
GLOBAL BUSINESS TRAVEL FORECAST 2010: EXECUTIVE SUMMARY

With a long economic recovery expected, smart companies are getting serious about improving aspects of their end-to-end travel programs to stay ahead of travel industry changes and optimize business results.

Business Travel Trends in 2010

Companies need to focus on the end-to-end travel management process, collect and analyze new levels of data, and measure meaningful travel metrics to create sustainable competitive advantage for their businesses next year.

Pricing Changes Differ by Global Region

Slight economic recovery in 2010 promises relatively small increases in travel category prices next year, but conditions exist for more significant changes so companies should be vigilant to attend to the different factors in varying parts of the world.

Managed Travel Program Recommendations

The time is now to take action to implement the more “return on investment” focus for strategic travel management as pent up demand for trips is unleashed next year and market complexity continues apace.

EXECUTIVE SUMMARY

The year 2009 has seen steep declines in business travel prices in most regions of the world as companies strove to control costs and suppliers responded with rate cuts to compete for limited travel dollars. At the same time, though, the sudden dramatic downturn in economic activity has driven many companies to finally get serious – and strategic – about their business travel management.

Business travel management has evolved as a discipline beyond the early days of employee trip transaction processing to a sophisticated indirect supply management function that encompasses the entire source-to-settle process from negotiating contract with preferred suppliers to employee-initiated expense reconciliation. Increasingly we are seeing the function take on responsibilities for meetings and events, as well as travel alternatives such as video and teleconferencing, and being held accountable to cost-effectively support business objectives.

A TRAVEL TIPPING POINT

In light of the economy, the opportunity for travel management groups to make significant impacts in their companies is now, with substantial savings next year and considerable cost-avoidance potential over the long-term. The risk of inaction is perhaps even greater as the pressure to travel returns in the coming year and suppliers struggle for profitability.

Over the past 12 months, numerous senior executives have expressed their desire to better understand their organizations' business travel patterns and spend. Much like the approach to other important capital investments, companies want to assess the value generated by their travel dollars and determine the appropriate policies and controls to put in place to be competitive in the marketplace.

In 2010, a focus for corporations of all sizes will be defining the appropriate role of travel in the context of delivering business results. Leading travel category managers will likely review their current practices, processes, and systems across the entire end-to-end process of travel management to establish the consistent and focused approach that drives these results.

As a starting point, companies are expected to try to determine why travel is necessary and appropriate and when a more cost-effective alternative would accomplish the same business goal. Translating this return on investment (ROI) approach into an effective set of policies, clearly communicating those policies, and tightly enforcing them through pre-trip notification and expense management processes will continue to increase in significance.

In turn, these tools should provide new data points that will feed the analysis of the travel program. Companies need business intelligence discipline in place to compare expenditures across different departments and to benchmark against other companies of their size and industry to ultimately drive the executive alignment and behavior change required for cost-competitive travel program management.

SOURCING GETS SERIOUS

In order to manage the other side of the travel equation – the actual costs of travel which we expect to go up by the end of 2010 – companies will take a new approach to sourcing with suppliers. With the decline in business travel overall, suppliers across all segments are focused on maintaining or increasing market share in order to position themselves well when the economy begins to improve and eager suppliers will bring a new level of flexibility and collaboration to negotiation sessions.

Savvy companies are realizing that opportunities still exist to negotiate favorable contracts with suppliers, but they must deal with the increasing issues of unbundled services, data, and compliance. Total control over the traveler is ever more difficult and travel programs will need to have both “carrot and stick” strategies for compliance with the proliferation of consumer online services and mobile devices out there in the market today.

Companies that have already put in place a strategic travel policy and addressed their process issues are expected to have a distinct advantage in 2010 as they enter negotiations able to demonstrate their ability to meet volume and spend commitments to suppliers. This preparedness also serves to support measuring the return on travel investment.

GLOBAL PREDICTIONS

Specifically in 2010, travel growth is expected to return in many regions, however, such increases will not likely offset the significant decrease in demand experienced in 2009.

In the air category, North America airlines have greatly reduced capacity wherever possible by eliminating routes or downsizing their aircraft, to offset the effects of this decrease in demand. We expect airfares will increase by up to 5% in North America next year as suppliers draw back some leverage. Prices in Latin America may still decline slightly as increased capacity at alternate airports, new online agencies, and new travel alternatives continue to emerge.

Europe is expected to see fare increases of up to 7% in business class and no more than 2% in economy class. Of note, these rises are not nearly enough to offset the price declines of 15% or more that have occurred in the past year, so travel buyers should be on the lookout for savings in the region if they were not able to lock in these changes in their last negotiations.

China, India, and Japan are expected to lead the way in terms of fare increases of up to 8% in Asia Pacific as travel demand remains relatively strong. Carrier consolidation and restructuring in India and Japan also influence higher rises in the region [see Graphic A].

Globally, hotels have been hit hard by reductions to from both transient and meeting demand. With less flexibility to adjust capacity than air carriers, however, hotel suppliers have been forced to significantly decrease rates overall to retain volume.

