

# BTN

BUSINESS TRAVEL NEWS



**TRANSPORTATION**

All eyes may be on leisure, but United Airlines CEO Scott Kirby is betting long-term on a strong recovery in business and international travel.

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**PAYMENT & TECH**

Explaining the extensive complexities of Strong Customer Authentication, the new mandatory cardholder verification process in Europe.

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**VOICES**

Airlines should reinvent their payment function and put it at the heart of their digital retailing strategies, argues Thredot's Eric Léopold.

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## TOP STORY



BY DONNA M. AIROLDI

## Designing Recovery

**WITH VACCINES FLOWING, ANALYSTS PROJECT THE NEAR-TERM FUTURE OF TRAVEL AND MEETINGS**

Pandemic conventional wisdom has held that corporate transient travel would be the second industry sector to recover, behind leisure travel. But that view isn't unanimous. Scott Berman, principal and industry leader for PwC's hospitality division, for one, predicts business transient will be fourth in line for recovery.

Multiple hotel companies during their fourth-quarter 2020 earnings calls reported an uptick in small corporate meetings and events, and that is the segment Berman projects will be the second to recover. Hyatt Hotels Corp. CEO Mark Hoplamagian during the company's most recent earnings call hinted that that would be the case as well.

"I really believe the small corporate meeting will come back quickly," Berman

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## NDC Adopters Ready to Move Beyond 'Plumbing' Projects

BY MICHAEL B. BAKER

Covid-19 during the past year might have shoved New Distribution Capability out of the corporate travel spotlight, but in the past few months, a number of big industry announcements regarding the International Air Transport Association's standard have popped up.

Emirates, for example, announced it will launch in July an NDC-enabled direct-connect platform, Emirates Gateway, with exclusive content and services—while at the same time introducing a surcharge of up to \$25 per ticket on global distribution system bookings. The Lufthansa Group closed out last year with a pair of NDC content deals with both Sabre and American Express Global Business Travel. American Airlines, meanwhile, in February announced new NDC bundles for its NDC-capable agents, including a "Corporate Experience" offer that includes such perks as complimentary access to preferred

seats and priority privileges for Business Extra travelers, and Amadeus, Travelport and Fareportal's online travel agencies all have announced they would distribute them.

Expect those announcements to continue flowing in the coming months, as some distribution experts say 2021 could be a transformative year in terms of NDC.

"Despite the unprecedented difficulties the industry faced in 2020, 2021 will see in many ways an acceleration of the change that really started to manifest itself in 2019," said Bill Cavendish, a former Emirates VP of distribution strategy who recently joined technology provider Accelya to oversee its NDC strategy with airlines. "Many airlines were already well down the road to grasping the opportunity being afforded around the new technology."

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Hess Corporate Travel CEO Alan Hess discusses pursuing M&A during Covid and looming structural change.

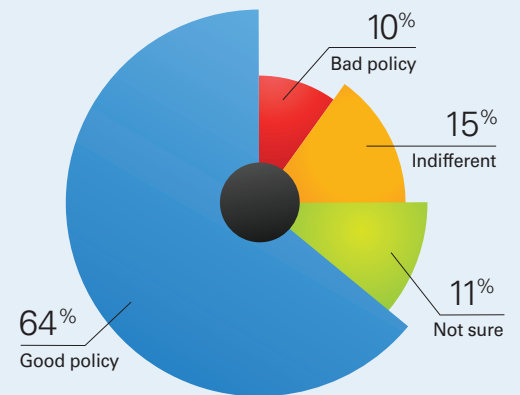
"A fee for a transaction has its weaknesses, but almost everything else is worse. If you're [charging] an annual management fee, you're either going to be overcharging or undercharging."

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### Travel Managers on Health Passports

What do you think about government-issued Digital Health Verification passports to help open up travel?

Source: Global Business Travel Association March 8-13 survey of about 302 member travel managers and procurement professionals



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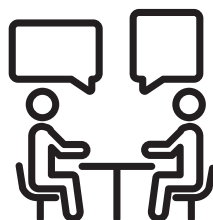
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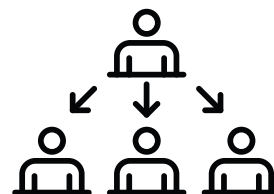
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# Delta to End Middle-Seat Blocks, Extend Tix Validity

BY MICHAEL B. BAKER

Delta Air Lines has mapped out its plans for an expected boost in travel demand over the next few months, including an end to its capacity-control measures, a faster track to elite status and extended expiration dates for ticket vouchers.

Delta's policy of blocking middle seats now will expire on May 1, marking the end of the carrier's status as the sole remaining major U.S. carrier holding to the policy beyond premium cabins. CEO Ed Bastian said that 65 percent of travelers who flew Delta in 2019 expect to have at least one dose of a Covid-19 vaccine by that date, which provides "the assurance to offer customers the ability to choose any seat on our aircraft."

At the same time, Delta announced extensions of ticket expiration dates and loosened requirements to earn elite frequent-flyer status this year.

All tickets that were set to expire this year as well as all tickets purchased this year now will expire on Dec. 31, 2022. This is in addition to the extension Delta gave last year for tickets bought during the onset of the pandemic, which already had been extended to the end of 2022. Tickets typically expire one year after purchase.

The carrier also is extending the change-fee waiver for Basic Economy tickets to cover tickets bought through the end of April.

SkyMiles members, meanwhile, on April 1 began earning premiums on status points to enable them to earn elite states with less travel. All members get a 50 percent bonus on Medallion Qualification Miles, Medallion Qualification Segments and Medallion Qualification Dollars for Delta-operated flights, and that bonus is upped to 75 percent for travelers buying tickets in premium cabins. Rewards travel for the first time will count toward status as well.



**CEO Ed Bastian said that 65 percent of travelers who flew Delta in 2019 expect to have at least one dose of a Covid-19 vaccine by May 1.**

The carrier has added new tools to its website, including new resources to help find on-site or at-home Covid-19 testing when required by a destination. Other new features include a map-based booking tool that shows which destinations are open for travel and pricing.

Later in the spring, Delta will add a new digital tool for check-in, test verification and boarding on select international flights from the United States.

Delta has plans to add some new food and beverage options as well over the next few months. On April 14, the carrier will begin offering 7.5-ounce cans of soda and a new snack offering that includes healthier options such as almonds and Clif Bars to Economy passengers on domestic and short-haul international flights. The carrier also is restoring coffee and tea service and is adding pre-made and canned cocktail options for travelers, such as old-fashioneds and margaritas.

Hot food options will return for Delta One and First Class passengers on select transcontinental flights in June, and Delta will begin serving fresh boxed meals to First Class travelers on other domestic routes in early July.

## Delta Adds Execs

Meanwhile, Delta has created two new executive positions to oversee its efforts in both sustainability and in diversity and inclusion.

The carrier promoted Keyra Lynn Johnson, a 25-year Delta veteran who has led the company's diversity and inclusion efforts over the past few years, to Delta's VP and chief diversity, equity and inclusion officer. Johnson will lead Delta's efforts to be "an anti-racist, anti-discrimination organization," including working with an action plan announced last year that includes increasing the percentage of Black leadership at Delta to reflect its employee base, reworking its talent strategy to increase diversity and creating opportunities for underrepresented groups.

Delta also named Amelia DeLuca as its managing director of sustainability, where she will work on the carrier's long-term strategy to reach carbon neutrality. DeLuca has worked with Delta for 15 years in various sales, revenue management and network planning positions. ■

# New Control, Messaging Capabilities Coming to Concur TripLink

BY ADAM PERROTTA

SAP Concur plans new administrative control functions for its TripLink direct-booking capture tool, enabling travel managers to customize how integrated suppliers are presented within the platform and deliver policy-based messaging to travelers, the company announced.

Set to roll out to all TripLink users in the second quarter of 2021, the new controls are designed to offer a more "managed travel program feel" to the service for those clients who want the ability to more closely guide booking behavior and high-

light preferred suppliers, said Concur vice president for global travel strategy Brian Hace.

With an increased emphasis on compliance and duty of care widely expected to be the post-Covid order of the day, many corporate travel managers seek to balance control with traveler freedom, Hace said. TripLink's new admin controls are designed to assist that balancing act with more robust messaging capabilities around guidelines and preferred behaviors, along with finer controls over how particular suppliers are

presented in TripLink, he noted.

"You get the flexibility to take the [message] out to your travelers and educate them on how to best book in alignment with your company strategy," Hace said of the advantages of the new controls.

Those messages will be able to be delivered during the process of a user linking their account with a supplier within the TripLink interface—for example, an alert discouraging direct booking and directing a traveler to the company's preferred channel—or triggered by a specific booking. The controls also will enable managers to choose how suppliers are presented within TripLink to highlight specific preferred suppliers, as well as to inactivate particular suppliers as needed, Hace said.

"This is a big step in giving some more control and bringing a managed travel experience to TripLink," while still maintaining the option of allowing and capturing direct booking, Hace noted—describing the new controls as "an evolution of TripLink, and one we'd assumed would happen over time." ■





## Despite Demand Dearth, TMC Hess Grows by M&A

Bountiful, Utah-based midsize corporate travel agency Hess Corporate Travel in February announced it had acquired Salt Lake City-based Wycoff Travel, a smaller, predominately corporate agency, for an undisclosed sum. Hess, which in 2019 had \$119.5 million in sales, 95 percent of which was generated by business travel, according to Travel Weekly, thus joins the roster of travel management companies that have plowed ahead with M&A during the pandemic. Hess CEO Alan Hess, who said the deal actually was finalized last summer, late last month spoke with BTN managing editor Chris Davis about the company's strategy for recovery. An edited transcript follows.

### WHY DID YOU TAKE THE STEP OF ACQUIRING AT THIS POINT, AND WHY WYCOFF?

Over the years we've bought a few companies—not many, a couple. The biggest one was [the business travel division of] Morris Murdock Travel a dozen years ago. In this case, it was just a friend of a friend who said, "Why don't you talk to us?" They kind of came to us and it was a very friendly, "What can we do for you?" That kind of thing. And we brought them in with a minimum of fanfare. It's just a good fit to bring them in.

### HOW DOES DOING THIS IN THE MIDDLE OF A PANDEMIC CHANGE THE EQUATION, NOT ONLY IN TERMS OF VALUATION BUT ALSO IN TERMS OF DEMAND BEING WHAT IT IS?

