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PREMIUM TRAVEL

A broader pool of employees are enjoying VIP travel management company treatment, and airlines & third-party operators have seen the light on the value of investing in airport lounges.

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GLOBAL

Korean Air anticipates U.S. corporate growth now that Incheon International Airport's Terminal 2 has opened & approval of a joint venture with Delta is nearing.

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APP ANALYSIS

Compare Hilton's & Marriott's mobile apps side by side—from mobile booking, check-in & check-out capabilities to special requests at the property level to loyalty tracking.

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TOP STORY

San Francisco Marriott Marquis



Marriott Cuts Group & Meetings Commissions

BY JULIE SICKEL

Marriott International is reducing the commissions it pays to group intermediaries from 10 percent to 7 percent beginning March 31, 2018. The policy change will be a brand standard that will take effect at all managed and franchised properties in the U.S. and Canada. Marriott global officer of digital, distribution, revenue management and global sales Brian King said the change is a “reset and rethink” moment for the company. “We’ve been looking at the demand that we’re receiving from our customers and the amount of innovation that needs to take place in the group space from an end-user perspective, and

KEEP READING ON PAGE 12

ON THE HORIZON

The Next, Even Bigger Thing After NDC

BY AMON COHEN

The International Air Transport Association's New Distribution Capability may be sweeping through travel distribution now, but an arguably even larger revolution is following. IATA's One Order initiative aims to digitize order management the same way NDC has digitized offer management. If that sounds nebulous and dull, the implications are anything but. One Order could reengineer mid- and back-office agency operations, entice new distributors into travel, overhaul how airlines and travel management companies help disrupted passengers, transform the quality of management information and change how corporate clients pay for travel. “One Order will be much bigger than NDC,” said Travelfusion CEO Moshe Rafiah.

vation record), ticket (legally binding proof of payment and accounting document) and electronic miscellaneous document (record of ancillary, nonfare purchases) handle booking, ticketing, delivery and accounting of the same trip for full-service airlines. One Order replaces all these documents with a single, retail-type order management record.

Why didn't IATA merge PNRs and tickets when it moved to e-ticketing in 2004 or EMDs in 2008?

It was cheaper and faster not to. “We basically copied the paper documents into electronic documents without reengineering the process,” said One Order head Sebastien Touraine. “The industry was not mature enough.” Since then, the

What is the One Order elevator pitch?
Today's passenger name record (reser-

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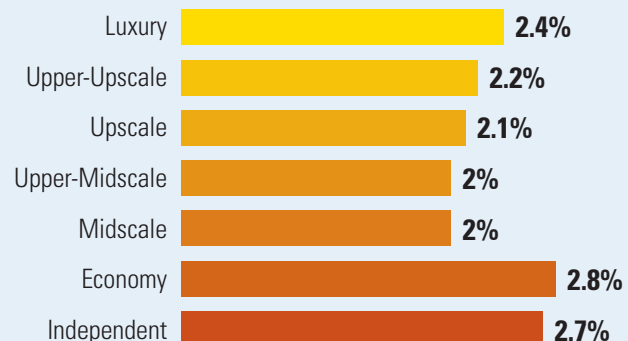
Conichi CEO Max Waldmann on his company's use of hotel check-in data to generate traveler-centric sourcing processes

“Sourcing often-times is based on prices, but the actual real-time traveler satisfaction says, ‘There’s a construction site on the other side of the road,’ or, ‘The property is old and rusty.’”

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How Much U.S. Hotel Rates Will Grow in 2018

PwC breaks it down by chain scale at right, & Amex GBT breaks it down by city inside.



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CONTINUED FROM FRONT PAGE

What Comes After NDC?

widespread adoption of Web-based computing throughout global commerce, including the travel industry, has made a single, interoperable process much more tenable.

Is there a connection between One Order and NDC?

Absolutely. NDC brought the assembly and sale of the airline offer into the XML world. One Order aims to do the same for fulfilling the resulting order. “One Order is the natural second phase of transformation,” said Touraine.

Why do airline supporters want it?

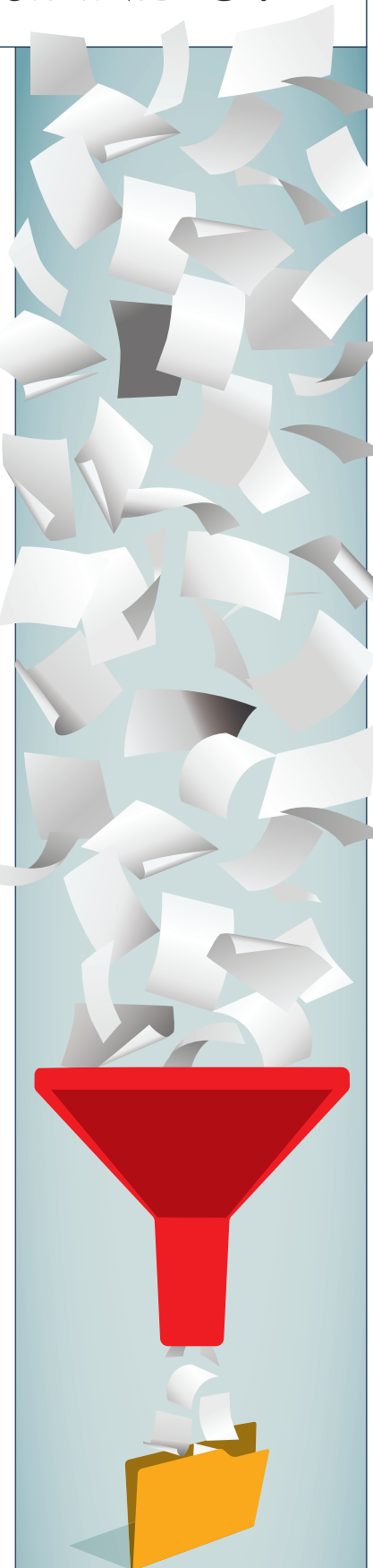
Not all airlines are converts to the One Order concept. But those airline execs who are converted see major commercial, servicing and efficiency opportunities. “When I expressed some of my skepticism to someone from a major European airline, I received a rather toasty, 15-minute lecture that not only was this going to happen, but it had to happen,” Airlines Reporting Corp. CEO Mike Premo said during the ARC TravelConnect conference in October. “Airlines want to become a much more normalized part of the digital commerce world. One Order’s purpose is to enable that, to be a repository for all services and purposes just like an order on Amazon: not just the flight, the seat, the special services but the hotel, the car, the insurance, the sunglasses, the suntan lotion, the massage and the souvenir photograph. I don’t expect this to be easy, but the motivation seems clear: Generate new revenue, increase [revenue per available seat mile], leverage our knowledge about customer travel bookings, create a better customer experience.”

On the service side, “we need to move from an order-centric to a customer-centric world,” said Glenn Morgan, head of digital transformation for International Airlines Group, parent of British Airways and Iberia. “Today, airlines identify you as a six-digit PNR,” but airlines, GDSs and TMCs struggle to synchronize the information entered into PNRs, e-tickets and EMDs. Through One Order, all parties can recognize the individual customer.

One Order generates only one reference number, not separate ones for each airline and GDS involved in the itinerary. Different records are “very confusing from a customer services point of view,” said Touraine. If a journey is disrupted, the need to update several records can lead to errors and lack of coordination, making the task of contacting the traveler much harder. One Order should mean swifter, more coherent intervention.

