

# BTN

BUSINESS TRAVEL NEWS



### ON THE HORIZON

U.S. President-elect Donald Trump has nominated Elaine Chao as transportation secretary.

PAGE 3



### SMALL & MIDSIZE ENTERPRISES

What to look for in expense management tools for SMEs that are scaling up or those that might someday.

PAGE 18



### PAYMENT & EXPENSE

Dean Forbes has left KDS now that the company has been acquired by Amex GBT, saying he'd miss the ground-up-innovation style KDS was able to do as an independent company.

PAGE 22

## FEATURE

# BTN'S 2016 25 MOST INFLUENTIAL

Mergers and acquisitions took center stage in 2016 corporate travel dynamics. New players like Anbang's Wu Xiaohui and tech investment mogul Robert Smith brought the drama, in the form of last-minute bids in one case and shrewd defiance toward regulators in the other. Meanwhile, recognized names like AccorHotels' Sebastien Bazin revealed novel growth strategies, and American Express Global Business Travel's Evan Konwiser mixed it up with a major technology buy. Bradley Tilden announced early that Alaska Airlines would ride the U.S. carrier consolidation wave with Virgin America but only barely cleared regulatory hurdles by the end of the year.

There's more to corporate travel influence, however, than who owns what. Government officials pepper the 2016 list with market impacts that range from deal breaking to data protections to discriminatory legislation. Four major travel buyers made their marks this year implementing big direct connect strategies, busting old myths, boosting new entrants and partnering to push innovative solutions to the industry. And if you're looking for disruptors, *BTN's* 2016 list has those, too. Read on.

FULL STORY ON PG 6

### ON THE RECORD

## TSA Administrator Neffenger on Refining Airport Security

When Peter Neffenger was sworn in as administrator of the U.S. Transportation Security Administration in July 2015, the TSA was not experiencing halcyon days. The agency had just failed a covert inspection in which prohibited items, including fake weapons, repeatedly made their way past screeners. Neffenger, however, saw it as "an opportunity to ask some hard questions about the fundamental mission of the agency, to refocus us on the mission and do a deep dive on the root causes of those findings." Since then, he has overseen sweeping changes in the organization, including massive training, improved operational efficiency and a tremendous increase in enrollment in trusted traveler programs. He spoke with *BTN* transportation editor Michael B. Baker.

### WHAT WAS THE STATE OF THE TSA WHEN YOU STARTED COMPARED WITH WHERE IT IS NOW?

I came in right on the heels of that leaked [Department of Homeland Security] inspector general's report suggesting TSA was not as good as it needed to be in the fundamental mission of screening people coming to the airports. That was a challenging time for TSA. Our first focus was to ensure we were doing the job we were hired to do and find out whether we had a major failure, and if we did, how to get around that. What that led to was a stand-down across the whole agency. There were about 60,000 people in the agency, and we, over the course of August and September of 2015, retrained the entire agency eight hours at a time. We called it mission essentials, back to basics. We found we had a disproportionate focus on efficiency at the expense of

CONTINUED ON PG 4

## What's Inside

### 3 ON THE HORIZON

- Amex GBT anticipates limited travel cost increases for 2017

### 20 MEETINGS

- Vista Equity closes acquisition of Cvent & merges it with Lanyon

### 21 TRANSPORTATION

- Alaska Airlines' acquisition of Virgin America gets go-ahead from DOT

### 23 PAYMENT & EXPENSE

- Sabre & Conferma automate virtual card purchases for air tickets

### 24 GLOBAL

- Norwegian Air plans U.S. expansion
- American Airlines & Qantas give up on expanded alliance
- Two TMCs buy more global reach

## 28 | Voices



Qatar Airways Americas vice president Gunter Saurwein on the future of Open Skies under U.S. President-elect Donald Trump's administration

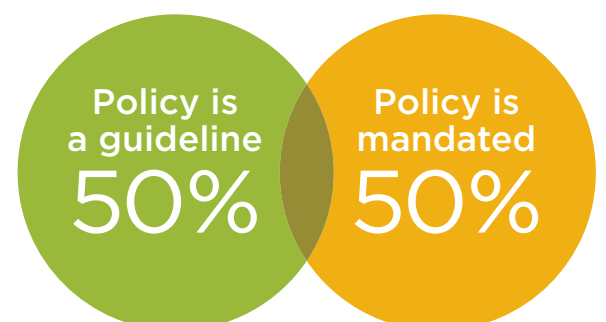
"We don't feel we can predict how [Trump] will be running the office. I personally opened a Twitter account so I can follow the White House early in the morning."

## 5 | Data Hub

### Misperceptions Between Travelers & Managers

Half of business travelers think travel policy is mandated, compared with 36 percent of travel managers who say it is.

What business travelers think:



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## Amex GBT Projects Limited Travel Cost Increases in 2017

BY MICHAEL B. BAKER

Global price increases for corporate travel will be “subdued” next year as the industry contends with a host of issues causing uncertainty, including Brexit, a slowing Chinese economy, low oil prices and populist political movements, according to American Express Global Business Travel’s 2017 forecast.

Despite record-high demands for air travel, the global airline market remains fiercely competitive, which, coupled with low fuel costs, should prevent sharp increases in airfares. Both hotels and ground transportation pricing will remain flat on a global scale, according to the forecast. Of course, pricing will vary significantly by region.

### The Americas

Overcapacity and significant competition between legacy and low-cost carriers should bring average fares down in both the United States and Canada. Similarly, overcapacity and political challenges will bring down airfares in Brazil and Argentina, while stronger economic outlooks in Chile and Mexico could increase fares there.

U.S. hotel rates will increase 3.6 percent. The moderate projection, compared with past years, owes to new hotel supply. Rates will decrease across much of Latin America, meanwhile, due to lower demand.

“Excessive fleet sizes and strong competition among the major suppliers” will keep U.S. car rental rates flat in 2017, according to the forecast, and rates in Canada and Latin America will decline.

### EMEA

Amex GBT projects that airfares in Europe, the Middle East and Africa will remain flat amid economic weakness, security concerns and growing competition from Gulf carriers on long-haul routes and increasing competition from low-cost carriers on short-haul routes. Hotels, meanwhile, will increase rates slightly, considering low levels of supply growth. Car rental rate increases will be small.

The travel impact of the United Kingdom’s vote to leave the European Union remains unclear. For now, it has made outbound travel from the United Kingdom more expensive vis-à-vis a weakening currency, but the long-term impacts should become more

# 3.6%

The amount by which U.S. hotel rates will rise in 2017.

clear when negotiations for the exit begin in the second quarter of next year, according to Amex.

### Asia/Pacific

While the region is enjoying high demand and political stability, overcapacity will keep airfares flat across Asia/Pacific. Fares could increase slightly on certain routes and fare classes, though. For example, domestic routes in China are forecast to increase 1.5 percent year over year, and international routes from India are projected to increase by the same level.

Hotel rate growth will vary across the region. Rates will increase modestly in areas with significant supply growth, such as China and India, while markets with limited supply growth—Tokyo and Sydney, for example—will see larger increases. ■



## Brexit Concerns

The U.K. market has recovered after the initial slide that followed June’s Brexit referendum, and while spending has maintained, U.K. companies’ near-term investment in their businesses plummeted in the third quarter, suggesting economic weakness is coming, according to the Global Business Travel Association. Brexit may be delaying short-term economic decisions and still also may prove to have a long-term impact on trade jobs, immigration and investment. All of that will challenge business travel levels in the coming years.

“The end of Open Skies for European air carriers may result in fewer flights and higher fares, and reinstating mobile roaming charges could expose road warriors to rising voice and data communication costs,” according to the GBTA BTI Outlook—Western Europe report. Additionally, airlines may have to renegotiate routes and gates, which, again, could lead to fewer flights and higher fares, not to mention credit card complications. Meanwhile, business travelers could have a harder time moving throughout the European Union if new visa requirements prove extreme—and if they’re reciprocated throughout the EU.

## Trump Nominates Chao as Transportation Secretary

BY MICHAEL B. BAKER

President-elect Donald Trump has nominated former Secretary of Labor Elaine Chao as secretary of transportation. Chao, who led the U.S. Department of Labor for all eight years of President George W. Bush’s administration, also served as deputy secretary of transportation under Samuel Skinner during President George H.W. Bush’s administration.

Tasked with Trump’s campaign promise of \$1 trillion in infrastructure investments, Chao

also could push for making the U.S. air traffic control system a private, nonprofit entity rather than a government agency, a proposal the Senate shot down this year. Since her tenure as labor secretary ended in 2009, Chao has been a distinguished fellow of The Heritage Foundation. In an article earlier this year, the conservative think tank urged Congress “to eliminate the burdensome bureaucratic control of our nation’s aviation system by moving toward true privatization,

reduced federal spending and lower taxes.”

Former Secretary of Transportation James Burnley, Skinner’s predecessor with whom Chao worked as deputy maritime administrator, told *BTN* that Chao “knows DOT and its issues well” and “is a strong believer in free markets, and I expect she will approach most economic issues from that perspective.”

Chao also is the wife of Senate Majority Leader Mitch McConnell and played an active role in his reelection campaign in 2014. ■

## CONTINUED FROM FRONT PG

effectiveness at the checkpoint itself, and we learned we needed to be more explicit about the ways in which the equipment worked. We really retooled our entire frontline operation. The frontline workforce is working hard and has doubled down on their training and commitment. Everyone recommitted to the security mission this past year, and they're doing a superb job.

**COULD YOU HIGHLIGHT SOME OF THE CHANGES?**

The major operational change we put in place this summer was to set up an airport operations system focused solely on managing the approaches to the checkpoint. We do a daily phone call with the top 30 airports, which represent over 70 percent of the traveling population any given day, and the airlines. They report what they're expecting to see, what problems they're having and their projection for the coming day. It's driven them to work very collaboratively together to identify problems as they arise so they don't become crises, and we can move resources or technicians. Say you have an X-ray machine go down. It [doesn't stay] down two or three days now. In real time, we dispatch a technician, and we're back up within a number of hours. Even if you have a small spike, it doesn't turn into a crisis that extends over time.

We also discontinued some practices like randomly reassigning people from standard lanes to Precheck lanes on the spot. I knew we'd be pushing a lot of people back in standard lanes at the same time we were increasing vigilance at screening, so I was afraid we would create some long lines. We also were a 5,800-person-fewer agency than we had been from 2011. Most of those were frontline screeners from that workforce, so I was certain we didn't have enough people on board to meet the growing demand. We also were scheduled to reduce by another 1,660 frontline officers in fiscal year 2016. Concurrent with changing operations, we approached Congress and said we needed to turn off the reduction in fiscal year '16 and start rehiring. We worked closely with the administration and Congress to amend our budget to keep the people [who had been] scheduled to leave and put in some reprogramming that would allow us to hire more people.

**HOW DO YOU BALANCE EFFICIENCY FOR TRAVELERS WHILE MAINTAINING NECESSARY LEVELS OF SECURITY?**

Clearly, you need to move people efficiently through the line. In addition to being responsible for security, we're also very much a part of the system that we regulate and oversee. If we don't operate efficiently, the system doesn't operate efficiently. Over time, the airlines and airports have done a tremendous job of modernizing and becoming more efficient. You go to kiosks to print out your boarding pass or print them out at home. You have self-bag-tagging these days. Everything has been designed to move you more efficiently through the airport until you come to TSA, and we're the old-style, stand-in-line roadblock that existed in the past. Security will always have some inconvenience attached to it, but we can be far more efficient. We have to start by being good at what we do and recognize that managing the efficiency of the system has to be done independently of the checkpoint itself.

We looked at how we could begin to manage the approaches better and how we could build more production efficiency in the system: Going with automated screening lanes, working with the airlines to coordinate

**TSA Administrator Peter Neffenger talks:**

- Efficiency versus effectiveness
- The security line of the future
- Boosting enrollment in programs like Precheck

**“We had a disproportionate focus on efficiency at the expense of effectiveness at the checkpoint itself. ... Everyone recommitted to the security mission this past year.”**

their scheduling with our understanding of the arrivals and peak periods alike and dramatically increasing our participation in trusted traveler programs like Precheck. We started a big advertising push this past year, working with credit card companies and other traveler reward programs like Marriott Rewards and the airline programs. We've seen a fourfold increase in enrollments just over the past year, which has dramatically improved our ability to be efficient because we have more people moving through expedited screening. We're over 12 million total enrolled in trusted traveler programs, which includes Precheck, Global Entry, Nexus, SENTRI and previously cleared populations like Department of Defense clearance holders.