Yeah, you have to try to evaluate a business based on revenue that's not there. What we did with these folks is, we just said, "Look, we'll create a scenario where we can pay you out over time, based on actual revenue over time." And so we didn't focus so much on coming up with a price as we did with a formula. To their credit, they're really good guys. Their big concern was for their employees. And so we made it a priority to make sure that their staff is well taken care of and would have a home.

### WHAT KIND OF WORKING ASSUMPTIONS ARE YOU WORKING UNDER AS TO HOW THE PANDEMIC GOES FROM HERE, AND WHAT DOES THAT MEAN IN TERMS OF BUSINESS TRAVEL COMING BACK, IF IT DOES?

Consider the fact that every prediction I've made in the last year has been wrong, along with everybody else. As we entered into this train wreck a year ago, in terms of the triage, [our goal] was to stabilize financially and operationally, which we did. It was hard to part ways with good people, but we needed to have some of that happen. Then we focused really hard on communicating and strengthening relationships with customers. They're not gone, they're just sort of dormant.

Our relationships with key suppliers have been strong and are building. I think we're prepared. At first, everybody was kind of like walking a plank—how long can we go before we run out of money?



Hess Corporate Travel CEO Alan Hess talks:

- The challenges of valuation in a pandemic
- The state of corporate travel demand
- The viability of the transaction-fee model

**"We handle our share of RFPs. That's not our preferred way to get a client. RFPs, we think, are a commoditization of what we do."**

We're way past that. We've stabilized, so we're not walking the plank anymore.

I think that by mid-summer we're going to start to see quite a bit of additional activity in the business travel side. And in certain areas like Western Europe, international destinations opening up, I think that will happen by mid-summer. Even if it's not all the way, it'll be more than now. And with the team we have in place, we can handle it.

### IS THAT WHAT YOU'RE HEARING FROM CORPORATE CLIENTS, OR IS THAT MORE BASED ON WHAT YOU'RE SEEING OUT IN THE MARKET?

It's more what I'm seeing. Again, I have a bad record for predicting, but I think it's going to happen. As you know, there are two parts to that equation for business travel. A traveler's got to be willing to go, but he's got to have a customer willing to receive him or her. And I think that will start to slide back in. I think that overall business will regain some form of normalcy by summer with community immunity rising, and vaccinations approaching 30 or 40, maybe 50 percent of everybody by summer. At least in the U.S., I think we'll see strength coming back. So we're happy to see that. And we think it's coming.

### YOU MENTIONED BEFORE YOU DID HAD CUTBACKS WITH THE PANDEMIC. WHAT ABOUT THE OTHER SIDE OF THAT? WERE YOU ABLE TO TAP INTO ANY GOVERNMENT PROGRAMS LIKE THE PAYCHECK PROTECTION PROGRAM?

Yes, we did. Yeah. The PPP distribution is very helpful in terms of stability and covering cash flow. It was crucial to have that so that you could bridge all that's going on. ... We've used our PPP funds 100 percent for payroll, for paying people.

### IS CORPORATE CLIENT ACQUISITION STILL GOING ON WITH NOBODY TRAVELING? ARE YOU STILL SEEING REQUESTS FOR PROPOSALS?

It's very interesting. We handle our share of RFPs. That's not our preferred way to get a client. RFPs, we think, are a commoditization of what we do. A lot of our [business] is referral. And during this time, even though things are really different, we have added nine substantial good accounts. Those are also sort of dormant. I mean, we're not seeing the results yet, but we've added during the last year.

### WHAT DO YOU THINK ABOUT SOME OF THE DISCUSSION OF THE VIABILITY OF THE TRANSACTION-FEE MODEL, AND SOME EFFORTS TO CHARGE CLIENTS BASED ON DIFFERENT MODELS?

I think that a fee for a transaction has its weaknesses, but almost everything else is worse. If you're trying to figure out an annual management fee to charge somebody, you're either going to be overcharging or undercharging. There are a lot of ways to try to charge the customer. You can unbundle or bundle. We're having all these conversations as well, but seems to me that most customers benefit from having travel be a variable expense. And the way you make it a variable expense is you charge them for what you do, which is generally best in some fashion related to the transaction. So I personally think that a transaction-based fee structure is still probably better than others. I don't think a fee per transaction is likely to go away. ■

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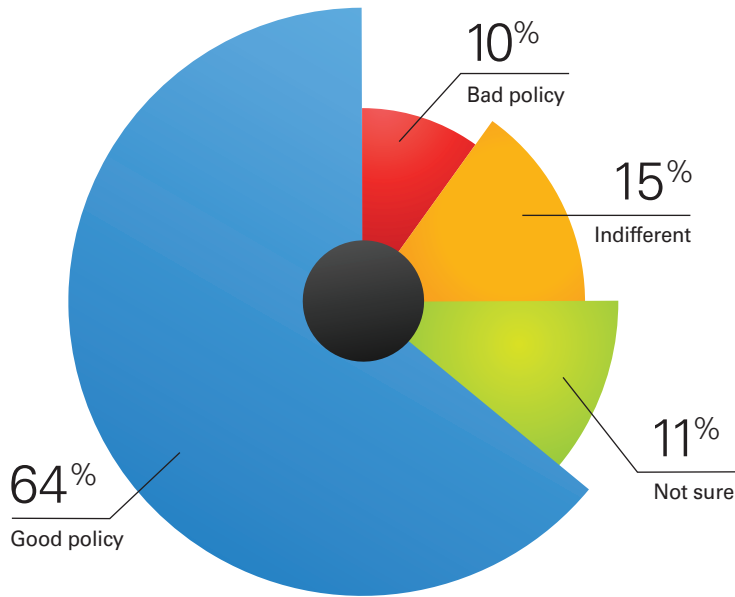


## Industry Finding Ways Forward

Several travel suppliers, including U.S. airlines and Sabre, in the past few weeks have reported increasing booking and travel activity as the pace of Covid-19 vaccination accelerates in the United States and United Kingdom. While business travel continues to lag in booking activity increases, some buyers and planners are considering the measures necessary to resume activity when ready, including the potential use of health passports and testing and vaccine requirements.

### TRAVEL MANAGERS ON HEALTH PASSPORTS

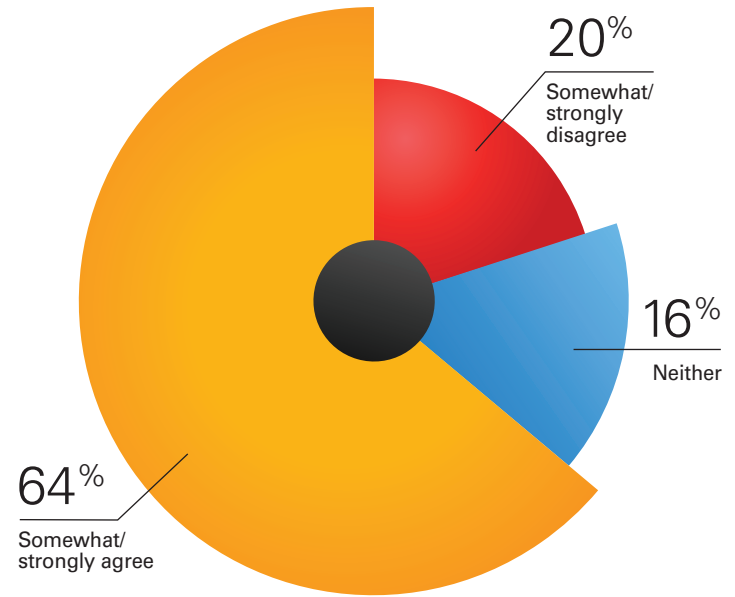
What do you think about government-issued Digital Health Verification passports to help open up travel?



Source: Global Business Travel Association March 8-13 survey of about 302 member travel managers and procurement professionals

### BUSINESS TRAVELERS: WE MISS IT

Is your job less enjoyable without business travel?



Source: PromoLeaf/Censuswide March survey of 1,003 U.S. business travelers

# 34%

DECLINE IN MARCH 2021 GROSS HOTEL CRS TRANSACTIONS VS. MARCH 2019, THE LOWEST DECLINE SINCE THE PANDEMIC BEGAN.

Source: Sabre

### CORP. PLANNERS READY COVID MEASURES

Anticipated actions for upcoming in-person or hybrid meetings

Require masks and adherence to all protocols	77%
Conduct rapid tests on-site	25%
Require proof of recent negative Covid test	24%
Require proof of Covid-19 vaccination	19%
Undecided/to be determined	50%
Other	11%

Source: Northstar Meetings Group Feb. 16-March 4 survey of 121 corporate meeting planners

### ARC: U.S. CORP. AIR SALES SLOWLY GAIN

7-Day Period Ending	Agency type vs. same week in 2019		
	Corporate	Online	Leisure/Other
March 14	-83.1%	-37.4%	-59.3%
March 21	-82.3%	-22.9%	-56.2%
March 28	-81.6%	-26.9%	-56.1%
April 4	-81.0%	-29.8%	-59.1%
<b>52-week average*</b>	<b>-87.6%</b>	<b>-59.7%</b>	<b>-74.3%</b>

\* Rolling average of prior 52 weeks vs. full-year 2019 Source: ARC

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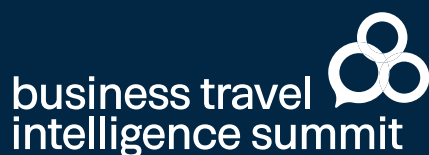
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## BCD Life Sciences Takes on Patient Travel

BY ELIZABETH WEST



BCD Travel announced its Life Sciences Center of Excellence in February and has now rolled out a new focus on patient travel. The move is intended to support the unique needs of the patient but also to leverage the benefits of a company's corporate travel program.

"We started receiving customer requests about a year and a half ago, asking what we were doing in this space," said BCD Life Sciences Center lead and VP global client team Jessica Azoulay. "BCD has rich experience across life sciences, but with patient-centricity so important in life sciences today, our customers started looking for new and better ways to manage their patient travel."

The model for health study teams today is for healthcare and pharmaceutical companies to partner with contract research organizations like Paraxel or Icon. These organizations, over time, have expanded their remit to manage travel and logistics related to patient needs. But, according to Azoulay, there's a lack of transparency on what is happening on the patient level when it comes to travel.

"These organizations serve a really valuable [purpose] in the ecosystem. They do things we would never entertain," said Azoulay. But, she added, when it comes to travel, BCD wants to realign the roles and responsibilities to ease the burden on study teams and also to ensure the sponsor company optimizes the travel piece.

