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June 4, 2012

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2012 BUSINESS TRAVEL SURVEY CONTENTS

4 INTRODUCTION
Despite obstacles throughout the world, corporate travel volumes continue to buttress suppliers.

6 TRAVEL MANAGEMENT COS.
Transactions and sales continue to grow, if not at the double-digit percentages of 2010.

14 AIRLINES
Revenue from corporate accounts helps carriers rise above high fuel costs and economic concerns.

18 CAR RENTAL
Strong demand has not translated into higher rates in an intensely competitive sector.

20 PAYMENT
Growing corporate card volumes show further movement away from cash and checks.

26 HOTELS
Big chains bullish as corporate rates and business travel demand chug along.



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2012 BUSINESS TRAVEL SURVEY

Corp. Travel Props Up Suppliers

BY DAVID JONAS

Corporate travel always has been a key segment for travel and payment providers, perhaps never more so than in 2011 and early 2012. Despite obstacles around the globe, corporate travel volumes following the robust recovery of 2010 generally have held or grown further. Airlines and hotels in particular have leaned on that sustained activity to raise prices and generate more revenue, even as their own capacity growth has been modest at best.

Of the 33 travel management companies that agreed to share their ARC air sales for 2010 and 2011, 31 showed a year-over-year increase. Twenty-eight of those 33 had an increase their number of ARC air transactions in 2011. But sales totals generally rose more noticeably than transactions, which in some cases only were marginally higher.

That's been a common theme throughout the corporate travel industry. Decent corporate demand, limited capacity growth, new fees and surcharges levied especially by airlines and a more analytical approach by suppliers when structuring deals have meant higher fares and rates.

HRG, for example, for its financial year to March 31 reported a 2 percent increase in client travel transactions but a 5 percent increase in spending among those clients. According to an AirPlus International report based on a late 2011 survey of 1,701 travel managers in 20 countries, more organizations expected overall travel costs to increase in the coming 12 months than expected greater trip volumes. "The fact that this year spending expectations outstrip those for trip volumes implies growing fears of increased costs per trip," according to AirPlus, which noted that such a divergence practically did not exist in surveys from three previous years.

The report also indicated that among U.S. respondents, 37 percent said they have negotiated airline deals, down from 54 percent in the previous year's survey. The average corporate airfare discount reflected in the new survey was 15 percent, "down from a consistent 18 percent to 19 percent for the past three years. Airlines seem to be becoming much more careful about their discounting, perhaps explaining in part why travel managers foresee the cost of flying rising."

In the lodging sector, "corporate travel continues to be the bedrock of recovery," according to an April report from hotel technology and services firm Pegasus Solutions. "Rising rates are compelling evidence that the profit potential of business travel continues to endure." Given limited new supply and overall industry performance that is outpacing the general economy, hotel executives said they expect corporate negotiated rates to continue rising.

The rental car companies only can envy the pricing power enjoyed by their airline and hotel counterparts. Though corporate travel volumes continue rising, the hypercompetitive nature of the sector has prevented suppliers from raising negotiated rates.

Looking ahead at business travel as a whole, 58 percent of 541 senior finance executives polled in February by American Express and CFO Research Services said they expect to spend the same or more during the next year. That's down from 64 percent in 2011. Respondents in the United States were more bullish than the global average, with 71 percent saying they would spend the same or more on business travel during the next 12 months.

The 2012 Business Travel Survey explores these and other trends impacting buyers and suppliers. As always, *BTN* appreciates the executive leaders and owners of the 33 TMCs who authorized ARC to release data. *BTN* also thanks ARC for furnishing that data in order to help create consistency in tracking and comparing TMC data.



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Travel Management Company Channel Delivers More Bang

BY JAY CAMPBELL

Corporate travel posted stronger growth than overall agency activity through most of 2011 and into the first part of 2012, according to aggregated U.S. air transaction data for six of the largest travel management companies as well as individual data on many players in the next tier. As measured by their ARC air bookings, the largest business-travel-oriented agencies operating in the United States have been showing transaction and sales growth for most months, although a leveling off from the double-digit percentage increases of recovery year 2010 has occurred.

Among travel management companies that authorize the release of their individual ARC air transaction data for this research, the 10 largest on average enjoyed 9 percent growth in ARC transactions. That included Omega World Travel, where transactions fell 12 percent due to spending cuts among its government clients, and Altour, which was flat. The top 10 recorded a 16 percent year-over-year increase in ARC sales last year, besting the 6.1 percent recorded for all ARC agencies.

When sales growth outpaces transactions, the per-unit value of the distribution channel increases. Also examining ARC data, Solutionz Group founder Chicke Fitzgerald recently pointed out on her blog that the average domestic airfare in

2011 increased 7 percent for transactions processed by the global corporate agencies that ARC includes in its "mega" category. Among those TMCs, the average international fare rose 5 percent.

"In measuring their effectiveness as a distribution channel, the mega and brick-and-mortar agencies consistently produce higher average ticket prices (and as a result, a much higher yield) for the airlines than their online travel agency counterparts," Fitzgerald wrote. "The large TMC channel is a great way to sell tickets, even if it requires paying a commission and a GDS booking fee."

Travelport president and CEO Gordon Wilson made a related point about how TMCs using global distribution systems are demonstrating an "improving value" for suppliers. Airline and hotel sales by travel agencies through Travelport grew 6 percent last year to \$83 billion, with the average fare up 11 percent and average daily room rate up 12 percent.

Higher unit value, though, in years past has not stopped airlines from attempting programs that bypass the GDSs. Concerns about that continue although the flash-point is stuck in the legal mess between American Airlines and the GDSs. Carlson Wagonlit Travel last year announced that

should there be a direct-connect program, costs of accessing it would be passed to the corporate client. Those "costs" theoretically would include a loss of GDS incentive revenue, which can drive upwards of 10 percent of a TMC's total revenue.

Client fees and supplier commissions make up far larger pieces of the pie, though, and a bigger concern for TMCs may be that the middleman to be cut out is them. There has been more chatter of late about the "rogue traveler," and some proposed solutions would enable the traveler to skip the TMC altogether and maintain some data capture. But these have not been legitimized as best corporate travel practices, and some highly managed programs have actually gone in the other direction by putting more enforcement behind their preferred booking channel policies. For some, booking outside the TMC means not getting reimbursed.

The following highlights public data from TMCs servicing corporate accounts.

American Express Global Business Travel

The growth chart for global corporate travel at American Express during the past four years shows just how crazy a this industry's ride has been (see chart, page 10). Second-quarter growth, for example, vanished in the March 2008 quarter and by the next year turned into a massive 42 percent reduction. But beginning in 2010, Amex posted double-digit percentage in-

CONTINUED ON PAGE 12

Full-Year 2011 U.S. Travel Agency Activity

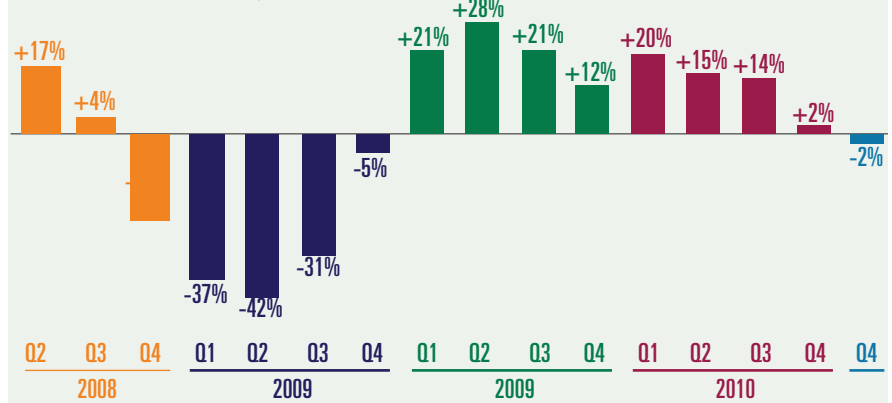
Year-Over-Year Changes

Total Sales	+6.1%
Total Transactions	-2.1%
Domestic U.S.	-2.8%
International	-0.2%
Mega Transactions	+2.8%
Online Transactions	-8.2%
Other Transactions	+1.8%

Source: ARC

American Express Global Corporate Travel Sales

Year-Over-Year Changes



Source: American Express Company



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Company	2011 ARC Air Transactions	2011 U.S. Non-ARC Air Transactions	2011 ARC Air Sales (\$)	2011 U.S. Non-ARC Air Sales (\$)	2010 ARC Air Transactions	2010 U.S. Non-ARC Air Transactions	2010 ARC Air Sales (\$)	2010 U.S. Non-ARC Air Sales (\$)	Primary GDS And % Of '11 Worldwide Transactions	Affiliations
AAA Allied Group <i>Cincinnati</i>	148,092	16,226	80,584,130	5,443,297	147,549	15,722	72,527,502	4,851,791	Travelport, 100%	AAA, BCD, Virtuoso
Adelman Travel Group <i>Milwaukee</i>	355,396	60,000	223,927,339	29,700,000	338,646	57,000	198,300,736	26,000,000	Sabre, 100%	Radius, Virtuoso
Altour <i>New York</i>	699,005	64,524	503,613,675	34,391,790	698,268	78,765	466,435,711	42,035,538	ND	ABC, American Express, CBTG, Thor
American & International Travel Services <i>Memphis</i>	45,142	7,314	25,101,010	2,457,471	46,288	8,006	23,597,907	2,519,666	Travelport, 100%	BCD, CBTG, Ensemble
Atlas Travel <i>Milford, Mass.</i>	182,897	48,763	118,714,822	20,876,835	160,091	41,430	96,320,253	14,876,490	Sabre, 100%	BCD, Ensemble
Balboa Travel <i>San Diego</i>	97,405	38,134	86,342,781	11,937,346	93,324	45,814	75,403,181	12,646,858	Amadeus 50%, Sabre 50%	BCD, Virtuoso
Best Travel & Tours <i>Chicago</i>	167,715	17,053	92,522,937	5,402,403	138,343	11,659	73,794,425	3,379,816	Travelport, 100%	Radius, Virtuoso
Casto Travel <i>San Jose, Calif.</i>	55,692	ND	57,256,568	ND	59,874	59,874	53,180,336	ND	ND	ND
Child Travel Services <i>Colchester, Vt.</i>	40,182	4,914	20,088,026	2,094,018	39,813	6,859	18,940,343	2,452,090	Travelport, 100%	ABC, BCD, Travel Leaders
Christopherson Andavo Travel <i>Murray, Utah</i>	247,898	36,072	149,534,753	11,978,995	212,841	26,936	121,367,106	8,320,570	Travelport, 94%	BCD, Virtuoso
Conference and Travel Services <i>Fort Wayne, Ind.</i>	37,994	6,221	21,515,204	2,596,432	37,409	6,361	19,374,729	2,149,707	Travelport, 100%	ABC, CCRA, Travel Leaders
Covington International Travel <i>Glen Allen, Va.</i>	54,997	9,977	36,907,779	3,204,652	53,618	8,264	32,382,646	2,429,569	Travelport, 90%	BCD, CBTG, Travelsavers, Virtuoso
FCm Travel Solutions <i>Chicago</i>	524,522	47,547	348,536,664	16,487,626	455,322	41,971	276,549,645	12,132,239	ND	FCm Travel Solutions
Fox World Travel <i>Oshkosh, Wis.</i>	166,993	ND	81,492,464	ND	147,943	ND	67,640,047	ND	Travelport, 100%	ND
Frosch Travel <i>Houston</i>	664,608	ND	510,663,916	ND	568,901	18,000	411,355,753	25,000,000	ND	GSM Travel Management, Signature
Gant Travel <i>Bloomington, Ind.</i>	96,180	ND	64,052,613	ND	94,298	20,336	60,086,043	5,796,823	Travelport, 100%	Ensemble, Radius
Global Travel <i>Boise, Idaho</i>	47,963	28,286	23,248,982	9,767,572	48,978	27,237	22,211,265	7,043,587	Travelport, 92%	BCD, Virtuoso
Hess Corporate Travel <i>Bountiful, Utah</i>	77,832	12,611	52,621,288	3,021,467	70,554	11,904	44,524,442	3,126,421	Travelport, 98%	American Express
Kintetsu <i>New York</i>	66,039	6,281	55,291,545	1,250,000	68,479	4,095	55,974,813	2,350,000	Travelport, 100%	ABC, Thor, Travelsavers



