

# BTN

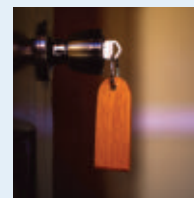
BUSINESS TRAVEL NEWS



## PROCUREMENT

Corporate cards disappointed Amex CEO Ken Chenault more than any other segment in Q4.

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## LODGING

The number of Airbnb hosts who rent three or more units, known as mega-operators, has soared.

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## VOICES

CWT's Nick Vournakis proposes new ways to sort expenses and get a grip on T&E.

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## FEATURE



FULL STORY ON PG 8

EDITED BY ELIZABETH WEST

## What to Watch 2016

This year promises change in the managed travel industry. Now that U.S. airline mergers are largely in the rearview, carriers will compete for corporate business on the merit of their products and services. Hotels will ramp up revenue management strategies, analyzing booking patterns and the potential for displaced business as they craft RFPs and negotiate contracts. On the payment front, chip card adoption and upgraded point-of-sale systems will cascade unintended consequences. And watch Uber's forward march in 2016. It may not be all about ridesharing.

Travelers continue to influence travel management foundations, and they want technology to support better experiences. Consumer adoption of apps like FaceTime and Google Hangouts have made remote collaboration tools a no-brainer, while predictive analysis promises to boost traveler productivity and reduce burnout. As travel buyers focus more on the traveler, industry insiders say they will break traditional procurement protocols and reinvigorate the practice of travel management with innovative supplier management and more flexible travel program structures.

## Zika Virus, So Far, Hasn't Curbed Business Travel

BY JULIE SICKEL

Even as fears rise about the mosquito-borne Zika virus in Latin America and other global regions, corporate travelers are treating the global scare as business as usual.

"For the moment, we haven't seen either a decline in new bookings, whether it's flight or hotel, neither have we seen an increase in cancellations since the recent cases," said Vicky Fernandez, senior vice president and general manager of Latin America at Carlson Wagonlit Travel.

Hogg Robinson Group marketing director John Harvey said the agency has not noticed a change in corporate travel patterns but added, "The level of alert, especially for businesswomen, is increasing." BCD Travel also has not seen a big impact on travel patterns, said global crisis management vice president Martin Weisskirchen.

Zika virus can bring on symptoms similar to the flu in one in five people and has been in Brazil since May 2015, according to the Pan American Health

Organization. Recently, however, researchers have suggested an apparent link between the virus and Guillain-Barré syndrome, birth defects like microcephaly and poor outcomes for pregnant women. On Feb. 1, the World Health Organization declared Zika a global public health emergency, and authorities have cautioned pregnant women to avoid traveling to affected regions and have advised women within the regions to consider delaying pregnancy until the outbreaks are contained.

American Airlines, JetBlue Airways, United Airlines, Lufthansa and British Airways are among a growing number of air carriers that have recently instituted some form of refund or rebooking policy for travelers flying to affected regions. The hotel industry has yet to take similar broad actions, as companies like Marriott International released statements

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## 4 | On the Record



IATA's Yanik Hoyles explains the New Distribution Capability's benefits for both buyers & suppliers

**"Today, you can only negotiate a flat price because the airlines can't really deal with this stuff. Tomorrow, the airlines can push out many more ancillaries, and that gives buyers more negotiating levers."**

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BUSINESS TRAVEL NEWS

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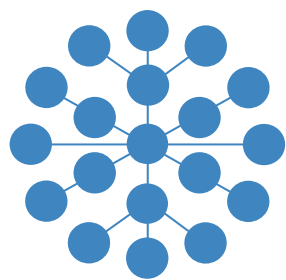
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*Tony Shaw  
American Airlines Sales Support  
Team member since February 7, 2011*

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# Here Comes a Wave of Air Carrier Fleet Overhauls

BY MICHAEL B. BAKER

Following a fourth quarter in which most North American carriers reported rising profits and revenues, many plan fleet overhauls over the next few years.

## Southwest

Southwest Airlines is accelerating retirement of its older Boeing 737 Classic fleet, projecting it will fully retire the aircraft by mid-2018. That's quicker than its previous plan of retirement by 2021. In late December, Southwest changed its delivery schedule to add 33 Boeing 737-800s and to change 25 Boeing 737-700s to 737-800s.

Quicker retirement will result in long-term savings from better efficiency and lower maintenance costs, Southwest executive vice president and CFO Tammy Romo said. "It simplifies a lot of operations and improves the reliability, in terms of less downtime from a maintenance perspective. We'll also get a boost of productivity of our fleet." At the end of 2015, Southwest had 129 Classics in its fleet of 704 aircraft, according to Romo.

## JetBlue

JetBlue Airways will refit about 145 aircraft over the next several years to improve inflight entertainment options and increase seats. In the third and fourth quarters of this year, it will add 10 seats to each of 15 A321s to bring the count on each to 200. It also expects to add three new A321s to the fleet this year. Then, from 2017 to 2019, JetBlue will retrofit about 130 A320s to increase seats from 150 to 162. The design mimics JetBlue's A321 cabins, which were introduced in 2014, and includes new seats, larger TV screens and gate-to-gate Wi-Fi service, executive vice president of commercial and planning Marty St. George said. Legroom will decrease two inches to 32 inches, though that's more than the typical U.S. carrier's economy offering.

The airline continues to increase availability of its premium-class Mint cabin, as well, president and CEO Robin Hayes said. After boosting service between New York City and both Los Angeles and San Francisco late last year, it will begin Mint service between Boston and San Francisco on March 24 and add Boston-Los Angeles later this year. The carrier ultimately aims for three daily Mint flights between Boston and each city.

## American

Throughout 2016, American Airlines expects to add 55 mainline aircraft and 49 regional aircraft while removing 92 mainline aircraft and 29 regional aircraft. Last year, the carrier spent more than \$5.3 billion on new planes, adding 75 mainline and 52 regional aircraft while removing 112 mainline and 31 regional aircraft.

## United

United Airlines is overhauling its regional fleet. The carrier will begin receiving 40 new Boeing 737-700 aircraft in mid-2017, helping phase out more than half the 50-seat aircraft it uses in regional markets by 2019. In addition to the extra seating capacity those aircraft offer, they'll allow United to pull in additional revenue with first-class and Economy Plus seating, vice chairman and chief revenue officer Jim Compton said.

## WestJet

WestJet, one of the few carriers to see revenue decline in the fourth quarter, owing to weakness in Alberta's energy-based economy, also plans to expand availability of its premium-economy Plus seating by adding more rows, CEO Gregg Saretsky said. ■

Southwest, JetBlue, American and United will put as many as

# 350

new or retrofit planes in the sky over the next few years.

Accelerated retirement of Southwest's Boeing 737 Classics will result in long-term savings from better efficiency and lower maintenance costs, according to CFO Tammy Romo.

FROM THE EDITOR

## Welcome to the New BTN

Did you pick up the right magazine? If you are looking for the best news, reporting and analysis in the business travel industry, you're definitely in the right place: the new *Business Travel News*.

*BTN* has always been a news magazine. Will you miss that picture cover landing on your desk every month, or will more extended industry content serve you better? I think we all know the answer.

You'll find changes inside, as well.

*BTN's* journalism chops are as sharp as ever, and our new format gets you into the stories faster. We've also emphasized key indicators and insights to make the most of your time, but don't forget the value of analysis. A deeper read can give you an edge.

Critical industry beats remain: Transportation, Lodging, Payment & Expense, Distribution and Technology. Over the next few months, though, you'll see the details of *BTN's* new content strategy unfold.

This month's feature is just one example. **What To Watch 2016** brings *BTN's* editorial expertise together with observations from key industry players to define major trends, technology developments and emerging influences that will affect travel programs and supplier relationships this year.

In the coming months, you'll hear more voices emerge and find extended coverage online via exclusive videos, podcasts, research features and more. Don't forget to check out the new [businesstravelnews.com](http://businesstravelnews.com). It's intuitive for desktop and mobile and delivers the daily news you need.

We're *BTN*. Smart, fair, responsible journalism for the business travel industry. Enjoy this issue.

Elizabeth West  
Editor-In-Chief • The *BTN* Group

# NDC Program Director Yanik Hoyles: Buyers Are Open To Change

In a recent Carlson Wagonlit Travel survey, one-third of travel managers identified the International Air Transport Association's New Distribution Capability as having a significant impact on their travel programs in 2016. Yet many don't know much about the standard, which enables each airline to control and curate the fares and ancillaries it sells through various channels.

## THERE'S A LOT OF TALK ABOUT NDC BEING A STANDARD, NOT A SOLUTION. WHAT DOES THAT MEAN?

NDC is a way to transport data with data fields. The goal of the messaging standards is to help all the different parties trying to communicate—in the case of NDC, that's airlines, GDSs, self-booking tools, travel agencies, etc.—to use similar ways of exchanging messages.

## AIRLINES INITIATED THE CREATION OF THE NDC STANDARD. WHAT ARE THE CARRIERS WANTING TO DO?

The world of distribution today is really commoditized. Airlines essentially can only push out a pricing schedule; it's very limited. In an NDC world, they can include rich content, product descriptions, options and ancillaries, etc. The standard enables this.

## IT'S THE TECHNOLOGY PROVIDER—A GDS OR AN ONLINE BOOKING TOOL—COMBINED WITH THE COMMERCIAL STRATEGY THAT GIVES THE NEW CAPABILITIES PRACTICAL APPLICATION?

When an airline has the ability to expose all this content, one airline may decide that its commercial strategy or distribution strategy is to do fare families—something that includes a seat, a bag, change fee, for example. Another airline might just expose flights, the price to go from A to B; then, if people want to purchase ancillaries, they do that themselves. Today, it's too difficult. In an NDC world, the airlines will be able to decide what their own distribution strategy is.

Let me take it one step further to a corporate. Airlines offer [preferred corporates] an X percent discount. In an NDC world, the opportunities could be twofold. They'd be able to negotiate an overall package for a company's travelers—for example a flight rate that includes one bag or maybe a flight price and a couple of ancillaries. Alternatively, the airline and corporate could agree to just a flight price for most travelers but maybe there are one or two categories of travelers to whom the company would like to offer lounge access. The corporate establishes to whom access should be given, and the airline can expose that content to those travelers.

## SO WILL THE GDS FIT INTO THE NDC PICTURE?

In today's indirect distribution, the GDS actually constructs the offer: the GDS goes to [the Airline Tariff Publishing Co.], to OAG, then to the airlines for availability. Then, [the GDS] constructs the offer. In NDC, the GDS plays a role similar to their role with a low-



IATA New Distribution Capability Program Director Yanik Hoyles Talks

- What is NDC anyway?
- How it could change the role of GDS providers
- Benefits for travel buyers and travelers if the industry embraces NDC

cost carrier like Ryanair today. Ryan doesn't file fares with ATPCO. Instead, it exposes an [application program interface] where the offer is already constructed and Amadeus or Travelport consumes that offer and displays it all back.