"We know [CROs] aren't leveraging corporate rates by and large [and they may] lack the information to bring that full negotiation power to the table when they are talking to suppliers," she said. "We also think there is a gap in duty-of-care management because the reporting isn't there to bring in the patient detail."

Part of the solution for patient-centricity in travel was scaled by forming BCD's Life Sciences Center of Excellence, said Azoulay. "We've had the teams and the expertise for a number of years," she said, adding that formalizing the center has allowed the company to put more process around how to share best practices across the life sciences practice and to offer unique solutions to clients.

### Centering Flexibility

Since the initial announcement of the center of excellence in February, BCD has experienced a "groundswell of interest," according to Azoulay. And the center is flexible in terms of working directly with the sponsor company or with the designated CRO to provide the right set of services and solutions.

Other key pieces are still in play, however; specifically, the tech-

nology platforms that the center will use to deliver those tailored travel solutions, specialized reporting and duty-of-care management to their clients.

"There are a lot of opportunities in both the meetings and travel space in terms of technology," said Azoulay. BCD is evaluating those options but remains open to the idea that the technology pieces that ultimately make up the platform may not be those traditionally used in the corporate travel space, given the sensitive patient information required as well as the regulatory and compliance requirements that are deeply embedded in the life sciences category.

"We need new solutions to solve recurring challenges across our client base," said Azoulay. "On the meetings side, it could be reconciliation and payment. On the travel side, it could be creating a single experience for the patient, knowing they need to manage a number of requests and appointments along their journey. We are trying to catalog what is there now, and what solutions we could build or develop."

BCD has "a number of big customers we are talking to and that are very engaged with us" regarding the Life Sciences Center of Excellence technology roadmap. The center has run several workshops with those customers to define their needs and "solve for their recurring challenges," said Azoulay.

The deep focus on patient travel is just one way that BCD's Life Sciences Center of Excellence aims to prove that company is the right one to work with as healthcare, pharmaceutical, medical device and insurance companies—which have been among the few verticals that continued to travel during the pandemic—think about their specialized travel management needs.

"This is a differentiator for BCD," said Azoulay. "We are the only organization that has the experience and the focus to solve these challenges."

As specific business verticals recover and essential travel becomes more robust in industries like marine, oil and energy, as well as entertainment and film production, the industry may see more specializations like this emerge in travel management as TMCs invest to capture active clients with unique service needs. ■

**"We started receiving customer requests about a year and a half ago, asking what we were doing in this space. BCD has rich experience across life sciences, but with patient-centricity so important in life sciences today, our customers started looking for new and better ways to manage their patient travel."**

—BCD'S JESSICA AZOULAY



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## P&G Is A Feather In FCM's 'Grow-To-Win' Cap

BY JAY BOEHMER

Procter & Gamble has awarded FCM Travel Solutions a contract to be its travel management company in North America and Europe, FCM announced last month.

P&G is "one of the largest consumer goods companies in the world," noted FCM, and is among the 100 top corporate travel spenders at the U.S. point of sale, as ranked in BTN's 2020 Corporate Travel 100 report based on 2019 U.S.-booked air volume. Last year, P&G ranked 56th. The report named Egencia as the company's TMC.

P&G becomes one of FCM's largest clients in North America, FCM parent Flight Centre Travel Group confirmed. FCM also provides travel management services in the region to such other CT100-level accounts as Honeywell and Toyota North America, according to Flight Centre.

FCM stated the P&G contract followed "a very competitive evaluation process that included the company's incumbent travel providers."

"The decision to move forward with FCM was a unanimous one," according to a statement attributed to P&G global travel director Helder Gaspar. "For us, it's important to look at not just what can be done today but to also look into the future and how we re-invent travel."

P&G was attracted to FCM's technology, account management and offline support as well as its "overall value proposition and compelling innovative vision FCM presented in tackling the expected challenges of post-pandemic travel and beyond," according to FCM.

FCM announced that P&G program implementation "will coincide with the expected return to travel envisaged in the first quarter of 2022."

### Securing Share

During a February investor presentation, Flight Centre Travel Group CEO of corporate Chris Galanty said the No. 1 priority for FCM and Corporate Traveler, Flight Centre's other corporate brand, which targets small and midsize companies, is to "win and retain customers to grow market share."

Galanty said typical FCM client contracts last for three to five years. "However, we always expect at least two cycles," he added, "so a five-year customer is actually normally a 10-year customer."

Galanty said FCM during its 2021 fiscal year, which began in July 2020, has won nearly US\$700 million of signed business, based on annualized client travel spend reflecting pre-pandemic travel levels.

"Although we don't expect the customers to trade at full levels this year, we are signing three- or five-year contracts, and we do expect it

**"Although we don't expect customers to trade at full levels this year, we are signing three- or five-year contracts, and we do expect it to get up to those levels during the length of the contract."**

—FCM'S MATT GALANTY

## The Beat

to get up to those levels during the length of the contract," he said.

Galanty during the investor presentation named the U.K. Foreign, Commonwealth and Development Office, Electronic Arts, Spotify, KPMG "in a couple of key European markets," Bosch, Tupperware and AXA as recent FCM wins.

He also said FCM's client retention rate is around 99 percent. He noted that "three of our top five customers were out for bid this year. We signed all three."

Galanty walked investors through FCM's sales cycle, which often is long for large, multinational corporate travel accounts.

"We really work on these leads for many years," he said.

It begins at "the top of the funnel" with "lead generation" and marketing, where FCM courts prospects years before they issue a request for proposals. Here, Galanty said, FCM conducts prospect outreach, talks up its "value proposition" and "why they should consider us in the RFP."

He said new wins in its current fiscal year are "spread around the world, but a big focus on both EMEA and Americas."

FCM claimed record account wins in its prior fiscal year, which ended June 30, 2020, despite the pandemic disrupting the back part of the period. Then, the TMC planned to "grow faster than the market" by winning share, said Galanty.

Flight Centre's "grow-to-win" corporate strategy is "not just about cutting costs and waiting for the market to recover," he said last year during the Australian-listed company's earnings call. "It's about going out there, winning new business, implementing the business and getting it trading." ■

## ISO OKs Advito Emissions-Tracking Methodology

BY ADAM PERROTTA

Advito's proprietary carbon-emissions tracking methodology has earned certification from the International Standards Organization, the corporate travel consultancy announced last month. Dubbed GATE4, Advito's methodology has been validated to meet the ISO 14064 and 14065 certification standards, both of which fall under the ISO's 14000 series of environmental management standards.

The name "GATE4" is short for Global Analytics for Travel Emissions, with the "4" representing the four forms of business travel for which the methodology can

be applied: air, hotel, rail and car. Advito since late 2020 has been piloting the methodology with clients, and the ISO certification means that the emissions-reporting figures now can be included in annual financial reports as recognized carbon calculations, Advito said.

Emissions tracking has been a focal point of growing efforts to create more environmentally sustainable corporate travel programs. But ensuring the accuracy of emissions measurements is critical, said Julien Etchanchu, who heads Advito's Sustainable Collaboration practice,

the sustainability-focused suite of services the consultancy launched in late 2019.

"The challenge is knowing ... what information to rely upon and what actions to take," said Etchanchu. "Unfortunately, with the existing industry standard, we found that travel managers and buyers were getting inaccurate emissions reporting across all categories, and that our calculations were sometimes two to three times lower or higher."

The GATE4 methodology also takes into account multiple components not included in standard carbon reporting, such as passenger-to-freight ratios, hotel eco-labels, amenities and rail operators' individual sustainability initiatives, Advito said. ■



# U.K. Gov't: Brexit Means Higher Business Travel Costs

BY AMON COHEN



The U.K. government has conceded that Brexit has created barriers to business travel in a report published March 24 by the House of Lords, the upper house of the country's Parliament. The report, written by the Lords' European Union Select Committee, warns that new restrictions on mobility will hinder the U.K.'s dominant services sector.

"We recognise that there are now additional processes when traveling abroad for work, including potentially longer lead-in times and additional costs associated with attaining the required paperwork," said the U.K.'s Department for Business, Energy and Industrial Strategy in a written submission to the committee. "The Government is committed to supporting individuals and businesses during this period."

Under the Trade and Cooperation Agreement signed by the United Kingdom and European Union on Dec. 24, 2020, many kinds of travel for work between the two now require a visa. Additionally, U.K. passport holders only may visit the Schengen Area—the EU countries among which travel without bor-

**The committee said it was especially "deeply concerned about the potential impact of mobility provisions in the TCA on the over two million people employed in the creative industries."**

der checks is permitted—for 90 days out of 180, while EU passport holders can enter the U.K. for up to six months at a time.

The report observed that Covid-19 travel restrictions mean the TCA's mobility provisions have not yet been tested, making their impact difficult to assess. A representative of the Department for Business told the committee it is "pulling together summaries of some of the guidance issued by different Member States on the visa and work permit arrangements that are in place."

The TCA's list of "permitted activities [without a visa] for short-term business visitors are limited and would 'exclude many activities,'" the report said, citing the U.K.'s Federation of Small Businesses. The committee warned that "barriers to U.K.-EU business mobility are a threat to the U.K.'s competitiveness and innovation, as well as to trade."

Services account for 80 percent of U.K. economic output, including £317 billion in exports to the EU, which in turn exports £217 billion of services to the U.K.. In 2019, 4.8 million U.K. nationals made business trips to the EU, while 5.6 million EU citizens made business trips to the U.K.

The committee said it was especially "deeply concerned about the potential impact of mobility provisions in the TCA on the over two million people employed in the creative industries, which could make touring prohibitively bureaucratic and expensive. We call on the Government and EU to work together to remedy this situation before international travel resumes." ■

## Marriott's Collection Brands to Expand

BY DONNA M. AIROLDI

Marriott International plans to add nearly 70 properties in 2021 to its Autograph Collection, Tribute Portfolio and Luxury Collection hotel brands, the company announced.

The Autograph Collection, created in 2010 with seven hotels, recently added its 200th property, the Grand Universe Lucca, located in a former 16th-century palazzo in Tuscany. The brand plans to add another 48 hotels this year, including properties in

Jackson Hole, Wyo., Montreal, Bucharest, Singapore, Seoul, Berlin and Istanbul. Nineteen of those expected additions will be part of Marriott's new all-inclusive platform with locations in Mexico, the Dominican Republic, Jamaica, St. Lucia, Antigua and Costa Rica.

