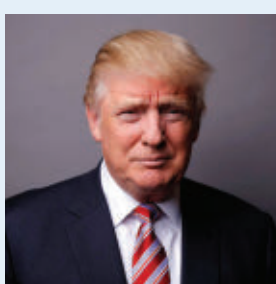


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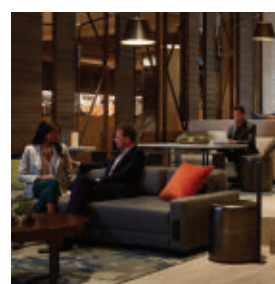
BUSINESS TRAVEL NEWS



ON THE HORIZON

Many uncertainties remain, but here's what Trump's presidency could mean for corporate travel.

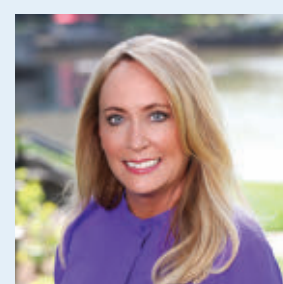
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LODGING

Marriott's M Beta hotel serves as an experimental hotel & real-time innovation lab.

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PROCUREMENT

BCD Travel's Louise Miller discusses the evolving landscape of corporate M&A, travel management company sourcing & globalization.

PAGE 26

FEATURE



BY MICHAEL B. BAKER

BTN's 2016 Airline Survey & Report

Buyers Give Better Scores to Each of the Big Four

Delta came away with the best rating for the sixth straight year, as well as the top rating in each of the 10 categories in *BTN's* 2016 Airline Survey. Delta's operational guarantee and performance, as well as its corporate-focused products, factored into its high score. American recorded the biggest improvement, especially in the pricing categories. United improved in the customer-facing—both traveler and travel buyer—categories. And Southwest was the only major U.S. carrier to come close to Delta in any category, doing so for overall price and value.

FULL STORY ON PG 8

BTN's 2016 Multinational Travel Manager of the Year

ITW's Cathy Sharpe Chases Freedom Within a Framework

BY ELIZABETH WEST

Cathy Sharpe signed on as ITW's director of global travel and expense in 2006 with the goal of consolidating the organization's unwieldy travel program. ITW had roughly 700 businesses in about 100 divisions "running their own shows," Sharpe said, but joined under a loosely structured conglomerate. At the time, the company held service contracts with 33 agencies, multiple card vendors and vanishingly little expense automation. Most challenging of all, she said: "We had very little usable data."

Knowing that she needed data in order to drive the rest of the program, Sharpe started end-to-end implementation with the most complete source: expense. She plugged 350 back-office systems into Concur, which was no mean feat. "We had to go to each business to implement the Concur platform but also policy," she

said. "It had to be a simple platform that each company could administer [because] each business manages to its own profit-and-loss sheet."

Even so, Sharpe knew that consolidating volume and working toward global contracts with suppliers would offer ITW's individual businesses compelling pricing and service benefits they didn't have with a fragmented approach. "Savings was paramount to them," Sharpe said. "They were all stretching budgets."

Early Successes

Sharpe counts 30 years in the travel space: on the agency side, on the supply side but mostly as a buyer. "I'm a believer in managed travel," she said. "I believe in the agency model." And she executed on that model for ITW. In

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Deem president & COO John Rizzo weighs in on the company's expense strategy now that the company has changed tack from the Grady days.

"Concur is positioned clearly as huge expense little travel. ... They monetize expense by giving away travel for free. We're huge travel, small expense. We want to monetize travel to the extent that expense is an enabler to do that."

5 | Data Hub

Most Expensive Hotel Markets Worldwide

Moscow is the world's most expensive, in British pounds, for the 12th year running.



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BUSINESS TRAVEL NEWS

Investing in the customer experience

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STRUCTURE, SOURCING, SATISFACTION

The evolving relationships between travel buyers and travel management companies

WATCH THE
WEBINAR
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In a new research study, *The Beat* untangles the inner workings of one of the most critical, and perhaps complicated, relationships in corporate travel: that between travel buyers and their travel management company. Travel buyers shared insights on their TMC relationships as part of this special research conducted this summer.

Learn what buyers revealed and hear views from leading stakeholders in those relationships during an hour-long *The Beat* webinar. Hear nuances of these relationships, industry benchmarks, as well as most recent changes.

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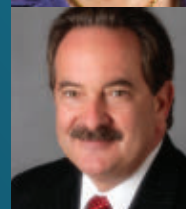
- ▶ Typical and emerging financial structures
- ▶ What is a transaction?
- ▶ Supplier and intermediary revenue divisions
- ▶ Agency services that buyers value most



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The Beat

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What Trump's Presidency Could Mean for Corporate Travel

BY JULIE SICKEL

For several months, the nation has collectively been holding its breath. On Nov. 9, in light of the news that Donald Trump had been elected the 45th president of the United States, some breathed sighs of relief while others began to hyperventilate. There are many uncertainties around a Trump presidency's impact on the nation and the wider world, but let's get into what it could mean for corporate travel.

Typically, U.S. corporate travel tracks closely with GDP growth. U.S. domestic business travel already has been slumping for most of 2015 and 2016, with tepid rises in GDP the culprit most oft-cited by industry leaders. On Nov. 9, Bank of America head of U.S. economics Michelle Meyer said on a press call that, following the market volatility seen between election night and the next afternoon, BoA is shaving 0.5 percentage points off its expected GDP growth for the first half of 2017. That alone could indicate some continued weakness for corporate travel.

"The medium-term outlook gets more complicated," Meyer said. "On the one hand, President-elect Trump is advocating across-the-board tax cuts, which could be quite significant—tax cuts both to income levels and corporate tax cuts. That presumably would add to GDP growth in the medium term, especially if it's accompanied by fiscal spending and infrastructure spending, for example."

In recent earnings calls, multiple CEOs said the election was leading to a holding pattern among corporates. "There's just a great deal of broad uncertainty," Hilton Worldwide CEO Christopher Nassetta said on Oct. 26. "Companies and CEOs, when they have a little more certainty, do want to start to make decisions again to start investing and hiring and traveling and doing all the things they need to do to drive the growth in their business."

The problem is that the uncertainty doesn't go away with a Trump presidency. "The good news is that there is no more gridlock," said Savita Subramanian, head of U.S. equity and quantitative strategy for BoA. "The bad news is we just don't know what's in store for the U.S. ... A lack of clarity around Trump's policies, from feasibility to prioritization, will likely weigh on sentiment of investors, as well as corporations."

The Airline Industry

It's possible the travel industry could find an ally in Trump. He's built part of his career in it through Trump Hotels, and he even had a brief foray into the airline industry with Trump Shuttle between 1989 and 1992.

According to the platform published on Trump's campaign website, he intends to work with Congress to modernize airports and air traffic control systems, reform the FAA and TSA and end long wait times. "During the campaign, President-elect Trump pledged to spend \$1 trillion in transportation infrastructure investment over 10 years, and it is important that this investment is realized and that the money is spent wisely," GBTA executive director and COO Michael McCormick told *BTN*. "It is incumbent for Congress to tackle issues like passing an FAA Reauthorization Bill that accelerates NextGen, creates long-term funding stability and addresses the many concerns related to passenger screening and security."

Airlines for America president and CEO Nicholas Calio looks forward to working with the president-elect's transition team to modernize infrastructure and U.S. air traffic control. "We want to see a reliable ATC funding model—funded by the system users, not political gamesmanship—so that we can plan for the long-term capital improvements the system needs to grow," Calio said.

Yet, Trump's presidency could have broader global implications for



Trump's Platform on Travel

- Modernize airports & air traffic control systems
- Refocus government spending on infrastructure
- End long airport wait times
- Reform the FAA & TSA
- Stop visas to places with inadequate screening
- Biometric entry-exit visa-tracking system at all land, air & sea ports

the airline industry. A Centre for Aviation analysis suggested Trump's isolationist rhetoric may threaten the forward progress of U.S. air carriers toward Open Skies agreements with China and similarly threaten U.S. carriers' growth in Chinese markets.

The Partnership for Open & Fair Skies appears to think Trump will prove to be a sympathetic ear, however, when it comes to protecting Open Skies against competition from Gulf carriers. "We look forward to briefing President-elect Donald Trump and his new administration on the massive, unfair subsidies that the UAE and Qatar give to their state-owned Gulf carriers," said chief spokesperson Jill Zuckman. "We are optimistic that the Trump administration will stand up to the UAE and Qatar, enforce our trade agreements and fight for American jobs."

However, Trump's pledge on his campaign website to "suspend the issuance of visas to any place where adequate screening cannot occur" and to "ensure that a biometric entry-exit visa-tracking system is fully implemented" could stymie air traffic into the United States and go against his promise to end long wait times.

The Hotel Industry

Trump's status as a hotelier should give him special insight into the challenges facing the industry. However, some of his positions could be hard to reconcile with the realities of the hospitality business.

Trump has made immigration a keystone of his presidential platform, stating on his campaign website: "All immigration laws will be enforced. We will triple the number of ICE agents. Anyone who enters the U.S. illegally is subject to deportation." Yet, at one point in the campaign, Trump was accused of using undocumented workers to renovate his new hotel in Washington, D.C., a claim he denied. Additionally, the hospitality industry has a tradition of employing foreign-born workers, both documented and undocumented, and that can conflict with populist rhetoric.

Trump's hard line on China also could be tricky, as Chinese firms invested a record-breaking \$168 billion in the United States during the first half of 2016. A number of those transactions came in the hospitality industry. Most recently, HNA Group acquired a 25 percent stake in Hilton Worldwide, following up on its purchase of Carlson Hotels. ■

—Additional reporting by
JoAnn Deluna

Deem's Expense Strategy

A little over a year ago, Deem founder Patrick Grady boasted about Deem's Amazon-like experience and the 11 million products and 100,000 merchants that corporate clients could purchase from its platform. Grady also had aspirations to expand Deem Expense into the enterprise sector by mid-2016. However, in April, Grady stepped down and John Rizzo stepped in as president and COO, armed with \$34 million in secured funding, a narrower strategy and a new squad. He spoke with *BTV* payment and expense editor JoAnn DeLuna.

HOW HAS DEEM'S EXPENSE MANAGEMENT STRATEGY CHANGED SINCE GRADY LEFT?

We have a relatively small existing customer base of 50 or so customers that were 2,000 employees or less. Around midyear, we decided to invest further in the support of a handful that would represent the needs of a much broader set of customers in that segment and do feature enhancements, adding capabilities and testing the scalability in the platform. We want to make sure we have a product that is second to none in that category before we start to market and sell it broadly. We've done releases on the code, made improvements to the software and we continue to focus on servicing those customers. We'll probably be doing that for another three to six months before we decide whether we want to broaden.

WHAT ARE SOME OF THE PLANNED ENHANCEMENTS?

We have some customers that want to have per diems built in so that as long as [the amount expensed] matches the per-diem amount per day, then it's OK. Some want to do very sophisticated allocations of expenses across certain departments and projects. Fortunately for Deem, we have a very sophisticated workflow engine that we already built for travel because we do that every day on the travel side. We also built a connector, a cloud service that allows Deem [Corporate] Travel to connect to any other third-party software platform, which could be an expense platform, as part of the overall vision and strategy. We wanted to make sure that just because we had an expense product, we weren't going to be religious about it.

DOES THAT MEAN YOU EVENTUALLY WILL GET RID OF YOUR EXPENSE TOOL?

At this point, it's a strategic decision-making process. If you look at the market, Concur is positioned clearly as huge expense, little travel. So effectively, they monetize expense by giving away travel for free. We're huge travel, small expense. We want to monetize travel to the extent that expense is an enabler to do that. There's another philosophical question that's important, which is: Do you believe employees are going to exploit the company or are honest most of the time? If you believe the former, then you put lots of stuff in place to identify, surface and prevent exploitation. On the other hand, if you believe that most employees will not [exploit the company], then you will do things differently. I think expense today is a huge overhead to catch a tiny number of exceptions.



Deem president & COO John Rizzo talks:

- Renewed investment in expense
- Deem's recent acquisition of Olset
- Machine learning & artificial intelligence

"Computers can basically model out and say, 'Tony is going to San Francisco for four days and it should cost \$3,000.' ... If the trip was [expensed for] \$5,000, then maybe we should do something about it, but if it's within the band, forget it."

WHAT PROBLEMS EXIST WITH EXPENSE TOOLS?

