

The Wire...from AirPlus

August 2010: On the Up and Up

AIRPLUS. WHAT TRAVEL PAYMENT IS ALL ABOUT.



Business travel buyers and suppliers project rising travel volumes and identify new pressures from upper management for the second half of 2010.

Airlines, hotels and car rental companies in the United States reported good to excellent recovery patterns as business travel hit an acceptable stride in the second quarter of 2010. These earnings numbers are supported by worldwide travel agency sales data from Airlines Reporting Corporation, which has shown an average increase of 21.7 percent over the first half of 2010 based on 7.5 percent higher domestic transactions and 11 percent more international transactions when compared to the same period last year. In an online survey of 80 travel buyers and suppliers conducted in late July and early August by AirPlus International, rates of optimism surrounding travel volume increases for the second half of 2010 showed some marked differences for buyers versus suppliers.

The majority of both groups projected business travel volume increases overall, and a larger percentage of buyers than suppliers actually expect to see increases in their company's business travel volume in the latter half of 2010 when compared to the same period last year. Suppliers, however, showed somewhat more optimism than buyers when asked about the specific rate of that increase.

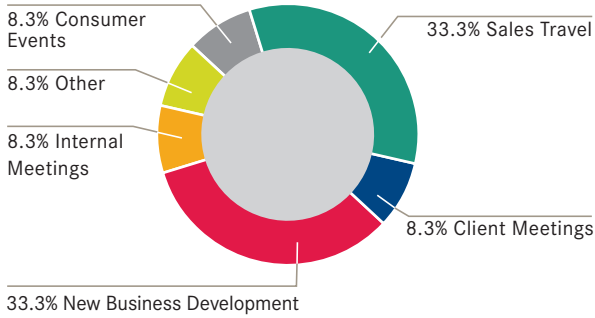
As the economy begins to recover, how do you expect your company's business travel volume to respond in the second half of 2010 compared to the same period last year?

Buyer	Supplier	
14.8%	–	Increase by 1% to 5%
23%	25%	Increase by 5% to 10%
13.1%	18.8%	Increase by 10% to 15%
4.9%	18.8%	Increase by 15% to 25%
3.3%	–	Increase by more than 25%
24.6%	25%	Stay the same
11.5%	12.5%	Decrease
4.9%	–	I don't know

Among suppliers responding to the survey, more than 52 percent expected to see travel volume increases overall, with 25 percent expecting a moderate increase of 5 to 10 percent. None of the suppliers surveyed projected increases of less than 5 percent for the period.

That figure contrasted markedly with the nearly 15 percent of buyers responding to the survey, who marked the slower growth category for their company's travel volumes. Buyers also differed from suppliers in the percentage that projected more aggressive travel volume growth. A slight percentage of buyers—3.3 percent—indicated volume increases of more than 25 percent, whereas no supplier was willing to go out on this limb.

In what area do you expect to see the most increase?



Buyer and supplier projections were nearly in lockstep in the rest of the growth categories. About 25 percent of both buyers and suppliers indicated that business travel volumes would stay the same in the second half of 2010, when compared to last year. About 12 percent of each group projected a decrease in business travel volume.

For the 59 percent of buyers with positive projections, 33 percent identified sales travel as the focus of the growth. For another 33 percent, travel for new business development was taking priority. While sales travel is a logical area for business travel growth in a recovering economy, the surge in new business development may indicate a driving effort to explore opportunities in emerging economies in Latin America and Asia, where economic recovery has been swift.

In addition, the survey clearly showed that travel managers are feeling the pressure to demonstrate the return on investment for travel. Sales travel and new business development are the two areas where managers could most effectively make an argument for travel ROI by linking the cost of this travel to a company’s overall revenue generation. Nearly 30 percent of buyers identified “pressure to show the ROI of travel” as their top pressure from upper management as business travelers get back on the road. This pressure was a distant second when compared to the 50 percent of travel managers who identified “pressure to find additional savings” as their top concern.

In what area will your travel program experience the most pressure from upper management as the economy begins to recover?

Pressure to find additional savings	50.0%
Pressure to show value of travel management	11.7%
Pressure to show ROI of travel	30.0%
I don’t know	6.7%
Other	3.3%

As a relatively new effort for travel managers, demonstrating travel ROI has clearly entered the main stream, but it is not likely to be an easy task. In particular, measuring the opportunity costs of not traveling and identifying the period for payback for trips taken, will continue to be a challenge to any travel managers tasked with an ROI effort. Is it worth it? The answer will be a resounding “yes” for the industry as a whole if the individual companies are successful at doing so.

Additional Resources:

U.S. Airlines Surge Back to Profitability

<http://www.management.travel/news.php?cid=US-airlines-profitability-surge.Jul-10.28>

Marriott Preparing Customers for “Meaningfully” Higher Rates

<http://www.management.travel/news.php?cid=Marriott-rate-increases-corporate-accounts.Jul-10.28>

Survey Methodology: For this issue of *The Wire*, AirPlus International surveyed 41 travel management professionals in North America and Europe from July 15 to August 13.

AirPlus International, Inc.

225 Reinekers Lane, Suite 500

Alexandria, VA 22314 USA

T +1 (703) 373-0940

F +1 (703) 373-0941

usa@airplus.com

www.airplus.com

www.airpluscommunity.com

www.facebook.com/airplusinternational

www.twitter.com/airplus