The Kinley Chattanooga Southside, Marriott's 50th Tribute Portfolio hotel, joined the collection earlier this month, with 14 more additions planned for

2021, including the Hotel Riomar Ibiza, the Hiyori Chapter in Kyoto, and hotels in Washington, D.C.; Atlanta; Seville, Spain; and Shenzhen, China.

The Luxury Collection's 120th hotel is slated to be the Matild Palace in Budapest, Hungary, this spring. Three others are anticipated to join in 2021, including the Tasman in Hobart, Tasmania, and Josun Palace in Seoul.

Guests will be able to earn and redeem Marriott Bonvoy points at these hotels, and property members of the collection brands are required to follow Marriott's Commitment to Clean policy. ■





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## Designing Recovery

told BTN. “We’re already starting to see signs of that in terms of the fall bookings. These are not necessarily large corporate retreats, but meetings of 150 people or less looking to get back to socializing, sharing and creating. I think that small-meeting segment offsets some of the losses in corporate transient.”

Berman said he believes leisure travel will recover first, followed by small corporate meetings; groups, conferences and small conventions; and then corporate transient, in that order.

Several factors will contribute to whether this will be borne out, and Berman, along with other hospitality analysts interviewed by BTN, noted that whenever business travel returns, whether transient or meetings, it won’t be the same as it was in 2019, nor will it reach those levels for quite some time.

### A Permanent Loss?

Bill Gates’ prediction that business travel will be reduced by more than 50 percent was at the extreme end of projections of future losses, but it’s really anybody’s guess. “It is unquestionable that there will be a structural decline in business travel. Whether it’s 5 percent ... or 15 percent, there is no consensus on that,” said EY hospitality advisory leader Umar Riaz.

About 47 percent of those voting during a Jan. 29 EY webinar on business travel’s future with about 800 attendees projected that the long-term effects of Covid-19 would trigger up to a 25 percent reduction in business travel, Riaz said, and about 37 percent said the reduction would be larger.

Most at risk is travel for internal purposes, followed by attendance at conferences and events, Riaz said, adding that the need for travel to maintain contact with clients and customers likely would be less affected. “There is a re-evaluation going on about travel and how [it] drives business objectives,” he said.

Berman agreed. “The internal business meeting where nobody can point to a revenue increase or some sort of business gain is going to get cut,” he said. “It has been cut and likely is cut for good. But client-facing and [travel] that serves the commerce of the day, that is going to come back.”

When business travel returns, another potential

**“I’m really encouraged by the vaccines, and I’m even more encouraged if the CDC continues to communicate. ... I think corporate America is following that very carefully and adhering to it.”**

—PWC’S SCOTT BERMAN

change will be the length of stay, with potentially longer trips. “When people do travel, they’ll look for multiple reasons to travel and not just one reason,” Riaz said.

Those longer stays may have tax implications, particularly for extended stays that go beyond 30 days. “This depends on a state’s guidelines around a length of stay, but over a certain timeframe, it doesn’t become a nightly stay, it becomes a long-term stay, and the lodging tax decreases or disappears,” said Pam Knudsen, senior director of compliance in the lodging tax division for Avalara, a company that handles transactional taxes. “A lot of states have a 30-day window, but I think you’ll see more and more states increase that window to 60 or 90 days.”

### Factors Facilitating Return

Key to the return of business travel will be when corporations allow employees back in the office. “The openness to business travel is going to be highly correlated to the reopening of offices,” said Deloitte Consulting principal and U.S. hospitality sector lead Ramya Murali. “As we have conversations with our clients, that is the first step in their ‘return to normal.’”

Murali noted that some industries have seen a reduction in virtual meetings as they open up local offices, and “as those offices emerge, they are more open to conducting business travel,” she said.

The next step is assessing employees’ willingness to travel for business. “We’ve seen data where about 50 percent would be willing to travel, but some, a smaller percentage, were unwilling to travel for the foreseeable future,” Murali said. “That highlights that in the near term, there might be a need for more flexibility in travel policies given employees’ comfort levels.”

One dilemma, Berman noted, is that if office protocols allow employees more options to work remotely, the opportunity for face-to-face meetings decreases. “Given the choice of a webcast meeting in a week or a face-to-face meeting in 30 days, you’ll likely take that Zoom meeting in 10 days versus waiting [a month],” he said. “There is no science to this yet, but we could see more deceleration of that corporate transient.”

### Vaccines to the Rescue

The rollout of Covid-19 vaccines is another important element to how comfortable travelers will feel getting back on the road. About 53 percent of vaccinated respondents to a Deloitte Jan. 22-27 survey of more than 1,000 American consumers planned to spend on travel in the following four weeks, compared with 30 percent for the general population. Of vaccinated respondents, about 70 percent felt safe staying in a hotel and 54 percent felt safe flying versus 46 percent and 34 percent, respectively, of the overall population.

The U.S. Centers for Disease Control and Prevention’s new guidance for domestic travel, issued April 2, likely will contribute to traveler confidence. The CDC noted that fully vaccinated individuals in the United States can travel safely domestically without quarantine or pre-travel Covid-19 testing.

“I’m really encouraged by the vaccines, and I’m even more encouraged if the CDC continues to communicate,” Berman said. He spoke with BTN prior to the CDC’s most recent announcement, but noted at the time that when the agency addresses travel, “that’s going to be the next sign of timing the return,” he said. “I think corporate America is following that very carefully and adhering to it.” ■

### AA Filing Illustrates Optimism

American Airlines plans to reactivate most of its aircraft in the second quarter, citing strong demand and booking performance and reflecting a generally bullish attitude U.S. carriers are now showing for the upcoming summer travel season.

In a March 29 filing with the U.S. Securities and Exchange Commission, American noted “recent strength in domestic and short-haul international bookings” as vaccine distribution has grown. In the prior week, the carrier’s seven-day moving average of net bookings—which factors in new bookings minus cancellations—recovered to 90 percent of what they were for the same period in 2019. American’s domestic load factor was at 80 percent that week, although capacity for the full first quarter is projected to be 40 percent to 45 percent lower than the first quarter of 2019.

American “expects this strength in bookings to continue through the end of the first quarter and into the second quarter,” although “visibility regarding forward bookings remains limited.”

—Michael B. Baker

# United CEO Kirby: Corp., Int'l Travel Will Rebound Strongly

BY MICHAEL B. BAKER

Although domestic leisure travel will be dominant in the early stages of the recovery, United CEO Scott Kirby is betting long-term on a strong recovery in business and international travel.

Speaking last month at a CAPA Live virtual event, Kirby acknowledged that his outlook for business travel was “not the consensus.” An International Air Transport Association poll of about 4,700 travelers released this week, for example, showed that 62 percent of respondents said they expect to travel less for business even after Covid-19 is contained—a solid majority, albeit a smaller percentage than the last time IATA took such a poll, in September. Kirby, however, said he disagrees with the idea that a sizeable chunk of business travel will not return as companies have grown more accustomed to virtual platforms during the pandemic.

“Business travel is not transactional; it’s about relationships,” Kirby said. “Going to an event and socializing and having drinks, that’s where you get to know people whom you can pick up the phone and call them if you need them. We’re not going to get that [from virtual events.] It’s a question about human nature, and human nature has not changed.”

International travel, meanwhile, “will come back even stronger than domestic will” once borders begin to reopen and restrictions lift, Kirby said. While that recovery will take time, Kirby projected that long-haul international routes would be outperforming domestic routes by 2023.

United has taken a contrary position to many global airlines in terms of fleet during the pandemic, he said. Even as several carriers have been trimming their widebody fleets, United’s grew by 5 percent year over year in 2020.

Kirby is particularly bullish on transatlantic routes, saying the European market would be “one of the strongest in the world” coming out of the pandemic. Even though the market is getting some new entrants, JetBlue in particular, Kirby said the industry will benefit from a shift in the transatlantic competitive structure.

“There were players in the Atlantic who never made money and had a business model that had no chance of ever making money,” Kirby said in an apparent reference to Norwegian Airlines, which earlier this year announced it was permanently out of the long-haul business. “They’ve gone away.”

In a research note this month following a separate conversation with Kirby, Cowen’s Helene Becker said it’s too early to know whether United’s gamble will pay off.

“We buy in to the idea that the international passenger air travel industry’s competitive structure has shifted, given many participants reduced operations or



**“Business travel is not transactional; it’s about relationships. Going to an event and socializing and having drinks, that’s where you get to know people whom you can pick up the phone and call them if you need them. We’re not going to get that [from virtual events.]”**

—UNITED’S SCOTT KIRBY

gone bankrupt,” she wrote. “However, we believe the international recovery is ultimately too far off to make a call on if United’s move to grow the wide-body fleet instead of rightsizing, as peers did, will pay off.”

At the CAPA event, Kirby said he does not expect to see much airline consolidation in the United States as a result of the pandemic. U.S. airlines in general have been able to raise enough liquidity to get through the crisis, he said.

One effect that will endure, however, is the elimination of change fees, which United kicked off last summer, Kirby said. Asked whether they would ultimately return once the industry gets back to normal operations, Kirby said he had wanted to eliminate them even before the pandemic.

“That’s something I wanted to do for 20 years, but because it’s a billion-dollar decision, you kind of have to be the CEO to make that decision,” Kirby said. “That one is permanent.”

## United Boosts May Schedule

Meanwhile, United plans in May to fly more than half of its pre-pandemic schedule, including more flights to Latin America than it flew in May 2019, the carrier announced.

In total, United expects to operate 46 percent of its international schedule in May compared with 2019 levels, including resuming service to Tokyo’s Haneda airport from Chicago and service from Los Angeles to both Tokyo Narita and Sydney. Transatlantic service slated to return includes Newark to both Milan and Rome and Chicago to each Amsterdam, Munich and Tel Aviv. Leisure travel continues to drive demand recovery, with the carrier’s planned growth to “warm beach destinations” in Mexico, the Caribbean, Central America and South America to outpace pre-pandemic levels.

For its domestic network, United will use its new 50-seat Bombardier CRJ-550 fleet to add several new point-to-point routes over the summer. These include service, beginning May 27, to Charleston, S.C.; Myrtle Beach, S.C.; Hilton Head, S.C.; Pensacola, Fla.; and Portland, Maine originating away from its major hubs, from cities including St. Louis, Indianapolis, Milwaukee, Pittsburgh, Cleveland, Cincinnati and Columbus, Ohio. United also will add three new routes from its hubs—Houston to Kalispell, Mont.; Washington, D.C., to Bozeman, Mont.; and Chicago to Nantucket, Mass.—and resume service on 20 domestic routes.

