Travel Management Priorities for 2011

Insights into the Rebound

January 2011

Carlson Wagonlit Travel

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Executive summary

A cautious mood in 2011

The global economy came out of recession early last year, signaling the return of growth in business travel. While GDP rose by around 4.8 percent,[1] corporate travel bookings registered double-digit increases. The market reacted cautiously to this rebound, with both buyers and suppliers focusing on cost containment. In 2011, this mood will persist as price increases across the main areas of the travel program promise tougher negotiations on all sides.

In the air sector, higher fares and surcharges, a wider range of ancillary fees and new "eco-taxes" in some countries will all add up to **a moderate increase in the cost of air travel** over the year to come. Companies may reinforce advance booking to take advantage of scarcer restricted fares. Likewise, they may boost the use of premium economy, in contrast with business class, which has not resumed pre-crisis levels. Some opportunities may open up with accelerating consolidation among airlines, although travel managers will have to contend with reduced competition on some routes and a certain degree of turbulence in the sector.

Initial hotel rates submitted to CWT clients before negotiations for 2011 have risen by about 5 percent on average so far, with considerable variation between categories (3-6 percent), regions (4-13 percent) and cities (-17 percent to 18 percent in major business destinations), reflecting diverse market conditions. Given that larger percentage increases have been observed on higher categories, companies should look beyond category and star ratings, which are not always accurate indicators of quality or traveler satisfaction. Another opportunity for limiting hotel costs is to negotiate amenity fees whenever possible: results to date have been mixed. Travel managers should also continue to ask for last-room availability agreements, which have been granted on more than 80 percent of contracts so far. Finally, CWT advises clients to leverage city caps and include "green" criteria in their requests for proposals.

Price increases are also likely in rail travel, although less so on routes that are in competition with airlines. In 2011, companies will need to manage more carefully the trade-offs between rail and air in their programs as new high-speed routes and services make rail travel a more attractive option, especially for trips under three hours. Europe in particular will see some significant developments, partly due to deregulation that came into effect last year.

There is good news in one area: **car rental prices are likely to ease in some markets**. Penalty fees for late cancellations may appear in the corporate market, but there are no definite signs for the moment. To optimize negotiations, CWT recommends requesting availability guarantees, asking about suppliers' environmental features and considering possible synergies between fleet management and the business travel program. Companies may also benefit from brands' expansion into Brazil, Russia, India and China.

Finally, an upswing in meetings and events activity means **suppliers are less likely to offer deep discounts to M&E organizers.** To achieve savings, more companies are implementing strategic meetings management programs, looking to specialist technology and M&E agencies for support, and exploring the potential synergies with the business travel program.

Travel managers will prioritize cost savings but also focus on the travel experience

Against this backdrop of rising costs, it is no surprise travel managers will be looking first and foremost at ways to achieve savings. They will also focus considerable attention on measures to improve the travel experience and traveler safety, according to CWT's annual survey of travel management priorities.

CWT asked 187 clients worldwide to rank their top travel management priorities and specific measures they intend to carry out in 2011. The results revealed four high priorities, four medium priorities and three lower priorities, as shown on Page 5.

[1] *World Economic Outlook,* p. 2, International Monetary Fund, October 2010

Figure 1
Top travel management priorities for 2011*

Importance ranking	Priority	% Respondents
1	Improving traveler compliance	68%
2	Optimizing online adoption	61%
3	Driving air and ground transportation savings	64%
4	Optimizing hotel spend	62%
5	Enhancing the traveler experience	46%
6	Optimizing the travel policy	44%
7	Developing key performance indicators	37%
8	Addressing safety and security needs	40%
9	Further consolidating the travel program	30%
10	Tackling meetings and events	25%
11	Making the program more environmentally friendly	11%

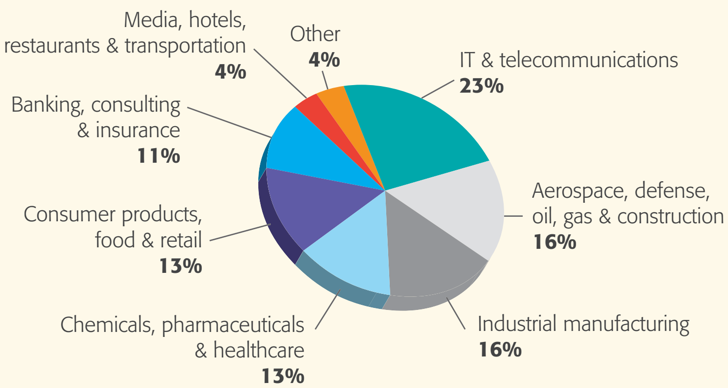
*CWT asked travel managers to select their top five travel management priorities for 2011 and rank them in order of importance. The responses were weighted to take into account how often each priority was ranked first, second, third, fourth or fifth. The "% Respondents" column shows the proportion of travel managers who included the priority in their top five. "Optimizing online adoption" was mentioned by fewer travel managers than "driving air and ground transportation savings" (61 percent compared to 64 percent) but ranked higher overall because it generally came higher in the top five.

Source: CWT Travel Management Institute
Based on a survey of 187 travel managers worldwide, September – November 2010

About the survey

CWT conducted an online survey of 187 travel managers, representing companies from various sectors based in Asia Pacific, Europe, Latin America and North America, with travel programs covering at least two regions and US$5 million in spend. The survey was carried out from September to November 2010.

Figure 2
Breakdown of surveyed companies by sector



Source: CWT Travel Management Institute
Based on a CWT survey of 187 travel managers worldwide, September – November 2010

Part 1

Key changes in the business travel market

A healthier economy, but many challenges still ahead

Global economic recovery came earlier than expected, with all regions returning to positive growth at the beginning of 2010 and reaching approximately 4.8 percent by the end of the year.[2] As always, business travel followed suit, with a double-digit increase in total bookings (air, hotel, rail and car combined).

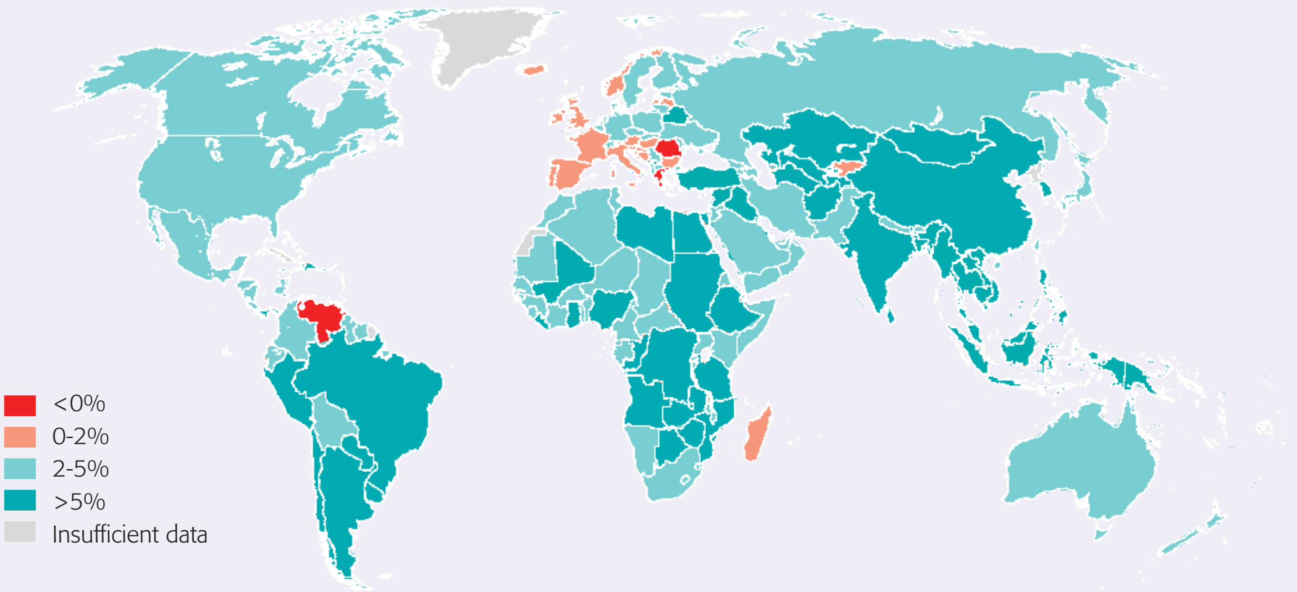
The pace of growth has been uneven across regions, however, and prospects are uncertain for 2011. Whereas Asia Pacific and Latin America are steadily advancing, the U.S and European economies appear less resilient and some experts even foresee a return to negative growth in these regions. Globally, a GDP increase of 4.2 percent is expected.[3]

What is certain is that the coming year will continue to challenge travel buyers to find ways to limit costs while ensuring the right levels of service for travelers. Price increases will be seen across all the main areas of the travel program and in many cases negotiations will be tougher than last year.

These challenges are nothing new for travel managers, who have managed a number of difficult conditions over the past few years—notably significant budget cuts in 2009 and the ash cloud crisis in 2010. As always, there are opportunities to achieve savings and improve the travel program.

This section presents developments in the business travel market and offers advice for travel managers in 2011.

Figure 3
Average projected real GDP growth during 2010-11



Source: *World Economic Outlook*, p. 61, International Monetary Fund, October 2010

[2] *World Economic Outlook,* p. 2, International Monetary Fund, October 2010

[3] As above

Air

The cost of air travel will continue to rise in 2011 with higher fares and fuel surcharges, new taxes in some countries and an ever-wider range of ancillary fees. At the same time, restricted fares are likely to be scarcer and available only to travelers booking well in advance. Another challenge for travel buyers will be managing the impact of airline mergers and new partnerships on preferred supplier programs. In general, negotiations will be tougher and many companies will need to review their air travel policies, particularly on advance booking.

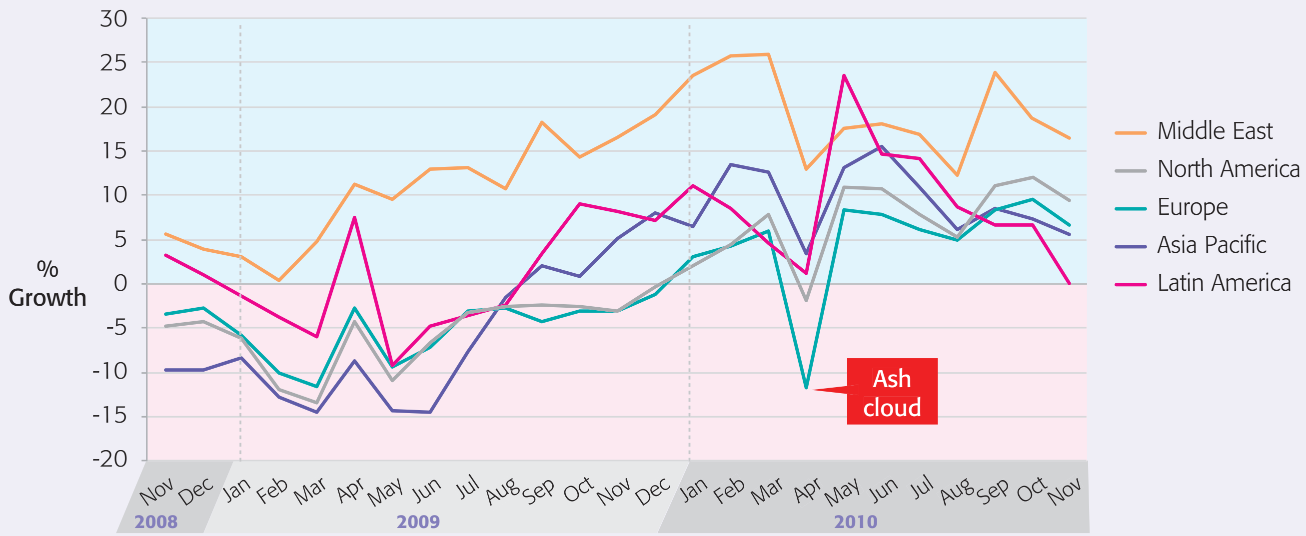
Evolving supply and demand

The broad outlook for 2011 involves growth in both supply and demand:

- **Global traffic growth will be slower, reflecting economic trends.** Business travel tends to increase at roughly twice the rate of GDP and this was indeed the case in 2010. Early last year, positive growth returned to all regions after a difficult 2009: global air traffic—including business, leisure and cargo—increased by 11.6 percent[4] and GDP by 4.8 percent,[5] according to IATA and IMF estimates. In 2011, traffic growth should be slower: 5.3 percent, according to IATA. Passenger traffic will continue to grow with significant variations from region to region. Figure 4 illustrates the varying growth rates per region, zooming in on international passenger traffic.

