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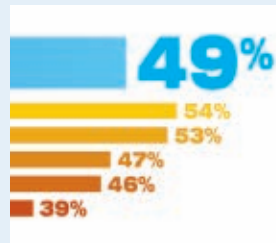
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BUSINESS TRAVEL NEWS



DATA HUB

About half of travelers feel restricted by their travel policies, plus other sentiments U.S. travelers have about researching & booking trips, all broken down by age.

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SME INSIDERS

Sophisticated data management is within reach for small & midsize enterprises. Travel managers Bryan Redmond & Jennie Robertson discuss the possibilities, processes & problems.

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VOICES

AppZen CEO Anant Kale shares five kinds of expense fraud, such as the U.S. auto manufacturing employee who kept upgrading car rentals to Mercedes, & how AI can help.

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GDPR Blocking & Tackling

BY ELIZABETH WEST

Technically, the European Union's General Data Protection Regulation became law in 2016. Enforcement will begin May 25, and if the standing-room-only GDPR Masterclass attendance at last month's Business Travel Show in London was any indicator, travel buyers are under pressure to square their programs with the new regulations.

GDPR replaces the 1995 Data Protection Directive. It defines data rights for EU citizens, wherever they work or engage in commerce around the globe, and it lays out the conditions under which the data of EU citizens can be transferred outside the European Economic Area—the EU plus Iceland, Liechtenstein and Norway—which is a critical component for travel. GDPR requires all

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Winding Tree's \$15.2M ICO

BY JAY BOEHMER & JOANN DELUNA

Blockchain-based travel distribution company Winding Tree's initial coin offering launched on Feb. 1 and closed at midnight on the morning of Feb. 15. Transactions were validated by Feb. 24. The results: The ICO raised 16,278 Ethereum tokens. At closing, each was worth \$934.95, according to EthereumPrice.org. At that rate, the ICO raised \$15.2 million, from 7,082 backers, and generated 25 million Lif tokens, Winding Tree's new cryptocurrency. A September presale brought in \$1.5 million via more than 1,000 investors, including Lufthansa.

Winding Tree will receive only \$10 million from the ICO now. The excess will be deposited into a smart contract as part of a Market Validation Mechanism. The mechanism can buy back and destroy Lif tokens, allowing investors to recover at least parts of their investments if the project fails, said Crypto Briefing lead ICO analyst Daniel

Hockenberry. He added that it's an uncommon ICO practice. "The more people use the buyback option over the two-year vesting period, if the project is failing, the less money [that] will ultimately be available for the team," he explained.

ICO Versus IPO

Winding Tree has not yet finished construction of a viable product, unheard of for an IPO but not unusual in the world of ICOs, where a big idea, a white paper and the magic wand of blockchain can attract sizable funding. ICOs are all the rage for startups, particularly those with a blockchain bent, and Winding Tree is one of several travel-focused entities that have tested the market. Last year, ICOs from an array of entities across a variety of verticals netted \$3.7 billion, according to CoinSchedule, which counted 235 ICOs in 2017.

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Amex GBT has "been very stringent on what the entry criteria is before they ... push all their customers onto KDS. ... But for the first half of 2018, you'll start to see a huge amount of migration."

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Amex GBT & HRG's Pending Merger

BY AMON COHEN & AMANDA METCALF

Though many expected a mega travel management company merger of Marriott/Starwood proportions, it still caught the industry by surprise when, on Feb. 9, American Express Global Business Travel and Hogg Robinson Group announced HRG had accepted a bid from Amex GBT for 410 million British pounds, or about \$570 million. The implications: Clients likely will be up for grabs, more TMC consolidation could follow and New Distribution Capability momentum could be interrupted.

Although the business travel industry's usually hyperactive bush telegraph failed to get wind of the deal before the announcement—Amex GBT submitted its offer on Sept. 7, 2017—a transaction between the two had looked a distinct possibility ever since Amex GBT formed in July 2014 as a joint venture between American Express and Certares. With a huge war chest, the only significant acquisition Amex GBT has made until now was online booking and expense tool provider KDS (*see page 4*). A big buy, most likely of another top TMC, had seemed likely to fulfill the JV's strategic intentions, and Hogg Robinson looked the most likely acquisition target, as its revenue has fallen for several years while profit and share price growth have been limited.

The timing also seems good for HRG considering some recent client movement. Disney switched from HRG to Amex GBT, according to an industry source. Then, in December, Disney bought 21st Century Fox, one of HRG's few remaining U.S. clients. According to BTN's 2017 Corporate Travel 100, the only other CT 100 company for which a consolidated U.S. or global TMC was listed for 2016 was Wells Fargo. Roche used BCD Travel in the U.S. and HRG outside the U.S. in 2016, and Novartis switched its global TMC services from HRG to Carlson Wagonlit Travel midway through the year.

The Amex GBT/HRG deal is scheduled to close this month and take effect in the second quarter, though HRG shareholders and authorities in the U.S., European Union and other jurisdictions will need to OK it. Hogg directors have vowed to sell their 1.33 percent stake, as has Boron, which holds 23.87 percent, and Dnata, which owns 21.8 percent. Those add up to 47 percent of the 75 percent needed to approve the deal.

Hogg Robinson already had been in talks to sell its expense management software-as-a-service business, Fraedom, to Visa for 141.8 million British pounds, and that deal is scheduled to close March 12. If Fraedom is disposed of first, Amex GBT will pay 120 pence per share for HRG. If the chronology switches, HRG's price reduces to 110 pence per share, or 376 million British pounds.

There is no word on what the combined Amex GBT/HRG will be called or how it will be run, but the likelihood must now be that the Hogg Robinson Group name, which traces its origins to the 1840s,

Amex GBT has shied away from New Distribution Capability standards while HRG has chased them. GBT's economic model likely will win out, throwing a speed bump in front of NDC's momentum.

will disappear. According to the offer document, headcount will be reduced by between 6 percent and 8 percent—particularly in corporate, service delivery, commercial, IT and meetings, groups and events—across both Amex GBT and HRG. Each TMC currently employs 12,000 people.

What It Means for Travel Buyers

Mergers always prompt some clients to jump ship. A competitor distracted by a huge integration effort could be good for BCD Travel, said president and CEO John Snyder, and could open new client opportunities. “When big deals like this happen, a lot of big customers sit back and evaluate their provider, and this is likely to spur some bid activity.” At the same time, Amex GBT will fight hard to retain clients, said GoldSpring Consulting partner Will Tate.

For larger, multinational, mature programs, which largely are consolidated under one of the megas, one out of four of their options is gone. That means 20 percent to 25 percent of the competitive landscape in the market has gone away, he said. Partnership Travel Consulting chairman and CEO Andy Menkes advised smaller travel buyers going out to bid to look elsewhere. For those companies, there are plenty of alternatives, Tate said, so the merger won't be a big shock wave.

Meanwhile, there's a chance of further TMC consolidation to fill the hole where HRG once stood. HRG and Amex GBT's sales combined to \$48.1 billion in 2016, according to Travel Week's 2017 Power List. That's almost twice BCD Travel's \$24.6 billion and more than twice CWT's \$22.4 billion. Flight Centre Travel Group, which includes FCM Travel Solutions, is the next agency on the list that has a corporate component, with \$14.4 billion in 2016 sales. That TMC now stands alone in the sales volume space it once shared with HRG.

TMCs that could acquire to reach that volume are those on the Power List that had sales above \$1 billion: Travel Leaders Group, Corporate Travel Management, Travel and Transport, Altour, Direct Travel, Frosch, Omega World Travel, World Travel and Ovation Travel Group.

These TMCs also are strong candidates to pick up clients from the bottom of the CT 100, as well as slightly smaller programs—those that require maybe 10 to 20 countries to be integrated rather than 40 to 50, Tate said.

Then There's the Technology

The merger would throw a speed bump in front of New Distribution Capability, Menkes said. Amex GBT has shied away from it while HRG has chased NDC-enabled capabilities. HRG folks can provide perspective on why the company embraced NDC, Menkes said, but it doesn't mean Amex GBT will change its strategy. An industry source told BTN that HRG derives 75 percent of its revenue from sources other than global distribution system incentives and commissions and Amex GBT is the opposite, so Amex GBT likely will continue to avoid any NDC strategy that bypasses GDSs.

Meanwhile, the \$900 million with which Amex GBT was seeded in 2014 has fueled interesting tech development, Tate said, and there's value in being able to distribute those innovations to the HRG community.

—Additional reporting by Jay Boehmer

After a Quiet Year, KDS Readies for U.S. Expansion

It's been over a year since American Express Global Business Travel acquired KDS. That's when Roxana Bressy took over as KDS CEO and her colleague Oliver Quayle became Amex GBT VP of product marketing and innovation. The T&E provider kept a low profile last year as it found its footing. Meanwhile, it's expanding its team so much that Quayle, who is British, joked about inventing a double-decker desk. Bressy and Quayle spoke with BTN payment and expense editor JoAnn DeLuna.

KDS HAS BEEN QUIET. WHAT'S KEPT YOU BUSY?