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Maupin Travel Raleigh, N.C.	35,948	ND	21,056,310	24,695,248	32,144	ND	17,678,969	19,295,427	Amadeus, 100%	BCD, CCRA, Virtuoso
Omega World Travel Fairfax, Va.	534,745	ND	350,693,400	239,000,000	610,070	ND	382,724,446	236,500,000	Sabre, 67%	Radius
Ovation Travel Group New York	523,388	53,641	478,453,763	22,727,000	475,165	42,466	406,410,659	15,657,000	Sabre, 100%	Virtuoso
Protravel New York	398,623	1,500	379,096,163	400,000	372,809	1,200	339,203,751	300,000	Sabre, 100%	ABC, Virtuoso
SR Travel Service San Francisco	28,558	3,843	36,020,989	2,135,286	25,239	3,648	31,812,386	1,793,271	Sabre, 100%	BCD, Virtuoso
Travel and Transport Omaha, Neb.	910,461	780,114	493,506,371	376,805,462	870,099	788,703	432,727,419	327,980,064	Travelport, 55%	Radius, Virtuoso
Travel Leaders Group Plymouth, Minn.	1,532,157	253,081	1,121,239,465	121,575,128	1,299,165	230,408	907,230,340	106,973,510	Sabre, 82%	CCRA, Thor, Travel Leaders
TS24 New Albany, Ohio	123,233	ND	66,282,868	ND	101,945	ND	48,876,496	269,300,874	ND	Lufthansa City Center
Travel Corp. New Orleans	84,764	11,925	74,981,337	6,473,000	73,189	10,546	63,036,455	5,525,000	Sabre, 100%	BCD, Virtuoso
Ultramar New York	274,895	51,635	243,394,999	11,778,000	240,006	42,717	201,423,980	9,654,000	Sabre, 99%	ABC, CCRA, GlobalStar
UStavel Anchorage, Alaska	242,456	83,220	122,356,382	15,985,925	230,525	76,193	112,190,257	13,665,204	Travelport, 85%	BCD, CBTG, Signature
Valerie Wilson Travel New York	91,506	11,600	98,311,160	8,120,000	88,511	10,689	90,346,389	7,750,000	Sabre, 83%	ABC, CCRA, Virtuoso
World Travel Inc. Douglassville, Pa.	673,637	114,510	428,080,751	39,543,058	587,074	93,141	342,769,597	27,893,356	Travelport, 84%	Radius, Travel Impressions
World Travel Service Knoxville, Tenn.	246,909	55,182	134,375,224	15,064,750	208,105	32,657	108,798,757	10,613,709	Travelport, 100%	BCD

Travel Agency Survey Methodology

Business Travel News again this year asked travel management company chief executives to sign release forms and send them to Arlington, Va.-based Airlines Reporting Corp., authorizing the U.S. bankruptcy settlement plan organization to release for publication each agency's 2010 and 2011 ARC air ticket transaction and sales data.

BTN invited agencies that book more than half of their sales for business travel through ARC to release ARC data for wholly owned home offices and legal entities, including all branch and satellite ticket printer sales data and the percentage of tickets purchased for domestic travel. ARC provided only ARC air transaction and sales data and the percentage of sales booked for domestic versus international travel. ARC defined net air sales as the total fare amount minus the commission. The sales figures represent the home office location's total net sales. Air transaction counts exclude refunds, exchanges and voids. All other data, including non-ARC sales and transactions, are self-reported. This volume may include purchases made with carriers that do not participate in ARC (such as Southwest Airlines), through vendor websites, sales to ARC-accredited Corporate Travel Department accounts and such bulk-buy programs as American Airlines' AAirpass. Publicly held American Express and HRG, privately held BCD and Carlson Wagonlit and all online-originating players did not participate.



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2012 BUSINESS TRAVEL SURVEY

CONTINUED FROM PAGE 6

creases for seven straight quarters. In the December 2011 period, growth fell to 2 percent and in the March 2012 quarter it was negative 2 percent. Is the full reset finished? Apparently uncertainty itself is to blame for uncertainty about that.

For full-year 2011, corporate travel sales were \$19.6 billion at Amex, 12 percent more than in 2010. The company did not authorize ARC to release its U.S. transaction and sales figures for this survey.

Included among recent highlights for American Express Global Business Travel is a management reshuffling that saw the unit's president, Charles Petruccelli, depart in January for a consulting role. He was replaced by the company's former Merchant Services Americas head, Kim Goodman. She reports to new Global Corporate Payments and Business Travel president Bill Glenn, who was replaced as Global Merchant Services leader by former Global Corporate Payments head Anne Williams. Goodman reorganized the group with the creation of three new senior positions to lead the Americas;

Europe, the Middle East, and Africa; and Asia/Pacific regions.

BCD Travel

BCD Holdings announced a record \$20.8 billion in revenues for 2011, an 18 percent year-over-year increase. Earnings before interest, taxes, depreciation and amortization rose to \$138 million, according to a press statement. BCD Holdings CEO Joop Drechsel indicated he expects "demand for business travel to continue to increase in the coming years, largely due to strong economic growth in the emerging markets." The largest portion of BCD Holdings is corporate travel agency BCD Travel, which declined to authorize the release of its 2011 ARC data.

Meanwhile, BCD Holdings owner John Fentener van Vlissingen's Boron Investments has continued to increase its stake in Hogg Robinson Group, now at 24 percent. That's up from 19 percent in January 2009 and 13 percent in April 2008. Van Vlissingen has said the growing investment is meant to ensure he is "at the table" for any strategic transaction involving HRG.

The economic roller coaster has been "a learning experience" for BCD, Drechsel last year told *The Beat*. Like at many TMCs, cost-cutting "was done at the expense of some very good people who unfortunately we had to let go, but as a result we remain financially robust despite taking the hit. It's still a scary world out there. Every now and then in the global political arena, we go from crisis to crisis, which potentially has impact. So I want to be very cautious."

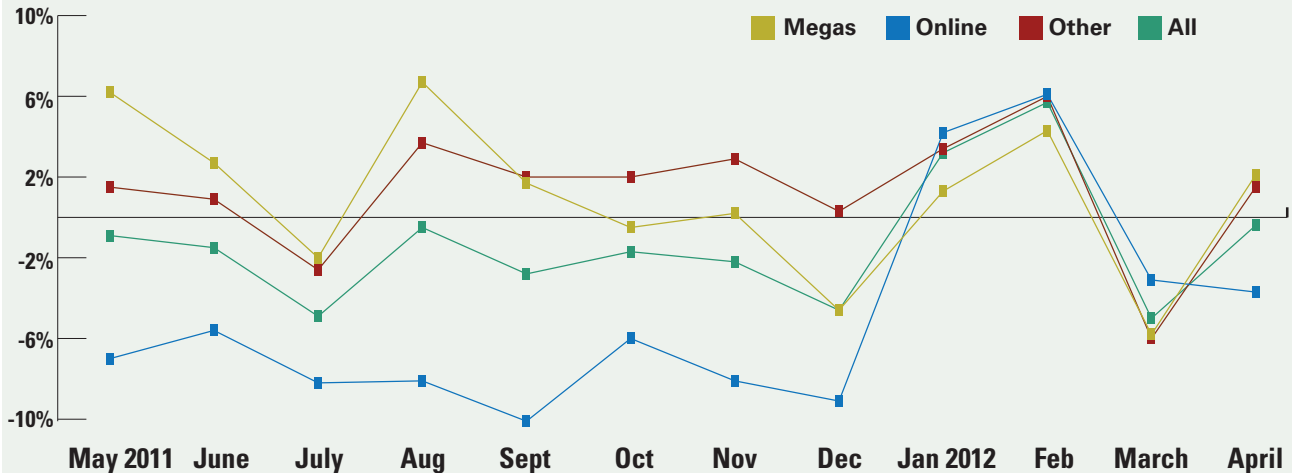
Carlson Wagonlit Travel

Also declining to authorize the ARC data release, Carlson Wagonlit Travel recently announced "record performance" for 2011, including a 15 percent jump to \$28 billion in global air, hotel and ground sales volume among wholly owned operations and joint ventures. CWT said transactions managed grew 7 percent to 61.9 million.

"We are seeing strong growth across the industry, despite the unpredictable economic environment," according to a March 2012 statement by CWT president and CEO Douglas Anderson. "Global corporations are more optimistic about their

U.S. Travel Agency Activity

Total Air Transactions, Year-Over-Year Changes



Travel Agency Segments:

Megas include American Express, BCD Travel, Carlson Wagonlit Travel, Expedia's Egencia, Hogg Robinson Group and Omega World Travel.

Online includes various online travel agencies, including the corporate-travel-focused units of Orbitz (Orbitz for Business) and Travelocity (Travelocity Business).

Other includes all other travel agencies whose data is processed by ARC.

Source: Airlines Reporting Corp.

travel spend going forward, and certain areas of the world, such as Asia and Latin America, continue to show strong growth.”

CWT in 2011 appointed former American Express exec Brian Mogler as vice president of global supplier management for North and Latin America, and more recently created an Americas region led by Håkan Ericsson following the retirement of North America president Jack O’Neill. Acquisitions in Brazil and Costa Rica punctuated the Latin focus. CWT also bought its Finland-based partner and appointed Andrew Waller president for Europe, the Middle East, Africa and the global partners network.

Egencia

Egencia has grown to a point that ARC saw fit to add the company to its “mega” agency category, which also includes American Express, BCD, CWT, HRG and Omega World Travel. Egencia does not authorize ARC to release its specific numbers, but parent company Expedia details certain performance figures in earnings reports.

Egencia, which Expedia calls the world’s fifth-largest travel management company, reported 2011 gross bookings of \$2.6 billion, up 34 percent from a year earlier and double the 2009 dollar-volume level. Revenue at Egencia was up 25 percent to \$179 million during the year. The company continued its focus on building a multinational presence and at year-end 2011 claimed operations in 47 countries.

The growth plan includes acquisitions and partnerships through Egencia’s global alliance. Recent acquisitions include Via Travel in the Nordics and Travelforce of Australia and New Zealand. Meanwhile, Expedia also announced in 2011 that it entered the corporate booking tool business with a deal to acquire Traveldoo, a France-based provider claiming more than 4,000 clients across 50 countries.

HRG

Publicly traded Hogg Robinson Group for its financial year through March 31 reported a 16 percent jump in profit before tax to £38.2 million. Total revenue climbed 5 percent year over year to £374.2

National Agencies Post Growth

Most travel management companies participating in the ARC-verified program of sharing transaction and sales data with *Business Travel News* showed growth in 2011, albeit at lower rates than the year before. Among the top 10, FCm Travel Solutions, Frosch Travel, Travel Leaders Group and World Travel Inc. all posted transaction growth rates north of 15 percent.

Travel Leaders Group in 2011 made four TMC acquisitions, including Corporate Travel Planners in Texas, which it said accounted for \$70 million in ARC sales. At Travel and Transport, the acquisition of Sprayberry Travel added about \$7 million.

Though listed in ARC’s mega category, Omega World Travel is not first among agencies that authorize the data release. The company’s 2011 ARC air transaction total of 534,745 was down 12 percent, pushing the TMC to sixth from fourth on the following list as most of its rivals grew. ARC sales at Omega fell from \$382.7 million to \$350.7 million, a less-steep 8 percent. The company attributed the drops to “significant” government spending cuts.

An Altour official indicated the company “experienced substantial growth in its non-ARC business lines in 2011 as it focused on improving its complementary offerings such as meetings and incentives and entertainment travel services.” Altour’s ARC numbers were flat.

The 10 Largest Participating TMCs*

Company	2011 ARC Air Transactions	2010 ARC Air Transactions	% Change
Travel Leaders Group	1,532,157	1,299,165	18%
Travel and Transport	910,461	870,099	5%
Altour	699,005	698,268	0%
World Travel Inc.	673,637	587,074	15%
Frosch Travel	664,608	568,901	17%
Omega World Travel	534,745	610,070	(12%)
FCm Travel Solutions	524,522	455,322	15%
Ovation Travel Group	523,388	475,165	10%
Protravel	398,623	372,809	7%
Adelman Travel	355,396	338,646	5%


* Among those that agreed to the disclosure of transactions processed through ARC

million, or up 2 percent at constant currency exchange rates. All growth came in the first six months, although profitability continued to improve in the second half. The fiscal year finished with client travel transaction volume up 2 percent and client spending at 5 percent higher. “During the first six months, we delivered very good growth despite the continuing macroeconomic uncertainty,” according to chief executive David Radcliffe. “As expected, the second half was essentially flat when measured against more demanding year-on-year comparatives following our strong performance in the second half of last year.”

