

A photograph of the Chicago skyline featuring the Willis Tower and the Cloud Gate sculpture in the foreground. The image is used as a background for the report cover.

AirPlus

INTERNATIONAL

AirPlus International Travel Management Study 2012

A comparison of global trends, costs,
and the management of business travel.

AIRPLUS. WHAT TRAVEL PAYMENT IS ALL ABOUT.

A total of 1,701 travel managers from 20 global business travel markets were surveyed for the AirPlus International Travel Management Study.



Companies do not want to sacrifice their travel



Dear Reader,

A warm welcome to the AirPlus International Travel Management Study, now in its seventh year. With 1,701 travel managers from no fewer than 20 different countries participating in our detailed survey, this is the largest and most authoritative annual research in corporate travel management.

The longevity and geographical scope of the study mean we are in an excellent position to identify the big trends. We launched during a growth period in global business travel, and since then the study has documented the effects of recession followed by a slow, difficult recovery.

So what do this year's figures tell us? For me the most striking story of all is that, in spite of the intensifying doom and gloom of recent months, companies do not want to sacrifice their travel. Only 11 percent expect to see trip volumes fall, while more than three times as many (35 percent) think trip volumes will rise. Given the economic pressures every company is under, that confirms to me the same message I am hearing from our clients: travel is no longer a nice-to-have option.

Instead, businesses consider travel an essential investment if they want to grow in a world where new customers are often not even based on the same continent, let alone in the same country.

But if companies are going to travel more than ever, they also need to manage their costs more than ever. There is plenty of evidence of good control throughout the study, but there are not so many signs of increased adoption this year of what are generally regarded as travel management best practices. With the world's economic challenges nowhere near an end, the need to gain firm control of travel spend is intensifying. This is definitely a year to pull out all the stops to ensure costs do not get out of hand.

A handwritten signature in black ink that reads "Volker Huber".

Volker Huber
Executive Vice President Global Sales
AirPlus International
2012



About the study

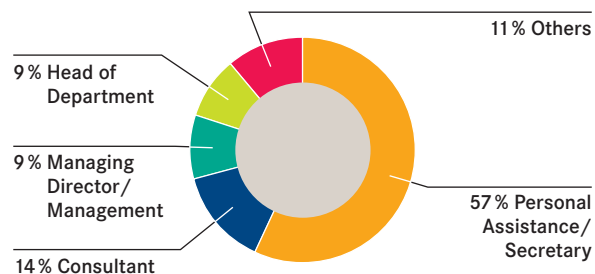
This survey was conducted in late 2011 by the international market research company 2hm on behalf of AirPlus International. A total of 1,701 travel managers were surveyed in: Australia, Austria, Belgium, Brazil, China, Denmark, Finland, France, Germany, Italy, Mexico, Netherlands, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom and United States. Companies were categorized as low, medium or high spenders on travel according to different definitions in each country. For example, in Germany, low spenders were defined as spending €25,000 – €0.5m annually, medium spenders €0.5m – €10m and high spenders €10m – plus. In the US, low spenders were defined as \$0.25m – \$1m, medium spenders \$1m – \$10m and high spenders \$10m – plus. The results may contain rounding differences.



The interviewees

The interviewees in the survey are all called “travel managers”, although they often have a different official job title. The majority (57 percent) of those participating in the study are personal assistants or secretaries, although this figure falls to 34 percent for respondents in high-spending companies. Forty-two percent work for senior management and 12 percent are in a travel department, with others working in departments such as finance and purchasing.

What position do you hold in your company?



Index

8 Executive summary

01 Trip volumes and travel spending

- 11 Carry on travelling
- 13 More trips – and higher costs per trip?
- 16 Fewer negotiated air deals, more deals for everything else

02 New challenges

- 19 Travel managers split over importance of mobile
- 19 Question mark over relevance of social media
- 20 US travel managers most aware of surcharges

03 Travel policy

- 22 More companies adopt a travel policy
- 23 The tough get tougher

04 Travel management solutions and processes

- 25 Companies retain laser focus on costs
- 26 Travel managers warm to benchmarking
- 27 Paper – no sign of the final cut