**HOW DID YOU BOOST ENROLLMENT TO THAT DEGREE?**

We worked with a private vendor. They've developed mobile enrollment capabilities and have a couple of mobile enrollment vans and do pop-up sites at conventions and the like. If you were at GBTA, you saw the mobile enrollment center we put there, and they were doing about 400 a day. We work with major corporations to encourage them to get their frequent travelers to sign up. Microsoft Corp., for example, has purchased Precheck or Global Entry for the employee base they consider their frequent travelers, and [Microsoft] in turn provided their generic business case that showed it was worthwhile, which was sent out in a letter to the Fortune 100 companies to encourage them to do the same.

**WILL WE SEE MORE AUTOMATED LANES?**

Absolutely. Three airlines have stepped forward to purchase new technology on our behalf and give it back to the federal government: United, American and Delta. Delta Air Lines was the first, with two automated lanes in Atlanta they installed in May. They're expanding that operation. Those three airlines together are looking at as many as 100 new automated screening lanes by midsummer next year. United is transforming their terminal at Newark, consolidating into a centralized checkpoint. [This month] half of that checkpoint will be completed, with all automated screening lanes, and by March, they'll have the remainder completed, with 17 automated lanes in a centralized checkpoint, which will make passenger flow a lot better there. You're going to see a tremendous acceleration of transformation in the screening environment in the coming year.

**IS THERE A LIMIT TO HOW MANY PEOPLE YOU'D LIKE TO SEE IN TRUSTED TRAVELER PROGRAMS?**

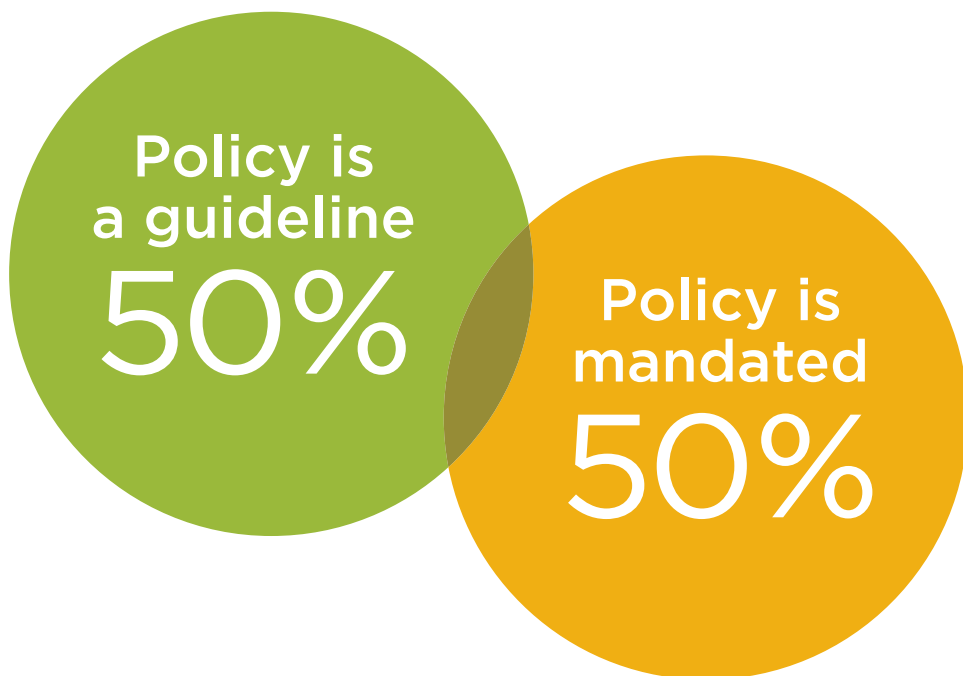
If you define a frequent traveler as someone who makes three or more trips per year, I'd like to get that population of people into Precheck because it would dramatically change the way you conduct screening in airports. You'd have mostly expedited screening lanes and very few standard lanes. Within the expedited lanes, you can envision doing even more expedited screening for some, similar to right now: We have known crew member lanes where pilots and flight crews, who have submitted additional information about themselves, go through minimal screening and can bypass a lot of the security procedures. I like the idea of getting a fully vetted population and using more biometrics. If you want to opt in to do facial recognition or fingerprinting scanning and the like, people can walk themselves through the system and become their boarding pass as they go through. ■



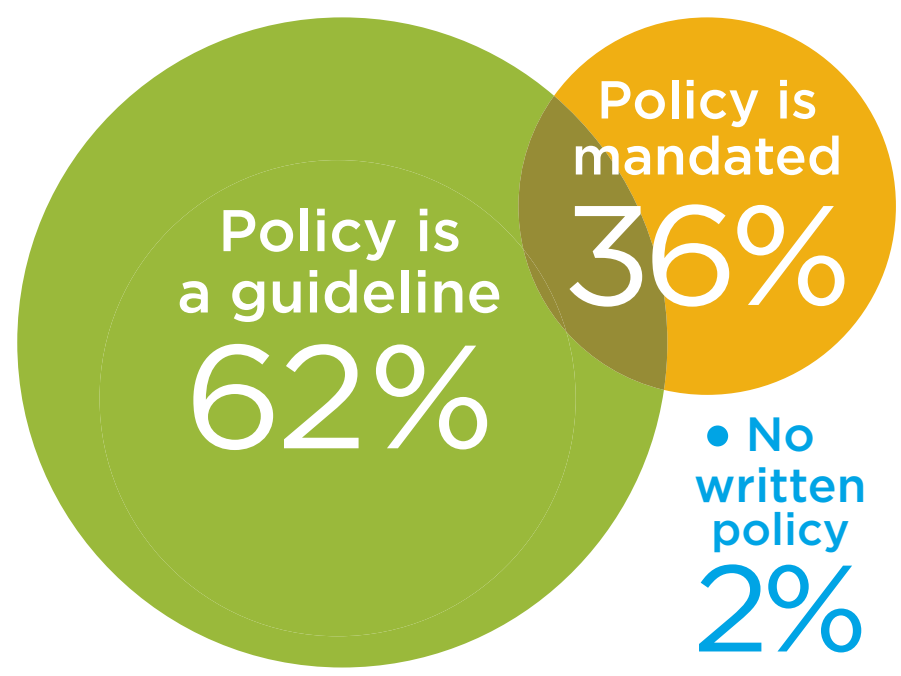
# Travelers Vs. Travel Managers: The Travel Policy Misperception Gap

What a company's travel policy is and what travelers think the policy is are disconnected. That maxim is well accepted in the corporate travel industry. A new GBTA report sponsored by HRS, though, quantifies just how big the gap is. GBTA compared a May 26 through June 14, 2016, survey of 492 North American and European business travelers who traveled for business four times in the past year to previous GBTA research polling travel managers.

## What Business Travelers Think



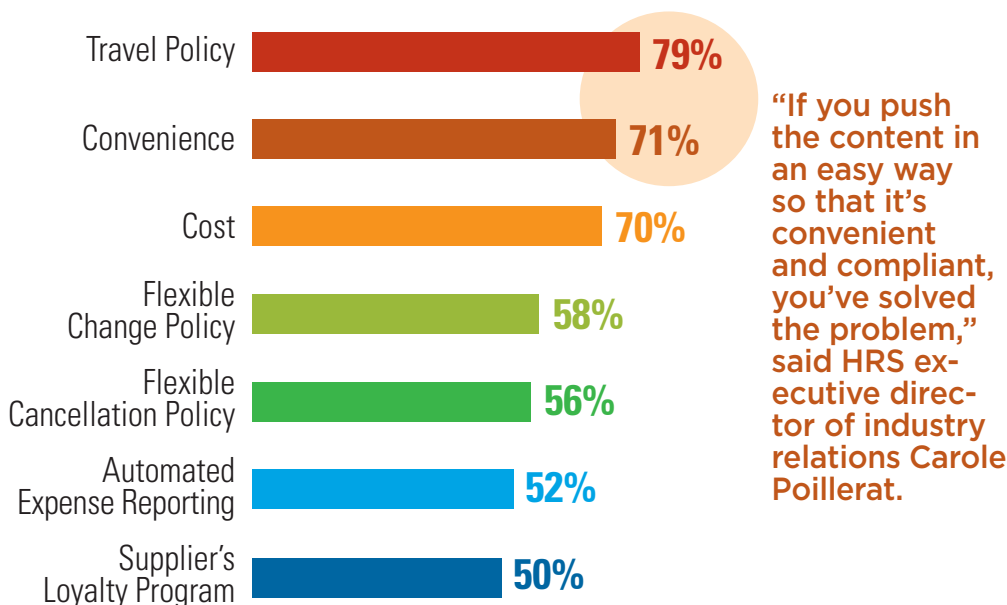
## What Travel Managers Report



Source for What Travel Managers Say: GBTA survey of 211 U.S. travel managers, conducted April 7 through April 16, 2015

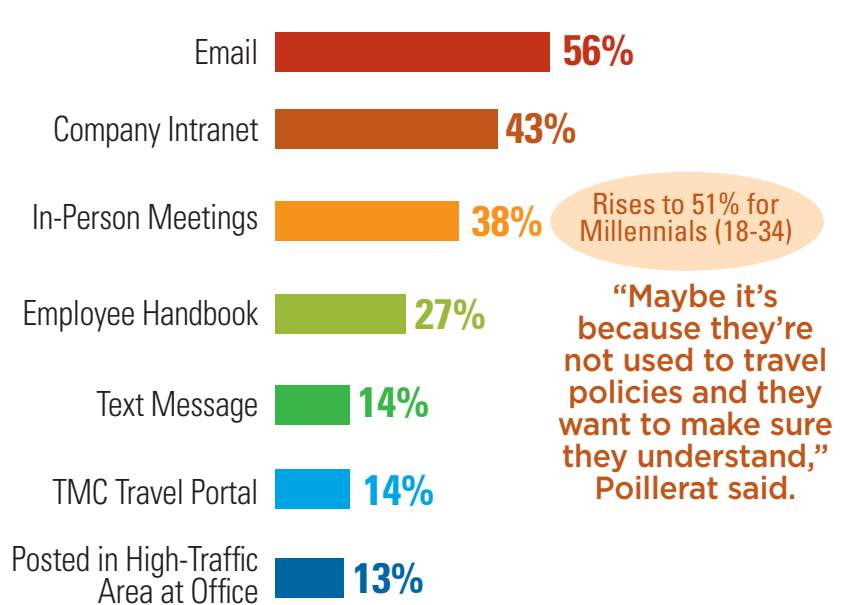
## Policy Has a Big Influence on Business Travelers

Travelers who cited each factor as playing a large role



## You Just Have to Reach Them on Their Terms

How travelers want to hear about policy



# BTNS 2016 TOP MOST

M&A, meetings, payments & tech are big forces on this year's list



## The Gulf Carrier Gadfly

QATAR AIRWAYS CEO

### AKBAR AL BAKER

Late last year, Al Baker remarked that were he to meet Delta's then-CEO Richard Anderson, he would "hang him to a wall." For years, the three U.S. legacy carriers have been pushing the federal government to revisit Open Skies agreements with Qatar and the United Arab Emirates, saying Qatar Airways, Emirates and Etihad benefit from government subsidies. The Gulf Carriers say that's false. Through it all, as executives traded barbs through the press, few grabbed headlines as well as Al Baker.

Rhetoric aside, Al Baker and the other Gulf carriers claimed a tacit victory this year. After taking commentary on the issue, the U.S. government agreed to informal talks with the two countries but stopped short of reopening Open Skies agreements. Most in the industry considered the issue dead.

While those who want to reopen Open Skies hope President-elect Donald Trump will be an ally, Al Baker said it is unlikely, a view echoed by Qatar Airways Americas vice president Günter Saurwein. "We can't predict how he is going to be running, but the Open Skies agreement is in place, signed by the U.S. and government of Qatar, and competition is healthy," Saurwein said. "Mr. Trump is a businessman, and if the main focus is doing business, it can be discussed, but I think it shouldn't change."

Meanwhile, Qatar Airways has made significant investments in two other major airline groups. In July, it announced plans to invest \$613 million to acquire as much as 10 percent of Latin American airline group Latam's total shares. The next month, it boosted its stake in International Airlines Group—parent company to British Airways, Aer Lingus and Iberia—to 20 percent, making it the group's largest single stockholder.

Qatar's own growth shows no sign of slowing, either. It plans to add 15 destinations over the next two years, including Las Vegas, Dublin, Rio de Janeiro and Santiago, Chile.