Radcliffe added that “given the obvious macroeconomic uncertainty, it is not sur-

prising that our clients continue to show a cautious approach to their travel.” HRG also indicated that more clients are considering “consolidation of travel management services through fewer locations.”

HRG recently bought full control of the Spendvision expense management company after holding partial ownership for eight years. “There are two different directions a TMC can take,” Radcliffe argued. “One is as a fulfillment provider, with outsourced technology. The other is to turn more into a services group. The market is right in the middle of this change.”

HRG in March said goodbye to a retiring Tom Gleason, former president of the North America region. A replacement has not been named. 



Airline Profits Within Reach For Third Consecutive Year

BY JAY BOEHMER

A THREE-YEAR profit run is a rarity for the U.S. airline industry, but analysts are projecting just that, with 2012 net income levels expected to top those reported for last year. It would seem an improbable reversal of fortune, considering this is the very same industry that lost tens of billions of dollars during the last decade. Yet, in many ways this is a different industry—one that analysts and airline management teams say is transformed by ongoing capacity discipline, consolidation, new means of revenue generation, aggressive pricing and cost containment.

Amid that transformation, carriers still must contend with volatile fuel prices, disruptive world events and poor macro-economic trends. Still, barring unforeseen shocks, Deutsche Bank analysts projected that publicly traded U.S. commercial airlines this year will post \$3.8 billion in net income, following a profitable 2011 for all seven of the largest U.S. carriers—except bankrupt American Airlines.

Most major carriers rang in 2012 with

a profitable first quarter—no small feat considering the first three months of the year typically is the weakest seasonal period for airlines. Blocked from first-quarter profits, United cited special costs “primarily” related to the integration of Continental, while American faced the high costs of Chapter 11 restructuring.

Despite such one-time expenses, the fundamentals of the industry have remained healthy. Demand has held up, revenue has continued to grow—albeit at slower rates—and carriers have mitigated the increased cost of jet fuel through pricing actions and capacity control. As proof of such health, the seven largest U.S. carriers in aggregate reported a \$247 million first-quarter operating profit, “which was \$267 million better than last year despite a \$1.8 billion higher fuel bill,” according to Deutsche Bank analysts.

“The Wall Street analyst consensus is much more sanguine on the full year than it was on the first quarter,” said John Heimlich, chief economist for industry trade group Airlines For America. “The

first quarter is typically the weakest, and the second quarter is typically the strongest. Wall Street is expecting most carriers to report modest profitability in 2012.”

Airlines Cash In On Fare Growth

Driven by record fare levels, growth in ancillary sales and strong corporate demand, the seven largest U.S. airlines in 2011 increased full-year revenues from 2010, some by double-digit percentages.

Carriers as a group in 2011 successfully pushed through nine domestic fare hikes out of 22 attempts, according to FareCompare.com CEO Rick Seaney.

“Average fares for the full year in 2011 were the highest on record at \$364, up 8.3 percent from 2010,” according to the U.S. Department of Transportation’s Bureau of Transportation Statistics. “The 2011 fares were up 5.2 percent from 2008, which at \$346 was previously the highest year on record since 1995, not adjusted for inflation.”

U.S. airlines so far in 2012 succeeded with three broad-based domestic fare hikes out of six attempts, according to Seaney. He expected airlines to attempt another broad fare hike before the height of the peak summer travel season.

Even when broad-based fare hikes fail, airlines have been aggressive in growing

Average Monthly Per-Gallon Jet Fuel Cost*



*U.S. Gulf Coast kerosene-type jet fuel spot price, US\$ per gallon

Source: U.S. Energy Information Administration

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2012 BUSINESS TRAVEL SURVEY

revenue through what Delta executive vice president Glen Hauenstein called “smaller changes to the fare environment,” such as adding advance-purchase requirements or minimum-stay restrictions. Such restrictions push travelers, especially those booking on short notice or traveling on business, into higher fare buckets.

“You have to look at fares in more than just the dollar amount we are charging but also in qualifications in how you actually get those fares,” said Hauenstein. “That is what is driving industry yield up across the board. While we have had some resistance to fare increases, we made some progress on the other side of the fare equation.”

Apparently, it has paid off. Passenger unit revenues for publicly traded U.S. airlines grew by an average of 8 percent in April, and while May was on pace to grow by less than 5 percent year over year, Dahlman Rose & Co. analyst Helene Becker expected “to see a rebound in June,” with year-over-year passenger revenue growth in the 7 percent range.

In Search Of The Next Big Ancillary

Even as airfares reach new altitudes, they now comprise a smaller portion of overall airline revenues than in 1990, when BTS first began keeping tabs. Then, airfares contributed nearly 88 percent to the revenue pool of major domestic carriers. By

last September, however, fares comprised 71 percent of revenue, with ancillary revenues—such as those derived from cancellation fees, bag fees and the sundry catchall of what BTS called “miscellaneous operating revenue”—contributing a growing share.

According to Airlines For America data, major U.S. carriers last year on average collected about \$10 from each customer per segment for bag fees, onboard services, seat selection and other goods and services. While the absolute per-passenger total continues to grow, the rate of growth in 2011 slowed to 2 percent year over year. Compare that to the 36 percent growth in ancillary revenue in 2009, when many carriers began charging checked bag fees.

While US Airways CFO Derek Kerr in March acknowledged that baggage fees contribute the vast majority of ancillary passenger revenue, the carrier and its competitors have searched for new sources of ancillary revenues, including fees for seat assignments and expedited airport services.

Corporate Strength Continues

Perhaps no passenger segment contributed more to the airlines’ good fortunes in recent years than corporate travelers. Demand from those travelers has been resilient, and, more importantly, corpora-

tions have yet to balk at the higher prices airlines are charging them.

That strength has sustained into the second quarter this year. US Airways president Scott Kirby noted that leisure demand in the first quarter “was strong,” but corporate demand “was extremely strong” as corporate account revenue grew 29 percent year over year.

Delta reported that total first-quarter corporate revenue increased by 11 percent year over year, despite a 3 percent decline in capacity. “The corporate growth is broad-based, and the industries where we saw the most significant increases were financial and business services and manufacturing,” said president Ed Bastian.

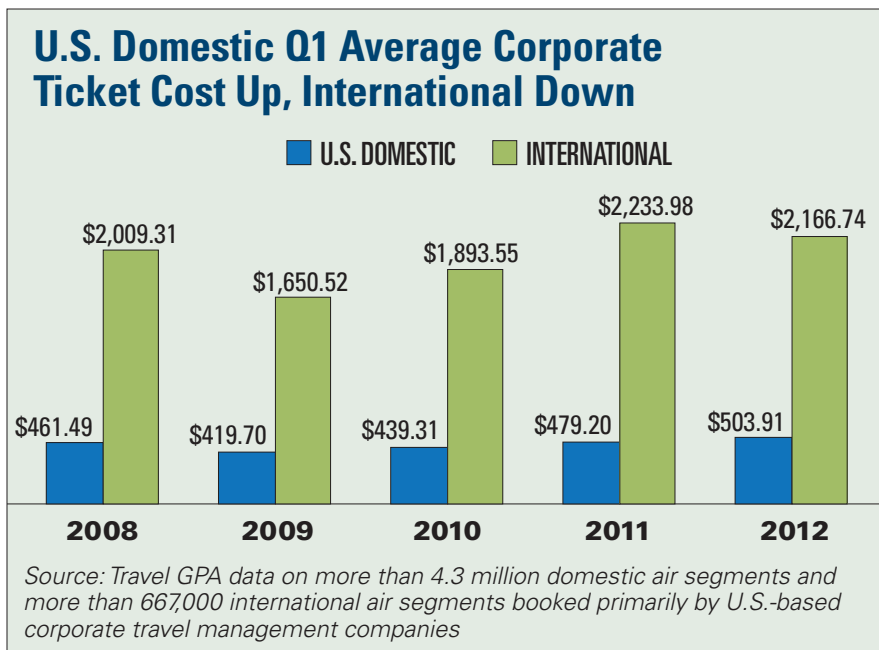
“As we have seen over the last year, corporate revenue continued to show steady improvement this quarter,” said United chief revenue officer Jim Compton, who noted that corporate revenue increased more than 10 percent during the first quarter, with yields—a representation of fares per mile—“up about 4 percent versus first-quarter 2011.”

American, which has lagged its competitors in overall revenue growth and has acknowledged marketshare losses in the corporate segment, has not released corporate-specific revenue data. However, vice president of global sales Derek DeCross told *BTN* that “if we were to look at the number of corporate accounts that we’ve signed, either renewed or added—in other words, won—from the period of Nov. 29 when we filed [in 2001 for Chapter 11 court protection] to date, and compare it to a year ago, you would actually see that we’ve added or retained more corporate accounts since we’ve filed.”

Fuel Burns

Muting all optimism at all airlines, fuel remains the industry’s arch-villain. It is partially or fully behind every fare increase, every capacity cut and every newly unbundled item that previously was free. In sum, it is the difference between profits and losses.

Lately, there has been a slight reprieve in jet fuel prices, but industry watchers don’t expect that to continue. “Over the past month jet fuel traded significantly



lower,” according to a May research note from Dahlman Rose & Co.’s Becker, giving airlines “a break from constant pressure from the commodity markets.”

It may be ephemeral, but by late May, forward jet fuel prices began trading at under \$3 per gallon. “The jet fuel outlook is a relief to the airlines as many prepared for a jet fuel environment of \$3.40 to \$3.50 for the remainder of the year,” according to Becker.

Still, Airlines For America’s Heimlich during a May 9 conference call said the U.S. Energy Information Administration was “projecting the highest summer average for jet fuel prices in its history.” Jet fuel prices “year to date are running about 7 percent to 8 percent higher than the same period in 2011,” he cautioned.

Several airlines, including American and United, continue to hedge some portion of their jet fuel needs, but according to Wolfe Trahan analyst Hunter Keay, “Airlines, particularly the ones with strong balance sheets, seem to be pressed more and more by investors about dropping hedging altogether.” That, he explained in a May research note, would be good news for the industry. Not only do hedge bets sometimes fail to pay off, but they also unbalance the competitive playing field. Keay noted that “once airlines stop hedging fuel altogether, the industry’s collective ability to pass through higher fuel prices should increase greatly.”

Delta is pursuing a more radical way to mitigate the impact of fuel spikes. It recently agreed through a subsidiary to acquire a Philadelphia-area oil refinery from Phillips 66. After investing \$250 million, Delta plans to double the refinery’s jet fuel production, eventually supplying 80 percent of its domestic fuel needs. The carrier estimates its refinery ownership will save \$300 million in annual fuel expenses and reduce its “exposure to fuel volatility.” The verdict is out on whether the plan will work, according to industry analysts.

Unavailable Seat Miles

Hedging fuel and buying refineries aside, one of the most common defenders against fuel increases are capacity cuts, and airlines continue to trim away excess

American, United See Red In Otherwise Profitable First Quarter

	2011 Passenger Revenue (US\$ billions)	Year-Over-Year Growth	2011 Net Income (US\$ millions)	Q1 2012 Net Income (US\$ millions)
Alaska	\$4.0	13%	\$245	\$41
American	\$20.7	8%	(\$1,979)	(\$1,676)
Delta	\$30.3	11%	\$854	\$124
JetBlue	\$4.1	20%	\$86	\$30
Southwest	\$14.7	28%	\$178	\$98
United	\$32.5	9%	\$840	(\$448)
US Airways	\$11.6	11%	\$18	\$48

Source: Company reports

seats. Domestic and international capacity for North America “has been effectively static since 2009,” according to an April data release from OAG, which aggregates airline schedules.

Morgan Stanley analysts reported that publicly traded U.S. airlines last year increased systemwide capacity by less than 2 percent compared with 2010. Capacity additions this year similarly should be modest, according to Morgan Stanley forecasts, which call for less than 1 percent more industry capacity than 2011 levels.

Some large carriers, including Delta and United, likely will decrease overall capacity levels in 2012, according to Morgan Stanley, while the greatest pockets of growth come from smaller carriers. For example, it projected that Alaska Airlines will grow total 2012 available seat miles by nearly 6 percent and JetBlue will grow ASMs by nearly 7 percent.

