

Ten Business Travel Trends for 2010

How is the business travel industry likely to evolve over the next few years? A CWT survey of global clients and suppliers identified 10 major trends.



Mike Koetting

Executive Vice President
Global Supplier Management, CWT



Floyd Widener

Vice President Sales, Europe,
Middle East and Africa, CWT

The next few years promise significant change in the business travel industry, according to CWT clients and suppliers who participated in a qualitative survey on “effective travel management in 2010.” Presented at the 2007 CWT global client seminar last September, the findings provoked some lively discussion among participants from across the industry. This article provides an overview of the 10 major trends identified in the survey.

1. Companies will increasingly focus on managing demand and minimizing travel

No one argues that face-to-face meetings will remain essential to business and especially client relationships. As one participant put it: “Look into my eyes, not my files.” Nonetheless, companies will increasingly examine how they can get the best **return on investment from travel** and eliminate any unnecessary trips. Travel managers will seek creative solutions and will increasingly look to technology for new ways to keep people connected wherever they are. **Videoconferencing** in particular will play a more important role as technology continues to improve. The latest “halo rooms,” which enable meetings around a virtual conference room, have already proved popular at some companies. In addition, the use of laptop Web cameras may replace some travel, especially for internal meetings or training, allowing organizers to reach out to a larger audience than might be feasible at face-to-face events. One global company, for example, recently switched an annual marketing conference to a digital format, reaching 25,000 participants instead of 1,000.

Key to the success of such solutions will be close collaboration with IT teams. Organizations will expect the travel management company to provide support, from helping to promote travel alternatives among employees to managing resources and bookings (e.g., videoconferencing facilities).

2. The war for talent may lead to less restrictive travel policies, offset by tougher compliance measures

Travel policies could become less restrictive as companies step up efforts to attract and retain talent. More focus will be placed on employees' work-life balance and driving productivity, and less on achieving savings at the expense of traveler comfort and well-being. Business class will be increasingly authorized, based on travel time rather than the employee's title, and in turn, the number of room nights per trip may be shorter (the idea being that travelers will have less need to "recover" after flights. At the same time, travel managers are likely to take a tougher stance on compliance, enlisting the support of top executives to better enforce travel policies. Regular, accurate data will continue to play a key role in shaping policy and reinforcing compliance. (See the article on Pages 7-15.)

3. Companies will step up efforts to manage travel-related risks

Ensuring the safety of travelers will remain a universal priority for travel managers, particularly for travel to high-risk destinations. Worldwide, companies will be increasingly conscious of their **duty of care** to employees, as the recent Corporate Manslaughter and Corporate Homicide legislation¹ in the United Kingdom influences best practices in travel risk management. Business travel professionals will want to **identify** services that can enhance traveler safety. For example, should specific travelers have priority access to emergency service centers? What about real-time information to enable all travelers to better manage their trip? An ongoing challenge will be to educate travelers about the importance of booking through their managed travel program and communicating any changes in their itinerary. Many travel managers still need to convince travelers of the importance of accurate, real-time tracking.

4. Policies will be greener and travelers more environmentally aware

Companies will be increasingly aware of the need to address environmental issues. They will be under pressure, not just from governments and shareholders but from civic-minded employees. On the one hand, travel managers can make an impact by **educating travelers** about the environmental impact of different travel solutions. (Currently, few travelers and travel managers know their carbon footprint, but this will change.) They can also work with environmentally friendly suppliers to **manage carbon**

¹ The U.K. government is tightening laws on corporate duty of care to employees. Its Corporate Manslaughter and Corporate Homicide Bill was passed by Parliament in 2007 and is awaiting Royal Assent before becoming law. Under the bill, an organization may be found guilty and liable of corporate manslaughter if senior management is found guilty of playing a role in the decision, management or organization of the activity that causes an individual's death in the U.K.

emissions. On the other hand, clients will expect suppliers to be a driving force in finding “green” solutions. Ultimately, companies will aim to balance environmental concerns with financial imperatives, taking a holistic, sustainable approach to travel.