We see the GDS as really well placed to play the role of an aggregator in an NDC world because they've got the connectivity of the travel agent, because they've got great skills and great know-how, so they're very well placed to play the role. Some of the new players could do [so] as well, but the GDS is very well placed.

## WHAT YOU JUST DESCRIBED—CONSUMING PRE-CONSTRUCTED OFFERS AND TARGETING CONTENT—SUGGESTS A DEPARTURE FROM STANDARD FULL-CONTENT GDS CONTRACTS. IS THAT COMING?

I can't answer that. That's really up to the airlines; it's their commercial relationship with their partners.

## IATA HAS BEEN WORKING TO ENGAGE TRAVEL BUYERS ON WHAT NDC COULD MEAN FOR THEIR TRAVEL PROGRAMS. HOW HAS THAT BEEN GOING?

We've got 10 major European buyers who meet with us [twice a year] for a day and a half. I'm sure that you know that community. They've got way better things to do if they didn't see any value in spending a day and a half at IATA. They also help us by spreading out to their networks and bringing feedback to us.

## WHAT BENEFITS ARE RISING TO THE TOP AS IATA ENGAGES WITH THE BUYER GROUP?

No. 1 is policy enforcement. [Travelers] go out of policy because they can't buy the options through the corporate portal. In an NDC environment, all the options and ancillaries can be a part of the framework. Second is cost control. Today, you can only negotiate a flat price because the airlines can't really deal with this stuff. Tomorrow, the airlines can push out many more ancillaries, and that gives buyers more negotiating levers. They will also be able to forecast and report better on what is really happening. And the last one is better process enforcement because all the information is coming through the same portal. It's just simpler.

**“NDC puts more traveler benefits within the buyer's control, and therefore [the corporation] can negotiate better and provide a better experience.”**

## HOW WOULD NDC BENEFIT TRAVELERS?

We hear more companies concerned about the well-being of their travelers. NDC puts more traveler benefits within the buyer's control, and therefore [the corporation] can negotiate better and provide a better experience. Also, the payments process for the traveler. We go through an online booking tool and it's just pricing seats. If I want to buy any ancillaries, I've got to get on the airline website, get on another website, and then I've got to reconcile my expenses. It's just painful. [And] loyalty recognition. If you're happy for your frequent travelers to be recognized by the [preferred] airline, that can flow through your control, as well. ■

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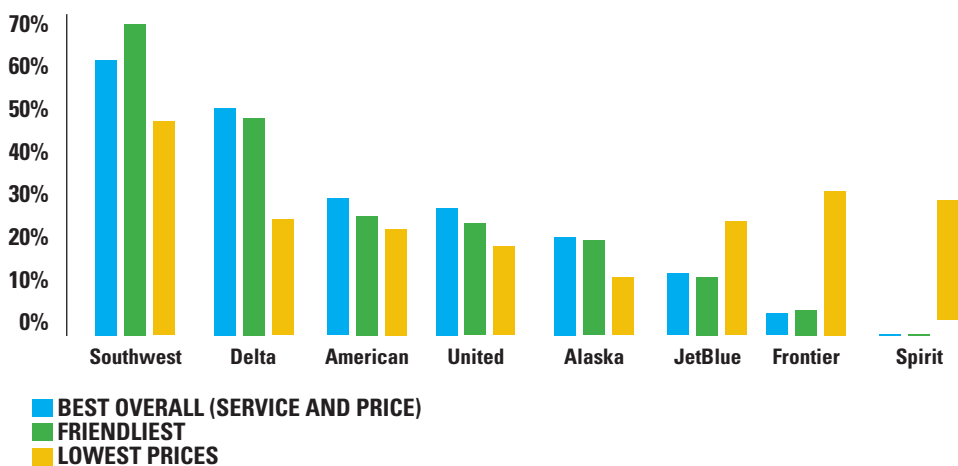


## 3 Ways to Make Travelers Happier

### REMEMBER WHICH AIR CARRIERS MAKE TRAVELERS SMILE

Business travelers weigh friendliness heavily over price when calculating U.S. carriers' overall value. Spirit's and Frontier's pricing reputations had zero bearing on business travelers' perceptions. Southwest's friendliness, meanwhile, earned it extra credit. According to Executive Travel CEO Steve Glenn, "They have obviously ... a giant halo attached to them even though we see much lower prices being offered by almost all airlines."

The percentage of travelers who named each airline among their top two

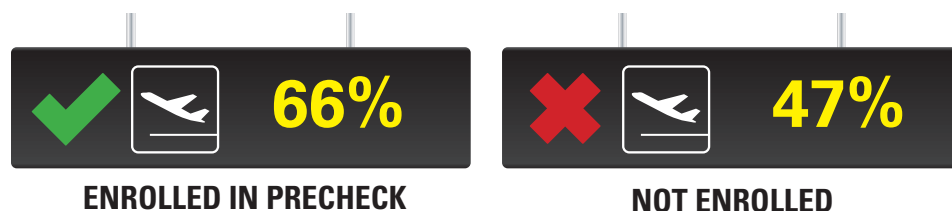


Source: Executive Travel survey of 762 business travelers, conducted Feb. 2 to Feb. 8, 2016

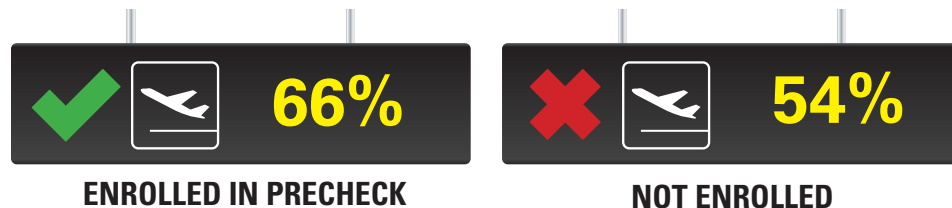
### ENROLL THEM IN TSA PRECHECK

The number of travelers satisfied with the process of navigating airport security spiked 10 percentage points in the latest GBTA Business Traveler Sentiment Index. Still, it remains business travelers' biggest pain point. Satisfaction rises another 11 percentage points, though, among the 40 percent of business travelers enrolled in TSA PreCheck.

Business travelers satisfied with airport security



Business travelers satisfied with flying in general

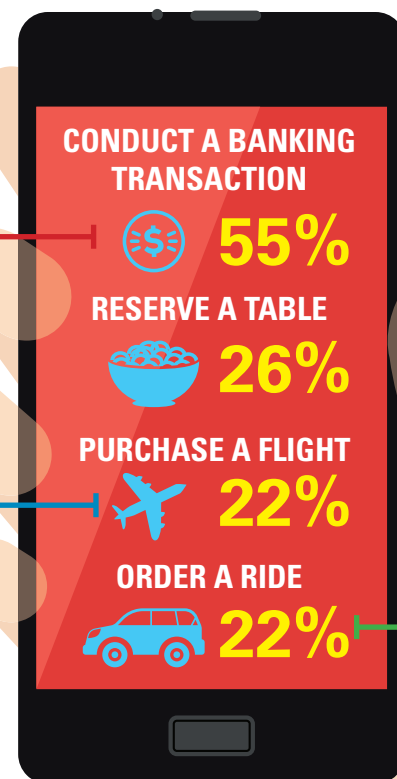


Source: The GBTA Business Traveler Sentiment Index, a partnership with American Express; survey conducted Sept. 21 to Sept. 29, 2015, of 804 business travelers who live in the United States and had traveled for business four times in the previous 12 months

### LET THEM USE APPS

More than half of smartphone owners used an app to buy something last year, almost half of them for the first time. Increasingly, managers who want to meet their travelers on travelers' terms should turn to mobile apps.

Smartphone owners who in 2015 used an app to ...



One-third of them for the first time

Category with the fastest momentum

Almost half of them for the first time

Source: Survey conducted Jan. 4 to Jan. 6, 2016, by KRC Research for Verizon

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**BUSINESS TRAVEL NEWS'**

# WHAT TO WATCH 2016

BTN editors and key industry observers forecast market trends, regulatory issues and program optimization opportunities to watch this year.



## THE EXPERTS

- **Michael B. Baker**, Transportation Editor, *BTN*  
*Airline Outliers Line Up Products to Compete*
- **Jay Boehmer**, Editor-in-Chief, *The Beat*  
*The Potential for Regulated Ancillary Fee Disclosures*
- **April Bridgeman**, Managing Director, Advito  
*Total Collaboration Management Emerges as Corporates Mainstream Virtual Meetings*
- **JoAnn DeLuna**, Payment Editor, *BTN*  
*Chip Card & Terminal Migration Precipitates More Changes*
- **Scott Gillespie**, CEO, tClara  
*Applying Predictive Analysis to Disruptions, Budgets & Traveler Burnout*
- **Cicily Robinson**, Director of Consulting, American Express Global Business Travel  
*With Traveler Safety Under a Microscope, Hotel Attachment Rate Tools Thrive*
- **Bradley Seitz**, President & CEO, Topaz International  
*Ahead of Suppliers, Corporates Move on Mobile Portals*
- **Julie Sickel**, Hotel Editor, *BTN*  
*Hotel Revenue Management to Pinpoint the Value of Corporate Travel*
- **Paul Tilstone**, Managing Partner, Festive Road  
*Travel Managers Pivot to a CRM Approach & Gain Power*
- **Elizabeth West**, Editor-in-Chief, *BTN*  
*Uber Is Eyeing Travel Booking*

## MARKET TRENDS

**What to Watch:** The “Me Too” Effect for Airlines  
**Why:** Product, Service & Price Wars Begin as Mergers Settle Down



BY MICHAEL B. BAKER,  
TRANSPORTATION EDITOR, *BTN*

If the domino theory applies to airlines, 2016 could be a year of great tumbling.

Merger activity has been the dominant topic on the U.S. domestic airline front since Delta Air Lines and Northwest Airlines first announced their merger agreement in 2008. With that, the United/Continental merger and, as of last year, the American Airlines/US Airways merger all done, at least from the customer-facing perspective, the three remaining legacy carriers now have the resources to ratchet up their fierce competition among one another. Where one airline has made competitive gains in recent years, look for others to follow this year.

One of these dominoes already has fallen. When both Delta and United shifted to revenue-based frequent-flyer programs rather than mileage-based programs, American was too deep in merger activity to follow suit. About a month after it completed its reservations system merger last year, however, American announced it would begin that transition this year.

### Other Outliers Merit Watching

Delta last summer announced a contractual guarantee that it would remain above at least one of its competitors on the operations side. United came out with a similar agreement near the end of the year, so it wouldn't be surprising if American came up with a similar operational guarantee sometime this year.