In the Americas region in 2010, suppliers are expected to focus on market share and increase occupancy rather than rates. As a result rates are expected to decline or remain flat in most countries. A similar situation exists in Europe, but deeper declines in 2009 should allow hotels to institute increases of up to 3% next year. By contrast, rates in the Asia

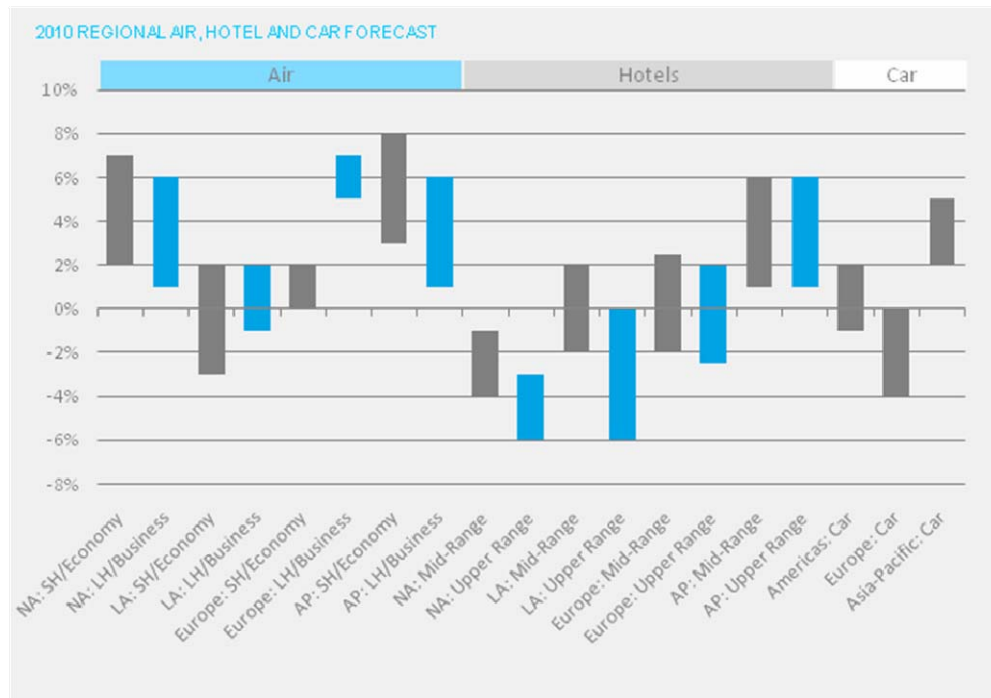
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Pacific region are expected to remain stable or climb by up to 6% in 2010 as travel demand returns.

With vehicle costs rising in 2010 due to car manufacturing consolidation and significant reductions in capacity, rental car companies in the Americas will attempt to increase their rates. As eco-conscious European companies become more sensitive to both re-fueling costs and carbon footprints, the move to smaller vehicles and rail will likely push rental rates down by as much as 4% in 2010 in that region. While rentals are not as prevalent as in other regions, car service suppliers in Asia Pacific are expected to take advantage of the continued demand and increase rates by up to 5%.

Overall business meetings spend around the globe is expected to stabilize and possibly begin to increase slightly in 2010 as companies realize the need for certain events and conferences that are critical to their long-term success. Much closer scrutiny and centralization of meetings spend is expected though as companies are held accountable for the ROI of events as well.

Graphic A: Predicted changes in business travel categories globally 2010



Source: eXpert Insights Global Business Travel Forecast 2010

(Key to Graphic A: NA = North America, SH = short haul flight, LH = long-haul flight, LA = Latin America, AP = Asia Pacific)

RECOMMENDATIONS

For travel category managers, accountability for delivering and demonstrating tangible results from travel programs will more than likely increase in 2010 and responsibility for travel alternatives is expected to factor into many procurement programs.

As a result, the right strategy, policies, tools, and processes across the end-to-end employee connection experience as well as expense reconciliation are recommended.

The biggest opportunities for improvement in 2010 will be in supporting the business in understanding the impact of not only travel – but travel alternatives such as tele-presence investment. Mastering the art of driving the correct behavior of employees to make the right decisions regarding when and why to travel – known as demand management – should follow.

Next, understanding and controlling all spend – including meetings and events – and supporting the strategic sourcing processes for those expenditures is key for driving hard dollar savings from these changes. As sourcing becomes more complex, the need for relevant benchmarks and due diligence in negotiations is expected to help corporations acquire the optimal discounts.

Finally, leading travel category managers should capture and analyze the data required to identify the on-going drivers of value from business travel to support the business in justifying its investment. Calculating the ROI should be top of mind for all travel professionals in 2010.

To access a full copy of the Global Business Travel Forecast 2010, which includes detailed pricing predictions for air, hotel, and car rental for the Americas, Europe and Asia Pacific regions by class of service, please email advisoryservices@aexp.com

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ABOUT ADVISORY SERVICES

American Express Business Travel Global Advisory Services brings the talent, tools, and management consulting acumen needed to holistically manage travel-related expenditures and maximize their return on investment.

Taking a comprehensive approach to travel management, Advisory Services supports travel program strategy development, technology implementation, strategic sourcing and on-going category management in air, hotel, and ground transportation.

Advisory Services also offers on-going program optimization through policy, compliance, business intelligence, corporate social responsibility, and demand and change management engagements.

The organization aligns hundreds of travel and meetings consultants with specialized expertise in the entire end-to-end travel management process to strengthen American Express Business Travel's world-wide client-servicing capability.

Advisory Services consultants are proven thought-leaders with extensive travel expense management and consulting experience to drive industry-leading optimization methodologies.

As part of a leading global travel management company, Advisory Services maintains one of the largest corporate travel data repositories, representing more than \$100 billion in total travel spend.

eXpert insights is a dedicated research practice from Advisory Services focused on mining this aggregate information and objectively identifying best practices to highlight program optimization opportunities for clients on an on-going basis.

In addition to monthly news analysis, Advisory eXpert insights publishes Best Practice Roadmap reports, the annual Global Business Travel Forecast, and the Business Travel Monitor, the industry's leading pricing benchmark with detail on average business traveler fares paid in air, hotel, and car by city and class of service for hundreds of locations worldwide.

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