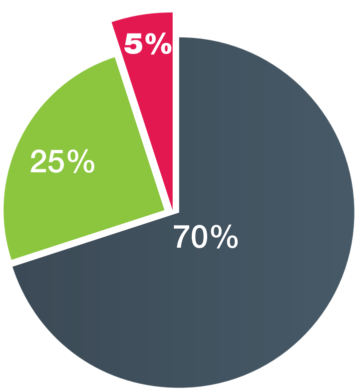
MANAGING TRAVEL IN EMERGING MARKETS:

LATIN AMERICA

Latin America has developed as a dynamic region for business travel with both internal growth and expansion of globally consolidated programs. But successful travel management in this area of more than 20 countries depends on careful navigation of key issues, among them cultural nuances, payment, regulations, supplier sourcing, and technology.

Business Travel Spending

BY GLOBAL REGION



Latin America	$46B	5%
United States	$251B	25%
Other	$728B	70%
Global	$1.025T	

Source: Global Business Travel Association BTI Outlook 2012

The economies of Latin America and the Caribbean grew by 3 percent in 2012, easily outpacing growth rates in Europe and the United States, according to the International Monetary Fund. The IMF expects the LatAm region to expand an additional 3.5 percent in 2013. With such growth has come rapid expansion of business travel, both within the region and as part of global consolidation efforts.

This white paper highlights those growth trends, as well as travel consolidation opportunities and challenges identified during a recent BTN Group webinar, "Managing Emerging Markets: Latin America," sponsored by RADIUS.

At $46 billion, Latin America represented 5 percent of $1.025 trillion in global travel spending in 2011, according to the Global Business Travel Association. GBTA forecasts business travel spending in the region to grow on average "9.6 percent" for the period 2012-2016.

FROM THE SPONSOR

RADIUS partnered with The BTN Group to bring you this white paper because helping companies navigate local market distinctions and considerations in regions around the globe is something we do daily. RADIUS designs regional and global travel programs through a network of market-leading agencies worldwide. All of us at RADIUS hope you find this white paper informative and invite you to learn more about how RADIUS can help create a customized travel program to fit your company's unique needs at www.radiustravel.com.

Chris McAndrews
SVP, Marketing & Partnerships

RADIUS
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BRAZIL BIGGEST, BUT REST GROWING

Brazil is the region's largest and fastest-growth market, with business travel spending forecast to surge by 2016 to $44 billion, up from $27.6 billion in 2011, according to GBTA. That makes Brazil, which accounts for more than 60 percent of LatAm spending, the world's fourth-fastest growing business travel market. Venezuela, growing at a 9 percent compound annual rate, ranks ninth in the world, and, Colombia, at 7.7 percent, ranks 15th.

Webinar panelist Maura Allen, RADIUS Vice President, also cited Chile as a growth market and noted that "Peru, specifically Lima with its regional hub, is becoming very important to companies doing business in the region."

CONSOLIDATING MULTIPLE COUNTRIES

Some global corporations undertaking global consolidation efforts choose to ease into Latin America by consolidating travel in one or two countries, typically Brazil and Argentina. Many others, however, quickly consolidate travel throughout the region. Of those webinar registrants whose companies had already consolidated travel in the region, more than 60 percent indicated in an online survey that their firms had done so across six or more countries.

Allen said that RADIUS multinational clients consolidating in the region often sequence their efforts starting with Brazil, then moving to Mexico (located in North America but a major force in the LatAm economy), Argentina, Colombia, Chile, Peru, and Central America.

Business Travel Spend by Country

	2011
Brazil	$27.553B
Mexico	$6.661B
Colombia	$3.877B
Venezuela	$2.976B
Chile	$2.810B
Peru	$2.767B
Argentina	$2.501B
Other	$3.020B
LatAm Total	$45.504B

Source: Global Business Travel Association BTI Outlook 2012

CONSOLIDATION CONSIDERATIONS

Along with the opportunities, webinar speakers identified several considerations and requirements for successful consolidation in Latin America. Among them:

MARKET MATURITY

Corporations might find wide variances in the maturity of business travel management practices and suppliers in Latin America. Travel managers responsible for travel to, from and within the region must understand each market and each local operation's priorities, advised Walmart Mexico and Centroamerica travel services procurement executive Roberto Rodriguez González. The growth of local and regional travel management conferences and associations is helping to provide training and best practices to travel managers and suppliers.

BUILD AND SHARE THE BUSINESS CASE

To build local support for consolidated travel management programs, global travel managers must engage in-region company

personnel through face-to-face meetings at which they should clearly lay out the rationale, and expected returns and benefits of a consolidated travel program. Travel managers should not be surprised if stakeholders ask them to present the justification over a meal or chat rather than in a formal presentation. “Stakeholders really want to engage in a conversation,” noted webinar speaker Greg Wilczek, regional travel manager for the Americas for Marsh & McLennan. “It’s through that conversation that we’ve been able to weave our vision.”

The case needs to be about more than savings; it should take account of whether and how deployment of new technology, payment options, safety and security programs or other elements of a consolidated program might benefit both business managers and travelers. Stakeholders often want assurances that such consolidations account for distinctions across individual markets and are not simply an exportation of a U.S. travel program. Laying that groundwork often takes months.

PAYMENT PARTICULARS

Given a high rate of inflation in some countries, banks often demand payment cycles of just 10 days, instead of 25 or more days common elsewhere. In addition, corporate liability concerns at times restrict the ability to distribute payment cards to all individual travelers. As a result, direct bill of air or hotel costs may be required.