—Michael B. Baker



## Faxless Phenom

CONFERMA CEO

### SIMON BARKER

Travel managers have lauded single-use virtual cards for reducing fraud, easing reconciliation and eliminating the need to issue corporate cards to temporary employees or non-employee travelers. When hotels misplace confirmation faxes or when suppliers don't know how to process the new solution and travelers are left without lodging, travel buyers curse the virtual card. "You're at the front of payment technology, but then you throw in the word fax and you go back to the 1970s," Barker said.

In April Conferma enabled hotels to connect directly to Conferma's Hotel Booker distribution platform through an API. Conferma's system now can send virtual cards to ho-

tels, eliminating the need for companies or travel management companies to fax hotels authorizations for each traveler. Conferma has connected directly to 1,300 Premier Inn, Travelodge and City Express Properties and about 70 other platforms like global distribution systems, expense tools and booking tools.

Then, in September, Conferma launched Conferma Connect, which transmits virtual card information to suppliers via email. Conferma now can guarantee a message's encryption from sender to recipient, satisfying Payment Card Industry Data Security standards for emailing card data. In November, 15 percent of Conferma's virtual cards went through email.

Now, some corporate clients and TMCs also are requiring the non-fax solutions in their hotel requests for proposals for 2017, according to Barker. "We've been surprised by the uptake because normally in our industry, especially in the hotel industry, things don't change quickly. That latent demand demonstrates that the bubble was there to be burst."

—JoAnn DeLuna



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GOING PLACES TOGETHER

## The Mega Dealmaker

**AIRBNB GROUP HEAD OF BUSINESS  
DEVELOPMENT, PAYMENTS & AIRBNB FOR BUSINESS**

### LEX BAYER

Airbnb once more had a milestone year of inroads into the corporate travel space. In early June, the company enabled third-party bookings on its Airbnb for Business platform, allowing users to book stays on behalf of colleagues. The capability allows travel managers to see every aspect of the transaction. "With our growth comes the need for us to continue to cater both to the traveler and to the travel manager," said Bayer. "Third-party bookings are a good example of that."

**"With our growth comes the need for us to continue to cater both to the traveler and to the travel manager."**

In July, Airbnb inked deals with American Express Global Business Travel, BCD Travel and Carlson Wagonlit Travel so the mega travel management companies can capture Airbnb data. Each is building out its relationship with Airbnb in different ways and at different paces. For example, CWT allows agents to book on behalf of travelers, while BCD is integrating Airbnb data into its Decision Source reporting and analytics platform. "We're working with big companies, so things take time, especially when it comes to that kind of data integration," Bayer said. "We've made a lot of headway, and I think all three of them will be ready in Q1, and some of them are already working with private customers."

While leaders in the hotel industry maintain that Airbnb is nabbing only a small portion of the business travel audience, the company means to continue to enhance its offerings for corporates. In November, Airbnb hired industry veteran and former president of Travel Leaders Corporate David Holyoke as director of business travel.

The company still faces regulatory headwinds. During the past year, Airbnb filed separate lawsuits against New York City and Los Angeles after each passed legislation to enforce local short-term rental laws. Airbnb dropped both lawsuits during the final months of this year and pledged to cooperate with both municipalities, something it has done in other locales by agreeing to collect and remit occupancy taxes on behalf of hosts.

—Julie Sickel



## The Diversifier

**ACCORHOTELS CHAIRMAN & CEO**  
**SEBASTIEN BAZIN**

In 2015, AccorHotels had been a "sleeping giant for far too long," allowing online travel agencies and industry disruptors like Airbnb to lead innovation, Bazin said. Following its acquisition of marketing platform Fastbooking that year, the company transformed its digital platform, but Accor's 2016 moves suggest the giant is wide awake.

In February, Accor announced investments in alternative lodging providers Squarebreak, based in Paris, and Oasis Collection, headquartered in Miami. "I have no intention of confronting Airbnb," Bazin said at the time. "We are just extremely determined. ... The market is evolving in such a way that growth will come through these secondary residences."

**"We are positioning ourselves as a key player in the current industry-consolidation process."**

In April, the company acquired luxury home rental business Onefinestay for €148 million. Bazin said the purchase fuels the transformation of Accor's business model to capitalize on the private rentals market and to strengthen Accor's presence in the luxury market. Accor continues to diversify. In July, it acquired a majority stake in concierge service John Paul, and in October, it launched hotel-meets-hostel brand Jo&Joe.

Not to be overshadowed among Accor's 2016 initiatives, however, is the company's purchase of Fairmont parent FRHI for \$840 million cash and 46.7 million new Accor shares. "We are positioning ourselves as a key player in the current industry-consolidation process while maintaining substantial leeway to implement our transformation plan," Bazin said when the deal was announced. The transaction, which closed in July, gives Accor a serious foothold it previously didn't have in North America and in the luxury space. In Accor's third quarter, the company saw a €145 million year-over-year revenue bump as a direct result of its FRHI acquisition.

—Julie Sickel



# The Prime Minister of Unintended Consequences

FORMER U.K. PRIME MINISTER

## DAVID CAMERON

Gove, Johnson, Farage, Corbyn. Were it not for the action of any one of a motley array of British politicians, Brexit probably never would have happened. But the person most directly responsible for the U.K. electorate's shock vote on June 23 to leave the European Union must be the man who called that vote in the first place: David Cameron. Himself a Brexiter—the opposite of a Brexiter—Cameron caved to pressure from the U.K. Independence Party and the right wing of his own party to promise a referendum on the U.K.'s membership in the European Union. Cameron previously had proved a consistently

sure-footed political operator; on this occasion he miscalculated catastrophically.

For Cameron, the Brexit vote abruptly ended a glittering career. Within a month, he resigned as prime minister. Within three, he had quit the House of Commons completely. The populism of Brexit also heralded the seismic election of Donald Trump as the 45th president of the United States. Trump himself called his own win “Brexit plus-plus-plus.”

For business travel, the immediate influence was an overnight

collapse in the value of sterling, making the U.K. 20 percent cheaper for inbound visitors but conversely making accommodation and other on-trip expenses 20 percent pricier for Brits heading abroad. No one knows the longer-term consequences. Cameron's administration prepared no plans for what departure would look like. Most crucially, there was no determination of the extent to which the United Kingdom will abandon the EU's four freedoms of a single market: capital, goods, service provision and—one that's key for travel—movement.

Brexit could hit border controls, value-added tax recovery, airline deregulation, Open Skies, air passenger compensation, mobile roaming charges and data protection. Most important, Brexit will stunt growth—by 2.4 percent over the next five years, according to Chancellor of the Exchequer Philip Hammond. And a weaker economy means less business travel.

—Amon Cohen



# The Dark-Data Knight

DOUBLEDUTCH FOUNDER & CEO

## LAWRENCE COBURN

2016 has been a year of transformation for meetings technologies. As the industry works to quantify the value of live events, the pursuit of “dark data”—the record of attendee activities and interactions that happen onsite—has intensified. Coburn's meetings app company has been leading that chase.

The company launched its Live Engagement Marketing platform in May. The platform feeds live event data from the DoubleDutch app into Marketo to target leads and existing customers with automated, personalized messaging. Etouches followed DoubleDutch, introducing a live data metrics tool in July. Coburn told *BTN* in May that its bigger rival Cvent had trouble delivering such data because its social feed and activity feature was hidden in a utility menu on Cvent's mobile app. Within a month, Cvent's social feed had moved to the app's launch page.

The outspoken startup executive openly questioned the prospects of the Vista Equity/Cvent merger when it was announced in April, saying that the ultimate play had to be the merger of Lanyon and Cvent. His predictions proved correct. Coburn also predicted Cvent would face innovation paralysis after such a merger. That second prediction remains to be seen, but Coburn has positioned DoubleDutch to pounce at any hint of weakness in terms of live event data capture.

Meanwhile, Vista had a surprise for DoubleDutch. It bought Marketo after a June merger announcement, putting Coburn's closest Live Engagement Marketing partner in the same portfolio pipeline as Cvent. Still, meetings industry technology expert Corbin Ball saw the move as the highest compliment to DoubleDutch's vision to move live event data out of the dark and into an end-to-end ecosystem.

Coburn admits the Marketo acquisition put a crimp in DoubleDutch's differentiation and that Cvent could benefit from tighter integrations moving forward. But DoubleDutch is on to the next-generation platform. “The longer term goal is to execute those campaigns from within our system and more in real time” by working on a messaging platform rather than through email campaigns, Coburn said. “We think Marketo is the wrong system, that email is the wrong system; no one is looking at their email during an event.”

—Elizabeth West

# The Guy Who Said Goodbye to GDSs

SIEMENS VICE PRESIDENT OF GLOBAL MOBILITY SERVICES

## THORSTEN EICKE

In June 2015, Lufthansa Group imposed a €16 Distribution Cost Charge on bookings made via global distribution systems but pledged to launch direct reservation channels as an alternative. Lufthansa has been much criticized for this strategy, but in September, it announced that Volkswagen and Siemens had established direct connections to the carrier, bypassing the GDS, and that Siemens had begun using its version.

Siemens piloted a direct feed from Lufthansa's passenger services system into its online booking tool, Cytric, in March and by August had rolled out the interface across all Siemens divisions in Germany. Led by Eicke and global head of airline procurement Susanne Steinmann, Siemens had wanted to head direct anyway, and it plans to work with more suppliers to do so.

Lufthansa has said the direct connection reduces Siemens' DCC bill by well into six figures but, said Eicke, “the real benefit lies beyond the pricing aspect. We are able to have a customized solution which focuses on the traveler.” The first major benefit Siemens travelers have gained is that they always receive lounge access from Lufthansa, regardless of cabin or frequent-flyer status.

The influence of Siemens' deal with Lufthansa is still emerging, but Eicke believes TMCs will be transformed by direct connects. “The TMC's role is changing,” he said. “They need to find a new relationship that is a lot more than pricing and issuing tickets.” As an example, Eicke cites American Express Global Business Travel's move into expense management through its acquisition of KDS.

Another lasting effect he identifies: “There will be new ways of distributing air than just through the GDS. It is already happening in hotel and car rental.” Eicke said other buyers are talking to Lufthansa about going direct. Meanwhile, Siemens hopes to connect directly to at least one additional airline supplier during the first quarter of 2017.

—Amon Cohen



## The T&E Engine That Could

**KDS CEO**

### DEAN FORBES

"The company was in a tough spot when I joined," Forbes said of the T&E provider he's led for the past seven years. "It's taken a lot, and taken a lot from me personally, to get where we ended up, which is great." KDS has proved a success story in building consumer-friendly tools that are no longer alternatives but now form the preferred way to manage T&E. Proof: Mega travel management company American Express Global Business Travel acquired KDS in October. Thanks to Forbes' decision to sell, the T&E start-up has resources with which to scale up and reach more travel programs with its products.

Personally more inclined to innovating than to integrating, Forbes leaves the company this month (*see page 22*). But under his direction, KDS spent a lot of time and energy on strategy, innovation and differentiating its products, aiming for "new solutions to old problems." And innovate they did.

Within two years of Forbes' arrival, KDS launched Neo, a mobile, automated, door-to-door corporate T&E booking tool with a consumer user experience. Travelers could book flight, hotel and rental car all at once by inputting three factors: origin, destination and arrival time.

"Of course, those products were not for everyone and not everyone signed up to use them. But what we did is make it very clear to our customers and partners who we were as a company and why they should choose us. ... And we started to win more deals once that became understood in the market," Forbes said.

KDS's strategy to convince customers was not that it was a better company or product but that it was a better approach to the existing problem. "The market reacted incredibly well to that," he said.

—*JoAnn DeLuna*

**"What we did is make it very clear to our customers and partners who we were as a company and why they should choose us."**



## The Air Alliance Agitator

**U.S. SECRETARY OF TRANSPORTATION**

### ANTHONY FOXX

When global airlines announce alliance plans, the caveat "pending government approval" often feels like a mere formality. Late this year, however, two decisions by the U.S. Department of Transportation, headed by Foxx, put one major alliance plan on ice and sent another into a tailspin.

American Airlines and Qantas waited nearly 18 months for antitrust immunity to expand their joint-venture agreement allowing coordination of schedules, cross-selling and revenue sharing. Regulators in Australia and New Zealand gave their approval, and both American and Qantas built up service in anticipation of a transpacific network.