Figure 4

Evolution in international passenger air traffic per region (November 2008 – November 2010)



Evolution per region (January – November 2010 vs. the same period in 2009)

- **Asia Pacific** showed strong growth (9.7% year on year) after being hit hardest by the economic crisis
- **Europe** experienced slower growth than other regions (5.2% YoY), partly reflecting the impact of the ash cloud in April
- **Latin America** recovered well (9.0% YoY) after a relatively modest slowdown in 2009
- **The Middle East** resumed fast growth (18.3% YoY) after slower positive growth during the global downturn
- **North America** observed moderate growth (7.4% YoY)

Source: CWT Travel Management Institute
Based on data from IATA's monthly *Air Transport Analysis*

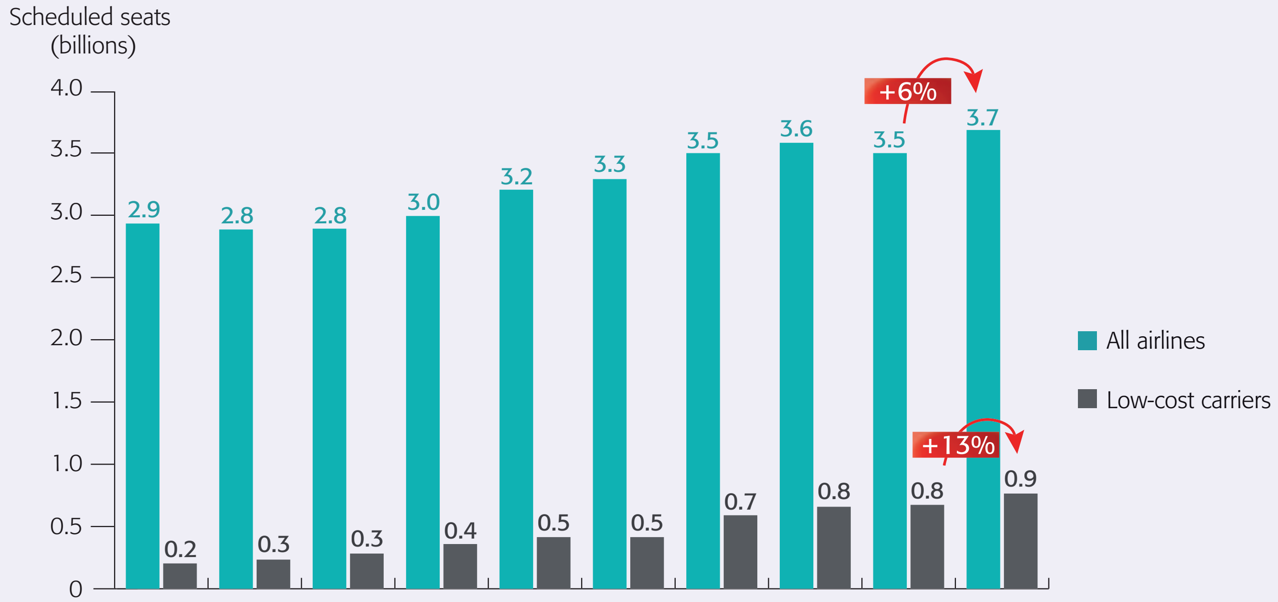
[4] *Industry Financial Forecast*, International Air Transport Association, December 2010
[5] *World Economic Outlook*, p. 2, International Monetary Fund, October 2010

- **Capacity growth will be only slightly higher than traffic growth, maintaining a tight capacity environment.** According to IATA, global capacity should continue growing steadily (6.1 percent in 2011 compared to 6.0 percent in 2010), while traffic should rise by 5.3 percent. This means there will be no clear reversal of the tight capacity situation experienced since the upturn in 2010, which has led to fuller planes and higher prices. In the past, airlines were quick to roll out new capacity in a growth environment, often winning market share at the expense of margins. This time, the industry is taking a more cautious approach to protect earnings, after returning to profit last year. In December 2010, IATA[6] predicted net profits of US$15.1 billion for 2010 and US$9.1 billion for 2011, largely due to increased traffic, better aircraft utilization and higher revenues from ancillary services.

- **Capacity growth is likely to be fastest on low-cost flights and high-yield international business travel markets**. Figure 5 shows how worldwide capacity has now surpassed pre-recession levels, with proportionally higher growth in LCC seats: 13 percent growth in LCC capacity in 2010, compared to 6 percent among traditional carriers. This trend is likely to continue in 2011.

Figure 5

Capacity is growing faster on LCCs than traditional carriers



Source: CWT Travel Management Institute
Based on data from *OAG Facts*, November 2010

[6] *Industry Financial Forecast,* International Air Transport Association, December 2010

A changing competitive landscape

Market liberalization is steadily continuing around the globe, with several key developments in 2010 and boosting market competition. The airline industry is highly fragmented compared to other sectors, leaving considerable scope for consolidation, which is often a survival strategy. In this context, airlines have made a flurry of announcements concerning mergers and acquisitions, joint ventures and alliance agreements:

- **Open skies agreements.** In March 2010, the second phase of the U.S.-E.U. open skies agreement entered into force, making permanent the terms of the 2007 agreement and further easing restrictions on traffic (e.g., by allowing airlines from both sides to select routes and destinations based on consumer demand, and by authorizing E.U. carriers to serve U.S. government traffic) although some important restrictions were maintained (foreign ownership of U.S. carriers remains limited and European carriers are still not authorized to operate intra-U.S. routes). The United States also finalized an open skies agreement with Japan. In 2011, the European Union is expected to initiate a similar agreement with Brazil.

- **Joint ventures.** Open skies agreements pave the way for synergies between airlines in terms of jointly operated routes and aligned pricing. In 2010, several major joint ventures were approved by regulators. Notably, oneworld became the last global alliance to launch transatlantic cooperation (between American Airlines, British Airways and Iberia), while two major transpacific agreements went ahead (All Nippon Airlines and United Airlines, and Japan Airlines and American Airlines). Other partnership that were cleared include Air France-KLM and China Southern, and Etihad Airways and Virgin Blue Group's V Australia. Among the joint ventures pending approval were Air Canada and United Airlines (for transborder routes), and Air France KLM with China Eastern (routes between Europe and China).

- **Mergers and acquisitions.** A number of major mergers and acquisitions were announced or finalized in 2010, as shown below:

Figure 6

Major merger and acquisition announcements in 2010

中國東方航空 CHINA EASTERN + 上海航空公司 SHANGHAI AIRLINES	China Eastern Airlines completed its acquisition of Shanghai Airlines in February 2010, taking control over 50 percent of Shanghai's aviation market.
UNITED + Continental Airlines	The merger announced in October 2010 will result in a single brand offering from Spring 2011, using the United name.
LAN + AIRES	In November 2010, Chilean carrier LAN agreed to acquire 98.94 percent of Columbia's Aires for an estimated US$32.5 million.
BRITISH AIRWAYS + IBERIA	International Airlines Group (55 percent owned by British Airways and 45 percent by Iberia) will become Europe's third largest airline when the merger is completed in January 2011. Both airlines will continue operating under their own brands.
SOUTHWEST.COM + AirTran	Southwest is expected to complete its US$3.5 billion acquisition of AirTran in the first half of 2011, increasing its route network by 25 percent.
LAN + TAM	Announced in August 2010, the merger between these two major Latin American airlines promises to reshape the region's market. The two airlines are currently members of separate alliances.

- **Alliance developments.** Global alliance membership continues growing, with many new announcements in 2010, as shown below:

Figure 7
New members of air alliances

SkyTeam	Star Alliance	oneworld
New members in 2010		
Tarom-Romanian Air Transport Vietnam Airlines	Air India TAM	S7 Airlines
Members to join in 2011 and later		
Aerolineas Argentinas China Airlines China Eastern Airlines Garuda Indonesia Saudi Arabian Airlines Shanghai Airlines	Aegean Airlines Avianca Copa Airlines Ethiopian Airlines TACA Airlines	Air Berlin Kingfisher Airlines

This consolidation will have a mixed impact on the travel program. On the plus side, rates negotiated with a single carrier or partnership will often cover more routes, while published fares and discounts may also be aligned (as has happened on transatlantic routes operated by joint-venture partners). Moreover, negotiations may be simplified through a single contact coordinating proposals from the different partners. On the downside, travel buyers can face tougher negotiations on certain routes due to reduced competition, as well as higher volume targets reflecting increased frequencies and seats. They may also find negotiation processes longer because of more complex administration. In the event of mergers, some non-stop routes may be closed.

While traditional carriers are reshuffling, LCCs are introducing more changes:

- **New long-haul routes should be launched by LCCs** over the coming years, according to announcements by carriers such as AirAsia X (Kuala Lumpur-Paris, in service since the end of 2010), FEEL Air (Stockholm-Bangkok and Stockholm-New York), Jetstar Airways (routes between Asia Pacific and Europe) and Skymark Airlines (Tokyo-London from 2014). There is some skepticism in the market, however, given the high-profile failure of some long-haul LCC services in the past.
- **The gap between the business models of LCCs and traditional carriers is closing.** While network carriers are adopting many of the cost-saving tactics associated with budget carriers, some LCCs have been moving up the value chain, targeting business travelers. In 2010, for example, easyJet announced new flexible fares offered through global distribution systems, and Ryanair announced it may soon fly between some primary European airports.

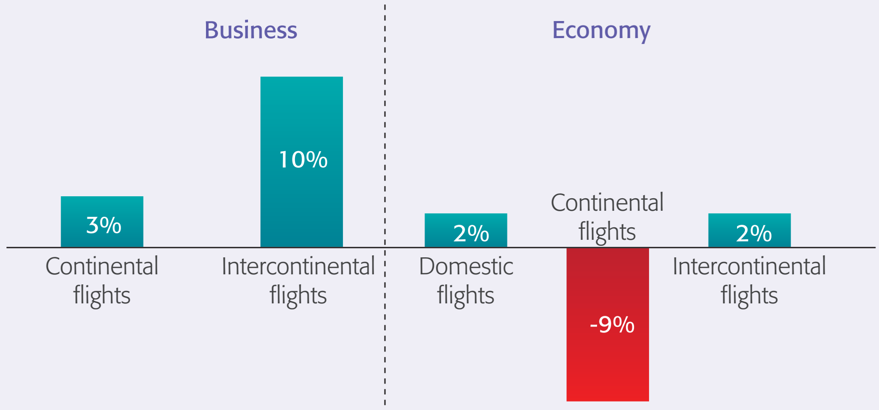
Moderate increases in the cost of air travel

The total cost of air travel will increase in 2011 as a result of moderate fare increases combined with higher fuel surcharges, new "eco-taxes" and a wider range of ancillary fees:

- **Higher ticket prices.** Industry experts expect the increases to reach between 2-7 percent, depending on the route and booking class. In 2010, average ticket prices increased on all types of flights except economy-class continental, which dropped by 9 percent according to CWT client data. This drop was mainly due to increased competition in Europe from the expansion of low-cost routes, Air France's new European offering and the launch of Lufthansa Italia flights between Milan and 12 European cities.