In theory, airlines also should interact better with ground handlers and indeed their own staff. “Airlines have real problems with continuity of product delivery,” said Paul Tilstone, managing partner of Festive Road, a consultancy contracted by IATA to engage with the corporate buyer community. “For example, priority boarding works well for frequent-flyer gold card holders in some airports but not in others. Or if you have ordered seat 12F because it’s an emergency exit row but the aircraft is switched, you aren’t necessarily moved to seat 14F, which is the emergency exit row on the replacement. These things happen because we have antiquated systems for delivering what’s ordered.”

One Order also cuts airline costs by eliminating the considerable effort airline revenue accounting departments expend on reconciling PNRs and tickets.



One Order could streamline TMC recordkeeping and data and move both agencies and airlines to a standard e-commerce retail environment, but why would travel buyers want it?

One major advantage could be hugely improved management information. “Buyers can make sure airlines have stuck to what was contracted, especially for anything that was upsold,” said Daniel Friedli, joint managing director and owner of airline distribution consultancy Travel in Motion, which helps IATA engage with carriers. “Corporates will also be able to see how much of the deal they are utilizing. There will be a lot more insight into delivery against contract for both parties.”

Another example of improved data insight for both client and airline would be proration: the splitting of the ticket revenue on itineraries involving more than one carrier. “Today, it happens after the event,” said IAG’s Morgan. “In future, it can be done at the offer stage and recorded with the order. We move to real-time accounting.”

How clients pay also could change. “Corporates could pay by invoice like for anything else in the supply chain,” said Morgan. “It opens payment up to any agreed method as settlement between airline and corporate client. You could have a corporate accounting code on standard accounts receivable.”

Just how radically could One Order shake up airlines and travel service providers?

The greatest upheavals may stem from travel technology finally becoming interoperable with what the rest of the commercial world uses. “[Today], your transaction is a PNR,” Premo said. “Your receipt is an e-ticket or, maybe if you implement them, an EMD. Maui Jim and Warby Parker and Amazon or Walmart or Target don’t have any idea how to interact with those type of documents. And they certainly don’t know or want anything to do with a debit memo.” The two major passenger services system providers, Amadeus and Sabre, could face competition from “new players from the e-commerce world that have never heard of PNRs,” according to Friedli. Digital commerce software provider SAP Hybris is a “supporting organization” for One Order and is engaged in a pilot with an unnamed airline.

Could other stakeholders face new competition, too?

Airlines could effectively become online travel agents, selling and fulfilling packages for the entire trip, not just the flight element. And, arguably, One Order could lower barriers to competition with TMCs and GDSs, too. Another intriguing development could be that commercial relationships between full-service airlines and low-cost carriers will blossom. One Order makes full-service airlines ticketless, which is how many low-cost carriers already operate, and therefore interlining between the two models becomes more feasible. Could formal airline alliances be undermined by a return to more ad hoc trip-by-trip carrier combinations? Conversely, might low-cost carriers join those alliances?

What is the time line?

Amadeus and BA successfully issued the first test One Order document in summer 2017 for a charter flight. Other pilots of the beta version of One Order are underway, including two by IAG. IATA’s first official release of the standard is scheduled for 2018. There will be no big bang. Morgan expects airlines to introduce One Order gradually “over the next three to four years.” Like NDC, One Order is an optional standard. ■

Conichi Sharpens Focus on Corporate Travel

Three-year-old hotel solutions tech startup Conichi hit the corporate travel scene big in 2016, earning BTN's Innovator of the Year Award and other industry honors in Europe and the U.S. But Conichi—which pitched itself as an agnostic layer of technology that integrates with various hotel systems to deliver such capabilities as mobile check-in and check-out, beacon messaging and virtual card payment—was also difficult to pin down. Was it selling to hotels? To corporates? But after the first quarter of 2017, Conichi turned its full attention to the corporate market and put down firmer roots in North America, opening an office in San Francisco. BTN lodging editor Julie Sickel spoke to CEO Max Waldmann about the pivot.

WHAT LED YOU TO TWEAK YOUR STRATEGY?

Tackling the hotel market from the hotel side is almost impossible. It's not a fast-adopting or -adapting market. It's a market which is doing very, very well, and so there's not a lot of drive to try to change. At the same time, customer and guest frustration are rising. On a daily basis, we're getting e-mails saying, "Oh my God, this is really solving one of my core pain points." And the more digitization is becoming the norm, the more people are questioning why the process in hotels is such an archaic process. But getting hotels to adapt to a new process is not as speedy as we expected. I've worked in other industries before; I thought it would be a lot faster. At the same time, we saw huge speed on the business travel side. Many industry experts will say not a lot has changed: Everyone's talking and not everyone's walking. But from an outside-in perspective, being in the market for not too long, every single event you go to, every conference you go to, every global travel manager you speak to, digitization is so hard on their agenda. They're actually seeing CEO pressure that travel and the travel program needs to change, and it makes some sense because at the end of the day travel is the glue that keeps the organization together.

WHAT'S CHANGED SINCE YOU DECIDED TO GO ALL IN ON CORPORATE TRAVEL?

Last year, we really made the major decision of saying, "We'll put all our resources and our entire focus on business travel, and we will steer everything from the business side." Our core focus is making sure that we optimize the corporate program and the corporates. On the other side, [corporates] are the ones which have now been actively pushing our smart hotel solution into hotels. In the course of the last year, we've seen Fortune 500 and Germany 30 companies with RFPs requesting smart hotel functionality. We're really seeing an extremely steep increase in traffic, in check-ins, in number of hotels and number of corporates because now the entire spiel is not "We're



Conichi's Max Waldmann talks:

- **Homing in on corporate travel**
- **Improving traction with hotels**
- **Blockchain payments**
- **Using check-in data for smarter sourcing**

"Tackling the hotel market from the hotel side is almost impossible. It's not a fast-adopting or -adapting market. ... There's not a lot of drive for change."



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selling to hotels" but [rather] corporates are selling to a property or high-volume portfolio. We've also pulled together travel managers from leading corporates which are sitting on [our] board and helping us to make the right decisions in the business space.

ARE YOU GAINING TRACTION WITH INDEPENDENTS, OR ALSO WITH CHAINS?

Chains are opening up and speaking to us and actually piloting and rolling out and working with us. A lot of this halt over the last year of people saying, "We're a chain; we're not looking at any sort of outside technology"—that's really loosening up because corporate [travel programs are] behind this, bringing significant volume and immediate adoption.

HOW IS YOUR WORK ON PAYMENTS GOING?

Now we can really offer a complete, easy, end-to-end payment process. We started this a couple years back. People now refer to it as blockchain. We're allowing payments to run through in an end-to-end fashion. You hand over credit cards at the hotel and the credit card is limited or it's a virtual card and it's limited to an amount that's just, say, 150 euros. But the medium itself is just stupid; it's unintelligent. Despite the fact that your room rate is only 120 euros, you have to have a buffer on top of that, and that buffer is oftentimes used and misused for overpaying rates but also for paying auxiliaries, etc. We can actually drive and steer the right payment and control the wrong payments. We can say, "The negotiated [average daily rate] is 110 euros, and you can only pay 110 euros, but you [also] can pay 5 euros for Internet," or, "You can pay nothing for Internet because Internet is negotiated in [your rate]." We're able to extract a lot of data on what's actually happening upon check-in.

AND HOW ARE YOU USING THE CHECK-IN DATA?