Quayle: We've been very quiet for a long time because we've been internationalizing and globalizing our product to become a local solution in each country, and there's nothing really sexy about that.

YOU HAD A "VERY GOOD YEAR" IN 2017. WHAT DOES A GOOD YEAR ENTAIL?

Bressy: After an acquisition, anything can happen and customers can leave, but we've had 100 percent customer retention. We've gotten new customers, too. One of the deals we signed was a major French utility company client for travel. They will add expense at the end of 2018. We also signed a T&E deal with La Poste, France's postal service company, which has 260,000 employees. All of their 80,000 postal [workers] will use KDS Expense solely on their mobiles, as they don't have computers. For the 12 months of 2017, we had between 13 percent and 14 percent transaction growth, which after an acquisition is really great.

WHAT MARKET EXPERIENCED THE BIGGEST PERCENTAGE GROWTH?

Quayle: The Nordics. Amadeus is closing down e-Travel and migrating to Cytric. A lot of the Nordic [customers] didn't want to go to a forced migration. That definitely did it, and with the backing of Amex GBT, we get a lot of development [support] to the region, as well.

BEFORE THE ACQUISITION, KDS'S PENETRATION INTO THE U.S. WAS SLOW. HOW ARE THINGS PROGRESSING?

Quayle: Our owner is [U.S. based], and they've been very stringent on what the entry criteria is before they hand us the keys and push all their customers onto KDS. If it were up to KDS, it'd be a lot quicker, but before the first half of 2018, you'll start to see a huge amount of migration of U.S. customers onto the KDS platform. I'm talking about thousands [of travelers]. The first three-quarters [of the year] will be focused on growing in the U.S., and then the fourth quarter we'll move into Asia/Pacific.

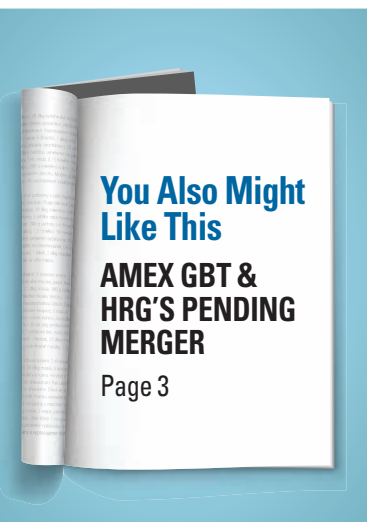
KDS RELEASED A NEW NEO EXPENSE INTERFACE FOR BOTH MOBILE AND DESKTOP ON JAN. 20. WHY DID YOU CHANGE IT?

Quayle: When we first did Neo Expense, we used the iPad as the reference platform, and it



Roxana Bressy & Oliver Quayle talk:

- Integrating KDS & Amex GBT
- Customer growth
- Revamping the user experience



was all drag and drop. It looked cool and was great, but the user feedback was that if you're not on an iPad, then it's hard to drag and drop. So we changed the reference platform to mobile. Now it's just touch. As you touch [the interface] it knows what you're likely to want to do next and suggests which expense items will be put into the calendar for you. It's a lot more intuitive and faster.

FRANCE USED TO REQUIRE COMPANIES TO KEEP PAPER RECORDS OF ALL RECEIPTS AND INVOICES. IN DECEMBER, FRANCE UPDATED ITS LEGISLATION TO ALLOW PDF RECORDS INSTEAD. HOW IS KDS HELPING CLIENTS WITH THIS DEMATERIALIZATION, AS IT'S REFERRED TO IN FRANCE?

Quayle: The digital process must comply with the legislation in terms of security and PDF certification. KDS provides the electronic signature on behalf of our customers that is recognized as following the legislation requirements. It is not an obligation to go digital; however, due to the cost of receipt storage and internal logistics, most companies want to go for a paperless process. One KDS customer said they had about 40 kilometers of receipt boxes. So finally we've enabled customers to be 100 percent digital. That was a big achievement.

Bressy: With the help of one of our customers, which is also one of the biggest [telecommunications] companies in France, KDS developed the process beginning in 2017 and for all customers [by] April 2017.

TRADITIONALLY, CONCUR, KDS AND DEEM HAVE MADE UP THE INTEGRATED T&E SECTOR, BUT IN SEPTEMBER, CERTIFY ACQUIRED NUTRAVEL'S CORPORATE ONLINE BOOKING TOOL. HOW DO YOU FEEL ABOUT HAVING ANOTHER COMPETITOR?

Quayle: They'll get bogged down because travel is very complicated. I'm certain innovation for them will slow while they take onboard that complexity. Additionally, Certify is mainly in the U.S. If they want to come into Europe, moving to Europe is like relaunching in the U.S. times 20 and with one-20th of the revenue. It'll be difficult for them to scale while also internationalizing. Good luck to them. It validates the fact that T&E, travel and expense pulled together, is a valuable solution. Having another player will only be good for the ecosystem because it will bring innovation, bring competition. What we need right now is more competition.

ROXANA, HOW HAVE YOU GROWN INTO YOUR ROLE AS CEO OF KDS, AND WHAT ARE YOUR GOALS FOR THIS YEAR?

Bressy: I learned a lot and I'm happy the year was successful. Our employee retention was the best ever. We kept all of our people. We are also adding a lot of people by increasing our R&D and product team by more than 50 percent. In 2018, we'll continue to grow our market share in the new regions, and [we'll focus on] the growth of our company by integrating all these new people. We want to come back to the market with innovation and announce something before the end of 2018. ■

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*According to the Networks, Partnerships and Frequencies category of the 2017 Business Travel News Airline Survey, published on November 20, 2017. Delta Air Lines earned the top overall score for the 7th consecutive year (2011-17) on the Business Travel News (BTN) Airline survey.



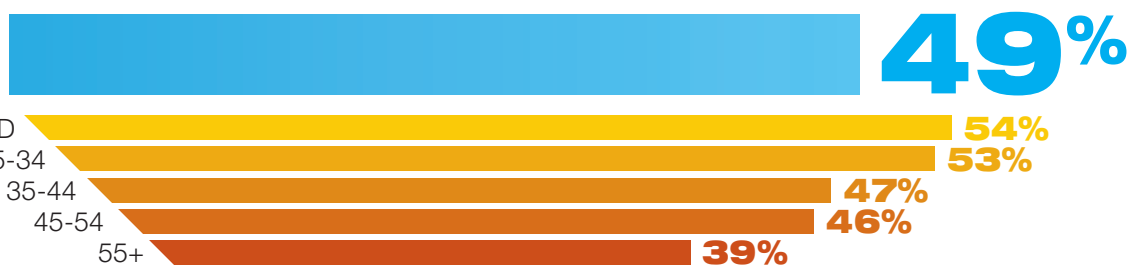
How U.S. Travelers Feel About Researching & Booking Trips

About half of business travelers feel restricted by their travel policies, according to a survey by Travelport. In that statistic, Travelport general manager and VP of U.S. sales Erika Moore sees an opportunity for travel management companies and corporate travel managers to manage a bit more, especially when it comes to lightly managed travelers. Moore said travelers, both business and leisure, want to personalize their trips, and corporate booking tools and add-on technologies now allow travel managers and TMCs to offer more guidance—say, on pricing—and more flexibility for travelers researching and booking business trips. The policy that a corporate travel manager writes into the corporate booking tool, for example, could remain strict about the type of hotel a traveler can use but be flexible about the return date at the end of a trip. That would allow the traveler freedom to tack on leisure travel while a gamification tool could capture the savings if the traveler instead opted to return on a cheaper flight immediately after business is done. Newer technology also allows companies to tailor the policies in booking tools to particular groups, such as road warriors, Moore said.

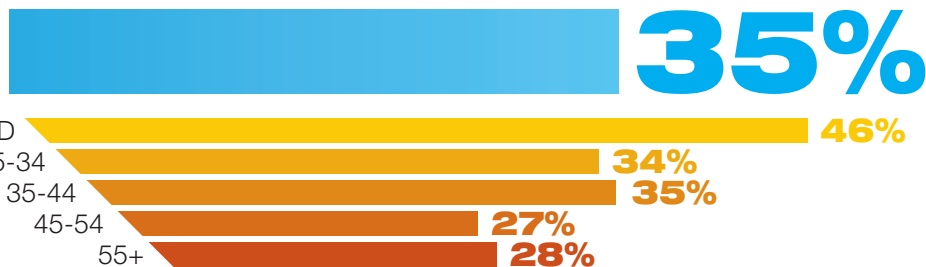
Below are more results from Travelport’s survey, conducted from Aug. 4 to 16, 2017, of about 1,000 U.S. residents who traveled at least once for business in the previous year. Note that respondents answered the questions with business and leisure travel in mind at the same time. However, the information revealed applies to corporate travel, considering today’s focus on traveler satisfaction.

TRAVELERS WHO SAY ...