They are not context aware. [For] example, in Japan, entertainment is a key part of Japanese culture. We had a successful event, closed a huge deal and took the team out for cocktails. It was a special occasion. My expense report had a big cocktail bill, and it got kicked out. I had to go back to our CFO [and explain]. If the system was aware that this is what happens, then it can provide some intelligence in the process and say, "We'll pay the entire expense report but flag this particular expense as unusual. We're not going to kick the whole report. We're going to ask a question."

OLSET, YOUR RECENT ACQUISITION, IS ALL ABOUT CONTEXTUAL INTELLIGENCE BUT APPLIED TO THE TRAVEL SIDE: CURATING HOTEL ROOMS THAT MEET INDIVIDUAL TRAVELER PREFERENCES. IT SOUNDS LIKE YOU ARE LOOKING TO APPLY THAT SAME CONTEXT TECHNOLOGY TO EXPENSE.

We always knew that we had to apply machine learning and AI, which is becoming more commonplace in the consumer space than in corporate travel. Tony [D'Astolfo, chief commercial officer] knew the Olset guys from his Phocuswright days, and they happened to become available. That technology has to be a part of a platform, not really a stand-alone technology feature. It was a match made in heaven, and [the timing] was fortuitous. We could've not done the deal and a year from now hired a bunch of people to do that, then taken it to market two years after that.

HOW DO YOU SEE IT WORKING FOR EXPENSE?

If I'm a project manager at a construction company and I have a certain behavior with respect to expenses compared to other people in the same category, it allows Deem to build a pattern match that says, "That person is way out of balance relative to other companies or other employees at the company in the same job class." So you can apply all the analytics and machine learning to expense, as well, but in a very different way. That's the magic leap. If we have a strong set of data scientists and a mechanism to do machine learning and natural-language processing, you can apply a natural-language processor to scan expense reports, just as you do to scan hotel room use.

WHAT ELSE CAN SUCH TECHNOLOGIES ACCOMPLISH?

Technology is making it very difficult to not have real-time visibility into what's actually going on. Meaning, you can data-mine how much a hotel costs in every city and every moment in time, know exactly how much a plane trip should cost or an Uber should cost. Computers can basically model out and say, "Tony is going to San Francisco for four days and it should cost \$3,000." It could predict with incredible accuracy what value the trip should be. If the trip was [expensed for] \$5,000, then maybe we should do something about it, but if it's within the band, forget it. If the orientation is that people won't exploit the company, then there are lots of ways to solve the expense problem without doing it the old-fashioned way, which used to be receipts taped to papers with Excel. Now it's the Web version of that with Concur. It's really not different.

WHAT OTHER COMPANIES ARE YOU KEEPING YOUR EYES ON?

Data mining, Big Data, data-rich and analytics-rich opportunities are really interesting. [Companies that] think about optimizing mobile experiences. Finding good mobile developers is very difficult. ■

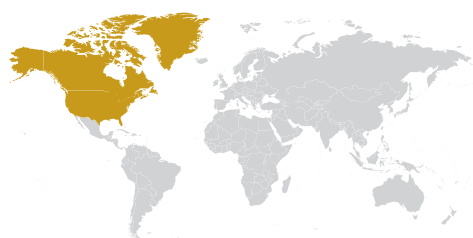
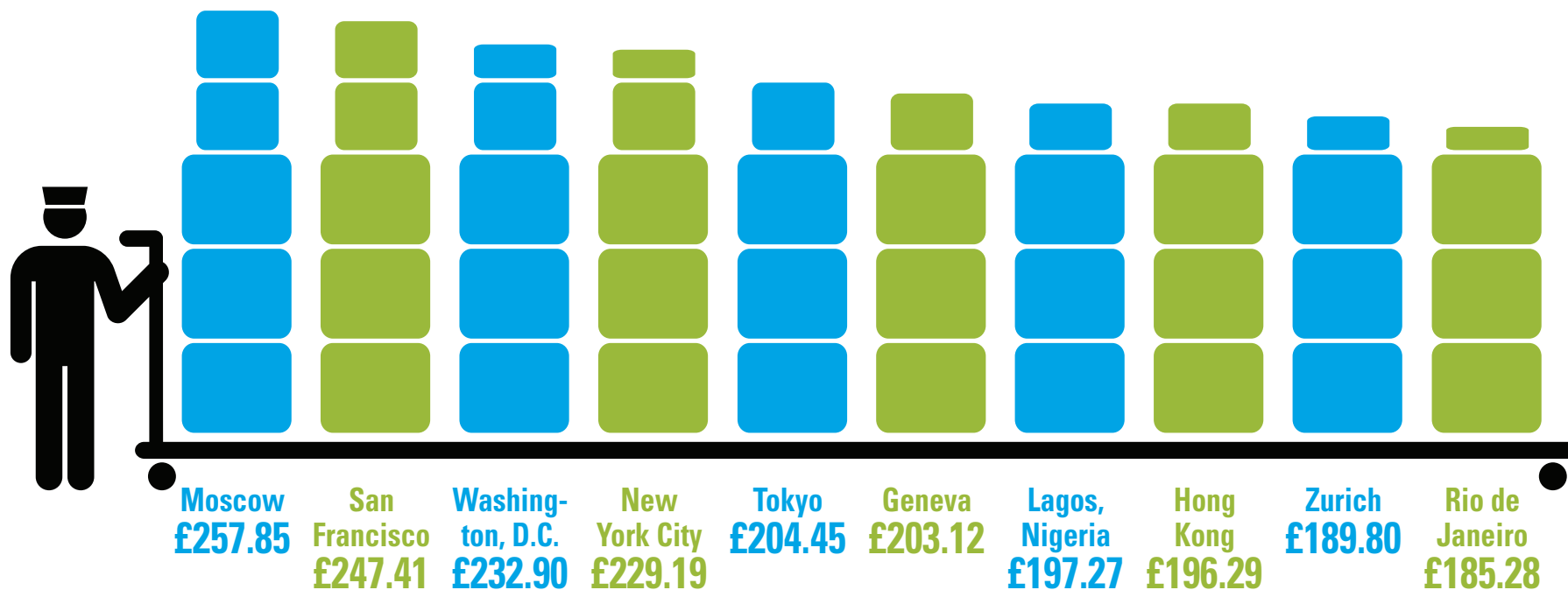


Hotel Rates for the First Half of the Year

Moscow dominated the world's most expensive hotel markets for the 12th year running, according to the HRG Interim Hotel Report on average daily rates. Though its average daily rate in British pounds fell from £266.22 for the first half of 2015 to £257.85 in the first half of 2016, a 14.23 percent exchange rate caused the local-currency ADR to rise from ₺23,382.00 to ₺25,869.83.

10 Most Expensive Hotel Markets Worldwide

Average daily rates for January 2016 through June 2016, in British pounds



NORTH AMERICA

HRG Highest Booking Volume

San Francisco
£247.41

Washington, D.C.
£232.90

New York City
£229.19

Miami
£175.33

Philadelphia
£151.32

Most Expensive in Local Currency

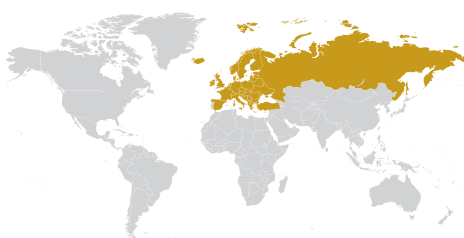
San Francisco
\$354.51

Washington, D.C.
\$333.72

New York City
\$328.41

Boston
\$328.06

Los Angeles
\$280.78



EUROPE

HRG Highest Booking Volume

Moscow
£257.85

Geneva
£203.12

Zurich
£189.80

Stockholm
£181.99

Paris
£175.90

Most Expensive in Local Currency

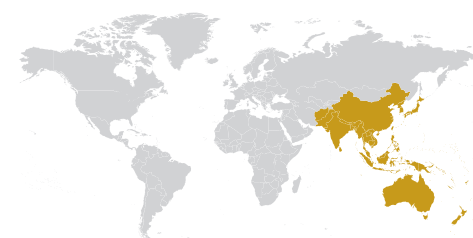
Moscow
₺25,869.83

Geneva
CHF 285.73

Paris
€225.75

Frankfurt
€205.84

Brussels
€177.21



ASIA/PACIFIC

HRG Highest Booking Volume

Tokyo
£204.45

Hong Kong
£196.29

Sydney
£184.15

Singapore
£174.71

Seoul
£166.32

Most Expensive in Local Currency

Hong Kong
\$2,184.63

Singapore
\$345.47

Tokyo
¥32,688.28

New Delhi
₹13,280.67

Mumbai
₹11,413.24

Source: HRG Interim Hotel Report January-June 2016



***YOU'RE THE DIFFERENCE BETWEEN
FREQUENT FLYERS AND
THE WORLD'S GREATEST.***

Together we get the world's greatest flyers where they're going, when they need to be there. With over 1,000 more flights per day to more destinations than any other airline, you are where your business is.



BTN'S 2016 AIRLINE SURVEY

BETTER SCORES FOR EACH OF THE BIG 4

**Travel Buyers Gave Delta Another Overwhelming Victory,
but All Carriers Improved. By Michael B. Baker**

BTN's Airline Survey measures the way corporate travel buyers perceive airline performance. From late August to late October, BTN collected 311 responses from travel manager and buyer members of the BTN Research Council and subscribers of BTN and Travel Procurement and 23 responses from travel agents. Twelve percent spent \$500,000 to \$1.9 million on U.S.-booked air volume in 2015, 37 percent spent \$2 million to \$12 million and 51 percent spent more. BTN developed the categories with travel buyers, corporate travel agency managers and airline sales executives. It averaged scores in each category to create an overall score for each carrier, weighing each category equally. Respondents graded only those airlines with which they negotiated a contract or booked a meaningful amount of business in the past year. Participants who offered no response for a particular category or airline were not included in that category or airline's average rating. The survey listed the largest domestic airlines as identified by the U.S. Department of Transportation, excluding regional affiliates of major carriers. Alaska Airlines, Frontier Airlines, JetBlue Airways and Virgin America elicited responses from less than 25 percent of the final survey sample and therefore were excluded from this report. Equation Research hosted the survey and tabulated the results.

For the sixth year in a row, Delta Air Lines soared above its competition in *BTN's* annual Airline Survey, but the results gave all carriers room to boast, as buyer satisfaction levels rose nearly across the board. All four U.S. carriers that had enough corporate use to merit inclusion in the survey improved their overall scores. More impressively, each one improved its score in all 10 categories with only one exception: United Airlines dropped four-hundredths of a point on a five-point scale in buyers' rating of its distribution channels.

Despite concerns following years of consolidation, these scores indicate that competition remains strong among the largest carriers. FINRA manager of corporate travel services Carol McDowell said that post-consolidation, she's seen airlines work harder to set themselves apart from one another to earn corporate customer loyalty. At the same time, U.S. carriers have continued to rake in healthy profits in 2016, which they are investing back into their own products and services. "All of the airlines are doing quite a bit to ensure they keep our business," McDowell said. "They're asking more of what they can do on their own, and at the rep level, they're open to listening and ideas and taking that back to their senior management."

With scores up among all carriers, Delta lost only a slight edge in its premium over the other three carriers. Its total score was 0.77 points above its closest competitor, compared with a 0.9-point difference last year.

Rankings of the other three carriers, a much closer race, moved around this year. American Airlines, whose overall score improved the most, moved up to second place, pushing both United Airlines and Southwest Airlines down one spot in the rankings compared with last year.

Delta Builds on Success

As in 2015, Delta Air Lines improved its operational performance, an area in which it has staked particular pride. Nov. 8 marked its 200th day in 2016 without a canceled flight. It had only 161 such days in the full year of 2015 and zero in 2010. That "relentless focus on operations," according to Delta senior vice president of global sales Bob Somers, factored into the carrier's once again dominant performance this year, including its operational guarantee, in which corporate customers

earn compensation should Delta's on-time and cancellation performance fall below that of both American and United on an annual basis. In May, Delta added international and regional flight performance, uncontrollable delays and cancellations and mishandled baggage complaints to the guarantee.

Survey respondents cited the products and services Delta has developed for corporate travel clients, including its Corporate Priority program, which offers benefits and protections to corporate travelers regardless of frequent-flyer status. At the recent Association of Corporate Travel Executives Global Summit in Amsterdam, Microsoft group manager of strategic sourcing Georgie Farmer, when asked to name an airline that is doing well on the personalization end on a global basis, said, "Definitely Delta from a corpo-

to see where we should be next in investing time, effort and technology."