While it seems like a bet someone is sure to lose if everyone plays, Delta and United wordsmithed to the nth-degree. In both guarantees, the carrier must fall behind competitors in both on-time and completion records. Should a hypothetical American agreement be similar, it's plausible that one carrier could trail in completions and another in on-time performance and no one be liable for payment.

Delta also led the pack with its Basic Economy product, a highly restrictive fare that precludes both seat selection and changes at a price competitive with Spirit Airlines and other low-cost carriers. Both United and American executives already have indicated they plan to announce a similar fare this year, unsurprising considering Frontier, for one, already has announced it will significantly grow its network this year.

American, meanwhile, became the first of the legacy carriers to announce a premium economy cabin on international routes as opposed to extra-legroom seats located in the standard economy section. Considering premium economy is of growing interest to travel buyers who want to ease traveler friction without paying business class prices, Delta and United likely are considering similar offerings.

The “me too” that could cause the biggest stir would be if any carrier were to follow Lufthansa's fee for global distribution systems introduced last year.

While U.S. carriers so far have not indicated much interest in doing so, Lufthansa already has reported strong revenue and load factor for 2015, indicating the bottom did not fall out due to that fee. That could prompt carriers around the world to take a second look at the option.

One domino unlikely to fall, however, sits with Southwest Airlines. JetBlue last year introduced a tiered fare structure that includes a lowest level without free checked bags, leaving Southwest as the only major U.S. carrier without a baggage fee. While its ongoing move to a new reservations system has raised eyebrows, in that it would give the carrier the ability to add a bag fee should it choose to do so, CEO Gary Kelly as recently as last year remained adamant that would not be the case.

## The big question: Will any carrier follow Lufthansa in passing along distribution costs?

## REGULATION

**What to Watch:** The U.S. Department of Transportation  
**Why:** It's on the Brink of Deciding on Ancillary Fee Disclosures



BY JAY BOEHMER, EDITOR-IN-CHIEF,  
*THE BEAT*

**Will airlines finally be forced to disclose ancillary fees in all channels? We'll find out this year.**

Should the federal government make airlines provide ancillary fee data in every channel they list fares? The answer to that question has been subject to heated industry debate. Yet, when it comes to a firm answer, the U.S. Department of Transportation has delayed, deferred and dawdled.

### This Year Should Bring Resolution

The Enhancing Airline Passenger Protections is a three-part series of consumer protection rules and a hallmark of the U.S. Department of Transportation under the Obama administration. Now enacted, the first batch set the airline tarmac-delay limit to three hours and the second installment imposed new airline advertising rules, among other regulations. The long-awaited third installment comes closer to corporate travel distribution—if it ever gets finalized, that is.

The rulemaking proposes a ban against undisclosed biasing by carriers and ticket agents in fare displays, new customer service standards for large travel agencies and a clearer definition of “ticket agent.”

Yet, the most contentious and far reaching is a requirement for airlines to disclose data to sales channels on “basic” ancillary fees, comprising “first checked bag, second checked bag, one carry-on item and advance seat selection, to the extent these options are offered by the carrier,” according to the DOT.

Some groups—including the American Society of Travel Agents and The Travel Technology



Association, the trade body for global distribution systems and online travel agencies—want the DOT’s requirement to go further than mere disclosure. They advocate for “transactability,” that is, the ability for buyers of travel not just to see the cost but also to buy basic ancillary fees.

On the contrary, airline lobbying organization Airlines for America says the federal government is meddling with the market. After all, the market has made progress facilitating ancillary data and sales in sales channels without the strong arm of government.

It’s a long shot that the DOT will require “transactability,” but further fee disclosures are quite possible.

It has been a long time coming. The DOT considered the provision in its second batch of consumer rules, but in 2011, it deferred on the requirement. After more delay, the DOT finally issued a notice of proposed rulemaking in May 2014, kicking off a public review that garnered hundreds of comments.

Since then, the DOT repeatedly has pushed back issuance of the final rules. In August last year, it pushed the target date from December 2015 to April 2016. A more recent status report shows the rules won’t be finalized until the end of June.

There’s hardly a guarantee that the DOT will meet that target, but as we enter the last year of the Obama administration, expect action at some point this year.

## EMERGING PRACTICES

**What to Watch:** Total Collaboration Management  
**Why:** FaceTime & Skype Make Virtual Mainstream, & Corporates Finally Convert



BY APRIL BRIDGEMAN,  
MANAGING DIRECTOR, ADVITO

The use of “virtual collaboration” technology, tools allowing people to work together digitally instead of in person, will accelerate in 2016. After struggling for many years to win over businesses, virtual collaboration is now widely accepted as a viable option for working with others remotely. The market for virtual collaboration services will double by 2020. Travel managers should embrace the shift and show that they’re best positioned to manage professional collaboration, whether in person or virtually or somewhere in between.

A number of factors have contributed to the acceptance of virtual collaboration among business consumers. For one, prices have fallen rapidly, and some entry-level products are available for free. Organizations can choose among a spectrum of tools to satisfy all virtual collaboration needs and price points. These include much wider availability of multipurpose conference systems, which are portable and much cheaper than immersive systems but deliver much better experiences than yesterday’s videoconferencing systems.

Meeting by video has also become the norm, thanks to cameras featured on most digital devices and apps like FaceTime, Skype and Google Hangouts. The convergence of analogous consumer tools and improved collaboration technology in the workplace

has created a broader comfort zone and a better user experience. Employees can operate equipment without relying on technicians, and cloud-based bridging technology lets a variety of products connect easily.

The proliferation of remote employees is another critical factor. With more people working across locations, whether at home or in other countries, virtual collaboration makes it easier for them to work together.

**Prepare to add a new phrase to your lexicon this year: “total collaboration management.”**

## Virtual Collaboration Means Strategic Opportunity for Travel Managers

Today, operationally focused technology departments “own” virtual collaboration tools at most organizations. As organizations become more familiar with the costs and benefits of all types of professional collaboration, deciding what collaboration type is most productive for a given situation will become more strategic. With their depth of experience in helping employees make the right booking choices, travel managers will play a growing role in managing virtual options. This includes integration with travel—helping employees decide “Do I stay or do I go?”—and most important, making it easier to stay. Effectively leveraging virtual collaboration assets will let travel managers drive travel savings or shift travel spend to higher-value trips. Prepare to add a new phrase to your lexicon this year: “total collaboration management.”

## REGULATION

**What to Watch:** Chip Cards & Point-of-Sale Terminals  
**Why:** Unintended Consequences



BY JOANN DELUNA,  
PAYMENT EDITOR, BTN

Since the card networks announced their plans to transition to the EMV standard in 2012, players including issuers, merchants, acquirers and processors have been prepping for the migration that is expected to prevent in-person fraud in the United States.

Banks began replacing existing U.S. cards with chip cards long before the liability shift deadline last October, but the Payments Security Task Force industry coalition estimates that we will be well into 2017 before the transition to chip cards is complete.

Merchants have been slower to implement new terminals. Last year, Visa estimated that it could take five years before 90 percent of card transactions in the United States are processed using both a chip card and chip-accepting terminal.

As the migration plays out in 2016 and beyond, we can expect some unintended consequences:

**Online Fraud Spikes** – Chip cards are great at stopping in-person fraud, but they don’t do much to

**As EMV standards drive point-of-sale terminal changes, watch for the parallel growth of mobile pay infrastructure—and the effect on demand for mobile pay in the corporate space.**

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stop card-not-present fraud, or online fraud. Based on EMV migration in other markets, experts predict online fraud to spike as cyber criminals target the next weakest link.

**High Demand for Virtual Cards** – Travel and card program managers have already latched onto them for increased security and other reconciliation benefits. If online fraud spikes, single-use virtual cards are a smart option. If hackers manage to get their hands on a restricted, tokenized virtual card number, it becomes virtually worthless.

**Rising Tide for Mobile Pay** – EMV terminal upgrades may well advance infrastructure for mobile pay. As merchants upgrade to EMV terminals, why not go all the way with an NFC-enabled model? Doing so will fast-track the infrastructure for mobile pay. Last year some networks enabled mobile pay for corporate cards: American Express corporate cards work with Apple Pay, while MasterCard enabled corporate use for all digital wallets. The International Air Transport Association will introduce its own digital wallet soon. Mobile payment hasn't gained much traction in the corporate space yet, but as the infrastructure expands this year, watch what happens.

## EMERGING PRACTICES

**What to Watch:** Predictive Analysis  
**Why:** Advances Will Help Manage Disruptions, Monitor Budgets & Mitigate Burnout



BY SCOTT GILLESPIE, CEO, tCLARA

Meet Terry, the most important persona in the corporate travel industry. Terry is not the travel manager. Instead, Terry represents all those executives who own and manage travel budgets. Manage, as in neck-on-the-line accountability for meeting cost budgets

will get proactive and prioritized service, helping them finish the trip with less stress. In future years, look for travel predictions to be wired into CRM tools, with virtual agents working behind the scenes to re-schedule business meetings for everyone involved in the trip, days in advance—not just on the day of travel.

**Savings: Manage Budgets** – Like all managers, Terry wants to get a solid return from his travel budget and not worry about explaining a big year-end budget overrun.

This year, look for baby-step integration between travel management company bookings and their predicted total cost of travel impact on corporate budgets. Think travel expense forecasts versus remaining budget, much like what we see in sales and cost of goods forecasts. In the future, look for predictions that produce recommended changes in travel budgets, geared to improve the bottom-line results for Terry's line of business.

**Human Element: Mitigating Burnout** – Give Terry the choice of burning through his travel budget or burning out some of his most valued road warriors. I bet Terry would rather break his budget. That's how valuable road warriors are. It may not be an easy choice, which is what makes predictive service so valuable.

You'll see talent-sensitive firms this year begin to predict which of their road warriors are at risk of burning out on travel. Travel managers can help Terry intervene with less travel or more convenient or comfortable travel, whatever his budget and business can handle.

In coming years, look for systems that monitor road warriors for a variety of predicted risks, mainly around engagement and retention. These systems will alert Terry, HR and the travel manager to the risks and predict the best options for reducing them.

The race for predictive analytics in the travel industry is on. I'll bet we'll see some great strides in 2016 and the years to come.

## MARKET TRENDS

**What to Watch:** Targeted Hotel Attachment Tools  
**Why:** Heightened Risk Awareness Will Drive Adoption



BY CICILY ROBINSON, DIRECTOR OF CONSULTING, AMERICAN EXPRESS GLOBAL BUSINESS TRAVEL

In 2016, the total cost of travel is a focus for most travel managers as the industry climbs out from under the procurement umbrella. It's seen as a hugely relevant—and somewhat controllable—spend category that comes with an unquantifiable set of risks. Those risks include people's safety and security; and it's impossible to put a value on that.