Figure 8

Year-on-year evolution in average ticket price,* January – September 2010



*Price comparisons were made using constant exchange rates, as volatile currencies significantly impact prices.
Source: CWT Travel Management Institute
Based on worldwide client data for the top 20 city pairs by category

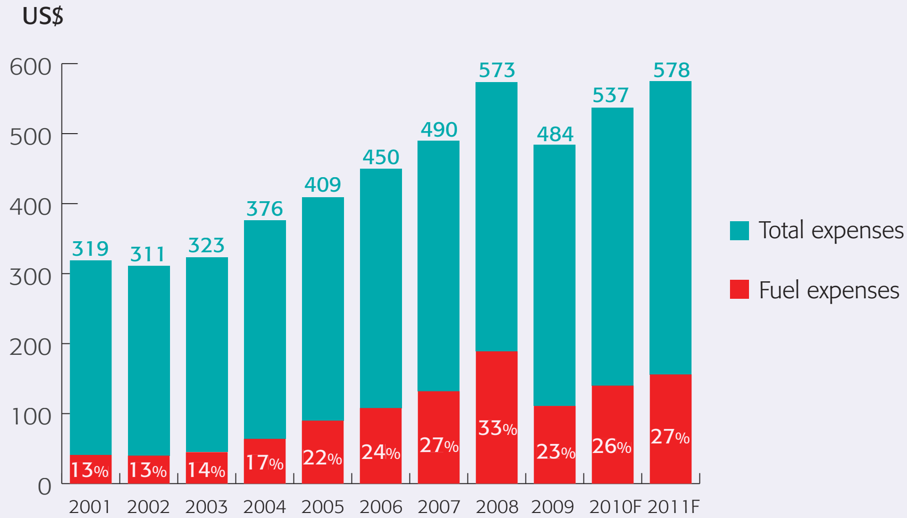
- **A wider range of ancillary fees.** Airlines are charging for an ever-wider range of services—from excess baggage and previously free services (e.g., seating choice, carry-on bags and in-person check-in) to new amenities such as Wi-Fi access and live TV. A recent Amadeus/IdeaWorks report[7] predicted that revenues from ancillary fees would rise to €74.8 billion (approximately US$98.9 billion), compared to an estimated €18.4 billion (US$24.3 billion) in 2010. These charges currently represent between 3 percent and 20 percent of airlines' revenues.

  In the future, unbundled services and onboard sales could reach 35 percent of revenues, according to the Ancillary Revenues Airline Conference 2009. A key factor in the development of ancillary revenues will be airlines' ability to sell through a variety of channels, including mobile devices and travel agencies. In 2010, GDSs Amadeus and Sabre both announced services to integrate ancillary services into agents' booking processes.

- **Increased fuel surcharges.** Airlines will continue to increase fuel surcharges in response to rising oil prices. Last October, for example, nearly all Chinese carriers raised their surcharges by 100 percent on domestic flights, while in November, German carrier Lufthansa announced increases of €3 to €5 (approximately US$4 to US$6.5) per sector on all flights. Similar moves are expected by other airlines. In 2011, airlines' operating costs may exceed the highs reached in 2008, although the industry has managed to become more energy-efficient with fuel representing around 27 percent of total operating expenses.

Figure 9

Evolution in airlines' total expenses and fuel expenses



Source: CWT Travel Management Institute
Based on data from *Industry Financial Forecast,* IATA, December 2010

According to forecasts by the U.S. Energy Information Administration, crude oil prices may reach an average of US$85 per barrel in 2011, up from US$79 in 2010. Airlines will continue to pursue different hedging strategies based on prices rising at different speeds.

- **New "eco-taxes."** Travelers already pay a myriad of taxes and fees on every ticket, including a controversial "eco-tax" or air passenger duty in many countries. While this tax has been abolished by governments in Belgium, the Netherlands and Spain after pressure from the airline industry, it will be introduced by Austria and Germany from 2011. In Austria, the tax will cost €8 (approximately US$10) for European flights and €40 (US$53) for long-haul.

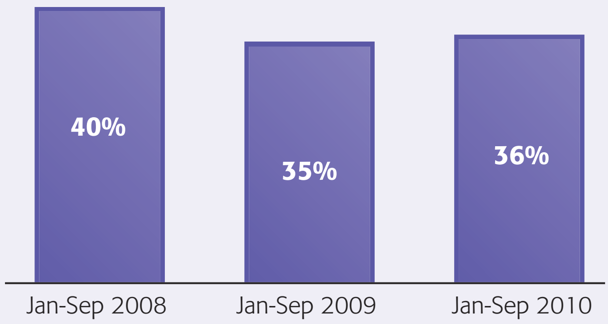
Business travel trends

Among the trends worth noting are a cautious increase in business-class travel, strong growth in premium economy and low-cost flights, continued opportunities to increase advance purchasing behavior, and fewer restricted fares:

- **No clear return to business-class travel.** Companies that were quick to cut back on business and first-class travel during the economic crisis have been much slower to re-introduce it. CWT data shows that business- and first-class accounted for 36 percent of intercontinental tickets from January to September 2010, compared to 35 percent during the same period in 2009 and 40 percent in 2008.

Figure 10

Business and first-class tickets have not yet returned to pre-crisis levels



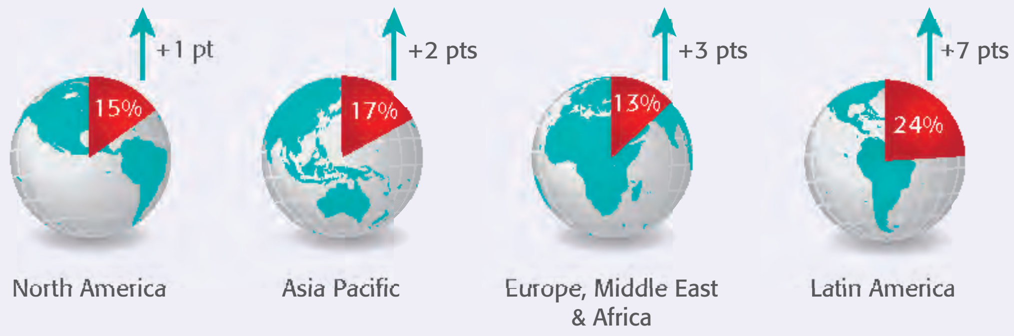
Source: CWT Travel Management Institute
Based on business- and first-class intercontinental tickets purchased by CWT clients worldwide

- **Strong growth in premium economy, mainly offered by European airlines.** This enhanced version of economy travel is being included more often in contract negotiations. Although some companies have introduced premium economy into their policies as an alternative to business, many more have allowed travelers to use it as an upgrade from economy. 2010 saw a steep rise in the proportion of premium economy flights as more airlines (e.g., Air France) introduced the service. Further gains are likely as more airlines launch premium economy in 2011 (e.g., Turkish Airlines).

- **Increasing use of low-cost carriers.** Companies around the world used a higher proportion of LCCs in 2010 for both domestic and regional flights, according to CWT client data. New services played a key role: for example a 7-percentage point rise in Latin America coincided with the expansion of Brazilian giant GOL and the launch of new competitors (e.g., Brazil's Azul and Webjet). In Europe, the proportion of business traffic increased by 3 points, while in Asia Pacific, a 2-point rise was largely due to expansion by the region's largest LCCs, AirAsia and Jetstar. In North America, the increase was limited to 1 percent.

Figure 11

Companies bought a higher proportion of low-cost tickets in all regions in 2010



Source: CWT Travel Management Institute
Based on tickets sold by CWT on domestic and continental flights in January – September 2010 vs. the same period in 2009

- **Opportunities to increase advance purchasing and boost savings.** CWT has observed stable levels of advance purchasing over the last few years: around 60 percent of intercontinental tickets and 33 percent of domestic flights are booked 14 days in advance. Improvements are likely in 2011, according to the latest CWT survey, which indicates that many travel managers are planning to reinforce and better track advance purchasing within their travel policies. (See Pages 40-41.)

- **Fewer restricted fares and more restrictions.** According to CWT Air Solutions Group, airlines are likely to offer fewer tickets in their cheaper booking classes, making it more important than ever for travelers to book as far in advance as possible, and for companies to demonstrate the potential savings even when inevitably some of those tickets will be cancelled or changed. More restrictions may apply, such as the requirement for a Saturday-night stay, which had been dropped previously by airlines.

Key points to consider in 2011

The outlook for the airline market makes conditions somewhat tougher for travel managers:

- **Expect the cost of air travel to rise moderately.**

- **Consider the impact of more ancillary fees** by leveraging total air spend in negotiations whenever possible and including these expenses in the travel policy.

- **Reinforce advance booking.** Restricted tickets are likely to be scarcer in 2011, requiring travelers to book earlier in advance. Companies may therefore wish to revise their policy on advance booking.

- **When considering LCCs, bear in mind a number of limitations.** Notably, most budget airlines remain outside GDSs, which creates inefficiencies in the corporate booking process and increases the risk of leakage. In addition, LCCs do not always offer the lowest logical fares at the time of booking.

- **Limit the number of preferred suppliers to optimize discounts and leverage alliances as a negotiation tactic.** As airline consolidation continues, it is more important than ever to assess the travel program's dependency on individual carriers or partnerships and to limit the number of preferred suppliers to achieve the best possible discounts. Increasingly, airlines are cracking down on companies that fail to meet their volume commitments and travel managers need to find ways to convincingly "sell" their programs to them in negotiations.

GDS content: a crucial role in managed air programs

Currently, GDSs house more than six billion airfares, half of which are fares negotiated by companies or travel management companies. This system plays a key role in effective air programs for several main reasons:

- First, GDS content through TMCs provides corporate clients with an **efficient, cost-effective one-stop shopping environment and easy fare comparisons**, as opposed to connecting directly to hundreds of different suppliers.
- Another important strength of GDS distribution is the ability to **easily change tickets**, especially given that business travel itineraries are changed nearly six times per trip on average.
- Booking through GDSs also allows companies to **track travelers effectively** and provide invaluable assistance in the event of emergencies.

Recently, debate has been reignited concerning airlines removing content from GDSs and selling certain fares only through their own Websites, although it is clear that a more fragmented airline offering would significantly reduce transparency and efficiency for corporate customers. CWT believes a direct connect model cannot serve the best interests of corporate clients.

Hotel

Hotel spend increased in 2010 as average daily rates rose slightly in most regions. In 2011, companies will face the challenge of managing higher hotel prices combined with rising demand. Many travel buyers are negotiating hard with preferred hotels to maintain, if not reduce rates, switching to alternative properties if necessary.

Increasing occupancy and rates

It is always difficult to accurately assess supply-demand trends in the hotel market when they vary enormously between cities and even specific areas within cities. However, regional data provides a useful overview. Year-on-year figures released by STR Global[8] show that hotel occupancy has grown at varying speeds around the world, with increases ranging from 9.7 percent in Asia Pacific, 5.6 percent in the Americas and 5.5 percent in Europe to a mere 0.5 percent in the Middle East and Africa.

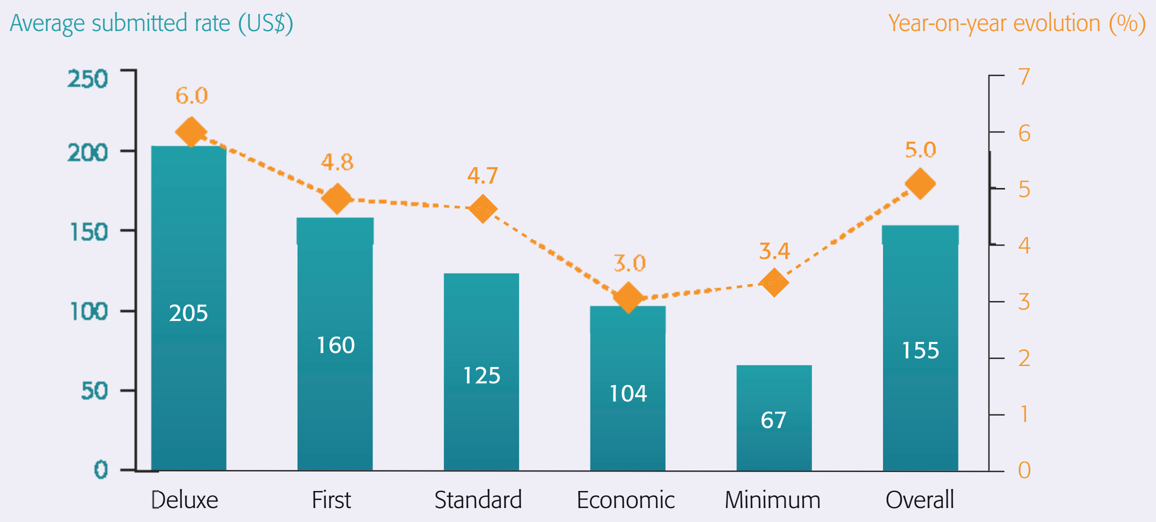
This growth is boosting the hotel construction pipeline for the coming years. Noteworthy developments include:

- In **Asia Pacific,** a total of 259,898 rooms are expected in 1,065 new hotels, largely due to activity across China and India.[9] When completed, these constructions should provide a long-awaited improvement in availability in high-demand cities.
- In **Europe**, new projects have steadily declined since 2008 and are expected to continue doing so until 2012. However, an increase is expected in the United Kingdom as London prepares to host the 2012 Olympic Games.
- In **Latin America**, numerous new project announcements have been made, mainly in Brazil and Mexico.
- In the **Middle East and Africa**, the forecast for new hotel openings has been adjusted substantially downward. Many projects have been pushed back or transferred to other regions.
- In **North America**, new developments have decreased considerably compared to previous years.