What About American?

When it comes to the reversed fortunes of the domestic industry, American has been the exception. It has lost cash where its competitors profited, shed market share where its competitors grew and increased revenues by single-digit percentages when its competitors counted double-digit gains.

Undergoing a court-supervised bank-

ruptcy reorganization, American is poised to emerge a changed carrier—possibly as soon as this year. It remains to be seen if AA after bankruptcy will be arm-in-arm with would-be merger partner US Airways or as a standalone entity, freshly unburdened by the costs that management contends have left it exiled on a different competitive field.

Skeptical of AA’s standalone plan, analysts and US Airways are hoping for a merger. Only 5 percent of AA’s nonstop domestic network overlaps with US Airways, according to Morgan Stanley airline analysts. Wall Street sees it as a good fit.

Indeed, consolidation has been key for the industry to sustain profits, putting capacity and pricing decisions in the hands of fewer and fewer players.

Is an AA-US Airways marriage the culmination of that trend? If it occurs, “close to 90 percent of domestic capacity will be controlled by the Big Three and Southwest,” according to JP Morgan’s Jamie Baker. “In 2005, the Big Three networks of American, Delta and United—along with Southwest—controlled roughly half of domestic capacity.”

Baker called four airlines with that level of share “the optimal industry structure, and should allow for consistent return generation going forward.” Optimal for the airlines, that is. 🌐



Strength In Demand, Not Rates, Drives Rental Car Revenues

BY JAY BOEHMER

DESPITE WEAKNESS IN pricing, the four dominant U.S. rental car companies in 2011 leveraged the strength of leisure and business demand to grow their rental revenues. For most, that translated into 2011 profits. Buoyed by ongoing demand strength, firm leisure pricing and a favorable used car market, the industry is eyeing sustained revenue growth and a profitable 2012.

MKM Partners analyst Chris Agnew said he expected full-year revenues for Avis Budget and Dollar Thrifty each to grow by nearly 4 percent this year, with Hertz expected to grow at twice that rate. Earnings before interest, taxes, depreciation and amortization also will grow for those three publicly traded firms, with increases ranging from 2 percent for Dollar Thrifty to 8 percent for Hertz, according to MKM projections.

First-quarter 2012 results from rental

car companies showed that transaction volume growth propelled revenues higher, but average rates continued to fall year over year.

Dollar Thrifty Automotive Group's demand strength was represented by a 6.5 percent increase in first-quarter rental days. Revenue per rental day, an indicator of pricing, decreased by 4 percent year over year. Despite Hertz's nearly 4 percent decline in worldwide rental rate revenue per transaction day, rental car revenues grew 10 percent year over year, thanks to a nearly 7 percent growth in transaction days. Similarly, Avis Budget reported that first quarter North American rental car revenues grew 4 percent year over year.

Transaction volume strength has continued into the second quarter, according to Avis Budget CEO Ron Nelson.

"Business travel remains a requirement for business success," he said last month during an investor meeting. "Technology

has still not replaced the value of face-to-face meetings. So while we expect the growth in leisure travel to continue to outpace business travel growth, both will contribute to the overall industry growth. As the global economy continues its slow improvement, we're very bullish on the industry's prospects and even more so on our own."

Retail Rates Firm Up, Corporate Rates Soften

"What governs rate in the car rental industry is supply in vehicles versus demand," said MKM's Agnew. "The industry wants to be fairly tightly fleeted so they can pull in price at tight demand periods. Last year, the industry was negatively impacted because the Japanese tsunami."

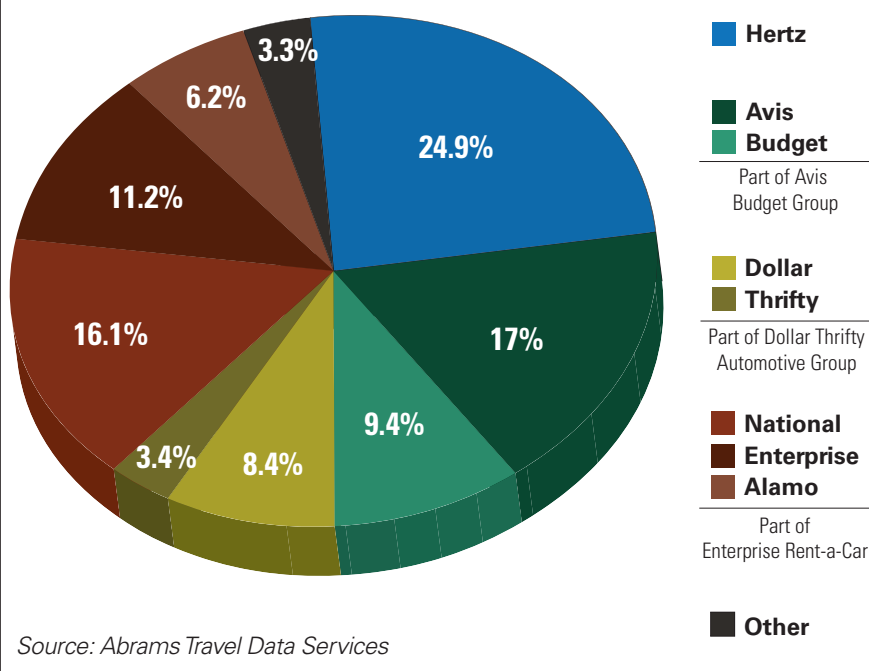
Rental car executives anticipated fleet disruptions stemming from events in Japan, but those supply disruptions never materialized and rental firms were left with excess fleet, which thereby pressured rates.

"This year, they don't have that impact," said Agnew. "Also, I think everybody has been a little more wary about the economy." Based on supplier commentary, Agnew said fleets are "relatively tight versus demand today." Even though rental car firms were over-fleeted in 2011, the impact on earnings was minimized since "there were still nice gains from used car sales," thanks to a robust used car market, he said.

Agnew said that while recent leisure pricing has been "positive year over year," suggesting some firming in retail rate per day, it's been a different story on the corporate side.

The average daily cost to rent a car in the United States during the first quarter of 2012 decreased nearly 5 percent year over year to \$40.92, according to Travel GPA data based on nearly 1 million transactions booked primarily by U.S.-

2011 Car Rental Market Share At Top 50 U.S. Airports



Car Rental Companies

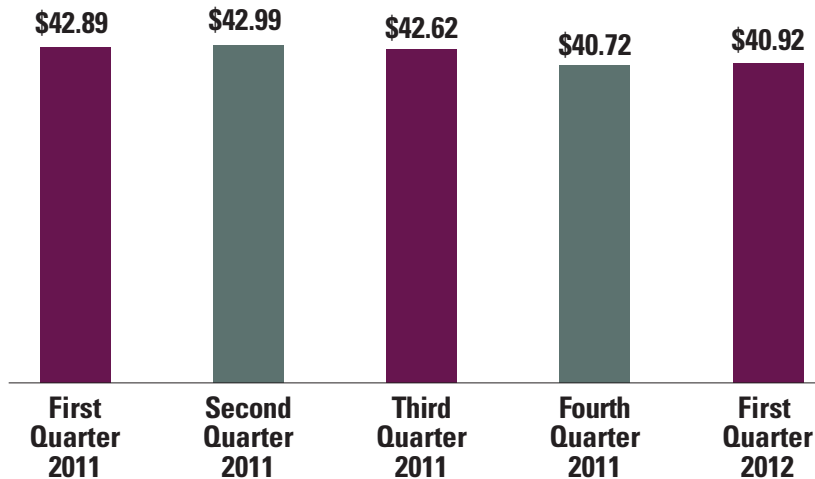
	2011 Net Income (US\$ millions)	2011 Car Rental Revenue (US\$ millions)	2010 Car Rental Revenue (US\$ millions)	2011 Rental Days (thousands)	2011 Average Fleet
Avis Budget Group	(\$29)	\$5.5	\$4.8	95	366,931
Dollar Thrifty Automotive Group	\$159.5	\$1.5	\$1.4	31.5	107,154
Enterprise Holdings ¹	NA	\$14.1	\$12.1	NA	1,200,000
Hertz Corp.	\$195.8	\$7.1	\$6.5	137.3	530,000 ²

¹ Self-reported total revenue includes National and Alamo brands; fiscal year ending July 2011

² Hertz reported "peak" 2011 fleet size, not average

Source: Company reports

Declining Average Corporate Rental Cost Per Day, Domestic United States



Source: Travel GPA data based on nearly 1 million transactions booked primarily by U.S.-based travel management companies

based travel management companies.

Avis Budget reported first-quarter commercial volumes grew 3 percent year over year, but pricing declined by 2 percent. Hertz, meanwhile, disclosed that U.S. on-airport corporate pricing during the first quarter fell 3.6 percent year over year.

Avis Budget's Nelson said the three primary competitors for U.S. corporate

business—Avis, Hertz and National, which is owned by Enterprise—have been “competing very fervently for corporate accounts, and everyone continues to be very aggressive about pricing.” He expected full-year 2012 corporate rates to decline year over year by 2 percent, similar to last year.

Nelson added that the increasing role

of procurement in negotiating corporate car rental contracts also “tends to put downward bias on rates.”

While Dollar Thrifty did not share corporate-specific pricing and demand metrics, the company indicated that overall first-quarter pricing decreased by 4 percent year over year, though rental days grew by 6.5 percent. Privately held Enterprise, meanwhile, for its fiscal year ending July 2011 reported “more than \$2 billion in corporate travel revenues,” but did not indicate a growth rate from the prior year.

M&A Still In Play

Combined, the four largest U.S. rental car companies account for nearly 97 percent of the market at the top 50 U.S. airports, according to Abrams Consulting Group data. If Hertz can deliver on its long-standing intention to acquire Dollar Thrifty, the industry would orbit around three major companies.

Getting to that point has been a saga of competing bids, denied offers and a long review by the Federal Trade Commission that at press time still was ongoing.

Hertz CEO Mark Frissora in May said the company had “made substantial progress towards our goal to obtaining anti-trust clearance” to pursue an acquisition of Dollar Thrifty, including a planned divestiture of Hertz's Advantage Rent-a-Car subsidiary.

Though Hertz in October had withdrawn a bid to acquire Dollar Thrifty, the company has continued to seek FTC clearance to initiate a buy.

“We are optimistic this [Advantage Rent-a-Car] divestiture will satisfy the FTC staff,” Frissora added. Hertz now is working “on the next steps toward obtaining a final consent order from the FTC.”

Even after divesting Advantage, Hertz would rocket to a higher level of on-airport market share than its chief domestic competitors should it cement a deal for Dollar Thrifty.

Also once in pursuit of Dollar Thrifty, Avis Budget has abandoned those efforts. Instead, last year it sealed its acquisition of Avis Europe, expanding its reach outside of the United States. [▶](#)



More, Costlier Bus. Travel Boosts Payment Cos.

BY MARY ANN McNULTY

SPENDING RETURNED IN 2011 as most major payment providers reported single-digit, if not double-digit, increases in travel volumes. Spending growth is expected to continue in 2012 with “North American travel card spending reaching \$170 billion by 2012 and \$186 billion by 2015,” according to the 2011 Corporate Travel Card Benchmark Survey Results by Mahendra Gupta and Richard Palmer, based on responses from 1,234 travel card program administrators in late 2010.

The spending uptick was due to both increased travel and higher costs, according to AirPlus International managing director and executive board chairman Patrick Diemer.

Some commercial card volumes also were enhanced by adoption of procurement, meeting, single-use and emerging payment products, all further evidence of the movement away from cash and checks.

Demand for global card programs prompted issuers to expand to more countries or partner with other companies to ensure global reach. Growth in international travel, along with the adoption in Canada and Mexico of chip-based security—joining Europe and elsewhere—prompted U.S.-based providers to deploy cards with both chip-and-pin and signature security protocols.

The payments landscape in 2011 also saw a flurry of announcements and trials in mobile payment as card networks attempt to determine standards and the players that will emerge as leaders in this rapidly evolving space. Isis, a mobile-commerce joint venture of AT&T Mobility, T-Mobile USA and Verizon Wireless, announced that Visa, MasterCard, Discover and American Express would join the venture.