It's easy to say a company will save money by increasing its hotel attachment rates because it will. Leveraging power still achieves lower rates and more accurate forecasts. It's the human factor, the people, that make hotel attachment rate so important when managing a travel program more holistically. Knowing where travelers are at

***In 2016, predictive analysis tools will drive savings by anticipating disruptions, budget stress and employee burnout.***

while keeping travelers safe and productive.

The corporate travel industry can predict three things for Terry. They are things Terry will pay for because they add significant value to Terry's line of business.

**Service: Managing Disruptions** – Think of the economic waste associated with disrupted business trips. The extra travel costs can pale next to the lost productivity and damaged and delayed business opportunities. Fortunately, the large travel management companies are investing in their abilities to predict trip disruptions. These seem focused on the day of travel, which is a good start.

In 2016, look for these services to be offered as part of the TMC value proposition. Terry's travelers

any given point is vital as companies are essentially responsible for those human beings while on company business.

Location information that comes with an attached hotel booking enables a company to act more quickly during an emergency. Without that information, companies act blindly, creating undue stress and unnecessary costs associated with locating individuals. The outcomes and potential “cost” of a major disaster, terrorist attack or health issue can vary wildly. Recent terrorist attacks in cities with high international travel (*i.e.*, Paris, Istanbul) are prime examples in which knowing the location of business travelers in advance will save upwards of 20 hours of tracking per person.

While the travel department can implement parameters to steer business travelers in the right direction, making those travelers understand why they should book a hotel through the right channel and actually getting them to do it is another story. Tools already exist that can send out notifications to travelers who’ve forgotten or chosen not to book a hotel room. Some can even require that they book a room before reserving the flight. More companies will adopt such tools this year. In doing so, they will go beyond having the right policy. They will drive better understanding, make attachment easy for travelers, yield immediate savings and reduce obvious risks.

## EMERGING PRACTICES

**What to Watch:** Mobile Business Travel Portals  
**Why:** Citing Traveler Satisfaction, Corporates Tunnel Forward



BY BRADLEY SEITZ, PRESIDENT & CEO, TOPAZ INTERNATIONAL

Desktop applications are no longer good enough. 2016 will see mobile business travel bookings and new mobile applications to manage business travel overtake the desktop.

Already mainstream in Asia, the impact of startups like Uber that rely heavily on mobile apps to drive their business models will reach North America, Europe and the rest of the world. Air, hotel and other ground transportation technology platforms will catch up to the leaders and the whole lot will find more users.

In an unusual twist of responsibilities, however, changes targeted to the business travel sector will not be driven by suppliers adapting to meet corpo-

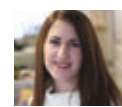
**It’s easy to say a company will save money by increasing hotel attachment rates, but it’s traveler safety that makes hotel attachment so important.**

the ability to book and manage travel more easily.

While the channel is different, the complexity remains behind the scenes. The complexity requires more oversight than off-the-shelf apps can provide; corporate developed portals and apps must support travel program processes to succeed. But no longer can corporates ignore the prevailing forces of mobile. In 2016 the industry will embrace it as the new way of doing business for business travelers worldwide.

## MARKET TRENDS

**What to Watch:** Hotel Revenue Management on Steroids  
**Why:** New Technologies Pinpoint the Value of Corporate Business



BY JULIE SICKEL, LODGING EDITOR, BTN

Picture two companies: Company A and Company B. Both companies are submitting a request for proposal for a negotiated rate at Hotel X. The companies are of a similar size and they both delivered 500 room nights to Hotel X last year. By the old standards of doing business, both companies are equally valuable to Hotel X and will receive a similar negotiated rate. In 2016, however, Company A is going to be charged much more than Company B. The culprit behind the rate difference: revenue management.

Long considered more art than science, revenue management in the hotel industry grew vastly more sophisticated in recent years, and now revenue management companies are figuring out how to deploy business intelligence. That means that when Company A and Company B come to the negotiating table, Hotel X can now see that those 500 room nights provided by Company A were only booked on sold-out nights at the hotel, when other hotels in the city were also at capacity. Company B is looking much more valuable.

The Rainmaker Group is one revenue management player looking to mobilize business intelligence for its hotel clients. Last year, it bought SolidusIQ, a business intelligence platform that culls existing data within a hotel’s management systems to understand guest and corporate client behavior. But, why stop there? Rainmaker is utilizing different BI tech to analyze group business, as well.

“In terms of making the decision, ‘Should I take this group, and if I do, what should I charge?’” said Rainmaker executive vice president Dom Beveridge, “that’s an area that we’ve been working on with a number of clients for a few years now, and given the perfect storm of commercial pressure, we see it being huge in 2016.”

Group BI tools will be able to project what guest business would be displaced by accepting a group contract and then use win-loss probability to anticipate how much the hotel could charge that group without losing the bid.

Last year was already big for hotel revenue management. Keith Kefgen, managing director and CEO of Aethos Consulting Group, which conducts

*Continued on page 16*

**No longer can corporates ignore the prevailing forces of mobile.**

rate customer needs. Rather, it will be the corporates themselves, citing traveler satisfaction, that will develop and launch apps internally to bring travel programs together through technology. This will finally give their travelers, who are their customers,





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Continued from page 13

## Last year was already big for hotel revenue management. As business intelligence increases for buyers and suppliers, the arms race is heating up in 2016.

executive searches within the hospitality industry, told *BTN* in June that, “[Revenue manager] is probably the No. 1 position that we’re doing searches for in the next 12 to 18 months, more than any other position.” Patrick Bosworth, co-founder and CEO of Duetto, a household name in hotel revenue management, said the company grew by more than 400 percent last year, and it expects to more than double in size again this year.

With tripBAM and Yapta on one side of the fence delivering insight into hotelier behavior for corporates and revenue management players on the other side giving hotel feedback on corporate behavior, look for the intelligence arms race to heat up big time in 2016.

### EMERGING PRACTICES

**What To Watch:** Travel Managers as Marketers  
**Why:** There’s More Power in a CRM Approach



BY PAUL TILSTONE,  
MANAGING PARTNER, FESTIVE ROAD

In 2016 travel managers will begin looking inward at their programs rather than outward toward the supply chain. The irony is that the travel suppliers and aggregators have caused this strategic shift.

Fueled by macro developments like e-commerce efficiencies and connectivity combined with globalization, suppliers have actually created a landscape for change over the last decade. These changes disrupted the business travel market and paved the way for new entrants that now add to the confusion, and all of this amplifies traditional travel program issues: Policy is more precarious, data is more difficult and content is more fragmented.

In this environment, travel managers who focus primarily on the shifting sands of the supply market have limited their power to affect positive program change. They have become reactionary. Realizing the weakness of their position, travel managers will pivot to an area where they can have a larger impact. Namely, demand management.

To win the new game, however, travel managers need a different skill set. They must understand their travelers’ needs, communicate effectively with stakeholders and essentially think of their travelers as customers and the travel program in terms of customer relationship management. In short, they need to become sellers and marketers instead of buyers and compliance drivers.

They’ll do it because they must. Procurement and travel management will only continue to work if what’s being procured offers travelers something more than they can get elsewhere. And

**By refocusing on traveler types by need, working with the right-fit suppliers and creating personalized products, travel managers will reinvigorate the practice in 2016.**



that means understanding traveler types by need, working with the right-fit suppliers and creating personalized products and services through appropriate channels in order to raise the travel booking user experience.

Those who have started down this path see the results—the renewed power in supplier engagements and the structural freedom this gives to the program. We’ve heard about the leaders in this field for the past few years, they’re the regular winners of awards: the Googles, the AstraZenecas, the HPs and the Ciscos.

In 2016, more travel managers will start to get this right and together forge a new era of travel management.

### MARKET TRENDS

**What to Watch:** Uber Is Eyeing Travel Booking  
**Why:** Because ... Uber



BY ELIZABETH WEST,  
EDITOR-IN-CHIEF, *BTN*

A patent application filed June 22 and posted online Christmas Eve quietly revealed how broadly Uber may extend its tentacles into the online travel space.

The San Francisco-based ride-hailing and sharing economy app continues to rampage through the market share of private car providers and city taxi services despite questions of legality. And it literally drew a picture for the U.S. Patent and Trademark Office that showed a potential all-in-one app that would start with the airline booking process and provide what the corporate travel industry has termed a “door-to-door” trip itinerary that includes ground transportation to and from the airport, naturally, but also flight and hotel.

Those are just the basics. The app plan suggested real-time trip-progress monitoring to enable Uber Travel to make recommendations and send messages triggered by specific actions and conditions. According to the patent application, the mobile app would also estimate the time it takes the user to travel through

airport processes (think: check-in, security, bag reclaim, etc.) and message reminders about optimizing time, particularly in terms of a scheduled Uber pickup.

It’s important to remember that, for now, this is a sketch of the user interface and a workflow chart, and that Uber currently enjoys a list of cities—some, major business markets—that disallow pickups at their airports. But the bulwarks are falling, with Los Angeles, Chicago and, most recently, Seattle lifting restrictions. Clearing these hurdles will quicken Uber’s forward march.

Players like KDS Neo and Amadeus’ Microsoft Outlook integration should keep an eye on Uber’s next steps. Corporate programs stand to lose their travelers should grassroots adoption of an Uber Travel app explode like the basic ride-hailing app.

Then again, patent application-based speculation about Apple’s plans for iTravel proved overblown, with vanishingly few developments since it filed with the U.S. Patent Office in 2010. But as a technology that is already challenging the corporate travel space, Uber feels different. ■



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# DHS Revises Visa Waiver Program in Wake of Paris Attacks

BY ELIZABETH WEST

The United States has begun implementing changes under the Visa Waiver Program Improvement and Terrorist Travel Prevention Act of 2015—passed December in the wake of the Nov. 13 attacks in Paris that left 130 dead—according to a U.S. Department of Homeland Security statement.

Under the act, nationals of VWP countries who have traveled to or were in Iran, Iraq, Sudan or Syria on or after March 2011 are no longer eligible to travel or be admitted to the United States under the Visa Waiver Program, with limited exceptions for diplomatic or military travel in the service of a VWP country. In addition, nationals of VWP countries who are also nationals of Iran, Iraq, Sudan or Syria are excluded from VWP.

These individuals can apply for a U.S. visa using the regular immigration process at their embassies or consulates. U.S. embassies and consulates will expedite processing for urgent business, medical and humanitarian travel.

The new law also revokes Electronic System for Travel Authorizations from travelers who have previously indicated holding dual nationality with Iran, Iraq, Sudan or Syria on their ESTA applications.

The Secretary of Homeland Security may waive any of the above restric-

## RESTRICTED ACCESS

- Those who've traveled to Iran, Iraq, Sudan or Syria on or after March 2011
- Dual nationals of Visa Waiver Program countries and Iran, Iraq, Sudan or Syria
- Exceptions to the above for diplomatic or military travel
- Secretary of Homeland Security may waive restrictions for national security

tions for certain categories of travelers, including those who have traveled with "legitimate business-related purposes," and if such a waiver is in the law enforcement or national security interest of the United States. ESTA waivers will be determined on a case-by-case basis.