On Nov. 18, however, the DOT denied the application, saying it would create a "potentially anticompetitive environment," as the two carriers would control about 60 percent of capacity between the United States and Australia. The DOT gave the carriers two weeks to raise an objection, and deciding that was not sufficient time, American and Qantas withdrew their application. Now each is forced to reevaluate its transpacific strategy.

Just a few weeks prior, the DOT similarly disrupted Delta Air Lines' plan for a JV with Aeromexico. While the DOT did give tentative approval for antitrust immunity to the carriers, it did so with the stipulation that they give up 24 landing slots in Mexico City and six at New York's John F. Kennedy International Airport. In its objection filing, Delta called the stipulations "unprecedented" and indicated the carriers would have to reconsider the alliance if forced to comply.

Also this year, the DOT under Foxx opened up daytime service for U.S. carriers at Tokyo's downtown Haneda airport for the first time since 1978. Foxx said the move fit the DOT's "mission to promote competition and encourage enhanced air service options in the U.S. and abroad."

While the agreement opened up only five slots—four of those shifted from current nighttime slots—it was enough to shake up U.S. carriers' transpacific strategy. Even though Delta received two of the five slots, the carrier also ended service on three routes from Tokyo's more remote Narita Airport. Delta reasoned it would be too tough to compete with daytime Narita flights newly available to American and United Airlines, both of which also have JVs with Japanese airlines. The transpacific strategy revisit also prompted Delta to thaw its frosty relationship with SkyTeam partner Korean Air, with whom Delta announced expanded codeshare cooperation in September.

—*Michael B. Baker*



## The Shakeup Artist

**HNA HOSPITALITY GROUP CHAIRMAN & CEO  
& HNA TOURISM GROUP BOARD MEMBER**

### BAI HAIBO

HNA Group out of Hainan, China, was involved in a number of industry shakeups in 2016. Most notably, its HNA Tourism Group division acquired Carlson Hotels and Carlson's 51.3 percent majority stake in Rezidor Hotel Group. (Swedish takeover law requires HNA to buy the rest of Rezidor or sell off to bring its share below 30 percent.)

The deal reportedly led to a tiff among board members at NH Hotels Group, where HNA is also a majority stakeholder. Some NH Hotels board members saw HNA's majority interest in two hotel companies as a conflict of interest, and the quarrel led to the ousting of the Spanish hotelier's CEO and four board members as a strike against HNA. The Carlson transaction closed this month.

In October, HNA also acquired Blackstone's 25 percent stake in Hilton Worldwide for \$6.5 billion. Hilton Worldwide president and CEO Christopher Nassetta said Hilton hopes to connect its hotel system to HNA's customers through HNA's online and offline travel agencies, airline network and "tens of millions of loyalty members."

HNA also made inroads beyond the hotel industry in 2016. As the parent company of Hainan Airlines and a 52 percent stakeholder in Hong Kong Airlines, HNA in June purchased a 13 percent stake in Virgin Australia for \$114.9 million. It also acquired a 23.7 percent stake in Brazilian low-cost Azul Airlines for \$450 million and a 7 percent stake in Atlantic Gateway, which owns 45 percent of TAP Portugal.

—*Julie Sichel*



## The Loyalty Wrangler

ANTHEM DIRECTOR OF TRAVEL & EVENTS

### CINDY HESTON

Traveler experience has been the buzzword of 2016, but Heston, who also made *BTN's* 25 Most Influential list in 2013, has taken it to another level this year by launching a campaign to harness suppliers' loyalty programs on behalf of Anthem's travelers. The resulting loyalty to suppliers is in turn improving her travel program.

Heston launched a mobile app, VIP Select, that provides Anthem's high-level executives such information as frequent-flyer status and airport lounge access, any data that helps them be productive on the road. Frequently, her travelers weren't even aware of the points and perks they'd earned. The app even notified travelers of the recent Marriott and Starwood merger and explained how the loyalty programs would work together. The program also saved the company money, as some loyalty programs waive baggage fees or provide free breakfast.

"In the past we didn't look at our employees as customers. We were beholden to negotiations and policy. ... Now there is this whole new arena, which is so fun," Heston said. "Our travelers now enjoy being in our program."

The executives loved the app and the improved travel experience so much that Anthem is rolling out the app to an additional 3,000 road warriors. Heston also has rolled out a leisure version of the corporate program that makes some negotiated rates and benefits from Anthem's corporate suppliers available for Anthem travelers to use on leisure.

—JoAnn DeLuna

**"In the past we didn't look at our employees as customers. We were beholden to negotiations and policy."**

## The Private Data Protector

EUROPEAN UNION COMMISSIONER FOR JUSTICE, CONSUMERS & GENDER EQUALITY

### VERA JOUROVA

This time last year, 4,500 companies, including some in the travel sector, were trapped in legal limbo after the European Court of Justice invalidated Safe Harbor, the framework through which U.S. businesses protect personal data to European Union standards. The ECJ had ruled that Safe Harbor failed to provide oversight of whether those companies really met the standards they claimed and that in any case, no data exported to the United States could be considered safe from indiscriminate access by government agencies.

U.S. and EU officials, the latter led by Jourova, a Czech politician who has been a European commissioner since 2014, scurried to find a successor. In February, they announced Privacy Shield, which took effect in August.

Privacy Shield enables improved oversight by data protection commissioners, places greater constraints on U.S. government access to EU nationals' personal data and makes the commitments of those companies that sign up enforceable under U.S. law.

As of Dec. 9, 1,217 U.S. entities had completed the certification process. WorldTravel was the first travel company to be named. Balboa Travel, Expensify, Ovation Travel Group and TripBam have followed. However, corporate travel's biggest U.S. names—including Sabre, Travelport, Concur (and German parent SAP), Carlson Wagonlit Travel, American

Express Global Business Travel and BCD Travel—are absent. The last two are skeptical of Privacy Shield, asserting that other data-protection mechanisms like Binding Corporate Rules and Model Contractual Clauses are more robust.

For now, U.S. travel companies have various legal options through which they can assure they export EU-based travelers' personal data to the United States in compliant fashion. But two lawsuits have challenged the validity of Privacy Shield, and EU data commissioners will review all data transfer mechanisms in July 2017. Meanwhile, U.S. President-elect Donald Trump indicated a low opinion of EU-style privacy rights during his campaign. That led Jourova to state that the European Commission would "closely monitor the respect of protection standards and the correct implementation" of Privacy Shield "under the new U.S. leadership."

—Amon Cohen



## The Booking Tool Insider

AMERICAN EXPRESS GLOBAL BUSINESS TRAVEL DIGITAL TRAVELER VICE PRESIDENT

### EVAN KONWISER

Booking tool technology has been on Konwiser's mind since he joined American Express GBT two years ago. "We had been looking for targets, partners and technology broadly: avenues to accomplish something in the booking tool space," he

said. "We spoke to lots of folks and looked all over the world." When the opportunity arose to buy Paris-based travel booking and expense tool KDS, Konwiser and Amex GBT didn't hesitate.

"You always have to weigh the value of the [existing] technology and the value of the organization that can build on it," Konwiser said. With KDS we had the best of both worlds: fantastic booking tool and back-end technology and an incredible team in Paris. KDS has a very capable research and development team in the travel space, which is really hard to find."

The key for the deal, according to Konwiser, was the ability to scale the solution globally and accommodate the complexities of GBT clients. "No OBT can be everything to everyone. Concur has done an amazing job, but you don't see a lot of others," he said, hinting at Amex GBT's ambitions for the acquired organization.

Amex GBT will need a strong expansion strategy to get there—a strategy that evaded KDS on its own. The company worked hard to expand in North America but hit a wall that made a sale "inevitable" in order to break through, according to outgoing CEO Dean Forbes (see page 22). Konwiser said Amex GBT has that strategy in place and it goes beyond North America.

"The KDS presence in the United States is a little underreported," said Konwiser. "But forget about the U.S. for a moment. There are markets in Europe where KDS had not invested because there were features to build or, for them, the ROI of entering certain markets as an independent booking tool wasn't quite there. But when you look at GBT and where our clients are, suddenly the economics change completely. Plus, [GBT] can provide resources to help KDS invest in the platform. But the U.S. market is Amex GBT's biggest market, so it's always at the top of our head."

—Elizabeth West

## The Showstopper

### NORTH CAROLINA GOVERNOR

# PAT McCRORY

In March, the North Carolina General Assembly held a special session where it passed legislation that blocked Charlotte from allowing all people in public buildings to use bathrooms that align with their gender identities. The bill instead required people to use bathrooms that correspond to the genders on their birth certificates.

In the eight months since, according to a November *Forbes* article, the state has lost \$630.4 million. McCrory, lost his job, too, becoming the first North Carolina incumbent governor to lose a re-election bid. That's widely attributed to backlash over the bathroom bill. The *Forbes* figure calculates the cost of canceled concerts like Bruce Springsteen's; canceled meetings like the American College Personnel Association's; canceled sporting events like the NBA all star game and NCAA tournaments; and canceled business plans like PayPal's intention to build a global operations center in Charlotte and research firm CoStar's search for a new home. The figure doesn't count, though, the ongoing business travel companies like PayPal and CoStar would have sparked. Nor does it count New York City, San Francisco, Atlanta and Washington, D.C.'s bans on government-sponsored travel to North Carolina, or future companies or meetings that will look elsewhere.

Those lost opportunities will indeed add up. According to an MPI/U.S. Travel Association survey conducted in May, 41 percent of meetings professionals were deterred from U.S. destinations that prohibit universal bathroom use. The MPI/USTA report also suggested that inclusive locales are likely to win out. It cited the American Counseling Association, which moved its 2017 annual conference from Nashville after Tennessee passed a bill in April that allows therapists and counselors to deny services to LGBTQ people. The ACA looked in 14 states for a new location and landed on San Francisco. According to the report, ACA CEO Richard Yep said, "What took precedence was finding a welcoming city."

—Amanda Metcalf



## The Direct Booking Booster

### HILTON WORLDWIDE PRESIDENT & CEO

# CHRISTOPHER NASSETTA

While hoteliers have long been trying to wrangle power back from online travel agencies, Hilton Worldwide in February introduced loyalty member discounts and perks for booking direct. The move sparked an onslaught of similar initiatives from other industry players. "We want [our customers] to get the best value that they can

get, get the best experience," Nassetta said then. "And we obviously want to lower our distribution costs for both ourselves and our owners."

Hilton's campaign harkened back to 2014, when industry players introduced free Wi-Fi to loyalty members who booked direct. Yet, Nassetta apparently took note of the backlash that followed from travel agents who felt the decision was anti-business travel. This time, when it launched the Stop Clicking Around direct booking campaign, Hilton made it clear that third-party bookings from corporate partners would be allowed. In turn, Hilton received praise from the American Society of Travel Agents. However, not all who followed in Hilton's footsteps were as clear with their messaging, and with every announcement from players like Hyatt Hotels and Choice Hotels International, came the same question: Would the rates be available to third-party bookers through the global distribution system and online booking tools?

**"This is a long-term strategy; this isn't a flash in the pan."**

The direct booking campaigns' impact on online travel agencies remains to be seen, and kinks still need to be worked out in terms of the rates showing up in the GDS and online booking tools. Hilton's loyalty membership grew 60 percent year over year for the first three quarters, and its bookings through Web-direct channels increased 28 percent year over year during the third quarter.

In another experiment, in 2015, the company piloted a \$50 penalty for canceling any time after booking, but Hilton abandoned the initiative because "guests hated it," Nassetta said. Then, in September 2016, Hilton began piloting restrictive rates that have guests trading freedom to cancel for deeper discounts. Hilton's willingness to experiment with rate structures could make it an industry game changer yet again.

—Julie Sichel

## The United States' Security Guard

### ADMINISTRATOR OF THE U.S. TRANSPORTATION SECURITY ADMINISTRATION

# PETER NEFFENGER

Registration for trusted traveler programs has skyrocketed under Neffenger. When he took over the TSA in the summer of 2015, enrollment in TSA Precheck averaged about 3,000 new names per day. A year later, it was hitting as many as 20,000 per day, and overall enrollment in trusted traveler programs—which also include Global Entry, Nexus and SENTRI—has reached more than 12 million.

That Precheck boost came in part from a TSA advertising push and its partnerships with credit card and travel supplier reward programs, but Neffenger has been taking the case for enrollment directly to the corporate travel buyer, as well. Working with a private vendor to set up pop-up enrollment centers at major events like the Global Business Travel Association's annual conference and expo. It has worked with airlines to create on-site enrollment at clients' offices so corporate travelers can sign up at work. The TSA also worked with Microsoft, which bought Precheck for its frequent travelers, to develop a business case to present to other large companies that might do the same.