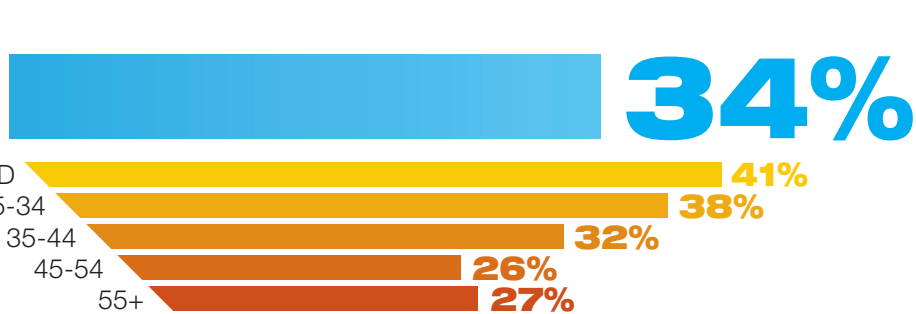
I AM RESTRICTED BY MY COMPANY'S TRAVEL POLICY



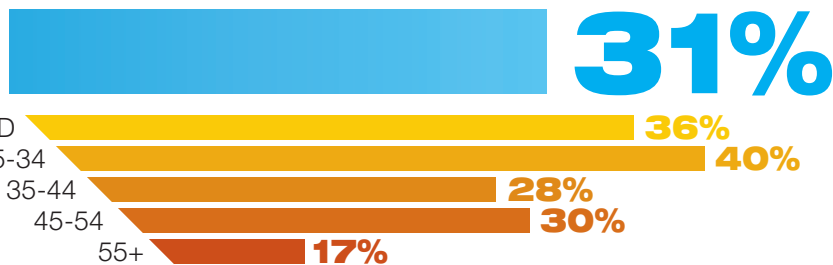
I SPEND A LOT OF TIME TRYING TO FIND THE BEST PRICE



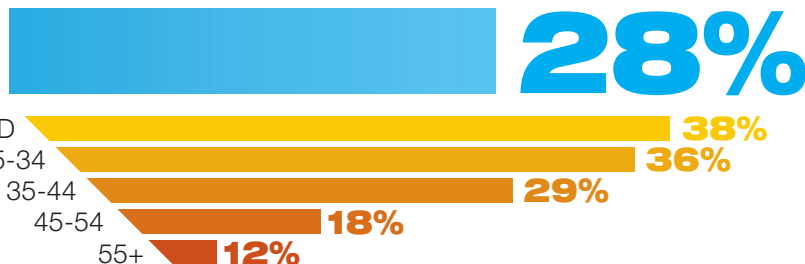
I PREFER TO GIVE MY REQUIREMENTS TO A TRAVEL PROFESSIONAL TO RESEARCH



IT CAN TAKE TOO LONG & BE FRUSTRATING



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Sophisticated Data Management Is Within Reach for Small & Midsize Enterprises



Standard Insurance's
Bryan Redmond &
Tableau's Jennie Robertson

Illustration by Scott Pollack

Evolving technology has made travel data management and analysis feasible for small and midsize enterprises. Two travel managers—Standard Insurance senior director of purchasing, supplier management and payables Bryan Redmond and Tableau senior travel manager Jennie Robertson—spoke with BTN associate editor JoAnn DeLuna about the possibilities, the processes and the problems.

Q *Bryan, you'd like to use business intelligence tool DVI to compare compliance among travelers using corporate cards and those using personal cards. What else do you hope to do with data once DVI starts compiling your travel, credit card, HR and general ledger data in April?*

Bryan Redmond: The attraction is to have a true analytical and reporting platform to feed [in the different data

sources] and start an analytical deep dive with some dashboard information. We want to benchmark our cost because we don't know what [spend] is from booking online versus calling into the TMC, which can rebook at no cost, make flight changes at reduced fees, constantly scan hotels and automatically rebook if there's a lower fare. The other thing is: When [travelers] book outside [designated channels], we can no longer be sustainable with duty of care. We want to be able to capture the percentage of travelers we cannot support at any point.

Jennie Robertson: We do a fair amount now of [what Bryan aims to do]. Our finance planning and analysis group builds their own visualizations using Egencia and Concur data sources. They monitor for anomalies and write up monthly, quarterly and annual reports highlighting what individual business unit leaders

SME Insiders Talk Shop

SELECTING THE RIGHT TOOL

DATA ANALYTICS GOALS

INTEGRATION WOES

need to focus on. [My colleague] and I do the daily travel policy [checks].

Q *How will a data tool change how you interact with data?*

Redmond: We use Concur Travel & Expense, so on a monthly basis, we get a rolling 24-month data dump of transactions and [import] it into Excel. If we have policy violations or compliance issues like purchases on a personal card or a large cash [claim] over the policy limit, we determine how someone's behavior has been exhibited over a large period of time. It takes



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two days to prepare and get that ready to be evaluated and monitored through Excel. It's really not "intelligent." It's more of a data dump and using Excel to massage and manage that the best we can because we don't have a true analytical tool.

Q *How much time do you spend analyzing the data once you have it?*

Redmond: I'd say eight hours a month. I haven't wanted the team to invest [more time] in manual processes because we're not staffed for that and we're not going to add additional people. We're hoping that with this new data analytics tool, we'll be able to capture that and click through a lot easier.

Q *Jennie, you have a built-in data analytics solution because you manage travel for Tableau, a business intelligence software offering. That's handy for an SME travel program. What can others do?*

Robertson: Travel can sometimes be its own world within a company. So first thing, reach out to someone in finance or IT and ask if you have a self-service business intelligence analytics tool that the company is already using internally. There may be licenses people internally are already using but are not widely known or distributed.

Q *Does free-and-clear access to a business intelligence tool make it easier, or do you still face challenges just as other SMEs do?*

Robertson: Our TMC is Egencia. There is no [application programming interface], so our reporting team has to pull about 90 reports every Monday from Egencia's reporting tool, [though the process] is automated by using scripting and different

"Make sure you own your data, can access it in the manner that works best for you and [can] share it with third parties as you see fit."

—TABLEAU'S JENNIE ROBERTSON

third parties. If I want something today, I have to go into Egencia's reporting tool, as we only do a weekly refresh of the data. If we had a daily or instant feed, we could build our own monitoring system instead of using Egencia's reporting tools.

They just need updating. Egencia is working toward a single global platform,

but right now, for things like out-of-policy notifications, they have two core systems: one for the U.S. and Canada and one for everywhere else. There's functionality I have in the U.S. that I don't have in other countries. I have 10 points of sale and each one

"Understand the integration piece from end to end and where you'll get the reporting because you can find yourself in the middle of two unwilling partners. Line up whatever solution and partners you will use. Can they really meet reporting and analytical capabilities?"

—STANDARD INSURANCE'S BRYAN REDMOND

is on a different site, so if I want to change a policy like increase per diems I have to log in to 10 sites to change them. The API is in Egencia's pipeline, but I don't think it'll happen this year. We figured out a slightly easier way to do it that involves reconfiguring our database to accept [the data] that way, so we don't have to pull so many reports. We're doing that this year. It's a lot of work to get our own data.

Q *So what advice would you give others looking for data management solutions?*

Redmond: Understand the integration piece from end to end and where you'll get the reporting because you can find yourself in the middle of two unwilling partners. Line up whatever solution and partners you will use. Can they really meet reporting and analytical capabilities?

Q *Jennie, you're dealing with something like that now, right? In November, Egencia and Concur will retire the API that*

feeds Egencia booking data into Concur Expense. How will you manage the change?

Robertson: We haven't figured out how we're going to deal with that when they shut off the connector. We haven't really figured out how important it is, either. It's hard to say. One thing we've struggled with

is that there are some cool third-party tools out there like Tripbam and Roadmap that we wanted to consider, but the hurdle was getting our data to them. It's more challenging with Egencia because they have inventory coming from many different

systems and providers; it's not all consolidated in one GDS. This added complexity makes it more difficult to share data with third parties. [Egencia] doesn't necessarily have an incentive to get our data over to third parties because they might prefer to provide the service themselves to keep us in their ecosystem, [perhaps through] their own mobile app or a hotel rate shopping tool that will work with Egencia/Expedia inventory. If I had access to the data on a daily or instant basis, I could share it myself, but I don't at present, at least not in the way that I want to. So for anyone who may be going out to bid for a TMC, it's important to make sure you own your data, can access it in the manner that works best for you and [can] share it with third parties as you see fit.

Q *Would you change to a travel management company that can make those connections with third parties?*

Robertson: Everyone's down on their provider because at the end of the day, there are only two [options] if you need an online booking tool that's truly global and built to scale: Egencia or Concur. I've been with both, and it's not like the grass is greener. It's just different; it's blue. Concur is truly an agnostic booking tool, but then you have to deal with working with another third party, a travel agency on top of that. This is another huge challenge: Going global when you're small. There's nothing other than Egencia when you're growing slowly. It's either managed in your home country and unmanaged everywhere else or [it's] Egencia because they're the only ones I've ever found that makes any financial sense to launch with 20 travelers. You wouldn't do that with Concur and a third party. The local agency doesn't want it at that size. That's the good thing about Egencia. ■

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BTN Innovate 2017 provided a new lens to see the entire ecosystem of corporate travel. Access to great minds with years of experience in one room = priceless. Worth every second of time of out of the office.