In all, United plans to operate 58 percent of its domestic schedule compared with May 2019. Ankit Gupta, United VP of domestic network planning and scheduling, in a statement said that United in the past few weeks has “seen the strongest flight bookings since the start of the pandemic.”

## United Returns to JFK

United also has resumed service from New York’s John F. Kennedy International Airport after an absence of more than five years from the airport. The carrier now is flying five roundtrip flights a week from JFK to each Los Angeles and San Francisco and plans to increase service as demand dictates. United ended its JFK operations in 2015, a move Kirby since has called a “mistake” as it resulted in lost business from corporate clients who prefer JFK to United’s Newark hub. ■

# Cvent: Corp. RFPs Down, Hotel Programs Smaller

BY DONNA M. AIROLDI

The number of corporate transient hotel requests for proposals issued through Cvent's business transient product for 2021 declined about 35 percent year over year, Cvent officials said last month, and those clients that issued RFPs typically included fewer hotels. Several clients rolled 2020 negotiated rates into 2021, said Cvent VP of sales Janine Alsalam during last month's Cvent Travel Summit.

Still, she said, overall business transient RFP volume increased by about 5 percent year over year, due to RFPs received from agency consortia.

The typical late-summer-into-fall annual hotel RFP season in 2020 was delayed, Alsalam said, and Cvent didn't start to see a pick-up in requests until mid-fall 2020, then continued to see 2021 RFPs into February.

"For those companies that sent RFPs in both 2020 and 2021, 69 percent of them sourced fewer hotels than in previous seasons," Alsalam said. "Overall, for those companies that sourced in both years, their program size is about 78 percent of what it was in 2020."

An average 30 percent reduction in the number of cities included in RFPs primarily drove the typical program decrease, followed by a drop in the average number of properties sourced per city, Alsalam said, noting the latter declined from an average of 2.5 to two. Programs that increased in size on average sourced 53 percent more cities, with an uptick in the average number of properties per city included in their programs.

Cvent also noted a slight shift in the type of properties sourced toward lower-cost options. The share of economy hotels included in RFPs was up 1.3 percent year over year, followed by a 0.7 percent increase in independent properties and 0.5 percent increase in midscale properties. The largest share declines were seen in upscale (down 1.3 percent) and upper upscale (down 0.9 percent). The trend varied by region, however.

"Generally speaking, the U.S. and Latin America have the larger share of economy and midscale hotels being solicited, and that's followed by Europe," Alsalam said. "In Asia-Pacific, [the supply] sways more toward upper-upscale and luxury, and that downturn was not seen [there]. Those luxury properties retained or increased their share in Asia-Pacific, whereas in Europe and to a lesser extent in the U.S., there was a bit of a shift downscale."

## Transient Rate, Amenity and Volume Trends

Overall, Cvent said the average accepted weighted 2021 rate compared with the 2020 season dropped 5.3 percent, but that fluctuated. In the fall, rates were running about 10 percent off, then closed the gap, and that differed by chain scale, said Cvent senior director of analytics Jeffrey Emenecker. The average economy rate actually increased slightly, by 2 percent. Average rates at all other chain scales decreased from 2 percent for luxury to 7 percent for upscale and independent hotels.

There were no major differences in accepted amenities for the 2021 RFP season compared with the 2019 and 2020 seasons, according to Cvent. Free parking was included in 54 percent of accepted bids, down from 57 percent in 2020. Complimentary breakfast was included in 60 percent of accepted bids for 2021, down a tick from 61 percent for 2019 and 2020. The only increase in acceptance was for complimentary wireless access, included in 79 percent of the accepted 2021 bids, compared with 76 percent in 2020 and 74 percent in 2019.

Less negotiating occurred for the 2021 season, with the difference between submitted and accepted bids just 0.4 percent, compared with 2.6 percent during the 2020 season, due to a lot more rolling over of rates, Emenecker said.

The accepted average weighted rate by top cities didn't change significantly for most markets, with declines coming in at less than 10

percent for many locations, including New York, Chicago, San Antonio, Houston, London, Singapore and Beijing. Average rates rose slightly in Tokyo, Barcelona and Rome.

RFP volume by city, however, told a different story. New York was down 42 percent year over year, followed by Chicago, down 35 percent. Other cities down between 23 percent and 27 percent include San Antonio, Houston, London and Singapore. Bangkok saw the lowest drop in volume, with a decline of just 2 percent, followed by Paris, down 4 percent, and Rome, down 6 percent.

Some markets traditionally not the highest in terms of volume did see some year-over-year changes "that ultimately did bring that overall RFP volume number up 5 percent," Emenecker said. "Some of those other markets showed a little bit more strength than the very largest markets."

## Travel Buyer Survey Data

Meanwhile, about 74 percent of corporate travel decision-maker respondents in the U.S. and 51 percent in Europe expect per-trip budgets for 2021 to increase over those for 2019, according to a survey Cvent conducted Feb. 4-12 of 715 respondents from the U.S. and Europe.

Only 15 percent of U.S. respondents expect a per-trip budget decrease, while 32 percent from Europe do. Factors influencing the expected budget increase include longer stays, prioritizing additional safety measures and different types of F&B amenities.

For all the talk in the past year about switching away from purely static rates and discounts, Cvent didn't see a big shift toward dynamic rates for 2021, Alsalam said. However, 74 percent of U.S. survey respondents said they would request dual or dynamic rates during the 2022 sourcing season, and 18 percent were not sure. In Europe, 59 percent plan to request such rates, with 25 percent not sure.

A majority of respondents also said they believe that some business trips even after travel returns will be replaced by videoconferencing, with about 36 percent saying 26 percent to 50 percent of trips will be replaced, and another 34 percent saying between 11 percent and 25 percent will be replaced. The types of travel in declining order that respondents didn't feel would be replaced include sales trips or client and prospect visits, trade shows, engagements and projects, conferences, service trips and internal meetings. ■

**"For those companies that sent RFPs in both 2020 and 2021, 69 percent of them sourced fewer hotels than in previous seasons. Overall, for those companies that sourced in both years, their program size is about 78 percent of what it was in 2020."**

—CVENT'S JANINE ALSALAM





## Two ESA Shareholders to Oppose \$6B Sale

Tarsadia Capital, a 3.9 percent shareholder in Extended Stay America, plans to vote against the proposed \$6 billion sale of ESA to Blackstone Real Estate Partners and Starwood Capital Group, the company announced in a letter sent last month to fellow ESA shareholders. Hawk Ridge Capital Management, which has about a 2 percent stake in ESA, also plans to vote against the deal, according to Bloomberg.

Tarsadia gave two reasons for its opposition to the \$19.50-per-share sale: pricing and timing, according to the letter, a copy of which BTN obtained. The company is “gravely disappointed” to see ESA sold for a “grossly inadequate price” that “the board accepted after its seemingly hasty negotiations.” The letter implied the deal came together in less than five weeks.

If the sale goes through as proposed, it would “conclude ESA’s more than seven years as a public company at a price below its original IPO price,” according to the letter, which added that on a forward EBITDA basis, the proposed price is the lowest transaction multiple in the U.S. lodging space in more than five years.

The letter also noted that ESA has been a big disappointment to public-market investors since its IPO, as it has “cycled through executive teams,

operational strategies and strategic reviews, all while significantly underperforming peers.” But Tarsadia doesn’t believe that underperformance was inevitable or that it must persist. “ESA owns some of the best hospitality assets in the country and should generate excellent shareholder returns from those assets.”

The timing comes as “hotel companies are just emerging from the worst downturn the industry has ever seen,” according to the letter. “This year will be the first year of a new lodging cycle, which has historically been the most attractive time to invest in lodging stocks. In the prior 2001 and 2009 lodging recessions, after the one-year anniversary of a [revenue per available room] trough, the three-year average lodging stock total shareholder returns were 124 percent (2002 to 2005) and 59 percent (2010 to 2013). With a clear economic and earnings recovery trajectory, [ESA’s] stock is highly likely to participate in this cyclical updraft.”

Tarsadia added that the company several months ago had engaged with ESA to help it optimize its strategy, corporate structure and board of directors. It has nominated three independent executives to the board: former Choice Hotels CEO Stephen Joyce, former RLJ Lodging Trust CEO Ross Bierkan and former Las Vegas Sands president and CEO Michael Leven.

“Perhaps this disappointing transaction is the result of the incumbent board attempting to sidestep accountability for the company’s many years of underperformance right before the start of a proxy contest,” the letter continued.

ESA did not immediately respond to a request for comment. ■

## Choice Hotels Unveils New Comfort Property Prototype



Choice’s Rise & Shine flexible breakfast area

After finishing a \$2.5 billion transformation of its flagship brand, Choice Hotels last month unveiled a new prototype for its Comfort properties. Dubbed Rise & Shine, the prototype will be available for both new builds and conversions, and the first newly constructed hotels with the new design are expected to

open in 2023, according to the company.

Choice wanted to unveil the new designs a year ago but delayed because of the pandemic. “Primarily, we wanted to focus 100 percent on helping the owners through this,” said Choice president and CEO Patrick Pacious. “Second was financing for hotels during the

pandemic; it was a difficult challenge.”

Choice’s supply chain also was disrupted, he added, but the company now is seeing developers and current owners thinking about building. “We have almost 300 in the pipeline today, and many of [the developers] were asking us if they could see the new prototype,” Pacious said, adding that other factors in deciding to announce the new prototype now included the rollout of Covid-19 vaccines and increasing leisure demand for midscale properties.

The Rise & Shine prototype features a reduced physical footprint, an outdoor porch, a flexible lobby space that can transform from a breakfast area to meeting and event space, an indoor-outdoor fireplace, high ceilings, floor-to-ceiling windows to allow in more natural light, and guest rooms with upgraded fixtures and furniture, including semi-open closets and new “on the go” stations at the door. Developers can choose among three color schemes and wood options: “City,” “Sea” and “Sun.”

While many of the design elements were in place before Covid-19, Choice did change some of the upholstery fabrics after the pandemic, opting for vinyl, which more easily can be wiped compared with soft fabrics, said Choice director of architecture and design Kade Wane.

Comfort amenities will continue to include a free hot breakfast, free Wi-Fi and 100 percent smoke-free facilities. There are more than 1,600 Comfort hotels in the United States, and of the nearly 300 properties in the brand’s pipeline, about 80 percent are new construction, according to the company. ■



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## Pushing Past ‘Plumbing’

The Covid-19 pandemic, of course, forced airlines to make tough decisions regarding capital spending as their revenue evaporated. Delta Air Lines, for example, last fall in a partner interview with Sabre, posted on YouTube, said it was taking some of its resources used for NDC to instead focus on “working within the existing ecosystem we currently have.”

