Benoit. "Airlines are looking instead at what the market can bear, and they see that their load factors are holding steady or even moving upwards." [✈](#)

AAdvantage To Be Revenue-Based

BY MICHAEL B. BAKER

American Airlines will transition its AAdvantage loyalty program from a mileage-based model to a revenue-based one in the second half of 2016.

Members will earn five miles per dollar spent on both the base fare and carrier-imposed fees, according to American, while elite members will earn points at a higher rate based on their tier. Members will continue to qualify for elite status by mileage and segments flown: 25,000 miles or 30 segments for Gold; 50,000 miles or 60 segments for Platinum; and 100,000 miles or 120 segments for Executive Platinum. American will discontinue elite-qualifying points, which are based on a combination of earned miles and class of service purchased, and instead apply a multiplier for qualifying miles on premium and full-fare economy tickets.

American also is changing the rates at which travelers exchange frequent-flyer miles for flight travel. For travel beginning March 22,

the redemption level will decrease for 500-mile or shorter flights within the United States and Canada and for flights from the United States to Mexico, the Caribbean and Central America. Redemption levels on certain flights from the United States to Europe and Asia will increase "due to changes to market pricing and demand," according to American.

Delta Air Lines and United Airlines switched to revenue-based frequent-flyer programs this year, while American focused on its merger with US Airways and integrating the programs, according to AAdvantage president Suzanne Rubin.

PricewaterhouseCoopers research released this year showed that travelers on average lose negligible points when switching from mileage-based to revenue-based programs, though it depends heavily on the type of traveler. In particular, premium class flyers and business travelers driven by schedule over price tend to benefit from revenue-based programs. [✈](#)

United Ready To Re-Debut

BY MICHAEL B. BAKER

Touting operational improvements and new alliance deals, United Airlines is ready to "reintroduce itself to the market," according to its new vice president of sales for the Americas, Jake Cefolia.

The carrier recently appointed him to replace John Slater, who after five years in the role has moved to lead United's Chicago O'Hare International hub. Since its merger with Continental in 2010, United has grappled with operational difficulties, including several brief fleet groundings owing to computer glitches, but Cefolia said he will relay the carrier's "many great strides over the last couple of years" to corporate customers.

"October was one of the best months we've had since the merger, with two consecutive perfect days and zero cancellations," he said. "From January until now, we've had 31,000 fewer cancellations across the network, and that makes a big difference

in the experience of our customers."

He also plans to use the growth of United's partner network, such as its investment this year in Azul Brazilian Airlines, and product enhancements like in-flight Wi-Fi as selling points to grow United's Americas sales portfolio. It now stands at about \$15 billion in corporate and travel management revenue, he said.

United also created a sales role targeting small and midsize enterprises and is changing its approach toward that market. "We're going to look to manage that a little more as a portfolio than what we've done in the past, where we'd either put the programs in place and had them be self-managed or lightly managed these customers on an individual basis," Cefolia said.

Cefolia previously worked as United vice president of Atlantic and Pacific sales, acting as the carrier's sales representative outside the Americas. United named Marcel Fuchs, formerly managing director of sales for continental Europe, to fill that position. [✈](#)

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UATP CEO On A Single-Use Virtual Card That Bundles Air, Hotel & Car Into One Payment



Business Travel News: Since your partnership with Wex and Delta, how much interest have you received from other airlines?

Kaiser: Everyone is interested in it and not just in the U.S., either. It just worked out that Delta was able to work with Wex in the U.S. to launch [in the fourth quarter]. Our issuer base is 33 airlines, and the majority of active issuers who have big corporate programs are interested in this. Anytime the airline talks to a corporate and says, "Hey when you book a flight on us, you can also book your hotel and car rental and we put it all on the same statement for you," they're going to say, "Sure. Why not do it?" They'll all add it. We just need to get it into the market.

BTN: How will it work?

Kaiser: The Wex model is a virtual card transaction on the MasterCard network. If you use a UATP number to book the hotel when you book your air, that UATP number will flip to a MasterCard and be processed on the MasterCard [network], but the data and transaction information will go back to Delta for the customer's UATP billing statement.

BTN: Does the Wex partnership affect your partnership with virtual payments provider eNett at all?

Kaiser: No. In fact, we always tell all the partners that we're working with multiple companies on multiple fronts to bring solutions to our members, the airlines. We try to be an honest broker for everybody. Unless someone wants to pay us a lot of money, we're not going to do an exclusive deal. We're willing to work with anybody that would like to work with the airlines to bring in corporate non-air and benefit from the UATP customer base of airlines and large corporations.

BTN: Wex also partnered with data intelligence company Grasp to launch a virtual card solution, which it claims is

free. If it is, why would people use UATP?

Kaiser: I don't understand how they work out the economics ... but companies don't do things for free. Compared to how it's traditionally been done and priced, maybe it is free but someone's paying for it somewhere. Our goal for doing this is not because UATP is going to make profits on the Wex deal. It's really to make the product better so airlines can go out in the market and solve problems for corporates.

BTN: In July, UATP was exploring ways to process onboard purchases, and in September, you announced integration with card management technology provider Givex. How will that partnership benefit the corporate travel sector?

Kaiser: We have some other gift card providers and programs, too, like Air Canada. The cool thing about Givex is that it's almost like a loyalty program and it can do traditional gift cards, too. But, they also have technology where an airline can reward customers and do things for them. For example, if a traveler is sitting at [the airport] because their flight is delayed. [An airline] can say, "Here's \$20 so you can get a sandwich and drink while your flight is delayed." You can put it right on the UATP card through the Givex tool. It's a way to get extra flow revenue through the gift card but also a way to enhance relationships with both corporate and leisure travelers.

BTN: There's a lot of attention on the payment sector at the moment. Why is that? How does UATP see its role in the sector?

Kaiser: Virtual card is the hot thing in payment right now. Also, payment has gotten a lot of attention because, over the decades, airlines have been able to rationalize agency commission costs and have reconciled the GDS costs fairly well. GDSs are now getting into payment. Amadeus has a huge

payments group, and there's eNett and Travelport. [Travelport president and CEO] Gordon Wilson has said his future is in payments. How many heads of GDSs do you hear saying that? Sabre and Travelport recently partnered. All the money that airlines have rationalized and taken out in GDS and airline IT technology savings—[the GDSs] are now going into payment and trying to extract that value back from airlines. The airlines need to strongly consider who their partners are because airlines are in lawsuits with GDSs on the IT side and now [airlines] are going to start handing out business to the GDSs. [Initially, it might be] cheap, and over time it's going to be very expensive and there will be contract fights. You've got the GDS in your IT, and now they're going to be in your payment. They're getting more and more tentacles into the airlines. Our company is 100 percent owned by airlines, so we're trying to educate airlines on what they may be getting themselves into.

BTN: The GDS-airline partnerships are interesting. Who owns the data, who's responsible for keeping the data safe and who's responsible in the case of a data breach?