- Ariel Crohn, Corporate Meeting & Travel Manager, Coverys

BTN Innovate never fails to deliver insightful content and best practices about what really matters in our industry

- Martha Ferguson, SVP, Global Travel Manager, Lazard Freres

BTN Innovate 2017 was simply fantastic! Great presenters and amazing new ideas/apps/innovations. Even better than the year prior! GREAT JOB BTN and THANK YOU!"

- 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



Bizly Gets Venue Listings & an Investment from Convene

BY AMANDA METCALF

Bizly, a sourcing platform for small meetings venues, soon will announce the close of a fundraising round, according to CEO Ron Shah, and among the investors that bought in is Convene. The meetings venue operator's spaces also will become the first Bizly listings that are not hotels or restaurants.

Bizly is on track to offer 12,000 meeting venues by the second quarter, which is when the companies aim to have Convene listings up. Convene operates 10 locations in New York, including one at 101 Greenwich St. that opened Feb. 20; three in Philadelphia and one each in Boston and Washington, D.C. A space in Downtown Los Angeles will open this month and another will open there in April. A Convene spokesperson said the company will open multiple locations in Chicago in the fourth quarter of 2018 and first quarter of 2019, and a spot in Chicago's Willis Tower, which is under renovation, will

open in 2020. Meanwhile, Convene is looking at London and other key U.S. markets like Houston and San Francisco for 2019.

What They'll Do Together

Convene's listings won't be prioritized in Bizly's display, Shah said, but the listings may be "differentiated" to "demonstrate how awesome the Convene spaces are." He explained, "We may experiment together to come up with interesting ideas for how to show the spaces differently on [Convene's] pages." The companies also plan to collaborate on distribution strategies. Convene can pilot the ideas at will on Bizly's platform, and Bizly can apply the concepts and lessons learned to the rest of its marketplace.

Alternative to Hotels

The fact that Convene's meeting spots are not hotel offerings will benefit meeting planners, Shah said. "Having a platform where they can easily shop and compare across brands is becoming increasingly important," he said, now that Marriott International has decreased the commission rate it pays for meeting space bookings in the U.S. and Canada. Many meetings management programs use those commissions to offset their costs, and multiple clients have told him, "Hey, I want to de-prioritize or even remove Marriott from my preferred list." ■

Convene & Bizly Each Diversify into Short-Term Workspaces

Convene's 10th New York property opened on Feb. 20 with a first for the meetings venue provider. Short-term-lease workspaces are now on offer, and Convene itself has moved into some of those office suites in its newest location, at 101 Greenwich St. in Manhattan's Financial District. The flexible workspaces' capacities range from 10 to 100. Similar spaces will open at Convene's Philadelphia and Los Angeles locations in the coming months. A spokesperson told BTN the company has been fielding requests for such spaces, especially in concert with multiday meetings.

"Much like Convene, we've seen a spike in demand and requests for workspace solutions for when people are offsite," said Ron Shah, CEO of Bizly, which offers a sourcing platform for small meetings venues. Travel managers, procurement pros and meeting managers may not be responsible for workspace arrangements, he said, but "they end up having to figure out how to help the employees." Thus Bizly, too, plans to add a workspace category to its marketplace in the near future.

Meetings & Events Added \$446B to U.S. Economy in 2016

BY DAWIT HABTEMARIAM

U.S. meetings with more than 10 participants and lasting at least four hours generated \$845 billion in economic output in 2016, contributing \$446 billion to U.S. GDP, according to a report the Events Industry Council commissioned from Oxford Economics. The U.S. meetings industry also supported 5.9 million jobs—directly, indirectly and as those employees spent their wages in the broader economy—that paid \$249 billion in labor income.

Meetings also generated \$104 billion of federal, state and local taxes in 2016. On average, each meeting participant supported \$416 of tax revenue, including \$251 of federal tax revenue and \$165 of state and local tax revenue.

The report analyzes results from Oxford Economics' survey of 933 meeting planners, 271 venue managers and 95 exhibitors; a survey of

8,914 U.S.-based participants in U.S. meetings by marketing research firm Longwood International; a National Travel & Tourism Office survey of overseas meeting participants; a Statistics Canada survey of Canadian participants in U.S. meetings; group demand data and hotel financials from STR; data on trade show activity from the Center for Exhibition Industry Research; and a Destinations International report covering 154 U.S. destination marketing organizations.

Direct spending in the U.S. meetings sector outweighed the air, rail and boat sectors combined. U.S. meetings supported more direct jobs than many large manufacturing sectors—including machinery, food, auto and chemicals—and more than each the telecommunications and oil and gas extraction industries.

Direct meetings spend totaled \$167 billion

for planning and producing, \$120 billion for travel and \$38 billion by exhibitors and for other direct outlays. The \$325 billion total averages \$1,294 per meeting participant. International meeting participants numbered 6 million and generated about \$38 billion of direct spending, 11.5 percent of the sector's total spending.

Direct spending on U.S. meetings has grown 23 percent since 2009, owing primarily to a growing number of meeting participants. In 2009, 1.8 million meetings hosted 205 million participants, and in 2016, 1.9 million meetings hosted 251 million. ■

Impact by Industry

U.S. meetings produced \$196.3 billion in economic output for the business services sector, which includes professional and technical services administration and support and waste management, according to a report the Events Industry Council commissioned from Oxford Economics. U.S. meetings also produced \$141.1 billion for the finance, insurance and real estate category and \$96.2 billion for manufacturing. The hotels and lodging category benefited to the tune of \$50 billion, based on 300 million room nights. Meeting organizers and hosts also spent \$48 billion dollars on food and beverage. Meanwhile, meetings-related travel expenses represented 13.2 percent of total travel and tourism spending in the U.S.

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— Pam Schroeder, Manager of Strategic Meetings Management, Abbott

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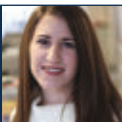
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IHG Will Launch New Upscale Brand & Acquire in Luxury Space

Less than a year after introducing a new brand in the midscale segment, InterContinental Hotels Group is looking to grow its stable of brands further, this time in the upscale and luxury spaces.

IHG CEO Keith Barr, who took the helm of the organization in July, said research about its guests indicates consumers are looking for “something other than the big-box upscale hotel.” The executive described the planned offering as something “informal and differentiated, combined with the reassurance and quality standards of a branded chain.”

Barr didn’t share the name of the new brand but said it will launch this year as a conversion brand, first in IHG’s Europe, Middle East, Asia and Africa region and later in its other two regions. According to STR, IHG already has three upscale brands: Even Hotels, Hotel Indigo and Crowne Plaza. However, Barr said the \$40 billion upscale segment is expected to grow 50 percent during the next 10 years. The conversion aspect with “limited upfront capital outlay,” too, makes it a differentiator for owners.

IHG also will form a dedicated luxury division to help its existing luxury brands evolve and to allow IHG to revitalize any luxury brands it might acquire. “We see a real opportunity to round out our portfolio and add other luxury brands at a price

point above InterContinental and potentially also in the resort space,” Barr said. The company will look to acquire “one or two small, luxury, asset-light brands” that it could “incubate and grow,” according to Barr.

He said the \$60 billion global luxury segment is expected to grow by more than 50 percent within the next 10 years. Growing IHG’s footprint in this segment, Barr said, will add “halo benefits” that include strengthening its IHG Rewards Club program and attracting more B2B customers.

The company has some recent practice in brand launches. Since IHG announced the midscale Avid brand in October, it has signed 75 hotels into the pipeline, all in North America. “Avid sets the perfect example of how we, over a short period of time, identified the unique opportunity, engaged potential owners, developed a successful concept and brought it to market,” Barr said. ■

Worth of Upscale Hotel Segment

Now

\$40B

In 10 Years

\$60B

Worth of Luxury Hotel Segment

Now

\$60B

In 10 Years

\$90B

Source: Industrywide figures cited by IHG CEO Keith Barr

Airbnb’s New Property Categories, Loyalty Plans & More

Airbnb on Feb. 22 launched a new road map for how the business will operate. The company estimates the changes, which apply to its core homes business, will help it reach more than 1 billion guests annually by 2028. Some of the changes will impact the offerings for Airbnb’s business travel base. “We want to become Airbnb for everyone,” a spokesperson said. “Today’s workforce is included in this goal. As we expand Airbnb to meet the needs of all travelers, we’re taking the same approach with business travel.”

Collections Listings

Acknowledging that many Airbnb users rent homes with specific purposes in mind, the company is promoting top-rated properties under “collections,” which are based on type of use. The Airbnb for Work and Airbnb for Family collections premiered on Feb. 22. Other collections—including weddings, honeymoons, group getaways and dinner parties—will appear on the platform later this year.

The spokesperson told BTN the company found that business travelers were booking more non-Business Travel Ready listings than Business Travel Ready listings, referring to the designation that launched in 2015. The Airbnb for Work collection addresses this by organizing the listings differently to better

help travelers find properties that meet their needs or interests. “Any listing within the Work collection will meet a set of requirements that provide the convenience, flexibility and choice we know companies and travelers want,” the spokesperson said.