Of course, early adopters of Precheck might not be thrilled to see their lines getting longer, but greater enrollment means the TSA can devote more resources to Precheck lines. In tandem with the enrollment boost, TSA has partnered with airlines to automate lines in busy airports—making bin return automatic like a bowling ball return, for example—to speed up the process without compromising security.

Neffenger ultimately would like to see everyone who takes even a few trips per year enrolled in a trusted traveler program (see page 4). The TSA could examine ways to make the security experience even faster for those willing to share more personal information, he said. "In an ideal world, you'd have a fully vetted population traveling. It significantly reduces risk and gives us the opportunity to doing more risk categorization, so you can envision having a population of people who are even more trusted than others."

—Michael B. Baker





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forward, faster.*

## The Efficiency Enforcer

**AMERICAN EXPRESS GLOBAL BUSINESS TRAVEL EXECUTIVE  
VICE PRESIDENT OF GLOBAL SUPPLIER RELATIONS**

### MIKE QUALANTONE

American Express Global Business Travel in September enacted a \$10 surcharge to process “high cost” airline transactions. It’s a descriptor Frontier Airlines, Ryanair, Southwest Airlines and Spirit Airlines would disclaim. Yet, those airlines and other so-called low-cost carriers have become more costly for Amex GBT clients to transact. “Leisure-type airlines” are getting more into corporate travel but with a less integrated, efficient and effective distribution process, Qualantone said, adding that Amex GBT can’t keep subsidizing those costs.

The fee applies to carriers that defy industry standards: those that participate at a lower level in global distribution systems, those that don’t file fares through the Airline Tariff Publishing Co. or those that do not settle agency transactions through ARC or non-U.S. Bank Settlement Plans.

The additional costs for travel management companies to process and manage such bookings have been around for some time, and others also have passed them on to clients. But Amex GBT’s surcharge raises the cost structure for clients that book a significant number of these transactions. It also provides corporate clients a disincentive to book these airlines and calls attention to underlying costs in the distribution chain. In the past, “the majority of the higher costs had been being absorbed within our normal pricing environment,” Qualantone said.

He acknowledged that some customers are not enjoying conversations about higher costs. As described by Qualantone in October, the rollout is progressive. 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.”

—Jay Boehmer

**“We shouldn’t cross-subsidize the efficient, integrated airline reservations and bookings with those that are high cost and less efficient.”**

## The Hotel Hubmaster

**HRS CEO**

### TOBIAS RAGGE

Describing what HRS does in just a few words is no easy task, and that’s sort of the idea, according to Ragge. “What we’re trying to become is a holistic, end-to-end business process-outsourcing solution provider for accommodation.” The German company adopted this vision a few years ago—Ragge also made it on this list in 2014—and it’s meant keeping an eye out for partnerships and technologies that can solve problems for HRS customers.

In 2016, the company launched Paperless Travel, which collects from hotels all the invoices related to a corporate client’s stays, digitizes them and matches them with existing booking data. HRS follows up with the hotel if there is a discrepancy in booked and charged prices. The invoice data also can be uploaded to expense reports or accounting systems or form the basis for value-added tax recovery claims.

HRS also struck a deal with Concur to enable virtual card payments through Concur’s platform in 2017, following previous virtual card partnerships with American Express Global Business Travel and Airplus. HRS’s investment in Conichi has helped the mobile check in, secure payment and mobile check-out provider expand its presence in Europe and gain in North America. HRS has leveraged the partnership to add “Smart Hotels,” those equipped with Conichi technology, to its online booking tool. HRS has partnered with Australia’s Lido Group, a corporate and government accommodations aggregator and payment solutions provider. Ragge said the deal positions HRS “in all of the world’s top business travel markets.”

—Julie Sickel



## The Myth Buster

**ITW DIRECTOR OF GLOBAL T&E**

### CATHY SHARPE

Over the course of two years, Cathy Sharpe watched ITW’s hotel booking-channel compliance crater from 67 percent to 40 percent. It was a drastic shift for a global program that she had built by the book over the prior six years, and it required drastic action. She turned to TripLink to investigate her vanishing hotel compliance, and the revelations kept coming. Sharpe found the vast majority of her travelers’ hotel bookings were going to preferred suppliers, even when booked off channel. The difference is that they were cheaper than the in-channel bookings. The original \$2 per night was minimal, but when the delta grew to \$6, the opportunities were clear.

But it wasn’t just the savings, Sharpe said. “As good as [corporate online booking tools] may try to be, they are never going to pull in the content that the supplier offers [direct],” she told *BTN*. Plus, suppliers are bringing in the “glorified experience” with loyalty offers, amenity selection and other features corporate tools can’t offer. In some cases, her travelers report more consistent service and fewer check-in complications when they rely on their status versus corporate negotiated agreements.

It would be easy to keep direct connect benefits on the down low, especially in an industry built on closed-loop processes. But those days are over, according to Sharpe, and transparency is paramount to progress. Sharpe, whom *BTN* named 2016 Multinational Travel Manager of the Year, was unstoppable on the conference circuit this year, exposing the myth that the corporate channel always delivers the best benefit. She continues to advise Concur on how to present TripLink hotel data so it tells a story for the customer. She is working with United Airlines on its TripLink rollout in a similar capacity, and she’s pushing the travel management company community to embrace the open booking concept and to capitalize on it. “The TMCs need this data, and they need to be able to service [off-channel] bookings,” she said. “[They need to] stretch and find new opportunities.”

—Elizabeth West





## The Strong & Silent Type

**VISTA EQUITY PARTNERS  
FOUNDER, CHAIRMAN & CEO  
ROBERT SMITH**

The industry never saw a quote attributed to Vista Equity Partners CEO Robert Smith regarding his private equity firm's acquisition of Cvent. When the U.S. Department of Justice, delayed the acquisition with "second request" for more in-depth details, and later wanted an additional extension, Smith rebuffed them. Quiet and tough is standard operating procedure for this investment giant, personally worth \$2.5 billion, according to Forbes. He studiously stays out of the spotlight but drives home the deals.

Smith's defiant silence toward the DOJ forced regulators either to sue to block the merger they had already delayed once or to clear it before the end of November. It was a game of chicken that Smith ultimately won. The DOJ cleared the merger on Nov. 22, allowing Smith to add meetings technology provider Cvent to a Vista Equity Partners portfolio that already included Lanyon, Cvent's largest competitor. On Nov. 29, Vista announced the merger of Lanyon and Cvent, coming together under the Cvent name.

If Vista's buying spree is any indication, Smith has a larger strategy in play for his meetings and event technologies. Vista snapped up marketing automation platform Marketo in June. The move positioned Vista Equity to deliver end-to-end meetings data automation to the market under its single umbrella. This is a first for the meetings industry and promises to streamline the effort to capture and analyze engagement data from live meetings and events.

Yet Smith's cascading mergers have brought not just opportunity but also anxiety to the meetings market. Cvent CEO Reggie Aggarwal has assured clients that all the Lanyon and Cvent products will be supported for the near future. Meanwhile, competitors and meetings technology observers have said there's little question whether platform redundancies ultimately will integrate into a single product. That's an outcome both Lanyon and Cvent clients will have to navigate eventually.

—Elizabeth West

## The Gauntlet Thrower

**DELTA AIR LINES SENIOR VICE PRESIDENT OF GLOBAL SALES  
BOB SOMERS**

In 2015 when Delta Air Lines introduced its Operational Performance Commitment—a guarantee to corporate customers that its on-time and cancellation performance would remain above at least one of its two major competitors, backed up by the promise of compensation—it was not much of a gamble. After all, the carrier had just come off a year in which it had nearly 10 times the number of perfect completion days as both United Airlines and American Airlines combined. This year, however, the Delta sales team, led by Somers, has worked hard to show the guarantee is more than a gimmick. "Customers were the ones telling us we were not taking enough credit for operational excellence," Somers said. "We created this to be the first in the industry with a service-level agreement to stand by our performance and make sure it was more visible to customers and the industry."

This year, United Airlines followed Delta and launched its own operations guarantee to corporate clients, with a similar promise but different metrics. For example, United measured performance across its full network, while Delta measured only mainline domestic flights. Not to be outdone, Delta tweaked its own guarantee this summer, expanding it to include international and regional flight performance and including uncontrollable delays and cancellations and mishandled baggage complaints. Additionally, Delta developed a calculator for corporate customers to quantify the operational performance-based savings of using Delta.

It remains to be seen whether American Airlines will jump into the competition that Delta started, but Delta certainly plans to continue adapting its offering, Somers said. "We are already crafting the next step, being generated by customer feedback."

—Michael B. Baker

**"Bells and whistles and discounts mean nothing if they can't trust that you're going to be reliable and on time."**



## The Bidding War Winner

**MARRIOTT INTERNATIONAL PRESIDENT & CEO  
ARNE SORENSON**



BTN named Sorenson among its 25 most influential executives of 2015 for the company's acquisition of Delta Hotels and planned acquisition of Starwood Hotels & Resorts. Now, Marriott's emergence as the victor of a heated 2016 bidding war for Starwood, plus Sorenson's moves since, have landed him back on the list this year.

Over three weeks in March, Sorenson went head-to-head with a Chinese consortium led by Anbang Insurance Group that came out of nowhere to offer an unsolicited bid for Starwood. When all was over, Marriott was back on track to acquire Starwood but at a price tag more than \$1 billion higher than originally agreed upon.

The transaction closed in September, bringing together 1.1 million rooms across 5,700 properties. Sorenson estimated Marriott will realize \$250 million in annual corporate cost synergies, enhancing revenue opportunities for its managed and franchised properties.

Tasked with integrating the companies smoothly, Sorenson has pledged to keep all 30

brands. In December, the company released new brand categories, labeling the brands as either Classic or Distinctive and further breaking them down into luxury, premium, select and longer-stay tiers.

While Marriott Rewards, Ritz-Carlton Rewards and Starwood Preferred Guest, totaling 85 million loyalty members, aren't set to merge until 2018, Sorenson satisfied SPG skeptics on Day One when Marriott introduced status matching across the programs with one converted SPG point equaling three Marriott Rewards or Ritz-Carlton points.

In the corporate space, Marriott has plenty of work to do to understand the client base it inherited from Starwood, Sorenson said in November. Meanwhile, concerns remain about the impact Marriott's increased power and presence will have on 2018 hotel negotiations.

—Julie SICKEL

**"Our [merged] portfolio gives our customers so many more options to choose from."**

## The Bellwether

**SALESFORCE SENIOR  
MANAGER OF GLOBAL TRAVEL  
DORIAN STONIE**

Salesforce's travel strategy—which relies on its Chatter platform as a continuous communication tool for travelers, tightly integrates mobile apps and has a high threshold for unorthodox travel plans—has its share of detractors. But if a travel manager for an innovation-minded, newly minted Fortune 500 tech company can't experiment with managed travel paradigms, who can? Stonie's aggressive pursuit of a program that is social, mobile

and open has not only changed travel at Salesforce but also served as an innovation incubator for the industry.

Salesforce was among the first to incorporate sharing economy providers into its program. Stonie saw the shifting demand but also recognized the necessity. Hotel inventory compression in

the San Francisco area practically forced him to accept Airbnb, but rather than tightly managing exposure, Stonie helped Airbnb finesse its platform to form Airbnb for Business, along with Airbnb's managed travel dashboard. The dashboard precipitated a spike in corporate adoption, according to expense report analysis released by Concur last month.

Stonie also has worked with Uber on its corporate offering. "They've been great partners for us," he said about his sharing economy ties. "There isn't a week that goes by that we don't do benchmarking or discussions with another travel manager about how we address this piece and incorporate nontraditional suppliers."

Stonie has reimagined the role of all suppliers in the Salesforce program and works closely with them from a loyalty perspective. Salesforce's Supplier 360 program encourages preferred suppliers to build relationships directly with travelers via Chatter. Salesforce also extends travel program benefits to employees' leisure travel, leveraging that volume for negotiations. Suppliers view it as an opportunity to gain loyalty with high-value travel consumers. Stonie is looking to test that consumer-style relationship further in 2017 as he implements a closed-loop supplier-rating system for Salesforce travelers, which he also will use to inform his sourcing strategies.

Stonie, whom *BTN* named the 2016 Travel Manager of the Year, admits that new ideas don't always work, but his willingness to be a first mover has shaped the future of managed travel. Agree with his strategy or not, it has become a bellwether for the industry.