This year, Delta also worked to reduce the length of its contracts by cutting down legal terms and conditions and simplifying its pricing table, which also came as a request directly from customers, vice president of sales operations and development Kristen Shovlin said.

Delta's highest scores were in client communications and complaint/problem resolution. The carrier suffered a bit of a black eye in August when a power outage caused a systemwide operations shutdown followed by thousands of cancellations and delays. Respondents to *BTN's* survey, however, mentioned the incident in a positive light, praising the carrier's handling of the situation, including "constant communication" and com-

Shovlin said the key in maintaining high scores in *BTN's* survey has been spreading awareness for the corporate travel experience across the entire team. Delta highlights its *BTN* Airline Survey honors with stickers on the sides of its aircraft, and staff across all functions are eager to keep the streak going, she said. "Every one of the 80,000 strong have a piece in this overall traveler experience, making sure that it shines across every touch-point," Shovlin said. "The entire travel journey has been invested in."

American Gains Ground

American Airlines increased its score by 0.26 points, more than any other carrier. Some of American's most significant improvements came in the three categories related to negotiations: transient pricing, meetings travel pricing and services and amenities. Last year, the carrier received fewer than 3 out of 5 points in each of those categories. This year, all increased comfortably above that mark, and American moved from last to second or third in each.

The carrier has made several tweaks throughout the year to simplify negotiations, managing director of strategic account sales Hank Benedetti said. In September, for example, it expanded the number of fare classes available for corporate discounts, letting buyers get more opportunities for discounts and more capability to capture travel under their contracts, he said.

The carrier also has worked with its partners in the Oneworld alliance to create more seamless pricing and discounts, senior vice president of sales Alison Taylor said. In August, the carrier tapped low-cost carrier Viva-Latinamerica CEO Joe Mohan as vice president of alliances and partnerships to deepen relationships and create a seamless, common set of policies.

Networks, partnerships and frequencies was American's highest-scoring category. The carrier has built up its network to the Asia/Pacific region, moving from third-largest U.S. carrier network serving the region to second-largest in a short time, Benedetti said.

Buyers praised American's Flex Funds, through which buyers and agents get around-the-clock access to fee waivers without the need of approval. The carrier is looking for more products, both buyer and cus-



rate perspective, in how they recognize [corporate travelers] in travel disruptions: not to get bumped off and a whole bunch of other areas, as well."

Buyers also singled out the Delta Edge reporting program, which expanded to include meetings spend this year. In meetings pricing, Delta beat its competitors by more than a full point in *BTN's* survey, the biggest victory margin of any individual category. "The last five years has been a series of 'the next big first' and building beyond contract value that takes our relationship to a different level," Somers said. "We will continue to innovate and use customer feedback

compensation for affected travelers.

In another problem scenario, one of a Delta client's top travelers had booked an international flight at the last minute, but a travel agency ticketing error forced him to take a different flight that included a double connection. Thus, he arrived later than he needed. The company's account manager at Delta reached out to the agency behind the error and sent a letter of apology and gift basket to the traveler. "I felt they went out of their way to rectify the situation, and the traveler was fortunately very understanding and remains loyal to Delta today," the buyer said.



BTN'S 2016 AIRLINE SURVEY

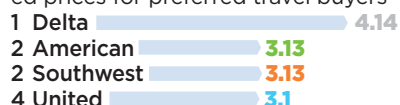
TRANSIENT PRICING

Customizing discounts & other negotiated prices



MEETINGS TRAVEL PRICING

Customizing discounts & other negotiated prices for preferred travel buyers



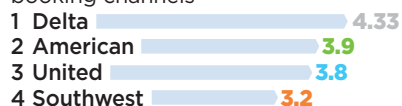
SERVICES & AMENITIES

Customizing traveler-focused offerings like soft-dollar benefits & VIP treatment in flight & at the airport



DISTRIBUTION

Providing comprehensive published & private content through preferred booking channels



COMPLAINT RESOLUTION

Responding quickly & effectively to buyers & travelers



COMMUNICATION WITH BUYERS

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



ACCOUNT MANAGERS & SALES REPS

Participating in productive & frequent meetings & holding the power to negotiate agreements, offer options & make price & service decisions



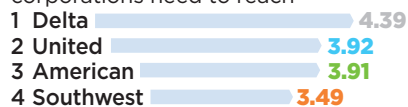
CUSTOMER SERVICE FOR TRAVELERS

Timeliness, reliability, cleanliness, support & communication



NETWORKS, PARTNERSHIPS & FREQUENCIES

Service to the destinations corporations need to reach



VALUE

Worth of service levels relative to fares, fees & other services



tomers facing, to continue to boost its scores. In October, for example, it became the first carrier to fly with a true premium economy cabin, a distinct cabin rather than a section of the economy cabin with more legroom, which has provided more opportunities in contracting. "This has been a year where, instead of digesting a merger, we started immediately hitting the things that buyers wanted," Benedetti said.

United's Turnaround

Analysts and observers agree: It's a new day at United Airlines, and a little more than a year into his job, president and CEO Oscar Munoz deserves a good deal of the credit. While the carrier slipped a place in rankings, it made significant gains in complaint resolution, communication with buyers and customer service for travelers. After a few years of struggling following its merger with Continental, United's operational reliability has improved this year. Like Delta, United has introduced an operational guarantee to buyers and is on track to meet that guarantee this year.

Despite being sidelined by a heart attack and transplant early in his tenure, Munoz has made an indelible mark on morale. Analysts have noted a change in employee attitude at the carrier. Munoz said investing in service has played a role in that, mentioning a flight attendant who told him that she was tired of saying, "I'm sorry," to customers.

Munoz has green-lighted initiatives to address obvious shortfalls, but not without cost. "You roll out pretzels and a couple of snacks, and it's a \$100 million total tab," Munoz said. "It's simple to take those off, and I recognize that, but we were so underinvested for so long. We can bring customers back and make them feel good about United."

Munoz has also initiated organizational change. The carrier now has a single team to manage all customer-facing functions and create a consistent experience for travelers across the United network. Kate Gebo, who ran Munoz's office, leads the team as senior vice president of customer service delivery.

With larger improvements ongoing, the carrier has sought to "reintroduce" United to the corporate market, Americas vice president of sales Jake Cefolia said. The carrier gained \$85 in corporate sales for every \$1 it lost this year, a striking improvement over 2015's \$5-to-\$1 ratio. "Given

the advances made in operating reliability, products and services, putting us on par with major competitors if not ahead, this was the year to go out and win business," Cefolia said. "It demonstrates the important measures and changed culture."

One change that boosted customer service scores was a new escalation desk within the sales support organization, he said. Opening that desk has cut back on the backlog of problems like baggage issues and refunds.

Additionally, United has made sales support services more efficient by reducing demand for them, Cefolia said, including giving travel agents more leeway in rebooking travelers after schedule changes or irregular operations.

Now the carrier is comparing the biggest drivers of satisfaction with where it needs the most improvement. One of biggest gaps appears to be service support automation, Cefolia said. The carrier is beta testing a self-service portal on which agents and buyers can self-service on waivers and favors. "It's not the dollars and cents of the deal but how flexible we are with the service and how much automation is put in," Cefolia said. "We'll be making up ground there next year."

Southwest's Value

While Southwest trailed its competitors in total score, it also was the only carrier to come within firing range of Delta in any individual category: In overall price and value, it scored only eight-hundredths of a point below Delta.

That score plays right to Southwest's core proposition, manager of business development Dave Harvey said. The carrier has held a hard line on not charging bag fees, the only major U.S. carrier not to do so in some fashion, and in not charging change fees. In the past few months, it also allowed A-List and A-List Preferred status members who arrive early to go on standby for earlier flights without paying the fare differentials.

Southwest has staked its reputation on being the lowest-cost major carrier (see page 16), but it often costs the least only if counting lack of bag fees and change fees. Still, for some buyers, the absence of those fees is a significant benefit. "We use mainly Southwest Airlines because we have changes in staff schedules and they are so helpful making changes and not charging an additional fee," one buyer said. "Also, we

enjoy not having to pay for baggage fees. It helps our budget."

Besides the price-value relationship, Southwest scored highest in communications with buyers and complaint/problem resolution. One reason is that Southwest gave account managers more autonomy to take care of problems when they arise, Harvey said. Southwest also benefits from simpler contracts, which tend to be five or six pages, compared with 30- or 40-page contracts offered by competitors, he said. And the carrier recently has been doing more custom contracting for buyers who need something outside the standard template. "As far as our deals, discount structures and waivers and favors, we now sit down with companies when coming up with preferred agreements and look at the overall system level and geography to come up with a workable solution," Harvey said. "That's a model we would like to scale."

Even so, the simple template remains the predominant choice for most corporate buyers. For some, it's a benefit. "They keep it simple," McDowell said. "Domestically, I've asked each of our airline partners to go to a revenue-based program rather than a marketshare program. Take all that complication away."

Southwest trailed the competition in the category of networks, partnerships and frequencies, but it has built significantly in that area, Harvey said. It grew from Dallas following the expiration of the Wright Amendment two years ago, and it has acquired extra slots out of Washington, D.C., and is seeking more corporate business through service in California. Southwest has begun international service in recent years, and while the majority is to leisure destinations, it sees significant corporate traffic on its routes to Mexico City and San Jose, Costa Rica, he said.

Travel buyers for global programs may look at Southwest differently next year, however, when the carrier switches to a new reservations system. Among its benefits, the system will allow Southwest to partner and codeshare with international carriers. "Our vision is to be the most flown, loved and prosperous carrier around the globe," Harvey said. "Thinking about destinations in Asia, Europe or deeper South America, while we won't be flying our own metal there anytime soon, via a direct partnership we can unlock that to some of our managed corporate business to win." ■

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ITW Director of Global Travel & Expense Cathy Sharpe is *BTN's* 2016 Multinational Travel Manager of the Year

CONTINUED FROM FRONT PG

2015, she was ready to declare success at ITW. She had consolidated to a single agency with American Express Global Business Travel, along with the American Express corporate card. The globalized Concur system was delivering data, and agency and card data were kicking in, as well. Sharpe had brokered two alliance contracts with airlines, plus global hotel agreements. ITW divested and acquired new companies in a constant stream, but onboarding and offboarding business to and from the travel program was a fairly turn-key process.

In February 2015, Sharpe said, “We can see now: Are they actually booking travel through American Express and if they’re not, why aren’t they? We’re measuring that and reporting back on all levels of the organization.” Sharpe had driven adoption largely to preferred channels and suppliers and seemed to be delivering the right value to her stakeholders. Even more, she was “putting the information in leadership’s hands so they can manage the business.”

But she knew early on that emerging forces were working against her gated system—in the seams of ITW’s loosely stitched structure and as corporate travelers sought consumer experiences. “Back in the day, travel managers were the subject matter experts,” said Sharpe. “Those days are long gone. Everyone is an investigator, and instead of me buying a commodity, now I have 20,000 individual buyers under a commodity that I’m selling to them.” Plus, she said, the power of the consumer shopping experience, along with special rates and services driven by loyalty status (*see page 32*), was only getting stronger.

Sharpe soon found that fewer of her customers were buying what she was selling, particularly in terms of hotels. By early 2016, her 67 percent channel compliance for hotel bookings—those going through the agency or online tool—had cratered to 40 percent. “My customers needed something that I wasn’t supplying,” she said. “And I had to figure out how to supply it.”

Bridging the Gap

“She saw diverging trends in managed travel before most other corporations saw it,” said Anthony Toth, Western division managing director at United Airlines. “She recognized a shift in workforce dynamics at her company, and she saw the larger shift driven by digital natives who wanted to utilize new technologies that have

not been available to managed travelers in terms of the booking experience and apps and loyalty. She wants to bring those elements of consumer travel into the managed program.”

At the same time, added Concur senior vice president of supplier services Charlie Sultan, “she was driven by the decentralized nature of her organization to figure out a way to capture all of this activity within the systems she’d put in place but still allow [ITW businesses] to operate with individual budgetary responsibility and freedoms.”

The tension between these two concerns—data support for the organization alongside program flexibility and a better experience for savvy travelers—drove Sharpe to investigate using TripLink, Concur’s email parsing and direct-connect tool that has promised to deliver supplier.com booking data back to the corporation.

Controversial when introduced about four years ago, TripLink remains a niche product for Concur as well as a work in progress. Its direct-connect supplier base has grown more slowly than anticipated and is concentrated in the hotel and car rental space. Airlines were conspicuously absent until United Airlines launched its beta program this summer. Concur has forged agreements with American Airlines, Air Canada, Etihad, Iberia and Lufthansa, but timelines for launch have been unclear.

majority of TripLink clients, she has primarily used the email parsing version for now, and while other early adopters have struggled to forward emails consistently and on a large scale, Sharpe has been able to drive that behavior and get the data to analyze results.