Segmenting Inventory

The company also launched Airbnb Plus, comprised of homes whose quality and comfort it has verified. Airbnb said the homes have been inspected in person against a 100-point checklist that includes cleanliness, design, comfort and ease of check-in. This change addresses the common concern among users that there are no assurances of quality standards or safety and security. In the past, executives have said that reviews by verified guests ensure property-quality standards. However, a report from Morgan Stanley last year attributed stalled growth to the issues of safety and security and consistency. Airbnb Plus has 2,000 homes in 13 cities available for booking. The average rate for such properties is \$250.

The company also will roll out a luxury offering this spring called Beyond by Airbnb. Airbnb’s acquisition of Luxury Retreats last year will bolster that initiative. The properties will feature “custom-designed trips of a life-

time, including the world’s finest homes, custom experiences and world-class hospitality.”

New Property Categories

Airbnb properties have been characterized as either shared space, private room or entire home. These categories, however, do not illustrate the variety of the properties available, from boats and tree houses to serviced apartments and boutique hotels, according to the company. As such, Airbnb is adding four property types this summer: vacation home, unique space, B&B and boutique. The seven total categories will add transparency

“Any listing within the Work collection will meet a set of requirements that provide the convenience, flexibility and choice we know companies and travelers want.”

—AIRBNB SPOKESPERSON

and sophistication to the search process, the company stated, and allow hosts to better distinguish their listings.

Loyalty & Recognition

Airbnb plans to create a guest membership program called Superguest. It did not specify the particular benefits but will conduct a trial with 100,000 guests this summer and roll it out later this year. The company also is expanding its Superhost program with additional support and benefits. ■



CONTINUED FROM FRONT PAGE

How Winding Tree's ICO Fared

To some, ICOs are a fresh, egalitarian way to fund disruptive, innovative and viable tech ideas. To others, they are a high-risk investment and hot air for the latest bubble. Professional services and accounting firm EY addressed ICO risk in a January report: "Unlike initial public offerings in the stock market, ICOs are sold into the market before a business around the solution exists." EY added: "The typical ICO has no customers, no revenue and in most cases, no working product. Often the only foundation for the ICO is a white paper that describes the planned technology and a small piece of software that governs how the tokens are issued and managed. Valuations based solely on a white paper are always going to be risky and extremely speculative."

Marc Casto, CEO of Silicon Valley-area travel management company Casto Travel said blockchain is well suited for travel distribution but that "tremendous development" is needed to take concept to reality. "The thing in Silicon Valley right now is: If you can tie together blockchain and artificial intelligence in a single statement, you're going to get money thrown your way from everyone under the sun."

Like other open-source blockchain projects that launched ICOs, Winding Tree was appealing to a community-based mind-set. "The ICO model is about spreading the interest across the community and getting the community to back the project, similar to a crowdsale," COO Pedro Anderson said. "So, picture it as a crowdsale but with tokens involved. What the tokens help to do is: If you participate in the ICO and purchase the tokens, you can use them on the platform that you're creating. The tokens will be the fuel of the platform." (See sidebar.) In an October paper on blockchain, travel distribution and IT company Amadeus wrote: "Tokens are best thought of as a stake in a future economy, where the token is essential to the functioning of a system. If the startup is successful and adoption of its technology increases, then there is usually a concurrent rise in demand for the token that powers its ecosystem."

Winding Tree adviser Johnny Thorsen of Mezi has heard the ICO naysayers, but he's a believer. "If you look at who is typically creating a negative buzz, it is the people who are losing the most when an ICO happens," he said. "Those are the bankers and the [venture capitalists] and the people who have controlled who gets innovation money in the travel industry or in any other vertical." Thorsen said ICOs bypass the old guard and are "asking a global community of about 50 million crypto investors: 'Do you believe in my model? If you do, put in \$100, \$1,000—you decide.' And nobody in Silicon Valley or Menlo Park or New York gets to decide if this happens or not." Token purchasers can even buy as little as a few dollars worth, he noted.

Venture capitalists flirted with Winding Tree, said Anderson, but "they were missing the point: the immutability of it, the decentralized nature, the fact that we're not the boss and this is a decentralized platform like the Internet that nobody controls. The VCs want to be able to milk the business for what it's worth. We don't want to do that. With the token model, everyone has the same goal in mind. The community wants to see innovation in travel, so they say, 'Hey, let's put money here to make this happen.'"

Various investors and spectators are at odds about the value cryptocurrencies hold, but they look to Bitcoin for market indications. In November, the value of a single Bitcoin broke the \$10,000 mark and on Dec. 18 hit a high of nearly \$20,000. However, 10 days later, following South Korea's threats to shut down cryptocurrency exchanges, it fell to \$16,064. Bitcoin continued to dip, falling below \$7,000 shortly after Winding Tree launched

its ICO on Feb. 1.

Despite the volatile cryptocurrency market and an "unorthodox approach to raising funds," though, Winding Tree surpassed its target of \$10 million, Hockenberry said. The "ICO was a success in economic terms." ICOs, however aren't measured by the amount of funds raised, he added. "What's important is that the team uses the huge amount of resources now available at their disposal to deliver on their promises by developing and launching a successful project. That's what makes an ICO successful." ■



How Winding Tree Will Work

Winding Tree calls itself a B2B blockchain platform that is a "decentralized alternative" to global distribution systems and online travel agencies. It plans to charge only a "minuscule transaction fee," via its Lif token, to travel suppliers that sell inventory on the platform. That pays miners, the dispersed set of computers that lend computing power to the system. Travel sellers—say, a corporate online booking tool—then could build to Winding Tree's set of open application programming interfaces to access this inventory for users. "Somebody will have to connect to the inventory that becomes available in Winding Tree," said Mezi's Johnny Thorsen, who's an adviser to the company. "Just like back when the online travel game started, initially you had booking engines connecting to very little content with almost no use out there."

The initial coin offering presale funds allowed Winding Tree to navigate an audit by Swiss regulators, and hire more full-time developers and add contractors to develop a platform for hotel distribution on Ethereum. The company will use the ICO funds to continue developing over the next four years, according to COO Pedro Anderson. It expects to launch the minimum viable product version of its hotel platform by midyear and to have an alpha version of the airline platform ready for testing around the same time, he said. Minimum viable products are defined as having enough features to satisfy early adopters.

"For hotels, we're already in the alpha stage with the code publicly available on GitHub because it's open source," Anderson said. Winding Tree promotes a self-sustaining open-source community akin to Linux, a family of free, open-source software operating systems that's been around since 1991, where the "travel innovators are building tools that they're selling on it and the demand side is in full swing," said Anderson.

"We have hotels that have tested the technology," he said. "Nordic Choice Hotels did a test experiment, and they were happy with it." Winding Tree has other hotel chain participants, each with 20 to 50 properties. Airline partners include Air New Zealand, Lufthansa and Lufthansa subsidiaries Austrian Airlines, Brussels Airlines and Swiss International Airlines. Anderson said the airline platform is more complex, which is why the company is collaborating directly with its airline partners to build the solution. "Airlines are definitely less restricted [than hotels] and they have more control over their own business ... but building out that technology is more complex than hotels because of dynamic pricing and routes," he said. Tourism activities, rental car and vacation rentals are on the longer-term horizon, as well.

About 100 companies have signed up to build applications on Winding Tree, and they will receive guidance and participate in troubleshooting. Anderson said early boosters like Lufthansa "don't have any special privileges. They believe in the project, and they're supporting it with their tech, with their advice, and they're going to put their inventory on [the Winding Tree platform]." Thorsen explained that these travel suppliers are "coming at it with a mind-set of: 'We don't know if this will be perfect or not, but we're going to try it.'"



Group & Corporate Biz Gave Hoteliers Surprise Boost in Q4

BY JULIE SICKEL

Hyatt Hotels Corp., Marriott International and Hilton recorded better-than-expected results in 2017, which they attributed in part to gains in group and corporate transient business in the final quarter of the year.

During the third quarter, Hyatt's group revenue at U.S. full-service hotels declined 6.6 percent year over year while room nights decreased 8 percent, but during the fourth quarter, the company got a 3.4 percent year-over-year lift in group revenue and a 0.8 percent bump in group room nights. The company also bested its own expectations for systemwide full-year revenue per available room. It had delivered guidance of a 2.5 percent to 3 percent increase but posted a 3.3 percent year-over-year rise.

Hilton's 2017 full-year systemwide group RevPAR rose 1.6 percent year over year. President and CEO Chris Nassetta called it a relatively weak year overall for group but said the segment bolstered the company's fourth-quarter results. Marriott, too, reported strength in group during the fourth quarter, particularly in corporate group, though he didn't provide specific revenue for the segment.

For their outlooks for the future, hotel companies reported continued group strength but noted that the booking pattern for group is shifting from historical norms. Marriott president and CEO Arne Sorenson said near-term bookings have been growing at a lower rate than longer-term bookings. "Four years ago, when we looked at the group booking window, we saw that business booked in the year for the year or for the next year represented 71 percent of all group bookings," Sorenson said. "In 2017, that is down 21 full [percentage] points; only 50 percent of the bookings we are making now are for the next 24 months, in effect."