05 Status of travel managers and travel management

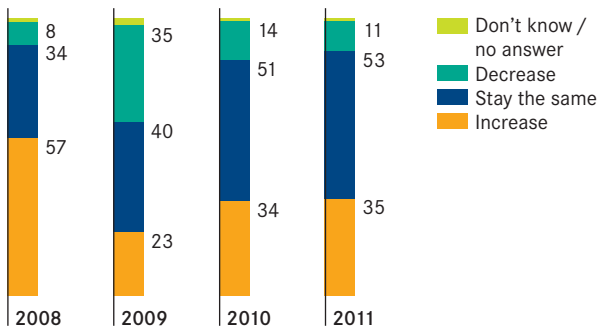
- 29 Travel managers enjoy their work
- 30 Struggling for balanced management

33 Conclusion

Executive summary

How will the number of business trips develop in the future?

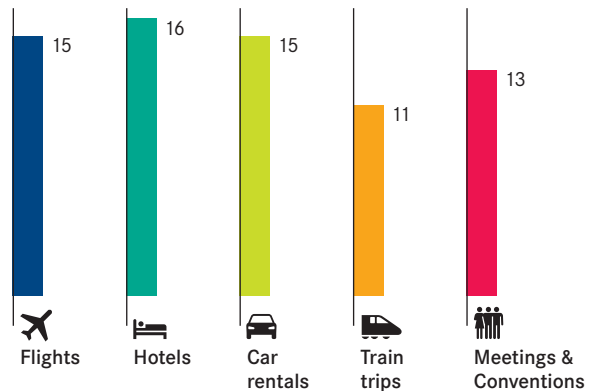
Total: 100 %



What percentage did you actually save last year when negotiating with suppliers?

in %

2011



No sign of a business travel slowdown

Most travel managers (53 percent) expect trip volumes to remain stable over the next 12 months. Only 11 percent think they will fall, while more than three times as many (35 percent) expect them to rise. There are significant variations by national market: 58 percent of travel managers in Brazil, which has a fast-growing economy, forecast a growth in travel; and other southern hemisphere nations, e.g. South Africa (45 percent) and Singapore (41 percent) are also above average. Spain is only 17 percent. Companies which spend heavily on travel are more confident of growth (39 percent) than low spenders (31 percent).

Significant fears of higher costs

Forty percent of respondents predict their travel costs will rise, up from 34 percent last year. Only 13 percent expect costs to fall. For the previous three years, the percentage of travel managers expecting trip numbers and expenditure to rise has been almost identical. The fact that this year spending expectations outstrip those for trip volumes implies growing fears of increased costs per trip.

Fall in negotiated air deals ...

Only 54 percent of companies have negotiated deals with airlines, down from 59 percent last year. In the US, the figure has plunged from 54 percent to 37 percent.

... but more deals in other categories

The travel spending category for which businesses are most likely to have a negotiated deal is hotels, up from 69 percent last year to 71 percent. Also up slightly are car rentals (from 52 percent to 53 percent) and meetings & conventions (from 38 percent to 39 percent).

Suppliers reduce their discounts

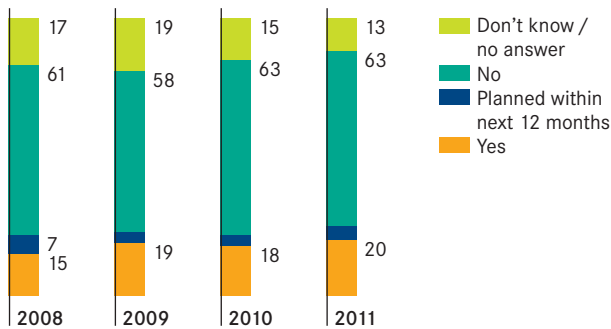
Preferred deals are worth less than a year ago. The average discount for an airline agreement is down from 18 percent to 15 percent, while that for hotels is down from 18 percent to 16 percent and for meetings & conventions from 14 percent to 13 percent, although that for car rentals is stable at 15 percent.

Attitudes vary towards mobile booking and social media

One in five travel managers believes using mobile technology to make bookings is not relevant to business travel. However, 45 percent see it as a long-term trend and 23 percent think it is already established. There is more skepticism about social media, considered irrelevant to business travel by 50 percent of respondents, although 27 percent perceive it as a long-term trend and 12 percent think it is already established.