5. Technology will continue to improve the traveler experience

Key concepts will include *self-service, plug and play, one-stop shop and mobile*. In short, companies will continue to seek technology that is more user-friendly and of value to employees throughout the travel process, from the decision to travel to post-trip expense reporting. At the booking stage, more travelers will use online tools as companies better integrate them into their travel program. In transit, travelers will increasingly benefit from self-service check-in, confirmation of connecting flights sent to their mobile devices and automatic re-accommodation services in the event of a flight cancellation. In addition, **Wi-Fi** connectivity will become standard in aircraft, high-speed trains, rental cars and hotels. Although technology will play an increasing role in the traveler experience as more features become automated and integrated globally, companies will continue to seek a balance with “high-touch” human service.



6. Suppliers will continue to seek lower distribution costs

Price pressure will not ease for suppliers, particularly legacy carriers facing increasing competition from new entrants. Airlines will continue to target cost cuts in distribution, reducing commissions and in some cases pulling out of global distribution systems (GDSs). This is particularly likely among dominant carriers in deregulated markets, following the example of Air Canada and Brazil’s TAM. Meanwhile, airlines that do continue to participate in GDSs will increasingly impose “**opt-in**” fees on GDS users who wish to access their full inventory. According to plans shared on and off the record by airlines, most markets around the world will introduce opt-in fees, imitating the United States, Canada, Australia, the United Kingdom and Brazil. In Europe, for example, the opt-in model could easily become widespread if the GDS market is fully deregulated and/or changes are made to the ownership of Amadeus. Finally, airlines—and possibly hotels—will seek to reduce credit card fees, offering discounts for companies willing to use lower-cost debit cards or **new forms of payment**.

7. Dynamic hotel pricing will take off

Revenue or yield management is likely to evolve further in the hotel industry with dynamic pricing becoming increasingly common. As in the airline industry, dynamic hotel pricing fluctuates with supply and demand, theoretically offering the best available rates to customers. In practice, corporate buyers are not convinced they always get the best deal, as prices may sometimes be higher than negotiated rates. Dynamic pricing can, however, offer savings by **simplifying the request for proposal process and ongoing program management**. One global company that has tested the system reported that it broke even on prices at the majority of its hotels in the United States and achieved considerable soft-dollar benefits: "We can negotiate in two hours instead of participating in constant discussions over six months."

8. Multiple forces will impact the competitive landscape

Many respondents underlined that the single largest force in the airline market will be the EU-U.S. **Open Skies** agreement. (See the article on Pages 27-31.) In addition to deregulation, the new fuel-efficient **Airbus A380 and Boeing 787** aircraft will impact competition on international routes by shaving approximately 15 percent off costs per seat. On domestic routes, **budget carriers** will continue to apply downward pressure on fares and drive growth. As a result, airline competition will inevitably increase in the short-term and decrease in the medium-term, with weaker players being acquired or squeezed out of the market. Nevertheless, acquired brands will not necessarily disappear. In the **hotel** market, supply will remain short in key cities for the foreseeable future, despite the addition of new properties. In **ground transportation**, seasonal price fluctuations are likely to be accentuated and rates will rise, reflecting the higher cost of new vehicles.

9. Suppliers will increasingly segment services and apply selective discounts

Customer relationship management will become more sophisticated as suppliers increasingly segment the market, seeking new ways to improve the customer experience and pursue higher margins. **Airlines** will focus increasingly on their offering for elite travelers, especially on long-haul international routes. Another trend will show carriers customizing their deals to different industry sectors, aiming to retain market share with those that are reducing their air spend (e.g., the pharmaceutical industry). **Train** companies, on the other hand, will step up their efforts to improve comfort for business travelers, for example through dedicated on-board working spaces. At the same time, suppliers in all areas may apply tougher market share requirements, which could provide fresh impetus for companies to consolidate their travel program regionally or globally for greater aggregated volume. In the **car** and **hotel** industries, companies will target different segments of business travelers through differentiated brands while trying to build loyalty among individual customers by way of tailored services. Here, the key trend will be suppliers enabling travelers to enjoy their personal lifestyle wherever they are, blurring the line between business and leisure.

10. Cooperation among industry players will be key

Clients and suppliers alike pointed out the need for honest dialogue in order to move the industry forward. Clients are eager to understand suppliers' constraints in order to have more realistic expectations, while suppliers are unanimous about wanting travel managers to provide critical input and feedback. They stress that companies should not be afraid to voice their demands and aim high. In addition, suppliers underline the value that travel management companies can provide by identifying the issues that matter and driving constructive dialogue among all parties. As one supplier pointed out: *"Everyone has to win in this game."* CWT Vision will continue to report on these issues that concern us all. ■