Once we've actually generated that data, you can optimize the sourcing process and you can really create a traveler-centric sourcing process. That's something we've been doing with HRS. We can take those [check-in] data points and see: What are they paying? Are they overpaying? What are travelers actually paying for? All those data points are combined with traveler satisfaction because sourcing oftentimes is based on prices but the actual real-time traveler satisfaction says, "There's a construction site on the other side of the road," or, "The property is old and rusty." We're taking all of this into consideration and providing it to partners like HRS, like CWT.

ARE HRS AND CARLSON WAGONLIT TRAVEL YOUR MAIN PARTNERS AT THIS POINT?

We're essentially working with everyone. And this is not us being opportunistic. It's a very clear company strategy of providing this technology bridge between corporates and hotels. This bridge should be available to everyone. The first big partners who have been putting this live have been HRS, CWT and [Amadeus'] Cytric. Other guys like Roadmap and the Tourist Mobile app have been leveraging the technology, too, and Hyatt is piloting it. ◀

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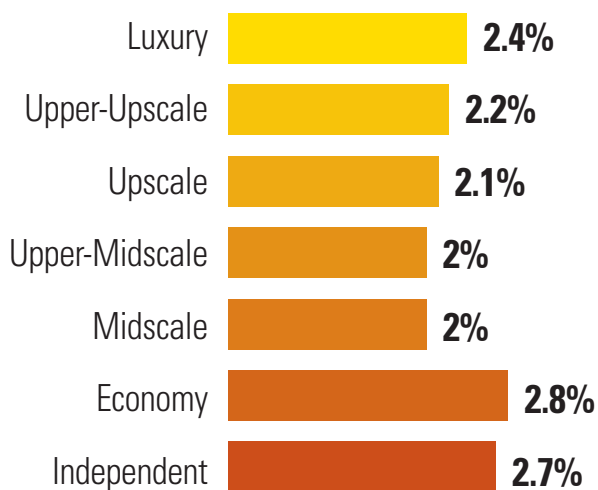
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How Much U.S. Hotel Rates Will Grow in 2018

U.S. hotel rates are still growing, though a bit more slowly as demand has decreased and supply has increased, according to PwC and American Express Global Business Travel. Development has focused on large metropolitan areas, according to Amex GBT, and it's in those spots where rate growth will slow the most.

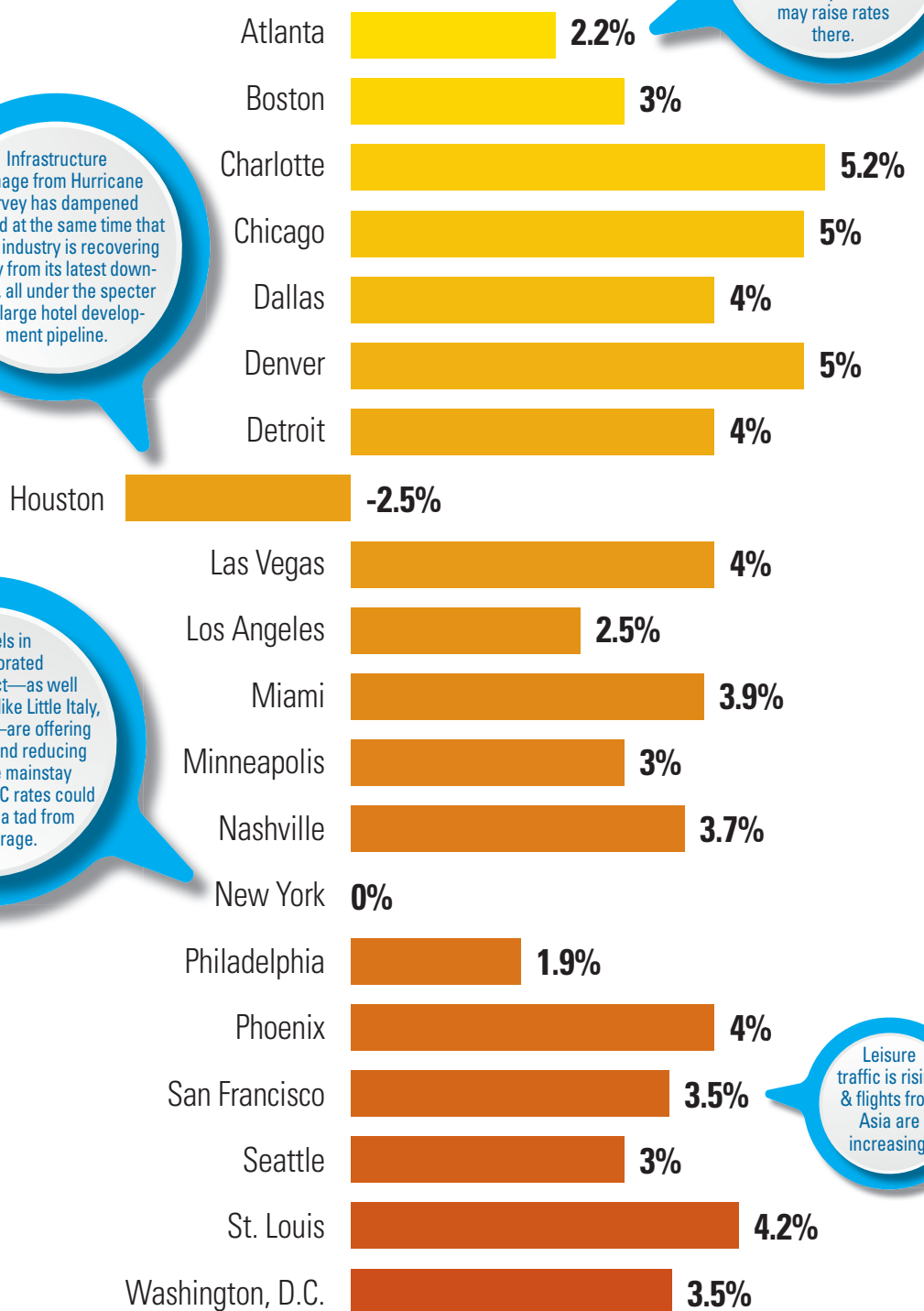
PwC forecasts that U.S. ADR will increase 2.4% to an average of \$129.72 in 2018.

HOW IT BREAKS DOWN BY CHAIN SCALE



Amex GBT forecasts that U.S. ADR will increase 2.5% in 2018.

HOW IT BREAKS DOWN IN CERTAIN CITIES



There's new supply in Midtown & Downtown, but it's tighter in the Perimeter Center area—where Mercedes-Benz's HQ is moving from New Jersey— & hotels may raise rates there.

Infrastructure damage from Hurricane Harvey has dampened demand at the same time that the oil industry is recovering slowly from its latest down-cycle, all under the specter of a large hotel development pipeline.

New hotels in the reinvigorated Financial District—as well as neighborhoods like Little Italy, Soho & Chelsea—are offering attractive rates and reducing demand for the mainstay Midtown area. NYC rates could even decrease a tad from 2017's average.

“The corporate transient segment—and its counterpart, group travel—largely considered the bread-and-butter business for many hotels, continues to exhibit anemic growth.”

—PwC

Leisure traffic is rising & flights from Asia are increasing.

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Companies Are Granting VIP TMC Services to Broader Pool of Employees

BY AMANDA METCALF

A broader base of employees are being waved past the velvet rope to enjoy premium-level support from their travel management companies. Gail Grimmatt, president of Travel Leaders Luxury Brands, said corporate clients have been putting more of their people under her care. A company that allowed only the C-suite and board members to enjoy concierge-level travel agent service, for example, now might allow SVPs to partake, as well.

The same is true at Ovation Travel. EVP Michael Steiner told BTN that among the clients that used premium TMC services in 2016, the number of employees they put under that umbrella increased 25 percent in 2017. That's the largest increase in the eight years the TMC has offered such services.