In April, she told *BTN* her program saved an average of \$2 per day compared to her negotiated rates for bookings made outside the managed channel. By September, it was \$6 per day.

There were other important points in the data beyond the savings. Namely, most of the off-channel spend was with preferred suppliers. “Our employees are doing the right things, but they are looking for more value. They might be getting more personal loyalty benefits [by going direct], but they are also getting better rates and better information for decision-making,” she said. “The travel management industry has been saying, ‘No, no, no,’ but the data says they are [finding savings.] Things change. And we have to be able to accept that and be part of that disruption.”

The TripLink pilot program has contributed to ITW’s \$15 million in travel savings for 2016.

It’s not just ITW that benefits from Sharpe’s success. She has Concur’s ear, and they are taking action.

“Cathy has a breadth of knowledge about how all the different pieces work. It gives her a unique ability to

program,” United’s Toth told *BTN*. That was a windfall for United.

Instead of showing up to the beta with techie travelers headquartered in major city pairs, Sharpe brought a significant amount of complexity to the table. She describes ITW as sitting “in every cornfield of every country.” That has been a great opportunity for United to test, for example, how TripLink works when an atypical United.com customer comes on in the United Kingdom or Germany or Asia.

“Are we handling the ticketing country correctly? How does the data come in and flow to Prism? Can we get the duty of care to her company? She gave us every condition, which is why we love having ITW in the beta,” Toth said.

For her own purposes, Sharpe has keyed into unused tickets. “Imagine all the exchanges that go to waste,” she said during a *BTN* roundtable in September. “Maybe [the booking] was done on the website because it was an emergency and the traveler had to book it on the fly. When I think of all the unused tickets, they are significant. They are not owned by the traveler; they are owned by the company, and we want to get that information back.”

Toth said Sharpe’s influence on this issue is shaping United’s TripLink development. For now, if a

hensive. “We’re doing that everyday now as part of the TripLink bundle.”

Driving the Future

Both Sultan and Toth commented on Sharpe’s clarity of purpose, her willingness to accept changing industry dynamics and her ability to push hard toward next-generation travel management.

“She’s been able to shape the direct channel because she knows how to engage and motivate her travelers. She’s taken the time to understand the tools, communicated a clear message to her travelers, given them the choices, shown them what it looks like and explained the value proposition,” said Toth. “That has helped United because we need to see critical mass with the data. We have to survey the users of the system so when we roll this out we’ve tested every aspect. We have been able to do that with Cathy because of how well she’s driven adoption. That’s hard to find.”

While Sharpe underscores that her program is just a pilot, the influence of that pilot has been far reaching and is likely to extend farther as Sharpe continues to focus her vision. Ultimately, she says, despite the fact that she’s working with off-channel tools, it all comes back to the TMC, which she believes is at the heart of managed travel.

“I BELIEVE IN THE TMC AND I WANT THEM TO REMAIN RELEVANT AND STRETCH AND FIND NEW OPPORTUNITIES—NOT COMMODITIZED, NOT TRANSACTION. WHAT ELSE ARE YOU BRINGING TO COLLABORATE WITH ME? BETTER DATA, BETTER SERVICES? THAT’S WHERE WE ULTIMATELY HAVE TO END UP.” - ITW’S CATHY SHARPE

Concur executive vice president of supplier and TMC services Mike Koetting told *BTN* in March that TripLink clients had swelled to 6,000, largely using only the email parsing functionality. A number of those clients have commented publically on the difficulty in motivating travelers to forward emails and also about the flaws in TripLink reporting.

That said, Sharpe’s results have been stunning.

The ITW Pilot Program

With hotel compliance rates plummeting, Sharpe identified a large group of frequent ITW business travelers who might benefit from the TripLink solution. Like the ma-

challenge Concur and challenge the industry to make things better,” said Sultan. Along with the challenge, he said, comes Sharpe’s willingness to co-create solutions. She also weighs in on reporting. “It’s not 100 percent yet, but she’s made recommendations and enhancements to what we should be showing.”

Doubling Down

Sharpe is looking to double down on the TripLink opportunity, both for herself and for the industry, by participating in United Airlines’ beta launch. “She was the only travel manager outside the West Coast technology community who wanted to be a part of this pro-

passenger cancels a reservation, the dollar amount associated with that passenger name record is held aside for one year in a services fund that a corporation with a contract can use to manage day-to-day exchange expenses and ticketing. Sharpe has pushed for better automation for this process so those funds are not forgotten and then lost.

“Her input has spurred more attention in this area, and it’s now one of the most important factors of the direct connect that we need to solve,” said Toth. He added that her experience working with duty-of-care providers and understanding their data needs has made United’s beta launch more compre-

“The TMCs need the data, and they need to be able to service the bookings,” she said. “While I haven’t seen as much concern on the hotel side, on the air side, things get tricky. You need to be able to provide some service elements if someone needs it. It’s simple to say that anything can be done online, but we know the reality: People need service,” said Sharpe.

“I believe in the TMC and I want them to remain relevant and stretch and find new opportunities—not commoditized, not transaction. What else are you bringing to collaborate with me? Better data, better services? That’s where we ultimately have to end up.” ■



3 Developments in the Private Aviation Sector

Following on its announcement that it will work more closely with its Delta Private Jets subsidiary, Delta Air Lines is allowing SkyMiles members to redeem miles for travel on Delta Private Jets. The redemption level will be beyond reach for the casual traveler—2.5 million miles nets a \$25,000 Jet Card—but it’s well below the usual \$100,000 starting point for a Jet Card, which can be used for travel on both Delta Private Jets and Delta Air Lines.

Other companies are making moves in the private aviation sector, as well.

JetBlue Invests in West Coast Private Jet Service

JetBlue has made a minority investment in private jet company JetSuite to boost growth of its West Coast service. Jet Suite’s service, JetSuiteX, operates 30 passenger jets that fly among private terminals in California, Las Vegas and Bozeman, Mont. JetBlue already partners with JetSuiteX to allow JetBlue Mosaic loyalty members to earn points on JetSuiteX flights, but the companies now will cooperate more deeply. “We see a great opportunity on the West Coast in terms of offering customers a much more convenient alternative, and the model has plenty of potential to grow,” JetBlue president and CEO Robin Hayes said. “We’re very active in thinking about how [the aviation] industry can change and be disruptive over the next few years.”

Hayes said it was a small investment that was “not material from a financial disclosure standpoint.”

“We see a great opportunity on the West Coast in terms of offering customers a much more convenient alternative, and the model has plenty of potential to grow.”

—JETBLUE PRESIDENT & CEO ROBIN HAYES

The investment also earns JetBlue a nominee on JetSuite’s board of directors.

New Booking Platform for Short Air Charters

FlyOtto, the latest attempt to democratize private aviation, uses simplified bookings and pricing to woo business travelers who need short connections.

Co-founder and CEO and Rod Rakic also runs OpenAirplane.com, a platform for pilots to “make renting an airplane as easy as renting a car,” he said. About 12,000 pilots use that service, and he launched FlyOtto in September to tap the much larger market of the travelers themselves.

The platform largely targets travelers who need 200- to 700-mile flights, particularly where there’s little choice of direct commercial service between two non-hub markets, he said. He is positioning FlyOtto as a third option outside of driving or taking connecting flights. “Unless you’re one of those folks who can make the business justification for chartering a jet, you’re stuck with these two very terrible choices,” Rakic said.

Users enter their locations and immediately get a price quote, determined by an algorithm that combines such factors as distance, type of aircraft and number of seats needed. That simplifies a process usually entailing dozens of emails

“This isn’t some kind of UberX for small planes. These are professional pilots who are going to show up and have the airplane waiting for you when you tell them you want to leave.”

—FLYOTTO CEO ROD RAKIC

and several hours of waiting, Rakic said. “Because we have relationships directly with operators, we’re not sending out a request for a quote from a bunch of operators, waiting on them to come back,” he said. “[Pricing] is built into the network from Day One.” A trip from New York City to Martha’s Vineyard, for example, costs \$1,500 for a three-passenger plane. Pricing will come down as more aircraft and operators come into the network, Rakic said.

Once a customer accepts the price, FlyOtto sends the information to a matching operator, who has one hour to accept the offer before FlyOtto opens the deal to others with similar aircraft and the capability to accept it. If no operator bites within two hours of the the time the client accepted the quote, FlyOtto notifies the client that no match was possible, and the client incurs no charge.

For trips that follow through, the company takes a 7 percent cut.

The platform covers about 5,000 public-use airports across the United States, and all operators are certified by the U.S. Federal Aviation Administration, Rakic said. “This isn’t some kind of UberX for small planes. These are professional pilots who are going to show up and have the airplane waiting for you when you tell them you want to leave.”

Round-trip bookings factor in wait time and accommodations for pilots, and users can request things like catering through the tool, he said.

In the future, Rakic hopes to integrate into other apps and tools, including corporate booking tools, so travelers can make quicker comparisons on whether private aviation is feasible. “It’s designed to be plug and play, so we’re having those conversations on how to make it easier,” he said. “It’s important to make this accessible not just to the C-suite anymore.” ■

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Southwest Cheapest for Biz Travelers with Bags

Southwest Airlines beats its competitors on fares alone just over half the time, according to a Topaz International study. For business

travelers checking luggage, though, Southwest overwhelmingly costs the least.

Revisiting research it conducted in 2012, Topaz

compared fares for 97 city pairs for Southwest, American Airlines, Alaska Airlines, JetBlue, Delta Air Lines, Frontier, Spirit, United Airlines and Virgin America. To keep results relevant to business travel, Topaz limited the city pairs to those frequented by business travelers and to flight times typical of a business traveler's schedule: departing at 9 a.m. and returning around 5 p.m. with stays between two and five nights. None of the results account for corporate negotiated discounts. Topaz chose common business routes that Southwest flies and pulled fares from the carrier's site, determined other carriers' comparable available flights by visiting Expedia and Hotwire and pulled prices on those flights from each airline's website.

Southwest had the lowest fare 55 percent of the time, compared with 35 percent in the 2012 study. Add a checked bag, however, and Southwest, the only carrier of the group not to charge for a first checked bag, had the lowest fare 76 percent of the time. That marks an improvement from 60 percent in 2012. That was before JetBlue added a bag fee for its lowest fares under a tiered structure last year. For the rare instance a business traveler needs to check two bags, Southwest was the cheapest option 87 percent of the time, about the same percentage as in 2012.

"Past studies have revealed that the airline with the lowest fare is not always low-cost airlines, such as Southwest Airlines," according to Topaz. "The competitive nature of airlines is such that airlines are constantly looking at their airfares in specific city pairs and adjusting accordingly."

However, the study also validates Southwest's more recent "transparency" claim to be the lowest cost when considering bag fees and change fees, which Southwest does not charge. For corporate travel buyers, therefore, figuring out the lowest fare includes determining how frequently they are paying those bag fees and change fees. ■



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Southwest Targets Reservation System Shift for May

In December, Southwest Airlines will begin selling domestic tickets on its new Amadeus-based reservation system for May 2017 travel and beyond, Southwest executives said in an earnings call. May is when operations will transfer to the new system.

The switch to the new system will be mostly invisible to travelers, president and CEO Gary Kelly said. The carrier is bulking up call center staffing as it trains them on the new system, but because Southwest already uses the system for international flights, many employees already are familiar with it. "It's behind Southwest.com, where we'll have a new reservation system engine," Kelly said. "[Customers] won't know that they are making a booking in a new system."

The new system has enhanced capabilities to sell ancillary services. Growing ancillary revenue is "definitely an objective" for Southwest, likely to show in 2018, Kelly said. He declined to elaborate on those services, except to say, "I'm not talking about charging for bags. I'm not talking about change fees. But we do have opportunities to invest in tools and techniques and beef up our resources to pursue some opportunities."

During the third quarter of this year, Southwest's total operating revenue declined 3.4 percent year over year to \$5.1 billion. Though there was "record third-quarter traffic"—up 4.1 percent year over year—revenue declined because it came at lower yields, Southwest executive vice president and CFO Tammy Romo said. Southwest's average fare declined 4.8 percent year over year to \$146.96. "The domestic industry is growing seat miles well ahead of GDP growth, and we've seen significant competitive capacity additions in markets we serve," Kelly said. "Increased competition dilutes revenue."