For 2011, CWT global data shows that initial submitted rates prior to negotiations have risen so far by about 5 percent on average, ranging between 3-6 percent depending on the category—the higher the category, the greater the percentage increase.

Figure 12

Initial submitted rates for 2011 have risen by 3-6 percent on average per category



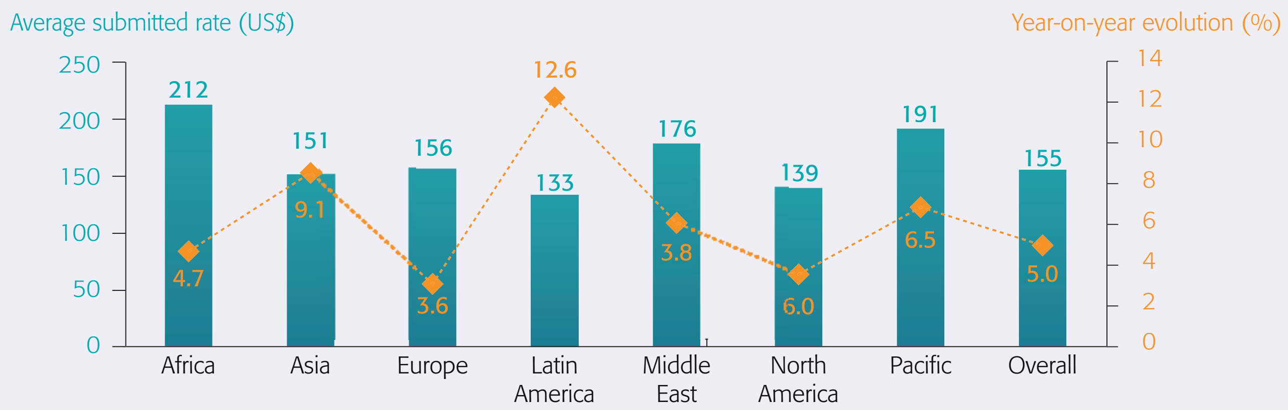
Source: CWT Hotel Solutions Group, all countries

[8] *Global Hotel Review*, STR Global, November 2010
[9] *Construction Pipeline Report*, STR Global, September 2010

The price variation between regions is wider, ranging between about 4 percent in Europe, Middle East and Africa to 13 percent in Latin America. Rates in the Middle East have been strongly impacted by sharp drops in occupancy in the United Arab Emirates: Abu Dhabi was the most hit, with initial submitted rates falling by 17 percent on average, while Dubai's rates are falling more gently (by 2 percent). On the other end of the scale, double-digit rates have been observed in markets in Argentina, Brazil, Hong Kong, India and Singapore.

Figure 13

Initial submitted rates for 2011 have increased by 4-13 percent on average per region

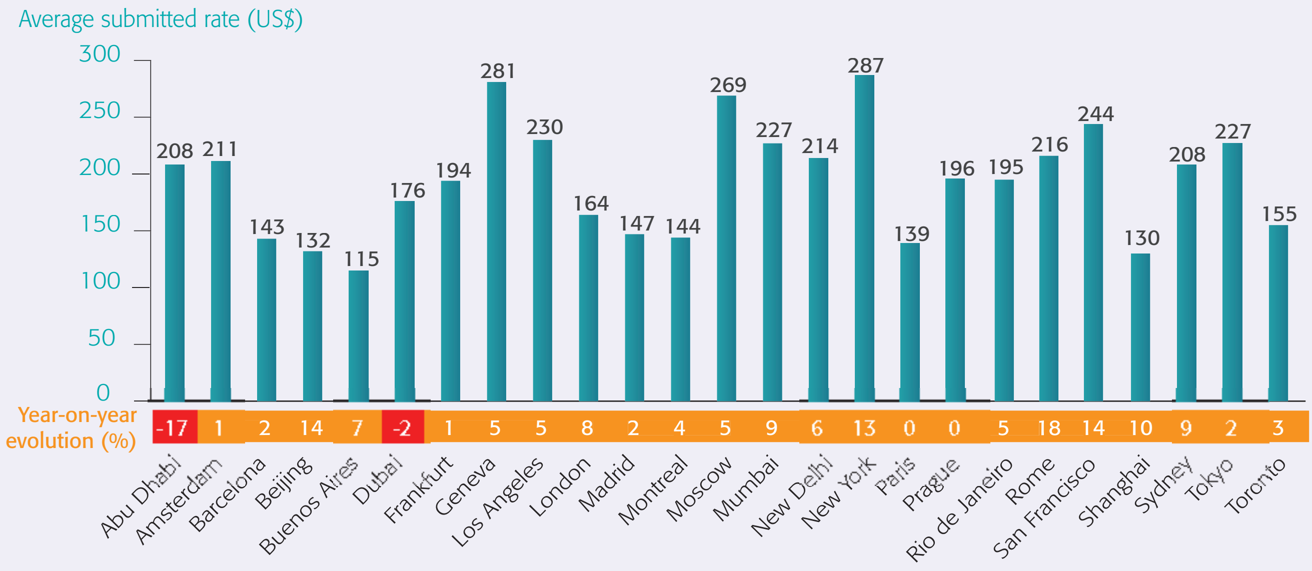


Source: CWT Hotel Solutions Group, all countries

Looking at major business destinations, increases in initial submitted rates vary considerably, for example, between 8-18 percent in the United States and 0-5 percent in Europe.

Figure 14

Evolution of initial submitted hotel rates



Source: CWT Hotel Solutions Group, all countries

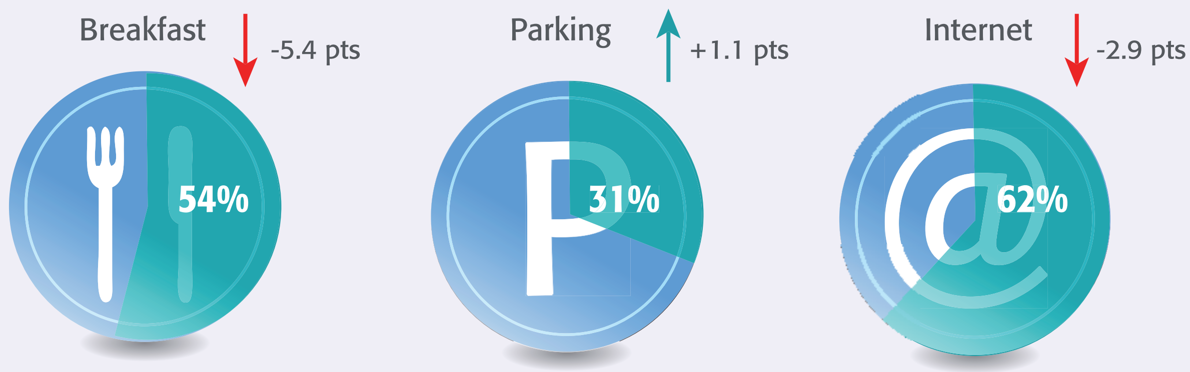
Altogether, these increases make for a rather more hostile buying environment in 2011. Other trends observed in negotiations include:

- **Weak support for dynamic pricing.** On the whole, clients negotiating with key properties continue to prefer flat rates compared to dynamic pricing deals. Although some companies have tested dynamic pricing with preferred chains, there are few signs that this type of deal will take off more widely in the travel program, or at least not in the near future. Some hoteliers claim that dynamic pricing simply requires buyers to switch to a different mindset, accepting a more volatile price environment, as for air sourcing. So far, however, most travel buyers have been reluctant to make the leap, given a lack of clear data on the benefits.

- **Varying results on amenity fees based on initial submitted rates.** CWT clients obtained some amenities (e.g., parking) more often and others (e.g., breakfast and Internet access) less often, leaving considerable scope for progress in 2011.

Figure 15

Evolution in amenities included in initial submitted rates for 2011 vs. 2010

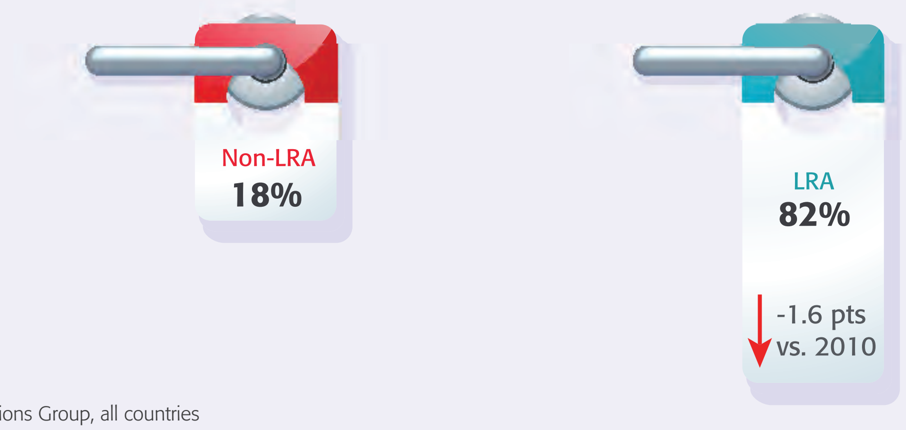


Source: CWT Hotel Solutions Group, all countries

- **Last-room availability agreements still going strong.** Hoteliers continue to grant LRA deals on 82 percent of rates on average, down by just 1.6 percent in 2011 despite higher occupancy in 2010.

Figure 16

LRAs are still granted in 82 percent of contracts



CWT Hotel Solutions Group, all countries

Based on initial rates submitted by hoteliers for 2011 programs

Key points to consider in 2011

The following advice may be useful to buyers negotiating hotel programs this year:

- **When pre-selecting hotels, look beyond star ratings,** which are not always a reliable indicator of value for money. Rating systems vary between countries and sometimes a two-star hotel can offer a similar range of services to a three-star property. Moreover, hotels sometimes put themselves in a lower category depending on their marketing strategies—for example, properties that qualify for five stars may prefer to display four stars in order to qualify for major corporate contracts. Similarly, Accor's Ibis brand has for years used a two-star rating although it qualifies for three stars (and is about to switch to this rating). It is also worth remembering that a hotel's category or service offering ranks lower in importance for travelers than its location.[10]

- **Continue to ask for last-room availability agreements in high-occupancy markets and monitor them closely through regular rate audits.** Although LRA rates tend to be more expensive than non-LRA, they are invaluable for maximizing room availability and achieving savings in high-demand cities.

- **Include amenities in rate negotiations** to mitigate price increases where possible, and ensure that year-on-year rate comparisons take them into account. Check that frequent travelers benefit from amenities offered by frequent traveler programs.

- **Include specific questions on hotels' green practices in requests for proposals.** Given the lack of clear industry standards and the wide range of certification programs, travel managers need to scratch beyond the surface when asking hotels about green credentials and request tangible information on carbon emissions and sustainable practices.