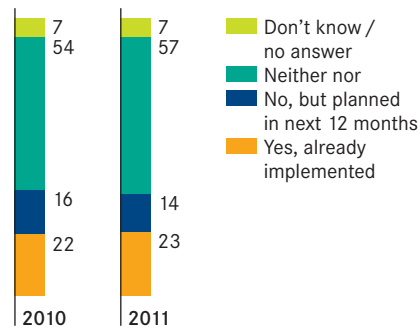
Compensation of CO₂-emissions

Total: 100 %



Climate protection in travel guidelines

Total: 100 %



National splits over airline surcharges

There are major market-by-market variations on the question of surcharges. In the US, where surcharges are most common, 59 percent consider them as already established and another 26 percent see them as a long-term trend. Only 9 percent consider them irrelevant to business travel. However, 49 percent of French respondents and 37 percent of Scandinavian respondents consider surcharges irrelevant. Globally, 64 percent reimburse surcharges incurred by their travellers on a case-by-case basis.

Red light for green travel

The proportion of companies making financial offsets for travel-related CO₂ emissions has climbed only 1 percent to 20 percent over the past two years. Companies reflecting climate protection issues in their travel policies have climbed 1 percent since last year to 23 percent.

Businesses toughen up on travel policy

Eighty-two percent of companies have a policy for some or all aspects of their travel program, up from 76 percent last year. What is more, 45 percent expect to tighten their policy in future, while only 4 percent expect to relax it. More companies are also analyzing their business spend (82 percent, up from 78 percent), although there is almost no change in the number of companies using special tools for their expenditure analysis (42 percent).

Clear interest in benchmarking

Just over one in five (21 percent) considers benchmarking for business travel is already established, while 29 percent consider it a long-term trend and 28 percent think it is irrelevant.

Pleasure and pain points for travel managers

The vast majority of respondents (89 percent) say they enjoy managing travel, but 35 percent complain they have a lot of obligations but not many rights. What is more, 62 percent consider that balancing the need to reduce costs with the need to support travellers is becoming an increasing challenge.

Time management issues

Just over one-third (34 percent) of respondents say they lack enough time for their travel management tasks. This figure is down from 37 percent last year, but there is no evidence of respondents being allocated more hours in the working week to manage travel. Even among high spenders, 48 percent spend less than one quarter of their time on travel, while only 15 percent spend more than three quarters of their time on it.



01 Trip volumes and travel spending

Companies are not willing to give up their travel even in uncertain times

Summary

More than three times as many travel managers expect trip numbers to rise in the year ahead (35 percent) as fall (11 percent), while 53 percent anticipate no change. Expectations of more travel vary significantly by market, from booming Brazil (58 percent) to crisis-hit Spain (17 percent). Globally, even more respondents expect travel spending to rise (40 percent), implying fears of increased costs per trip. There has been a fall in negotiated deals with airlines but deals with other types of travel suppliers have risen. The discounts obtained in deals has fallen for all categories other than car rentals.

Carry on travelling

These are uncertain economic times but businesses do not intend to put a stop to their travel. Only 11 percent of the 1,701 companies from 20 countries interviewed for this year's AirPlus International Travel Management Study expect business trips to decline in number over the next 12 months. More than three times as many (35 percent) expect trip numbers to rise, although the biggest vote of all is for the status quo: 53 percent believe trip volumes will stay roughly the same.

Given the pessimism surrounding the long-running eurozone crisis in particular, these figures represent a considerable vote of confidence in the importance of travel for driving commercial prosperity. At the height of the recession, figures from this study revealed more companies expecting business trips to fall than grow. This year's figures suggest companies have come to appreciate they must invest in travel even when times are tough so they can capture new business from a more diverse range of markets.

As has been the case for the best part of the last decade, gross domestic product growth is currently much faster in emerging markets than the established

industrialized nations of North America and Western Europe. There seems little doubt that the need to tap into these newer economies also underpins confidence that travel will continue to grow in spite of present economic worries.