Michigan-based Steel Structures Technology Center president Bob Shaw's work took him to Iran in December to present at a seminar for Iranian engineers designing earthquake-resistant buildings. He worries that VWP countries will reciprocate with similar limits for U.S. travelers. European ambassador to the United States David O'Sullivan said as much in an open letter that he and the ambassadors of 28 European Union members penned to *The Hill* in December. O'Sullivan referenced potential "legally mandatory reciprocal measures" directed toward U.S. travelers when the EU reviews VWP participation this year.

Jonathan Grella, vice president of public affairs for the U.S. Travel Association, which backed the VWP measures passed by Congress late last year, stated, "When it comes to national security policy, there is no such thing as a perfect, finished product that stands for all time. The VWP has always been a shining example of the fact that the balance between security and freedom is not a zero-sum choice." ■

**"Those of us who work internationally will find it difficult to continue development of international standards and expand the use of global best practices."**

—STEEL STRUCTURES TECHNOLOGY CENTER PRESIDENT BOB SHAW

# FRHI JV's Neqta Hotel Brand Premieres in China

BY JULIE SICKEL

FRHI Hotels & Resorts has opened the first property of its new Neqta Hotels portfolio in Shanghai's Xuhui District.

The upper-midscale brand, aimed at Millennial Chinese travelers, is the product of a joint venture with Jiangsu Golden Land Group, a real estate developer that already owns the Fairmont Nanjing in China. FRHI describes the Neqta brand as state of the art, featuring such amenities as ergonomic guest rooms, rain showers, Bluetooth-enabled LED televisions, free high-speed Wi-Fi and smart meeting areas for business travelers.

"With domestic business travel on the rise and market research indicating Chinese consumer spending will more than double over the next five years, we see this as a remarkable opportunity to further grow our footprint in China," said JV chairman Wayne Buckingham, FRHI senior vice president of operations for Asia/Pacific. "Guided by extensive research and our own customer insights, we have designed a contemporary hotel brand that will be highly attractive to both property

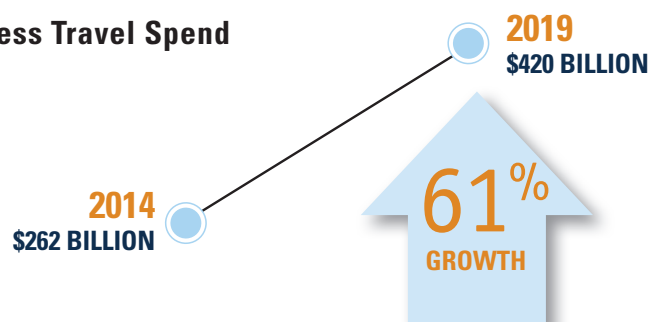
developers and the Chinese consumer, in particular the Millennial business traveler in the 22-to-40 age demographic."

According to GBTA's most recent semi-annual Business Travel Index Outlook, China represents about 20 percent of global business travel spending, and the country's overall travel spend is expected to grow 10.7 percent in 2016. GBTA further expects China will become the world leader in business travel by mid-2016 and its business travel spend will increase by

61 percent from \$262 billion in 2014 to \$420 billion in 2019.

The next Neqta property is set to open in Nanjing later this year, and others are likely to open within Golden Land's mixed-use developments in China. Neqta Hotels will be marketed apart from FRHI's collection of Fairmont, Raffles and Swissôtel brands. AccorHotels recently announced it would acquire FRHI for \$840 million cash and 46.7 million new Accor shares. An FRHI spokesperson told *BTN* the impending acquisition would not impact FRHI's joint venture with Golden Land. ■

## China Business Travel Spend



Source: Global Business Travel Association



# Amex CEO: Corporate Cards Continued to Disappoint

BY JOANN DELUNA

American Express CEO Ken Chenault was more disappointed with the card network's corporate card business than with any other segment, he said during a fourth-quarter earnings call. However, he's optimistic about corporate card growth in 2016.

Card-billed business for American Express Global Commercial Services, the division that houses corporate cards, dipped 3 percent year over year during the fourth quarter to \$45.5 billion, the fourth consecutive quarter for which volume declined year over year. During the full-year 2015, the card network reported \$182.1 billion in GCS card-billed business, down 2 percent from \$186.7 billion the previous year.

After GCS's card-billed business increased 5 percent year over year to \$47.1 billion during the fourth quarter of 2014, Amex began what CFO Jeff Campbell previously referred to as a "sequential decline in growth." According to Chenault, "We've been very clear throughout [2015] that the segment I've been most disappointed in has been the corporate segment."

Chenault said the decline owed to clients' cutbacks on T&E spend. "The easiest expense category to cut is T&E," he said. "What we've seen in my 30-plus years' experience with the company is: Cutbacks in T&E is an early indicator for a slowdown."

Net income in 2015 totaled \$666 million, down from 2014's \$1.5 billion. Revenue net of interest also decreased 32 percent year over year to \$3.5 billion.

## Focus on a U.S. T&E Slowdown?

Since its second-quarter-2015 earnings call, GCS has focused on the United States as the weak link in its earnings chain. In July, Campbell reported that GCS had reviewed its customer base and determined the "sequential decline" in revenue was "U.S.-driven ... T&E oriented." By November's third-quarter call, Campbell had pegged the decline on dropping fuel prices and the resulting lower average transaction sizes. He assured it did not owe to less-frequent card use or an Amex loss of market share.

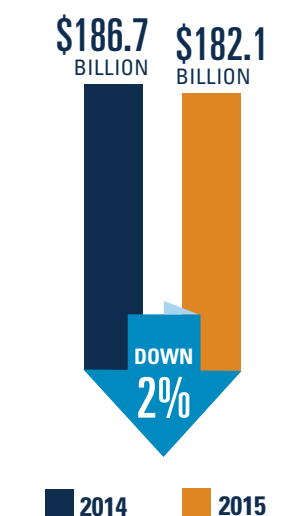
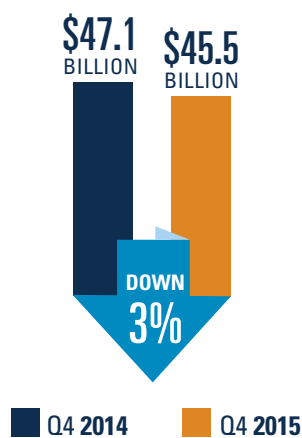
**"We've been very clear throughout [2015] that the segment I've been most disappointed in has been the corporate segment."**

—AMEX CEO KEN CHENAULT

Chenault's year-end comments seemed to veer from Campbell's prior statements on dropping fuel prices and cheaper fleet and travel costs and instead intimated that companies are actively reining in travel costs to a degree that has significantly contributed to GCS's year-over-year revenue decline. If so, the focus of that decline should be on the global T&E market, not on the U.S. one as Campbell throughout the year reasoned it should—except in that weaker-than-expected U.S. growth may have failed to shore up softness in other global markets.

While sharp restrictions on travel spend could be generally true for suffering verticals like oil and gas companies, similar restrictions were not evident in the U.S. business travel market overall.

## Amex Corporate Card Billings



Source: American Express Q4 2015 earnings

The Global Business Travel Association most recently projected that U.S. T&E growth for 2015 would land at 3.1 percent. That is slower than the association's original 5 percent growth projected for the year, but it's still growth. Indeed, Amex U.S. T&E-billed business experienced a similar growth trajectory during the year, posting 5 percent growth in the first quarter and slowing to 3 percent growth in the third quarter.

This may be disappointing in terms of Amex's expectations for 2015, but growth is growth. Translating that growth as the culprit of the firm's 2 percent year-over-year decline in commercial card revenue would be a leap. Still, Chenault anticipated an increase in business travel in 2016.

Amex's companywide fourth-quarter net income declined from \$1.4 billion to \$899 million year over year in 2015, partly owing to 2014's \$719 million gain from the sale of Amex's stake in Concur. The company also blamed the strong U.S. dollar for the decline. In response, Amex has committed to cutting \$1 billion in expenses through 2017.

## Developing

Amex's discount rate, the rate merchants pay to accept Amex cards, declined by 2 basis points compared with the previous year, which Campbell owed to the roll-out of OptBlue, its small-business acquiring program. "We anticipate that our discount rate will decline by a greater amount during 2016 due to continued expansion of OptBlue, a greater impact of international regulatory pressures and continued competitive pressures," he said.

The international regulatory pressures to which Campbell referred were the European Union's interchange fee regulation caps that took effect in December. While Amex is excluded from the caps and its market share in those areas is small, he maintained it would pressure the company to lower its discount rate.

In December, a U.S. court of appeals granted a temporary stay on an April decision requiring Amex to amend its antisteering rules. Amex's merchant steering agreements can remain during an appeal of a judge's decision that those agreements violate federal law and constitute "unreasonable restraints on trade." ■



# Dave Lukas On Grasp's No-Fee Virtual Card

Grasp Technologies vice president Dave Lukas claims GraspPAY, the virtual card solution that Grasp launched with Wex four months ago for air and hotel volume booked through global distribution systems and corporate booking tools, is his company's fastest growing product out of the gate. He expects the tool to have processed \$8 million to \$10 million in volume by the end of the first quarter. He said growth is on pace to process more than \$25 million per quarter by year's end. Lukas told *BTN* how GraspPAY makes money and future plans with big banks.

## YOU'VE SAID GRASPPAY IS FREE, MEANING CORPORATES AND TRAVEL MANAGEMENT COMPANIES DON'T HAVE TO PAY SETUP FEES OR TRANSACTION FEES. HOW CAN THAT WORK?

When [Grasp] was talking to different banks and pitching the idea, a lot of banks agreed this [free model] was an awesome idea and would do well, but they couldn't make it work for us to cover our costs just on [their] basis points [a bank's cut of transactions' interchange fees]. That was a problem, as there are a lot of players behind the scenes that all take a chunk of the interchange fee. We already have the intelligence side and Wex is a [bank identification number operator], so they cut off a lot of the middlemen.

## SO FEWER PLAYERS ARE DRINKING OUT OF THE INTERCHANGE FEE. IS THERE ANYONE BESIDE GRASP AND WEX?

You have rebates that you give back to clients. When we looked at our clientele and where the rebates really start, you have to be doing some decent volume for rebates to really kick in. If we have clients that are doing half a million or a million, they don't expect a rebate or much of anything at that level of volume. When Wex and Grasp really looked at it and the capabilities, we both agreed to make concessions and take a portion of the expenses. We worked out to pay each other out of the interchange and be able to still do the rebates [for large-volume clients] and essentially be able to cover our costs and make a bit of money doing it.