Across the industry, however, many of the projects slowed in the initial days of the “big shock” of Covid-19 have come back, Qantas head of distribution Nadine Da-wood Morgan said at a recent CAPA Live virtual event.

“There was a pause across the industry, and some partners were in survival mode,” she said. “It was short-lived, that pause, and we’ve got quite a lot happening. We’ve had some partners that have had to slow down a bit, but we’ve had others that wanted to accelerate.”

London-based travel software platform and NDC aggregator Duffel said the end of last year was “really busy on the NDC side,” not necessarily with announcements but with activity, said Duffel CEO and co-founder Steve Domin. Several airlines were evaluating their strategies and going out for requests for proposals, and that has continued into this year with “a lot of contracts being signed and a lot of implementation on the way,” he said.

Sabre Travel Solutions VP of offer sourcing Kathy Morgan likened the pandemic period to a “hibernation” and said that most airlines that already had a strong NDC strategy—American, United, Qantas and Singapore, for example—kept on that path despite the pandemic.

“[Sabre’s] Beyond NDC has such strong market engagement, and airlines and third-party companies that had a really clear, defined roadmap are now seeing the fruits of their labor,” she said. “Although the industry went to sleep for a while, we didn’t.”

For those airlines who had not done much work on NDC, however, not much changed for them, she said.

As reported in The Beat earlier this year, IATA reported that its 2020 Leaderboard goals—in which 20 initial participants aimed to get to 20 percent NDC bookings by volume at the end of last year—technically was met among the group in aggregate, albeit among a very low volume set that included little in the ways of corporate travel. The push among airlines and distributors now, however, is to demonstrate the value of the work up to this point.

“This is going to be a year of hopefully moving away from just getting the plumbing in place and getting some real added value to the whole NDC initiative,” Travelport head of customer strategy and marketing Will Owen Hughes said at the CAPA Live event.

### GDS Gateway

The GDS agreements, including the Sabre-Lufthansa deal, are one key gateway in potentially providing that value. Amadeus has been particularly busy on this front. In February, it announced that it had begun NDC integration with International Airlines Group, with plans to distribute content from both British



**“The piece we really want to emphasize is a way of recognizing the corporation, where we recognize you and give you a package, and you know you will be getting the right thing.”**

— AMADEUS’ MARK RIDLEY

Airways and Iberia in the back half of this year, and it has announced an NDC agreement with American Airlines as well. It also began rolling out content from Singapore Airlines this year and last fall announced an NDC distribution deal with Air France-KLM with a wider rollout expected this year.

Like the others, Amadeus head of distribution solutions and the Amadeus NDC X program Mark Ridley said NDC work with airlines slowed during the pandemic, but no carriers pulled out. Now, with some of the programs in the early trial stages, Amadeus and the carriers are beginning to explore some of the possible uses, he said.

Singapore, for example, is trying “some interesting things with promo codes” in which users get back offers, such as a bundle, after supplying a code, Ridley said. With the agencies piloting the Air France-KLM connection, testing includes corporate bundles pushed out front when corporate IDs are recognized as well as “continuous pricing” beyond the traditional limited fare buckets.

“The piece we really want to emphasize is a way of recognizing the corporation, where we recognize you and give you a package, and you know you will be getting the right thing,” Ridley said. “We can use these new retailing methods to stand out against competitors who are still doing the same-old, same-old.”

As a result of the pandemic, airlines now are increasingly emphasizing ensuring servicing capabilities with NDC bookings, Sabre’s Morgan said. Some are saying that capability is a requirement before they will release the content, she said.

“Some capabilities that weren’t top of mind for airlines, they’re now realizing we can’t come out of a Covid world without them,” Morgan said. “With the changing and volatility around travel, it has to be able to support this.”

### Non-GDS Avenues

NDC adoption outside of the GDSs continue to gain momentum as well, including some new entrants. Travel platform App in the Air, for one, in February announced new NDC connections via Duffel to Lufthansa Group airlines, via ATPCO to Southwest Airlines and through Hahn Air to smaller regional airlines. Originally a personal assistant app for frequent travelers, App in the Air added booking capabilities last year and decided it would jump right into direct NDC connections rather than building connections through GDS deals, though some content does come via GDSs, CEO and founder Bayram Annakov said.

“We’re eliminating the GDS surcharge, and we know that some fares won’t be exported into the GDS,” he said. “With the NDC connection we’re getting, we can manage and cancel all the itineraries for our bookings, and airlines can offer ancillaries in our app.”

If demand begins amid the recovery later this year as projected, that could fuel a greater pace of development as well.

“From the conversations we’ve had, now is the time to reset, to regroup and go again with more determination and focus on becoming an effective retailer,” Accelya’s Cavendish said. “Customers want to engage directly with travelers, and airlines want to build balance sheets back as quickly as they can by being more effective in the way they sell products and services, so we’re going to see that momentum carry throughout 2021 and onwards.” ■



# Air France-KLM Preps Corp. Bundles, Merchandizing

BY JAY BOEHMER

Air France-KLM last month signed a deal to adopt the Farelogix FLX Merchandise engine to expand offers and bundles available through direct channels and the airline group's New Distribution Capability-aligned API.

Accelya last year acquired Farelogix, whose products include an NDC-compatible API and the FLX Merchandise merchandizing engine.

Air France-KLM is adopting the latter, as it plans to maintain its homegrown NDC API for transmitting offers.

FLX Merchandise will "help us with the introduction of various new products" that will be available "through our website and through NDC," Air France-KLM chief revenue officer Pieter Bootsma said in an interview. Among those product introductions will be the development of corporate bundles, he said.

Travel management companies have clamored for new types of content through NDC.

Bootsma said Air France-KLM is in the middle of a "multi-year trajectory" on NDC and merchandizing. Full development will take time.

Air France-KLM has its eye on "a reduction in cost of distribution, but the more important part is the improvement of our customer offering through NDC," said Bootsma.

In the past year, Air France-KLM has introduced "a number of enriched and dynamic offers exclusively on

**In "the coming weeks," Air France-KLM will begin testing dynamic bundles that blend a fare with a preferred seat, according to the airline group.**

**The Beat**

its direct and NDC channels," according to the group.

They include ancillary seating products that are dynamically priced based on demand, and "pre-sales and exclusive promotions" in some European markets.

Air France-KLM also has adopted "continuous pricing" to expand price points available for sale. Bootsma said this capability was developed internally through Air France-KLM's revenue management system.

"It's already available in the market—not widely because we are still experimenting with it on selected O&D markets," he said. Air France-KLM plans to expand continuous pricing "progressively throughout all countries," according to the group.

In "the coming weeks," Air France-KLM will begin testing dynamic bundles that blend a fare with a preferred seat, according to the airline group. FLX Merchandise is a key ingredient in efforts to expand bundling, Bootsma said.

"The most promising part is about dynamic bundling, and in the future even personalized bundling, where we would bundle a base fare product with a set of ancillaries customized to the needs of corporate customers or individual customers," Bootsma said. "That is the most promising innovation that we are dealing with here, also technically the most complex one because you are combining an airfare with ancillary products."

Air France-KLM has three branded fares for European economy flights—Light, Standard and Flex. "In the future, next to those three, you could propose a fourth one to a customer, dependent on the nature of the customer and even their individual needs," he said. "That could be a Light fare with a certain set of ancillaries added to it."

Air France-KLM plans to further develop negotiated bundles with corporate clients, too. Other airlines like American Airlines and United Airlines have gone down that path. ■

# Sabre Releases New Air Shopping Display

BY MICHAEL B. BAKER

Flight	Airline	Origin	Destination	Class	Fare
WA 78	Worldwide Airlines	CEN - Central City	MET - Metropolis	SABRE Light	USD 256.41
WA 220	Worldwide Airlines	MET - Metropolis	CEN - Central City	SABRE Economy	USD 325.39
SA 450	Skyline Airways	CEN - Central City	MET - Metropolis	SABRE Business Plus	USD 654.60
SA 30	Skyline Airways	MID - Mid City	CEN - Central City	SABRE Economy	USD 320.00
NA 250	Newworld Airlines	CEN - Central City	MET - Metropolis	NDC eDeal	USD 316.59
NA 560	Newworld Airlines	MET - Metropolis	CEN - Central City	NDC Flex	USD 349.00
				NDC Business Smart	USD 485.00

Sabre's new shopping display can group fares by specific attributes.

Sabre has launched a new shopping display with "shelves" to compare airline content across various fare types and features.

The display mimics the columned display used by many airlines in direct channels, group-

ing fares by such attributes as baggage allowances and seat selection and whether the tickets are refundable or exchangeable for side-by-side comparisons. Those sorts of comparisons are difficult in traditional third-party booking tools,

Sabre VP of offer sourcing Kathy Morgan said.

"In many booking tools, airline products look the same," Morgan said. "It can be easy to understand the cost but more difficult to understand what the experience will be: Will I be up front in priority placement, or will I have an opportunity to put a bag in the overhead bin?"

The shelves' attributes will adapt over time to keep up with market dynamics, she said.

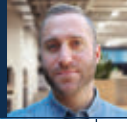
Sabre on March 31 made the new storefront available via API, with which developers can create their own customized storefronts for users. Sabre also is making it available in a limited release to agencies via its Sabre Red 360 platform, with plans to fully launch in the second quarter, Morgan said.

Later this year or early next year, the display will be available in Sabre's GetThere corporate booking tool, she said. It first will be tested with a few users before wider rollout.

"The most interesting part of this phase, if you think about corporate policies, so much of it is anchored to lowest prices," Morgan said. "What we're talking about here is a shift to be able to see the best value for the overall price."

In the nearer term, Sabre is working to incorporate New Distribution Capability content that will be categorized into the shelves as well, Sabre product management principal Lukasz Wolak said. Sabre also will add additional functionality, including "shop by" features, with which travelers can indicate preferences in their upfront requests and customize the display of shelves based on specific needs, Morgan said. ■





## Coping with Europe's SCA Travel Payment Complexities

BY AMON COHEN

Paying for travel in Europe has become more complicated following the introduction of mandatory cardholder verification known as Strong Customer Authentication. Use of a plastic card is now likely to require an additional procedure such as keying in a one-time passcode sent to the cardholder's mobile phone.