Boom time for emerging markets

The figures also show travel generally booming within emerging markets. Of all the countries participating in the study, Brazil is the most confident, with 58 percent forecasting trip numbers will increase. Given that domestic flight numbers in Brazil expanded by an astonishing 19 percent in the year to September 2011, according to the Financial Times, this is hardly surprising. Other southern hemisphere countries with significant expectations of increased growth include South Africa (45 percent) and Singapore (41 percent).

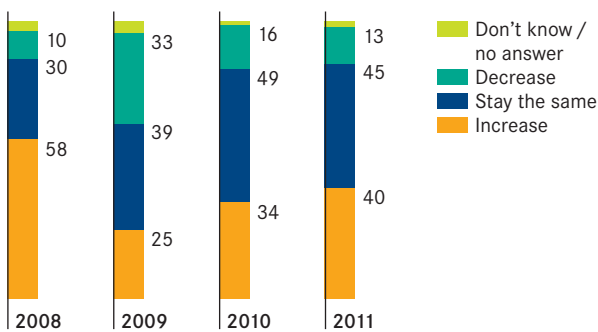
Compare those figures with Europe, for which an average 30 percent of travel managers expect trip growth. It seems natural that the European country where most respondents expect volumes to grow is Germany (40 percent), given that it is the region's largest exporting nation. Nor is it any surprise that the country with the lowest expectations of travel growth in the entire study is Spain. Grippled by a sovereign debt crisis and rampant unemployment, only 17 percent of respondents there predict more travel. However, even in Spain it is important not to over-emphasize the negative aspects of the story: 66 percent expect trip levels to remain constant and only 16 percent think they will fall.

Hey big spenders

When analyzed by travel spend, only 31 percent of low spenders expect a rise in business trips, compared with 37 percent of medium and 39 percent of high spenders. These figures hint that larger companies are obtaining budgets for travel more easily than smaller ones, which have in general found

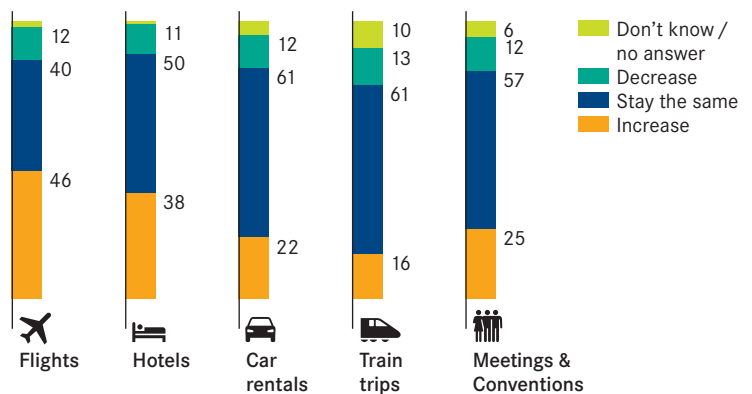
How will business travel spend in your company develop in the future?

Total: 100 %



Future business travel spending – overview

Total: 100 %



it tougher to obtain credit for business expansion over the past few years. However, once again it is important not to lose sight of the bigger picture: the proportion of businesses expecting fewer trips is identically small (11 percent) across all spend categories.

All travel categories are thriving

When broken down into specific travel categories, expectations of increased transactions are slightly up on last year. In particular, 38 percent believe they will use hotels more, compared with 32 percent last time. The growth for air is almost as great, with 42 percent predicting more flights, up from 38 percent. It means almost as many respondents forecast more flying as think numbers will stay the same (45 percent), although we are still some way from the pre-recession optimism of three years ago, when 56 percent of respondents expected their air trips to increase.

There are also greater expectations of an increase in the use of car rental (23 percent, up from 20 percent), whereas for train travel the figure remains unchanged for a second year at 15 percent. In Europe, the leading region for business train travel, expectations of rail growth are down from 20 percent to 19 percent, perhaps reflecting that travel is more sluggish generally in this region than in other parts of the world. Yet the general trend in this study holds true too: only 11 percent of Europeans expect rail trips to fall. A significant majority (64 percent) expect their train trips to stay constant.