—Elizabeth West



## The Competition Contender

**ALASKA AIRLINES PRESIDENT & CEO  
BRADLEY TILDEN**

The road had a few more bumps than expected, but Alaska Airlines has cleared the major hurdles to acquire Virgin America, which will make it a much bigger player in the corporate travel space in the coming year. Winning the deal itself was a coup for Alaska. Once Virgin America went up for sale this year, Alaska faced a bidding war with JetBlue. Alaska prevailed, however, and will surpass JetBlue to become the fifth-largest carrier in the United States.

Antitrust clearance was another major hurdle, especially considering the fight the U.S. Department of Justice put up against the merger of American Airlines and US Airways in 2013. Tilden maintained that the merger would stimulate, not hinder, competition, as Alaska would become a stronger competitive force against bigger U.S. carriers.

Alaska had hoped to have approval by the end of September but had to wait until early December as the DOJ extended its review. Though the DOJ required some concessions from Alaska, including ending some of its codeshares with American Airlines, DOJ antitrust division acting assistant attorney general Renata Hesse said that the merger "offers hope that a strengthened Alaska can be an even stronger competitor than before."

Now, of course, the true work behind a merger begins. Alaska's and Virgin's corporate sales teams already have been talking, and Alaska is eager to present its strengthened presence in California to corporate customers there.

—Michael B. Baker



"This is a pro-consumer merger of two smaller airlines that will bring new low-fare competition."

## The Marriott Meddler

**ANBANG INSURANCE GROUP CHAIRMAN  
WU XIAOHUI**



Before March, few in the U.S. hotel industry had paid much attention to Wu Xiaohui's insurance company. Until then, Beijing-based Anbang's most notable deal was its 2015 purchase of the Waldorf-Astoria hotel from Hilton Worldwide for \$1.95 billion, the most ever paid for a U.S. hotel. Still, given the volume of foreign investment in the industry in recent years, the deal wasn't too out of the ordinary. On March 12, 2016, however, Reuters reported that Anbang would acquire Strategic Hotels & Resorts for \$6.5 billion from Blackstone.

Meanwhile, Marriott International had agreed in November 2015 to acquire Starwood Hotels & Resorts for a record \$12.2 billion. Two days after Anbang's Strategic Hotels move, though, news broke that a Chinese consortium

led by Anbang had offered \$13.2 billion cash for Starwood. Starwood accepted Anbang's bid, Marriott won Starwood back with a \$13.6 billion offer, and on March 28, Anbang upped the ante again with \$14 billion cash. Days later, however, Anbang pulled its bid, leaving the Marriott-Starwood transaction to proceed at \$13.6 billion, significantly more than the original agreement.

Anbang's sudden appearance on the U.S. hotel scene and its just-as-sudden exit from the Starwood bidding war led to speculation about Anbang's opaque ownership structure and the obstacles it faces from Chinese regulators. That speculation continues as Anbang has let its planned merger with Fidelity & Guaranty Life tarry for more than a year, even as it moves to acquire a majority stake in British Columbia retirement home chain Retirement Concepts. Anbang's problems may persist, as China reportedly is preparing new restrictions on outbound foreign investment in an effort to constrain capital outflows.

As for the Strategic Hotels acquisition, Anbang completed the transaction in September, buying 15 of the 16 hotels in the portfolio. Blackstone ended its plan to sell the final property, San Diego's iconic Hotel del Coronado, following objections from U.S. national security officials concerned with the hotel's proximity to a U.S. naval base.

—Julie Sichel

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## Agile Expense Management Tools for Growing SMEs

BY JOANN DELUNA

Small and midsize enterprises, like their large-enterprise counterparts, need tools that will simplify their expense reporting process and reduce the manual labor for both employees and administrators. The difference is they don't necessarily have the budget. "We're a start-up. We don't have \$10,000 to put towards expense management," said David Wieseneck, vice president of finance for online classified advertising/reselling platform Letgo.

SMEs also need agile and consumer-grade solutions that are easy to use, implement and configure as the company grows. "While small businesses may be small today, they're certainly growing and will be the midsize and larger businesses of tomorrow. It's important for them to have an expense solution that will scale and grow with them," said Chrome River chief marketing officer Julie Roy.

**"While small businesses may be small today, they're certainly growing and will be the midsize and larger businesses of tomorrow. It's important for them to have an expense solution that will scale and grow with them."**

—CHROME RIVER'S JULIE ROY

### Ask Before You Buy

**Expensify founder and CEO David Barrett suggests these considerations when shopping for an expense management solution:**

Does the tool import both personal and corporate card expenses? How automated is this process?

Does the solution employ optical character recognition?

Does the tool provide the controls your program needs in your workflow? (e.g., advanced approval workflows)?

Does the cost of the solution justify the amount of time administrators and travelers will save?

Can the tool scale as the company grows?

Can you configure the solution out of the box?

Can the tool adapt to your company's needs without a high cost?

Construction company Paric had 30 corporate cardholders and operated in four states. However, over the past five to seven years, it has expanded to 16 states, and the number of cardholders has increased to 90.

Meanwhile, travelers were submitting Excel spreadsheets and taping receipts to the reports. Some travelers without corporate cards were spending as much as \$3,000 on their personal cards, and reimbursement took a month and a half. "That's not good business practice," especially when travelers have put their own money on the table, said Paric assistant corporate controller Alicia Buehne.

Not to mention that reconciling spend and reimbursement was tedious and time consuming, especially because the payroll department handled reimbursement. Buehne and her team had to sort through a lot of paper trails. "We wouldn't even know where to start to look," she said. They'd pull up an employee's payroll record to identify payouts to that employee, then match the amounts to the invoices and receipts the traveler had submitted.



### Agility

Before joining Letgo, Wieseneck had worked for another online classified start-up, which used Excel spreadsheets. Reimbursement took three months, he said. So when it came time to launch Letgo in 2015, "we decided that's not how we wanted to kick-start a new company."

Shortly before leaving his previous company, Wieseneck had implemented Expensify, and he did so at Letgo from the get-go. The company has expanded rapidly to 150 employees in Asia, Europe, South America and the United States, and it has headquarters in Barcelona and New York. About 20 employees are frequent travelers, and another 20 travel as much as twice a year, spending a total of \$200,000 a year on travel.

The agility of the Expensify platform benefits three types of Letgo employees: end users, administrators and finance executives. Users find the tool "super easy, low touch and end to end," Wieseneck said. Its SmartScan technology parses receipts, and the platform automates expense reports for users. He's never had to train anyone on the system and has fielded only one question. "We use Instagram and Snapchat, and we want to use tools [for work] that feel like we would use at home," he said.

Machine learning is a big boon for his users. The more receipts that go through that functionality, the better Expensify becomes at coding receipts without human intervention, Wieseneck explained. Previously, Letgo users might have classified most receipts manually and the company's expense tool would get two right. Now, Expensify gets most right.

Quick reimbursement, meanwhile, allows the finance department to gain goodwill with employees. "That helps us win that seat at the table with the rest of the company and be respected," Wieseneck said.

Administratively, Wieseneck appreciates the ability to add or terminate users easily, and he gains from an expense tool that integrates with Letgo's accounting software, Xero. "We've been able to scale from 10 to 150 [employees] on the platform easily. It's no more work for the accounting team to administer expense reporting and pay people back," he said.

Financially, Letgo can onboard

all employees onto the platform but pay only for the reports processed. This means a company that's scaling does not have to project usage costs for the following years. Meanwhile, a tool that's easy to use motivates travelers to submit expenses more frequently, thereby enabling Letgo to see spend closer to when it happens.

Paric rolled out the Certify expense management tool in February and reported similar ease of use and time-saving advantages. The ability to customize with different cost codes for specific projects made tracking spend more sophisticated.

Buehne also found that use of a third-party tool gives Paric an extra

**Quick reimbursement allows the finance department to gain goodwill with employees. "That helps us win that seat at the table with the rest of the company and be respected."**

—LETGO'S DAVID WIESENECK

set of hands for managing travelers, a big impact for a small firm. "We're jumping from the 1980s to the 21st century," she said.

### Speak Up

When deciding on an automated expense system, Buehne said it's important to understand the magnitude of the implementation and "really nail down ahead of time that you will have a partner to assist you in that implementation." Certify's customer service reviews formed one of the reasons Paric went with that provider. She knew she was going to need some hand-holding through the implementation process, and she wasn't sure she'd get that from another vendor Paric was considering. "They didn't seem like a partner," Buehne said of the other vendor's pitch. "We were going to be an itty-bitty baby fish in the big pool of [its customers]." She also advises SMEs to define their expectations to the supplier early on and not be afraid to ask questions.

Chrome River's Roy said companies should think about the kind of data integrations and capabilities they need—i.e., different types of credit card feeds, multiple booking tools, value-added-tax recovery—because the more data a company integrates, the more complex the solution it will need. "A lot of

smaller companies have those requirements or think they may have them down the road in a short time frame," Roy said. "These are cool things that a lot of bigger mid- to larger size companies definitely want, but if it's not something they need right away, they can turn them off." ■

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## Cvent & Lanyon Merge

When Vista Equity Partners and Cvent tied the knot on Nov. 22, the announcement arrived with a twist: Cvent and Lanyon, which also is owned by Vista and is widely considered Cvent's closest industry rival in terms of technology stack and client scope, have merged, as well.

The combined company will operate under the Cvent name. It will maintain the Cvent headquarters in Tysons Corner, Va., and will have significant presence at the former Lanyon headquarters in Dallas. Cvent CEO Reggie Aggarwal will keep his role. Lanyon CEO David Bonnette will step aside after a management transition.

In a message to Cvent customers, Aggarwal focused on investment and the strength of the combined entity, citing 800 technologists to carry on the work of innovation and 700 customer-facing representatives to support and grow its client base, which now numbers 28,000 in 100 countries. Aggarwal underscored that it would be "business as usual" for all customers.

Cvent president of worldwide sales and marketing Chuck Ghoorah told *BTN* that the combined Cvent would support all Lanyon and Cvent technologies, including the transient travel products, to maintain a smooth customer transition and that "the guiding principle [of the integration] will be to do what is right for the Lanyon and the Cvent customers."

### The Question of Lanyon

Since Vista announced its intentions with Cvent in April, the industry had speculated about the fate of Lanyon in the deal. Would the DOJ require Vista to divest all or parts of Lanyon in order to consummate the Cvent acquisition? Would the two competitors remain separate under the same portfolio? DoubleDutch founder Lawrence Coburn correctly predicted in a blog post directly following the April Cvent-Vista announcement that the parent company would combine the two portfolio assets.

Coburn wrote at the time, "It's still unclear if Cvent and Lanyon will be merged, but you have to expect that this is the eventual play." As a meetings technology competitor, Coburn is hardly an unbiased observer, and he saw an opportunity to focus on the potential negatives, including the idea that private equity ownership would sacrifice innovation at the altar of "financial engineering."

"There will certainly be a period of paralysis for both companies," he wrote in the blog post. "People will be worrying about their job security as Vista runs their playbook of eliminating duplication and seeking efficiencies. ... It's financial engineering at a major league, world-class level, as few other firms are capable of. Don't get me wrong—these guys are respected operators, and they run their playbook extremely well. But technology innovation is not typically part of the equation."

Cvent characterized the motives behind the Vista acquisition and Lanyon merger differently: "The merger represents a tremendous opportunity for the \$500 billion [meetings and event] industry as a whole," Ghoorah said. "Vista saw this and by combining the two companies [created] a clearer path

### The Deadline Dare



The *New York Post* reports that Vista CEO Robert Smith has denied the DOJ's request to extend consideration beyond Nov. 22.



Cvent climbs 16.62% on the NYSE, closing the day at 35.72. The movement suggests DOJ approval.



The DOJ gives the go-ahead for the \$1.65 billion merger.



Vista Equity Partners acquires Cvent and merges it with existing asset Lanyon, Cvent's biggest competitor.

to innovate more because we are at a larger scale. We can be more innovative and have more game-changing products to add professional value."

Asked why it benefits the industry as a whole, Ghoorah said the biggest-ever meetings-technology acquisition is just the latest indication of how much value is embedded in meetings and events, and it should stimulate innovation in the space. "There is so much green field and opportunity. When we sit down and listen to customers, there are so many exciting ideas out there and so many things we can add to the road map."

Getting Cvent and Lanyon through the merger to the innovation stage may take some time, according to meetings technology consultant Corbin Ball. He questioned the seamless nature of transitioning to the scaled-up Cvent and cast doubt on the idea Cvent will support the entire technology set over the long haul, given the similarity of the two tech stacks.