Kaiser: Two things work in our favor. One, we work in the business sector, so it's commercial data, not private citizen data. Those breaches are significant because it's personal data and liability. Two, we get our data direct from the airlines. We don't go through other third parties, so all the statement data from the corporate traveler comes directly from the booking, the [passenger name record], and it's a direct feed to our system to those billings systems, which is the best data, the best source you can get, and it's the most secure. Of course, we take data privacy and security seriously, but it's the airline's data that we process and put on their billing statements.

BTN: Where do you store your data?

Kaiser: We don't really store data, per se. We get data every day in batch transactions. That goes through the acquirer network, which is our proprietary payment network, SITA, an industry-owned tech provider that we run. But we don't store personal private data. We don't have it. We have the PNR Level 3 data that we get, [which includes] the name of the traveler, class of service, city pairs, schedule, time, etc. That's good for travel managers for reconciliation [purposes].

BTN: How much data do you want to own?

Kaiser: We don't have a lot of data issues or questions. We provide all the data from the booking back to the corporate travel manager, TMC or corporate customer through their statement. We run our own proprietary invoicing system for airlines, but some also have their own that's built into their revenue-accounting system. But in terms of controlling the data, it's the airlines' and corporate customers' data. We don't do anything with our data except present the customer's data in a way they can use it to manage their travel. We don't sell the data. Some companies aggregate and sell data. Some credit card companies buy data from different sources because they can't get the complete picture in every market. We get it in every market because we're global, we're closed loop and we're directly connected to each airline. We're integrated in all the GDSs, which I love, except when they try to raise airline costs for payment.

BTN: How do you stand your ground when the GDSs come into your territory?

Kaiser: Payment competition—whether it's from Amex, MasterCard or Amadeus—is good for the industry. It'll create innovation and lower costs. There are two parts of education to our business. It's not just being careful with whom you partner but also what you're paying for it. How much of your business do you want one entity to control? It's the same reason I don't buy individual stocks because of companies like Enron. You need to spread your risk. You never want to have a concentration of risk in service providers and customers. If an airline gives the reservation system, IT platform, GDS connectivity, payment and website to one company, you have this concentration of risk. Also, how do you negotiate contracts when someone

has all that business? Look what Amex does in the U.S. with payment and agency stuff. Airlines are afraid to cross them on one piece because they know they'll suffer on the other.

The other part is that we bring alternative payment brands to the airline industry—for example, PayPal. We process the transaction on the back end, but the customer doesn't see it and we don't charge the airline for that [service] because we're owned by airlines. It's part of our service to them. We get a processing fee from anyone who does alternative payments, not the airlines. The GDSs and [payment service providers] will charge the airline. Education is key, as we need to get that message out. If you're using a PSP, we don't think the reconciliation is good and we know that the price isn't as good.

BTN: Where is the industry headed?

Kaiser: It's very exciting. The solutions coming out are important not just for the payment industry but for airlines who are the biggest merchants in the world. Everyone wants an airline to accept their form of payment because they're big-ticket items. We're starting to see a bit of consolidation in payments, too, not just in airlines. Again, that's another control thing. If your options go from five to two and one of those two is a GDS, do you really want to put your eggs in one basket? Companies like PayPal are evolving. They were the leader and the first alternative payment brand, and they did really well because they took fraud seriously when others didn't. Mobile payment is coming. Apple is there. That's a sexy brand name. We know what Uber has done in transportation. Uber is a way to pay for a taxi, but you don't care about the form of payment; you care about the service. People don't care what payment is embedded in there.

BTN: Some of the criticism I've heard from buyers is that not enough merchants accept mobile wallets like Apple Pay.

Kaiser: I don't know how that will be adopted or not, but Apple revolutionized the way we listen and buy music, and now maybe they'll do the same thing in how we buy things. The other thing on mobile payments is the [International Air Transport Association's] EasyPay. It's going to be a new proprietary form of payment, an e-wallet ... a way to move cash more securely and quicker in the IATA [business service provider] network, which is a global network and which we're 100 percent connected to. It's another innovation in the airline industry that may change things. 🌐

EU Interchange Fee Caps & Individual-Pay Cards

BY JoANN DeLUNA

The European Union's interchange fee regulation—which, starting this month, caps at 0.3 percent the interchange fee MasterCard and Visa issuers can charge on credit cards—will cause a scaleback on individual-pay corporate card offerings in Europe, at least according to Visa Europe director of European affairs Marc Temmerman. He also said it'll force corporate clients to seek three-party scheme options, in which the issuing and acquiring bank are the same.

"Given that a very substantial part of corporate cards are based on individual billing, mostly combined with joint and several liability between cardholder and employer, many issuers will reassess the business case for offering such cards and the additional services (e.g., reporting) they require," Temmerman concluded in a blog post published by the European Payments Council. "Indirectly this would impact their corporate customers who may have no other choice but to seek three party scheme-based alternatives."

The final interchange fee regulation version specifically excludes corporate

be reimbursed by his employer) or directly billed to the account of the business itself does not alter the nature of a genuine commercial card," argued Temmerman.

MasterCard group head of global T&E products and solutions Richard Crum disagreed that the regulation would push clients toward three-party schemes. "There are so many reasons why that just won't make sense. One of the things that matters to a company is the ability to use a corporate card everywhere, and that's the Achilles' heel of most closed-loop or third-party networks: limited acceptance."

Crum also didn't think the regulators' amendment was necessary to prevent bad behavior. "Issuers take very seriously compliance with all types of regulations."

Regulators were motivated to make the change, according to Crum, in part by the small business sector. They wanted to prevent people from claiming to be a small business "and to make sure that the accounts are related to the business undertaking, which a corporate card always is," he said. "You can't get a corporate card by being an individual. You're always part of a corporate entity of some sort."

market, and it's also subject to interpretation by each local regulator. The way we interpret the rule at this point is that there is still an exclusion for commercial cards, and we believe that because our corporate cards in Europe are all corporate liability, they meet the definition of a commercial card and won't be subject to these interchange caps under the existing rule."

BMO vice president of North American corporate card products Steve Pedersen also said the fees would not impact the bank "in the foreseeable future." He added: "Our Diners Club customers on the multinational side won't feel any immediate impact from the interchange fee changes. Our Diners Club cards are through MasterCard, which gives us an international interchange rate when the cards are used out of jurisdiction."

Additionally, even if interchange rates were to weaken, Pedersen said BMO's exposure would be limited. For example, only 14 percent of its Canadian Diners Club program is non-domestic, and 70 percent of those transactions occur in the United States. "The rest of our Diners Club transactions, a

very small fraction of our business, are completed outside of the North American jurisdiction."

On the contrary, AirPlus International has interpreted the regulation to exclude individual-pay cards from the exemption and said it would charge a transaction fee starting in December that will apply to 83 percent of its German individual-pay



"One of the things that matters to a company is the ability to use a corporate card everywhere, and that's the Achilles' heel of most closed-loop or third-party networks: limited acceptance."