Southwest increased capacity 4.2 percent in the quarter, and its load factor declined 0.1 percentage points to 85.3 percent. While it plans to grow capacity 5 to 6 percent this year,

it will slow capacity growth next year to about 3.5 percent, about 40 percent of which will be international growth, Kelly said. The carrier

reported a net income of \$388 million for the quarter, down from \$584 million in the third quarter of 2015. ■



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Just How Big Is Concur Travel Anyway?

It was 10 years ago when Concur entered the corporate booking market with the acquisition of Outtask. Since then, it has established itself not only as the dominant expense system in the United States but also the most-used corporate booking tool by several measures.

We begin with some staggering numbers: A January press release from parent company SAP noted that “more than 32 million end users process travel and expenses with Concur.” Fast-forward nine months, and a September investor presentation put the number at 42 million. That suggests Concur’s T&E user base surged 31 percent in the first three quarters of 2016.

As Concur continues to take its T&E proposition on a multinational growth tour, the corporate self-booking category is reenergizing around it.

Expense aside, recent developments see Concur’s booking rivals redoubling efforts to challenge the market leader. American Express Global Business Travel’s acquisition of KDS puts the muscle of a mega behind a player that had struggled to break into the United States. Amex GBT and Concur failed to renew a reseller agreement that expired in September. Meanwhile, Amadeus and Sabre each have made efforts this year to upgrade their booking systems and sales efforts via their Cytric and GetThere offerings, respectively. Meanwhile, Deem, formerly Rearden Commerce, is narrowing its focus on T&E following new investment and a refreshed management team (*see page 4*).

Each has sights on Concur.

How Big Is Concur’s Booking Share?

It is difficult to find a precise measure of on-line booking system market share in the United States, but several indicators support Concur’s dominance. According to a Phocuswright survey of 159 corporate travel managers released this summer, Concur captured 69 percent of booking share, followed by 11 percent for Sabre’s GetThere and 5 percent for Amadeus e-Travel Management. Egencia, Deem and Orbitz for Business, which since was folded into Egencia, each held a 4 percent share of respondents.

Concur has been growing share for years. A similar Phocuswright report in 2012, with 170 corporate travel manager respondents, saw 44 percent using Concur, followed by 23 percent for Sabre GetThere; Rearden, now Deem, at 16 percent; and Amadeus e-Travel at 9 percent. Concur already had established its lead in Phocuswright’s 2009 report with 35 percent respondent share.

Meanwhile, Concur has grown its booking position among the largest corporate travel spenders in the United States. According to *BTN*’s Corporate Travel 100 report, Concur and

GetThere continued to dominate among the large companies for which principal booking providers were listed.

The edge goes to Concur, and it is growing. Of 61 companies for which either GetThere or Concur was disclosed as a 2015 principal booking supplier in the CT 100, Concur held 34 of the largest corporate accounts to Sabre’s 27. A preferred booking tool provider was not disclosed for all companies listed in the report. Some companies used multiple booking tool systems, especially in some international markets.

The 2016 report lists suppliers and tech providers for calendar year 2015. Even since then, a few CT 100 companies in the Sabre GetThere column have moved to Concur.

For example, Intel and Nike were listed as GetThere clients for 2015, but they were planning moves to Concur Travel for 2016, according to the report. Another CT 100 company, Johnson & Johnson, also is migrating to Concur Travel, the report noted. For last year, GetThere and Amadeus e-Travel were listed as J&J’s principal booking tool suppliers.

Concur’s most notable win is the No. 1 ranked company in *BTN*’s CT 100, IBM. The big spender became a Concur Travel client last year, following Expedia’s acquisition of its prior booking system, Orbitz for Business. (Fidelity, another former Orbitz for Business client, went to the GetThere column).

How Did Concur Get There?

So, how does Concur go from a so-called “pure play” expense player to the market leader in corporate booking in the span of a decade?

It started with the acquisition of Outtask in early 2006 and then ramped up through an integrated T&E narrative that resonated with the market, deepened travel management company relationships, an expense-led pricing advantage and an unrivaled sales force that only was bolstered by SAP’s acquisition in late 2014.

Back to the Outtask days: The Cliqbook system Concur later acquired had a “newness and freshness” on the user experience that turned some heads, said GoldSpring Consulting partner Will Tate. “Outtask was built around how travelers experienced the process, not how travel agents experienced it,” he said. “They flipped the script, and that was very well received.”

Outtask also operated an expense system and promoted the value of linking it to booking. Once acquired, Concur ran with the cause. “They sold a ton of linkage between booking and expense,” Tate said. “They were driving from the booking side and the expense side, and they changed the conversation.”

That led to travel booking being “perceived as a free solution,” noted Steve Reynolds, tripBAM CEO and a former executive for TRX, which competed against Concur with its ResX product (nuTravel later acquired ResX). It is “hard to compete against a free solution, especially when the buyer—the travel manager—has no budget,” said Reynolds.

While not exactly “free,” Concur’s pricing led with expense and billed users based on the

January 2016

32
MILLION
USERS

according to an
SAP press release

September 2016

42
MILLION
USERS

according to
a presentation
for investors

number of expense reports submitted, not travel transactions processed. Concur's expense clients generally do pay a premium to use booking. Even so, Concur created a pricing advantage for users of both. That, added Reynolds, "allowed them to grow very quickly."

Tate, meanwhile, added that Concur came to TMC partners with a compelling reseller proposition that also helped ramp up its market penetration. Indeed, aside from the recent end of Concur's reseller partnership with American Express Global Business Travel, Concur has a lead in number of TMC partners in the United States. Among the 24 TMCs that participated in *BTN's* 2016 TMC Survey & Report,

"Concur has got a great sales and marketing engine. That's a huge piece. Who else has that much oomph to sell into the market, other than the TMCs?"

—TRIPBAM'S STEVE REYNOLDS

23 listed Concur among preferred corporate self-booking tools. Deem had the second most TMC partners at 11, followed by Sabre with 10, nuTravel with six and KDS with two. The report did not elicit participation from three mega TMCs: Amex GBT, BCD Travel and Carlson Wagonlit Travel.

Concur also has benefited from its own massive direct sales team, especially when compared with the size of its booking competitors. "Concur has got a great sales and marketing engine. That's a huge piece," said Reynolds. "Who else has that much oomph to sell into the market, other than the TMCs?"

The sales team has gotten

even larger since SAP acquired Concur. Concur did not directly comment on the size of its sales force, but it numbers well into the hundreds, said several sources. Early last year, Concur CEO Steve Singh said Concur was "hiring close to 1,000 people" within a year. Company execu-

tives previously noted that roughly a third of new hires to Concur were in the areas of services and support.

Indeed, Concur's astounding growth has not come without some pains—system stability issues and customer service complaints among them. ■

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Amex GBT's Qualantone on Airline Bookings Surcharge

Many of the airlines that now cost corporate clients \$10 extra to book through American Express Global Business Travel would call themselves “low-cost carriers.” Amex GBT does not agree. The travel management company deems to be “high-cost” those airlines that don’t adopt industry standards on fare filing, booking and settlement, and it has embarked on a “comprehensive” global program to pass booking and processing costs to customers. Amex GBT disclosed its plan in a client memo in August, with an effective date set for Sept. 1.

The memo told clients its new surcharge would apply “to any transaction booked with a supplier that is booked outside a GDS, does not settle its accounts through industry-standard methods, has limited or no participation in industry-standard fare-filing processes, or is designated as basic booking, low cost, specific or other similar designation.” The fee applies to such airlines as Frontier Airlines, Ryanair, Southwest Airlines, Spirit Airlines and multiple others around the globe.

“To manage corporate travel, it really starts with us having the greatest access to content and to be allowed to have the most transparent shopping,” Amex GBT executive vice president and general manager for supplier relations Mike Qualantone said. “We’ve seen an increase in this lack of transparency, this lack of access of certain fares, and we think it’s important for us to be able to talk to our customers about this and to figure out how we handle this additional cost.”

Qualantone said Amex GBT has moved forward with enacting the surcharge but the rollout is “progressive, meaning that we have ongoing client discussions about it. We’ve moved forward in certain parts of our business with this, and we’re going to continue to move forward as we do this on a global basis.” He said Amex GBT has discussed the initiative with customers, addressing the additional costs such airlines add and “how we need to start really recovering this underlying incremental cost.”

Qualantone said the fee applies to airlines that don’t adopt industry standards, including high levels of global distribution system participation, fare filing by way of the Airline Tariff Publishing Co. and settlement of agency transactions via ARC or non-U.S. Bank Settlement Plans.

He rattled off a variety of reasons such bookings “add extra costs and reservation processing.” For many of these carrier bookings, “you can’t hold the reservation. You have to do an immediate purchase, and that causes its own complications,” he said. “You can’t easily refund, exchange and cancel. Sometimes you have to actually pick up the phone to do those transactions, whether they were started online or offline. Real-time availability doesn’t exist, so as you think you’re making a booking, you get what’s called an unconfirmed failure. You can’t actually get the content you thought. That doesn’t happen in the GDS. The ability to combine fares and interline and be able to get complex pricing simply, comparatively and transparently doesn’t exist. The ability to integrate corporate fares to get seats ... there’s a host of functionality that doesn’t exist.”

Qualantone said the fee applies to both online and agent-assisted bookings. The former brings “additional



Amex GBT’s new surcharge applies to “high-cost” carrier bookings, which includes carriers that do not follow industry standards, such as:

- Substantial GDS participation
- Filing of fares with ATPCO
- Settling of agency transactions via ARC or BSPs

“You’ve seen these historically leisure-type airlines looking to get more into corporate travel, and ... they expect us to work within their distribution process rather than the industry process.”

— AMEX GBT’S MIKE QUALANTONE

third-party technology costs” and the latter adds “internal reservation processing time,” among other complications. Indeed, added costs for processing such bookings have been inherent in the agency channel for some time, said Qualantone. Yet, he suggested that the share of such bookings has grown relative to overall fare bookings at Amex GBT. In the past, said Qualantone, “the majority of the higher costs had been being absorbed within our normal pricing environment.”

Now, Amex GBT is electing to pass it along based on usage. “You’ve seen these historically leisure-type airlines looking to get more into corporate travel, and in doing so, they’re doing it with a less integrated, less efficient and less effective distribution process, whereby they expect us to work within their distribution process rather than the industry process,” said Qualantone. “As these bookings have increased, in the past we might have subsidized those additional costs through our general booking fees and costs that we had. We can’t continue to do that. We shouldn’t cross-subsidize the efficient, integrated airline reservations and bookings with those that are high cost and less efficient.”

While growing in share, Qualantone said, in aggregate, such bookings are a “small percentage of overall bookings. It’s a select group of airlines that have elected not to participate in industry solutions, have elected to limit the access to their content and have elected to add cost into the reservation process.”

While the \$10 surcharge may strike some as high, Qualantone claimed that “it doesn’t cover all of our costs. What we’ve tried to do is to put a price point out there that we think properly reflects aggregate additional cost related to these bookings. But this isn’t going to cover all of that additional cost, all of that additional time, all of those third-party fees. What we’re trying to do is to recover the cost that we know is related, and this is the price point we elected to put forth.”

Amex GBT still was working out the mechanism through which it would levy the new charge on customers. “That depends on the customer,” said Qualantone. “Given the separate commercial relationships we have with our customers, we’re trying to integrate this process within that commercial settlement process that we have with each customer.”

Yet, it does not appear the added surcharge would be immediately evident to travelers when making a reservation. Qualantone noted the surcharge is “not integrated like a pricing vehicle because you actually have to get into loading those fares differently through ATPCO. So, what we’ll try to do is associate it either through a point-of-sale charge or through a regular settlement process.” He added: “As a traveler, you may not see it on each booking on a comparative basis on faring. It’s actually through the corporate that we’re having the discussions on the fee.”

So, how can an airline be shielded from the new surcharge? “To the degree that airlines want to make their content readily available in a more efficient environment—not withholding content and not adding costs to the environment—then we would gladly work with them in a different manner than having to recoup these additional costs,” he said. Qualantone added the initiative only applies to “high-cost” airline bookings and is not applicable to hotel or car bookings. “We don’t see as much of a disparity of this type of an issue in the hotel space as we do with the airlines,” he added. “Honestly, there are solutions out there that can help to reduce the cost of that.” ■

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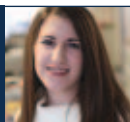
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Marriott Uses Its M Beta Hotel as Innovation Lab

Marriott International's M Beta at Charlotte Marriott City Center, an experimental hotel that allows Marriott to solicit guest feedback on new concepts and initiatives in real time, moves beyond traditional guest surveys. The M Beta hotel gathers data through "beta buttons" in spaces like its open-concept lobby; its farm-to-table restaurant space; and its interactive fitness center.