- **Share city caps with suppliers during the bid process** to encourage suppliers to align their pricing and travelers to select preferred hotels when booking. CWT research[11] indicates that introducing moderate city caps for destinations covering at least 50 percent of hotel spend enables companies to lower the average room rate paid by travelers by 4.4 percent.

Mobile and self-service features on the rise

Continual improvements in mobile technology mean it is easier than ever for travelers to stay connected. As an indication, Apple now lists more than 2,000 travel apps for its iPhone, making this category the fifth largest in its store. The most popular of these apps provide destination and rating information, as well as booking and travel details.

At the same time, suppliers are enhancing their self-service Web features, ranging from online check-in and flight status updates to newer services such as enabling travelers to use their mobile phones to load paperless tickets or enter their hotel rooms. According to a report by SITA,[12] travelers are increasingly at ease with online, kiosk and mobile self-service features, and would like them to extend to more areas of the journey, such as automated security checks and boarding gates. More services are sure to follow.

[10] *Room for Savings: Optimizing Hotel Spend*, CWT Travel Management Institute, 2009

[11] As above

[12] *Air Transport World Passenger Self-Service Survey*, SITA, 2010

Rail

Business travelers are increasingly benefiting from high-speed rail services as they develop around the world. In 2011, rail travel should continue to grow rapidly on routes that offer an acceptable trip duration.

New developments in routes and services

High-speed rail service varies considerably between countries even within the same region, as reflected in business travel patterns. In Europe, for example, French travelers are far more likely to take the train than their British colleagues. In contrast, rail travel is relatively rare in the United States, except on a few well-served routes. However, governments around the world are keen to promote the development of rail. 2010 saw a number of new high-speed routes and services, along with announcements of further improvements starting in 2011:

- In **Europe**, deregulation of the E.U. rail market since January 2010 has opened up competition on transborder routes and enabled "partial cabotage," whereby carriers may operate limited national routes outside their home country without entering into partnership with national rail companies. Previously, cross-border services could only be operated by partnerships between national operators (e.g., companies such as Eurostar and Thalys owned by the national operators or cooperation agreements such as Alleo, created by Germany's Deutsche Bahn and France's SNCF).

  So far, only Deutsche Bahn and Austria's OBB have taken advantage of these opportunities, by introducing a joint service to Italy without Trenitalia. High barriers to entry—mainly the cost of buying interoperable trains—make the launch of fully independent rail services challenging and even existing rail operators may have difficulty managing new transborder projects sustainably. It will take time to see the full effects of deregulation, which will most likely imply airline-style consolidation across E.U. rail markets.

  In the meantime, 2011 should bring some significant developments. For example:

  - Italy's Trenitalia and new French operator Veolia have announced a partnership for private high-speed services between Paris, Milan and Turin, due to open in 2011.
  - Also in Italy, a new private rail company, Nuovo Trasporto Viaggiatori, owned 20 percent by France's SNCF, will offer services starting in 2011 on three high-speed lines: Salerno-Turin, Venice-Rome and Rome-Bari.
  - Deutsche Bahn plans to open a direct route from Germany to the United Kingdom via the Channel Tunnel by 2013, following tests carried out in October 2010.

  Independently of deregulation, other new European high-speed services are worth noting:

  - Madrid-Valencia is the newest high-speed service, reducing the journey time of 3.5 hours to 95 minutes since opening in December 2010.
  - A new joint service operated by SNCF and Renfe from Perpignan in the French Pyrenees to Figueras in Spain will be extended to Barcelona by 2012.
  - A new Rhine-Rhone service will directly link the East of France (e.g., Strasbourg and Mulhouse) with the South East (Lyon) and the Mediterranean coast (Marseille and Montpellier) by December 2011. In a second phase, these destinations will be linked to Germany and Switzerland.

- **Asia Pacific,** the birthplace of high-speed rail travel, already offers efficient service in countries like China, Japan and South Korea. The arrival of new links will develop the region's networks further:
  - In **China**, a new-generation train service was inaugurated in October 2010 between Shanghai and Hangzhou. Another new high-speed service will open between Beijing and Shanghai in June 2011, six months ahead of schedule, reducing the trip from 10 to 4 hours. It is worth noting also that China recently broke the world speed record and boasts the most kilometers of high-speed train tracks.
  - In **Japan**, a new high-speed section is scheduled to open between Yatsushiro and Hakata in March 2011, completing a chain of lines from Kagoshima in southern Kyushu to Shin Aomori in northern Honshu.
  - In **South Korea**, a new service open since November 2010 now connects Seoul and Busan in just over two hours.

- In **North America**, the U.S. federal government announced at the end of December that it would take back US$1.9 billion funding from Ohio and Wisconsin and redistribute the resources to high-speed rail projects in 12 other states. The largest sums will go to California, Florida, Illinois and Washington. Other recipients are Indiana, Iowa, Maine, Massachusetts, New York, North Carolina, Oregon, and Vermont. In addition, a commuter line will go ahead between Milwaukee (Wisconsin) and Chicago.

- In **Latin America**, several high-speed lines are under consideration. Notably the Rio de Janeiro-Sao Paulo project in Brazil is expected to go ahead this year for a planned service launch in 2014. Other projects are being discussed, such as Buenos Aires-Rosario-Cordoba in Argentina.

At the same time, rail operators are developing new services to improve the traveler experience:

- **E-ticketing.** SNCF was the first rail operator to introduce electronic ticketing for all fares and destinations and through any sales channel. Other operators such as Deutsche Bahn, Eurostar and Thalys also offer e-tickets, enabling travelers to book and print tickets from their homes or offices.

- **Paperless travel.** This service is already available in some European countries. For example, Deutsche Bahn issues mobile tickets through its Website. Thalys and SNCF have taken a step further in ticketless travel by enabling travelers to load reservations onto their frequent traveler cards, while Belgian operator SNCB allows travelers to use their electronic ID cards.

- **Mobile applications.** Examples of new mobile services include SNCF's "Compagnon Pro" trip management application and Deutsche Bahn's "DB Navigator," enabling travelers to receive real-time travel information via their mobile devices.

- **Dedicated spaces for business travelers.** Already available on some rail services (e.g., Eurostar), private meeting rooms are being launched by other suppliers (e.g., Thalys), along with services such as priority boarding and free Wi-Fi, food and beverages. In addition, dedicated carriages for corporate travelers are available on certain routes, such as SNCF's TGV East, which provides complementary newspapers and beverages.

- **Onboard Wi-Fi.** Operators around the world have tested Wi-Fi services and are offering them increasingly onboard, either for free or at an extra cost. For example, Amtrak has introduced free wireless access in the business and first-class sections of all its Acela Express trains, while Deutsche Bahn provides Wi-Fi on 1,500 kilometers (930 miles) of its ICE high-speed train network.

Rail within the travel program

Rail travel was less affected by the economic crisis than other modes of transportation and continued to increase during 2009-10. Business travelers did move out of first class and into second in 2009 but they returned slowly in 2010. Although a number of high-profile delays and cancellations negatively impacted train travel last year, the ash cloud crisis pushed many travelers to rediscover the benefits of rail—including convenience, speed, often cheaper prices and a lower carbon footprint than air. In 2011, rail usage is likely to increase further:

- **Increasing market share on national routes.** Rail travel is particularly attractive for trips under three hours. According to SNCF, in France, rail's market share overtakes air when the travel time is reduced to three hours and can exceed 70 percent when it drops to two hours or lower. Similarly, in the United States, Amtrak has captured 65 percent of the air-rail market between Washington DC and New York, and 50 percent on the New York-Boston route.

- **Increasing market share on international routes.** Strong competition from rail has led airlines to close some routes when rail provides strong competition. For example, in 2010, Lufthansa and Germanwings ended their service on the Stuttgart-Paris route, where rail has a 60 percent market share. Rail continues to boast significant share on certain routes—for example, about 30 percent rail traffic on Frankfurt-Paris even though the cites are international hubs for Lufthansa and Air France.

- **A relatively small market share in many countries, compared to car.** Rail is unlikely to erode any significant share of the road market as long as fuel prices remain under US$100 per barrel, although this may change as travel policies integrate environmental concerns.

Key points to consider in 2011

While there is plenty of good news regarding rail services, travel managers should note a few limitations:

- **Budget for higher prices.** Industry experts agree that prices are likely to increase in 2011 with the introduction of new high-speed lines and higher tolls imposed by rail network owners on operators in some countries. This said, increases on some key routes will be limited by competition from low-cost and traditional airlines.

- **Expect trans-border ticketing to remain complex**. Rail networks have been built country by country without planning for interconnection. Given the lack of standardization and interoperability across different national rail booking platforms, trans-border ticketing remains far from seamless. However, rail operators are working on different projects to improve trans-border travel, aiming at an airline-style billing and settlement plan several years down the line. This issue is also being followed closely by the European Union in the context of deregulation.

- **Manage the trade-offs between rail and air** in the travel program as rail becomes an increasingly popular alternative to air. Rail tends to be a viable solution when journeys take less than three hours and the departure schedule is convenient. Companies should identify key routes and estimate the potential volume and available savings if travelers switch to rail, bearing in mind that the best rates can be negotiated when there is strong competition between air and rail. Another key consideration is carbon emissions, which are significantly lower for rail travel.

Car

The car rental market has undergone major changes since the global recession, which hit the sector particularly hard. Car rental companies have had to cope with the higher costs of new vehicles linked to difficulties in the automotive industry. They have also faced the effects of stricter travel policies, which have led to shorter rentals and the use of lower vehicle categories. Moreover, in 2010 an unusually harsh winter in many countries required special tires and damage management, and the ash cloud crisis led to significant fleet relocation costs—10 percent of vehicles were displaced by long-distance one-way trips, with 85 percent sitting unused at times.

The industry has undoubtedly become more efficient, making cuts in fleets, staff and rental locations, while implementing more sophisticated yield-management policies. Although leisure rates have increased, corporate rates remain competitive as part of a long-term strategy to win and maintain business. This trend is likely to continue throughout 2011. Some rental companies may also introduce no-show or "non-cancellation" fees that would impact business travel costs. Meanwhile, signs of consolidation in the sector may be a mixed bag—bringing more dominance by major brands and potentially more scope for volume-based negotiations. At the time of press, the industry was waiting to see if Dollar Thrifty would accept Avis Budget's offer, after it turned down Hertz in October.

An evolving service offering

Several developments are likely in 2011:

- **Moderate price decreases.** Overall, travel managers should expect slight price decreases although moderate price increases may still occur in some markets as rental companies continue to struggle with a tougher global automotive market. Contributing factors include: less favorable buy-back terms on used cars; a weaker offering on upscale vehicles in some regions such as Europe compared to the offering in Brazil, Russia, India and China; and more cautious financing conditions. In addition, government subsidies are likely to be smaller.

- **Likely no-show fees.** Avis Budget is set to add "non-cancellation" fees in the United States in 2011 after introducing them in Europe for Web-only, non-corporate customers in 2010. These fees have yet to be introduced by other brands, but many experts believe they will become more widespread in the near future, applying to both the leisure and corporate segments, at least in the most mature car rental markets. (Asia Pacific is still in a strong growth phase, where competitors are reluctant to introduce any measures that might harm customer acquisition.)

- **Greener vehicles.** Companies keen to manage their carbon footprint may be pleased to see electric cars added to major brands' fleets (e.g., Avis Budget and Enterprise Rent-A-Car). Hybrid vehicles will continue to be in limited supply, given that the higher costs associated with them—30-40 percent more than the traditional fleet—have been absorbed mostly by rental companies.

- **New services.** Like other transportation providers, car rental companies will increasingly introduce mobile services to facilitate the travel experience. For example, following Avis's lead, many brands have launched applications that enable customers to stay connected and receive travel information on their mobile devices.

