

# The Wire...from AirPlus

## October 2011: Economic Flux

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



As the economy continues to loom uncertain, corporate travel managers are poised to take action to rein in costs if necessary.

Through the end of last year and the beginning of this year, industry experts were bullish on business travel, with business travel predictions for volume and pricing nearing or exceeding pre-recession levels.

But a negative U.S. jobs report in early July, coupled with a Standard & Poor downgrading of the U.S. government in early August and ongoing economic problems throughout Europe, brought up the specter of a double-dip recession and projections that corporate travel growth might not continue at predicted rates.

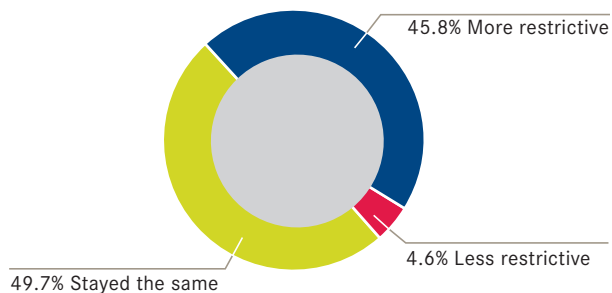
To take an in-the-moment pulse on the potential effects of negative economic indices, AirPlus surveyed 152 corporate travel managers at the beginning of September about the state of their corporate travel budgets and plans.

The economic uncertainty was clearly reflected in the world of managed corporate travel. Survey respondents were nearly split when asked if they expected their company's travel program to feel immediate pressure to control volume/costs in light of some economic indices and public sentiment about recovery turning from flat to negative. Nearly half—47 percent—said yes, they did expect to feel immediate

Has your company's travel budget this year reached pre-recession levels?

Yes, the budget has increased to pre-recession levels	21.1%
Yes, the budget is 1%-10% more than pre-recession	10.5%
Yes, the budget is more than 10% more than pre-recession	11.2%
No, the budget is 1%-10% less than pre-recession	22.4%
No, the budget is more than 10% less than pre-recession	18.4%
Corporate travel budget never decreased during the recession	16.4%

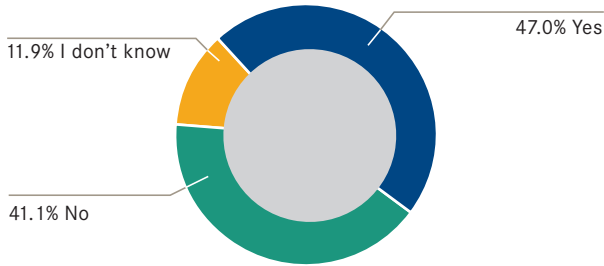
Compared to pre-recession, travel policy at your company has become...



pressure, while slightly less—41 percent—said no. Another 12 percent simply didn't know.

Those who did expect to feel pressure to make changes were prepared to pull several cost-saving levers in the next six months. More than half anticipated stricter pre-trip approvals (58 percent) and shifting more travel to web conferencing or telepresence (56 percent).

**As some economic indices and public sentiment about recovery turn from flat to negative, do you expect your company's travel program to feel immediate pressure to control volume/costs?**



Significant numbers were also prepared to implement class of service restrictions on air (44 percent) or hotel (30 percent) and tighten other air policies (34 percent). Nearly one-quarter (23 percent) were even prepared to impose a temporary travel freeze.

Among the 19 percent who said “other,” several noted strategies revolving around stricter monitoring and adherence to policy and delaying or decreasing travel, although not an outright ban of all travel.

Others commented on a continuation of already existing tight controls on class of service for hotels and air, which is in line with the 46 percent of the respondents who noted that travel policy at their company remains more restrictive than pre-recession levels. On the flip side, 50 percent said travel policy has not changed from before the recession. Not surprisingly, only 5 percent said travel policy is currently less restrictive than before the recession.

Companies showed a similar split when asked about their current travel budgets relative to before the recession. For 43 percent of the respondents, the travel budget has either reached or exceeded the level it was prior to the recession, including 11 percent whose budget is now more than 10 percent higher than pre-recession. However, for another 40 percent, the budget remains less than it was prior to the recession. Only 16 percent said their budget had never decreased at all.

The current uncertainty is also affecting any efforts to predict travel pricing in this state of economic flux, potentially making this year's budgeting and negotiating process more complex than usual.

**If yes, what levers do you plan to pull in the next 6 months to control travel/travel spend? (check all that apply)**

Stricter pre-trip approvals	57.80%
Shift more travel to web conferencing/telepresence	56.30%
Class of service restrictions on air	43.80%
Tighten other air policies	34.40%
Class of service restrictions on hotel	29.70%
Temporary travel freeze	23.40%
Other (please specify)	18.75%

In early September, for example, Advito, the consulting arm of BCD Travel, predicted corporate travel prices could increase as much as 6 percent worldwide in its 2012 Industry Forecast—but with the caveat that they will issue revised forecasts as necessary in light of economic events that are “moving rapidly.”

Just two weeks later, William Murray, chief of media relations at the International Monetary Fund, said in a press briefing for its most recent World Economic Outlook: “...the global economy has entered a dangerous new phase. The recovery has weakened considerably, and downside risks have increased sharply.” As a result, the IMF has revised its worldwide economic growth prediction down to 4 percent in 2011 and 2012 from a previously predicted 4.5 percent.

It is in this uncertain economic climate that corporate travel managers begin 2012 corporate negotiations, balancing the potential for budget and volume cuts against anticipated rate increases.

**Additional Resource:**

**Advito Projects Higher 2012 Travel Prices**

<http://www.businesstravelnews.com/Travel-Management/Advito-Projects-Higher-2012-Travel-Prices/?a=proc>

Survey Methodology: For this issue of *The Wire*, AirPlus International surveyed 152 corporate travel buyers in North America from September 1 to September 7, 2011.

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