—MASTERCARD'S RICHARD CRUM

cards and three-party schemes, but a last-minute wording change last year worried and confused issuers and card networks. The regulation initially defined a corporate card as one to be used solely for business expenses, whether charged directly or indirectly to the company or self-employed person who issued the card. However, regulators worried that issuers would sidestep the cap by distributing corporate cards to consumers or allow cards to be used for nonbusiness expenses. To prevent this, regulators removed the words "or indirectly," creating ambiguity on whether the cap applies to individually billed corporate cards.

"Whether cards are individually billed to the cardholder (who will then

The change has left networks and issuers to interpret the regulation how they see fit until the European Union clarifies.

MasterCard is working "very closely" with all its European issuers, Crum said. "It's important that they build their interpretation because it's their product. Every one of them has implemented the products that they take to the market differently, and they have to make sure they maintain compliance with all regulations, not just this one."

He maintained that "a corporate card is a corporate card" and that it remained outside the regulation's scope.

U.S. Bank head of commercial card product and marketing for large and public sector Mary Micklethun said, "There are many different interpretations in the

corporate card clients.

Amex declined to comment, but during an earnings call, CFO Jeff Campbell said the caps for credit and debit cards would pressure Amex to lower its rates. Visa did not respond to requests for comment.

While corporate cards typically are excluded from such regulatory changes, Pedersen said there is a risk that will change, causing interchange fees to decline. "This will eventually impact rebates on corporate programs," he said. "As the retail community is trending toward payment options like Google Wallet with lower rates, other jurisdictions may start to really look at what has happened in Europe and follow suit." 🌐

Meetings & Expense Management Are Among Tech Fastest-Growing Companies

BY ELIZABETH WEST

Seven corporate travel and expense technologies landed on Deloitte's Technology Fast 500, the consulting firm's annual list of North America's fastest-growing technology companies. According to Deloitte, the list represents those that are "disrupting" the industries they touch. Meetings technologies led corporate travel companies with four on the list, while expense management providers took three spots.

DoubleDutch, No. 73, grew 1,147 percent in the past three years. According to its website, the San Francisco-based mobile meetings app company has raised \$78.5 million in venture capital, \$45 million of that in August. The app offers the basics like mobile agendas, survey and polling capabilities, attendee networking and sponsorship opportunities. In November, DoubleDutch rolled out the capability for users to message one another directly, converse about specific topics and extend the reach of particular conference sessions. Event managers can access all activity to measure events' performances and understand what topics are buzzing.

Coupa Software took the No. 110 spot. While it casts a wide e-procurement net, the company also operates in traditional expense management and claims to have doubled its annual revenue every year for the past six years. Deloitte pegged

the company's three-year growth at 826 percent. Coupa made a travel play this summer, acquiring TripScanner, an open-book platform that enables clients to capture data, apply policy controls and analyze off-channel bookings. It attracted \$40 million in venture capital funding in 2014, bringing its total to \$87 million.

At No. 156, Workday is a less familiar HR and financial management software company that touches on T&E. It reported unaudited consolidated earnings for the third quarter at \$305.3 million, a significant increase from \$215.1 million for the third quarter of 2014. Workday was founded in 2005 and in 2009 raised \$75 million in venture capital.

Dedicated expense management provider Chrome River, at No. 343, raised \$100 million in series D financing this summer after attracting \$17 million in series C funding in 2014. CEO Alan Rich said in July, "We're doing a lot of work on the invoice space, new purchase-order functionality, electronic invoicing." He also voiced his desire to build on client wins that emerged as IBM announced its departure from the expense market last year.

Another mobile meetings app snagged the No. 182 place. Headquartered in Vancouver, QuickMobile raised \$9.1 million in three rounds of venture capital funding from 2011 to 2013 and has addressed similar demand as DoubleDutch

and CrowdCompass, which is owned by Cvent, a much larger Fast 500 compatriot that landed at No. 446 this year. Etouches, which took the No. 357 spot, also offers mobile event apps and a more comprehensive event management suite.

Funding Innovation

"The 2015 Deloitte Technology Fast 500 winners have demonstrated remarkable innovation and at the same time have had a profound impact on businesses large and small," said Sandra Shirai, Deloitte Consulting U.S. technology, media and telecommunications leader.

Deloitte also noted that most of the companies need considerable outside funding to drive their growth. Indeed, 64 percent of the ranking companies received venture capital at some point in their history, many of them recently.

Capital infusions clearly support the corporate travel and expense players on Deloitte's list. Yet, Travel Tech Consulting president Norm Rose said technology investment in the corporate travel industry is at odds with innovation and disruption, at least so far. "In the investment community, everyone is talking about expense [management]. When Concur gets purchased by SAP for so much money, that stimulates a lot of interest into that category. Everyone is vying to become the next Concur as it migrates into SAP."

Similar investment motivation could be driving tech companies in the meetings industry, he said, based on the success of Cvent, which has made a flurry of acquisitions in the past several years, including SignUp4 and on-site event technology provider AllianceTech in the past six months.

"[Cvent] has been very successful and growing rapidly, and competitive or tangential services are coming up equally fast," Rose said, noting that many corporate travel technology companies offer overlapping products. "All these [expense and meetings technologies] are kind of 'me too' players. I'm not saying the individual vendors don't have their forms of innovation, but that is innovating within the category or within the features set."

To their credit, mobile meetings technology and agile expense management firms offer meaningful technology. The Fast 500 companies aren't just marketing their way to visibility but are growing revenue and market share.

Still, the industry is ripe for a true disruptor, according to Rose. But as the Fast 500 proves, funding will be critical. So far, the investment pool has been tepid at best. "For corporate travel, my experience is that the people doing the investing and driving this growth with marketing and funds available are still trying to build on what is established instead of doing disruptive things." [▶](#)

ACTE Opts For Leadership Continuity

BY DAVID MEYER

The Association of Corporate Travel Executives board has decided to build on the past three years' positive results by extending the term of its current president by another two years.

ACTE president Kurt Knackstedt's term was due to expire at the end of this year, but the board decided to forego an election and keep the leadership structure in place. "That's exciting," executive director Greeley Koch said. "He has the buyer-side and the supplier-side experience, as well as a global view after living in Asia and now located in Australia. He's the perfect president for us right now."

Koch's contract also is coming due, and he's in discussions with the board. "I feel like I am not done yet. I came in not knowing exactly where we were but understanding we have

to fix this," Koch said about both ACTE's tenuous financial situation when he took the helm in 2012 and what some perceived as a drift in member engagement. There is evidence that Koch's efforts are turning



"I am not done yet. I came in not knowing exactly where we were but understanding we have to fix [finances and engagement]."

—ACTE EXECUTIVE DIRECTOR GREELEY KOCH

things around. "We are looking at being able to report soon three years of positive net income," he said, pointing to the association's 75 events in 24 countries that have yielded positive financial numbers. "This will allow us to make some

investments in technology and back office and other things that we've been wanting to do."