Key points to consider in 2011

Fierce competition may offer lower prices in some markets. Travel buyers can also consider a number of opportunities:

- **Request availability guarantees when negotiating with rental companies.**
- **Ask about environmental features when selecting preferred suppliers.** Some rental companies provide greener vehicles and carbon reporting.
- **Consider whether synergies are possible between the business travel program and corporate fleet management.** Companies may be able to leverage combined volumes in negotiations.
- **Bear in mind that many car rental brands are expanding in Brazil, Russia, India and China**, enabling contracts to cover a wider geographical scope.

Meetings and events

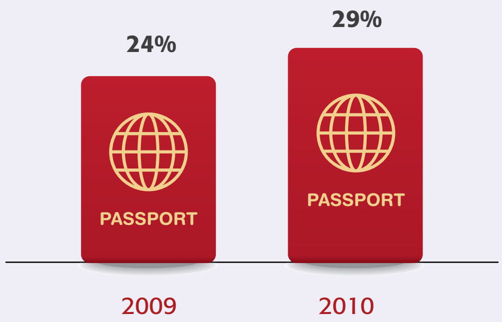
After slowing down considerably during the economic crisis, the M&E industry resumed growth early in 2010 and is likely to recover fully in all regions over the next few years. Deep discounts will be harder to obtain, but significant savings opportunities will still be available to companies implementing strategic meetings management.

A more strategic approach

The following trends are likely to feature in the year ahead:

- **Strong growth in M&E activity.** Without centralized management and effective spend tracking, many companies lack a clear grasp of how much they spend on meetings and events. According to CWT research,[13] M&E spend typically accounts for 0.1-1.5 percent of corporate revenues and reaches as much as 4 percent in some industries (notably pharmaceuticals, IT, banking and finance). As the economy picks up, M&E spend will naturally follow, growing at about 1.8 percent the rate of GDP as a general rule. This growth has been observed by CWT in the number of requests for proposals since the beginning of 2010. Sectors like the automotive industry have started organizing meetings and events again after the crisis and the average spend per attendee per day is expected to increase by 7-11 percent in 2011.
- **Growing interest in strategic meetings management programs and greater involvement of procurement specialists.** Corporate boardrooms are increasingly recognizing the potential for cost savings and improved return on investment through more effective M&E management. CWT research[14] indicates that companies can achieve 10-25 percent savings on average and increase the impact of meetings and events when they implement best practices in three main areas: sourcing, processes, and policy and compliance. For some industries, strict regulation on marketing spend (e.g., in the pharmaceutical and medical device sectors) provides an extra incentive to track data effectively and better control M&E management on the whole.
- **Use of key performance indicators. Comprehensive data is critical for getting an M&E program off the ground and monitoring progress.** Average daily spend per attendee is commonly tracked, but the most advanced programs systematically monitor a much wider range of KPIs, covering different types of events, accommodations, transportation, other costs (e.g., marketing and communications), modes of payment and cost centers. Many companies also track the ratio of events organized in their home country compared with abroad. CWT has noted a shift in this ratio among EMEA-based clients, with approximately 30 percent of events abroad in 2010 compared to 25 percent in 2009.

Figure 17
CWT clients based in EMEA organized a larger proportion of events abroad (vs. in their home countries) in 2010 compared to 2009



Source: CWT Meetings & Events EMEA client data

[13] *Meetings and Events: Where Savings Meet Success*, CWT Travel Management Institute, 2010

[14] As above

- **Accelerating consolidation in M&E management.** Organizations are stepping up their efforts to centralize M&E program management at a regional or global level and will continue doing so in 2011. CWT expects to see many companies merging their North American and European programs in particular, tackling major challenges such as insufficient data, resistance to change from local meeting planners and the need to balance the diverse interests of stakeholders across different departments and countries. Change management strategies will play an important role.

- **More selective M&E supplier management in a highly fragmented market.** Companies that consider M&E strategic tend to outsource more M&E activities but to fewer preferred suppliers. More often, they are building relationships with a limited number of events agencies, while considering other providers for specific major events. Larger organizations are also selecting preferred logistics providers for smaller meetings. As with the transient travel program, limiting the number of end-suppliers, such as hotels and airlines, is key to maximizing savings and ensuring quality.

- **Synergies between M&E and transient travel.** While travel management professionals have been busy discussing M&E (e.g., at last year's ACTE and NBTA conferences), meetings associations like EIBTM and IMEX have been showing more interest in corporate travel. Considering that hotels, venues and transportation are the largest spend items in meetings and events budgets (70 percent of total costs), there is clearly potential to leverage combined volumes in supplier negotiations, as well as expertise in program management. A CWT survey[15] of M&E planners and requestors shows that only 29 percent of companies exploit these synergies systematically at the moment. This is likely to change.

- **Greater focus on risk management.** Safety and security became a hot topic in 2010 after Iceland's Eyjafjallajökull volcano wreaked havoc for stranded travelers. For M&E planners, the event underlined the importance of managing risks in many areas, including traveler safety, regulation, contracts, finance and corporate image.

- **Wider deployment of M&E technology.** Companies are replacing manual processes with online registration and strategic meeting management tools as the technology becomes available in different regions. North America has a head start on dedicated meetings management software, which brings efficiency to M&E processes, sourcing and spend management. Worldwide, online registration tools are growing in popularity as they simplify procedures for both planners and attendees. Moreover, improved technology is bringing a more interactive experience to participants during events.

[15] *Meetings and Events: Where Savings Meet Success*, CWT Travel Management Institute, 2010

Key points to consider in 2011

Some broad recommendations for M&E management are worth highlighting:

- **Balance savings with the business impact of M&E.** Successful programs will limit the impact of price increases while maximizing the value brought by meetings and events to reach business goals (e.g., in terms of increased brand awareness, job satisfaction or networking opportunities). This can be achieved through strategic M&E management, introducing the right organization, technology and processes with the support of specialist suppliers.

- **Plan meetings and events on a yearly calendar to make best use of resources both within and outside the company.** When negotiating with suppliers, a clearer view of volumes can open up opportunities for discounts, as well as enabling companies to plan ahead more effectively and book earlier in advance. This will be particularly important in high-demand hotel markets and also for airlines, given the tight capacity environment expected in 2011. For this reason, companies should consider launching requests sooner than in previous years.

- **Seek synergies with transient business travel, while considering the specific demands of M&E.** A copy-paste approach should not be taken with best practices from business travel management. For example, when selecting suppliers, some one-off events may require specific venues that are not covered by the transient hotel program. Decisions may also be less price-driven: companies that successfully adapt business travel methods to M&E do not let procurement objectives take precedence.

- **Outsource M&E management to a limited number of preferred suppliers.** Working effectively with the right suppliers enables companies to leverage outside expertise while reducing costs.

- **Remember technology cannot fix all.** While dedicated M&E tools undoubtedly provide benefits, companies that introduce them must have the right M&E organization and a change management strategy in place, with support from top management and key stakeholders throughout the company.

Part 2
Survey results: 2011 priorities

Cost savings come first, with a greater focus on the travel experience and safety

For the third year running, CWT has surveyed clients on their travel management priorities. The survey took place between September and November 2010 and involved 187 travel managers from companies based in Asia Pacific, Europe, Latin America and North America. Respondents were asked to rank their top five priority areas from a list of 11 and say which specific measures they plan to implement. CWT then weighted the aggregated results to take into account travel managers' individual rankings (first to fifth) and how often each priority area or specific measure was mentioned overall.

Figure 18

Top travel management priorities for 2011*

Importance ranking	Priority	% Respondents
1	Improving traveler compliance	68%
2	Optimizing online adoption	61%
3	Driving air and ground transportation savings	64%
4	Optimizing hotel spend	62%
5	Enhancing the traveler experience	46%
6	Optimizing the travel policy	44%
7	Developing key performance indicators	37%
8	Addressing safety and security needs	40%
9	Further consolidating the travel program	30%
10	Tackling meetings and events	25%
11	Making the program more environmentally friendly	11%

*CWT asked travel managers to select their top five travel management priorities for 2011 and rank them in order of importance. The responses were weighted to take into account how often each priority was ranked first, second, third, fourth or fifth. The "% Respondents" column shows the proportion of travel managers who included the priority in their top five. "Optimizing online adoption" was mentioned by fewer travel managers than "driving air and ground transportation savings" (61 percent compared to 64 percent) but ranked higher overall because it generally came higher in the top five.

Source: CWT Travel Management Institute
Based on a survey of 187 travel managers worldwide, September – November 2010

Like last year, four high priority travel management areas have emerged, along with a set of medium priorities and lower priorities:

- **Four high priorities centering on cost control.** Not surprisingly, travel managers make the highest priority of actions to control costs: improving traveler compliance, optimizing online adoption, driving air and ground transportation savings, and optimizing hotel spend.

- **Four medium priorities addressing not only costs but also the travel experience,** reflecting changes in the travel climate and the availability of new services. These priorities include enhancing the traveler experience, optimizing the travel policy, developing key performance indicators, and addressing safety and security needs.

- **Three lower priorities: a mixed bag.** Travel managers' three lower priorities are major projects that have already been undertaken in many cases (further consolidating the travel program) or still require attention (tackling meetings and events, and making the program more environmentally friendly).

Travel managers achieve a certain consensus in terms of their key focus areas for 2011: all four high priorities are selected by 61-68 percent of respondents. There is less agreement on the other priorities.

The specific actions travel managers intend to carry out in each area are described on the following pages.

Four high priorities

Improving traveler compliance

Travel managers have understood the importance of traveler compliance for effectively managing travel spend: 68 percent of respondents include this in their top five priorities for 2011. Improving traveler compliance also ranks first in terms of importance.

Two compliance measures stand out, highlighting the key role played by communications in traveler behavior: actively remind employees of policy, and track and communicate compliance levels.

Figure 19

Which of the following measures will you take to improve traveler compliance?

(Several responses possible)

Actively remind employees of policy	69%
Track and communicate compliance levels	69%
Engage management throughout the organization	58%
Communicate and provide training on travel policy	54%
Define clear and detailed guidelines in the travel policy	41%
Empower CWT travel counselors to enforce compliance	39%
Implement an online booking tool (indicate compliant options and filter out non-compliant suppliers)	36%

Source: CWT Travel Management Institute
Based on a survey of travel managers worldwide (127 responses)

In-depth research from the CWT Travel Management Institute[16] shows that significant savings can be achieved through a wide range of compliance measures. These include, for example:

- **Making the policy easily accessible.** As a practical working tool, the policy should be available online (typically on the corporate travel portal or intranet) to all users and in local languages. Companies that circulate global documents only in English can encounter lower rates of awareness and compliance among certain employees due to poorer understanding of the language and the rules. It is important also to ensure that policy changes are communicated in a timely manner and only the latest version of the policy is in circulation.

- **Measuring performance regularly**. Key performance indicators are critical tools for travel managers, who acknowledge the importance of information and reporting for effectively managing compliance. At the top of the list of indicators is the cost of non-compliance, which helps managers to justify the policy. Comparing performance by business unit or division and sharing that information with team leaders can help reinforce compliance.

[16] *Playing by the Rules, Optimizing Travel Policy and Compliance,* CWT Travel Management Institute, 2008

- **Explaining the stakes.** The best-performing companies explain to travelers the savings or other benefits (e.g., security) at stake in the travel policy. This provides an incentive for cost-conscious employees to comply and makes it harder for travelers to justify booking outside the policy. As an example, one European consumer goods company sent travelers an email, signed by a board member, with a chart showing the price impact of advance booking in their particular country and urging them to book earlier.

Figure 20

Example of effective communications by email

Success confirms effectiveness of new travel guidelines

Dear [NAME OF COMPANY] Travelers,

I would like to thank you all for your support. Since the introduction of the new travel guidelines in August 2010, we have been able to save 4 million euros worldwide and 1.44 million euros in Germany alone. This corresponds to a 7.3 percent reduction in our travel expenditure. And if we continue to apply these guidelines consistently, we will be able to save even more.

Save money simply by booking early!

Did you know that by booking flight tickets early, it is possible to save up to 50 percent of the cost of the flight? Air fares are not fixed—the later the booking, the more expensive the flight will be. By booking 16 days early, it is possible to save up to 50 percent on flights within Europe. For domestic flights within Germany, the average saving is 39 percent. So please help us by booking your flights as early as possible. This is a very simple way to save a lot of money.