The French rail connection

One country where enthusiasm for rail is particularly high is France, with 38 percent tipping their rail travel to increase. That is only 2 percent fewer than the number of French travel managers anticipating air growth, and a strong reflection of France having by far the most highly developed high-speed rail network in Europe. Also of note is that globally 25 percent of high spenders on travel expect more rail travel, compared with a far smaller figure of 15 percent of medium spenders and 11 percent of low spenders. One possible explanation is that larger businesses are more likely to provide reporting on their environmental performance, in which case their travel policies may encourage rail in preference to air where appropriate (see Section 2 for further evidence to support this hypothesis).

Travel spend also set to rise

When it comes to forecasts for travel spending, the same broad trend is evident as for number of trips. Asked to choose between whether they think their spending will go up, go down or stay the same, the biggest vote is for staying the same (45 percent). However, compared with trip numbers, the gap between those who expect costs to stay the same and those who anticipate an increase (40 percent) is much smaller – 5 percent. Only 13 percent think expenditure will fall.

More trips – and higher costs per trip?

What this means is that some travel managers expect their travel costs to increase even if their company does not travel more than in the previous year. Put another way, the figures imply an increase in cost per trip. This is no surprise as there are numerous upward pressures on travel pricing at present. One, as has already been discussed, is increased demand, while at the same time suppliers in some categories, such as air and car rental, have endeavoured to maintain tight controls on capacity. Another, especially in aviation, has been the introduction of and increase in several additional fees and surcharges. Examples include government aviation taxes, fuel surcharges and credit card surcharges.

Gap widens between trip and spending growth

The divergence between expectations of trip growth (35 percent) and spending growth is a significant trend. In the previous three years these two figures were almost identical. The implication is one of significant fear of price inflation. Countries with the biggest discrepancies between trip and spending growth expectations include the United States (38 percent and 48 percent respectively), United Kingdom (29 percent and 44 percent), South Africa (45 percent and 57 percent) and Australia (40 percent and 51 percent). This will be a major concern for Australia, for which almost every international trip is long-haul and therefore very expensive.

Fear of higher spending is more acute than last year, when 34 percent of respondents expected to spend more, and even more so than at the height of the recession, when only 25 percent expected to spend more. However, there is still some way to go before regaining the heights of three years ago, when 58 percent anticipated a hike in spend. A higher proportion of large spenders (44 percent) expect their

travel bills to rise than medium (42 percent) or small spenders (36 percent), which is unsurprising given they also have greater expectations of travelling more.

Fear of flying costs

Air is the travel spend category where the largest number of travel managers expect their spending to rise (46 percent). This is followed by hotels (38 percent) and meetings & conventions (25 percent). Once again, significantly more expect spending to rise in each category than think it will fall. However, air is the only category where more think spending will grow than remain stable. This may well be accounted for by the unique inflationary pressures of air-related extras such as government taxes and fuel surcharges.

In contrast, for example, exactly half of all travel managers expect hotel spend to remain stable, far more than those who tip it to rise. Only 11 percent think hotel costs will fall, down from 14 percent last year and 30 percent two years ago.

A tiny minority expect lower costs

There is much more consistency in the number of travel managers who think their spending will fall. The figure is in a range of 11–13 percent for all spend categories, suggesting there are no obvious parts of the travel program where companies can see a way to reduce costs. It is another sign of the fear that the year ahead could be an expensive one.

As was the case for trip volumes, there are significant market variations regarding expectations of air spend. Only 11 percent of Spanish respondents think air spend will rise, but for Brazilians the figure is 67 percent. The US figure is also noteworthy: 63 percent forecast an air spend increase even though only 42 percent of US travel managers expect their company to increase air trips.

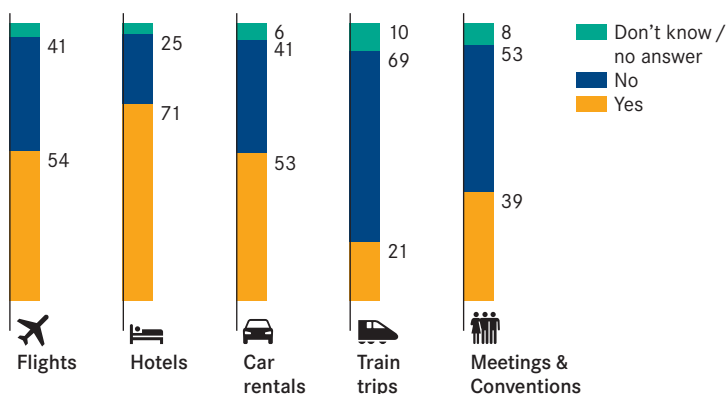


“Most travel managers have been facing an increase in travel spending in recent years. Therefore, they have extended their negotiations.”