Single-use card options also emerged as one of the fastest growth areas in commercial payment. While few organizations have looked to single-use cards to replace all plastic, many have found that an increased level control allows them to



plug gaping holes to pay for hotels, meetings and travel for new recruits, consultants and other non-employees.

Another major development in the payments sector last year was new leadership at the top of MasterCard and in commercial payments divisions at American Express, Citi, JPMorgan Chase and U.S. Bank Corporate Payment Systems, as well as MasterCard.

AirPlus International

“Positively caught by surprise” by sound business growth, AirPlus International reported a record year as it settled more than €10.4 billion in travel volume, 17 percent more than a year ago, Diemer said.

AirPlus reported more than 3,000 new customers in 2011 for a total of 38,000 in 60 countries served. “The average customer spent 10 percent more on business flights in the previous year,” due to higher costs and an increased number of flights, according to Diemer.

“The recession of 2008 and 2009 was fully compensated in 2011,” as AirPlus reported 6 percent more business flights charged globally than in 2010. In the

United States, the AirPlus subsidiary reported a 15 percent boost in card volume in 2011.

Part of the reason costs rose so much last year, Diemer said, was a 2 percentage point boost in the use of business-class fares, to a 9 percent share of all fares, and a 2 percentage point decline in the use of economy fares, to 90 percent. First-class fare use remained at 1 percent of volume.

Major product enhancements last year included ancillary fee reporting, a new debit account in Europe and continued work on its green reports. In the United States, the ancillary fee reporting mechanism was developed from data streams from MasterCard and UATP, according to Diemer. “Our customers have started to negotiate based on the ancillary fee data,” he said. Sometimes it is “still difficult to determine exactly what was purchased or associate a charge with a specific ticket,” he acknowledged. “We are in intense discussions with a number of airlines and ARC to ensure that we will receive the data,” through electronic miscellaneous documents or other means.

CONTINUED ON PAGE 22



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Payment System Issuers

Card Issuer	2011 Charge Volume Of U.S.-Based Corporate T&E Accounts	2011 Global Charge Volume Of Corporate T&E Accounts	2010 Charge Volume Of U.S.-Based Corporate T&E Accounts	2010 Global Charge Volume Of Corporate T&E Accounts	Number of Corporate T&E Accounts/ Cards	2011 Volume Across All Cards Issued	Payment Network	Currencies Available for Global Reporting
AirPlus	NA	\$13.4 billion ¹	NA	\$11.4 billion ¹	<i>Accounts:</i> 38,000	NA	UATP/ MasterCard	NA
American Express	NA	\$154.2 billion	NA	\$132.8 billion	<i>Cards:</i> 7 million	\$187.9 billion	American Express	44
BMO	\$6.0 billion	\$7.4 billion	\$6.3 billion	\$7.8 billion	<i>Cards:</i> 490,000; 370,000 (U.S.)	NA	MasterCard	2
Diners Club International	NA	\$29.3 billion	NA	\$27.1 billion	NA	NA	Diners, Discover	NA
JPMorgan Chase	\$6.3 billion	NA	\$8.1 billion	NA	NA	NA	MasterCard/ Visa	130
MasterCard	NA	\$251 billion	NA	\$211 billion	<i>Cards:</i> 33 million	NA	MasterCard	NA
UATP	\$13 billion	NA	\$12 billion	NA	NA	\$13 billion	UATP	NA
U.S. Bank Corporate Payment Systems	\$5.8 billion	NA	\$5.5 billion	NA	<i>Cards:</i> 857,500; 756,000 (U.S.) <i>Accounts:</i> 930; 850 (U.S.)	\$44 billion	Visa, MasterCard, Voyager, Syncada	32
Visa	\$282 billion ²	NA	\$243 billion ²	NA	NA	\$398 billion ²	Visa	NA

¹€10.4 billion
²Commercial and prepaid
Sources: Company information and public filings

CONTINUED FROM PAGE 20

As for its own growth, Diemer said AirPlus gained new customers in the Asia/Pacific region and opened a service hub in Singapore. According to AirPlus global sales executive vice president Volker Huber, new focus is on three parts of the world: Latin America, Asia/Pac and Australia. In Asia/Pac, AirPlus volume rose from €8 million in 2006 to €320 million in 2011, with an expected jump to €492 million in 2012, he added.

In early 2012, AirPlus and JPMorgan Chase announced a strategic partnership to introduce a new global payment solution to North American multinationals this year, in addition to their respective individual offerings.

American Express

American Express Global Commercial

Services reported record 2011 cardmember spending of \$154 billion, 16 percent more than 2010, with average basic cardmember spending of \$21,898. Last year, GCS reported 7 million cardholders, about 100,000 fewer than in December 2010.

Across all business units, Amex reported record cardholder spending of \$822 billion, 15 percent more than in 2010.

“Cardmembers spent a record amount on their American Express cards, continuing a trend that has translated into overall share gains during the last two years,” according to chairman and CEO Kenneth Chenault.

In its Global Commercial Payments space, Amex in 2011 said it launched a “European enhanced business travel accounts product” for its global and multinational accounts and introduced international dollar/euro corporate cards in an

additional 12 countries. Amex issues local currency corporate cards in 44 countries, and international dollar/euro cards in a total of 120 countries. It also offers corporate cards issued through partner relationships in an additional 30 countries.

Amex Global Corporate Payments also announced an expansion of its partnership with Concur in Japan, where the two companies now promote each other’s products.

In addition to its own private-label cards, Amex said it offered co-branded cards with 14 partners in 2011, primarily for midsize companies, with revenues of \$10 million to \$1 billion. In this market segment, Amex noted “increased competition from both regional banks and national banks, such as Citibank and JPMorgan. Payment providers have increasingly acquired technology offer-

ings to enhance data-capture capabilities and reporting functionality. In addition, many providers attempt to leverage their banking relationships and capabilities to secure and retain card business.”

In 2011, Amex received the final quarterly \$70 million litigation settlement payment from Visa. Those payments began in March 2008 after an initial payment of \$1.13 billion. MasterCard paid Amex 12 quarterly payments of \$150 million from September 2008 to June 2011 as part of the antitrust settlement. Amex executives have noted in recent years the partial use of the settlement funds to re-invest in core products and services.

Last year, Amex announced a \$100 million, multi-year investment in digital commerce initiatives that now operate under the Enterprise Growth Business unit and include Serve, LoyaltyEdge and Foreign Exchange Services, mobile and online payment services, fee-based services and global payment options (formerly prepaid). In early 2012, Amex announced plans to make its U.S. Consumer, Open small-business and Serve cards available in the Isis Mobile Wallet, the aforementioned AT&T, T-Mobile and Verizon venture. Social media trials with Foursquare and other platforms thus far have been aimed at consumer cardholders.

BMO Financial Group

BMO Financial Group reported a slight decline in charge volume last year to \$6 billion, down from \$6.3 billion in 2010, across its travel and entertainment, procurement, one-card, lodge, fleet, meetings and prepaid offerings. As the owner of the Diners Club franchise for North America, BMO issues both Diners Club and MasterCard cards.

BMO at year-end 2009 bought the Diners North American franchise from Citigroup and within months opened a new account management center in the Chicago suburbs. By year-end 2011, it had migrated all Diners customers off the Citibank customer service platform.

In early 2010, BMO executives said the acquisitions of Diners in North American would provide almost \$1 billion in net re-

ceivables, \$7.8 billion in card transactions and 6,000 North American corporate clients with nearly 250,000 cardholders in Canada and the United States. But it was up to BMO to sell clients on the new vision. Discover in 2008 acquired the Diners International brand from Citigroup, and various entities own Diners franchises around the globe.

Citi

Citi in the last three years double-charged itself, doubling its geographic footprint and adding new product lines and client segments, according to Manish Kohli, who in late 2011 took over as managing director and global head of commercial cards within its global transaction services unit. Citi in 2008 and 2009, respectively, divested both the Diners Club International franchise network (sold to Discover Financial Services) and the Diners Club North American franchise (sold to BMO), but retained some of the 80 franchises that are operated in a different business unit.

The expansion, according to Kohli, was driven by a strategy “where we realized how core to the treasury function that a client’s working capital and efficiency agenda is, and how reliant commercial cards are to the direction in which the payments industry was moving. Our largest clients are investing more in emerging markets, and they are insistent in looking for consistency. What they see and get in the United States and Western Europe is what they want in Bulgaria, Romania and Nigeria. Sometimes in response, and sometimes anticipating that trend, we have expanded our business into those markets.” As of early 2012, Citi was in 64 markets to self-issue local currency products and awaited approval to issue in China.

As part of the investment, Citi built its own data repository and this year announced new auditing tools for managers. Citi last year announced plans to roll out chip-and-pin cards to global travelers. Kohli said he was surprised by the demand, but honored all requests for the chip-enabled cards. Citi last year also began to implement the first phases of its

mobile strategy in the corporate space, beginning with mobile alerts to cardholders and the ability to release payments and check balances via mobile phones.

Diners Club International

Discover Financial Services reported a second year of spending growth on its Diners Club International network to \$29 billion, after it acquired in 2008 the global franchise network from Citi. In its annual report, Discover said it is “investing in our Diners Club International business by developing new products, seeking new franchises and providing incentives to existing franchises for expansion and development.” It added one new license in 2011 for a total of 80, operating in 185 countries.

Discover executive vice president and Payment Services president Diane Offerens said the company would continue to “improve domestic and international acceptance,” establish network-to-network alliances with regional players and invest in mobile. One of the latest network alliances was announced with the National Payments Corporation of India. The relationship by the third quarter of 2012 would allow Diners, Discover and Pulse cardholders to use RuPay automated teller machines inside India with reciprocal access to RuPay customers expected later. Discover also licensed its chip-and-pin specifications to RuPay, with a requirement that RuPay be able to issue such cards by 2013, she added.

“Less than 5 percent of transactions are electronic in India,” she added, so there’s “huge opportunity for growth.”

JPMorgan Chase

While continuing to market its own commercial card products, JPMorgan Chase in 2012 also plans to market a new global offering with partner AirPlus International.

JPMorgan Chase global commercial card president Andrew Pilkington said the company in 2011 “embarked on a thorough strategic review” of its commercial card portfolio. “We decided we were at a crossroads. Do we continue to build product sets and invest in many more markets per client wishes or partner with someone



2012 BUSINESS TRAVEL SURVEY

who already has a very strong footprint in those markets? We choose the latter.”

Executives evaluated several potential partners before honing in on AirPlus, he said. Key was a “strong brand, real global presence, first-class product set, genuine commitment to clients and a culture that would work well with JPMorgan Chase.”

J.P. Morgan Global Commercial Card claims “more than 6,000 public and private sector clients and more than 6 million cardholders.” The company’s treasury services business serves more than 135,000 corporations, financial institutions, governments and municipalities in more than 180 countries and territories.

The bank has global reach, but “didn’t have a global footprint in all business lines. We found a fantastic fit with AirPlus,” said JPMorgan Chase corporate card executive and managing director Lionel Le Meur, who in 2010 joined the company after more than a decade with American Express. “We thought we could really leap ahead of many of our competitors in providing that solution to many of our clients,” he said. “It’s a strongly founded partnership based on where we want to take the product.”

MasterCard

MasterCard said its commercial credit and charge programs generated approximately \$251 billion of billing volume globally, about 8 percent of the company’s total billing volume. At year-end, the MasterCard brand appeared on about 33 million commercial credit and charge cards worldwide, nearly 11 percent more than a year earlier.

With partner Brighter Planet, MasterCard last year announced a program to help corporate cardholders track carbon emissions of travel expenditures.

MasterCard in 2011 added both Hyatt Hotels and Starwood Hotels & Resorts Worldwide properties to the MasterCard enhanced folio data program. In all, MasterCard said 13,000 properties participated in the e-folio program.

In May 2012, MasterCard proposed the formation of a “cross-industry group designed to foster collaboration” of all

parties in the implementation of chip-and-pin, instead of swipe security, in the United States. Earlier MasterCard outlined its roadmap to EMV standards.

As part of its mobile initiatives, MasterCard this spring announced its own suite of mobile software products called PayPass Wallet Services. American Airlines and Barnes & Noble were among the first merchants to announce plans to use the service with a “PayPass checkout” button on their sites. AA also plans to integrate the technology into its mobile application. MasterCard also partnered with Google, First Data and Citibank in the United States to launch a digital wallet with an integrated, pre-paid MasterCard. The company also licenses its Mobile PayPass technology to the Isis joint venture.