## SO THERE'S STILL A THRESHOLD. IF THEY REACH THAT, THEY WILL HAVE TO PAY A TRANSACTION FEE?

Yes, in theory, but the rebates align with the standard rebates in the industry. If a client wants more rebate, that's where we may have to say, "Look, based on the volume you're doing, it doesn't work for our model, so we need to charge you a transaction [fee]." But we haven't run into anybody like that yet. Even the largest ones, we haven't had that issue yet. We're not doing less, we're doing the same standard rebate tiers you're getting in the industry. We just figured out how to make it work.



**DAVE LUKAS**  
GRASSTECHNOLOGIES VP

- Grasp and Wex tout their free virtual card. How do they claim to do it? .....
- They remove middlemen. ....
- A share of the interchange fees from a large pool of small-volume clients helps fund standard rebates for bigger customers. ....
- They aim to "make a bit of money," not "feed our families."

The goal is not to feed our families off of this. It's to provide a great solution that will continue to grow for years to come.

## AND YOU'RE LOOKING AT OTHER BANK PARTNERS, EVEN THOUGH GRASPPAY HAS AN EXCLUSIVE PARTNERSHIP WITH WEX?

We're going to spend the first year working together with Wex to make this solution the best it can be. Midway through this year, we'll start to look at other providers or clients that want us to work with [particular] banks. If we can make it work the way we're doing with Wex, great. If not and we have to have some sort of transaction fee, then we'll evaluate that. Our transaction fees, if we did go that route, will be less than the marketplace's because we know what we have to do to cover the costs and get a little bit of margin.

## SO HOW IS GRASPPAY DOING?

It launched in October and ... we had over 30 new clients in November and December alone. We have really continued that momentum into the first quarter of this year. It's attracted companies from some of the largest agencies down to the little guys and the corporates. In all the years of Grasp, GraspPAY has had the most interest for a product release I've ever seen out of the gate.

## BEYOND VIRTUAL CARDS, WHAT'S IN OUR FUTURE?

Machine learning and intelligence will continue to be a trend. I've been pushing for a universal [traveler] profile. That's fragmented and messed up [right now]. There should be one spot where travelers put their info, and then all suppliers can essentially access and have it or it can be pushed to a supplier when booking. That's a new frontier and is absolutely needed. A company like Facebook is in the best position to do that, as they already have all the information

Virtual commerce growth is tremendous, and it hasn't even started yet. What that eventually leads

**"There are a lot of players behind the scenes that all take a chunk of the interchange fee. We already have the intelligence side and Wex is a [bank identification number operator], so they cut off a lot of the middlemen."**

to is the scariest thing: the app that manages all your travel for you—to where you might not necessarily need the travel agent. Is it really that far off to think that you can have a [mobile] app that knows all travel information, sources from your universal profile, has your personal payment information and when there's a cancellation can automatically rebook you with your preferences to make sure you make your meeting? I don't think it is. The travel agency will evolve to more of a travel-experience consultant because technology will screw up and you need those people there to help you. As agents and TMCs have changed with online booking tools over the years, it will continue to change as technology becomes more rampant. ■

Read the full interview under Expert Q&A at [businessstravelnews.com](http://businessstravelnews.com)

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# BUSINESS TRAVEL TRENDS & FORECASTS

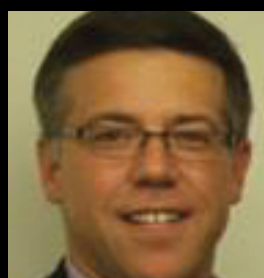
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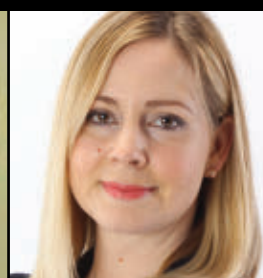
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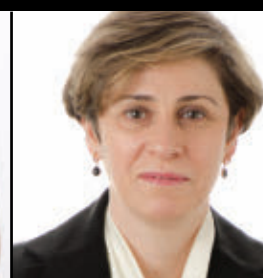
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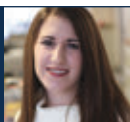


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# AH&LA: Airbnb Gains From Illegal Hotel Operators

A significant portion of Airbnb's revenue comes from full-time renters acting as illegal hotel operators, according to a study funded by the American Hotel & Lodging Association.

"Occasional home-sharing and occasional home rentals have been going on for decades, and without question they provide real benefits to the teacher, student or grandmother who may want to earn extra cash," AH&LA president and CEO Katherine Lugar said on a press call. "That is not our focus today. Instead, this report revealed a very different and very disturbing trend."

The report, "From Air Mattresses to Unregulated Business: An Analysis of the Other Side of Airbnb," conducted by Penn State University's School of Hospitality Management, analyzes data from Airdna, which tracks Airbnb revenue and operations through continuous searches of the Airbnb site. The data was gathered over a 13-month period in 12 major U.S. markets and excludes all shared rooms and apartments, as well as unique units, such as boats, tree houses and tents.

A key finding of the analysis was the rise of mega-operators, defined as "hosts" who rent out three or more units. They grew from 1,171 in September 2014 to 2,193 in September 2015, an

**"Companies like Airbnb want to have it both ways. They want the face of Main Street and the wallet of Wall Street."**

— AMERICAN HOTEL & LODGING ASSOCIATION  
CEO KATHERINE LUGAR

Miami had the most full-time operators on the East Coast and Los Angeles and San Francisco on the West Coast.

Housing advocate Ellen Davidson, a staff attorney at The Legal Aid Society in Brooklyn, said Airbnb has created a dangerous underground market and has caused landlords to push long-term, low-income tenants out of their homes. "Airbnb is telling landlords that they can make more money renting their units out on Airbnb than finding traditional long-term leases, which takes these units off the market and drives up rent prices."

## Deja Vu

This isn't the first time such an accusation has been directed at the sharing economy provider. In October 2014, New York State Attorney General Eric Schneiderman issued a report detailing the number of illegal Airbnb rentals in New York City, showing that commercial users that operate multiple units have been key revenue drivers for Airbnb and that those operators were displacing long-term housing options in the city. In San Francisco, a failed initiative to restrict Airbnb rentals, titled Proposition F, made its way onto the ballot in November 2015. Housing advocates and city officials said the measure was necessary to combat serious housing availability issues in the city.

Airbnb for its part issued a "Community Compact" that month, promising to release annual Home Sharing Activity Reports for key markets, featuring such details as the geographic distribution of listings, the average number of days homes are listed and the safety records of listings. Airbnb also pledged to work with hosts and host cities to ensure the company is honoring local laws and limiting the impact of short-term rentals on long-term housing availability.

"Companies like Airbnb want to have it both ways," Lugar said. "They want the face of Main Street and the wallet of Wall Street."

O'Neill said the AH&LA and Penn State data is more comprehensive than any that has been released by Airbnb to date. "Analysts at Pennsylvania State University performed all of the calculations on the data, examining over 416,000 lines of data and over 9.5 million variables. In contrast, a release by Airbnb of its own data at the end of 2015 included only about 170,000 lines of data."

In the past year or so, Airbnb has beefed up its corporate offerings. In July, it unveiled tools that would allow corporate travel managers to view employee bookings and itineraries at Airbnb properties, export companywide financial data and reports in real time and centralize billing. It likewise has been building out its inventory of what it calls Business Travel Ready properties, those that would cater to business travelers through speedy Wi-Fi and other professional amenities.

When asked whether deeper analysis would look into whether mega-operators or full-time operators were working within the Airbnb Business Travel program, O'Neill told *BTN* the data does "not allow us to specifically quantify those units" but that those who conducted the study are aware business travel units appear to be another growth vehicle for the company. ■

## Airbnb Hosts Who Rent 3+ Units



That's **7%** of hosts but **25%** of revenue ...  
... totaling **\$326 million** for the 12 major U.S. markets studied

Source: Penn State University School of Hospitality Management analysis of data from Airdna

87.3 percent increase. Mega-operators account for 7 percent of hosts in the markets studied—New York City, Chicago, Los Angeles, Philadelphia, Miami, Houston, Dallas, Phoenix, San Antonio, San Diego, San Francisco and Washington, D.C.—but accounted for 25 percent of revenue generated in those markets, totaling about \$326 million.

Similarly, the broader subgroup of multi-unit operators, those who rented two or more units, represented 16.8 percent of total hosts but generated 39 percent of revenue. Full-time operators, those offering units at least 360 days over the 12 months ending September 2015, represented 3.3 percent of hosts but generated 28.5 percent of revenue.

John O'Neill, professor and director of the Center for Hospitality Real Estate Strategy at Penn State, said that within the cities studied, New York and

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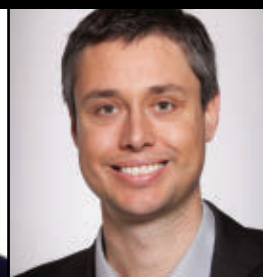
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# Air, Hotel ... and Helicopter? A Unified Itinerary for Energy-Sector Travelers

Carlson Wagonlit Travel and IBS Software completed work on a unified travel itinerary for mutual energy clients. Viewable to client travelers through the CWT To Go mobile application, the itinerary consolidates commercial travel elements like flights and hotels with “logistics” travel components like helicopters and charter flights.

In late October, CWT and IBS announced plans to work together on a “one-stop solution to manage both commercial travel and the unique logistical travel” for the energy sector.

IBS’ iLogistics platform helps oil and gas clients manage the movement of people and materials. CWT, meanwhile, operates a dedicated group serving energy, resources and marine clients.

The unified itinerary is a start, but both companies see further opportunities to cooperate for a sector that faces lean times amid oil price declines.

“If you think about the commercial piece: It’s getting from point A to point B,” senior vice president and global head of the CWT Energy, Resources & Marine division Monisa Cline said late last year. “The logistics is much more than that.”

**“There’s corporate travel that’s managing the travel piece. Then you have different people within the company managing the logistics.”**

**—CWT ENERGY, RESOURCES & MARINE DIVISION GLOBAL HEAD MONISA CLINE**

“Depending on the client, every setup will be different,” said Gryc last year. “IBS is going to customize depending on the customer expectation. Our objective is to provide a platform for those bookings.”

Nair gave a sample booking flow: A travel request arrives, and IBS divides the request into corporate and logistics components. A logistics coordinator may arrange the logistics piece, while the commercial travel arrangements may go to the TMC. IBS identifies each traveler with a unique identifier to match the separate components into the combined itinerary. “We build the complete itinerary end to end and then push it out to Carlson’s system through their mobile app,” he said.

He said IBS has completed software development on the consolidated itinerary, and CWT “has taken it into production.” Nair noted that CWT and IBS had planned to launch with an unnamed major global operator and mutual client, but that got stalled “due to some personnel changes” within the client company. The two are pitching it to other mutual clients, as well.

