

# The Wire...from AirPlus

## December 2009: Travel Budgets Volatile In 2010



**AIRPLUS.** WHAT TRAVEL PAYMENT IS ALL ABOUT.

### Corporate travel programs still searching for equilibrium.

Ask a simple question and get a complicated answer.

That's what AirPlus International did in a recent joint survey of 99 travel management professionals by asking whether travel budgets in 2010 would increase, decrease or stay the same when compared to 2009. On the surface, the answers were simple: 23.4 percent of respondents looked forward to budget increases, while 19.5 percent felt sure their budgets would take a turn for the worse. The majority, just over 57 percent, were confident that budgets would hold steady at current amounts. Dig a little deeper, however, and the numbers show a more complex situation.

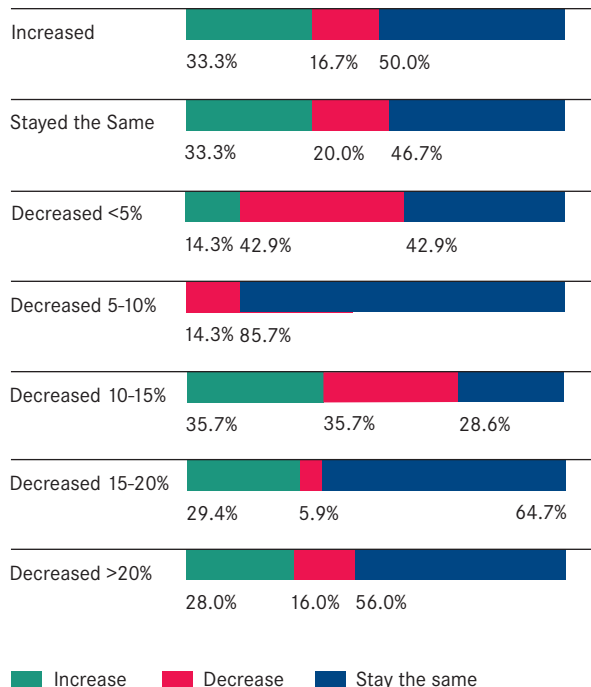
Corporate travel budget cuts were all over the map in 2009. This year, 7 percent of respondents worked with travel budgets that were reduced by less than 5 percent; 14 percent of respondents' budgets were subject to 5 to 10 percent decreases; and 13 percent of respondents' budgets were cut by 10 to 15 percent. Larger groups of corporate travel pros were subject to even greater budget reductions: 18 percent saw budget reductions of 15 to 20 percent, while more than one-quarter of respondents were hit with budgets decreased by more than 20 percent.

A lucky few—6 percent of survey respondents—actually saw travel budget increases in 2009, while about 15 percent enjoyed budgets that were on par with 2008

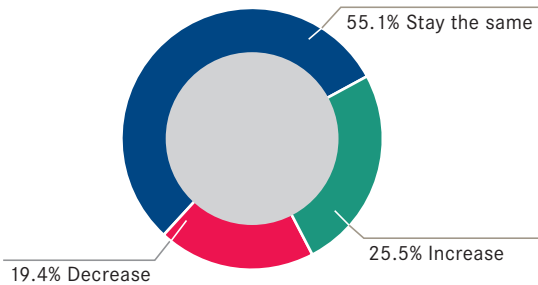
#### In 2009, your company's travel budget...

Increased	6.1%
Decreased by less than 5%	7.1%
Decreased by 5% to 10%	14.3%
Decreased by 10% to 15%	14.3%
Decreased by 10% to 20%	17.3%
Decreased by more than 20%	25.5%
Stayed the same	15.3%

#### 2010 Expectation (based on 2009 Budget categories)



**Compared to 2009, you expect your company's 2010 travel budget to...**



levels. More than 80 percent of the programs with budgetary stability in 2009 will hold steady or even increase further for 2010.

For the 80 percent of survey respondents who cited budget cuts in 2009, the future is more volatile. Those with the smallest budgets cuts in 2009 (less than 5 percent, but more than zero) are the most likely to experience additional cuts in 2010. Indeed, nearly 43 percent of these respondents anticipate additional cuts. In contrast, those companies that cut budgets by 5 percent to 10 percent are the most likely to hold budgets steady. Nearly 86 percent of this category indicated unchanged budgets for 2010, but none indicated budget increases.

Those companies that reduced 2009 budgets by 10 to 15 percent were the most likely of any category to increase their budgets in 2010, with 35.7 percent of these respondents anticipating a little extra money. However, this budget category was equally likely to experience further spend reductions.

More than 64 percent of companies that reduced budgets by 15 to 20 percent felt that current spending levels would be maintained for the coming year, and 56 percent of companies that cut budgets by more than 20 percent indicated the same. About one-third of each category anticipated more robust budgets. Companies with the deepest cuts also exhibited weakness: 16 percent of companies that cut budgets by more than 20 percent in 2009 indicated even more travel budget cuts for 2010.

For all travel managers facing additionally reduced budgets in 2010, it may be an uphill battle—especially with airline suppliers. The hotel market is likely to languish at low occupancy levels, thanks to continued weak demand and a supply pipeline that is likely to

**From which supplier category do expect the most volatility in 2010?**

Airline	69.7%
Hotel	23.2%
Car	0.0%
Bank Card	3.0%
Other	4.0%

increase the number of rooms in the market by about 1.6 percent in 2010, according to a recent Smith Travel Research hotel forecast. The airline industry, however, may be on the upswing. Capacity has been taken out of the market and demand has recently begun to show signs of life. Wall Street analysts, who were predicting bankruptcy for airlines a few short months ago, have changed their tunes and are now casting a positive light on the outlook for air carriers—at least for investors.

These wild swings in the airline market are not lost on travel management professionals. Nearly 70 percent of survey respondents predicted that the airline market would be the most volatile in 2010, with the hotel market running a distant second.

To be sure, the corporate travel industry and the professionals managing programs and travelers in this environment are likely to have an interesting ride as 2010 unfolds. The after-effects of 2009 are clearly rippling into 2010 even as the economy begins to improve and corporations take cautious steps to return to a focus on investment and growth.

**Survey Methodology**—For this issue of *The Wire*, AirPlus International in cooperation with ProMedia.travel surveyed 99 travel management professionals in North American, Europe, Africa and Asia/Pacific Nov. 2-30, 2009.

**Additional Resource:**

**Aiming For A Budget**

<http://procurement.travel/news.php?cid=budgeting.Sep-09.01>

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