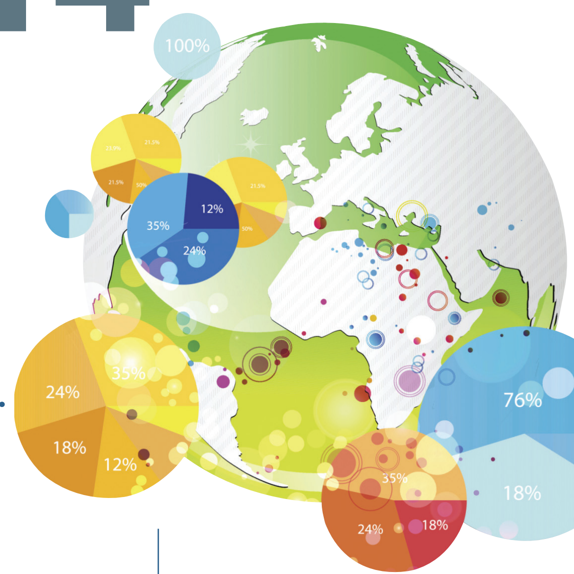
GLOBAL TRAVEL TRENDS 2014

Moving into 2014, global travel programs are more in focus than ever. As corporations grapple with the growing power of emerging markets, increasing supplier costs and the effects of consumerization on managed travel, **Radius Travel** and **The BTN Group** tapped leading industry executives to define critical issues facing global corporate travel managers—and to point corporations toward new strategies and solutions.



During a recent webinar, produced by **The BTN Group** and sponsored by **Radius Travel**, three travel management experts came together to discuss the key challenges and opportunities they see for managing global travel in 2014 and beyond.

An overarching theme connecting nearly every trend our experts brought to the table was program relevance. Whether relevance of the global program for a particular region, relevance of the travel management strategy to the corporation or the relevance of specific pieces of information for the traveler—the experts underscored that delivering relevance in an increasingly fragmented landscape is more critical to the travel management practice than ever.

The power to deliver that relevance, however, begins in understanding individual needs and tailoring information and services to meet those needs. While this particular challenge is not unique to global programs, it is magnified within them. Read this paper and **watch the companion webinar**, available at **www.businesstravelnews.com** and **www.radiustravel.com** to learn more.

EMERGING MARKETS – A NEW PERSPECTIVE

Thanks to another year of robust business travel growth in 2013—and less growth than expected in China—the United States remains the largest business travel market in the world. U.S. business travel volume grew an estimated 7.2 percent in 2013, but China is racing to the head of the pack with the Global Business Travel

Association (GBTA) projecting 17 percent growth for 2014, and a year-over-year growth trajectory approaching 20 percent after that. This pace has prompted GBTA to predict that China will overtake the U.S. by 2016, becoming the biggest business travel spender in the world.

While China is a specific case, it demonstrates a larger global trend: Emerging markets are owning a much larger piece of the business travel pie, and the effects of that growth are changing the way corporations choose to manage their programs.

> "More clients realize that local solutions are the most pragmatic... and the most efficient."
>
> – Rafael Gonzalez, Head of Global Sales, EMEA, Radius Travel

"We are starting to see a huge growth in bids originating out of the APAC and LatAm regions," says Rafael Gonzalez, Radius Travel's head of global sales for Europe, Middle East and Africa. "We already know that we have had involvement in these regions… but as the spend shifts to Asia and LatAm, corporates are allowing these regions to drive contracts and decisions at a local and regional level."

To be sure, the sheer numbers of people traveling locally on business within these regions has created an environment in which corporations cannot simply overlay a program created for the U.S. and hope it is "effective enough" in a new market. Companies must be able to manage the region more intelligently and drive local adoption as there is more volume and savings at stake in these regions than ever before.

To that end, corporations are looking at better tailoring strategies and are more willing to concede when a headquarters strategy is not a clear win for a local market. For example, in several emerging markets what the U.S. considers high-touch services, such as agent-assisted reservations and even hand delivery of paper tickets, comes at a much lower cost than technology-based solutions.

"We are seeing more clients really analyzing these regions and realizing that local solutions are not only the more pragmatic path, but also the most efficient," says Gonzalez.

Still, there are trade-offs. Specific process costs could be higher and data collection more arduous, but the ability to drive better adoption and lower the overall costs could help strike the balance.

Will there be a time when travel management best practices begin to filter out of emerging markets to influence more mature markets?

"I don't see that happening now," says Gonzalez, "but as more innovative technology solutions develop and the regions become more mature, I would not count it out."