To that end, he said, ACTE is set for a full technology audit "to review all of our systems and how to better communicate

with and engage our members beyond the conferences." He added that content availability would be a priority. "We have been able to do the ACTE TV with Jens Bischof of Lufthansa to talk about the [distribution cost charge] and stream video from our conferences."

Koch underscored that ACTE is poised to invest more. "This has been a year of moving from let's stabilize the ship to let's move it forward and let's grow. We got leaner, but we have a great team around the world that is producing some tremendous results for our members. So to me, it's been a good year," he said.

Combo Conference With CAPA

ACTE also announced it and aviation association CAPA will host a co-located conference in Amsterdam next October. "We want to combine their audience of airline CEOs and senior executives with corporate travel buyers," Koch said. "In bringing those two groups together, we want to remove some of the filters [and ensure] that what corporate travel buyers want goes directly to the C-level. Working with them is going to be very powerful. We'll actually overlay the conferences and have some joint plenary and educational sessions, as well as separate ones." [▶](#)

European Court Decision Poses Data Challenges For U.S. Service Providers

BY AMON COHEN

Multinational travel service providers that house data in the United States are facing a supesize data management problem following a landmark October ruling by the European Union's highest legal authority. Under the Safe Harbor agreement, U.S. companies have self-audited their adherence to the EU's stricter data privacy standards since 2000, but the European Court of Justice has ruled that agreement invalid.

As an example of the battles ahead, German travel buyer's association VDR said its members need to reexamine contracts with all service providers to verify whether personal employees' data is adequately protected. VDR also suggested that service providers move data storage for EU-based customers to the EU.

Safe Harbor had been a concern since 2013, when former National Security Agency contractor Edward Snowden revealed the extent of U.S. government surveillance, especially through the routine harvesting of data from U.S. businesses. Some European corporate clients were concerned about service providers' data storage in the United States, in some cases moving their business to European competitors.

The European Court of Justice recently ruled in favor of an Austrian citizen who had objected to Facebook's Irish subsidiary forwarding his personal data to the United States. The essence of the ruling is that Safe Harbor is invalid as an assurance of data protection because it does not allow EU member states' data-protection commissioners to verify whether a company's precautions are adequate.

However, the judgment goes further, repeatedly implying that any storage of data in the United States is unlikely to pass such scrutiny by a commissioner. "National security, public interest and law enforcement requirements of the United States prevail over the Safe Harbor scheme, so that United States undertakings are bound to disregard, without limitation, the protective rules laid down by that scheme where they conflict with such requirements," the judgment stated. It added that U.S. government agencies can "access the personal data transferred from [EU] member states to the United States and process it in a way incompatible with the purposes

for which it was transferred, beyond what was strictly necessary and proportionate to the protection of national security."

Therefore, the judgment concluded, "transfer of the data of Facebook's European subscribers to the United States should be suspended on the ground that that country does not afford an adequate level of protection of personal data."

Shortly after the Snowden revelations, the United States and the EU started negotiations to create a so-called Safe Harbor 2.0. In the meantime, EU companies will be obliged to carry out due diligence on the data protection practices of all United States-based

does not "collect personally identifiable data and therefore the EU ruling does not affect them."

Another senior European travel industry source, who requested anonymity, said: "We questioned companies which house their profiles in the U.S., but they all came back by saying they followed Safe Harbor procedures. We always said Safe Harbor was not safe. Travel managers and human resources departments will have to talk to their data protection officers, security departments and worker's councils to ask them if they are aware their data is in the U.S. There is a growing awareness that we have different standards on

the EU and U.S. that are consistent with EU laws, and we believe we are compliant with them."

Concur, now owned by Germany-based SAP, claimed it has "strong data protections designed to meet the requirements of EU data-protection laws. As we continue to grow our data-processing capabilities around the world, we strive to ensure we are able to meet the requirements of local laws and regulations."

In a written statement that signals data protection's rise as a competitive issue among travel service providers, American Express Global Business Travel global privacy officer and director of commercial compliance

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"This ruling is a symptom of the bigger picture: general unease with data transfers outside of Europe and an interest in ensuring that data is protected no matter where it goes."

—AMERICAN EXPRESS GLOBAL BUSINESS TRAVEL'S KASEY CHAPPELLE

service providers instead of relying on blanket Safe Harbor assurances.

What is unclear is whether U.S. service providers can address the problem by redrafting client contracts and introducing some elements of data encryption or whether more drastic remedies will be required.

"Everyone needs to look at their contracts and see if their data is affected; we think it is," said VDR executive director Hans-Ingo Biehl. "Maybe service providers will think about storing their data in Europe instead."

VDR has a long-running feud with data consolidator Prism, through which many airlines require corporations to submit booking data if they wish to receive the highest discounts. Prism stores its data in the United States, and the privacy policy page on its website stresses heavily its adherence to Safe Harbor. "It will be interesting to see how airlines will react with their data consolidators who are based in the U.S.," said Biehl. "They will perhaps have to find new arrangements for their clients in Europe." However, a spokesperson for Sabre, Prism's parent company, said Prism

data. On RFPs today, U.S. companies often answer data security questions by saying, "We have Safe Harbor. They won't do that in future." The same source warned that travel managers also will have to follow travel management companies' hand-offs of data to United States-based third-party providers, such as traveler-security monitoring companies.


"This will make it hard for organizations that want to transport data across the pond," said Ian Skuse, a partner with British law firm Blake Morgan who advises airlines in contracts with corporate clients. Negotiating the amount of data the client surrenders always has been "high on the list of any lawyer drafting a document," Skuse said. He believes it will be possible to negotiate terms to get around Safe Harbor's invalidation. "It is not impossible, but it will take more work. There will have to be more detail about how the data is protected," Skuse said.

Sabre isn't concerned about the ECJ's ruling: "We do not believe there is any impact to our business. There are several ways of transferring data between

Kasey Chappelle acknowledged, "Any ruling like this can complicate data operations."

Yet, she said, GBT is in "a much stronger place than any other travel management company." She claims it is "the only TMC to operate under a different, stricter, data-transfer regime called Binding Corporate Rules, which have not been invalidated by the ruling."

Safe Harbor protections were negotiated at the EU level, but Binding Corporate Rules are approved directly by the national data protection authorities. "That's why they're rarely used: Getting that approval is a difficult and time-consuming process," noted Chappelle.

Binding Corporate Rules "make our data operations lawful," but that extra step gives "customers even greater comfort about service, privacy and customer confidentiality," said Chappelle. "This ruling is a symptom of the bigger picture: general unease with data transfers outside of Europe and an interest in ensuring that data is protected no matter where it goes." 

Travelport Facilitating Corporate Airline Bundles, Negotiated Ancillaries In GDS

BY JAY BOEHMER

Travelport has released functionality that lets airlines recognize corporate clients and enables them to distribute fare bundles, discounted ancillaries and other negotiated benefits by way of the global distribution system, Travelport CEO Gordon Wilson said during an earnings call.