As online booking tools absorb more booking activity, companies may be losing the personalized touch needed for VIPs and international travel, Grimmatt said, and premium TMC services can restore that. Steiner said, "They just really value the hand-holding. ... The value of those services is increasing."

Altour global account manager Betina Williams said such service is needed even more so as travel itineraries become more complex. "The world is a smaller place. If you're going to go to Asia, you're going to hit two cities and not just the one," she said. Especially "if you're paying [an executive] a lot of money, you want them to have their complex travel handled really quickly and efficiently."

There May Be No I in Team, but There Is in VIP

Lately, Williams said, clients have given Altour not only their standard rosters of job titles that are eligible for premium service but also names of particular people. "We don't always know why it's those particular people," she said, "but when we see their travel patterns, we see that they fall into this more complex pattern."

Professional services firms, where most travelers already receive premium TMC services, are pushing certain individuals up even another level, said Travel and Transport Ultramar VP of operations Barbara Yarar. Over the past six months, they've quietly been asking the TMC for certain people like managing partners, rain-makers, those on complex trips and those traveling to high-risk

markets to receive a level of service that the TMC provides but doesn't market: round-the-clock access to an individual agent or team of two or three agents.

This hyperpersonalized service tier focuses on the individual traveler's preferences rather than the company's. "Corporations want their senior executives ... to feel secure and safe and that there's someone there: Regardless of what happens, they can get to someone," Yarar said. "That level of security is not necessarily there in a traditional TMC plug-you-in kind of model. You need to elevate that and build a relationship with someone that when they see your number on their phone, they know exactly where you are, exactly what you need, and maybe it is even preempting and calling you instead of you calling them, so it's more predictive."



Here to Stay?

Williams attributed the expanded base of premium-grade corporate travelers to the rising cost of hiring and retaining employees, especially high producers/road warriors. HR departments are putting travel policy in their tool belts, implementing concierge-level service based on job requirements rather than just job title, she said. "They want them to be comfortable. They want them to stay with that company."

But will premium policies tighten again the next time the economy does? "It will completely depend on the corporate culture and how badly they want to retain that talent," she said. "In a company that can withstand an economic downturn, they want to hold on to their employees even more in that situation."

Steiner said an eventual economic decline could prompt companies to rein in their lists of premium travelers, but, in fact, no Ovation client has ever scaled back its VIP TMC list.

TClara managing partner Scott Gillespie, meanwhile, maintains that demographics is a stronger driver than economics. Baby Boomers will exit the workforce twice as fast as Millennials enter it over the next 15 years, he said. "All industries, regardless of their economic situation, are going to be forced to compete much harder over the next 15 years for talent," he said. "I could imagine that yes, this is the beginning of a new norm. ■"

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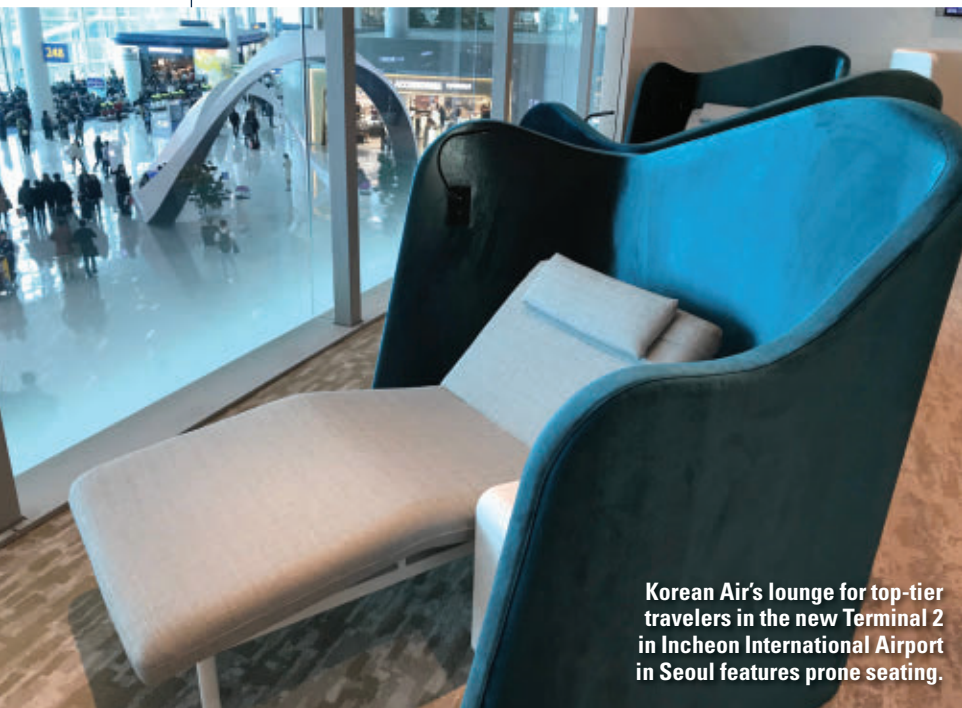
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Airlines Renew Investments in Lounge Experience

BY MICHAEL B. BAKER



Korean Air's lounge for top-tier travelers in the new Terminal 2 in Incheon International Airport in Seoul features prone seating.

Photo by Michael B. Baker

Carriers around the world, including the three largest U.S. ones, have been developing and opening new airport lounges, including specialized products for the highest level of premium travelers. It's a move that is long overdue, said Samuel Engel, SVP of consulting firm ICF's aviation group. Airlines would not deny now that their lounges needed an upgrade to meet the premium traveler's needs, he said. "Airlines have been slow to recognize that the lounge is part of the seamless experience for the customer."

While premium class seats are major passenger revenue drivers for airlines, lounges are more of a cost center, tools to attract premium travelers. Increasingly, airlines are realizing the importance of a consistent experience from the airport to the plane, he said.

American Airlines, for example, has opened four of its new Flagship Lounges—in Miami, Los Angeles, Chicago and New York's John F. Kennedy International—and more are on the way in Dallas, Philadelphia and London. The lounges include expanded seating, shower suites and such food and beverage amenities as a specialty cocktail bar and premium wines. Most

of the lounges also provide a sit-down dining area for Flagship First-class passengers.

Over the past 18 months, Delta has opened flagship clubs in Atlanta and Seattle and Asanda Spa Lounges in Seattle, JFK and Atlanta; the latter one opened Feb. 2. The carrier also has renovated its clubs in Newark and Minneapolis and expanded its club at Raleigh-Durham International. Across many of its lounges, Delta has been expanding food and beverage options, including bars with craft beers, seasonal cocktails and sommelier-selected wines at about 20 locations.

United Airlines last year opened lounges in San Francisco and finished renovation and expansion of two in its Houston hub. The carrier has delayed the openings of some of its Polaris lounges—only Chicago is open—but expects to open them in San Francisco, Newark, Houston and Los Angeles this year. Washington Dulles, London Heathrow, Tokyo Narita and Hong Kong will follow.

As the Polaris delays indicate, premium lounge rollouts are complex undertakings and can take years even once they are conceived, Engel said. In the interim, airline-agnostic lounges, for which passengers can pay to enter or can gain entry through such avenues as credit card programs rather than airline class or status, have proliferated. "United's Polaris is very attractive, and the new [American Airlines] Admirals Club is a tremendous upgrade, but you've had a 10-year gap that has created an opportunity for some smart entrepreneurs," Engel said.