Nassetta, too, noted the trend, speaking specifically to corporate group business. Typically, he said, corporate group business lags corporate transient demand. In the current cycle, however, growth in corporate group is slightly leading corporate transient, which has been "a bit choppy." Nassetta said the shift could be a result of the industry's continued high occupancy levels and realizations among procurement professionals that "if they don't get ahead of it, they're not going to have their meetings."

Sorenson found Marriott's 4.1 percent year-over-year fourth-quarter corporate transient RevPAR growth to be an encouraging sign that business travel is picking up after a tepid 2017 overall. Over the past year or so, he said, the "corporate traveler was a bit weaker than the leisure traveler and the average performance of transient."

The recent U.S. tax reform and the economic climate have given the industry reason to be more optimistic about corporate transient business in 2018. "If the economy is really doing what we think ... that will lead to a better result than what we got in business transient last year," Nassetta said.

Loyalty Is Becoming the Alpha & Omega

In Marriott International's recent earnings call, Sorenson said loyalty "is the name of the game for the future." He doesn't appear to be the only one who thinks so. Executives from the major publicly traded companies expressed a similar sentiment as they detailed to analysts and investors the growth their loyalty programs saw last year and what the companies have planned for the future.

Marriott International

Marriott's loyalty programs—Marriott Rewards, Starwood Preferred Guest and The Ritz Carlton Rewards, which are on track to merge

Occupancy

Q4 YOY CHANGE IN PERCENTAGE POINTS

Marriott (71% in Q4)



Hilton (72.6%)



Hyatt (72.7%)



IHG (67.9%)



Choice (57.2%)



Wyndham (52%)



Accor (68%)



2017 YOY CHANGE IN PERCENTAGE POINTS

Marriott (73.2% in 2017)



Hilton (75.5%)



Hyatt (75%)



IHG (70.3%)



Choice (62.2%)



Wyndham (55.1%)



Accor (68.8%)



this year—comprised nearly 110 million members at the end of 2017. When Marriott and Starwood Hotels & Resorts merged in 2016, the combined loyalty programs had 85 million members. In 2017, loyalty members accounted for more than half of Marriott's occupied rooms.

The company added mobile check-in and check-out—available through the Marriott Rewards app—to 1,600 hotels last year and now offers mobile services requests at almost 6,000 hotels worldwide. Summarizing 2017 milestones, Sorenson said Marriott rolled out Guest Voice, its guest satisfaction system, across its entire portfolio and launched Marriott Moments, which allows guests to shop for and book unique experiences. It also formed a joint venture with Alibaba to drive engagement with and loyalty from Chinese travelers.

Hilton

Hilton's loyalty program, Hilton Honors, added 11 million members in 2017, bringing the count to 71 million at the end of the year. Nassetta said Hilton is looking to allow members to receive bonus points for night stays beyond a certain threshold, to gift elite status to another member and to roll nights over from year to year.

Hilton properties that offer Digital Key capabilities through the Hilton Honors app number more than 2,500 hotels, adding up to 350,000 rooms, globally. Hundreds more properties are expected to be added this year. The company also is preparing to scale its new Connected Room, which allows guests to control aspects like temperature, lighting and TVs from the app.

Hyatt Hotels Corp.

Hyatt's loyalty program, World of Hyatt, saw a 20 percent year-over-year increase in new members during 2017. The company added a new position, global head of loyalty and new business platforms, in October. "With the addition of new World of Hyatt leadership in 2017, we have a team that is intensely focused on delivering value and distinctive experiences for our members," said president & CEO Mark Hoplamazian.

InterContinental Hotels Group

IHG Rewards Club saw an 11 percent increase in membership last year and a 34 percent increase over the past three years. In 2017, IHG launched a number of loyalty club partnerships, including with Amazon

Kindle, OpenTable and Grubhub. CEO Keith Barr said the company will focus on additional partnerships that differentiate the program.

The company is scaling up tech initiatives through its loyalty app, such as mobile check-out, which is live in more than 3,000 U.S. hotels; Alipay, which integrates with the app and is accepted at 70 percent of IHG hotels in Greater China; and IHG Connect seamless Wi-Fi login, which is installed at more than 3,000 hotels in the Americas and soon will roll out globally.

Choice Hotels International

Choice Privileges added more than 5 million new members in 2017, which pegs the program's growth at nearly 10 million over the past two years. President and CEO Pat Pacious said the loyalty program has 35 million members. Since the industry rolled out loyalty member discounted rates in 2016, hoteliers have been able to realize revenue growth through proprietary booking channels as loyalty membership has grown. For Choice, almost \$6 of every \$10 of revenue came from the company's proprietary channels, which include desktop and mobile. Pacious said Choice's brand.com website is the focus of the hotel company's distribution strategy and the channel grew faster than all other distribution channels last year.

Wyndham Worldwide

After revamping Wyndham Rewards two years ago, Wyndham Worldwide has been able to grow its loyalty program to almost 55 million members. The company expects to further expand the program once its \$1.95 billion acquisition of La Quinta Inns & Suites closes in the second quarter of this year. La Quinta Returns has 13 million enrolled members.

AccorHotels

Le Club AccorHotels reached 41 million members in 2017, a two-fold increase since 2014. Accor's loyalty members account for 31 percent of the company's business volume. While Le Club has seen improvement, chairman and CEO Sebastien Bazin said its metrics aren't good enough and that they should be at "50 million, 60 million, 70 million" members. He said the company is getting there as the network expands but that U.S. hoteliers started their programs 35 years ago and loyalty members account for 50 percent of those companies' business volumes. ■

Average Daily Rate

Q4 YOY CHANGE

Marriott (\$157.92 in Q4)



Hilton (\$143.65)



Hyatt (\$184.83)



IHG (\$112.64)



Choice (\$80.87)



Wyndham (\$67.01)



Accor (87 euros)



2017 YOY CHANGE

Marriott (\$157.12 in 2017)



Hilton (\$144.78)



Hyatt (\$182.66)



IHG (\$113.54)



Choice (\$84.02)



Wyndham (\$68.24)



Accor (89 euros)



Could Implementing Virtual Cards Save on Hotel Costs?

BY JOANN DELUNA

Travel managers may be familiar with the benefits of virtual cards: They provide a payment solution for those who don't have corporate cards, and they reduce fraud, time filing expenses and time reconciling transactions. That all adds up to cost savings, but hotel solutions company HRS has claimed that clients that implemented virtual cards also reduced hotel costs by an average of 12 percent. Booking and traveler behavior also changed when companies implemented virtual cards.

In 2016 and 2017, HRS evaluated 30,000 bookings for 12 clients that implemented virtual card programs with AirPlus or American Express, both of which are HRS partners. Within the study's two-year time frame, HRS analyzed a 12-month period for each client—the start time for each was based on when the client rolled out virtual cards—to capture before-and-after data for each. The bookings HRS analyzed were primarily for hotels in Europe, North America and high-volume Asia/Pacific countries like China, Japan and Singapore, an HRS spokesperson said. Clients in the study had worked with HRS for at least a year before deploying virtual cards.

Resulting Benefits

Before implementing virtual cards, clients paid an average room rate of 112.30 euros. The rate dropped 12 percent to an average of 98.60 euros after clients deployed virtual cards, according to HRS. Additionally, travelers under virtual card programs tended to book more price-sensitive regional and local hotels; bookings in this hotel segment increased from 30 percent to 40 percent following virtual card implementation. Travelers under virtual card programs also tended to book trips 11 days prior to travel, whereas they'd booked an average of 8.5 days in advance before virtual card implementation. The no-show rate also dropped an average of 15 percent following deployment. "With travelers knowing that payment for the stay is already in place, they appear to be less likely to cancel at the last minute," the spokesperson said.

Potential Causes

"People are more likely to act in normative ways when they feel that their behavior is being observed," HRS wrote. Implementation of virtual cards, which offer more transparency to the travel program, tells travelers that the company is observing travel costs and behavior. That prompts them to book in line with the company's interest, according to HRS.

Additionally, virtual cards eliminate the need to pay in advance and to file expenses later, and thus, HRS said, travelers are more inclined to use company-approved booking tools, which display preferred choices, and, if a company allows, affordable alternative options.

While the study's results are impressive, attributing the benefits solely to virtual cards may be far-fetched. It seems the real benefit comes from steering travelers to their company-approved booking tools, which can ensure preferred options are displayed.

GoldSpring Consulting partner Neil Hammond said it's difficult to validate HRS's premise without seeing the raw data and methodology. "I'm not sure how the form of payment impacts hotel selection. I think the availability of virtual payment and the avoidance of expense reimbursement will [motivate] travelers to use an online booking system."

However, HRS maintained that the companies surveyed did not alter their promotion of online booking tools following the implementation of virtual card programs. The company also said the only change was the addition of virtual cards to their travel programs. "While [companies] certainly advised their travelers [and] travel planners that virtual payment solutions were now in place for hotel, nothing else extraordinary was done. The [company's] promotion [and the travelers'] awareness of OBTs stayed constant," the HRS spokesperson said. ■



CONTINUED FROM FRONT PAGE

GDPR Blocking & Tackling

companies that interact with EU citizens to inform these individuals about how their personal data is being used, with what other entities their data may be shared and for how long the data is retained. It requires businesses to allow each EU citizen access to his or her data to rectify incorrect information and change permissions on what is shared; it also underscores the “right to be forgotten” and requires that businesses build data privacy and protection into their policies, processes and operations.