Like other GDSs, Wilson noted, Travelport already had enabled airlines to recognize individual bookers by frequent-flyer number and transmit offerings based on

status. Now, Travelport has major airlines testing it at the corporate level.

“This would be the case where the corporation negotiates not only a fare deal with an airline for their key routes but certain ancillaries—be they bag fees, seat assignment charges or the like—uniquely packaged into that deal for the employees,” said Wilson. “Travelport can now serve up unique, tailored content onto the booking screens of their chosen travel management company or their corporate self-booking tool, provided ... both

are powered by Travelport.”

In addition to discounted, or waived, ancillary purchases, Wilson said the functionality enables an airline to negotiate and offer a suite of benefits, something major carriers like American Airlines and Delta Air Lines have envisioned for years.

Later, Wilson declined to identify airlines using the new capability, but he said “some of the big North American airlines” and “a number of international carriers” were in production. It is available to any airline that uses Travelport’s Rich Content and Branding module, an extension that facilitates merchandizing and display capabilities. “We have a rules-based capability, which enables you to put in rules based on who is asking and where the demand is coming from,” Wilson said. “And we’ve put in place identifiers where a particular corporation can be identified. Therefore, the deal they’ve got, which can



“The corporation negotiates not only a fare deal with an airline for their key routes but certain ancillaries—be they bag fees, seat assignment charges or the like—uniquely packaged into that deal for the employees.”

— TRAVELPORT CEO GORDON WILSON

be loaded into Rich Content and Branding, can then be applied to them.”

Travelport’s competitors also announced personalization features this year via their airline IT businesses that power internal airline systems. For example, Amadeus announced in February that Lufthansa became the first airline customer of Altéa Corporate Recognition, an extension of its Amadeus passenger services suite. The module enables airlines to recognize corporations and customize offers or services

to them. That could include special services throughout the journey, discounted ancillaries or corporate bundles. Amadeus said Altéa Corporate Recognition can “identify a corporate customer via any channel, including indirect and corporate self-booking tools.” Meanwhile, Sabre Airline Solutions released several data-based offerings that enable further personalization through various touch points.

Wilson suggested that Travelport’s new capability was a first in a GDS.

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Agents Want Compensation For Selling Ancillaries, But Airlines Resist

BY JAY BOEHMER

Midway through a panel discussion on airline merchandizing at a Travelport customer conference in San Antonio, Atmosphere Research Group founder and moderator Henry Harteveldt asked travel agents if they “should be compensated by the airline to sell the ancillary products.” Hands flew up.

Among those in favor was panelist Steve

need to compensate me. If you don’t compensate me, the business model does not sustain itself.” Absent compensation, Glenn longed for improved technology to allow post-booking self-service for travelers, enabling agencies to “sell that without the cost of labor.”

Similarly, Corporate Travel Planners president and CEO Christy Prescott was partial

Harteveldt noted that agents “overwhelmingly” expect airlines to compensate them for ancillary sales, citing a recent study he produced based on a survey of 1,034 travel agents in seven countries, commissioned by the International Air Transport Association. Among about 240 TMC respondents, 23 percent wanted an airline-paid fee per transaction for ancillary sales, and 63 percent preferred airline-paid commissions. “Agents believe they should share in the additional revenue they will help airlines earn, so it’s understandable why they prefer airlines be the parties to compensate them to sell ancillaries,” the study noted.

United Airlines director of distribution, payment and ticketing systems Tye Radcliffe said compensation for ancillary sales was “under evaluation.” He said United, like other carriers, often uses direct engagement with passengers to sell ancillaries at check-in. Yet, he saw an opportunity for agencies to provide a service at the point of sale. “If I’m working with a travel agency that’s selling me a ticket two, three or four weeks before the trip, there are in fact more Economy Plus seats available at that time because I haven’t upgraded some of my higher-tier-level folks.”

Prior to its merger with American Air-

lines, US Airways deliberated on a compensation model—at least for the largest corporate TMCs—to sell its Choice Seats product via GDSs but decided against it. France-based Corsair represented an exception.

The potential of a \$25 fee here and a \$10 charge there adds up. Research firm IdeaWorksCompany projected airlines will collect \$59.2 billion worldwide in ancillary revenue this year, up 18.8 percent from 2014. Of that, \$36.7 billion would be derived from checked baggage, premium seats and inflight meals. Ancillaries also are increasingly available via agencies. Travelport now sells ancillary products, such as seats and checked baggage, for more than 30 airlines. Competing GDSs are similar.

While pumping the brakes on a formal compensation model, Radcliffe said his goal is to make it easier for agencies to transact ancillaries. He also suggested that agencies could turn to clients for compensation.

“I don’t think that’s the right opinion,” Harteveldt responded. When he turned to agents in the audience and asked how many “would feel comfortable” charging clients to book optional services, not a single hand went up.

Prescott expounded on that view: “The customers don’t want to pay us more in fees. It’s quite the opposite: They want to drive down the cost of the transactions.”



“It’s not reasonable for the airlines to say, ‘OK, travel company, sell our services, but we’re not going to compensate you for it.’ It costs me \$12 to have my agents spend that five minutes selling your seat.”

— EXECUTIVE TRAVEL CEO STEVE GLENN

Glenn, CEO of travel management company Executive Travel. “Quite frankly, the business model with the ancillary services does not align with the cost of labor,” he said. “It’s not reasonable for the airlines to say, ‘OK, travel company, sell our services, but we’re not going to compensate you for it.’ It costs me \$12 to have my agents spend that five minutes selling your seat, so you

to automation versus time-consuming, full-service ancillary transactions. However, she cautioned, “Some of the most robust online booking tools in our industry are just so far behind, as well, and don’t have integration into the online booking process right now.” Indeed, corporate booking tools have struggled to keep pace with airline websites in enabling ancillary sales.

Transaction-Based Pricing Leads In TMCs Despite Calls For Change

BY JAY BOEHMER

“We need a new model for the TMC market,” Executive Travel CEO Steve Glenn pronounced at The BTN Group’s The Beat Live conference. It wasn’t the first time he denounced the transaction fees that dominate corporate agency pricing. He made a similar call a few years ago, promoting his agency’s \$0 transaction and pursuit of other supplier and client revenue.

AmTrav also has emerged a detractor of the transaction model, throwing support behind subscription pricing or management fees. “Not a big fan,” said president Craig Fichtelberg, who called transaction fees “an administrative headache and behind the times.”

Meanwhile, Altour COO Barry Noskeau, confronted with what he termed procurement’s ever-increasing role in agency bids, said prospects are “focusing on the fees versus the savings they’re likely to receive.” He concluded: “We’ve got to look at pricing our product in a way that is recognized by procurement people as real value.” Altour is exploring monthly subscriptions, as well as annual management fee models, and plans to introduce some alternatives that “move beyond straight transaction fee pricing.” Even so, he cautioned: “Like open booking, it’s created conversation but not necessarily, I’ll take that tomorrow.”