KEEPING THE REINS: CHANNEL MANAGEMENT

IATA Resolution 787, Direct Connect, Open Booking… travel suppliers are working hard to forge direct relationships with buyers—sidestepping the traditional Global Distribution System-to-Agency-to-buyer paradigm that underpins the industry today. While not every corporation feels urgent pressure to reimagine their travel programs now, current trends point to increasing content fragmentation that travel managers will not be able to avoid.

"It's a question of money—you have to follow that trail," says Will Tate, senior vice president of Management Alternatives, a consulting company that focuses on travel procurement. "With initiatives like NDC, the airlines will push this—or something like it—until they succeed because there is so much potential revenue on the table."

> "Buyers are going to have to adjust. Advanced buyers will shift their management strategy from a focus on the travel transaction to a focus on trip cost."
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> – Will Tate, Senior Vice President, Management Alternatives

IATA's Resolution 787—also known as NDC or New Distribution Capability—is just one case in point, as airlines seek more control in how they market and sell their products. Carriers are looking for avenues around GDS distribution, either directly to the TMC or potentially to end-user clients, to sell ancillary products and services based on personal traveler details. That means pushing fare types and bundles of ancillary fees that might appeal to certain types of travelers.

The controversy surrounding NDC notwithstanding (e.g. data privacy issues, regulatory concerns and comparative shopping issues), the result of this type of supplier push—along with direct connects and open booking trends—is to further fragment travel content into multiple channels that may vary widely in cost, but may or may not include the right services for business travelers.

"Buyers are going to have to adjust," says Tate. "Advanced buyers will shift their management strategy from a focus on the travel transaction to a focus on trip cost," he says. They will need to keep an eye on traveler productivity and push travelers through the right channels toward the right total trip value—that not only includes discounts, but also must take into account booking fees, ancillary service fees and even potential merchant fee pass-throughs and other "bundled" fees that may not be fully transparent to the traveler at the time of booking.

There is much to consider when doing a channel analysis. Tate offers that a comprehensive review would include the following:

- **Define channel costs** – Online booking tool (OBT), TMC, GDS, aggregator sites, supplier direct and others that could potentially impact the program.
- **Define hard costs per channel** – Balance the discount with any additional fees and/or administration costs.
- **Define soft costs** – These could include reduced productivity, potential to lose data (or cost to recapture) and the ability to manage suppliers.

Knowing these details will allow travel managers to assign a value to each potential channel and adjust procurement, negotiation and policy strategies accordingly. It may also inform a new type of relationship with TMC partners, especially as TMCs begin to evolve consulting offerings to include channel management analysis and support. As the industry reimagines travel management paradigms, all players will be affected. The flexibility and capability to evolve strategies and services will be critical.

IN-DESTINATION TECH: FOCUS ON FILTERING

"You are going to be in a destination for 12 hours for a business trip, how much time do you really want to spend researching? Right now people are getting specific apps for the city, restaurants, maps, etc.," says Eric Bailey, Microsoft's senior manager of travel technology and strategy. "It's too much."

Bailey suggests that travelers are on information overload, and the situation is especially critical for global programs with employees traveling to unfamiliar locations. Instead of releasing travelers to find their own support information on the Web or via a collection of apps, Bailey offers that travel managers need to get in front of the situation with content filters and corporate collaboration technologies that offer relevant, accessible information for corporate needs and travel patterns.

Travel managers need to be looking at how to offer better mapping technologies that skip ancillary destination details, and define key locations that are critical to the business traveler. That does not mean skipping restaurant or recreations details, but rather allowing travelers to define what has proved important to them.

For Microsoft, that meant partnering with information technology interns to build collaborative maps, which allow travelers to input relevant destination content on an ongoing basis. "I had no budget for building the mapping

solution," says Bailey, but by leveraging traveler knowledge, he was able to build a platform that delivered customized results.

Another key factor is transitioning itineraries and appointment emails directly to the traveler's calendar. "I don't want to print anything out; I want it to be right there." And, Bailey adds, "Do you really want to research, buy an app and have it on your phone? Rather, we need an integrated experience based on where you are going to be and afterwards it can go away.

"Travel managers are going to be expected to do this," Bailey adds. "Travelers are getting too much information, and while our TMCs have been able to [provide destination information], we need technologies to help us do that better and a little bit more in real time."

EXTERNAL COMPETITION: WINNING YOUR TRAVELERS

Competition from multiple content channels, combined with a vast selection of online travel apps to provide support *en route*—the relevancy of travel management has never been more challenged than it is today. Winning corporate travelers and drawing them back into the program will—and in some companies has already—become a critical task.

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> – Will Tate, Senior Vice President, Management Alternatives

Like Bailey, Tate believes that collaborating with the traveler community is the first step toward creating true relevance.