When payment must be addressed at the time of booking, the reservation in turn is likely made directly with the hotel rather than through an online booking or global distribution channels programmed with negotiated rates. Managers should understand the implications that this form of payment could have on access to negotiated rates and consider the impact on managed travel program compliance.

Given this situation, it’s important that the global travel manager learn how local travel stakeholders pay for travel now and then develop a plan to upgrade payment options, if necessary. Financial realities dictate that companies should not expect employees or their travel management companies to carry the cost of travel. Centrally-billed or ghost cards, direct-billed hotel costs, and commercial cards are payment options to consider.

LOCAL HOTEL DEALS

Hotels often offer lower rates than those negotiated through a travel program when a traveler or arranger calls the hotel directly. This, too, is a challenge to compliance.

LOCAL SUPPLIER NEGOTIATIONS

Consolidating companies may wish to utilize global or regional supplier deals in every market. However, if the company has access to local expertise and relationships, it may find that it can secure better deals through local supplier negotiations.

Consolidation Focus

RADIUS has seen clients prioritize their Latin American implementations in this order:

- **Brazil**
- **Mexico**
- **Argentina**
- **Colombia**
- **Chile**
- **Peru**
- **Central America**

ONLINE BOOKING OPTION

Online booking technology is available throughout the region, and the content limitations of a few years ago have largely been mitigated. “GDS-based tools have more share now because they can support agencies locally on first-time online booking tool integration and fulfillment,” Allen said.

However, some companies find that gaining online adoption remains a challenge. Full-service booking costs are often less in the region than in the United States or other regions, lessening the difference between agent-assisted and online booking costs. With the cost differential between online and offline bookings less compelling, travel managers responsible for consolidation should encourage online booking based on other benefits, such as data collection, safety and security considerations, and negotiating leverage with suppliers.

LOCAL VS. REGIONAL SERVICE

Travel spend volume and language diversity are among the considerations when determining whether to consolidate service regionally through a call center to offer support in each market. Says Allen, “If regional volume is less than $10 million, it might not make sense to consolidate into one regional center. Local service from experts who know the geography and how to get local waivers and favors has its advantages.” As for language, while most in the region speak Spanish, Portuguese is important (especially given Brazil’s impact on the market), so a regional call center needs to be multilingual to service all needs.

> “Personal relationships are a point that cannot be exaggerated. There is a reluctance to just go along with global decisions, whether that’s travel management company selection or changing a global airline. It’s very important to work with a team to explain the benefits to the company and region as a whole.”
>
> *– Maura Allen, Vice President, Latin America, RADIUS*

REGULATORY IMPACT

Pricing regulations vary by country. In Colombia, pricing is set by the government, not by negotiations. Argentina applies a 20 percent surcharge to purchases made abroad. There also are currency control issues, such as those in Venezuela, and increasingly Argentina, that limit business travel expenditures outside borders.

VIP TREATMENT EXPECTATIONS

Meet-and-greet airport services often are provided to more organizational levels in Latin America than in other parts of the world. Some TMCs operate airport offices or assign staff to meet customers during peak periods.

CONSOLIDATION IN PRACTICE: MARSH & MCLENNAN AND WALMART MEXICO

Recognizing the benefits of bringing Latin America into its global travel program, Marsh & McLennan in 2010 gained executive support for LatAm travel expansion. The firm’s consolidated process included:

- A kickoff webcast for key company stakeholders in Latin America to share the

vision and rationale for consolidation;

- Follow-up distribution of a "scoping document" to stakeholders, providing and gathering "key data points and agreements. It gave us enough color and perspective to build a solid approach," said Wilczek.
- A phased rollout starting in 2012 with Brazil and Argentina, followed by Mexico and Colombia a year later.

Walmart Mexico's travel expansion also began in 2010 after the company acquired its Mexico and Centroamerica operations. The company has consolidated about $25 million worth of air and hotel spend for more than 5,000 travelers in six countries in the region: Mexico, Costa Rica, Guatemala, Honduras, Nicaragua, and El Salvador.

ENGAGE LOCALLY FOR SUCCESS

A common theme runs through the many considerations and requirements for travel consolidation success in Latin America highlighted by The BTN Group's webinar speakers. Travel managers must understand the nuances and particular features of each market in order to make the best case for consolidation and to ensure that a consolidated program works.

This starts with identifying and engaging local stakeholders — company personnel, existing travel agencies, preferred suppliers — as Marsh & McLennan did. "Dig to find out who your responsible parties are and build a regional team" for successful, first-time program consolidation, Allen advised.

Throughout the process, it requires the knowledge that one-size does not fit all. Consolidating companies must be open to consider local tools for payment, online booking, or other aspects of their travel program that have been tried and tested in the local market. Of course, these companies should always consider how to leverage global volume, common technology platforms and best practices from around the world. But the objective is a successful program with high levels of compliance, and compliance is driven by a program that works, not necessarily one that is uniform across markets. So, above all, the global travel manager must look to make the most of local resources, negotiated deals, and expertise.

ABOUT RADIUS

RADIUS designs and delivers custom global travel management solutions for multinational companies. RADIUS programs combine global account management and data consolidation with the local service and support of a network of leading corporate travel agencies in 3,300 locations across 80 countries. RADIUS member agencies manage more than US $23 billion of annual corporate travel spending, and 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 Bethesda, Maryland (US), London, São Paulo, and Singapore. **For more information about partnering with RADIUS to achieve your regional or global consolidation goals, visit www.radiustravel.com.**

ABOUT THE BTN GROUP

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.**

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