MasterCard this year released a mobile readiness index for 34 countries to estimate when three types of mobile payments would be likely. It also announced mobile standards for the small-business and micropayment markets. MasterCard estimates that by the end 2011, there were approximately 1.2 million MPOS solutions shipped to MasterCard merchants globally. Approximately 75 percent of those merchants previously had not accepted payment card transactions. With the amount of innovation and growth expected in this area, MasterCard will continue to expand the MPOS Program over the coming months.

Universal Air Travel Plan

Buoyed by “the resurgence of corporate travel,” Universal Air Travel Plan announced record transactions and charge volume during 2011. It processed about \$13 billion during the year, up 23 percent from 2010, and signed five new airline issuers: Aeromexico, Malaysia Airlines, Qatar Airways, Shandong Airlines and Turkish Airlines. The company also cited “significant” growth for its DataStream product line, which allows airline issuers to provide corporate clients with a “data-rich, multilingual and multi-currency travel management system.” CEO Ralph Kaiser indicated UATP expects to set new records this year.

“2011 was a record year and the main driver was the comeback of the corporate traveler,” said Kaiser. After the “big recession in 2009, in 2010 we started to see improvement, but 2011 is when it came back. The other reason we grew so rapidly is because of new issuers. We offered them a free invoicing system. We’ve cut down the costs to almost zero. They only pay transaction fees when the network is used. It not only helps airlines lower their cost of sale, but on interline sales—when one airline’s card is used on another—they earn a merchant fee.”

Kaiser said he expected another record year in 2012 as the new issuers begin to generate volume. He added, “\$13 billion is material, but it’s not enough. We want to be a bigger issuer: \$30 billion to \$40 billion.”

U.S. Bank Corporate Payment Systems

For the first time in more than a decade, U.S. Bank Corporate Payment Systems last year gained a new business head with the appointment of Kurt Adams to succeed Rob Abele, who retired. The bank also announced plans to expand to Europe and this year to emerging markets, as well as deeper within treasury management functions at some of its corporate clients and prospects.

The bank in July began issuing cards in seven European countries. By year-end, it had added resources in Europe to help support multinational sales, but continued to focus on U.S.-based multinationals. Early this year, U.S. Bank announced plans to expand to emerging markets to support client needs.

With the demise of the Global Commercial Payment Solutions network that it helped to form more than a decade ago to support global card deployments, U.S. Bank this year also began to explore other bank partnerships.

U.S. Bank last year began to issue chip-and-pin cards to globetrotting U.S. cardholders and armed more than 100 clients in the first 12 weeks of deployment of its new Payment Analytics product, which allows organizations to audit 100 percent of its commercial card transactions for misuse. The bank also saw more than 50

percent growth from 2010 with its Access Online Payment Plus offering, which allows organizations to automate their payables process. It also gained several dozen midsize and large corporate customers on an expense reporting platform introduced earlier with SpendVision and Visa.

U.S. Bank Corporate Payment Systems said card billings for U.S.-based travel and entertainment cardholders last year rose more than 5 percent.

Visa Inc.

Visa Inc. said commercial card and pre-paid billing in the United States grew 16 percent in 2011 to \$282 billion.

In May 2012, Visa CEO Joseph Saunders said his company was intensifying competition with MasterCard and signed nine of the 10 largest card issuers to deals that lasted through 2015. “From a volume perspective, that equates to more than

three-quarters of our U.S. credit volume secured into 2015 and beyond,” he said.


Visa last year announced plans to accelerate the migration to chip-based cards—both contact and contactless—in the United States through a variety of merchant programs in 2012 and 2013.

“By encouraging investments in EMV contact and contactless chip technology, we will speed up the adoption of mobile payments as well as improve international interoperability and security,” said Visa global product head Jim McCarthy. “As near-field communications mobile payments and other chip-based emerging technologies are poised to take off in the coming years, we are taking steps to create a commercial framework that will support growth opportunities and create value for all participants in the payment chain.”

Visa also announced a variety of mobile developments. “We really do see mo-

bile payments as a global growth strategy,” Visa global mobile product head Bill Gajda said. In developed countries, mobile represents the next generation payment initiatives, while in other markets, mobile represents a means to provide electronic payment services to people who don’t have bank accounts or access to banking technologies, he explained.

In addition to joining Isis, Visa licenses its payWave technology to Isis and others. Visa bought Fundamo, a wallet provider in Asia, and put the technology inside its VisaNet to offer a no-cost mobile money solution, Gajda said. “You have a 16-digit pin. You may not ever have a physical card,” he added.

Visa also launched its V.me Wallet for consumers and signed a five-year commercial agreement with Monitise, which operates payments and mobile banking services for financial institutions. 

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Hotels Expect Seller's Market To Persevere

BY MICHAEL B. BAKER

DESPITE CONTINUING economic uncertainty, hoteliers are projecting several more years of rate growth. The tough negotiations many buyers experienced for 2012 rates therefore are not likely to get easier anytime soon.

PKF Hospitality Research president Mark Woodworth in a recent webcast noted a "disconnect" between the performances of the hospitality industry and the overall economy. Even with high unemployment, high gas prices and other obstacles that have stymied growth in the United States, 30 out of 50 of the major domestic hotel markets sold more rooms in the fourth quarter of 2011 than in any other previous quarter. Looking at just hotel rooms in upper-tier properties, 47 out of 50 sold more than ever before, Woodworth said. "It's a good time to have a drink, as the outlook is extremely good."

Although analysts projected that U.S. demand growth would be less than half of what it was last year, supply growth will continue to be negligible throughout North America and in Japan and much of Europe. Within the United States, it will be less than 1 percent this year, below the long-term average of about 2 percent, according to Smith Travel Research. As such, tight occupancy in many key markets will become even tighter.

"We expect the law of supply and demand will push rates upward for some time to come," said Starwood Hotels & Resorts Worldwide president and CEO Frits van Paasschen during the company's recent first-quarter earnings call. "Even if developers were building hotels tomorrow, it would take at least three years for that supply to hit the market, and in all likelihood, construction won't start tomorrow."

In general, 2011 rates were up across most hotel brands that publicly report performance, especially across higher tiers. The average daily rate at Starwood's St. Regis and Luxury Collection properties, for example, rose 8.9 percent from the 2010 level; rate increases at Mandarin Oriental

properties averaged 10.3 percent for the year; and the average Ritz-Carlton rate in North America was up 6.3 percent. Rate increases among most midprice and economy brands, meanwhile, more commonly were in the range of 2 percent to 3 percent.

In the United States, the average daily rate increased 3.8 percent compared with 2010 and is projected to increase by a similar amount this year, according to STR. Even with the increases, rates still have a "long way to go to get back to peak levels in nominal terms," Woodworth said.

Global Development Pipeline

By Rooms, As Of April 2012

Asia/Pacific	365,507
United States	292,806
Europe	145,437
Middle East/Africa	126,606
Central/South America	31,931
<i>Source: STR/STR Global</i>	

Of course, the hotel industry's recovery is not without potential snags, including rising oil prices that could stifle demand and ongoing European economic troubles that are likely to affect travel both within Europe and to key global gateway cities. Regardless, hoteliers said they expect to see their revenues rise this year—possibly at an impressive clip.

"We are as sanguine about the near term as we've been before the crisis, but we're as bullish as ever about the long term," van Paasschen said. "In fact, we believe we're on the cusp of a golden age of global travel."

Corporate Travel Driving Growth

In examining worldwide hotel bookings through global distribution systems, Pegasus Solutions noted that corporate travel

has been the "bedrock of recovery" and has driven much of the demand growth seen since the recession. Van Paasschen cited corporate demand as a major reason for his optimism for 2012, and suggested full-year 2012 hotel performance might end up more positive than forecasts currently project.

"Corporate travel plans reflect confidence in their business and in the global recovery," he said. "I still have yet to hear from a customer who plans to travel less in 2012 than in 2011."

This year's corporate hotel rates on average also are increasing globally. Advito estimated that rates are up 5 percent to 6 percent in the United States, 2 percent to 3 percent in Europe, 8 percent to 10 percent in Asia/Pacific and as much as 20 percent in Brazil.

Group bookings, at least on the corporate side, also appear to be showing improvement this year. Marriott International president and CEO Arne Sorenson during his company's first-quarter earnings conference call said the 2012 group booking pace was up 11 percent from the prior year.

Similarly, Hyatt Hotels Corp. president and CEO Mark Hoplamazian noted that bookings for 2012 made during the first quarter were up 13 percent, and rates on those bookings were up 6 percent. "Overall, the strength we saw in the group business in the quarter primarily came for corporates, largely driven by consulting, technology and IT," he said. "Windows are still fairly short. Many meetings have been booked within 90 days."

Hoteliers Focus Capital Investment

The Asia/Pacific region continues to boast the world's largest active development pipeline, with most major hotel companies pursuing rapid expansion in China, India and other emerging markets. The largest growth during the next few years is projected for New Delhi, Mumbai, Bali, Manila and Jakarta, each poised to

CONTINUED ON PAGE 28

Hotel Companies

Hotel Co.	Headquarters	Brands	Properties	Rooms	2011 ADR	YOY Change	2011 Occupancy	YOY Change	2011 RevPAR	YOY Change
Accor	Paris	Total ¹	4,425	533,613						
	<i>European upscale and midprice²</i>	Grand Mercure	42	6,197	\$121.72	2.9%	65.4%	1.9 pp	\$80.28	7.0%
		Ibis	919	113,077						
		Ibis Styles	149	13,110						
		Mercure	725	89,260						
		Mgallery	48	5,553						
		Novotel	394	75,117						
		Pullman	60	17,685						
		Sofitel	112	28,887						
	Suite Novotel	29	3,620							
	<i>European economy²</i>	Hotel F1	243	18,213	\$69.92	1.8%	71.0%	2.5 pp	\$50.50	5.5%
		Ibis Budget/ Formule 1	522	46,464						
	<i>U.S. economy</i>	Motel 6	1,028	99,438	\$43.00	2.4%	62.7%	1.7 pp	\$27.00	5.2%
		Studio 6	66	7,282						
		Adagio	88	9,710						
AmericInn International	Minneapolis	AmericInn	220	12,549	Not available — Privately held					
Best Western International	Phoenix	Total	4,086	311,894	Not available — Privately held					
		Best Western	3,045	215,017						
		Best Western Plus	900	81,056						
		Best Western Premier	141	15,821						
Carlson Rezidor Hotel Group	Minneapolis	Total	1,072	165,419	Not available — Privately held					
		Country Inns & Suites	483	38,799						
		Missoni	2	305						
		Park Inn	126	23,899						
		Park Plaza	42	8,054						
		Radisson	419	94,372						
Choice Hotels International	Silver Spring, Md.	Total ³	6,178	497,205	\$71.83	1.9%	53.5%	2.2 pp	\$38.44	6.2%
		Ascend Collection	52	4,617	\$113.59	1.0%	60.3%	2.7 pp	\$68.44	5.6%
		Cambria Suites	19	2,215	NA	NA	NA	NA	NA	NA
		Clarion	189	27,527	\$73.89	-1.7%	46.9%	3.2 pp	\$34.64	5.4%
		Comfort Inn	1,399	109,330	\$79.41	2.8%	57.5%	1.9 pp	\$45.62	6.3%
		Comfort Suites	616	47,738	\$83.72	1.5%	58.6%	3.4 pp	\$49.09	7.8%
		Econo Lodge	797	49,483	\$54.71	1.1%	47.5%	1.7 pp	\$25.96	4.7%
		MainStay Suites	40	3,093	\$66.16	0.9%	67.7%	4.1 pp	\$44.80	7.4%
		Quality	1,047	91,502	\$67.75	1.4%	50.0%	1.9 pp	\$33.86	5.5%
		Rodeway Inn	388	21,627	\$51.87	1.6%	48.7%	2.9 pp	\$25.27	8.1%
		Sleep Inn	394	28,568	\$69.96	1.7%	53.6%	2.0 pp	\$37.49	5.5%
		Suburban Extended Stay	60	7,126	\$40.26	2.6%	67.5%	3.7 pp	\$27.15	8.5%

CONTINUED ON PAGE 29



2012 BUSINESS TRAVEL SURVEY

CONTINUED FROM PAGE 26

increase their current room supply by at least 20 percent, according to STR Global.