## Changing Habits

IBS and CWT executives discussed how energy companies increasingly are focused on cost-cutting initiatives to cope with their financial prospects. Both organizations highlighted opportunities for companies in the sector to optimize how they manage the transportation of employees or contractors.

“A lot of times, there’s corporate travel that’s managing the travel piece. Then you have different people within the company managing the logistics,” said Cline. “There are some efficiencies and synergies to be had.”

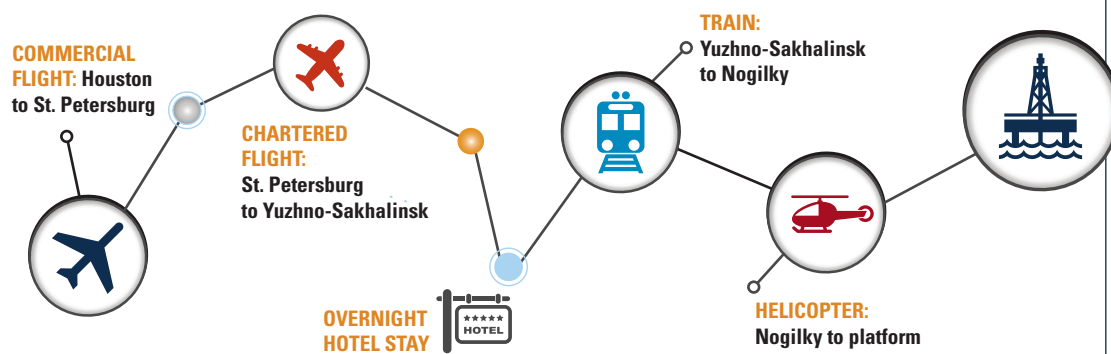
Managed travel has “well-defined work processes, inventory consolidation in the GDS, business enablement through GDSs and TMCs, price discovery by market, and cost optimization,” said Nair. Meanwhile, logistics travel has less-defined processes. “Almost everything is ad hoc.” Additionally, charter flight, helicopter and other logistics inventory are not standardized, and “price discovery” is opaque, largely governed by one-to-one contacts. Nair said IBS and CWT are exploring a larger question: “How can we bridge these two worlds together?”

The unified itinerary is a starting point, he said. For more synergies, he suggested that companies dismantle the divisions between the logistics and the travel departments. In the longer term, he said, energy companies could consolidate their buying power with mutual niche service providers, such as charter and bus operators, to bring about some standardization in pricing and content access.

CWT, meanwhile, sees an opening to “expand the outsourcing opportunity for our customers to give us the logistic bookings that they’re doing today, which is part of the optimization on the larger scale,” said Gryc.

Transforming the way a sector manages the movement of people, however, will require buy-in from all sides, Nair said: “We should have the oil companies feeling need for change; we should have the suppliers who see value in this; we should have enabling ecosystems like TMCs playing a big part. And connecting all three groups [should be] a layer of technology to allow seamless information sharing across these parties.” ■

## Travel Itinerary: Houston to Russian Offshore Oil Rig



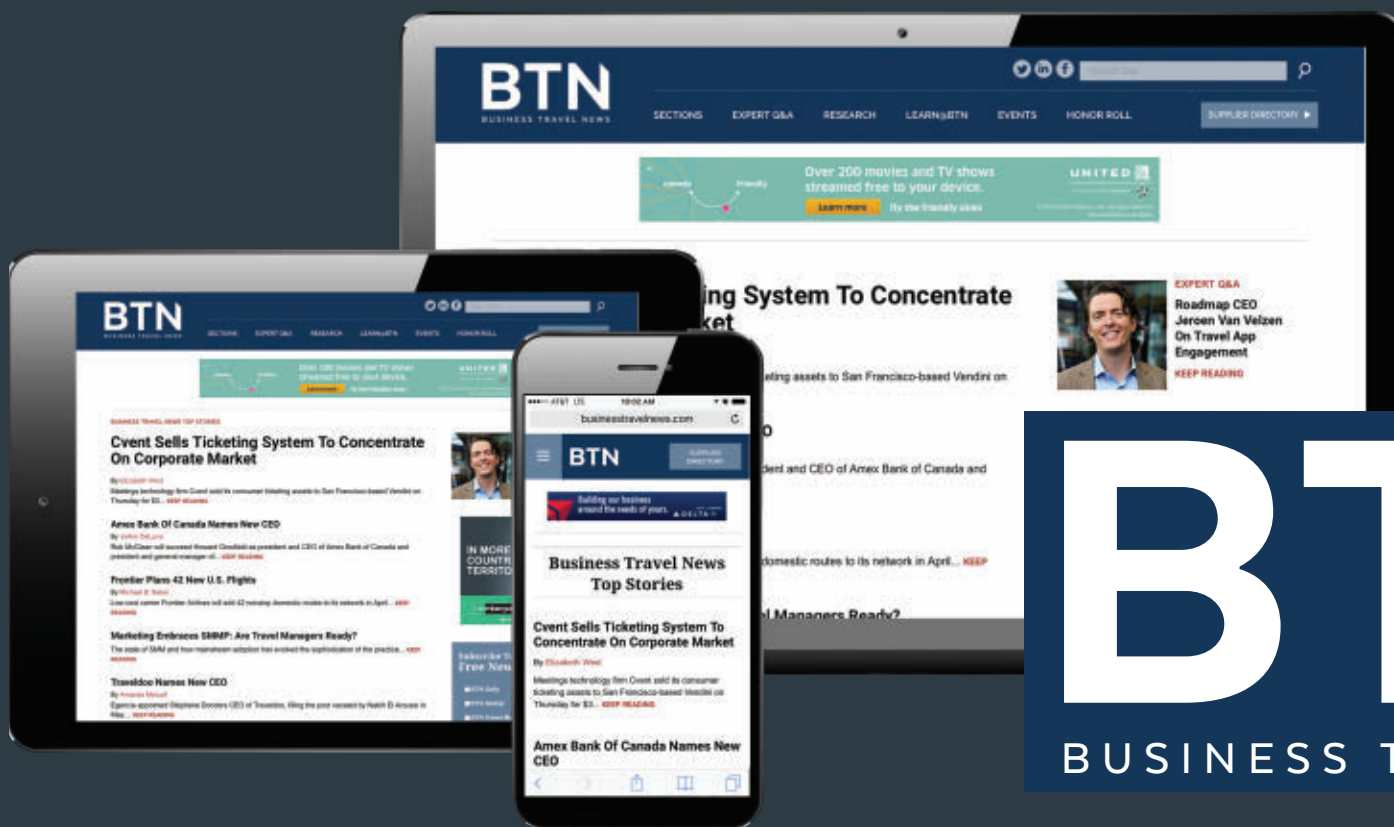
IBS vice president and head of the company’s oil and gas logistics unit Ramesh Nair described a sample trip to a Russian island in the North Pacific. “If you have to send an engineer from Houston to Sakhalin, he will take a commercial flight out of Houston to, say, St. Petersburg. Then he’ll take a chartered flight from St. Petersburg to Yuzhno-Sakhalinsk. He might stay in a hotel there, then take a train up to Nogilky. From Nogilky he’ll take a chopper down to the platform.”

Nair continued, “Half of this travel leg is managed as commercial, while the other half is what we call logistics travel.”

The itinerary offering combines the two.

CWT senior director of products and marketing Philippe Gryc said CWT had worked with IBS to automate commercial bookings coming into CWT’s queue and ultimately feed the itinerary.

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CONTINUED FROM FRONT PAGE

## Zika Virus, So Far, Hasn't Curbed Business Travel

instead about taking recommended precautions and monitoring the outbreaks through health authorities.

Though it's early and information about the virus and its implications is still emerging, corporates appear to view the pandemic as just another risk of global travel. "For organizations that have a mature process around travel risk management, this should just be another time to exercise that muscle," said Jim Hutton, chief security officer at risk management firm On Call International. "There are lots of different risks and exposures that happen: crime, terrorism. Health exposures really shouldn't be treated any differently in terms of the duty-of-care mentality."

Weisskirchen said, "We advise travel managers to understand and support their companies' individual risk and duty-of-care policies. ... There's a common thread that all companies share: keeping travelers informed and engaged. Travel security alerts for specific destinations can play an important role for situations like this one, and we also encourage companies to explore the use of customized messaging capabilities."

DHL travel services category manager Michelle Hunt said her travelers have raised no concerns thus far. Instead, the biggest focus for the program currently is disseminating information. "We're creating awareness around it in conjunction with our health, risk and HR departments to make sure people are informed of what's going on and how to protect themselves," she said.

Hunt said pop-up notifications on the company's online booking tool alert travelers of the situation, no matter where the traveler is planning to book. General communications will also go out via newsletters and direct communications to those with booked travel. Though Hunt said it's important to communicate to all employees about Zika Virus "because anybody could get it," DHL's communications echo health organizations' recommendations that pregnant women or those wanting to become pregnant should check with their doctors before they travel.

**"For organizations that have a mature process around travel risk management, this should just be another time to exercise that muscle."**

— ON CALL INTERNATIONAL'S  
JIM HUTTON

### What Is Zika Virus?

Though WHO declared Zika a public health emergency, neither it nor the U.S. Centers for Disease Control and Prevention or Pan American Health Organization have issued bans on international travel or trade in infected regions.

The virus is not new—it was first discovered in the Zika forest in Uganda in 1947—but since it was confirmed in Brazil in May 2015, the scope of infection has grown quickly throughout the Americas. PAHO said the rapid transmission has been fueled by climatic conditions that allow the carrier, Aedes species mosquitoes, to thrive. Because the virus is also new to the region, the population has not built up natural defenses against infection.

Symptoms associated with Zika include mild fever, rash, conjunctivitis and muscle or joint pain, though symptoms do not appear in all infected people. On Call International chief medical officer Dr. Robert Wheeler said the incubation period can be three to 12 days. After that, the virus can be detected in the blood and the person is infectious for three to seven days. This, he said, is also the period in which symptoms appear, if they appear at all. Once an infected person develops antibodies against the virus, they are no longer infectious and are extremely unlikely to contract the virus again.

Given the time span from inoculation to no longer infectious, Dr. Wheeler said common advice for women is to avoid getting pregnant within four weeks of travel to infected regions. Men, too, should be aware that they could infect partners through sexual contact during the same period. So far, no locally transmitted Zika cases have been found in the continental United States, though cases in returning travelers have been reported and the list of countries with active transmission changes regularly.

"What's important is that our corporate customers keep an eye on where their travelers are going," said CWT's Fernandez. "Companies tell us that safety and security are key in managing their travel program and I think they just need to continue doing that, and we will support them accordingly."