Among those is Airport Lounge Development, which runs 17 lounges with "aggressive plans for expansion," SVP Nancy Knipp said. They have proven particularly popular to travelers who are unable to get credentials to get into carrier lounges, she said. "In the last few years, the ability to get to higher tiers is becoming more challenging, and the cost of flying in a premium cabin can be difficult," Knipp said. "Travelers don't have the ability to get into them."

Most of ALD's lounge traffic comes from global membership programs like Priority Pass or Lounge Key, and most of the travelers opt for those programs on their own rather than as part of an organized effort by their corporate travel programs to get membership, she said.

Both the airlines and private lounge developers are looking to address crowding issues at peak times. It presents a challenge, as airports have limited real estate, and airlines often have to spread out into several smaller lounges, which can get packed, Engel said.

Some of those solutions have been size based. In December, United added 60 seats and a secondary buffet area to its Polaris lounge in Chicago, increasing its space by about 25 percent, a spokesperson said. When opening its new terminal in Seoul, Korean Air made sure its combined lounges could seat 600 to handle the massive amounts of passengers that can build up with its A380 traffic. It also built exclusive lounges for top-tier travelers (*see page 17*).

Airlines also can make entry more restrictive. Delta, for example, next year plans to limit Sky Club members' access to travelers with same-day boarding passes for Delta or one of its partner airlines.

Lounge design also can maximize space, such as using banquet seating or communal tables rather than four-seat tables, Knipp said. In Atlanta, ALD implemented a hostess program to help visitors find seats during peak hours, she said.

Whatever the approach, a consistent experience for travelers ultimately proves more important than the finest amenities, Engel said. "The hard product is important, but a lounge for a customer should offer peace of mind," he said. "It should be a safe space to walk in, put down their bag without worrying about it, get coffee or a drink without hunting, find Wi-Fi and have the best reservations agents there to help them with any changes." ■



Expensify Revamps System & Introduces New Fee Structure

Expensify founder and CEO David Barrett recently announced that the 10-year-old company would not release new features “for a while,” but that doesn’t mean the expense management provider isn’t upgrading its system. Many recent enhancements aim to improve existing features and the user experience and prepare the company to scale up.

Small & Midsize Business Credit Card Integration

Expensify now can import sub-account card feeds from American Express Open, the card network’s small and midsize business credit card offering. “We can allow company admins to import employee credit cards, providing the same ease of use and centralized capabilities of commercial card feeds but for these SMB-focused company cards,” Barrett said. Administrators can see a card’s expenses, whether those are legitimate business expenditures, whether a given expense needs a receipt and whether a given expense has been submitted.

New Fee Structure

Since 2014, Expensify has charged \$9 per user per month and hasn’t used contracts. Now, clients that sign up for at least a one-year contract will receive that same pricing. Others can opt for the flex billing plan at \$18 per user per month. A free six-week trial still is available to all. Barrett said the move will help Expensify invest in long-term customers. “We were spending a tremendous amount of time bringing on new customers ... but if they don’t actually onboard, then they never get active and never pay us anything,” he said.

User Experience

In recent years, Expensify has implemented machine learning; the platform creates expense reports for travelers, automates expense approval for managers and automates reimbursement for accounts payable. But Barrett admitted that all clients aren’t comfortable enabling all the automation. “A very large fraction of businesses use a subset of that functionality ... so the less automation you enable, the more of a manual process it is.” So in the past two months, the company improved the manual reporting process. “If you want to do it by hand, we’re going to give you the best possible experience.” That meant streamlining the Web platform and the app. For example, Expensify rewrote code to make it easier for users to pick and choose expenses to drag into an expense report and to search for expenses more quickly.

The company also took steps to optimize the code for each the Android and iOS apps to speed up page refreshes and data loading. “Everything is much more consistent with the website and just better overall,” Barrett said. The company also expects to finish upgrading its data center hardware this year, ensuring that Expensify can continue to process expenses quickly as it grows. ■

“We were spending a tremendous amount of time bringing on new customers ... but if they don’t actually onboard, then they never get active and never pay us anything.”

—EXPENSIFY’S DAVID BARRETT

Bank of America Clients Can Create Virtual Card Numbers at Booking

North America-based travel management companies and clients of Bank of America Merrill Lynch now can generate virtual card numbers for immediate use while booking hotels, flights and car rentals. Conferma has set up an application programming interface that connects the bank, TMCs and travel suppliers.

BofA’s Virtual Payables solution automatically inserts in the reservation a virtual card number for the exact amount of the booking, or it can include a buffer amount to allow for purchases of incidentals. BofA has enabled the payment option for both online and offline bookings. A spokesperson said the most frequent use of BofA virtual cards is booking by travel agents on behalf of non-corporate cardholders, who typically are infrequent travelers and nonemployees who may not have a booking tool profile.

The virtual card confirmation details are sent to hotels through a secure link or a fax, depending on the hotel’s capability.

Before the enhancement, BofA clients that paid for bookings centrally did so via lodge cards or central travel accounts. Those created reconciliation challenges and negatively impacted the traveler experience, according to BofA. Clients also could use virtual cards, but the card numbers came from a pool of recycled numbers and the process of getting a card number to use at payment “wasn’t easy,” said BofA head of global card and comprehensive payables Jennifer Petty.

BoA launched a similar capability, Travel Pro, with Conferma in EMEA in 2015, and it has expanded to Asia/Pacific, according to the spokesperson. ■

Oversight Adds Two Fraud-Detecting Features

Oversight has added two capabilities to its Insights on Demand solution as part of its core offering. Research from the monitoring and auditing company indicates that less than 5 percent of business travelers commit nearly 80 percent of all fraudulent and major out-of-policy transactions. The new offerings are designed to identify such habitual offenders.

The new Repeat Offenders feature automatically highlights those business travelers who claim the most noncompliant reimbursements on expense reports and corporate cards, as well as those who have submitted fraudulent expenses in the past, such as requesting reimbursement for personal expenses.

The Excessive Attendee feature detects when the same employees repeatedly appear as attendees on the same meal or entertainment expense claims, a sign that employees might be adding colleagues’ names to get around spending limits or might be colluding in some other way. The feature also allows a program manager to set

a total that a salesperson can spend on a certain client or a total number of times a salesperson can entertain a certain client; the system then would notify the program manager when expense claims surpass that threshold.

What About When a Senior Exec Triggers a Red Flag?

Research by the Association of Certified Fraud Examiners in 2014 indicated that executives and upper management accounted for more incidents of expense reimbursement fraud than did lower employees: “High-level fraudsters tend to have greater access to their organizations’ assets than lower-level employees, as well as a better ability to evade or override anti-fraud controls.” However, it’s hard to encode rules for senior executives into software because many senior executives enjoy fewer policy restrictions or more spending leeway. Thus, Insights on Demand allows a company to establish a list of executives and to design an alternative routing hierarchy for their flagged expenses. ■



CONTINUED FROM FRONT PAGE

Marriott Commission Cut

then we've also been watching the pace of revenue growth and the pace of commissions, and they're just not commensurate with each other."

The policy change, while sudden, didn't shock too many in the meetings and events space. Fears that commissions would change have been growing the past three to four years, particularly in light of industry mega-mergers. "I am not surprised," said strategic meetings consultant Betsy Bondurant, president of Bondurant Consulting. "It makes sense that the world's largest hotel chain would be the one to lead." Bondurant, a member of GBTA's meetings committee, pointed to an article the group published in July 2017 in Corporate & Incentive Travel that warned meetings professionals to prepare for an elimination of commissions.