The successes shown here confirm that we are on the right course. We therefore ask you to continue applying the travel guidelines as consistently as before.

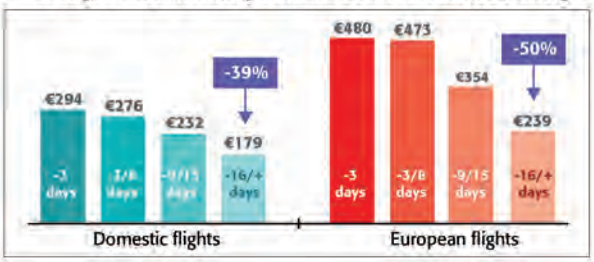
Link to travel guidelines (click here)

Sincerely yours,

[SIGNATURE]

[NAME OF BOARD MEMBER]

Average Ticket Price for [NAME OF COMPANY AND COUNTRY]



This information is meant for ALL employees.
So please pass it on to all those who have no [TYPE OF EMAIL SOFTWARE] access and do not get the information directly.

Source: CWT Travel Management Institute

- **Adjusting the travel program where necessary.** Non-compliance reports can indicate areas of the travel program that need to be reviewed. For example, an unusually low rate of compliance with the use of preferred suppliers may suggest that current suppliers do not adequately match travelers' needs. Key considerations for the air program include the frequency and convenience of preferred airlines' schedules, connecting flights and airport locations. For hotels, companies should regularly review the range of cities covered, the convenience of property locations, and the range and quality of services offered to travelers.

These results clearly show that travel managers are aware of the need to tackle compliance through a wide range of measures. Given the size of this task, it is no surprise to see this priority come top.

Optimizing online adoption

Optimizing online adoption is the second highest priority for 2011, cited by more than 60 percent of survey respondents.

Figure 21

Which of the following measures will you take to optimize online adoption?

(Several responses possible)

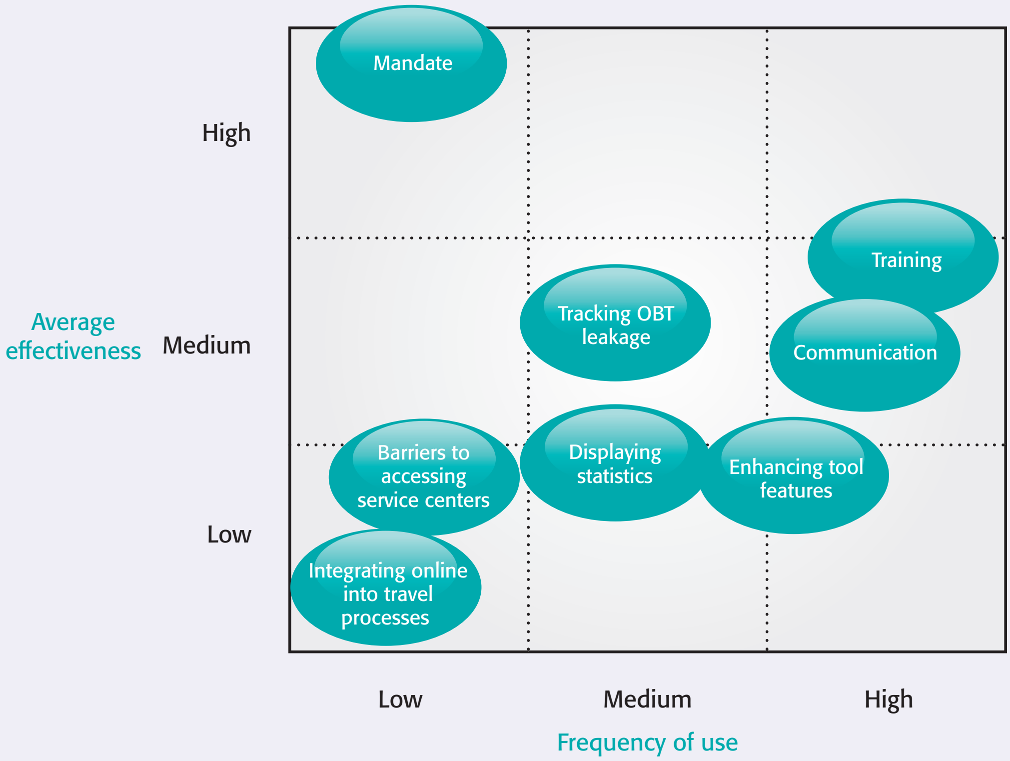
Enhance communication/training	63%
Track and communicate OBT usage	61%
Enhance OBT features	60%
Increase scope of OBT implementation	60%
Encourage travel counselors to steer travelers toward the OBT	53%
Mandate OBT usage	40%

Source: CWT Travel Management Institute
Based on a survey of travel managers worldwide (114 responses)

By attaching fairly high importance to all measures, travel managers acknowledge the need to tackle online adoption in a variety of ways. A holistic approach is generally recommended, as confirmed by CWT research.[17]

[17] *Toward Excellence in Online Booking,* CWT Travel Management Institute, 2006

Figure 22
A wide range of measures to improve online adoption



Source: CWT Travel Management Institute

The wide scope of planned measures also reflects the varying levels of online maturity reached by travel programs. Early adopters of OBTs intend to be more focused on enhancing online booking features, which is the case of 92 percent of the respondents from North America who identified online booking as a top priority. Companies implementing their OBTs later, typically in Asia Pacific and Latin America, plan to concentrate on communicating with travelers and training them to book online using the corporate tool. They also intend to increase the scope of their OBTs, in terms of the countries and types of tickets covered, as indicated by 92 percent of the respondents from Asia Pacific and 72 percent from Latin America who identify online booking as a top priority.

Driving air and ground transportation savings

Ranking third, driving air and ground transportation will be a top priority for 64 percent of respondents in 2011. Travel managers identify three main ways to generate savings in this area: promote alternatives to travel (58 percent), find the right balance between negotiated and restricted fares (57 percent) and concentrate volume with a limited number of suppliers (52 percent). These are described in more detail below.

Figure 23

Which of the following measures will you take to drive air and ground transportation savings?

(Several responses possible)

Promote alternatives to travel	58%
Find the right balance between negotiated and restricted fares	57%
Concentrate volume with a limited number of suppliers	52%
Tighten travel policy (class of travel, connecting flights and advance booking)	40%
Renegotiate more frequently with suppliers	27%
Consider premium economy as a cost-effective alternative to business class	20%
Take ground transportation negotiations further	18%
Manage trade-offs between air and rail	15%

Source: CWT Travel Management Institute
Based on a survey of travel managers worldwide (127 responses)

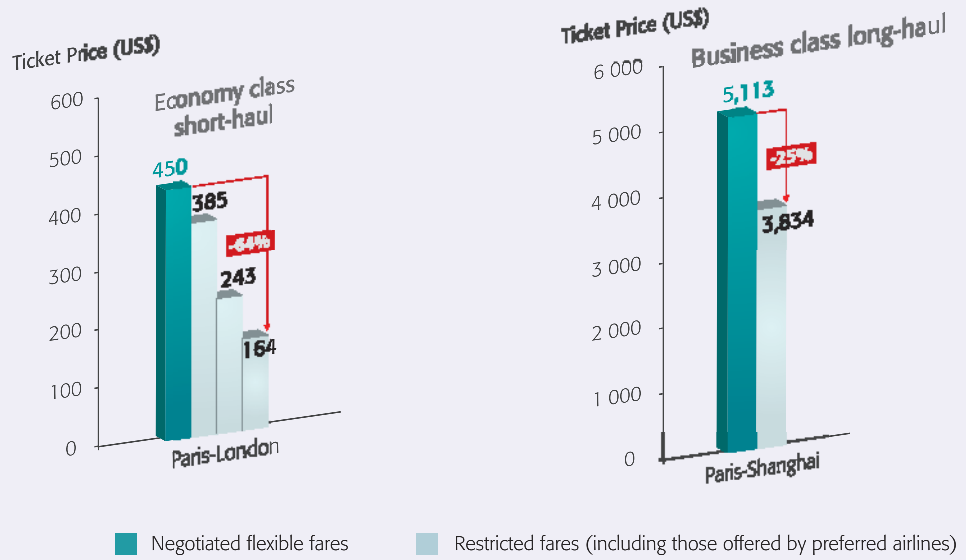
- **Promote alternatives to travel.** Travel managers are increasingly encouraging employees to organize virtual meetings in situations where they provide an acceptable alternative to travel, not only to control the company's costs but also to improve employees' work-life balance. For example, virtual solutions (e.g., Web/video conferencing and telepresence) can be appropriate for routine discussions between small teams or meetings requiring a limited amount of interaction between participants. Virtual solutions can also complement travel and boost the performance of face-to-face meetings, by facilitating contact with colleagues and clients between visits.

  To promote alternatives to travel, travel managers must define a policy for virtual meetings and ensure that travelers know when and how to use them. Telepresence, in particular, may require a change management strategy so that employees understand the benefits and make appropriate use of it. Moreover, key performance indicators should be in place to measure the impact of changes and promote ongoing progress.

- **Find the right balance between negotiated and restricted fares.** Restricted fares, which impose conditions such as advance booking or a minimum stay, offer significantly lower ticket prices—up to 60 percent lower than fully flexible fares. Even when the costs of cancellations or changes are taken into account, companies can make savings when they ask travelers to book restricted tickets whenever possible. According to CWT research,[18] companies save on average 4.8 percent of total travel spend by implementing policy and compliance measures to increase the use of restricted tickets, moving from average to best-in-class performance. However, restricted tickets may be in more limited supply in 2011.

Figure 24

Restricted fares offer significant up-front discounts



Source: CWT Travel Management Institute

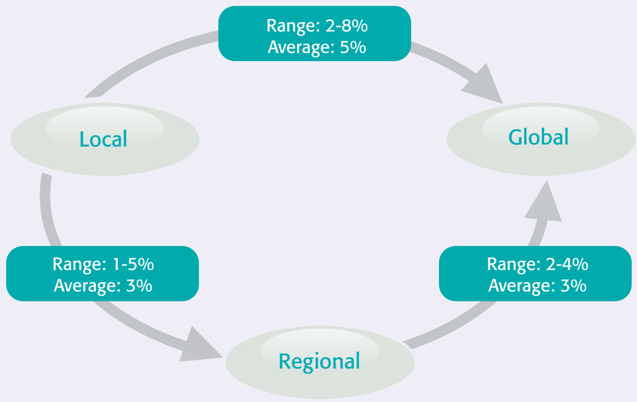
- **Concentrate volume with a limited number of suppliers.** According to CWT research,[19] companies can achieve savings of up to 8 percent of total air spend when they consolidate air sourcing regionally and then globally. These savings are produced in several ways: by leveraging higher volumes in negotiations with airlines to improve discounts and conditions, by seizing pricing opportunities offered by competing suppliers, and by reallocating market share among carriers. The latter involves managing the trade-offs between the available discounts, and traveler preferences and convenience (e.g., flight schedules).

[18] *Playing by the Rules, Optimizing Travel Policy and Compliance,* CWT Travel Management Institute, 2008

[19] *Global Horizons: Consolidating a Travel Program*, CWT Travel Management Institute, 2007

Figure 25

Up to 8 percent savings are possible by consolidating air sourcing regionally and globally



Source: CWT Travel Management Institute

These three main measures are cited by travel managers in all regions. One major regional difference is worth mentioning: managing the trade-offs between air and rail is considered more important in Europe, where high-speed train networks are highly developed.

Optimizing hotel spend

Sixty-two percent of travel managers say optimizing hotel spend will be a top priority in 2011, making this the fourth-ranked area. According to last year's findings, a number of important measures will have been carried out, including reinforcing hotel policy and implementing key performance indicators for missed hotel savings. Many opportunities still remain for optimizing hotel spend in 2011.

Figure 26

Which of the following measures will you take to optimize hotel spend?