### Chasing the Big Opportunity

Vista Equity Partners won't want the grass in the proverbial green field of opportunity to grow under its feet during the Cvent/Lanyon integration. No matter how big the footprint has grown with the merger, competition will continue to nip at its heels.

Vista's Marketo acquisition this summer set the stage to bring end-to-end automation in the meetings and event space under one roof. Building and innovating with meetings technology may just dig a better riverbed in which event data will flow downstream to sales and marketing automation. Yes, it will continue to capture program spend data and management data for strategic meetings management programs, which have been the bread and butter of both Cvent and Lanyon. The collective portfolio also could hasten the market viability of attendee activity data captured in the live event.

Indeed, extracting meaning from event registration, through live interactions and into sales and marketing automation tools is the next big opportunity for the industry. And all the technology players know it. "There's an awesome opportunity in the marketing cloud," said Ghoorah. "The opportunity to track the attendee journey and to put that into systems like Marketo and Salesforce to track pipeline development. That is the exciting opportunity for chief marketing officers. The fact that Marketo is now owned by Vista helps that conversation and helps to realize that attribution to pipeline. This will finally elevate the meetings conversation to the C-level suite. We can finally measure the ROI."

The fact that Vista clearly is chasing that opportunity bodes well in terms of how it will invest in the innovation necessary to achieve it. Nevertheless, Ball observed that scaling up legacy technology players may not be the quickest way to get there.

"The two companies control about 90 percent of the [strategic meetings management] market and about the same amount for eRFPs in sourcing," he said, basing his marketshare estimate on current SMM business and not accounting for the broad growth potential, a question the DOJ undoubtedly deliberated. "However, I think there is room for newer, nimble companies to come in to take a piece of both of these areas. Lanyon/Cvent will need to continue to evolve—and rewrite some of their ancient code—to [stay] relevant." ■



## Alaska Airlines Closes Virgin America Acquisition

After a more than two-month delay, the U.S. Department of Justice granted antitrust approval to Alaska Air Group's \$2.6 billion acquisition of Virgin America on Dec. 6, and the deal closed on Dec. 14. Alaska said it will spend the next year securing Federal Aviation Administration certification to operate the two as a single carrier. Alaska sister carrier Horizon Air will maintain its own operating certificate.

"Alaska Airlines and Virgin America are different airlines, but we believe different works," Alaska chairman and CEO Bradley Tilden said.

The DOJ's approval came with the stipulation that Alaska "significantly reduce" the scope of its codesharing agreement with American Airlines, according to the DOJ. Alaska markets American flights on more than 250 routes, whereas Virgin America has been competing fiercely with American on 20 nonstop routes. The DOT's decision requires Alaska to drop codeshares on the routes where Virgin is a competitor and on routes on which "Alaska would otherwise be likely to launch new service in

**"Because of Alaska's extensive codeshare agreement with [American Airlines], the merger threatened to blunt important competition and reduce choices for consumers."**

**—DEPARTMENT OF JUSTICE'S RENATA HESSE**

competition with American following the merger," according to the decision.

"Smaller airlines, such as Alaska and Virgin, provide a critical competitive check on the larger carriers," DOJ antitrust division acting assistant attorney general Renata Hesse said. "Although this merger offers hope that a strengthened Alaska can be an even stronger competitor than before, because of Alaska's extensive codeshare agreement with the world's largest airline, the merger threatened to blunt important competition and reduce choices for consumers."

Alaska noted that the majority of its codeshare flights with American will remain in place and that it can continue interline and loyalty program reciprocity agreements. The DOJ did not require any changes to Alaska's other partnerships, including its partnership with Delta Air Lines.

There also was the question of slots Virgin America had gained as part of the DOJ's approval of the American Airlines/US Airways merger. The Dec. 6 DOJ decision prohibits Alaska from returning those slots to American and requires DOJ approval should it wish to sell or lease them to any other carrier. Alaska is not required to divest any of its own assets.

Alaska initially had hoped to finalize the deal, which will push Alaska past JetBlue to become the fifth largest airline in the United States, by the end of September, but the extended antitrust review pushed it well past that deadline. ■



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## Forbes Will Leave KDS & Bressy Will Become CEO

BY JOANN DELUNA

CEO Dean Forbes will leave T&E provider KDS by Dec. 16 to pursue other projects. KDS executive vice president of business operations and CFO Roxana Bressy, who has been with KDS for six years, will replace Forbes. Meanwhile, American Express Global Business Travel, which acquired KDS Oct. 4, will “more than double” the product development team “to enable KDS to continue to work for all customers and TMCs and focus on the work that will drive value for Amex GBT,” Forbes added.

Bressy previously served as CFO and HR director at medical device manufacturer Nobel Biocare, and she also has held management roles at Hewlett Packard subsidiary Mercury Interactive, software startup Total Immersion and Japanese conglomerate Hitachi.

### End of the Road

Forbes is leaving the company for a variety of reasons. For one, he said, he needs a break after seven years of running the company, which often meant being on the road for a minimum of four days a week and sleeping only six hours a night. He likened the journey to training for and running a marathon. “You condition your whole body to run 26 miles, and if you have to run 27, you probably can’t do it. ... My body reacted to completing its 26th mile, and the fatigue of that journey and the toll those seven years have taken on me personally and physically just came rushing to the front as we closed. ... I think it’s the right time to move on.”

After the deal was signed, as the companies ironed out how they would integrate and build digital products and services focused on the traveler experience, they concluded it would be best for Forbes to leave. Amex GBT CEO Doug Anderson and chief commercial and technology officer Philippe Chereque were “great,” patient and understanding, according to Forbes.

He also had acknowledged that the merger with Amex GBT meant some of KDS’s “cavalier” business practices would have to be “refined.”

Also, Forbes had found product strategy the most enjoyable part of leading KDS. That involved reimagining products and “thinking up new ways to fix old problems.” He said, “As part of Amex GBT, there’s a strong line of strategy, which is about making those products highly integrated and interoperable with GBT’s back office and the commercial structure and supplier network. It’s a big part of their strategy, and it’s going to create a lot of value for GBT and GBT customers, but that is quite different from getting around the table and imagining something like Neo from scratch.”

Forbes impressed upon Amex GBT that while he was the face of KDS innovation and disruption, Bressy was the one who handled HR, legal and project time lines. She also is familiar with “every customer, contract, implementation, issue and dispute we’ve ever had,” he said. “She would be a much more reliable basis for understanding the company and how it operates and what you can and can’t break,” Forbes said.

Additionally, Forbes long has been a critic of travel

management companies. “That TMCs need us and can’t do this on their own because they’re bad at technology is something that I’ve pushed in my teams. So you don’t want [me] switching sides now and saying, ‘Actually they’re pretty smart.’ There’s no credibility in that. Get me out of the way,” Forbes said.

### Forbes’ Legacy

Forbes joined KDS as CEO in 2011, and in February 2012, KDS had begun work on Neo, the reimagined, automated, door-to-door mobile corporate T&E booking tool. Instead of booking travel in components—flight, then hotel, then rental car—travelers could book travel by answering three questions: Where does the journey begin, where will it end and what time does the traveler need to be there?

KDS launched Neo in February 2013. With the tool’s consumer interface and user experience, traits Forbes championed for all business travel technology, Neo stood out among legacy booking tools, which are often criticized as looking, feeling and functioning exactly like corporate-issued tools. In showcasing Neo at conferences, Forbes often wowed crowds and left industry experts speechless. In August 2013, KDS won its first TMC partner, Carlson Wagonlit Travel, of which Anderson was CEO at the time. By July 2016, KDS had nine TMC partners in North America.

Each year following Neo’s launch, KDS added functionality and partnerships. In 2013, it launched Neo Expense—which creates line items from receipts captured through the mobile app, now a standard feature for most expense systems—and ditched the traditional spreadsheet interface for a calendar display that visualized expenses on the days and times they were incurred. It also announced its expansion into North America by naming Mike Concannon general manager of the Americas.

While the company was well known in Europe, expansion across the Atlantic was challenging for various reasons, notwithstanding Concur’s strong foothold in the country. Forbes did not relent. He believed strong customer service and innovation would “win the hearts and minds” of North Americans, he said in 2014. KDS slowly won clients. However, attaining new customers through TMC partnerships, a strategy both Forbes and Concannon championed, would prove insufficient if they expected to win market share from Concur and other booking tools. The corporate travel industry’s disinclination for change was another obstacle.

“Turning around a company that competes with ... [others that have] much deeper pockets and other significant product lines [and competes] with a GDS that’s often making their online booking tool their loss leader because they’re trying to get revenue for other things—that’s tough to compete against,” Forbes said. “It wasn’t tough [to compete] because people had better products. Most of the time they really didn’t—and they would almost admit they didn’t have good products—but they just had more to bring to the customer for the deal to make sense.”

Forbes often defended his willingness to stay independent, despite frequently attracting buyers, but getting acquired was “inevitable,” he told *BTN* after the deal closed. Amex GBT provides the financial resources and brand power KDS needed to scale, he said.

He was right all along, it seems. He often criticized TMCs’ lack of innovation, dated technology and deficient user experience, saying they couldn’t do it without forward-thinking companies like KDS keeping them on their toes. So, in this case, the mega TMC acquired a forward-thinking company. ■



### Forbes’ Next Chapter

After leaving KDS, Dean Forbes will focus on Project 10, a non-profit that helps inner-city teenagers obtain work skills, and he will explore other startups and entertain job offers, as long as they’re not competitive with Amex GBT. “The offers to stay in travel are not right for me right now,” he said, though he did not toss out the idea of returning to work to “do another midsize technology, high-growth company in a few months.”

# Sabre/Conferma Integration Automates Virtual Card Purchases of Air Tickets

BY AMON COHEN

Sabre has eliminated all manual processes of using virtual cards to pay for air bookings, via a full integration with Conferma that went live the week of Nov. 14. Now, Sabre vice president for payments Neil Fyfe predicts, virtual cards will become the dominant method of paying for business travel air tickets.

Of the virtual payments made through Sabre today, hotel bookings account for more than 95 percent, Fyfe said. Using a Conferma virtual card number for hotel bookings has been automated in Sabre since Sabre introduced Virtual Payments for Hotel Settlement in 2011, both for agency and online booking tool reservations. Air bookings work differently because a card number is required to complete ticketing via the mid-office. As a result, bookers have had to create a virtual number via a Conferma Web tool, then copy and paste it into the Sabre reservation.

Now, said Conferma director of strategic relationships Paul Raymond, “Sabre has taken a Web process and integrated it into the host. Sabre is asking for the card instead of the mid-office system asking for it, so it looks to the agent exactly the same as using a lodge [central billing or business travel account] or corporate card. It’s an absolute watershed. It’s the first time the process has caught up with the requirements of the travel industry. People always thought it was a good idea, but they wanted a fully integrated solution. Now that’s happened, it should allow a real step change for virtual cards.”

Virtual cards offer several advantages over other ways to pay for air, according to Fyfe, including the fact that a virtual number is used only once and for a specified transaction. “We are providing full fraud protection,” he said. “It is a card service that does not get compromised. The corporate client is not having to replace the business travel account number if there is a fraudulent transaction. Corporates tell us they have to change their BTA number multiple times. It’s not a case of if changing the number is going to happen; it’s when.”

Automatic generation of the virtual card number inside Sabre reduces card risk further because only the last four digits are visible to the booker. Previously, the booker could see the full number when generating a VCN on the Conferma tool and copying and pasting into Sabre.

Sabre global product manager Sarah Ponti said virtual cards also eliminate the need for reconciling booking and payment data. “Especially when there are changes or refunds, the tie-in is 100 percent.” There are other means of identifying transactions for reconciliation, such as the unique ticket number, “but if you are doing a refund or exchange, you don’t have all the info to tie it back to.”

A third major benefit claimed by Sabre is that Sabre forwards all booking, ticketing and payment data to the traveler’s expense tool, greatly enhancing the information available in expense reports. Ponti said virtual payments provide so-called Level 3, or line item, data from airlines. For mainstream carriers, that includes “any relevant field from the passenger name record,” such as routing information and class of travel.