Failure to comply will put businesses at risk of incurring heavy fines should regulators determine they are mishandling data and/or willfully failing to report data breaches. Fines top out at 20 million euros or 4 percent of the previous year’s annual revenue, whichever is higher. The U.K. Information Commissioner’s Office, for one, has clarified that GDPR penalties should be levied in individual cases, based on the type of data compromised and the nature of the non-compliance and that GDPR includes a host of remedies, leaving fines as a final recourse.

GDPR & Travel Management

“Think of the number of touchpoints involved in just one travel itinerary,” said Samantha Simms, a London-based information law attorney and founder of The Information Collective who specializes in GDPR issues and data privacy strategy for large multinational organizations. She rattled off a few (*at right*). Ensuring GDPR compliance from all those partners rolls up to the travel buyer. “They must determine who is a data controller and who is a data processor in their programs,” said Simms. “Because GDPR defines obligations and liabilities based on those roles, the burning question is whether the travel manager’s company will be the one penalized when something goes wrong,” said Simms.

The data controller is the owner of the data, the entity which defines how the data will be handled by the data processor and with whom that data will be shared. Under GDPR, the data controller is fully liable for damages caused by noncompliant processing unless the controller can prove that it is “not in any way responsible for the

Data Touchpoints for a Single Travel Itinerary

- Global distribution system
- Travel management company
- Online booking tool
- Payment solution
- Airline
- Hotel
- Car rental company
- Risk management provider
- Regulatory entities
- Rate shopping tools
- Expense tool
- Subcontractors for primary vendors
- Third-party analytics partners
- Apps, such as itinerary managers
- Sharing economy providers like Uber & Airbnb

event giving rise to the damage,” according to draft guidance on GDPR contracts and liabilities between controllers and processors that the U.K. Information Commissioner’s Office published in September. Data controllers are also responsible for reporting data breaches to appropriate authorities and affected individuals within 72 hours of discovery.

The data processor handles data on behalf of the data owner, or controller, and should handle information only according to the written instructions of the controller. GDPR requires minimum contract terms between the controller and the processor, also referred to as the data processing agreement. These agreements:

- assure data confidentiality and require documentation of GDPR-compliant data processes
- include written consent from the controller to pass data to a subcontractor, also called a subprocessor
- assure the processor will assist the controller in executing the requirements of GDPR, such as adhering to individual rights requirements to access, correct or delete data and disclosing data breaches to the controller within 72 hours

If the processor acts outside the terms of the written contract, it could be liable for fines. Same for a subprocessor. This is a change from the 1995 legislation, in which controllers were solely liable.

U.K.-based data privacy and cybersecurity firm Covington offers a summary of key GDPR contract and liability on its website.

International Data Transfers

The EU recognizes only a handful of countries as approved jurisdictions to which to transfer data, and some companies have built data centers in the EU to avoid international transfers. Companies transferring data to non-approved jurisdictions, via the cloud or any other means, must comply with the General Data Protection Regulation. They have two immediate alternatives:

Corporate Binding Rules: CBRs set requirements for international data transfers within a corporation but not to third parties. The EU Data Protection Authority requires specific content to be included in the data transfers and calls for companies to document and audit policies and procedures. CBRs are permanent and never require reapproval.

Standard Model Clauses: Standard Model Clauses facilitate data transfers to entities outside an organization. The data importer agrees to data security stipulations outlined by the data exporter. Model Clauses exist now, but none are specific to GDPR. Model Clauses are intended for simpler data transfers; companies with large and varying data transfers likely will require another avenue.

Other Frameworks

Approved certification, ad hoc contracts and derogations are all potential frameworks for data transfer under GDPR. An industry code of conduct, as defined in Article 40 of the GDPR legislation, also has caught the attention of some travel players, though an early effort has fizzled. American Express Global Business Travel chief privacy officer Kasey Chappelle is a code of conduct proponent, and she points to industry associations like the Global Business Travel Association and Association of Corporate Travel Executives as potential leaders in that movement. Samantha Simms, an information law attorney who specializes in GDPR issues and data privacy strategy for large multinational organizations, is more skeptical. “There are a huge number of independent but interconnected players [in travel]. Given the wealth of data these organizations handle, it may be that they want to embed GDPR into their organizations and understand their landscape first before they come together to form consensus.”

Digging into Data Protection

Every data processor in the travel program ecosystem requires a risk impact assessment and a data processing agreement. Several major travel partners qualify as data controllers in their own right, easing liability concerns for corporates under GDPR. As with seemingly everything in travel, however, the relationships can get complicated.

Travel suppliers like airlines, hotels and car rental companies are data controllers under GDPR. Travel buyers are not required under the law to nail down these data and liability relationships, not even with preferred partners. Fortunately, transmitting necessary employee data to these partners need not rely on consent from the traveler, as the information is critical to delivering the services

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that are purchased and in certain instances is required by government entities for regulatory purposes (*see sidebar below*).

Travel management companies are in a murkier position. It's possible to contract with a TMC as a data processor, according to Radius Travel senior director of information technology and data privacy officer Chris Giordano. However, "the role the TMC takes under GDPR in some ways determines the services they are able to provide. If [a TMC] chooses to be a processor, it could limit what they do as a business," he said.

Beyond Consent

Actively getting consent at the point of data capture is just one way to justify capturing data. It's not the only way. In some cases, it's not even the preferred way. "Relying on consent as a catchall is going to be quite difficult in an employee-employer relationship but also in a traveler-travel provider relationship," said The Information Collective founder Samantha Simms. GDPR recognizes other data capture justifications: contractual necessity; regulatory compliance; vital interest, literally meaning a life-or-death situation; legitimate interest; and law enforcement. It must be clear at the point of collection, however, why the data is required, how it will be used and how long it will be retained. Sensitive data like race, ethnicity, health issues, disabilities and sexual orientation may be captured only via consent.

Because of this, most TMCs have taken the role of a data controller. "It seems weird for a TMC, which is technically a vendor, to be a data controller," said American Express Global Business Travel chief privacy officer Kasey Chappelle, but the law allows for co-controller relationships, giving such vendors the same liability obligations as the data owner. "In the normal procurement process, the systems are set up to assume the vendor is a processor, [but] the TMC relationship requires nuance and it has to be looked at from a functional perspective."

A number of TMC activities put it in the data driver's seat: policy enforcement, supplier negotiation and program optimization initiatives that TMCs may assume. "Of course, we are a vendor and the corporate calls a certain number of the shots, but we are also directly responsible for calling some of the shots when the data is in our remit," she said.

Even as a co-controller, Giordano said TMCs need to provide transparency to corporates about data transfer and downstream processors, including global distribution systems, online booking tools, mid-office processors and others. Because TMCs maintain traveler profiles, they could have access to sensitive information like meal preference that reveals ethnicity or health-related issues. Corporates need assurances that traveler profile information is secure and will be handled properly. TMCs also must adhere to breach notification requirements and assist corporates in supporting data rights and access for individual travelers.

Other vendors fall more easily into the data processor category: online booking tools, meeting management tools and expense management systems are good examples. With these, "it's a matter of methodically going through the list, prioritizing it and going back to basics," said Simms. "Understand the data inventory flowing to each provider. Make sure you've satisfied the transparency requirements about how the data will be used. Define [in the contract] who's responsible for data privacy and capturing consent if that is required—and how best to capture it."

Travel's Embedded Challenges

GDSs could present a particular challenge for travel. It's a problem because GDS technologies permeate the travel industry, not just for content and ticketing but also as technology partners for TMCs, airlines, hotels and even other technology providers.

As of 2009, GDS providers have handled data according to an EU Code of Conduct adopted by the European Parliament

for computerized reservations systems, and they were considered data controllers under the 1995 Data Protection Directive. A recent article in *The Company Dime* purported the GDS's role as controller could change under GDPR. The story quoted an unnamed travel tech data privacy official as saying, "No one really knows, and no one will know until there is enforcement action" under the new regulation. That might not take long.

GDSs facilitated about 60 percent of the 1 billion air tickets purchased in 2015, but they've proved to be a weak security link in the travel technology chain. High-profile security breaches at Sabre and Sabre Hospitality Solutions in the past three years have called attention to the issue, as did a late 2016 hackers convention, Chaos Communication Congress, that showed how easy it is to access passenger name record information and that it's the key to unlocking personal information on travelers in all the major GDS systems. If GDS providers are not considered controllers under GDPR, it could unleash a cascade of issues for partners.

At least for travel buyers, and likely for other partners, Simms is confident that the GDS's controller role will stay put under GDPR, though she admits it's complicated because of the number of services and technologies they provide to the industry. "The GDS sits at the heart of the travel ecosystem," she said, then posed a rhetorical question: "Can we as parties that sit outside that position expect to define how and why the GDS is using data?"