SCA is straightforward for consumers but, when it comes to corporate travel, an authentication step makes matters messy because third parties are often involved in the reservation and payment process. There are external stakeholders such as travel management companies, booking tools and global distribution systems; and there could be internal stakeholders, like secretaries and other bookers.

There is also a complex set of use cases for when SCA does or does not apply, and on top of all of that there has been misinformation. "When this was first raised a year ago a lot of us were told that global distribution system bookings wouldn't be affected, but that advice is no longer true," said Will Hasler, a member of the industry affairs committee of the Institute of Travel Management. In fact, for the time being, SCA does apply to payment for many GDS-channeled reservations (see below).

"There's a lot of ignorance and uncertainty about this topic," says Hasler. "We're struggling to tell bookers what to do because we're still trying to get to the bottom of it ourselves, and suppliers aren't quite sure what's going on either."

ITM has responded by forming a working party drawing together stakeholders from across the corporate travel and payment ecosystem to provide more clarity on SCA. The first output was a webinar for members earlier this month. The following is based in large part on that event.

The webinar was moderated by ITM head of programme Kerry Douglas. Speakers were American Express Global Business Travel e-commerce programme manager Dawnne Unger; SAP Concur EMEA senior director for supplier management Paul Dear; and Barclaycard head of core product Linda Weston.

### IS SCA REQUIRED FOR PAYMENTS WITH LODGE AND VIRTUAL CARDS?

No. Secure corporate payments are exempted from the regulation and issuers are allowed to treat their lodge and virtual cards as secure corporate payments if their fraud rates remain exceptionally low. Therefore, regardless of any variables described below, SCA does not apply currently so long as you pay by lodge or virtual card.

### IS SCA REQUIRED FOR PAYMENTS WITH PLASTIC CARDS?

In principle, yes. If a card has a person's name on it, then that person will need to authenticate the payment. However, there are various exemptions and exceptions which mean SCA may not always be needed. Every-



thing in this Q&A relates to plastic cards for named individuals, whether corporate or consumer.

### IS SCA REQUIRED WHEN TRAVELERS BASED OUTSIDE EUROPE BOOK WITH AIRLINES, HOTELS OR OTHER SUPPLIERS INSIDE EUROPE?

If the card is issued outside the European Economic Area or United Kingdom, then no. This is known as One Leg Out, which makes the payment out of scope. In theory, merchants are supposed to use "best endeavours" to apply SCA to One Leg Out transactions. In practice, this isn't happening yet, but beware of other countries also introducing SCA, including India. Where this happens, the exemption will no longer apply.

### IS SCA REQUIRED WHEN TRAVELERS BASED INSIDE EUROPE BOOK WITH AIRLINES, HOTELS OR OTHER SUPPLIERS OUTSIDE EUROPE?

If the merchant's acquirer (the bank accepting the card payment) is based outside the EEA/U.K., again the answer is no because this is also a One Leg Out transaction.

### IS SCA REQUIRED FOR BOOKINGS BY PHONE DIRECT TO HOTELS, AIRLINES OR OTHER SUPPLIERS?

No, so long as payment is taken at time of booking. This is categorised as a MOTO (mail order/telephone order) transaction, which is out of scope.

### IS SCA REQUIRED WHEN BOOKING BY PHONE THROUGH A TRAVEL MANAGEMENT COMPANY?

It depends. If the TMC receives a booking order from a traveler via telephone, fax or e-mail and then makes the reservation on a GDS, the transaction counts as MOTO and therefore SCA is not required. If the TMC books through a website (of a low-cost carrier, for example), it effectively becomes an online booking and therefore SCA is needed for payment.

### FOLLOWING BREXIT, THE U.K. IS NO LONGER PART OF THE EUROPEAN ECONOMIC AREA. DOES THAT MEAN SCA DOESN'T APPLY THERE?

No, the same SCA rules apply. The U.K. enacted legislation in line with the European Union's Revised Payment Services Directive (better known as PSD2) before it left the EU. SCA is one element of the directive. However, whereas most EEA countries made SCA mandatory as of Dec. 31, 2020, the deadline for the U.K. is Sept. 14, 2021.

### WE'VE BEEN TOLD ONLINE BOOKING TOOL RESERVATIONS WILL REQUIRE SCA IF THE ONLINE BOOKING IS FULFILLED DIRECTLY ON A SUPPLIER'S WEBSITE, BUT WILL NOT REQUIRE SCA IF THE OBT RESERVATION IS MADE VIA A GDS. IS THIS CORRECT?

It's not correct. The wording of PSD2 was ambiguous. It implied a secure corporate booking process might be exempted from SCA in the same way as a secure corporate payment process, and therefore all GDS bookings would be off the hook. Recent guidance has clarified this is not the case for now. However, for a limited period while SCA is introduced, any reservation via a GDS engine, even if it originates through the traveler using an online booking tool, can temporarily be designated as MOTO and therefore out of scope—see next three questions.

### IS THE TRAVEL INDUSTRY FULLY READY FOR SCA?

No. During the ITM webinar, the process of complet-

ing SCA for business travel was compared to a relay race. The request and resulting authorization for authentication have to be passed like a baton from the traveler to the supplier through a long chain that may also involve the online booking tool, the card-issuing bank, a GDS, a hotel aggregator and a hotel reservation system. Not all those baton carriers are fully ready, including some key travel technology players.

**IF NOT EVERYONE IS READY, DOES THAT MEAN A LOT OF CARD AUTHORIZATIONS ARE BEING DECLINED IN EEA COUNTRIES BECAUSE SCA CANNOT BE COMPLETED?**

No, thanks to the travel industry being allowed a temporary workaround while getting its house in order. For a limited period, payments can be flagged as MOTO and therefore out of scope even if they aren't genuinely MOTO.

**HOW LONG WILL THE TEMPORARY MOTO DESIGNATION LAST?**

That's not clear. There is no deadline at present. Instead, the ability to raise a non-genuine MOTO flag is gradually being withdrawn from different parts of the travel commerce infrastructure, such as GDSs, as they become fully able to handle SCA. However, a hard stop may yet be announced.

**WHY IS SCA REQUIRED FOR HOTEL RESERVATIONS EVEN THOUGH FUNDS AREN'T USUALLY TAKEN FROM THE CARD AT TIME OF BOOKING?**

Card payments remain in scope even if they are for a ze-

**“There’s a lot of ignorance and uncertainty about this topic. We’re struggling to tell bookers what to do because we’re still trying to get to the bottom of it ourselves.”**

—ITM’S WILL HASLER

ro-amount guarantee or hold, as is the case for most hotel bookings. The reason is that the cardholder might not be present when the charge on the card does eventually take place. This could be because the guest has opted for express checkout, or charges are applied for a no show or unacknowledged minibar usage. Such payments are termed Merchant Initiated Transactions (MITs) and now need to be validated by SCA at the beginning of the process to avoid SCA being requested later when the cardholder is probably unavailable to authenticate.

Travel managers should confirm their online booking tool presents MIT terms and conditions to the cardholder at time of booking. MITs are no longer allowed unless customers explicitly consent to them.

**I’VE HEARD THAT GROUND TRANSPORTATION PROVIDERS ARE EXEMPT FROM SCA BECAUSE THEY ARE A LOW-RISK CATEGORY FRAUD. IS THAT CORRECT?**

Absolutely not. There are no specific exemptions for any supplier categories inside or outside the travel sector based on risk or any other criteria.

**TRAVEL BOOKINGS ARE OFTEN MADE BY ADMINS INSTEAD OF ACTUAL TRAVELERS. CAN THAT CONTINUE?**

It depends on the form of payment. If paying by lodge or virtual card, nothing changes. If the admin is booking with the traveler’s card, that will only work if the traveler is sitting next to them ready to receive and read out the one-time passcode they receive on their mobile phone. But that’s technically an illegal workaround: only the recipient of the passcode should use it. ■

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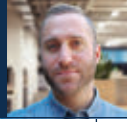
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## Startup M&A Flurry: Coupa, Emburse Snag Deals

BY JAY BOEHMER & ADAM PERROTTA

Business-to-business spend management players with footholds in travel and expense last month announced a string of acquisitions. Coupa in an earnings release confirmed it had acquired Pana, a guest-travel specialist. That followed the announcement that Emburse, the expense management company whose brands include Certify and Nexonia, picked up travel data shop DVI and travel app-builder Roadmap.

Coupa chairman and CEO Rob Bernshteyn during an earnings call last month said the company “recently” acquired Pana, which he called “a leading corporate travel booking company.” He said Coupa is “well underway” in integrating Pana’s capabilities.

Coupa paid “aggregate cash of approximately \$48.5 million and issued 23,822 shares of our common stock” for Pana, according to a Coupa filing with the U.S. Securities and Exchange Commission.

The deal follows Coupa’s acquisition of Yapta, announced last year pre-pandemic, and its subsequent purchase of business travel mobile app developer ETA.

Since it acquired Yapta, Coupa’s corporate travel-related capabilities have been flying under the Coupa Travel Saver flag.

“Pana’s booking engine will allow us to build upon our success in expense management and further unlock our potential with our Travel Saver offering,” Bernshteyn told investors and analysts.

Bernshteyn said the deal “is consistent with our M&A strategy of adding technology components that maximize and enhance the value of our organic transactional core engine.”

He added: “In making the decision to acquire Pana, we considered culture first, we considered buy-versus-build, and we considered whether it could quickly be integrated into our platform while maintaining a seamless experience for users.”

Pana in 2017 landed on guest travel as the core use case for its trip planning, booking and journey support system, which blended technology with offline agents to help corporate clients handle non-employee travel.

Pana this year raised a \$3.6 million Series A extension and for several months has been teasing a new product, slated for launch “this spring,” according to its website. It suggested it would disrupt “the same old OBTs we’ve used for the last 10 years” and would focus beyond the guest-travel problem.

Bernshteyn said he wants to “reframe the whole market,” naming common frustrations in managed travel “with usability,” with travelers booking outside of corporate-preferred channels and with companies leaving savings on the table, among others. “We support each and every one of those challenges that customers are facing with an integrated offering,” he said, adding that Coupa is “well-positioned as travel begins to take hold more in coming quarters [to] emerge as the leader in a very interesting category—but one that we still believe is just a subcategory of broader business spend management, which is what we’re playing for.”