If Altour, AmTrav and Executive Travel represent a few voices from the wilderness shouting down the value and viability of transaction fees, other agencies and corporate clients that vote with agency awards suggest the model is not broken.

Airline commission cuts in the mid-’90s sparked the rise of transaction fees: As commission revenue dried up, agencies began charging clients. Usually it was a fee per ticket, and the amount depended on the type of transaction.

“Back when the airlines were paying commissions, there wasn’t an agency on earth that wanted to change the model,” said Partnership Travel Consulting founder Andy Menkes. “When commissions went away, they went from being travel agencies to TMCs, and their model became based on charging the clients a fee. For someone to say now, ‘It’s time to change the model again,’” he asked: “To what?”

While transaction fees dominate, alternative models are in practice.

In the management-fee model, clients pay travel management companies operating costs plus an agreed-upon profit. In the savings/incentive model, agencies are compensated based on actions they take to reduce or optimize client T&E

spend. In the subscription model, agencies charge clients based, for example, on a per-employee, per-month metric.

Publicly traded HRG gave a glimpse at how pricing models stack up among its client base, based on a financial report released this summer. Of client revenue, 86 percent “is predominantly transaction fee based,” a pricing model that HRG called a “growing trend.”

The TMC also had implemented savings/incentive agreements, which represented only 2 percent of client revenue, also a “growing trend.” On the wane, however, was the management-fee model, which represented 12 percent of client revenue.



“If you’re only paying them every time they produce an airline ticket but ... asking them to deliver travel management ... no matter how someone made a booking, that ... model is going to become less ... relevant.”

—CONCUR’S MIKE KOETTING

BCD Travel also has “tried other pricing models, but without almost any exception, our customers continue to migrate back to the current pricing models,” CEO John Snyder said. “We’ve tried subscription pricing; we’ve tested that with a few customers and pretty much abandoned that.”

One client that kicked the subscription fee tires with BCD was Salesforce.com. In part, that was because the company was considering how TMC compensation would function in a corporate environment that supports open booking, in which the transaction is initiated outside the traditional TMC channel.

Indeed, as Concur pushes its open-booking TripLink program, agency partners have questioned the compensation model when the initial transaction occurs outside the agency channel. Yet, several TMC partners of Concur said the program has not yet prompted a wholesale change to pricing.

Even so, Concur executive vice president of supplier and TMC services Mike Koetting envisioned an evolution in agency pricing, mindful that the status quo is incompatible with the TripLink model. “If you’re only paying them every time they produce an airline ticket but you’re asking them to deliver travel management services no matter how someone made a

booking, that economic model is going to become less and less relevant,” he said at this summer’s Global Business Travel Association conference. “If we can find a way to change the metric on which TMCs are compensated, then you’ll see a lot more willingness to engage in this discussion because the threat of economic impact is greatly reduced.”

Despite calls for change, it appears corporate clients prefer the transaction model, or at least they ask for it when soliciting TMC partners. Michael Steiner, executive vice president of New York City-based Ovation Travel Group, is keen to follow the client. Sure, some may explore other

to a mega like BCD, prefer the transparency of the transaction-fee model. He does not see it on the wane. “It has morphed and migrated over time, for sure,” he said. “The transaction-pricing models of 10 years ago don’t really exist today.” Added Menkes: “The reason why the transaction-fee model has validity is that you can audit the number of transactions. They’re units. As long as you define what a transaction is and can measure it, it’s a beautiful model, so why change it?”

Glenn sees plenty of reason. His \$0 transaction represents to him the current value of fulfilling online transactions, which he called “basically a commodity.” “You’ve got 50 pages in an RFP” he continued. “What’s the first page that the committee flips to? The page with the fees. There is only one page to an RFP. That’s a point of pain,

and we’ve got to acknowledge that issue: The perceived value of fulfillment, automated online fulfillment, is zero. That’s the future we have to address.” He added, “Yes, travel management has value, but I’m not talking about travel management. I’m talking about fulfilling an online reservation.”

He advocated for “out-of-the-box thinking.” Some of his ideas hinge on agencies finding more revenue oppor-

tunities from the supplier base—for example, applying the hotel merchant model to the corporate sector. It made the online travel agencies money, he reasoned. Or, look at other forms of client revenue, merchandizing and selling opportunities beyond air, car and hotel.

Even so, agencies are open to new models, as long as they work for their clients and their businesses. Travel Leaders Franchise Group vice president Michael Boulton, who works with franchisees in the corporate travel space, said, “We’ve had vibrant conversations over the last year” about pricing alternatives. “I’d like to see some alternatives emerge, as long as they make sense,” he said.

In the end, whether a company settles on management fees, subscriptions, transaction fees or some other model, it might just end up being the same price in a different wrapper. “Typically, the pricing department within a TMC ends up doing their analytics on what to charge a client based on the cost of the transaction,” said Menkes. “So if they’re going to try to express their fee as anything other than a cost per transaction, it’s still an equivalent cost per transaction.”

Japanese Company Plans 100 U.S. Hotels In Five Years

BY JULIE SICKEL

Japan's largest hospitality company, APA Group, plans to grow its presence in the United States rapidly, to 100 properties by 2020, and it's starting with the Garden State.

The APA Hotel Woodbridge near New Jersey Transit and Amtrak's Metropark station marks APA's official entry into the country. The 200-room conversion hotel is part of a joint venture between APA and New Jersey-based Friendwell Group of Companies.

In Japan, APA has 347 hotels comprised of 56,607 rooms and directly operates most of its properties. It specializes in "new urban style hotels," which emphasize high functionality and sustainability.

Friendwell CEO Jason Cheng said APA might introduce the brand in Manhattan during Stage 1 development. It's also eyeing markets like Boston, Chicago, San Francisco, Los Angeles and Washington, D.C. "Anywhere that Japan Airlines flies direct," Cheng said. Friendwell, which originated in Taiwan, has a three-year exclusive contract to develop APA properties and serve as a franchisee. The real estate investment trust-like



"When [corporate travelers] check in, they drop off their luggage and they leave immediately to go out to meetings. When they come back, they want to take a bath, relax, go to bed and have a great breakfast."

—APA GROUP CEO TOSHIO MOTOYA

Friendwell is mainly based in New Jersey and has 13 hotels comprised of 3,301 rooms in the state, including the new APA.

APA Group CEO Toshio Motoya believes the brand will do well in the United States, particularly with business travelers. "We analyzed how businessmen use the rooms," he said. "When they check in, they drop off their luggage and they leave immediately to go out to meetings. When they come back, they want to take a bath, relax, go to bed and have a great breakfast. We want to

make sure those areas are where we concentrate most and eliminate anything else that's not necessary."