While the M Beta is just one property in Marriott's massive portfolio, it could model what's ahead for the company's flagship brand, as well as for the other 29 brands in its portfolio. "We're treating this hotel like a lab; the Beta part is what gives us permission for trial and error," said vice president of insight, strategy and innovation Matthew von Ertfelda. "Fail fast, fail forward, weed out what doesn't work and ultimately, based on performance, take what's working and the lessons around what didn't and make those available to other Marriott Hotels. There's a license here that absolutely can be transferred to other hotels in other brands, but we focused on our namesake brand because we feel it should lead the industry relative to innovation."

The Innovations

The M Beta property eliminates the traditional front desk check-in experience, opting instead for a "hosted arrival" model that has staff members with tablets greeting guests at the front entrance or, in times of high volume, even curbside. Additionally, Marriott Rewards members can opt to check in digitally and bypass reception with keyless entry.

The lobby features public-private spaces that allow visibility throughout the ground floor yet also a sense of privacy. It's also impossible to find a seating space that doesn't have an electrical or USB outlet nearby, and that also holds true for the stadium-style seating in the hotel's coffee shop, Coco and the Director.

Among M Beta's Innovations

- "Hosted arrivals" replace the front desk
- Digital check-in for rewards members
- Outlets all over the common space
- Marriott Modern room design, including Netflix-friendly TVs
- Flexible meeting spaces
- 24/7 club lounge

Editor's note: Marriott International provided travel and accommodation for this media event. Complete editorial control, including the decision to cover this news, was at the discretion of the BTN editorial team; Marriott International had no influence on coverage.

In the guest rooms, M Beta has carried over the Marriott Modern design concept, which features hard-surface flooring, bench-style seating, glass-door showers and giant flat screen TVs that allow guests to use their Netflix accounts. Marriott Hotels managing director Mike Dearing said 25 hotels in the brand's portfolio have adopted the Marriott Modern design and 25 more will have completed the upgrades by the end of the year.

M Beta features flexible meeting spaces that use LG Business Solutions technology and allow meeting planners to configure the space to their preferences. "In the meeting space, we've thought so much about what meeting planners expect," said global chief commercial officer Stephanie Linnartz. Among those expectations is natural light, which the property has incorporated into its ballroom and meeting rooms. The property also features a space called the LG Studio, which is modeled after a kitchen and available for food service, demonstrations and even cupcake decorating contests, according to one of the property's sales associates. The Marriott Meeting Services App also allows meeting planners to communicate with hotel staff and view real-time billing without leaving the meeting room.

The property also has a massive fitness facility with on-demand workout videos and a large, lobby-level club lounge, open 24/7.

The Innovations You Won't See

While the M Beta is a testing ground, the on-property innovations focus more on design and food and beverage than on tech-specific hospitality trends like beacons and virtual reality. Inter-Continental Hotels Group, for instance, rolled out iBeacons last year in some of its lobbies and public spaces to recognize and communicate with loyalty members. And *BTN's* 2016 Innovator Award winner, Conichi, has installed its technology at more than 400 hotels, mostly in Europe, to allow guest recognition and personalized messaging. Von Ertfelda said Marriott has talked about beacons but hasn't deployed them yet.

The same goes for virtual reality. "I love virtual reality," von Ertfelda said. "We've been toying with technologies like that in the design space." Best Western Hotels & Resorts, meanwhile, already has embraced VR; in September, it rolled out VR tours at its almost 2,000 properties in North America.

When asked about the possibility of accepting virtual payment, von Ertfelda said, "Our bias was really to get the concepts well-positioned in the market to deliver against the originality of the design but also the service options. This is allowing us to be open to further innovations, and they could be in the payment space."

Brand Development

As the industry's current business cycle appears to be softening, it's a tricky time to go all in on a full-service brand like Marriott. Hotel investors have flocked to the select-service space in recent years, seeking a better return on investment thanks to lower development costs and steadier demand. According to STR, select-service hotels made up 67 percent of rooms under construction as of August 2016.

According to CEO Arne Sorenson, the current business climate has motivated the company to make sure it gets the brand right. "If you've got a brand new Courtyard next to a 20-year-old Marriott, with the same Marriott Rewards program driving it, that guest room's going to be

That means Sorenson and his team need to sell the brand concepts to existing Marriott owners to get those properties onboard. "The overwhelming majority of our hotels are owned by our real estate partners, yet they're coming through here quickly to see what's been done and to talk to the team

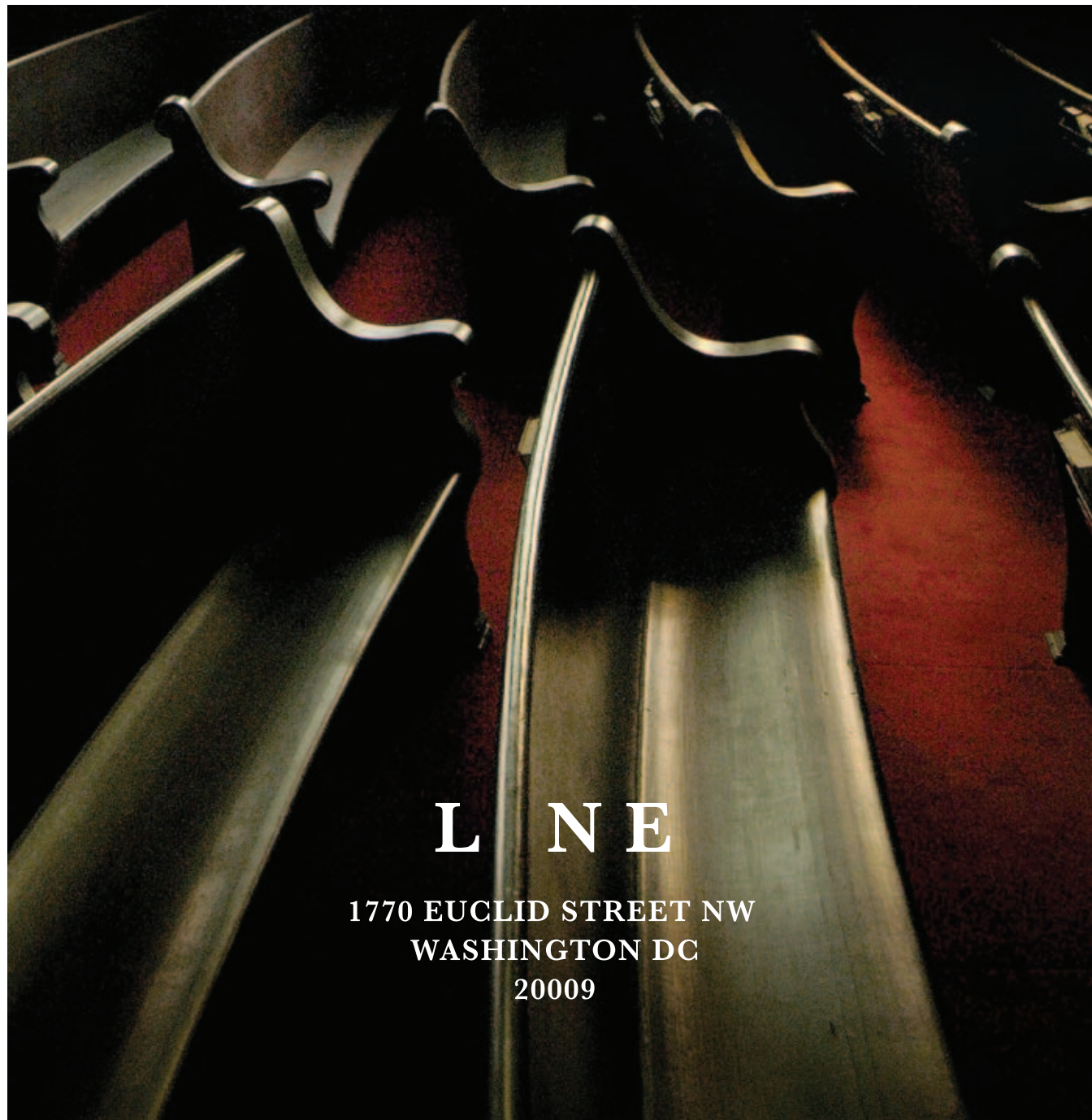
about the impact on business both in terms of increase in occupancy and numbers performance," Sorenson said. "Those numbers are quite strong, and so a big part of the way this will influence Marriott hotels is for owners to see this and say, 'I've got to have this, too.'" ■

"The majority of our hotels are owned by our real estate partners, yet they're coming through here quickly to see what's been done and talk to the team about the impact on business both in terms of increase in occupancy and numbers performance."

—MARRIOTT CEO
ARNE SORENSON

newer; the whole hotel is going to be newer. So what is it about the Marriott hotel that can still draw customers? The idea is there's still something about full service: having a ballroom, being able to hold meetings, being able to hold social functions. But it also requires something in this space around: Is there localized food and beverage, is there a localized feel in the guest room, does it have a sophistication to it that puts it above that limited-service hotel nearby? We want to make sure we respond to that, driving that distinction."

It's worth noting that part of what's allowed Marriott to innovate so fully at M Beta is that it owns the property. The same can't be said for the majority of its portfolio.



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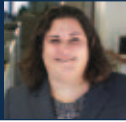
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Chinese Companies May Start Prioritizing Efficiency over Growth in Travel Budgets

BY JOANN DELUNA

T&E budgets among Chinese companies grew 4.86 percent in 2016, but 61 percent of the 200 executives of Chinese companies that participated in the CITS American Express Global Business Travel Survey, fielded in August and September, will not increase their budgets in 2017. Still, more than a third are looking for ways to spend smarter in order to support travel. “The uncertainties of the current economic environment are clearly impacting enterprises, but the majority of organizations surveyed indicated that travel is a core business function and they will continue to invest in and improve their managed travel programs,” the report said.

More than a quarter will look for ways to increase travel to accelerate business growth. One way may be cutting international business travel, which decreased from 19 percent in 2015 to 15 percent this year. On the contrary, domestic travel increased from 66 percent last year to 73 percent in 2016. (The remaining travel each year was to Hong Kong, Macau and Taiwan.) The decrease in international travel, according to the report, likely owes to: “a sharper focus on growing business domestically as China continues to grow, albeit at a slower rate, and a more conservative approach to business expenses leading to fewer internal meetings abroad.”

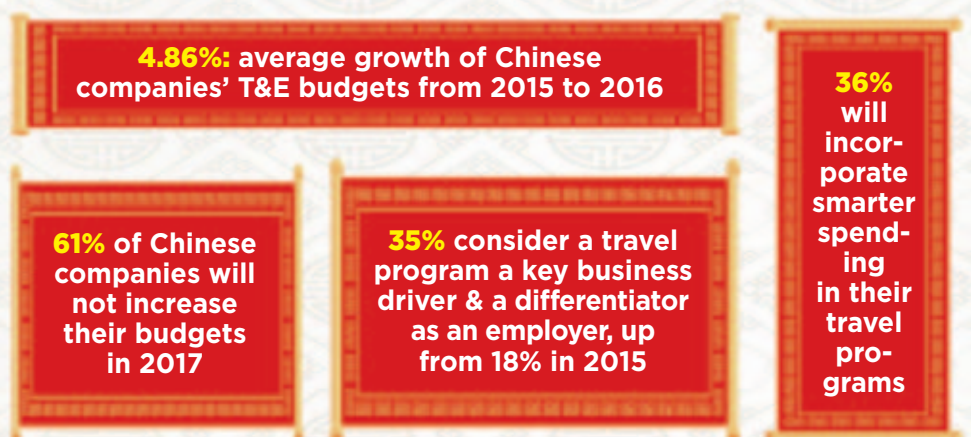
Traveler Focus

Chinese companies also are focusing more on keeping travelers safe and improving the traveler experience. The survey showed that the top three priorities for companies when developing a travel policy are: employee safety, employee physical and mental well-being and traveler productivity during and after the trip.

Among those companies that changed policies within the past 12 months, 57 percent implemented feeds to security providers, 47 percent mandated that air bookings go through a certain agency and 32 percent mandated that hotel bookings do so.