Understanding traveler satisfaction rates and applying that information to procurement practices will open pathways to program innovations that will not only compete with pressures in the market, but also support suppliers and drive down rates.

Key to success: Traveler surveys… yes, really.

But not surveys to gauge performance, sent by suppliers to travelers. "You have to establish an independent feedback loop that has integrity," says Tate, but it's not a quick fix.

Travel managers can start by targeting preferred suppliers in the corporation's top ten markets, fielding satisfaction surveys to travelers about their interactions with preferred agencies, online booking tools, as well as air, hotel and car partners.

"When you do this, you can look at the empirical data upfront" that allows you to benchmark traveler satisfaction against each preferred partner in the market, says Tate.

But integrating traveler preferences with smart procurement and point-of-sale strategies is where great travel programs will separate themselves from good programs.

Tate explains: "You do the satisfaction piece with travelers, then you look at the gap between best and worst calculations among the given supplier set," he says. "Then, you go to the suppliers and explain the importance of the satisfaction value for the program, and make clear that you want to push more volume to suppliers that treat your travelers better."

Re-surveying travelers about their supplier experiences after six months should be adequate to get results and to remove partners that continue to underperform. The result: Fewer suppliers in the program, but more volume per supplier, and a better supplier set that truly supports travelers.

Suppliers win, too. And they can literally win as travel managers create innovative ways to reward them.

"Travel managers should be able to get their partners to compete for titles such as 'Most Improved' property or 'Airline of the Year,' or 'Employee Favorite' and then feature these types of status awards in the online booking tool at the point of sale," says Tate.

Such status markers will function as consumer-style recommendations, but with specific relevance to corporate travel needs.

"None of that work can happen on social sites or direct supplier sites," says Tate. "Only the travel manager can offer this value."

INSTANT GRATIFICATION: VIRTUAL TRAVEL TECHNOLOGY

Maligned by many a travel manager and traveler, virtual travel technology should be an integral tool for global travel programs. The key for travel managers, says Microsoft's Eric Bailey, is to play up the technology's strengths and play down its weaknesses.

"It's not a good strategy to get rid of internal meetings and dictate virtual travel. That doesn't work." Rather, Bailey says, "Four virtual meetings might replace one or two trips," but they also have to be organized for maximum productivity and engagement.

Video is a critical element. In fact, Bailey argues that Microsoft often can get better on-the-spot employee engagement by using video than by meeting in person.

"If we put video on, the level of engagement goes up amazingly," he says. "You have a camera two feet away from you. You can't do anything else; it's more attention than being in the same room."

Sometimes, however, on-the-spot engagement in a particular task or goal is not the objective of a meeting. When leadership and relationship building is critical, virtual appointments may not be the answer. Once that relationship is established, however, reducing the number of in-person meetings is an option, and one that Microsoft continues to push as a cultural shift within the corporation.

Bailey offers some best practices that he has learned, after rolling out both desktop videoconferencing tools and larger Telepresence suites across Microsoft's global offices:

> "Microsoft's T&E-to-revenue ratio has dropped about 30 percent over the last five years. That is several hundred million dollars for the company."
>
> – Eric Bailey, Senior Travel Manager, Strategy & Technology, Microsoft

- Avoid virtual meetings that bring a group of people together in the same room with just one outsider conferencing in; rather, the dynamics work better when there are work groups on both sides of the technology.
- When employees need to be individually connected for a group meeting, video engagement is critical to ensure attention.
- Employees welcome off-hours meetings if it allows them to avoid long-haul travel. Bridge time zone gaps with technology instead of airplanes, particularly for internal workgroups.
- Alternatively, virtual meetings can reduce long-haul travel by allowing regional groups to meet in person, collaborating other regional groups via technology.
- Keep individuals logged into desktop collaboration technology. This allows for more casual interactions throughout the day and gives international teams the ability to see availability and connect with colleagues.

"Virtual meetings lead to more productive use of time," says Bailey, but that's a value that is hard to track. What has not been hard to track is year-over-year savings.

"Microsoft's T&E-to-revenue ratio has dropped about 30 percent over the last five years. That is several hundred million dollars for the company. These are real, solid savings that you can see and track," Bailey says.

Despite its clear success, Microsoft is not fully satisfied with the current capabilities of virtual travel technology—particularly for nuanced interactions. According to company job postings from earlier this year, Microsoft is in the process of developing holographic technology for virtual meetings that would create a "body-double" of the user to appear in the same room with distant colleagues.

From the job posting: *In the short term, we are developing the hardware and software necessary to have a realistic physical "body-double" or proxy in a remote meeting – one that gives the remote worker a true seat at the table, the ability to look around the room, turn to a colleague and have a side conversation.*

The ultimate virtual travel is still ahead.