One consultant, speaking on background prior to any Marriott news, suggested the company had the power to do away with group and meetings commissions entirely. King, however, said that was never a consideration. "We're very, very committed to intermediaries and our partners; we're committed to our customers; and we're committed to our hotel owners," he said. "It's a three legged-stool, and we are trying to strike the right balance that we can appropriately take care of each of those audiences, invest in the hotels appropriately so those customers can have experiences that they desire, which will drive demand to our partners." But that consideration also had to make good economic sense for Marriott, he added.

Partnership Travel Consulting chairman and CEO Andrew Menkes said the bigger picture is that paying commissions is a holdover from a decades-old way of doing business. "If Marriott or any other hotel chain says the time has come to change the model going forward, they have a right to do it as much as the airlines had a right to initially eliminate airline commissions here in the U.S. and minimize overrides compared to what they were before," Menkes said. "You can't rely on former models to sustain your revenue model going forward because times are changing and commissions should be tied to performance."

Indeed, Marriott's decision comes as the rest of the hotel industry is waking up to dysfunction in the group and meetings space and how much it's costing lodging companies. During the Americas Lodging Investment Summit in January, hotel benchmarking company Kalibri Labs released early figures from a report it and PwC will publish soon. Kalibri estimates that 40 percent to 60 percent of group business is intermediated at the point of sourcing and at other points prior to execution. It also found that 2017 group room revenue totaled \$30 billion in the U.S. and that the cost of intermediaries accounted for an estimated \$1.3 billion. That's based on 43 percent of group room revenue being intermediated at a commission rate of 10 percent. When adding in other aspects like e-channel advertising, group block reservations processing and other technology costs, that figure is closer to \$3.4 billion or \$4 billion. On a single booking, costs to the hotel for commissions and those other technology costs can reach upward of 35 percent.

"Everyone knows that the system needs improvement," said Kalibri co-founder and CEO Cindy Estis Green. "What happened was that, on the digital side, instead of making it more efficient, companies like Cvent or Lanyon picked off one element of the process like the RFP part of the process and automated it. But by automating it, that doesn't make the whole thing efficient. It just put a spike in the complication factor."

Some Are Getting a Pass

While Marriott's commission policy takes effect March 31, the commission cut has been kicked into the future for some large firms. Maritz Global Events president David Peckinpaugh said it and Maritz-owned Experient have received a "temporary exemption" but declined to say when that exemption will end, deferring to Marriott to do so. A Marriott spokesperson told BTN the company could not share details of specific contracts.

"There's still a lot to be figured out," Peckinpaugh said. "Marriott, obviously, is a big brand. They have a lot of inventory in the U.S. and



Hypothetical Cost of Commissions to Hotel Companies

- Group room revenue totaled \$30 billion in 2017, according to Kalibri Labs & PwC, which offered the following example of what commissions could cost hotels.
- If, say, 43% of group business was intermediated, that's \$12.9 billion that was subject to commission.
- A 10% commission to intermediaries would put the cost to hotels at \$1.29 billion.
- Add in other technology costs related to group bookings, & the total cost to hotels of intermediation could be closer to \$3.4 billion or \$4 billion.

Canada, but they're not 100 percent; there are a lot of other properties. We're a global company. We do business all around the world, and while this is important in a key market for us, it's not the only market. Will it have an impact? For sure. How big of an impact is still to be determined."

Menkes said Marriott has the right to reward its best supporters. The move, though, could hurt small meetings management professionals, many of whom rely on commissions to make their programs financially viable. "All of my SMM colleagues are scrambling, putting together revised cost/benefit analyses on their meetings programs that had previously been funded by commissions, now wondering where the money will come from for their headcount and technologies," SMMP expert Debi Scholar wrote in an online post titled Marriott's Disparity and the Impact on Strategic Meetings Management. "Further inequity, in this insensitive decision, is the decision by Marriott to exclude four sourcing organizations from the reduction from 10 percent to 7 percent commissions. Marriott has elected to temporarily continue to give 10 percent [to some. SMMPs] are at risk with these decisions." Scholar said some meetings leaders are considering Airbnb as an alternative.

Marjan Ghaffari, Informatica senior procurement analyst for meetings and events, has built her company's meetings program to be cost neutral to the meeting owner and to the company, using commissions to achieve that. Now, she said, she'll have to "reset and rethink," using the words of Marriott's King. Nevertheless, she understands the policy change. "The relationship is not working for them. ... There's not an equilibrium for [Marriott]. With this, they'll be able to make improvements on their end on the technology side and just make it

"What led us to the decision was trying to balance [intermediaries, customers and owners] and make sure that we make a decision that made good sense for all. ... And frankly, it also had to make good economic sense for the business overall."

—MARRIOTT INTERNATIONAL'S BRIAN KING

easier for sourcing agents to do their job," she said.

Marriott will continue to honor a 10 percent commission on any contracts signed prior to March 31. ■

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- Anna C. Bramante, Director Travel & Fleet, The Travelers Companies, inc.



Becca Rabinowitz, Co-Founder of SpotHero for Business, which took home 2017's Business Travel Innovator Award



Brian Beard, President of DVI, which took home 2017's People's Choice Business Travel Innovator Award



Short's Travel Launches Ground Transportation Management

BY JAY BOEHMER

Short's Travel Management has launched a dedicated ground transportation division that specializes in bus charters. The travel management company has a large client base in higher education and sports team travel. Short's for years has supported bus charter management programs for these clients. Now, it is bringing the area of specialization in-house and adding another adjunct business to its portfolio.

Since 2007, Short's has operated STM Charters, which specializes in aircraft charter management. It also manages group-lodging programs. Ground transportation management was a logical extension. In February, the TMC hired Nick Gyllin to lead the business. He has worked with Short's for more than a decade to support clients with ground transportation management, most recently as co-owner of TrueNorth Travel Solutions, a Chicago-based ground transportation management firm. The new unit, STM Driven, helps clients arrange, organize and manage "everything from black car services all the way to full-size motor coaches," said Gyllin. "We also dabble in tour guides." Tapping into a network of roughly 450 vetted ground transportation operators in North America, STM Driven manages charter sourcing and support services, including on-the-ground logistics.

STM Driven will oversee bids, vet and qualify operators and negotiate ground transportation discounts for clients. STM Driven does not charge client transaction or management fees. Revenue comes from a cut of the discounts secured for clients.

Short's provides travel management services to more than 175 colleges and universities. Further, its sports department manages travel for more than 50 athletic departments in higher education. In some cases, athletic clients will charter ground transport for an entire season of games at once. Athletic travel is one fitting tie-in to the TMC's installed base of clients, but Gyllin also flagged corporate incentive trips, group events and tour management for performers like orchestras. He said STM Driven also works with clients that do not use Short's for travel fulfillment and even works with other travel agencies. "It's bringing a whole new book of business over to Short's," Gyllin said. "Forever, it was just considered that athletes were the only ones who need ground transportation, and it's just not the case."

Gyllin expects STM Driven to bring on new hires this year in marketing and operations. He also expects to construct some homegrown technology to support clients. Already, Short's Travel Online, the TMC's homegrown booking portal, includes a Web form for clients to initiate a bus charter bid. Gyllin also plans to build a client-facing mobile app to organize group travel plans and itineraries, including bus charter, lodging and air. He also is flirting with working with bus providers to tap into their GPS data to let users track the location of arranged transport.

Gyllin said the process for chartering buses is largely untouched by automation: It requires phone calls, emails and even faxing to get price quotes. There are some large operators, but the market is fragmented with smaller operators that serve various metro markets.