Asked how popular VCNs are likely to become for air ticket payment, Fyfe said: “Why wouldn’t you use a more secure, fraud-preventive method of paying for air transactions? I absolutely believe it’s going to be the predominant way of paying for air travel in future.” ■

**Sabre is asking for the card instead of the mid-office system asking for it, so it looks to the agent exactly the same as using a lodge [central billing or business travel account] or corporate card.”**

— CONFERMA’S PAUL RAYMOND



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# Norwegian Air Plans U.S. Expansion

BY MICHAEL B. BAKER

The U.S. Department of Transportation has approved a foreign air carrier permit for low-cost carrier Norwegian Air Shuttle's Irish subsidiary to fly to the United States.

The decision affirms the tentative approval the DOT offered in April. Norwegian Air Shuttle already flies to the United States from Norway and other markets covered by its Norwegian license, but the permit for Norwegian's Irish subsidiary will open up further expansion opportunities, including service between the United States and Ireland.

The approval came despite objections from several fronts, including the three U.S. legacy carriers and airline labor groups, which said Norwegian's Irish subsidiary is a phantom organization designed to skirt stricter labor laws in Norway. AFL-CIO Transportation Trades Department president Edward Wytkind said the subsidiary's "flag-of-convenience" function violated an article of the U.S.-European Union Open Skies Agreement regarding labor standards: "Clearly, a Norwegian-owned airline that is based in Ireland for the purpose of evading Norway's labor and tax laws and that will hire crews under Asian

**"The decision now made by the U.S. DOT finally paves the way for greater competition, more flights and more jobs on both sides of the Atlantic."**

**—NORWEGIAN AIR'S ANDERS LINDSTRÖM**

contracts is in violation of these explicit labor protections," Wytkind said. "[This] decision effectively ushers in a new era in aviation, one in which high-road carriers will be forced to compete with sweatshop-like airlines."

The DOT called the situation "among the most novel and complex ever undertaken by the department" but said opponents' concerns were not a basis for rejection. "Regardless of our appreciation of the public policy arguments raised by opponents, we have been advised that the law and our bilateral obligations leaves us no avenue to reject this application."

For its part, Norwegian had said it will not use Asia-based crews on transatlantic flights, though the DOT did not mention that promise in its decision to grant the permit.

Following the DOT decision, the carrier also said it plans to open pilot and cabin crew bases in Boston and at New York's John F. Kennedy International Airport. That's in addition to a Fort Lauderdale base it announced in October.

"While the delays Norwegian [has] faced have been unfortunate and unnecessary, ultimately the decision now made by the U.S. DOT finally paves the way for greater competition, more flights and more jobs on both sides of the Atlantic," according to Norwegian Air director of communications Anders Lindström. "We now look forward to working on our plans for Norwegian's continued expansion in the U.S."

Norwegian also is seeking similar approval for its U.K. subsidiary. ■

# American & Qantas Give Up on Expanded Alliance

BY MICHAEL B. BAKER

American Airlines and Qantas are abandoning plans for an expanded joint business agreement following the U.S. Department of Transportation's rejection of their antitrust immunity request.

For more than a year, the carriers have been seeking antitrust immunity so they can begin closer cooperation on flights between the United States and Australia. The new joint venture would have enabled them to coordinate schedules, cross-sell and share revenue. In anticipation, they had launched new services, including American routes from Los Angeles to both Sydney and Auckland and Qantas service to Dallas.

The DOT denied the application on Nov. 18, however, saying the expanded alliance "would create a potentially anticompetitive environment, given the scale of the resulting joint business, which would account for approximately 60 percent of the seats between the U.S. and Australia."

The DOT previously had granted antitrust immunity for a joint business agreement in 2011, at which time American and Qantas had no overlapping nonstop

transpacific routes and American had no service to Australia. Antitrust immunity for the expanded alliance plans required additional approval, for which the carriers applied in June 2015.

The carriers had until Dec. 2 to object to the most recent decision and requested an extension on that deadline. The DOT rejected that request, and on Nov. 28, Qantas said both carriers chose to withdraw the application. "Given that approval has been in place since 2011, this is an extremely disappointing sequence of events for Qantas and American, as well as for customers, and ultimately for trade between the United States and Australia," Qantas said. "It follows approval from Australian and New Zealand regulators on the basis that our expanded partnership involved no detriment and would deliver significant benefits for consumers."

Qantas added that both airlines are reassessing their own transpacific networks following the rejection. Existing codeshare agreements between the two carriers will continue.

American Airlines said the 14-day window was not enough to formulate a response and that the decision represented "a significant departure from prior DOT decisions," citing existing JVs between United Airlines and Air New Zealand and between Delta Air Lines and Virgin Australia.

"Other airlines have the significant competitive advantage of antitrust immunity in the U.S.-Australasia market," according to American. "With the same opportunity, American and Qantas would have been able to compete more effectively and increase consumer benefits in the market."

This is the second time in November the DOT has thrown a wrench into U.S. carriers' JV plans. While the DOT gave tentative approval this month for Delta's proposed JV with Aeromexico, it did so with a Show Cause Order proposing the carriers together give up 24 daily transborder landing slots from Mexico City's Benito Juarez International Airport and six slots from New York's John F. Kennedy International Airport. The carriers already had agreed to give up eight of the Mexico City slots to comply with Mexican regulators. Giving up the rest of the slots will "prevent harm to consumers resulting from the carriers' dominant positions at [Mexico City] and JFK," according to the DOT.

Delta since has filed an objection to the proposed terms, calling them "unprecedented remedies and limitations unrelated to any competitive harms arising from the [joint venture]." Delta may reconsider its application should it be required to comply. "Without significant changes to the DOT remedies proposed in the Show Cause Order, the [joint venture] may not be economically viable," according to Delta. ■

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## Two TMCs Buy More Global Reach

As economic powers like China emerge from evolving markets to mainstays, as corporations globalize, and as many companies seek to get at least a little closer to the dream of a single, globally consolidated travel management company, TMCs have to expand their reach, whether directly or through partnerships. Here are two that are expanding their footholds.

### BCD Moves into Controlling Position in China JV

BCD Travel signed a deal to increase its stake in its travel management joint venture in China and Hong Kong to a majority holding. The mega TMC will have a “controlling interest in a new Greater China market, one of the world’s fastest growing economic regions,” the company announced. Since 2006, BCD has operated with JV partner MF Jebsen in those markets. Jebsen will maintain a minority stake.

BCD Travel Greater China will have 470 employees and operate from three offices in China, plus a Hong Kong office. BCD Travel president and CEO John Snyder commented that the deal “demonstrates our aggressive acquisition strategy. We’re growing in markets where demand for corporate travel services is increasing and where our clients want us to be. Greater China opens up new business opportunities for us in one of the world’s largest markets.”

In 2009, Chinese regulators lifted restrictions on foreign ownership of travel agencies in mainland China, making it possible for foreign TMCs to own more than 51 percent of a Chinese travel agency but not full control.

Even before then, megas have operated JVs in their pursuit of serving both the growing Chinese business travel market and multinational clients. American Express Global Business Travel, for example, operates a JV with China International Travel Service called CITS American Express Global Business Travel. Carlson Wagonlit Travel holds a 49 percent stake in CWT China, with 51 percent held by China Air Service Ltd., according to its website. And HRG holds a 51 percent stake in HRG China, its JV with Jin Jiang International.

Five years ago, BCD Group founder John Fentener van Vlissingen questioned the profitability of the market: “Generally, the biggest problem with China is that it is estimated that 70 percent to 80 percent of the Western companies don’t make a profit in China. Who does make a profit? The partner. It’s still something that is wrong in that country. Short-term, you can live on that. When the growth stays as it is, people are kind of accepting it because they all say, ‘We have to be in China.’ Major corporations, if you read annual reports, all say the same statements: They have to be in China, but they are losing money, and they are losing money for years. For us, it’s the same. We have to be in China, and we have



### BCD’s Interest in China

- Corporate travel services there are increasing in general
- Clients want BCD to operate there
- New business opportunities



### Mawasem’s Interest in the U.K.-Based Portman

- Mawasem will merge Portman with the United Kingdom’s Clarity Travel Management
- Portman owns a stake in the Radius Travel Network, easing overseas expansion
- A mature U.K. market means opportunities to consolidate and find cost synergies

to be in different cities in China, but I hate losing money. So let’s be there efficiently, let’s be able to handle our clients in a perfect way and let’s not do more.”

—Jay Boehmer

### Saudi Company Buys In to Radius Travel Member

Saudi-owned travel company Mawasem Travel & Tourism has bought United Kingdom-based Portman Travel, one of the three major shareholders in global TMC network Radius Travel.

In 2014, Mawasem bought another U.K. TMC, Clarity Travel Management—then Co-operative Travel Management—from Thomas Cook. It will merge the two to create what it says will be the seventh-largest TMC in the United Kingdom. According to *Buying Business Travel*, Portman ranked 10th by size in 2015, while Clarity was 16th.

Mawasem Travel is a subsidiary of Al Tayyar Travel Group, which Redmond Walsh, vice president of the United Kingdom and Europe for Mawasem, said is the largest travel business in Saudi Arabia. Its operations include a major corporate and government travel division.

Walsh said Mawasem would consider additional “opportunistic” acquisitions in the United Kingdom and that for now, “what we want to do is work closely with Radius and see how that works” to meet the company’s wish to serve corporate clients internationally.

Portman’s stake in Radius was the key motivation for Mawasem’s purchase of Portman because Clarity had “hit a glass ceiling” that made overseas expansion highly challenging.

Portman, United States-based Travel and Transport and India’s Cox & Kings each own just over 30 percent of Radius; the remainder is owned by the network’s other members. Each has two seats on the Radius board, and Radius president and CEO Shannon Hyland occupies a seventh.

Asked whether Mawasem would buy its fellow Radius shareholders, Walsh said: “It’s a balanced board, and the shareholders at the moment work very harmoniously. We’re optimistic about what Radius can offer us there.”

According to Walsh, “The TMC market is absolutely ripe for further consolidation. Declining margins are the primary driver, and there is an opportunity to synergize cost bases. From what I understand, this is particularly true in the U.K., which is an extremely mature market where more and more transparency for both buyers and sellers exerts more downward pressure on margins.” Clarity CEO Pat McDonagh added, “More frequent [IATA Billing and Settlement Plan] remittances are also putting cash flows under pressure.”

McDonagh said market research would determine what to call the newly merged U.K. TMC business. Portman, a top five TMC in the United Kingdom until the arrival of global players like FCM Travel and BCD Travel over the past two decades, has a pedigree stretching back to 1959, but Clarity was a brand developed by Mawasem.

According to McDonagh, turnover at Clarity has grown from £130 million to £193 million in 2016 and is already scheduled to hit £210 million in 2017, even if it wins no additional new clients.

—Amon Cohen

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## BTN's Most Influential in Their Own Words

Eight of *BTN's* 2016 Most Influential (see page 6) share the wisdom they've gained from a year at the forefront of the industry.

**"I'm encouraging all TMCs to start looking at [open booking]. I know that the cost model is perplexing to you, but you can work it out."**

**ITW's Cathy Sharpe on travel management companies' future as open booking gains ground**

**"To include Salesforce road warrior reviews [into online booking tools] will help travelers navigate through the myriad of selections that are out there to [find] a supplier that matches their own personal needs."**

**Dorian Stonie on his intention to automate Salesforce travelers' collective knowledge**

**"We've seen a lot more adoption with mid-tier companies, simply because their processes are easier and simpler."**

**Lex Bayer on Airbnb products & services for corporate travel programs**

**"The clock is ticking for us to develop our own true marketing automation communication tools."**

**Lawrence Coburn on DoubleDutch plans now that Vista Equity Partners owns Cvent, Lanyon & Marketo under one umbrella**

**"We don't feel we can predict how [Trump] will be running the office. I personally opened a Twitter account so I can follow the White House in the early morning."**

**Qatar Airways' Gunter Saurwein (appearing on behalf of CEO Akbar Al Baker) on Open Skies & the incoming U.S. president**

**"Payment is the biggest enabler to drive adoption to travel programs."**


**HRS's Tobias Ragge on a 30 percent average increase in clients' preferred-channel hotel bookings after introducing them to virtual payments**

**"In the past, we didn't look at our employees as customers. We were beholden to negotiations and policy. We don't give ourselves enough credit for the value we bring [to] our travelers."**

**Anthem's Cindy Heston on travel managers' evolving role**

**"Good old-fashioned customer service is always going to be something that doesn't cost a lot of money but needs to be 100 percent of the focus."**

**Delta's Bob Somers on what will win corporate clients for airlines**

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less about. Millions of travelers have already enrolled in TSA Pre✓®, but officials are encouraging all business travelers and those who take three or more trips a year to also enroll to increase aviation security for all.

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