

Intra-Regional Travel Abroad on the Rise for U.S. Business Travelers

Evolving travel patterns can lead to better negotiations with local carriers.



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U.S. domestic air traffic for business remained fairly consistent from 2004 to 2006, according to CWT client spend data. At the same time, air traffic from the United States to Canada witnessed a slight increase, while travel to Asia increased less dramatically than expected. Although there appears to be little change in the mix of international destinations, U.S. business travelers are increasingly traveling onward within destination countries and regions. Corporate buyers should monitor this trend and consider volume thresholds for initiating negotiations with local airlines.

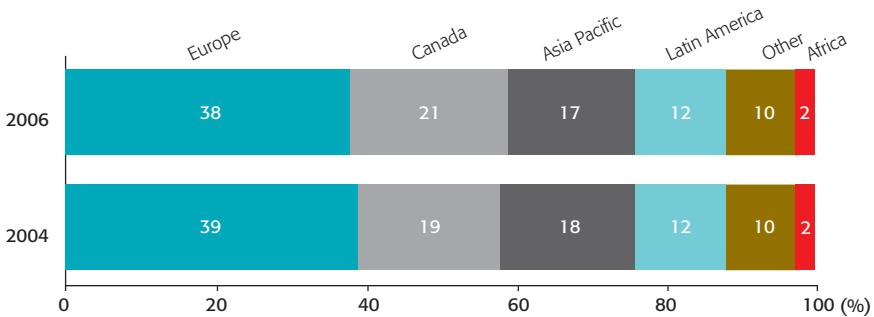
United States

U.S. destinations continue to dominate the travel routes of most U.S. business travelers. Since 2004, domestic trips have consistently accounted for roughly **87 percent** of the total segments purchased in the United States. This is somewhat surprising as a great deal of U.S. business has developed overseas in the last several years. International travel comprises the remaining 13 percent with Europe, Canada and Asia making up 75 percent of these segments.

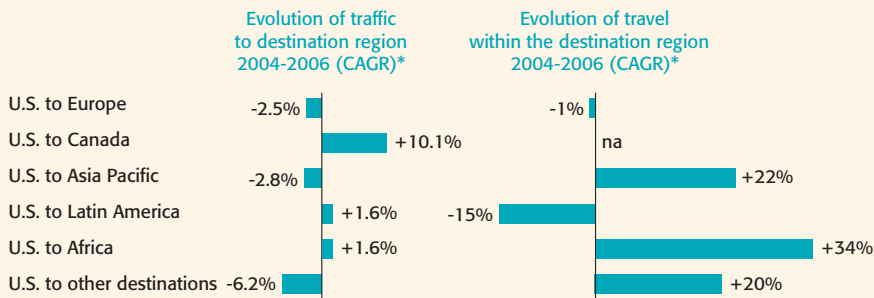
The following chart depicts international travel distribution in 2006 and illustrates how the travel patterns of U.S. business travelers have hardly changed since 2004, except in terms of intra-regional traffic.

U.S. traveler destinations: breakdown and evolution

Destination regions as a proportion of U.S. international business travel



2004-2006 evolution



* CAGR: consolidated average growth rate

Europe

Europe continues to be the top international destination for U.S. business travelers, representing 38 percent of travel abroad.

Intra-European air traffic has remained fairly constant over the past three years for U.S.-originating travelers, with roughly 15.2 percent of those arriving in Europe going on to other destinations on the Continent.

Africa

While travel to Africa amounts to only 2 percent of international trips for U.S. travelers, those who do travel there are more often continuing on to other locations on the continent. Intra-African traffic has experienced a significant increase over the three-year period analyzed, with the number of U.S.-based business travelers traveling on by air increasing by more than 34 percent. Ticketing practices indicate that travelers are maximizing their long-haul flights by incorporating several destinations into their visits.

Asia Pacific

According to CWT client data, U.S. travel to Asia Pacific has remained fairly constant, accounting for roughly 17 percent of traffic out of the country.

At the same time, intra-Asian air travel by U.S. travelers increased 22 percent between 2004 and 2006.

Latin America



Latin America, comprising Central and South America captures nearly 12 percent of international air traffic departing from the United States.

Intraregional travel, however, decreased by 15 percent between 2004 and 2006

Why the increase in intra-regional travel and why it matters

Reported economic growth for many countries and regions has certainly contributed to intra-regional travel for U.S.-originating travelers. A more fundamental reason remains, however: flight times to these regions are long and business travelers are simply multi-tasking, using a single long-haul flight to manage several business activities within a region.

This is important for travel buyers to note since intra-regional travel is typically provided by local carriers, with whom many U.S. corporate buyers do not have agreements. Buyers looking to optimize air spend should monitor travel with local carriers and determine a volume threshold to initiate negotiations with them. While these thresholds can and should vary by airline and region, CWT suggests the following:

- **US\$500,000 in annual air spend with a small carrier**, defined as a carrier with annual revenues of less than US\$1 billion and limited international routes.
- **US\$1 million in annual air spend with a large carrier**, defined as a carrier with annual revenues of at least US\$1 billion and numerous international routes.

While trends analysis shows only a slight change in the travel patterns of U.S. travelers, corporate buyers should continue to monitor developments in their travelers' destinations to ensure appropriate airline agreements are in place. ■