APA's hotel rooms feature such amenities as LED lighting, volume-regulating faucets that reduce water consumption and bedside switch panels that control room temperature, television and lights. Motoya said APA's new-build hotels consume one-third the energy of a traditional hotel. All its properties are within a three-minute walk from a train station, a feat the company will continue to pursue in the United States. [↗](#)

Partnership Launches Small & Midsize Meetings Booking Tool In Europe

BY AMON COHEN

European corporate hotel management giant HRS and German technology company Meetago have launched a booking tool for small and midsize meetings, following HRS's acquisition of a 25 percent stake in Meetago in March.

The tool has launched in Germany, and the United Kingdom, and other European markets are scheduled to follow by the second quarter of 2016. It is available directly via HRS or as an integrated offering within its clients' transient travel booking tools. It already integrates with popular German booking company i:FAO Cytric, and the partners are building links to Amadeus e-Travel Management and KDS.

Moving meetings reservations online has proved challenging. HRS admitted that an offering it introduced five years ago was little more than an

online request form, one reason why meetings and group bookings now account for no more than 5 percent of total reservations. However, Mathias Warns—HRS vice president for corporate solutions for Europe, the Middle East and Africa—claimed the Meetago collaboration will succeed where others have failed. "Most technology start-ups have great tools but don't have great content, so we will bring our content and Meetago will bring the tool," he said. "The key difference is the breadth we can present. We have 450 staff managing relationships with hotels on a daily basis."

Warns said that for transient bookings, HRS provides access to 300,000 hotels, of which 175,000 are independent properties. He estimated that 30 percent to 40 percent "will play in the meetings game."

According to Warns, 80 percent of meetings are small or midsize gatherings

suitable to online booking. For the HRS/Meetago system, a booker completes an online form specifying details like number of participants, room nights, number of meeting rooms, catering and other requirements. The system generates a list, and the booker selects properties from which it would like to request rates. Bookers also can forward their terms and conditions, to which hotels agree automatically by quoting rates.

Remuneration arrangements for meetings bookings will be the same as for transient hotel bookings through HRS. Corporate clients pay no fee, compared with a market average of €35, Warns said, but the hotel pays HRS a flat commission of 15 percent. HRS also will book at clients' negotiated net hotel rates at no charge to either client or hotel, but it will charge clients €29 per transaction for any bookings beyond 50 percent of net share. [↗](#)

Delta Deepens Aeroméxico Investment Plans

BY MICHAEL B. BAKER

Delta Air Lines has positioned itself to increase its stake in Aeroméxico from less than 5 percent to as much as 49 percent.

Delta has made a cash tender offer of MXP\$43.59 per share (US\$2.63) for up to 32 percent of Grupo Aeroméxico's outstanding capital stock. The offer is pending regulatory approval from the United States and Mexico, as well as the boards of both carriers.

Via a \$65 million investment in 2012, Delta owns 4.1 percent of Aeroméxico's shares, along with an option to acquire an additional 8.1 percent. Its pension trust also has options to acquire an additional 4.6 percent.

The two carriers, both SkyTeam members, have cooperated since their first codesharing agreement in 1994. Earlier this year, Delta and Aeroméxico also filed for antitrust immunity to create a \$1.5 billion joint venture so they can plan services and set fares.

A 49 percent stake would bring Delta's investment up to par with the 49 percent Virgin Atlantic stake it acquired in 2012. The carrier invests in several other carriers around the world, including China Eastern Airlines and Brazilian low-cost carrier Gol. [↗](#)

Amadeus-Navitaire Merger Delayed

BY JAY BOEHMER

Amadeus now expects its acquisition of Navitaire to close in the first quarter of 2016, slightly after its previous fourth-quarter projection, as the deal faces an antitrust review.

In September, the U.K. Competition and Markets Authority requested a European Commission probe, but declined to release the full rationale for the review or comment on the timeline. Even so, during a third-quarter earnings call, Amadeus president and CEO Luis Maroto expressed optimism on a first-quarter 2016 closure of the deal.

Amadeus announced its acquisition of the Accenture-owned passenger services system provider, which is dominant in the low-cost-carrier segment, in July. [↗](#)

Airbnb Enters Serviced Apartment Arena

BY JULIE SICKEL

BridgeStreet Global Hospitality Group has made its 50,000 serviced apartments available through Airbnb's recently launched corporate travel portal, Airbnb for Business. Airbnb also made its property listings available to BridgeStreet clients. This is the first agreement inked between Airbnb and a serviced apartment provider.

"We viewed Airbnb as a natural choice to link up with as they have certainly helped redefine the travel industry," BridgeStreet CEO Sean Worker said. "We will strategically position our services to Airbnb's untapped corporate travel audience while we offer a broader array of experiences to our client base. It's incredibly intuitive."

"Long-term travelers want more than just access to a place to lay their head. They want to get to know their city, neighborhood bookshop, best place for coffee—live like a local, whether that means staying in a Victorian home in San Francisco or a loft in Paris," said Airbnb hospitality head Chip Conley.

Speaking about the serviced apartment company's philosophy, BridgeStreet Global Americas director of sales Lucas Hewett said the company tries to be flexible for its clients. "What's unique about BridgeStreet is we don't start with the real estate and then try to find tenants to fill that real estate," he said. "We're a hospitality company and our salespeople are consultative salespeople, so they'll do a needs assessment, whether a client is going into RFP or not, and say, 'If you could build your own program, what would it look like?'"

Worker answered more of *BTN's* questions about the partnership.

Business Travel News: How will this partnership work?

Sean Worker: We're going to a mutual agreement where we will actually put our branded product onto the Airbnb for Business platform. Equally, we have a unique relationship where we have the rights to use the Airbnb marks and do a pass-through choice offering to our clients within the business-ready realm of Airbnb. So they would actually be able to experience Airbnb,



"We also went live with real-time booking on our own site. We're the first in this space to actually deliver the reservation in a mode that you would expect from a hotel product."

—BRIDGESTREET CEO
SEAN WORKER

but BridgeStreet would be responsible for ensuring that the corporate [service-level agreements] and the other types of agreements we have, such as consolidated billing and data management, are covered. In the event the relationship comes to us through Airbnb, we will be dealing with that customer directly, ensuring they would get all the services and the experience you would expect from a brand such as ours in that medium.

BTN: How are you ensuring that the quality of Airbnb business-ready properties is up to BridgeStreet standards?

Worker: We're relying on Airbnb, as they enhance their business offering, to continue to validate that [keys will be available on time, apartments will be clean and comfortable and the Internet will work] at properties within their system.

We're in a trust relationship. Airbnb continues to enhance their business-ready product, which they've put a lot of work into to ensure that those four elements are delivered on their platform, just as much as they would be with the BridgeStreet portfolio that's loaded onto the Airbnb platform.

BTN: How are you handling the legal landscape around Airbnb?

Worker: As we do with all of our properties, we'll comply with all local jurisdictional permissions. If it's a 30-day minimum, we'll comply with a 30-day minimum stay, and if it's less than that, we'll comply.

BTN: How long has this deal been in the works?