Rather, Simms believes GDPR offers the industry an opportunity to flip that question. "What we should be looking at, if the GDS is a controller, is why other booking repositories are not," she said. "Any repository that performs by a factual analysis as a GDS—if you are doing the same thing but with hotel or rail or different content—I would think we should consider a controller. [And] if they are breached, should it not be their responsibility under the GDPR to take necessary actions as a controller rather than reporting back to the large number of subscribers? To date, we haven't taken a good look underneath the bonnet of data flows within travel. GDPR allows us to take a much closer and detailed look." ■

"We are a vendor and the corporate calls a certain number of the shots, but we are also directly responsible for calling some of the shots when the data is in our remit."

—AMERICAN EXPRESS
GLOBAL BUSINESS TRAVEL'S
KASEY CHAPPELLE



Traxo Automates Transmission of Booking Data to Third Parties

Traxo Connect clients now automatically can send travel data to suppliers that appear in the new Traxo Marketplace (see below). The travel data aggregator already captures booking data from booking confirmation email forwards and direct connects with travel management companies and partners like Lufthansa. Now, within the Traxo Connect dashboard for itinerary and spend management, a travel manager can turn on the data-transmission function for a given supplier, Traxo CEO Andres Fabris explained. That allows that supplier to receive that booking data in real time via an application programming interface. Likewise, clients can switch the capability off by supplier. If a travel manager has turned on data transmission with Chrome River, for example, the booking data Traxo aggregates will flow from Traxo Connect to the expense management system. If the corporate client later switches expense providers, the travel manager can switch off the Chrome River transmission.

—JoAnn DeLuna

Traxo Marketplace's 13 Launch Partners

Expense Management

Abacus
AppZen
Chrome River

Travel Management Company

Business Travel Direct

Risk Management

Anvil
Drum Cussac
iJet
International SOS
Jesi
Two10degrees

Rate Reshopping

Tripbarn
Yapta

Other

AirHelp

Anvil Brings Medical in House

BY AMANDA METCALF

Travel risk management provider Anvil no longer partners with third-party medical assistance companies and instead has brought the service in house under the name Anvil Assist. The change makes security and medical assistance a one-stop shop, or rather a one-phone-call service.

Anvil services can be procured individually or bundled, and a spokesperson told BTN that Anvil clients who had received medical assistance through Anvil partners will see no increase in costs.

Major incidents, especially, “almost always require a coordinated medical and security response” to connect the dots—“tracking the situation live, locating people, organizing medical treatment and getting the client to safety”—the spokesperson said.

So Anvil has recruited 20 medical responders who are trained medical professionals and is hiring more. Dr. Juliane Kaue—a fellow of the Royal College of Physicians, specialist in acute and critical care medicine and founder of the Society for Rapid Response Systems who also was a flight doctor for 20 years—heads the team as chief medical officer. The in-house medical responders “directly manage all medical cases from pre-deployment screening and clearance to travel, initial diagnosis and local treatment to repatriation and post-travel care,” according to Anvil.

More than 400 medical consultants back up the in-house team, which sits in the same room as the security personnel in Anvil’s global operations center in the U.K.

Post-Travel Care

Anvil also has added post-travel care, claiming to be the first medical-assistance provider to do so. “We make sure travelers who have experienced medical issues abroad or been caught up in a major incident are mentally and physically well and able to successfully complete their treatment and return to work,” the spokesperson said. “We’re aware that incidents, even minor ones, can have a significant impact on individuals, so we continue the care afterward. Assistance goes far beyond just treating the immediate condition.” ■

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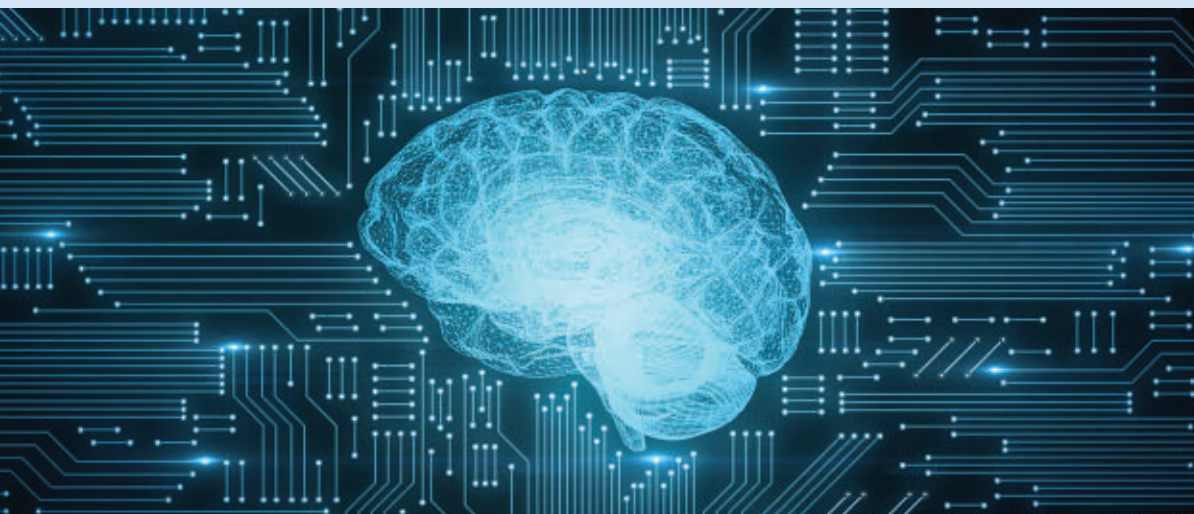
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Five Kinds of Expense Fraud & How AI Can Help

BY ANANT KALE



Every corporation wants to believe its organization is well run and all its employees have good intentions. The majority of people do, but in every organization, there are a few who are committing fraud, and people who get away with it will keep pushing the boundaries. There also is, of course, a lot of unintentional waste simply from human error. After payroll, expenses are the biggest cost for a business, but because of time and cost, less than 20 percent of expenses go through proper auditing.

Here are the most common tactics among employees looking to defraud their companies on their expense reports and how the burgeoning field of artificial intelligence is helping.

1) Mislabeled Expenses

This trick is as old as cashless transactions themselves. When we purchase pillowcases at Walmart, we expect to see the retailer spelled out clearly on our bank statements. Such transparency is less valuable in, say, the gentlemen's club industry. To monitor for charges that are not what they appear, today's AI systems can automatically cross-check each expense report receipt with data from review sites like Yelp and TripAdvisor. For example, AppZen's machine learning program detected employee meals that were reimbursed at "K-Kel, Inc.," which, it turns out, is the name that appears on receipts for the Spearmint Rhino strip club in Las Vegas.

2) Subtle Transfers of Wealth

Sometimes it's fun to take the team for coffee. We've all been there; it's not a crime. Sometimes it's also OK to spend more than \$20 at Starbucks—maybe grab a sandwich for the flight to go along with the latte and

AI is beginning to serve us in daily, practical endeavors like shoring up occupational fraud and making the workplace more transparent.



Anant Kale is CEO of AppZen

the fruit plate. What's not OK is expensing a hefty amount at Starbucks when you're actually refilling the retailer's gift cards for personal use. This isn't treating your team or treating your belly; it's treating yourself to low-level fraud. AI tools that use natural language processing, computer vision and machine learning can analyze vast internal and external data sets and sources in real time, identifying unusual behaviors and creating risk scores to build a full understanding of each expense.

3) Illicit Upgrades

Those who travel often for work learn something pretty quickly: Business travel is a lot less glamorous than it seemed when we were younger. The revelation can lead to frustration and even a sense of entitlement that can manifest itself in upgrades that are at odds with corporate policy like the time AppZen's AI technology flagged an unusual pattern occurring with the expense reports one traveler was submitting to an AppZen client. The U.S. auto manufacturer employee was found to be upgrading his rental car—against policy—to a Mercedes.

4) Gateways to Larger Crimes

Occasionally, employees find themselves involved in larger, fraudulent webs. Whether it's via side hustle or broader schemes at their day jobs, some employees eye prizes well beyond their companies' established parameters. On behalf of a major semiconductor company, AppZen's AI discovered that a client's employee expensed a meal for someone who worked for a company on the U.S. Office of Foreign Asset Control's list of entities with whom Americans are prohibited from doing business. AppZen also has caught employees who treated their families to dinner multiple nights a week.

5) Stuff Hidden Under "Miscellaneous"

The "misc" category is helpful; it can be a major time suck to itemize all the tiny transactions of a common business trip, and no one wants to hear all about that \$2.25 spent at the parking meter in front of the business lunch. Yet where there is great freedom, there's opportunity to exploit. AI has helped companies catch numerous sorts of willful missteps loitering in the miscellaneous column—including extra luggage, personal dry cleaning, home Internet access and TSA Precheck registrations.

AI no longer means robots making cocktails for humans lounging by the pool. Rather it is beginning to serve us in daily, practical endeavors like shoring up occupational fraud and making the workplace more transparent. It is not about replacing jobs but rather about empowering someone in any given role to focus on the issues that really need his or her expertise. An endless pool of human resources and time will never track to the level of detail that a powerful AI engine can today. It is on the cusp of transforming how we work, not only with expenses but across every part of the business. ■

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