(Several responses possible)

Mandate preferred bookings channels	59%
Consolidate hotel program to leverage negotiations	57%
Request last-room availability agreements from hoteliers	37%
Renegotiate more frequently with suppliers	26%
Introduce or increase GDS audits	25%
Introduce city caps per destination	16%
Implement a dynamic pricing strategy	16%
Implement advance booking rules	13%
Replace preferred hotels with lower category properties	10%

Source: CWT Travel Management Institute

Based on a survey of travel managers worldwide (116 responses)

The most popular planned measures are: **mandate preferred booking channels** and **consolidate the hotel program**, both of which offer significant savings. According to CWT research,[20] companies that move from average to best-in-class performance on mandating booking channels can achieve 5 percent savings on total hotel spend and also improve traveler tracking in the event of emergencies. Companies that consolidate preferred hotels and negotiations save 6 percent on average.

Figure 27

Average savings achieved by companies tacking different areas of the hotel program

	Improvement measure	Resulting savings on total hotel spend
Consolidation and negotiations	Consolidating local to regional or regional to global hotel programs and using best practices in negotiations leads to savings **of 6.5%**	6%
Preferred booking channels	Moving from average to best-in-class performance on preferred booking channels **increases TMC bookings by 25 points** (from 50% to 75%)	5%
Preferred hotels	Moving from average to best-in-class performance on preferred hotels **increases the use of preferred hotels by 20 points** (from 40% to 60%)	4%
City caps	Introducing moderate city caps for destinations covering 50% of hotel spend **lowers the average room rate paid by travelers by 4.4%**	4%
Hotel category	**Replacing 20% of preferred hotels with preferred hotels in a lower category** leads18% more travelers to use a lower-category hotel	3%
Advance booking	Implementing policy and compliance measures leads travelers to **book on average 4 days earlier**	1%
GDS rate loading	Introducing a series of 3 GDS audits (including auditing for rate squatting) and corrective actions **reduces the proportion of unloaded rates to 17% (down from 40%) and incorrectly loaded rates to 6% (from 10%)**	1%
	Total savings	24%
	- Overlap	3%
	= Net savings	21%

Source: CWT Travel Management Institute

Travel managers acknowledge the value of last-room availability (LRA) agreements, especially in a context of rising occupancy levels and rates in many cities, as they enable travelers to book at the negotiated rates even when only one room of the specified category is available. Thirty-seven percent of surveyed travel managers say they intend to **request LRA deals from hoteliers** in this year's negotiations.

Interestingly, travel managers attach the least importance to **replacing existing preferred hotels with lower-category properties**, despite the available savings—about 3 percent on average when companies achieve best-in-class performance.

[20] *Room for Savings: Optimizing Hotel Spend*, CWT Travel Management Institute, 2009

Four medium priorities

Enhancing the traveler experience

Mentioned by 46 percent of respondents, enhancing the traveler experience comes fifth in the list of travel management priorities and can be considered a medium priority.

Figure 28

Which of the following measures will you take to enhance the traveler experience?

(Several responses possible)

Offer mobile technologies	65%
Implement travel alternatives	45%
Implement social media tools	29%
Offer additional pre-trip services (taxis, parking, restaurants, airport lounge and Wi-Fi cards)	19%
Relax travel comfort rules	5%

Source: CWT Travel Management Institute
Based on a survey of travel managers worldwide (85 responses)

The main planned measures underline the importance of technology in the travel experience and how keen travel managers are to embrace new features:

- **Offer mobile technologies.** This measure is cited by 65 percent of respondents who identify enhancing the traveler experience as a priority. Elsewhere in the survey, 70 percent of respondents say mobile flight status is the most important mobile service for travelers.

- **Implement travel alternatives.** This measure is mentioned by respondents in this part of the survey (45 percent) and also in relation to another priority: driving air and ground transportation savings (58 percent).

- **Implement social media tools.** (See Page 39.)

It is interesting to find a priority that is not oriented toward cost-control so high in the ranking, underlining how the travel manager's role increasingly goes beyond cost control to consider travelers' well-being. This has been emphasized in recent industry conferences and notably by the Icarus Report: *Frequent Traveller Well-Being,* which notes eight common sources of physical and psychological stress experienced by road warriors (sense of purpose, resources and communication, control and autonomy, work relationships, work-life balance, work overload, job security, duty of care/safety and security risk management). Such stress impacts not only employee well-being but also poses a risk for employers in terms of lower productivity, a greater likelihood of accidents (and therefore claims of negligence regarding duty of care) and poorer corporate reputation.

Social media: managing the opportunities

In the space of a few years, Facebook has attracted more than 500 million users and Twitter more than 175 million. Inevitably, social networking through sites like these has crept into the work place. Companies have stopped asking "Should we use social media?" and started asking "How?", exploring ways to best use these new communications channels.

For business travel managers, social media offer a number of opportunities, including:

- Feeling the pulse of the travel program by encouraging travelers to provide comments and feedback
- Helping travelers to help each other by sharing tips
- Reinforcing compliance through policy updates and reminders
- Reaching travelers quickly in the event of an emergency

To best manage these opportunities, companies may consider:

- Creating specific groups (e.g., per country) for communications between different communities of travelers
- Selecting information carefully to avoid bombarding travelers while posting regular updates
- Providing social media guidelines to protect employee security and encourage users to communicate in a responsible way (e.g., considering the impact on the company's image and their own online "brand," and respecting confidentiality)

Optimizing the travel policy

Forty-four percent of travel managers cite optimizing the travel policy as a priority for 2011, acknowledging the opportunities for savings.

Figure 29

Which of the following measures will you take to optimize your travel policy?

(Several responses possible)

Address advance-purchase behavior	47
Standardize policy regionally or globally	37
Aim for best-in-class travel policy guidelines (benchmarking)	35
Introduce more mandates	25
Define criteria for using travel alternatives	25
Define rules for ancillary services	16
Strengthen travel comfort rules (trip duration, stay length, night/day travel)	12
Relax travel comfort rules (trip duration, stay length, night/day travel)	5

Source: CWT Travel Management Institute
Based on a survey of travel managers worldwide (82 responses)

Three measures stand out in travel managers' plans:

- **Address advance-purchase behavior.** Respondents intend to address advance purchase behavior before tackling other policy areas, acknowledging the room for improvement. In 2010, CWT observed no improvement in advance booking behavior compared to 2009. Yet research[21] shows that travelers book on average 1.6 days earlier when the travel policy stipulates 14-day advance booking, generating 2.2 percent savings on average.

- **Standardize policy regionally or globally.** When doing so, travel managers will also need to plan for regular updates so that the policy remains relevant and integrates future program changes.

- **Aim for best-in-class travel policy guidelines.** Aiming for best-in-class travel policy is the third ranked measure overall and the most commonly cited among global travel managers. This suggests that companies intend to optimize their core travel policy before deploying it regionally or globally. Many will commission an industry benchmark to understand how well their policies are performing compared to peers.

At the bottom of travel managers' "to-do" list is **relaxing travel comfort rules**. Despite a greater focus on travel experience, companies intend to maintain the stricter rules introduced during the economic crisis and will be keeping a watchful eye on compliance.

[21] *Playing by the Rules, Optimizing Travel Policy and Compliance,* CWT Travel Management Institute, 2008

Developing key performance indicators

The seventh highest priority is developing key performance indicators, cited by 37 percent of respondents.

The survey shows a general consensus among global, regional and local travel managers: 73 percent of those who selected KPIs as a top priority said they plan to start monitoring **advance purchase behavior** in 2011. **Out-of-policy bookings** and **missed hotel savings** are the next most popular KPIs, which is unsurprising, given that improving traveler compliance and optimizing hotel spend are high priorities.

Figure 30

Which of these key performance indicators do you plan to start monitoring in 2011?

(Several responses possible)

Advance purchase behavior	73%
Out-of-policy bookings	59%
Missed hotel savings	55%
Compliance with preferred suppliers	46%
Online booking adoption	45%
Unused tickets	36%
Total cost of trip	33%
Internal vs. external meetings	28%
Use of low-cost carriers	26%
Merchant fee surcharges	13%
Other travel-related spend (e.g., parking)	6%

Source: CWT Travel Management Institute
Based on a survey of travel managers worldwide (69 responses)

Addressing safety and security needs

Travel managers will be placing more importance on safety and security this year: 40 percent of respondents included safety and security in their top five priorities.

This result reflects the difficulties travelers faced in 2010, notably with the ash cloud from Iceland's Eyajfallajökull volcano, which was the first incident to ground traffic on a global scale since 9/11. Given the difficulties faced by stranded travelers and the companies who needed to locate them, it is unsurprising that the main measure for addressing safety and security needs will be **implementing traveler tracking and real-time notifications**.

Figure 31

Which of the following measures will you take to address safety and security needs?

(Several responses possible)

Implement traveler tracking and real-time notifications	62%
Provide destination information to travelers	60%
Implement a crisis response plan	43%
Provide medical assistance and security services	30%

Source: CWT Travel Management Institute
Based on a survey of travel managers worldwide (74 responses)

Addressing **safety and security** is a priority for the travel industry, as evidenced by recent changes in U.S. legislation that will impact travel booking processes and costs. On this subject, the Transport Security Authority introduced a Secure Flight Program in November 2010 requiring passengers to provide data when booking to enable the TSA to conduct watch-list matching. In addition, a US$14 charge was introduced on the Electronic System for Travel Authorization (ESTA), an automated system that determines the eligibility of visitors to travel to the United States under the Visa Waiver Program.

Three lower priorities

Further consolidating the travel program

It is no surprise that consolidation comes low down the list of travel managers' priorities for 2011, given that the survey sample involved global clients, most of whom have mature travel programs that have already started tackling consolidation.

It is worth remembering that companies can save on average 20 percent of total travel spend by consolidating their travel programs. According to CWT research,[22] the single largest contributor to these savings is a standardized travel policy, which cuts 12 percent, followed by consolidated sourcing (7 percent), and booking and fulfillment (1 percent). Companies implementing the right actions not only achieve savings, but also improve service and security.

Tackling meetings and events

Tackling meetings and events is another relatively low priority, according to surveyed travel managers, who are not necessarily responsible for M&E. (Typically, meetings and events are managed by different departments, without central coordination.)

However, CWT research[23] shows that companies can save 10-25 percent of M&E spend over three years when they adopt best practices in three main areas: policy and compliance, sourcing, and optimized processes.

Given this high level of potential savings, tackling meetings and events should be high on M&E buyers' agendas. CWT recommends eight key steps to optimize meetings and events management, both in terms of costs and return on investment, as shown below.

Figure 32

Eight steps to optimize meetings and events management

Source: CWT Travel Management Institute

[22] *Global Horizons: Consolidating a Travel Program*, CWT Travel Management Institute, 2007
[23] *Meetings and Events: Where Savings Meet Success*, Travel Management Institute, 2010

Making the program more environmentally friendly

Only 11 percent of surveyed travel managers say making the travel program more environmentally friendly will be a top priority in 2011. Sustainable business travel has not gained much traction, although it may be simply that investments in green strategies have stalled temporarily due to budget trimming rather than any real "green fatigue."

In fact, there is evidence that green travel is not being ignored by companies, who are more often including sustainable criteria in requests for proposals and considering carbon reporting a necessity. These are signs that green travel will gather speed in the years ahead.

CWT Travel Management Institute

The CWT Travel Management Institute conducts in-depth research into effective travel management practices to help clients worldwide derive the greatest value from their travel program. Drawing on the global resources of Carlson Wagonlit Travel (CWT), the institute aims to provide a regular flow of business intelligence and best practices, offering actionable insights into what CWT has identified as the eight key levers to effective travel management.

To this end, the CWT Travel Management Institute publishes original research, white papers and case studies, as well as the global periodical *CWT Vision*. Recent research publications include *Meetings and Events: Where Savings Meet Success* (2010), *Room for Savings: Optimizing Hotel Spend* (2009), *Effective Travel Management: Eight Key Levers to Optimize a Travel Program* (2008), *Playing by the Rules: Optimizing Travel Policy and Compliance* (2008), *Global Horizons: Consolidating a Travel Program* (2007), and *Toward Excellence in Online Booking* (2006).

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