What it all adds up to is that Chinese companies are paying more attention to the needs of their employees and travelers. More than one-third consider their travel programs to be both key business drivers and differentiators for their companies as employers. That’s an 18 percent increase since last year. “As competition for talent in China continues to increase, the trend of leveraging better employee travel schemes for the purpose of retention and recruitment is expected to increase,” according to the report. ■

SNAPSHOT: CHINESE MANAGED TRAVEL PROGRAMS



Source: CITS American Express Global Business Travel 2016 China Business Travel Survey of 200 Chinese companies

Air France-KLM Plans Separate Carrier to Compete with Gulf Carriers

BY MICHAEL B. BAKER

Air France-KLM is creating a new company to compete directly with the Gulf carriers, planning to operate 10 long-haul aircraft by 2020.

The company, an initiative that Air France-KLM calls Boost, will focus on “ultra-competitive markets” on which Gulf carriers operate, including current Air France-KLM routes, new routes and routes that Air France-KLM previously discontinued due to lack of profitability. New routes will form 30 percent of operations. While Air France-KLM plans a “simple, modern and innovative” airline, it will not be a low-cost carrier and its product and service levels

will compare to Air France, according to the carrier.

The company will use Air France pilots on a volunteer basis and will create an independent career path for cabin crews. Air France also will handle ground operations.

The new company is part of a plan announced by CEO Jean-Marc Janailiac, who replaced Alexandre de Juniac in July. Competition with Gulf carriers—which several legacy carriers say benefit from government subsidies, an allegation the Gulf carriers deny—figures directly into two of the plan’s nine parts. Another part centers on lobbying initiatives to “establish equitable competition” with Gulf and low-cost carriers.

As yet another part of the plan, Air France-KLM wants to improve coordination with its Transavia low-cost carrier and its Hop regional brand. Beginning in 2017, Transavia and Hop will be the only brands operating short flights that do not connect with an Air France-KLM hub.

In all, Air France hopes to reach €28 billion in revenue by 2020, compared with the €26.1 billion reported last year, and to fly 100 million passengers and 435 nonregional aircraft. ■

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Corporate M&A, TMC Sourcing & Globalization

Louise Miller leads global sales and marketing for mega travel management company BCD Travel, a role that brings plenty of interactions with travel-buying organizations, especially large multinationals, that are looking to extend, expand or replace their corporate travel agency. She spoke with *BTN* distribution editor Jay Boehmer.

HAS TMC BID ACTIVITY HELD PRETTY STEADY IN THE MARKETPLACE?

In the past four or five years, we've seen pretty consistent activity. Part of it is: The contract cycles are pretty common. Maybe it's because the global TMC marketplace has been solidly in place for 10 or 15 years. But year over year, bid activity doesn't look that different. The biggest change is the number of companies that are merging and acquiring others and all the change in the business environment. That's probably something that's changed in the past five to seven years. Ten years ago, it was just companies were going out to bid or not going out to bid, and there wasn't quite as much gobbling up of the other companies. Today, a lot of companies have to readdress how many TMCs they use.

HOW ARE COMPANIES ADDRESSING THAT? DO THEY BOLT THE ACQUIRED COMPANY ONTO THEIR MANAGED TRAVEL PROGRAM OR ARE THEY REBIDDING THE ENTIRE PACKAGE?

It's a mix. The most common is: If you are a company that has 20 or more markets successfully managed with a TMC and you're buying a company that is similar or smaller than you in terms of travel spend, you're most likely going to implement it into your current program. Most of the contracts allow for that. Maybe it takes you 12 or even 24 months to do it, but you're deciding and embarking on that journey.

If your program is regional and you don't already have 20-plus countries with one global TMC, then you're more likely to bid it out and pick between your incumbents or add some new players into the mix. It depends on your degree of consolidation and your degree of satisfaction with the program that you already have when you're layering a new acquisition on top.

WHEN IT COMES TO THESE LARGE MULTATIONALS, ARE MOST LOOKING FOR ONE TMC TO RULE THE GLOBE?

That's a question that comes up pretty much every year. I've not seen a big difference in the past three or four years. Before that, the number of companies that could get their own stakeholder buy-in and understand their needs enough to justify a global decision was a shorter list. I see a more purposeful decision by the large market to either decide to go for one because it fits what they're trying to do, or there are plenty that still have two or three. It's getting less and less common to have more than



BCD Travel executive vice president of global business solutions Louise Miller talks:

- Bid activity
- M&A among the TMC client pool prompting clients to review their TMC providers
- What clients want

“Generally, if a company spends \$10 million or more in air sales globally, we'd like to see \$3 million or \$4 million in an anchor market versus it being chopped up across 50 markets.”

two or three. If I look at the top 100 accounts in the world, most of them have 90 percent of their spend with two or fewer TMCs. That's a pretty high degree of consolidation.

ONCE A TMC PROVIDER BECOMES SO ENTRENCHED LIKE THAT, IS THE BARRIER TOO HIGH TO EVEN CHANGE TMCs?

The common sense side of me says: When you're hiring a service provider that touches thousands, tens of thousands or hundreds of thousands of employees, of course any change is a big deal. But, BCD sells \$1 billion to \$1.4 billion in new air sales every year and our client retention rate is 95 percent-plus. That tells me there are still enough companies that don't have enough consolidation, that they're still primed for more. They have to change somewhere. It's just a matter of where.

Secondly, you do get mismatches sometimes with the supplier and a company and they just don't integrate properly for whatever reason. We do see a couple a year: Big companies with 20 or more countries already consolidated and 70 percent or more of their spend with a big TMC, and they change. So you still see some of those, but they're a little less common than the ones that are fragmented or still in the consolidation approach.

Is it harder to change or is it harder to not change? Sometimes the relationships break down and you're just better off taking a new path. To me, the threshold is about 20 countries. Once you have 20 countries and somewhere between 70 percent and 90 percent of your spend with one global TMC and you have some big anchor markets in that mix, then a lot of times companies will try to work it out and advance their program [with the existing TMC] versus bidding.

WHAT'S THE SMALLEST PIECE OF BUSINESS THAT YOUR ORGANIZATION GOES AFTER?

We operate in more than a hundred countries. At the country level, we'll go after almost anything. If they want to have a managed travel program, we have programs for small companies. In the U.S., we have an affiliate program, so we're far less likely to go after a company that spends, say, less than \$5 million or \$8 million than we would in a market like Germany, where we have tens of thousands of small customers and we don't service that market through an affiliate program.

My team is global sales and marketing. Generally, if a company spends \$10 million or more in air sales globally, we'd like to see \$3 million or \$4 million in an anchor market versus it being chopped up across 50 markets. That's our target: \$10 million or more multinational, \$3 million or \$4 million in an anchor market.

HAS THE COMPETITIVE SET CHANGED? IS IT STILL THE MEGAS ACROSS THE TABLE WITH THE LARGE, MULTINATIONALS CLIENTS?

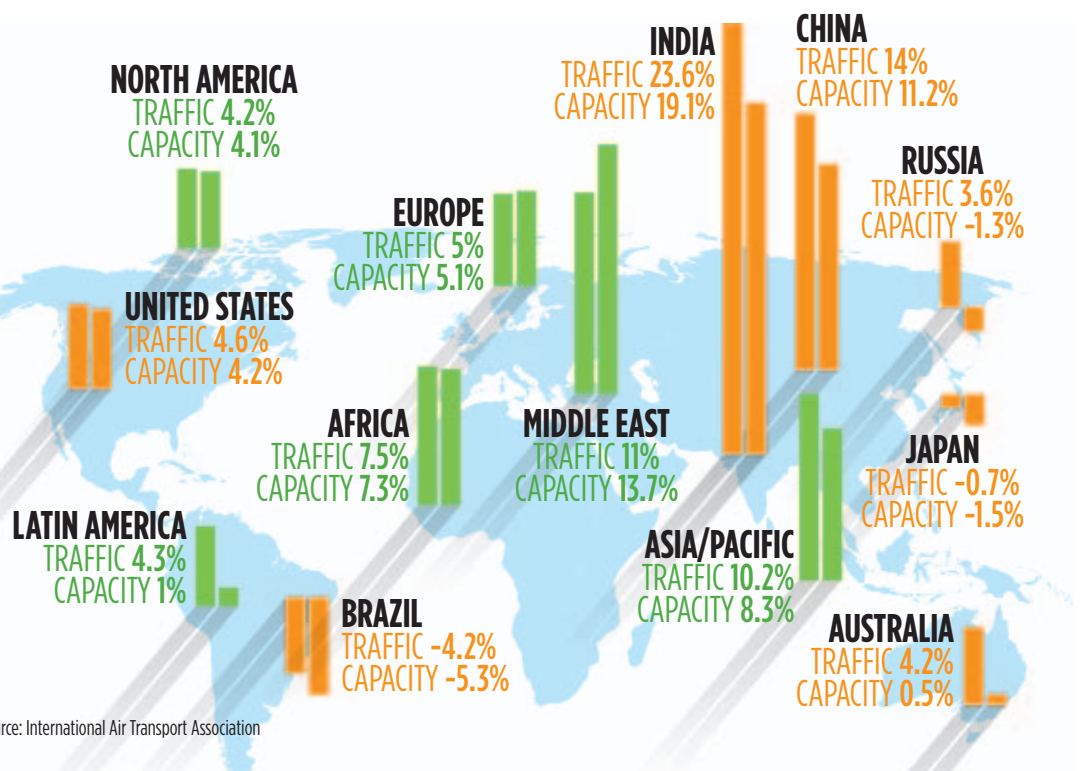
Competition is always changing. Who we see companies talking to is a little different than who we see them picking. If you look at the top 200 accounts in the world, the share that the other TMCs beyond the top three have is pretty small. The top three have the vast, vast majority of that client set. But there are a lot of other innovative

Global Air Traffic Growth Rate Reached Seven-Month High in September

Global passenger air traffic increased 7 percent year over year in September, its strongest rate of growth in seven months, according to the International Air Transport Association. European carriers saw international demand growth return to normal following months of terrorism and political instability around the world. India and China continued to lead the way in growth on domestic routes, and the United States saw healthy growth after a slower July and August, according to IATA.

—Michael B. Baker

SEPTEMBER YOY GROWTH ON INTERNATIONAL ROUTES ON DOMESTIC ROUTES



Source: International Air Transport Association

competitors in our space, and there are new competitors. They help make our industry better. Say you have competitor X that wouldn't really [have been] invited [to bid] unless the client's spend was under \$10 million; maybe now they're invited if it's under \$15 million. There is some progress with smaller competitors getting more experience, maybe being where we were 15 years ago or so. We like to see healthy competition. It's good for our customers, and it keeps us fresh.

ARE THERE COMMON THEMES RIGHT NOW IN TERMS OF WHAT CLIENTS WANT?

Companies are putting hotel spend under a microscope, trying to figure out how to get those hotel bookings back into the managed travel program. There are two primary schools of thought and work efforts going around it. No. 1, if you're a company that is ready to direct travelers into your [online booking tool] and TMC channel and you can mandate, "Please book all the components of your trip," that's the ideal scenario. We have quite a few customers that can do that in mature markets like the U.S., but the list is much shorter than you think. It's because every traveler has a reason why they're staying with their mother-in-law or they're going to a meeting. There are so many reasons why you don't book your hotel [with the TMC].

The other big opportunity is payment. The payment space is changing really, really rapidly. Technology has advanced a lot in the past few years. Also, fraud and recruiting and all these different things are making individual cards or ghost cards just not enough anymore. Virtual cards that are single use for air travel and/or loaded for various trips and usable for certain amounts without committing to liability in credit lines: That's where the future is. Payment automation [has] finally, in the past 18 to 24 months, [gotten] where we need it to be. ■



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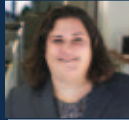
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Concur Tracks Travelers Via Receipts & Card Transactions

BY AMON COHEN

Concur will add location data feeds from expense receipts and card transactions to the traveler tracking element of its Concur Messaging risk management tool in the first quarter of 2017. In principle, this means companies will be able to track travelers not only from pre-trip bookings but also from the spending trails they leave during their trips.

Since 2015, Concur Messaging has provided traveler locations based on data from five sources: global distribution system passenger name records, direct supplier reservations captured by Concur's TripIt itinerary tool, direct supplier reservations captured by its Trip-Link open booking data-capture product, the Concur Request pre-trip approval tool, and mobile check-ins.

Senior vice president for travel product strategy Doug Anderson claimed the new data feeds would "show up

"Now you can easily show location awareness without feeling like you are being watched."

— CONCUR'S DOUG ANDERSON

within minutes" on Concur Messaging. "We do card feeds now, but we didn't previously leverage the location data," Anderson said. As a result, employers will be able, for example, to track which restaurants travelers have visited and even where they have traveled by car if they use a service like Uber.