THE REGIONAL APPROACH – FOCUS ON DATA

Pushed by global recession, many corporations have looked to global travel consolidation as a critical opportunity to realize bottom-line savings. One traditional procurement strategy for global programs has commonly become known as the 1-1-1 strategy: The push to manage all global markets with a single travel policy, single TMC and a single online booking tool or GDS provider. But just as consumer technology and social pressures have moved travel managers to create more customized and relevant managed travel experiences for travelers, corporations are also revisiting the concept of trying to manage diverse global markets with the one standardized program.

"We are starting to see, among larger multinational programs, a shift toward buying regional or local services – both TMC and product," says Rafael Gonzalez.

Like a standardized approach, there are pros and cons to a localized strategy that must be addressed, says Gonzalez. On the plus side, local input and decision-making can lead to better adoption; there is the opportunity for increased supplier leverage when using regional suppliers and the ability to deploy appropriate tools. Importantly, with a regional or local approach, corporations may see quicker issue resolution, rather than waiting to go through multiple management channels to access local partners or franchises.

Common drawbacks, according to Gonzalez, are fourfold: It can be more difficult to cascade program changes into each region when contracting with multiple TMC and product suppliers; it is also harder to achieve shared successes across regions. There is more potential for duty of care gaps in a regional program, and corporations can expect some loss of control or consistency in the program.

Key to bridging potential management gaps in a regionalized program, says Gonzalez, is an excellent communications plan, but even more important is data. Corporations that prioritize

DATA DEPENDENCY

Like many of the customization trends rippling through the travel industry today, data is the key to powering a local approach to a globalized travel program, but it can be challenging. Watch for gaps and demand accuracy from service providers and suppliers.

- At minimum, understand spend levels in every region
- Watch for data loss in the mid- and back-office
- Utilize service level agreements to ensure on-time data delivery
- Whether working with a TMC or data aggregator, companies can also maintain raw data in-house for analysis

> “Corporations must get the data along with the adoption or they can’t manage the program.”
>
> –Rafael Gonzalez, Head of Global Sales, EMEA, Radius Travel

the data piece from the beginning of the request for proposal (RFP) will realize the best success overall.

“Localizing the service and product proves to drive adoption,” says Gonzalez, “but corporations must get the data along with the adoption or they can’t manage the program.”

A lead TMC should have the capability to aggregate content from multiple regional service providers, and a proven track record in data cleansing and normalization should be critical to the RFP process. But Gonzalez says he is seeing corporations go a step further.

“We are seeing more organizations identify one lead data aggregator,” says Gonzalez. “This could be a TMC but also could be an expense management organization or even a data solutions firm. We’ve had examples of organizations tendering the data aggregation bid first and then looking at tendering their regional TMC bids.”

TAILORED FOR THE FUTURE

For many companies, the pendulum of travel management is swinging away from a “command and control” strategy. Whether pushed by consumerization trends, changing distribution patterns or the unique needs of emerging markets, best-in-class global travel programs are engaging with multiple content channels (instead of dictating one), collaborating with travelers in technology and procurement matters, and working with new markets to offer pragmatic travel policies and processes.

These are dramatic changes—particularly for companies that moved aggressively toward a traditional procurement strategy for travel—and there is a certain level of anxiety that is rippling through the industry as practices that were once considered best-in-class are called into question. As travel managers take stock of an increasingly complex global travel landscape, the ability to think beyond “best practice” to “next practice” will prove critical to success.

ABOUT RADIUS TRAVEL

Radius Travel is a global travel management company that designs and delivers programs for multinational companies through a network of best-in-market agencies. The Radius network operates across more than 80 countries and manages more than USD 23 billion of annual corporate travel spending. The Radius Global Hotel Program, featuring the world’s leading hotel brands, is one of the largest in the corporate travel market. Radius corporate offices are in Washington, DC, London, São Paulo and Singapore. **For more information about partnering with Radius Travel to achieve your regional or global consolidation goals, visit www.radiustravel.com.**

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The BTN Group, a division of Northstar Travel Media, is an integrated media group that serves the information needs of the managed travel marketplace. The BTN Group publishes *Business Travel News, The Beat, Travel Procurement, Travel Management*, and *The Transnational*. The company’s Content Solutions department effectively delivers sponsored content to targeted communities of travel professionals via e-newsletters, white papers, webinars, supplements, and other vehicles. **For more information, visit www.businesstravelnews.com.**

PRODUCED BY
BTNGROUP

Elizabeth West
Executive Editor, Content Solutions
ewest@thebtngroup.com

Jessica Robbins
Graphic Design Lead

Louis Magliaro, Publisher
lmagliaro@thebtngroup.com

Tim Reid, Vice President
treid@thebtngroup.com

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