Hutton also suggested corporates exercise flexibility for those employees concerned about traveling. "There are other ways to do the business," he said. "You can perhaps do video collaboration. There could be local partners that could do some things for you. I would encourage an organization to be creative around ways to get the work done. There's really no one size fits all here." ■

### How Zika Virus Can Be Transmitted

- Aedes species mosquitoes are the most common infection carrier.
- They're aggressive biters from dawn to dusk.
- Sexual transmission and blood transfusion transmissions are possible.

### The CDC's Strategies for Prevention

- Wear long sleeves and pants.
- Use Environmental Protection Agency-approved insect repellent.
- Treat clothing with permethrin insecticide.
- Stay in places with air conditioning or window/door screens.

### On Call International's Travel Management Considerations

- Stay up to date on the situation via the CDC, Pan American Health Organization and World Health Organization.
- Alert all travelers to associated risks.
- Provide alternatives, such as videoconferencing.

# People on the Move

THE CORPORATE TRAVEL INDUSTRY HAS BEEN RESPONSIBLE FOR A DISPROPORTIONATE SHARE OF LINKEDIN UPDATES SO FAR THIS YEAR, SO IT SEEMS. A LOOK AT WHO'S GETTING NEW BUSINESS CARDS:

## Air Execs Are Resigning & Retiring ...

Delta Air Lines CEO **Richard Anderson** will retire May 2 and will be succeeded by Delta president **Ed Bastian**. Anderson, Delta's CEO since Sept. 2007, will become executive chairman of Delta's board of directors upon his retirement. **Glen Hauenstein**, executive vice president, will succeed Bastian as Delta's president. Cowen and Co. said the succession would change little at Delta: "Bastian has been very much involved in high-level management decisions for years and knows what makes the company tick." Delta also has named **Rahul Samant** senior vice president and chief information officer, effective Feb. 17. The former AIG chief digital officer replaces **Theresa Wise**, who is retiring.

Spirit Airlines president and CEO **Ben Baldanza** has stepped down, and former AirTran president and CEO **Robert Fornaro** will take his place. Baldanza joined Spirit as COO in 2005 and became president and CEO the subsequent year. Fornaro has been a member of Spirit's board since May 2014. Cowen and Co. said the leadership change could indicate consolidation on the horizon, given Fornaro's role in selling AirTran to Southwest Airlines. "If Spirit were to participate in M&A, they would likely look to consolidate with an airline that flies the A320. The carriers that fit the A320 parameter are Frontier, JetBlue, Virgin America and potentially Allegiant." Cowen and Co. said the change also could indicate "an even more conservative approach to capacity growth" by Spirit.

Southwest Airlines vice president and chief marketing officer **Kevin Krone** retired Feb. 15. He worked with Southwest for 25 years and developed Southwest's website, which has become "the biggest travel website in the world," according to executive vice president and chief commercial officer Bob Jordan, who attributed the success to ticket distribution. The carrier has promoted managing director of customer strategy and development **Ryan Green** to vice president of marketing to succeed Krone. Green has worked with Southwest for 14 years and launched Southwest's Rapid Rewards A-List frequent-flyer status. Corporate sales will move under **Dave Harvey**, who's switching from senior director of capacity planning to a new position, managing director of business development.

Oneworld CEO **Bruce Ashby** will step down in June. He has led Oneworld since December 2010. Since, the alliance has expanded its capacity by nearly 60 percent and added more than 15 carriers as full or affiliate members.

## ... And Moving to Other Industries

American Airlines vice president of global sales **Derek DeCross** has joined InterContinental Hotels Group as senior vice president of worldwide sales, based in Atlanta, replacing **Stephen Powell**, who retired in June. DeCross joined American as a revenue management analyst in 1996, and among the roles he has held since was president of AAdvantage Marketing Programs, giving him oversight of the frequent-flyer program. He became vice president of global sales in August 2010, leading sales and distribution and overseeing relationships with corporate and agency customers.

JetBlue Airways manager of sales operations and analysis **Rich Hunt** joined nuTravel as vice president of product marketing for its Airline Solutions Group. To supplement its primary corporate booking tool business, nuTravel launched the division last year and brought on Southwest Airlines vet **Rob Brown** as executive vice president and general manager. The division builds and powers business-to-business booking portals for airlines like JetBlue and Air Canada.

## Hotels Are Promoting ...

Best Western Hotels & Resorts promoted **Dorothy Dowling** to senior vice president and chief marketing officer. Under her leadership, Best Western completed a comprehensive global brand refresh in 2015. The company also promoted **Mark Straszynski** to senior vice president and CFO and **Greg Adams** to vice president and chief digital officer.

Omni Hotels & Resorts promoted **Peter Strebel** chief marketing officer and senior vice president of sales from senior vice president of operations. He worked as president and, previously, chief marketing officer for Wyndham Hotels & Resorts before joining Omni in 2009. Omni also promoted **Mark Wykes** to vice president of hotel sales and marketing. The 30-year industry veteran previously served as regional director of sales and marketing, as well as director of global sales. He joined the luxury hotelier in 2007 from Hilton, where he was director of sales for Dallas' Hilton Anatole Hotel.

Jumeirah Group parent company Dubai Holdings promoted Jumeirah Group president and CEO **Gerald Lawless** to a new position in charge of tourism and hospitality. Lawless headed the

group, best known for its ultra-luxury Burj Al Arab Jumeirah hotel in Dubai, for 18 years. Stepping into his position as Jumeirah Group CEO is **Stefan Leser**, who joins the luxury hospitality company from Swiss travel business Kuoni, where he acted as executive vice president of its outbound travel and inbound specialist businesses.

## ... And Hiring

Loews Hotels & Resorts appointed **Oliver Bonke** to the new position of chief commercial officer. He most recently served as chief commercial officer of the Americas at InterContinental Hotels Group, where he led the strategy and integration for the acquisition of Kimpton Hotels & Resorts. Previously, he spent 24 years with Starwood Hotels & Resorts Worldwide.

## Travel Tech Is Gaining From Other Industries

**Cindy Allen** is leaving American Express Global Business Travel half a year after she took on the role of chief marketing officer. That was a few months after she left Concur in April 2015, where she served as vice president of TMC services. Previously, she was CEO of agency software provider GDSX, which Concur acquired in 2013. Last year, Allen co-founded PayForTrip, a virtual payments solution focused on travel, by way of her Team Catalyst Holdings, which develops travel-related startups. She said Team Catalyst is a vehicle "to spin up start-ups with key talent that I know in the industry that can really solve problems and bring a certain level of expertise to solve a gap in the industry. There are several of those, and there's only so much bandwidth I have to creatively pour into getting things started. For now, my whole focus will be PayForTrip and getting that into its next stages."

Egencia appointed **Stéphane Donders** CEO of Travel-doo, filling the post vacated by **Nabih El Aroussi** in May. Donders had worked as general manager of IT company Meilleure Gestion since 2009 and previously served as KDS deputy general manager for four years.

**Jay Link** has joined Lanyon as chief sales officer after serving as vice president of worldwide sales at Gravitant, a cloud brokerage software firm recently acquired by IBM. He will oversee global field and inside sales teams for the meetings, event and travel software company. He is based in Dallas and reports to Lanyon chief executive David Bonnette.

## Banks Are Installing New Leaders

**Curt Hess** has become CEO of Barclaycard US, Barclays' U.S. payment business, after serving as interim CEO since May. He succeeded **Amer Sajed**, who was promoted to interim CEO of Barclaycard, the division's global business, when **Val Keating** departed. Hess, who has worked for Barclays for eight years, most recently served as its CFO of personal and corporate banking in London. He's also held CFO and CEO roles within other Barclays departments, including retail and business banking for Europe and Africa. He has more than 25 years of credit card and finance experience, including at Citibank and Bank of America.

**Rob McClean** will succeed **Howard Grosfield** as president and CEO of Amex Bank of Canada and president and general manager of Amex Canada Inc., both subsidiaries of American Express. McClean, who has worked for Amex for 21 years, previously was Amex Bank of Canada senior vice president and general manager of small business and lending for global network and international card services. Grosfield was appointed executive vice president of consumer marketing and operations in the United States. ■

## A Different Approach to Analyzing Auxiliary Spend

Travel & expense is the dark horse of the corporate travel management industry. Wait, what's that? You've been paying attention to T&E your entire career? Of course you have. We aren't talking about the big-ticket items here; it's the smaller stuff that's beginning to add up.

For the average business trip, flights and hotels account for about three-quarters of total trip costs. Ground transportation and auxiliary spending—meals, phone charges and so on—account for the remaining quarter.

A quarter is significant! It could lead to major cost savings and, in turn, to more successful business travel programs in the future. The sheer volume of different T&E data makes it challenging to process and manage, and interpreting it can be daunting. So how should travel managers or businesses go about understanding their auxiliary—and all—T&E spend more strategically?

### 1. Sort expenses into four categories, based on when and where they take place.

- Occurred while traveling
- Associated with a regular travel supplier: air, hotel, car
- Made through the travel management company
- Differed from the travel management company amount recorded at booking

By categorizing in this way, companies can delve into where expenses occur and whether there is an opportunity for action to achieve significant savings.

### 2. Understand why each expense has been incurred analyzing the following additional factors.

- Type of service or product bought
- Overall spending behavior of the employee
- Context of the expense

While Step One offers a head start into T&E analysis with an immediate high-level view on where company dollars are spent, Step Two takes companies closer to the actions needed to reduce costs. These could be anything from evaluating your preferred suppliers and policy, adjusting the number of trips employees make, setting an expenses limit at the start of the journey or creating a virtual card with an agreed-upon limit.

If, for example, an increasing amount of T&E is being spent by regular travelers using on-demand car services, it might be time to consider how to integrate this new supply base into your program. Conversely, it may be time to re-educate travelers on policy and other negotiated rates.

By creating more awareness and taking corresponding action, companies will improve their own understanding along with their employees' purchasing behavior and policy compliance and can negotiate new deals with suppliers.

With more information and insight, managers can better estimate the full financial impact of each business trip. This will guide finance, procurement and travel management professionals to an improved understanding of their whole travel program, which is long overdue. ■

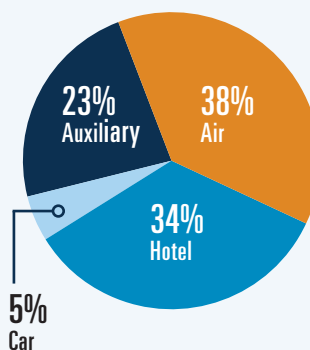


**Nick Vournakis**  
Carlson Wagonlit Travel  
Senior Vice President  
of Global Marketing

### According to CWT, auxiliary spend (by volume) includes:

- Meetings & events
- Business meals
- Miscellaneous
- Phone
- Gas
- Parking/tolls
- Personal car mileage
- Taxis
- Office supplies
- Public transport

### THE AVERAGE BIZ TRIP Breakout of Total Costs



Source: Carlson Wagonlit Solutions Group, T&E Decision Tree, November 2015

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