STM Driven has an evolving database of vehicle operators. It gathers info on where they operate and the specs of their vehicles, as well as general rate information. It also conducts Federal Motor Carrier Safety Administration checks on vehicle operators and even qualifies each operator with customer reviews. "This will help Short's Travel continue to grow, especially in the collegiate space," according to Short's Travel CEO David LeCompte. "Our clients' ground transportation needs have grown to a point where they can be a viable entity on their own." ■



"Forever, it was just considered that athletes were the only ones who need ground transportation, and it's just not the case."

—SHORT'S TRAVEL MANAGEMENT'S NICK GYLLIN

Uber for Business Launches Alliances with Four TMCs

BY MICHAEL B. BAKER

Uber for Business has forged alliances with four travel management companies. Those alliances could grow to encompass data integration for reporting. Corporate Travel Management, Direct Travel, Casto Travel and Vision Travel Solutions will recommend that clients adopt Uber for Business, said Michael Goodwin head of business development for Uber for Business. "TMCs traditionally have not been able to advise on on-demand ground transportation," he said. "It's kind of been a black hole in their business." Incorporation of Uber usage data into the TMCs' reporting and billing is not part of the initial partnership but could emerge this year as the partnerships deepen, Goodwin said. Uber is talking with several other TMCs to join the pilot, he added. ■

How Uber & Lyft Market Share Changed in 2017

BY DAWIT HABTEMARIAM

While Uber's share of ground transportation business travel expenses rose from 52 percent in 2016 to 56 percent in 2017, Lyft's grew at a faster pace, tripling from 4 percent to 12 percent. That's based on business travel expenses submitted through Certify. With that change, Lyft alone overtook taxis, which declined from 11 percent to 7 percent. Car rental fell from 33 percent in 2016 to 25 percent. Within just the on-demand ride-hailing market, Lyft has clawed 14 percentage points from Uber's share of business travel expenses over the past two years; Lyft's share rose from 4 percent in 2015 to 18 percent in 2017, while Uber declined from 96 percent to 82 percent. ■



Korean Air's New Terminal & JV

BY MICHAEL B. BAKER

With a new terminal for its operations in Seoul and final approval nearing for its joint venture with Delta, Korean Air hopes to win a significant chunk of U.S. corporate business travel share this year.

Last month, South Korea's Incheon International Airport began service out of its new 7.4 million square-foot Terminal 2, which is serving Korean Air and SkyTeam partners Delta and Air France-KLM exclusively. The terminal does not immediately enable more flights out of Incheon—the number of runways remain the same, and planes still must navigate around North Korean airspace to the airport's immediate north—but it does ease gate congestion, allow better on-time performance and make transfers through Seoul a more pleasant experience overall, Korean Air EVP Keehong Woo said.

Transfers with Delta also now can be much tighter, he said. Korean Air previously operated out of Terminal 1, and Delta was in the concourse, requiring a minimum of 90 minutes between connecting flights. Now that both carriers are in the same terminal, that time is cut in half. "With [Tokyo] Narita, China, Taipei or Hong Kong, we can compete more effectively," he said. Terminal 2 also centralizes security and immigration checks in two sections with high-tech screening devices. Airport officials estimate that will cut transit time from check-in by about 20 minutes compared with Terminal 1.

The amenities of the airport itself also will attract new business, Woo said. Two lounges for Prestige Class travelers can seat 600, and there also are smaller, exclusive lounges for first class passengers and top-tier mileage program members. The carrier already had been upgrading its onboard experience for its high-tier passengers, including introduction a few years ago of its Prestige Suites to select long-haul aircraft.

For general passengers, the terminal has introduced high-tech diversions like a virtual gym, with games that promote movement; a cafe that serves coffee and tea prepared by a robotic arm; a performance hall for cultural events; and a lounge with prone seating for nappers. "I don't know how many people change their airlines because of a new terminal, but we have new lounges, especially for business and first class; new food; and a new style," Woo said. "I think it makes a difference."

Korean Air's focus is on growing premium class travel, as its economy class demand growth is solid, Woo said. Demand, in terms of number of passengers to Korea, rose last year by between 9 percent and 10 percent, but that was mostly leisure growth, he said. Business travel was flat.

While Korean Air's share of Korean corporate travel is "very high," the



Photo by Michael B. Baker

Incheon International Airport's new Terminal 2

"We have a very extensive network but with limited sales capabilities in the United States. ... With the help of Delta, we can capture a lot of that [corporate] segment."

—KOREAN AIR'S KEEHONG WOO

JV with Delta will add much needed sales muscle to boost international premium business, he said. "We have a very extensive network but with limited sales capabilities in the United States compared with our network, our product and sales capacity," Woo said. "With the help of Delta, we can capture a lot of that [corporate] segment, and Delta can compete in the transpacific markets."

The U.S. approved the JV in November, and Woo hopes the Korean government will approve it in the first quarter of this year. It's taken a little longer on the Korean side because this is the nation's first time dealing with an airline JV, he said.

Korean Air has been fielding discussions about other JVs that would increase connectivity out of Seoul, including Air France-KLM, Malaysia Airlines, Garuda Indonesia and Chinese carriers, according to Woo. Finalizing the Delta JV, however, is the top priority, so any other JVs would come after that is done, he said.

Capacity for growth may follow soon after. Work is underway for further expansion of Terminal 2, and discussions about enabling more slots out of Incheon are underway, Woo said. The next major phase should be ready in about five years, he said.

Global tensions with North Korea have formed a slight obstacle to traffic. While South Koreans generally are accustomed to bold pronouncements and threats from their northern neighbor, the rest of the world at times has a more dramatic reaction. As the bluster between North Korean Supreme Leader Kim Jong-un and U.S. President Donald Trump intensified in recent months, it caused a small impact to traffic from Japan, Europe and the U.S., but that tends to ebb and flow, Woo said. "Now, North Korea is talking with South Korea to come to the Olympics, so everything is good—no threat," he said. ■

Qatar Airways Pledges Financial Transparency to Preserve Open Skies with U.S.

BY MICHAEL B. BAKER

U.S. and Qatari diplomats have reached an agreement to maintain Open Skies agreements between the two countries in exchange for greater financial transparency from Qatar Airways, the U.S. State Department announced.

The agreement addresses the long-standing claims by several U.S. carriers, including the three largest, that Qatar and the United Arab Emirates both are violating Open Skies agreements by operating with substantial state

subsidies. The Gulf carriers have held firm that they do not benefit from such subsidies.

Under the agreement, Qatar in the year ahead will release public annual reports that include financial statements audited according to international accounting standards. Within two years, it will "publicly disclose significant new transactions with state-owned enterprises and take steps to ensure that such transactions are based on commercial terms."

Qatar also has agreed not to add any fifth-freedom flights to the U.S.—meaning flights to the U.S. originating from a country other than Qatar—according to the Partnership for Open & Fair Skies, the coalition leading the charge against the Gulf carriers.

The CEOs of all three of the U.S.'s largest airlines applauded the decision. "Today's agreement by the state of Qatar is a strong first step in a process for commercial transparency and accountability," Delta CEO Ed Bastian said. "We remain committed to working with the administration [of U.S. President Donald Trump] to address the harmful trade violations by the United Arab Emirates, as well." ■



Amex Acquires AI Travel Assistant Company Mezi

BY ELIZABETH WEST

American Express has acquired artificial intelligence-powered personal travel assistant-tech provider Mezi after a successful pilot for Amex cardmembers launched last spring. The tech company was not at liberty to disclose the pilot at the time but bundled the Amex partnership announcement with Mezi's first travel management company partnership news.