Marriott's Sorenson said the gangbusters rate of growth in China might moderate slightly as the government slows the residential real estate market; most full-service hotels developed there are a part of mixed-use projects. "Despite this, we expect China to remain one of the fastest-growing lodging markets in the world," Sorenson said.

Hoteliers in North America are growing more by conversion than new construction. Starwood's van Paasschen said 70 percent of the company's hotel deals in the region secured during the first quarter were conversions.

Even with modest supply growth projected for the United States, the country's active pipeline still is larger than any global region besides Asia/Pacific, although only about 20 percent of that pipeline currently is under construction, according to STR. Most of those rooms are in the upscale and upper mid-price tiers—including such select-service properties as Hilton Garden Inn, Courtyard by Marriott and Holiday Inn. Only 7 percent of the active pipeline is in the upper upscale or luxury tiers. Overall, the total U.S. pipeline decreased by 9 percent from April 2011 to April 2012.

In contrast, the pipeline in the Middle East and Africa largely is centered on the upper upscale and luxury tiers. Europe's pipeline, meanwhile, is slightly skewed by the upcoming Olympic Games in London. The region this year actually is poised to have more rooms come online than all other global regions, according to STR Global managing director Elizabeth Randall. About one-third of those—more than 13,000 rooms—will be in the United Kingdom. In 2013, however, total room openings for Europe are projected to be fewer than half of those in 2012.

Outside of new development, Woodworth said the forecast for years of growth make it a "great time for hotels to be investing capital into domestic lodging and renovating assets." As such, many hotel companies are embarking on brand

overhauls and relaunches.

Marriott, for example, reported that its owners and franchisees in 2011 spent about \$1.5 billion on renovations. By the end of this year, it projects about two-thirds of Renaissance properties and three-quarters of U.S. Courtyard hotels will have renovated public spaces.

Fresh from its \$1 billion Holiday Inn brand relaunch, InterContinental Hotels Group last year turned its attention to Crowne Plaza and has embarked on a multi-year plan to enhance amenities, renovate properties, add new locations and remove underperforming hotels.

Similarly, Choice Hotels International is upgrading its Comfort Inn brand with new front desks, bedding and breakfast plans. As a part of that project, about 400 Comfort Inn properties during the next few years might leave the system.

Hyatt last year announced a rebranding of its extended-stay Summerfield Suites brand to Hyatt House, which it augmented last year by purchasing an \$802 million portfolio of hotels from hotel management company LodgeWorks, including 17 Hotel Sierra properties to be converted to the Hyatt House brand.

CONTINUED ON PAGE 34

Hotel Company Financial Data

Hotel Company	2011 Net Income (US\$ millions)	Q1 2012 Net Income (US\$ millions)	YOY Q1 Change
Accor	\$64.7	NA	NA
Choice Hotels International	\$24.8	\$20	+27%
Hyatt Hotels Corp.	\$111	\$10	0%
InterContinental Hotels Group	\$559	\$118	+5%
Mandarin Oriental Hotel Group	\$67.5	NA	NA
Marriott International	\$198	\$104	+18%
Melia Hotels International	\$54.4	\$6.3	-8.7%
Millennium & Copthorne Hotels	\$227	\$31.7	+27.8%
Morgans Hotel Group	(\$21)	(\$14.5)	+55.9%
NH Hoteles	\$8.0	(\$35.6)	+9.2%
Pan Pacific Hotels Group	\$78.1	NA	NA
Red Lion Hotels Corp.	(\$5.8)	(\$6.6)	-46.6%
Shangri-La Hotels & Resorts	\$283.9	NA	NA
Starwood Hotels & Resorts	\$487	\$128	+357.1%
Wyndham Worldwide	\$417	\$32	-55.6%

Source: Company reports

CONTINUED FROM PAGE 27

Hotel Co.	Headquarters	Brands	Properties	Rooms	2011 ADR	YOY Change	2011 Occupancy	YOY Change	2011 RevPAR	YOY Change
Concorde Hotels & Resorts	Paris	Concorde	25	6,825	Not available — Privately held					
Dolce Hotels and Resorts	Rockleigh, N.J.	Dolce	27	5,751	Not available — Privately held					
Extended Stay Hotels	Charlotte	Total	685	76,225	Not available — Privately held					
		Crossland Economy Studios	34	4,398						
		Extended Stay America	365	40,399						
		Extended Stay Deluxe	109	11,137						
		Homestead Studio Suites	131	16,752						
		Studio Plus Deluxe Studios	46	3,539						
Fairmont Raffles Hotels International	Toronto	Total	99	37,048	Not available — Privately held					
		Fairmont	63	26,102						
		Raffles	9	1,369						
		Swissotel	27	9,577						
Four Seasons Hotels & Resorts	Toronto	Four Seasons	86	19,155	Not available — Privately held					
Guoman Hotels	London	Total	40	8,443	Not available — Privately held					
		Guoman	5							
		Thistle	35							
Hilton Worldwide	McLean, Va.	Total	3,875	629,105	Not available — Privately held					
		Conrad	20	7,086						
		DoubleTree	300	76,159						
		Embassy Suites	214	51,226						
		Hampton	1,857	182,396						
		Hilton	553	194,174						
		Hilton Garden Inn	539	74,067						
		Hilton Grand Vacations	39	6,101						
		Home2 Suites	7	749						
		Homewood Suites	312	34,265						
		Waldorf Astoria	22	9,494						
		Other	12	3,388						
Hyatt Hotels Corp.	Chicago	Total	483	132,727	\$167.26	2.0%	70.4%	2.1 pp	\$117.70	7.4%
	<i>North America select-service</i>	Hyatt Place	162	20,573	\$96.00	3.4%	74.1%	3.7 pp	\$71.00	8.8%
		Hyatt House	53	7,455						



2012 BUSINESS TRAVEL SURVEY

Hotel Co.	Headquarters	Brands	Properties	Rooms	2011 ADR	YOY Change	2011 Occupancy	YOY Change	2011 RevPAR	YOY Change
	North America Full-Service	Andaz	6	1,408	\$162.00	3.0%	69.1%	2.4 pp	\$116	6.7%
		Grand Hyatt	37	21,101						
		Hyatt	26	6,010						
		Hyatt Regency	149	68,588						
		Park Hyatt	27	5,399						
		Hyatt Residence Club	23	2,193	NA	NA	NA	NA	NA	NA
InterContinental Hotels & Resorts	Denham, U.K.	Total	4,480	658,348	\$108.96	2.5%	65.3%	2.3 pp	\$71.14	6.2%
		Candlewood Suites	285	27,500	\$66.45	3.3%	71.8%	3.9 pp	\$47.73	9.3%
		Crowne Plaza	387	105,104	\$105.61	2.6%	62.0%	2.3 pp	\$65.51	6.5%
		Holiday Inn	1,240	228,256	\$98.89	2.6%	61.3%	2.2 pp	\$60.58	6.5%
		Holiday Inn Express	2,114	196,666	\$98.65	2.8%	64.4%	3.1 pp	\$63.55	8.0%
		Hotel Indigo	39	4,564	\$118.32	5.2%	66.1%	4.5 pp	\$78.21	12.8%
		InterContinental	169	57,598	\$168.20	3.5%	68.5%	3.0 pp	\$115.28	8.3%
		Staybridge Suites	179	19,567	\$96.44	3.1%	74.1%	3.4 pp	\$71.50	8.0%
		Other	67	19,093	\$98.50	-1.8%	80.7%	-0.4 pp	\$79.51	-2.2%
Kempinski Hotels	Geneva	Kempinski	66	3,906	Not available — Privately held					
Kimpton Hotels & Restaurants	San Francisco	Kimpton	53	10,202	Not available — Privately held					
La Quinta Inns & Suites	Dallas	La Quinta	816	82,983	Not available — Privately held					
Loews Hotels	New York	Loews	17	7,632	Not available — Privately held					
Mandarin Oriental Hotel Group⁴	Hong Kong	Mandarin Oriental	28	7,797	\$342.96	10.3%	70.5%	2.3 pp	\$236.01	12.4%
Maritim Hotels	Bad Salzungen, Germany	Maritim	51	15,683	\$114.06	-0.8%	55.7%	0.3 pp	NA	NA
Marriott International⁵	Bethesda, Md.	Total	3,718	643,196	\$133.26	3.4%	69.6%	2.0 pp	\$92.69	6.4%
		AC Hotels by Marriott	75	7,976	NA	NA	NA	NA	NA	NA
		Autograph Collection	20	6,713	NA	NA	NA	NA	NA	NA
		Bulgari	2	117	NA	NA	NA	NA	NA	NA
		Courtyard	918	135,469	\$113.19	3.0%	68.1%	2.5 pp	\$77.03	7.0%
		Edition	1	78	NA	NA	NA	NA	NA	NA
		Fairfield Inn & Suites	683	62,248	\$89.57	3.9%	65.8%	3.1 pp	\$58.92	9.1%
		JW Marriott	53	23,813	NA	NA	NA	NA	NA	NA
		Marriott Executive Apartments	24	3,826	NA	NA	NA	NA	NA	NA

Hotel Co.	Headquarters	Brands	Properties	Rooms	2011 ADR	YOY Change	2011 Occupancy	YOY Change	2011 RevPAR	YOY Change
		Marriott ⁶	500	177,318	\$149.94	3.3%	68.2%	1.1 pp	\$102.28	5.0%
		Renaissance	154	52,959	\$146.74	3.3%	69.0%	1.9 pp	\$101.24	6.3%
		Residence Inn	619	75,106	\$115.41	2.9%	76.7%	1.7 pp	\$88.47	5.2%
		Ritz-Carlton	78	23,583	\$302.31	6.3%	69.2%	2.4 pp	\$209.11	10.2%
		SpringHill Suites	290	34,120	\$99.21	2.5%	68.5%	3.6 pp	\$67.98	8.2%
		TownePlace Suites	203	20,553	\$83.46	3.7%	72.1%	3.7 pp	\$60.15	9.3%
		Other	98	19,317	NA	NA	NA	NA	NA	NA
Melia Hotels International⁷	Palma de Mallorca, Spain	Total	309	78,640	\$101.39	0.1%	66.9%	3.9 pp	\$67.85	6.4%
		Melia	109	28,453	\$117.70	-0.4%	69.4%	1.5 pp	\$81.71	1.9%
		Premium	25	9,307	\$133.24	-0.3%	62.7%	4.4 pp	\$83.65	7.4%
		Sol	80	26,143	\$71.86	2.3%	67.9%	8.2 pp	\$48.82	16.6%
		Tryp	92	14,186	\$88.44	-2.0%	65.0%	2.4 pp	\$57.49	1.8%
Millennium & Copthorne Hotels	London	Total	108	31,032	\$146.93	11.1%	70.8%	-0.6 pp	\$104.09	10.2%
		Copthorne	31	6,403	NA	NA	NA	NA	NA	NA
		Grand Millennium	5	2,479	NA	NA	NA	NA	NA	NA
		Kingsgate	14	1,436	NA	NA	NA	NA	NA	NA
		Millennium	39	13,756	NA	NA	NA	NA	NA	NA
		Other	19	6,958	NA	NA	NA	NA	NA	NA
Morgans Hotel Group	New York	Various	13	3,304	\$250.00	6.7%	82.4%	0.7 pp	\$206.00	7.6%
NH Hoteles	Madrid		400	60,000	\$103.59	-0.8%	64.3%	1.8 pp	\$66.56	2.1%
Omni Hotels & Resorts	Irving, Texas	Total	50	17,250	Not available — Privately held					
		Mokara Hotel & Spa	1							
		Omni	49							
Pan Pacific Hotels Group⁸	Singapore	Total	29	9,034	NA	5.0%	77.0%	4.0 pp	NA	NA
		Pan Pacific	16	5,124	NA	NA	NA	NA	NA	NA
		Parkroyal	11	3,315	NA	NA	NA	NA	NA	NA
		Other	2	595	NA	NA	NA	NA	NA	NA
Peabody Hotel Group	Memphis	Peabody	3	2,523	Not available — Privately held					
Peninsula Hotels	Hong Kong	Peninsula	9	2,114	\$382.67	5.7%	62.0%	1.0 pp	\$235.42	6.9%
Red Lion Hotels Corp.	Spokane, Wash.	Red Lion	48	9,010	\$82.86	0.1%	59.8%	2.0 pp	\$49.59	3.6%
Rosewood Hotels & Resorts	Dallas	Rosewood	19	2,379	Not available — Privately held					
Shangri-La Hotels & Resorts	Hong Kong	Total	72	31,714	\$182.00	15.2%	65.0%	1.0 pp	\$117.00	15.8%
		Kerry	2		NA	NA	NA	NA	NA	NA
		Shangri-La	57		NA	NA	NA	NA	NA	NA
		Traders	13		NA	NA	NA	NA	NA	NA