Most traveler tracking systems are based on GDS data and/or the GPS position of the traveler's phone. Anderson asserted that the beefed-up Concur Messaging will be superior to both. GDS shows only where travelers are booked rather than where they actually are, whereas "real-time 24-hour GPS tracking is a little creepy," said Anderson. "Now you can easily show location awareness without feeling like you are being watched."

The upgraded Concur Messaging will be introduced globally and will comply with privacy laws in each market. "We have been getting the proper opt-ins for our clients," said Anderson.

Concur Messaging, which was known as conTgo until Concur bought it in 2013, is used primarily by many clients to send SMS messages to urge travelers to use preferred suppliers or to assist them in crises. Anderson said the upgrade will allow corporates to embed buttons in messages to allow travelers to request additional help or perform other such actions. ■

Self-Booking Version of Agent Desktop

BY AMON COHEN

U.K. travel management company Portman has launched a self-booking version of PortmanOne, the point-of-sale booking desktop used by its own consultants. Chief customer officer John Dick said corporate clients gain profiles that are synchronized across PortmanOne's agent, online and mobile platforms, the last of which is being piloted.

They also get hotel, air, rail and ground transport content from direct and Web sources, as well as from global distribution system Travelport. Those sources include Expedia; GroundScope, which styles itself as a GDS for ground transportation; and Travelfusion, which provides access to hundreds of low-cost carriers. "Other booking tools may have some of these links, but none have all of them," Dick claimed.

He noted that most TMCs run separate online and offline traveler profiles, which means mistakes can occur if, for example, travelers change their dietary preferences or offer different contact details. He added that a booking started by a traveler can be changed by a Portman consultant or vice versa and will look the same no matter where it was initiated, including on the mobile app, which will include air reservations.

Other features include live chat,

which Dick said is used particularly heavily by clients' youngest travelers.

Portman developed PortmanOne with travel technology provider Atriis, which is owned partly by Portman's parent company. Lufthansa has named Atriis one of the partners that can provide a direct, GDS-bypassing connection from the airline group, but Portman is not offering that to clients at this stage, even though it would help avoid Lufthansa's €16 Distribution Cost Charge. In fact, PortmanOne does not yet offer any traditional carriers via non-GDS routes, though Dick and Portman commercial director Adrian Parkes are looking closely at British Airways' New Distribution Capability offering, which now includes the ability to book negotiated corporate fares.

Dick said that, in spite of the link to Expedia, 85 percent of hotel rooms sold through PortmanOne remain GDS sourced. However, said Parkes, "we are trying to protect ourselves so that we can take content from elsewhere if we have to." Dick added that offering both GDS and Web content helps customers better compare corporate and best-on-day rates for hotel bookings and that it's gradually causing a switch toward the latter. ■

Rocketrip Debuts Insights Dashboard

BY JULIE SICKEL

Rocketrip has launched an analytics dashboard that allows companies to dive deeper into their spending for hotel, air, car and rail.

The Rocketrip platform works with clients to incentivize the companies' travelers to find savings on their business travel bookings. Because the technology already integrates with travel management company and expense systems, Rocketrip CEO Dan Ruch said, the Insights dashboard was the logical next step to give corporates visibility into their travel programs. "We're in the very unique position of being able to report on all expensing, regardless of the channel through which the travel was booked," Ruch told *BTN*.

The dashboard visualizes travel spend to pinpoint potential problem areas and can be organized into specific categories, including spend type, vendors, company departments and individual travelers. A compliance feature also flags itineraries that are costlier than normal or out-of-step with company policy and tracks average market prices so managers can see trip prices in context.

In the coming quarters, Rocketrip will add a traveler tracking feature, as well as benchmarking, to Insights. While some customization is possible, Ruch said the out-of-the-box product should fit most needs. Insights is free for Rocketrip clients. ■

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Q3 Uber & Lyft Transactions Combined Outpace Car Rental & Taxis Combined

BY MICHAEL B. BAKER

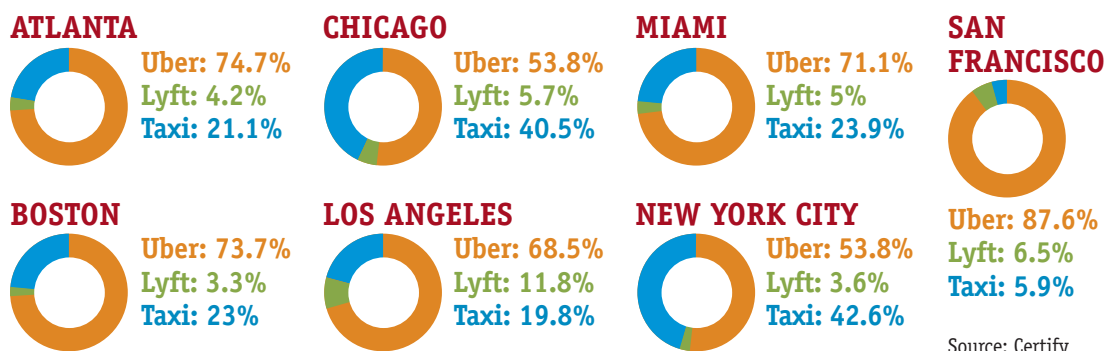
Uber and Lyft made up more than half of total ground transportation transactions processed by expense management supplier Certify during the third quarter.

Among the more than 10 million business traveler receipts and expenses analyzed by Certify during the quarter, Uber accounted for 48 percent of ground transportation transactions and Lyft accounted for 4 percent. Last year, the two apps, when combined, outpaced each taxis and car rental

companies in total transactions, the third quarter of 2016 marked the first time the ride-hailing segment passed taxis and car rentals combined.

Taxis made up 12 percent of ground transportation transactions processed by Certify during the third quarter, down 2 percentage points from the previous quarter. Car rental suppliers' share dropped 1 percentage point quarter over quarter to 36 percent, though it's worth noting that one car rental transaction provides the traveler with multiple rides. ■

Q3 CORPORATE GROUND TRANSPORTATION MARKET SHARE



Airbnb Usage Is Increasing Among Corporate Travelers

BY JULIE SICKEL

More employers and organizations are using Airbnb, according to a recent Concur analysis of a subset of its clients. The number of companies for which a traveler expensed an Airbnb lodging increased 32 percent, comparing the second quarter of 2015 to the second quarter of 2016. Airbnb spend among those companies increased 42 percent year over year during the second quarter.

Concur based its figures on clients that haven't experienced major disruptions, such as mergers, since the third quarter of 2014. Over the eight quarters studied, the companies spent \$77 million on Airbnb for more than 320,000 Airbnb stays.

Among the sectors readily adopting the use of Airbnb, the technology industry and academia proved the most prevalent. Eight of the top 20 spenders in Concur's sample from the second quarter of 2016 were in technology, and six were universities. Concur suggested that technology companies typically are early adopters of sharing economy

services, while colleges and universities likely turn to Airbnb for cost-efficient accommodations.

Similarly, small and midsize enterprises have turned to Airbnb "possibly to suit budget constraints and needs for more flexible lodging," according to the report. The amount SMEs spent on Airbnb increased 38 percent year over year during the second quarter of 2016, and the average SME spend on Airbnb reached \$2,808 a year.

Concur executive vice president of global products Tim MacDonald said major conferences and events drive organizations to explore alternative accommodations. For example, spikes in corporate spending on Austin Airbnbs during the first quarters of 2015 and 2016 correspond with the city's annual South by Southwest festival.

Among cities where Airbnb operates, San Francisco and then London appeared among the top cities for Airbnb expenses the most consistently. In both markets, hotel rates have been climbing in recent

years and business travelers like to explore local neighborhoods. Other top-ranking cities included New York, Los Angeles, Paris, Austin, Seattle, Chicago, Sydney and Washington, D.C.

Concur also tracked the client sample's expense activity at major hotel chains for the two years. While business travel spend on major hotels was 250 times greater than spend on Airbnb, hotel usage grew much slower than Airbnb usage.

Cause & Effect

Airbnb has been making overtures into the corporate space during recent years. In June, it opened its business travel platform up to bookings made by third parties, and in July, it inked deals with the three mega travel management companies. Yet insight into whether organizations were actually increasing their use of Airbnb has been murky. The alternative lodging provider has pegged the number of companies that use Airbnb's business platform at 50,000.

Concur's analysis sheds some light on the type of corporate adoption Airbnb has seen as a result of at least one of its strategic moves. Airbnb launched a travel manager dashboard in the third quarter of 2015, and for that same quarter, Concur tracked a 110 percent year-over-year leap in Airbnb spend and a 98 percent increase in the number of organizations using Airbnb. Concur did not release metrics on activity from the third quarter of 2016, when Airbnb announced new partnerships with Carlson Wagonlit Travel, BCD Travel and American Express Global Business Travel. ■

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Member-Exclusive Offers Are a Bold Move by the Lodging Industry. What's Next?

BY DAVID TOWNSHEND

It has been interesting to watch the major hotel companies' recent attempts to shift bookings to their direct online channels by incentivizing members of their loyalty programs with "exclusive offers," including reduced rates, free Wi-Fi, and special packages.

For decades, the big chains have invested enormous resources in an effort to build customer loyalty—beginning with loyalty programs in the early 1980s. This battle for customer loyalty has heated up in recent years as online travel agencies emerged, and gained strength and market share.

A new battle has emerged between distribution channels over which ones customers use to book their reservations. This new and expanded fight now playing out across the industry pits direct channels against indirect channels.

Today, approximately 10 percent of a major chain-affiliated hotel's reservations come from OTAs. It is significantly higher for small chains and independent hotels. The cost per reservation made through an OTA is several times greater than the cost per reservation made directly through a chain's website. The continued increase in OTA bookings is having a major impact on the lodging industry's overall profitability.

To their credit, the major airlines began to confront this issue in the mid-1990s when their distribution costs were approaching a staggering one-sixth of total revenue. Following a number of bold moves, airline distribution costs have been reduced to a point where they represent only a small fraction of total revenue. The positive effect that this has had on the airline industry's overall profitability has been enormous.

For several years now, hotel owners, operators and franchisees have been experiencing this same pain. They have, however, been conflicted on what to do and how to respond out of concern for losing business. The trend line of indirect bookings has been on a steep incline and is forecasted to continue if left unchecked. The pain apparently has reached a breaking point and has forced the major chains to act.

Member-exclusive offers is their first bold move. Check.

Offering loyalty program members exclusive offers is a dramatic departure from the major chains' long-standing distribution strategy known as "single image," whereby 100 percent of a chain's transient room inventory and pricing is located in one central repository accessible via all channels regardless of whether they are direct or indirect. Opaque channels were the only exception. This change in strategy came after much thoughtful debate and discussion in various boardrooms around the industry.

While it is too early to gauge whether or not this move has been net positive for the major chains, early signs on earnings calls show an increase in bookings through direct channels. Bookings through OTAs also continue to rise, but the pace is slowing.



Partnership Travel Consulting
executive vice president
David Townshend

Similar to OTAs, group intermediaries have emerged over the last several years. They have gained strength and market share and today account for a whopping 40 to 50 percent of a major chain's group business.

These concerns surrounding distribution channels and their costs don't apply just to transient bookings but also include the meetings and conferences segment. Depending on the size and type of hotel, group business as a percent of total revenue ranges from 25 percent to 80 percent. For full-service hotels, especially convention hotels and resorts, performance in this important segment is vital to overall profitability.

Similar to OTAs, group intermediaries have emerged over the last several years. They have gained strength and market share and today account for a whopping 40 percent to 50 percent of a major chain's group business. Hotels are now forced to pay huge commissions and overrides on business and customers that previously booked directly with them. This has driven up the hotels' overall cost of sales and significantly impacted their profitability.

There are virtually no barriers to entry in this space. As a result, you have a wide array of intermediaries who provide services ranging from simply sourcing leads to providing full-service meeting planning, services that provide far more benefit to the end user than they do to any single hotel. Hefty commissions and overrides are paid regardless of services provided and in many cases are shared or passed through in total directly to the end user.

What has been happening here is an outrage, and at some point soon the lodging industry will be forced to act. Could this be their next bold move?

Hotel owners, operators and franchisees have come to realize that by optimizing only for the short-term, they have risked destroying future value. This recent bold move and those that will surely follow begin to address this important industry issue.

It won't be easy but it sure will be interesting to watch.

—David Townshend previously was senior vice president of global sales at Marriott International.

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