Worker: A number of months, if not close to a year, as we've been getting to know each other. Culturally, we fit very well, and they're a great partner. The relationship is centered on choice, and choice is a natural extension of an experience. They're certainly a leader in the sharing economy, and we're a leader in the experiential economy, and they look for the same types of experiences in neighborhoods as we do. Our corporate clients, as well as our leisure clients, are looking for choice, and that's a natural extension for us because of the types of brands that we have in place; this is a natural extension for some alternative choice.

BTN: From the distribution side, does this fill in the gaps of your own platform?

Worker: Actually, we also went live with real-time booking on our own site. We're the first in this space to actually deliver the reservation in a mode that you would expect from a hotel product. Our platform has become significantly more robust, both from real-time booking to distribution. It's now possible to book direct in less than 30 seconds across our portfolio; that's a real differentiator. So yes, it is part of distribution, but it's equally part of building out BridgeStreet as a global brand with a hospitality platform that has lots of experiences on it.

Hilton & Starwood Reveal Hacks

BY JULIE SICKEL

Hilton Worldwide disclosed late last month that malware had targeted payment card information on some third-party point-of-sale systems. Two breaches allowed unauthorized parties to access cardholder names, card numbers, payment card numbers, security codes and expiration dates.

Hilton worked with third-party forensic experts, law enforcement and payment card companies to determine which information was targeted, but it did not disclose which of its almost 4,500 hotels were affected. The company is cautioning customers to review and monitor card statements if they used payment cards at any hotel in the Hilton portfolio from Nov. 18 to Dec. 5, 2014, or from April 21 to July 27, 2015.

"You have my personal assurance that we take this matter very seriously, and we immediately launched an investigation and further strengthened our systems," executive vice president of global brands Jim Holthouser said in a statement on Hilton's site. The breach hasn't affected the guest reservation system.

If Hilton's announcement conjured déjà vu, it's because Hilton is only one of a number of major hoteliers to come forward with similar disclosures recently. A week prior, Starwood Hotels & Resorts Worldwide disclosed that malware infected point-of-sale systems at 54 of its North American hotels, including 26 Westlins, 18 Sheratons and seven W-branded hotels.

The malware enabled unauthorized parties to access cardholder names, card numbers, security codes and expiration dates. A third-party investigation found that it affected restaurants, gift shops and other point-of-sale systems but not guest reservations or Starwood Preferred Guest membership systems. According to a list of the hotels and dates that Starwood released, some breaches began in November 2014, but most started in March 2015.

A similar breach hit Trump Organization hotels this summer, and the U.S. Federal Trade Commission has a suit against Wyndham Worldwide Corp. for failing to protect consumer data.

U.S. Visa Waiver Program Is Essential To Homeland Security



BY ROGER DOW

The recent terrorist attacks in Paris only reinforce America's need for us to remain vigilant about homeland security and for our Congress to continually undertake and evolve policies that better protect public safety. No one advocates for effective security precautions related to travel more strongly than the travel industry. Without public confidence in air security, no one would travel, and the 14.6 million American jobs that depend on travel would be jeopardized.

That's why the U.S. Travel Association is resolute in its support of the Visa Waiver Program, an essential tool both for travel facilitation *and* security—but which some members of Congress erroneously fear is a soft spot that could be exploited by those who would perpetrate harm on our shores.

Fear for our safety at home in America is understandable. However, raw emotion often yields poor policy. Rushing to act, just for the sake of acting, can exacerbate the problem. What we need is a rational, informed travel-security dialogue in Congress that actually makes us safer, while preserving the valuable relationships that allow above-board business and leisure travelers to efficiently visit the U.S. from abroad and vice versa.

Sadly, that's not what we've witnessed in the wake of the Paris assaults. Even successful programs can be improved, but many of the VWP "reforms" we've seen proposed in Congress would do more harm than good.

Because of the VWP, governments around the world now are working cooperatively at the highest levels of law enforcement to identify risky travelers. Since 2008, the U.S. has denied entry to

over 4,300 would-be travelers who are known or suspected of posing a threat.

The U.S. has broad authority to inspect the counterterrorism, border control, aviation and travel-document security methods and facilities of the 38 countries that are currently VWP members. VWP protocols require participating nations to issue machine-readable passports that are difficult to forge, to enter data on all lost and stolen passports into a central Interpol database promptly and to collaborate with U.S. law enforcement under essential information-sharing agreements. For the many nations that hope to become VWP members, these requirements alone offer a strong incentive to raise security standards unilaterally in order to gain admission.

Leading national security experts agree. As former Department of Homeland Security Secretary Michael Chertoff said at a recent Heritage Foundation forum, "The Visa Waiver Program is a plus-plus for our national security and for our economic security. We have constructed a program that makes a reduction of vulnerability very powerful."

The VWP is a rare, exemplary government program that delivers both security and economic benefits. Last year, more than 20 million international travelers to the United States—over 60 percent of all visitors—arrived under the VWP, helping make inbound international travel America's largest service export.

Of course, we should make it harder for potential terrorists with access to European passports to get to the United States. But some legislators wrongly assume the term "visa waiver" connotes a compromise in security. In reality, the VWP only further elevates the level of security offered by the visa process.

Some members of Congress have actually proposed suspending the VWP, without considering that it would virtually shut down global commerce, including international business travel to and from the United States. Others want to saddle the program with new requirements for gathering biometric data from passengers before they board a flight for the United States. Those proposed changes might make for good headlines, but they overlook the fact that such information is already collected from VWP passengers upon arrival, before they are released from secure areas

of U.S. airports and technically enter the country. The changes also ignore the significant cost and difficulty of implementing and enforcing such a mandate at scores of foreign airports.

As bad, there is no evidence that VWP skeptics have considered the harm that undermining the program would inflict upon our international relationships. The European Union's ambassador to the United States has warned that ill-considered changes to the VWP might bring retaliation from our program partners that would affect American travelers.

Make no mistake: We support strengthening real security but do not support onerous and expensive "solutions" that actually make things worse. We fully support the changes Homeland Security Secretary Jeh Johnson recently announced, including steps to strengthen passport security and augment our use of air marshals on incoming overseas flights. We have supported proposals to increase pre-clearance and immigration advisory programs; to work with other governments to strengthen their watch lists and vetting systems; to expand U.S. Customs and Border Protection's Global Entry program to enroll more rigorously screened, trusted travelers; and to target screening for visitors who recently have traveled to countries of law enforcement concern or for certain dual-passport holders. The travel industry will always seek to bring our practical experience to the table as a resource to policymakers when considering these types of changes.

We understand the need for political decisiveness when faced with threats from abroad. But on matters so crucial to national and economic security, Congress must resist over-reaction. This is a time for calm, serious deliberation informed by security experts who overwhelmingly extol the benefits of the Visa Waiver Program. Now more than ever, it is essential that the national security debate remains substantive, without devolving into political theater. 🗣️

Roger Dow is president and CEO of the U.S. Travel Association, whose mission is to promote safe, efficient travel to and within the United States.

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Vice President, IT Infrastructure and Operations
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Vice President, Database Products
Elizabeth Koesser

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