

India

a CWT white paper

India: Phenomenal growth expected, challenges persist

India is a country of more than one billion people, a high number of which are highly educated, who offer multi-national companies an attractive, low-cost workforce as well as a large potential market for products and services. As economic and political changes continue to drive growth, India's importance to corporate travel programmes has increased significantly. However, India is quite different from other areas of corporate travel expansion; the cultural and market differences here make expanding a global travel programme in India a unique challenge.

A developing market

Regionalised culture

While aviation is centrally managed, the regional structure of India's government and regulations, combined with often regional management of companies, has created a fragmented market for corporate travel. Travel programs can often be managed differently from state to state, rather than cohesively at a national level.

Infrastructure can vary widely—from top tier services available in some areas to fragile or limited services available in others. Electricity supplies are not always reliable, telephone line quality varies, and broadband data lines have historically been expensive. Companies who have expanded their operations into India have found the infrastructure limitations challenging and resolution difficult to coordinate at a national level.

Because of the sheer number of people, streets and airports are crowded. India's one billion population has a high number of highly educated people who are not necessarily experienced travellers. India has a very cost-conscious society, where most everyone is accustomed to seeking out the cheapest possible price for all kinds of products and services, including travel.

Despite the challenges of the market, increased capital investment and the "can do" attitude of the Indian people has helped true travel management emerge.

Travel suppliers

India's travel suppliers often operate at capacity—seats on airlines' top domestic and international routes are often unavailable for last-minute business travelers, and domestic hotels are often sold out in fast-growing cities despite room rates of \$300-\$400 USD per night.

However, new airlines are entering the market and international service from foreign carriers is expanding because of liberalisation on open sky policy and the record bilaterals signed with number of countries, increasing capacity at record levels. But, many of the new domestic airlines are low-cost carriers who do not list their fares in GDSs. Domestic hotels rarely host their data in GDSs, decreasing the efficiency of travel reservations and raising challenges in gathering complete data about travel spend.

Travel Technology

Self-booking tools are rarely used, primarily because high infrastructure costs combined with low labor costs do not currently offer a viable economic model. The use of electronic tickets has grown, although paper tickets, combined with personal delivery, is still the norm in many parts of the country. India has exceptionally low credit card usage; personal liability corporate cards are not common. However, CWT has seen an increase in the use of "ghost cards" in recent years. Still most corporate travel programs rely on direct bill arrangements with suppliers, including travel management companies, often because the economic model—rebate and commission-driven—has allowed them to do so.



Typical travel programs in India

A mix of old and new

Traditional travel programmes in India dominant

Indian firms often rely on traditional travel programme models, involving high-touch services using multiple suppliers, including TMCs, in an unconsolidated approach. Many companies feel that offering their travellers a choice in agencies and suppliers ensures the best service. The benefits of consolidation—aggregated data, traveler tracking, and increased leverage with suppliers—are not highly valued in this travel management environment.

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With the rise in multi-national companies in India and the changing economic model; this type of traditional travel programme will come under increased scrutiny. Commission rates were recently lowered by Air India, a move followed by most other domestic and international carriers, and are expected to continue to decline as they have in other global markets. Currently, low labor costs and a dependence on paper tickets has led to a high percentage of on-site locations; however, as telecom infrastructure costs drop and travel technology expands, this trend could reverse.

Travel policies vary widely in India, even different business units within the same company will have varying policies. Travellers in India have extremely high service expectations—including face-to-face travel consultations, immigration documentation assistance, and hand delivery of travel documents. Low labor costs and on-site service have contributed to these expectations; and multi-national companies with operations in India have difficulty scaling back services to be globally consistent.

Multi-national corporations

Travel programmes for multi-national companies in India generally end up as a hybrid between traditional and managed programs. Foreign multi-national companies must recognize the differences between India and other global markets, and offer travel programmes that are culturally attuned while globally consistent—a significant challenge. Complex visa regulations and requirements, combined with a high percentage of inexperienced travellers, demands a higher level of service than other markets.



Optimising travel programmes

Cultural understanding is critical

Blend global consistency with local needs

Successful multi-national companies have established travel programmes that blend their global requirements with unique local service needs. By working with local market experts who have global capabilities, companies can identify the vital services unique to the Indian travel market, while preserving the value and consistency offered by a globally managed programme. Good communication between local staff about the value provided by a global travel programme is critical to ensure their support.

The use of contractual risk/reward strategies with suppliers can help ensure the best service while replacing multiple supplier agreements to better support a structured travel programme. Thorough analysis of existing agreements can help everyone get a clear picture of the actual value of those agreements, and better compare it to the value of proposed, consolidated supplier strategies.

Be prepared for financial changes

The transition of travel programmes from a profit to a cost centre demands a shift in supplier negotiations to minimize the financial impact. Point-of-sale discounts and net agreements may soon prove more valuable than rebates, and transaction fee arrangements with travel management companies are already becoming more common.

Embrace technology

Encouraging travellers to utilize electronic ticketing and self-booking tools, where available, can help companies reduce the dependence upon high-touch, labour-intensive travel agency services. Corporate pressure on domestic airlines and hotels to make rates available through GDSs can also help promote efficiency in travel reservations services.

Expect more change

The rapidly evolving domestic and international airline markets will continue to drive change in corporate travel. Given the high demand for airline seats and hotel rooms, securing blocks of rooms and seats for company travellers may be an effective strategy to ensure their needs are met. Ongoing communication with local and inbound travellers can help ensure strategies are implemented quickly, particularly with novice travellers and those unfamiliar with India market peculiarities.

About CWT India

Joint venture with AFL Private Limited

Ownership model proves successful

CWT India is a 50%-50% joint venture between Carlson Wagonlit Travel and AFL Private Limited, and is the largest travel management company operating in India today. With more than 800 employees in 12 business travel centres, 275 on-site locations and 16 Franchise service partners in those cities where CWT is not located, CWT India is well positioned to meet local high-touch service demands while leveraging global scale and technology developments to ensure consistency, control, and bottom-line results for our clients. CWT India services several premier global and multi-national companies, in addition to many local Indian companies through an ownership model that allows maximum value for corporate clients. To learn more about CWT India, please contact Mike Bezer at mbezer@carlsonwagonlit.com.sg.