2012 BUSINESS TRAVEL SURVEY

Hotel Co.	Headquarters	Brands	Properties	Rooms	2011 ADR	YOY Change	2011 Occupancy	YOY Change	2011 RevPAR	YOY Change
Sonesta Collection	Boston	Sonesta	32	7,057	Not available — Privately held					
Starwood Hotels & Resorts	Stamford, Conn.	Total	1,089	322,300	\$168.37	6.2%	68.0%	2.1 pp	\$114.56	9.7%
		Aloft	55	8,700	\$102.24	4.4%	68.1%	6.7 pp	\$69.64	15.9%
		Four Points by Sheraton	159	27,900	\$114.15	6.1%	67.7%	2.8 pp	\$77.29	10.6%
		Le Meridien	99	25,600	\$192.36	5.1%	68.6%	2.4 pp	\$131.92	8.9%
		Sheraton	421	148,400	\$144.74	5.7%	66.3%	1.4 pp	\$95.89	7.9%
		St. Regis/Luxury Collection	104	20,500	\$310.22	8.9%	64.8%	2.4 pp	\$200.96	13.0%
		W	41	12,000	\$266.18	7.3%	76.2%	4.0 pp	\$202.78	13.2%
		Westin	190	74,500	\$179.91	5.9%	71.1%	2.8 pp	\$127.83	10.2%
		Other	20	4,700	NA	NA	NA	NA	NA	NA
Wyndham Hotel Group	Parsippany, N.J.	Total	7,205	613,126	\$66.46	2.5%	50.2%	2.2 pp	\$33.34	7.1%
		Baymont	259	21,605	\$62.00	2.3%	47.5%	1.0 pp	\$29.43	4.4%
		Days Inn	1,864	150,436	\$61.42	1.6%	47.0%	1.5 pp	\$28.88	4.9%
		Dream	5	990	\$198.31	NA	75.6%	NA	\$149.88	NA
		Hawthorn Suites	74	7,036	\$74.76	-1.3%	61.1%	5.7 pp	\$45.69	8.8%
		Howard Johnson	451	45,115	\$60.72	1.1%	46.7%	1.5 pp	\$28.33	4.4%
		Knights Inn	349	21,698	\$42.32	0.1%	38.7%	1.4 pp	\$16.39	4.0%
		Microtel	315	22,441	\$59.07	3.0%	52.7%	2.9 pp	\$31.11	9.0%
		Night	1	72	\$241.42	NA	94.0%	NA	\$227.05	NA
		Ramada	845	114,306	\$76.40	4.0%	51.4%	1.8 pp	\$39.29	7.9%
		Super 8	2,249	142,254	\$54.32	-2.2%	52.1%	2.8 pp	\$28.29	3.2%
		Travelodge	440	33,081	\$65.12	2.5%	46.7%	2.0 pp	\$30.41	7.1%
		Tryp	91	13,076	\$103.27	11.7%	60.5%	-2.1 pp	\$62.48	8.0%
		Wingate	162	14,836	\$80.61	1.9%	59.7%	2.1 pp	\$48.11	5.6%
		Wyndham	100	26,180	\$108.27	-0.9%	58.4%	3.4 pp	\$63.22	5.2%

¹ Hotel and room totals does not include Thalassa spas.

² Year-over-year RevPAR and ADR calculations are based on euros.

³ Breakdown of hotels/rooms by brand does not include franchises outside the United States.

⁴ *BTN* determined metrics based on a weighted average of data from 14 properties listed in Mandarin Oriental's annual report.

⁵ All brand financial data represent properties in North America only.

⁶ RevPAR, ADR and occupancy data include JW Marriott properties.

⁷ Metrics represent owned and leased hotels only.

⁸ ADR calculations based on Singapore dollars.

Hotel Management Companies

Company	Headquarters	2011 Net Income (US\$ millions)	Number of Hotels	Rooms in Portfolio	Brands In Portfolio (Most represented brand listed first, with number of properties in parentheses)
Ashford Hospitality Trust	Dallas	\$2.1	96	20,395	Courtyard (20), Embassy Suites, Hilton Garden Inn, Hilton, Homewood Suites, Hampton Inn, Marriott, SpringHill Suites, Fairfield Inn, Residence Inn, TownePlace Suites, Sheraton, Hyatt Regency, Crowne Plaza, DoubleTree, Renaissance, independent
China Lodging Group	Shanghai	\$18.0	639	71,621	HanTing Express (589), HanTing Seasons Hotel, HanTing Hi Inn
Concord Hospitality Enterprises Company	Raleigh, N.C.	\$348.2	83	11,069	Courtyard (32), Fairfield Inn, Renaissance, Residence Inn, SpringHill Suites, Marriott, Hampton Inn, Hilton Garden Inn, DoubleTree, MainStay Suites, Crowne Plaza, Holiday Inn, Summerfield Suites, Hyatt Place, Sheraton, Clinton Inn, Hotel Highland
Crestline Hotels & Resorts	Fairfax, Va.	NA	49	8,798	Courtyard (10), Marriott, Hilton Garden Inn, Homewood Suites, Holiday Inn, Residence Inn, Fairfield Inn, Westin, Sheraton, Hilton, TownePlace Suites, SpringHill Suites, Four Points by Sheraton, Crowne Plaza, Staybridge Suites, independent
Davidson Hotel Company	Atlanta ¹	\$605.0	47	13,464	Hilton (11), B Ocean, Courtyard, DoubleTree, Embassy Suites, Hilton, Hilton Garden Inn, Hyatt, Marriott, Radisson, Renaissance, Sheraton, Westin, independent
Destination Hotels and Resorts	Englewood, Colo.	NA	40	9,558	Independent (35), Embassy Suites, InterContinental, Red Lion, DoubleTree
DiamondRock Hospitality Co.	Bethesda, Md.	(-\$7.7)	26	11,828	Marriott (11), JW Marriott, Hilton, Westin, Radisson, Renaissance, Courtyard, Hilton Garden Inn, Conrad
The Dow Hotel Company	Seattle	NA	11	3,446	Hilton (4), Marriott, Crowne Plaza, Sheraton, DoubleTree, Embassy Suites
Drury Hotels Co.	St. Louis	NA	128	17,952	Drury Hotels (101), Pear Tree Inn, Thrifty Inn, Posada Ana Inn, Hampton Inn, Holiday Inn Express, Staybridge Suites, Best Western, Ramada, Four Points by Sheraton, Marv Herzog Hotel
FelCor Lodging Trust	Chicago	(-\$134.0)	75	21,578	Embassy Suites (40), Doubletree, Hilton, Fairmont, Marriott, Renaissance, Sheraton, Westin, Holiday Inn, Morgans, Royalton
Hersha Hospitality Management	Philadelphia	\$133.0	93	11,400	Hilton (24), Marriott (24), InterContinental, Hyatt, Starwood, independent
Hospitality Properties Trust	Newton, Mass.	\$160.6	288	42,632	Candlewood Suites (76), Courtyard, Residence Inn, Staybridge Suites, Crowne Plaza, InterContinental, Hyatt Place, Marriott, Radisson, Country Inns & Suites, TownePlace Suites, Holiday Inn, Park Plaza, SpringHill Suites
Host Hotels & Resorts	Bethesda, Md.	(-\$16.0)	121	64,947	Marriott/JW Marriott (66), Ritz-Carlton, Sheraton, Westin, W, St. Regis, Luxury Collection, Hyatt, Fairmont, Four Seasons, Embassy Suites, Swissotel, Delta, Ibis, Novotel
Inland American Real Estate Trust	Oak Brook, Ill.	(-\$316.3)	95	15,597	Marriott brands (49), Hilton brands, other

CONTINUED ON PAGE 34



2012 BUSINESS TRAVEL SURVEY

Company	Headquarters	2011 Net Income (US\$ millions)	Number of Hotels	Rooms in Portfolio	Brands In Portfolio <i>(Most represented brand listed first, with number of properties in parentheses)</i>
Interstate Hotels & Resorts	Arlington, Va.	NA	387	70,119	Hampton Inn (43), Aloft, AmericInn, Aspen Hotel & Suites, Baymont, Best Western, Comfort Inn, Country Inn & Suites, Courtyard, Crowne Plaza, Days Inn, Doral, DoubleTree, Embassy Suites, Fairfield Inn, Four Points by Sheraton, Hilton, Hilton Garden Inn, Holiday Inn, Holiday Inn Express, Homewood Suites, Howard Johnson, Hyatt, Hyatt Place, Hyatt Summerfield Suites, Jin Jiang, Marriott, Quality Inn, Renaissance, Residence Inn, Sheraton, Sofitel, SpringHill Suites, Staybridge Suites, Super 8, Tesoro, TownePlace Suites, Travelodge, Westin, Wingate, Wyndham
Lane Hospitality	Northbrook, Ill.	\$93.0	17	2,797	Crowne Plaza (3), Hilton, DoubleTree, Crowne Plaza, Holiday Inn, Indigo, Courtyard, SpringHill Suites, Hampton Inn, Hilton Garden Inn, Comfort Inn, independent
LaSalle Hotel Properties	Bethesda, Md.	\$43.6	37	9,830	Hilton (3), Westin (3), Marriott, Sheraton, Embassy Suites, Sofitel, Hyatt Viceroy, other
Outrigger Enterprises Group	Honolulu, Hawaii	NA	45	11,000	Outrigger (22), Ohana, Embassy Suites, Wyndham, other
Pebblebrook Hotel Trust	Bethesda, Md.	\$14.9	14	3,812	Independent (7), DoubleTree, InterContinental, Sheraton, Sofitel, Viceroy, W, Westin
Rezidor Hotel Group	Brussels, Belgium	(-\$15.3)	325	70,766	Radisson Blu (209), Park Inn, Hotel Missoni, other
RLJ Lodging Trust	Bethesda, Md.	\$11.3	141	20,646	Courtyard (33), Fairfield Inn, Marriott, Renaissance, Residence Inn, SpringHill Suites, DoubleTree, Embassy Suites, Hampton Inn, Hilton, Hilton Garden Inn, Homewood Suites, Hyatt House
Strategic Hotels & Resorts	Chicago	(-\$4.9)	17	7,762	Four Seasons (4), Fairmont, Hyatt Regency, InterContinental, Loews, Marriott, Ritz-Carlton, Westin, Hotel del Coronado
Sunstone Hotel Investors	Aliso Viejo, Calif	\$7.6	32	13,208	Marriott (10), JW Marriott, Fairmont, Hilton, Embassy Suites, DoubleTree, Hyatt Regency, Renaissance, Residence Inn, Courtyard, Sheraton, independent
Supertel Hospitality	Norfolk, Neb.	(-\$17.5)	100	8,768	Super 8 (43), Comfort Inn, Comfort Suites, Days Inn, Savannah Suites, Masters Inn, Quality Inn, Hampton Inn, Sleep Inn, Guesthouse Inn, Holiday Inn Express, Ramada Limited, Supertel Inn, Baymont Inn, Key West Inns

¹New headquarters as of June 1, 2012

CONTINUED FROM PAGE 28

Tackling Distribution

Amid rising revenues, hotels during the next few years also will have to deal with rising distribution costs.

A joint study of distribution channels by STR and the American Hotel & Lodging Association released last year showed that about a third of 2010 U.S. hotel stays were booked through global distribution systems, online travel agencies, ho-

tel websites and other digital channels. Within the next five years, about 50 percent of U.S. hotel bookings will occur through those channels. This could potentially double hotels' distribution costs, according to the study's authors.

The industry has yet to see the impact of major new players wading into the hotel booking space. Google only recently has launched a metasearch tool, Hotel Finder, and Apple received a patent for

an iTravel product but hasn't yet launched anything under that brand. In the meantime, most hotel brands are developing and enhancing mobile applications that encourage direct booking.

Even with the proliferation of new booking gizmos, however, the study's authors wrote that the GDSs for the foreseeable future would remain as the dominant supplier of hotel bookings for managed corporate travel programs. [➔](#)

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