With the close of the acquisition, Mezi is a wholly-owned subsidiary of American Express but will operate independently with its own leadership. Founders Swapnil and Snehal Shinde will keep their respective roles as CEO and chief technology officer and will report to Phil Norman, VP of Amex Digital Labs, which is part of Amex's Global Consumer Services Group. Swapnil Shinde said all current Mezi employees will stay on. In particular, managed travel veteran and innovator Johnny Thorsen remains onboard as VP of global strategy and partnerships.

Those partnerships, however, may shift as Mezi narrows its focus to the consumer-focused AskAmex, a mobile travel booking, support and messaging service that the payment company has been piloting with consumer cardholders. Last year, travel management companies Adelman Travel, Casto Travel and W Travel struck deals to use Mezi for Business, which provided a white-label, front-end mobile user experience and agent interface. For example, Mezi underpins Casto's mobile app, Marco, which launched last year.

"When it comes to existing TMC clients, we will continue," said Swapnil Shinde. For at least the next six months, however, Mezi will not take on additional clients. Instead, he said, "We are working on scaling up AskAmex," which already provides and exposes features that are unique to the card provider, including access to Amex's Fine Hotels & Resorts collection, as well as dining experiences. "We are working on several other features that will be part of AskAmex," said Shinde.

Mezi focused on consumer travel from the get-go. A \$9 million investment from American Express Ventures formed the vast majority of Mezi's \$11.8 million Series A funding in July 2016. Mezi continued in that vertical with the Amex pilot even as it homed in on the TMC market last spring. Before, however, Amex "was being treated just like every other partner." Now, Shinde said, "We have to put a bit more focus on Amex than we did in the past."

Mezi is taking a different path from many personal travel assistant startups, such as Lola; that tool began in the consumer market and then pivoted to business travel, acknowledging that AI works better when a traveler uses the tool more frequently. Shinde said Amex consumer cardmembers, however, are different from the day-to-day consumer who may travel once or twice a year. "They pay for the Platinum Card, for example, because the travel benefits on that card are unprecedented. In targeting these travelers, we are still targeting frequent travelers," said Shinde.

Whether Mezi's focus will shift permanently, Shinde said, is too early to say. "The entire platform will be available [to our current TMC partners] to use just as it was before," he said. "We will soon get time to refocus on the road map, but for now, we have some pretty aggressive deadlines for AskAmex and a lot of things to achieve there."

Casto CEO Marc Casto extended his congratulations to

the travel tech startup: "We're excited for Mezi and view the acquisition as validation for what the company has created. Going forward, we understand Amex will be the deciding factor on how developments take place. I would encourage them to continue to develop the product for the future needs of the travel agency community," he added, noting the developments around New Distribution Capability that are poised to change the corporate travel market. "We are confident that Amex sees the tremendous opportunity in this space."

Additionally, while AskAmex focuses on the consumer card business, Shinde said, "nothing stops the service from eventually including other types of cardmembers," perhaps even corporate or small business cardholders.

—Additional reporting by Jay Boehmer

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FairFly has boosted its presence in Europe by integrating with global distribution system operator Amadeus to access its fares. Galileo and Sabre already have integrated the technology. To find savings, FairFly tracks airfares after travelers have booked, factoring in corporate policies and rebooking penalties. The company estimates it can reduce a corporation's annual air spend by as much as 7 percent by rebooking similar flights and 4 percent when rebooking a lower fare on the same flight. —Michael B. Baker



Airfare publishing firm ATPCO has acquired airline shopping data provider Routehappy. The acquisition is ATPCO's first in its over 50-year history, president and CEO Rolf Purzer (pictured at left) said. The companies began a partnership last April to enable airlines and distributors to align ATPCO's fare and ancillary data with Routehappy's merchandising content. "We learned a lot from each other and learned that it would be strategic not just to align but to be considered one company," Purzer said. "It's a super fit for our vision to deal with all airline content and our quest to be a more agile company. Closer together, we can be more efficient and bring products to market more quickly." The New York-based Routehappy will operate as a fully owned subsidiary of ATPCO and keep its staff, including founder and CEO Robert Albert, who said the company will continue to expand. —Michael B. Baker

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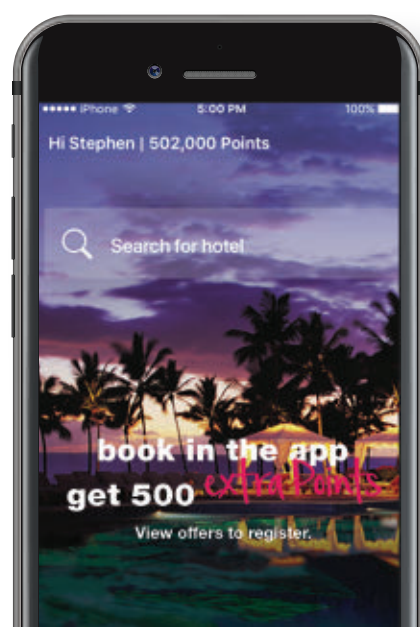
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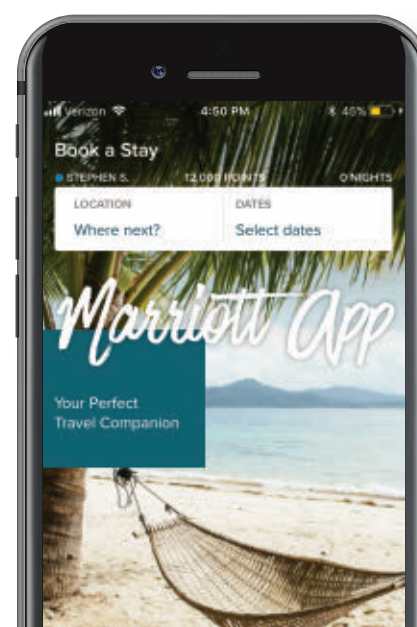
BY JULIE SICKEL

The hotel industry is past pondering whether mobile apps are worth the investment. Today, top lodging providers understand that a quality app is vital to guest satisfaction and loyalty. With so many hotel companies trying to edge out the competition with flashy, consumer-facing tech, it's easy to lose track of exactly which providers offer which features. Here are two leaders in the space. Note that beyond booking, the features listed below are available only to loyalty members.

Hilton Honors



Marriott Mobile



Mobile Booking & Mobile Check-In & Check-Out	Yes, plus an alert once the room is ready. Pre-arrival room selection available at some properties	Yes, plus an alert once the room is ready
Mobile Key	Via Digital Key, available at thousands of properties	Available at 400 properties
Service Requests	Order Ahead allows special requests ahead of the stay, such as extra pillows or a favorite snack	Mobile Requests enables chat with the hotel before, during & after a trip for special requests, such as additional towels or luggage assistance
Loyalty Tracking	View points, see past & upcoming reservations & track points needed to move up a status level	View balance & activity history & track qualifying nights toward Elite status
Extras	<ul style="list-style-type: none"> Order an Uber in app & get recommendations on hot spots from Uber's Local Scene Some properties enable the Fun Finder feature, which sends notifications about offers & events Conrad Concierge members can access perks specific to Conrad properties 	Members of both Marriott Rewards & Starwood Preferred Guest can view SPG account information & transfer points across programs.
Consumer Ratings	Apple Store: 4.8 stars based on 96,700 ratings Google Play: 4.6 stars based on 38,700 ratings	Apple Store: 4.8 stars based on 19,200 ratings Google Play: 3.6 stars based on 11,300 ratings

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