**“We’re fortunate to be in a strong financial position which makes M&A possible. We were actively looking, and both of these companies were open to an initial discussion, and things obviously progressed from there.”**

—EMBURSE’S ERIC FRIEDRICHSEN

### Emburse Expands

When it flew the Certify flag, multi-brand expense management system operator Emburse had acquired NuTravel’s corporate booking tool. The expense management and accounts payable company pushed further into travel with two more acquisitions.

The acquisitions—terms of which were undisclosed—significantly expand Emburse’s capabilities to offer clients services around travel management and spending data, each of which will be areas of increased emphasis for corporates as business travel resumes in the wake of the Covid-19 pandemic, according to Emburse CEO Eric Friedrichsen.

“We’ve been looking to invest in travel and spend analytics solutions since well before Covid, and when business travel ground to a halt when the pandemic hit, that only strengthened our conviction that this is an area where we should focus our innovation and investment,” Friedrichsen said. “We realized early on when Covid hit that when travel restarted, it would take a very different shape than before, and ... there will be a greater emphasis on travel data and insights [and] employee traveler experience.”

Emburse had a presence in both travel booking and spending data prior to the new acquisitions, offering booking tools through some of its brands, including Certify and Nexonia, as well as a business spending intelligence platform, Emburse Analytics. But the new deals considerably beef up Emburse’s capabilities in those areas.

Netherlands-based Roadmap specializes in custom-building mobile travel apps for its clients, a roster that includes Nike, Merck, Microsoft, and the Bill & Melinda Gates Foundation. Emburse will continue to offer Roadmap’s service as a standalone option to clients, while also leveraging opportunities across its platform of services, according to Friedrichsen.

“Roadmap is a great solution in its own right, and we’ll continue to sell it,” the Emburse CEO said. “We’ll certainly also be looking to integrate some of Roadmap’s mobile capabilities—like the ability to offer branded, curated apps to customers and the ability to make recommendations for employees to make their trips more safe, sustainable, et cetera—in Emburse’s existing solutions.”

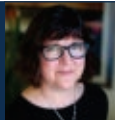
As for DVI, the travel data specialist’s services will be integrated into Emburse Analytics, boosting that service’s ability to consume and analyze travel-specific spend data in addition to its existing capabilities around overall corporate spending.

“With the addition of DVI, we have a great ability to accurately tie together booking, card and expense data, [which] will make it a key component of our Emburse Analytics solution,” Friedrichsen said, adding that Emburse will continue to serve DVI’s existing customers as well.

While the shutdown of effectively all corporate travel over the past year and resulting revenue strain for many companies has led to what some observers see as a buyers’ market when it comes to M&A activity in the industry, Friedrichsen characterized the acquisitions as “very much strategic rather than opportunistic.”

He continued, “We’re fortunate to be in a strong financial position which makes M&A possible. We were actively looking, and both of these companies were open to an initial discussion, and things obviously progressed from there.” ■





## Forrester Cites Bizzabo, Cvent, Hubb For Event Management

Bizzabo, Cvent and Hubb topped an inaugural comparison report on B2B marketing events management solutions released last month by Forrester Research. The research company reviewed 14 providers based on 28 criteria, with those three coming out on top as industry “leaders.” Kaltura and RainFocus came in next as “strong performers.” Other categories included “contenders” and “challengers.”

While several more providers in the space are vying for customers, Forrester set inclusion criteria for companies in order to be considered for evaluation. Among them, B2B needed to be a certain portion of their business, with clients that conducted both physical and virtual events on their platform, and they were required to have met a revenue threshold in 2019.

“We looked at 2019 numbers because that is the last time things were normal, and we wanted to get an apples-to-apples comparison,” Forrester VP and principal analyst and co-author of the report Laura Ramos told BTN. “That’s why Hopin didn’t make the cut,” she added, referring to a newer provider that recently received \$400 million in funding.

The three solutions that comprise the leaders category “all demonstrated the ability to handle both physical and digital to different degrees, and they all did well across all of the features with some really innovative capabilities in some regards,” Ramos said. “We also were impressed with not only the way they were growing as companies but [also with] their vision for the future and their partner ecosystem and their marketing differentiation.”

### Top Three Reviews

The report includes pros and cons for each of the 14 solutions reviewed. For the top three, Forrester gave Bizzabo high marks for its modern architecture and clean user interface, and noted that after receiving \$138 million in a 2020 funding round, it is “well positioned to blend physical and virtual interactions into hybrid events that perform reliably.” However, the report noted that Bizzabo needs to “address gaps in physical event requirements, such as venue sourcing; travel and accommodations; budget management; and seamless handling of ad hoc, sales or interpersonal meetings—instead of relying on partners to deliver this today.”

Cvent received kudos for being “laser-focused” on attendee management and logistics, and that its registration processes, event production, training and customer services “stand apart.” It also accelerated integrations with video content management and online meeting partners to help clients pivot 70,000 physical events to virtual events during the pandemic. To keep pace with other competitors, “Cvent will need to address relative weaknesses in remote



attendee engagement features, such as gamification and social media interaction, networking and platform user experiences,” according to Forrester.

Hubb secured its first funding round in 2016 and grew rapidly “by offering immersive 3D digital experiences that set its virtual events apart from those on webinar or online meeting platforms,” according to Forrester. The report noted that Hubb “shines” in all areas of attendee engagement, including audience participation features, recommendations on networking, and facilitated brainstorming. Hubb needs, however, to “build a broad ecosystem of creative design and marketing partners to continue to delight marketing teams whose expectations will change from delivering differentiated virtual events to creating experiences that foster person-to-person engagement.”

### Buyer Criteria

Forrester in the report predicted that hybrid experiences will continue to dominate marketing events into and after 2021, and recommended that customers for these solutions should look for providers that handle hybrid events flawlessly, help event teams manage speakers and content in one intuitive interface, and treat remote and in-person attendees equally across the globe.

Before selecting a provider, buyers should approach the market with clarity, Ramos said, starting with the event’s purpose. “Why are you doing the corporate meeting? And has that changed since the pandemic and things can only be remote at this point,” she said. Further, she added, planners should know about their audience, the value the audience would receive from the events, and whether there is an alternative way to provide that value other than a meeting. Planners then should decide how they’ll define the success of the event, specify the business outcomes they expect to deliver, and assess how to design the event experience around the answers to those questions. Only at that point, she said, should planners attempt to identify a solution partner.

### An Evolving Market

The market continues to expand, but several players coming into the space are not providing a sufficient experience, Ramos said. “If you are going to create an online experience that gets to some level of parity with being there in person, there needs to be a whole lot more emphasis on how we involve and engage those remote audience attendees, so that they feel like they are part of an event and not just [having] a bunch of content being presented, and [they] have the ability to do some of the networking and matchmaking and serendipitous kinds of things that happen when you’re there in person,” she said. “This market needs to evolve, and the areas it needs to evolve in are interactivity, one-to-one and one-to-few interactions and engagement, and the level of production quality.”

In addition to the inclusion criteria, Forrester gathered additional product and strategy information via a detailed questionnaire, demos and briefings, and customer reference surveys and interviews. The materials reviewed by the research analysts were provided by Dec. 1, 2020. ■

## It's Time To Reinvent Airline Payments

BY THREEDOT'S ERIC LÉOPOLD

The \$100 billion question when airlines restart is: Will customers and credit card companies trust airlines with their money? The unfortunate consequence of last year's massive flight cancellations and the airlines' inability to refund customers promptly was a loss of not only customers' trust but also credit card companies', as acquirers withheld airline cash.

The vouchers were better than nothing but proved cumbersome for customers and travel agents. So what do we do in 2021? "Restart" like it's 2019 again and take the risk of another disappointment? Or "reinvent" airline payment to meet customers' expectations?

Like other service industries, such as restaurants, hotels or cruise lines, airlines manage perishable inventory (seats in scheduled aircraft) with high fixed costs (aircraft, fuel, crew), but unlike other industries most airlines ask for full payment to confirm a booking, usually non-refundable in the economy cabin.

This rigid business practice provides useful cash flow to airlines and worked well in a stable world. However, even before the Covid-19 crisis, some countries already required that customers only pay a small deposit for a booking, while agreeing that airlines charge the balance once flown.

In 2021, as customers prepare to book their summer holidays, they will undoubtedly ask themselves if it's safe to bet their money on a flight. Will they trust the airlines? Will they use their credit card, hoping that they can claim the money from the bank if the flight is canceled but not refunded? Will customers prefer booking flights that can be changed without fees? Will travel agents recommend airlines that provide vouchers instead of refunds, knowing the complexity associated with vouchers?

The German travel management association VDR recently called for a change in the airline credit model, and Lufthansa recently expanded its Pay As You Fly program for corporate accounts.

If airlines don't take any action now, customers may book with their credit cards. Card acquirers will be tempted to minimize their own risks and hold the airline cash until the flight has flown. In the end, airlines are left with receiving the cash after the flight. Why wait and push customers in the hands of card schemes? Why not provide customers with a payment method they can trust?

We could easily imagine a flexible, installment-



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type payment method that customers could use to make a deposit and hold the booking, while committing a limited amount of money. Once the flight is flown, the balance is paid in full, while in the not-so-unlikely event that the flight is canceled due to travel restrictions, the deposit can remain for a new booking with the airline and there is no balance to refund.

Of course, this solution would have a major impact on airline cash flow, but given the current environment, airlines may do better to rethink their cash-flow model and de-risk it than to suffer from mistrust of their customers. Actually, airlines have the opportunity to restore confidence with passengers and avoid the pressure of credit card companies by offering such alternative payment methods.

A digital wallet could be directly connected to their bank account, saving the credit card fees. It would work like an escrow account where customers could deposit money for their bookings. I call this an "airline customer account." The amount would be locked to hold the booking which would be reassuring for all parties. Various players may be interested in providing such facilities.

Many airlines already provide payment by installment options, which allows you to pay in three, six, 12 or 36 months, for example. If adapted to the booking deposit, this option could become mainstream during the restart phase of 2021.

There is no lack of technical solutions, as many airlines operate solutions provided by fintech players like Uplift, Affirm, PayPal, Klarna or Fly Now Pay Later.

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As usual, technology is not the main challenge. Airlines will have to change their mindset to put the customer first and incentivize them toward behavior that is not immediately beneficial to the airline, but over time will create value for the travelers and the air travel industry.

It will take several airline departments to work together, from sales and distribution to finance and technology. As payment becomes the killer app of retailers, from Amazon Pay to AliPay, I expect airlines to reinvent their payment function and to put it at the heart of their digital retailing strategy, working closely with their loyalty program. ■

## The Beat

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