Do you negotiate with any of the following suppliers?

Total: 100 %



Fewer negotiated air deals, more deals for everything else

At a time of rising travel costs, it is important for businesses to mitigate some of the expense by negotiating discounts with key suppliers. Most companies do have corporate deals, but while the number has gone up slightly this year for hotels, car rentals and meetings & conventions, it has fallen for flights. Last year, 59 percent of respondents were able to obtain corporate discounts on air; this year it is 54 percent.

The decline in air deals is particularly steep in the US, often the country which sets trends for travel management worldwide. Only 37 percent of US companies have special fares with airlines this year, way down from 54 percent last year. There has been much debate in the business travel press in recent months about whether corporate deals for flights in particular may become less common. Some airlines say they are becoming more reluctant to grant discounts because corporate clients are finding it increasingly difficult to keep travellers loyal to preferred suppliers. Airlines attribute this trend to the “consumerization” of business travel, where they perceive social media and mobile technology to be influencing corporate travellers to shop independently rather than following the company travel policy. According to this theory, consumerization leads travellers to purchase on a trip-by-trip basis, meaning they buy the best deal on

the day rather than go with the preferred supplier, even if the preferred supplier will provide a better price overall over the course of a year.

Low spenders feel the pinch

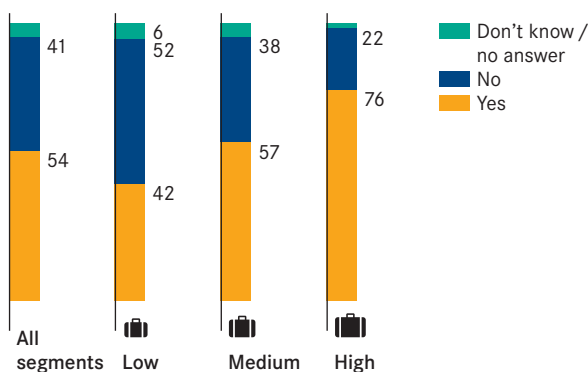
It is too early to say whether the figures in the study reveal a permanent downward trend, but what is clear is that the decline in preferred air deals is sharpest for low spenders, down from 49 percent last year to 42 percent this time. Large spenders are down from 79 percent to 76 percent and medium spenders from 61 percent to 57 percent, so it may simply be the case that airlines are choosing to concentrate their discounts on their best-performing high-spending customers.

Hotel deals for all

The travel category for which most buyers have negotiated discounts is hotels – 71 percent, up slightly from 69 percent last year. In notable contrast to air, the number of US companies with a hotel deal (70 percent) is almost identical to the global average. Another distinct contrast is that there is much less variation in the percentage of small, medium and large travel spenders that have a hotel deal: 70 percent for both small and medium spenders and 75 percent for large spenders. That is a spread of only 5 percent, whereas for air it is 34 percent. Small (and, indeed, medium) spenders are finding it much easier to negotiate preferred pricing with hotels than with airlines – and that trend is intensifying.

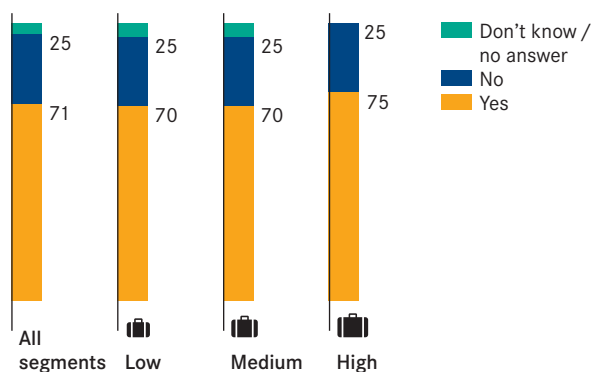
Do you negotiate with airlines to get special corporate rates?

Total: 100 %



Do you negotiate with hotels to get special corporate rates?

Total: 100 %



Car rentals is somewhere between air and hotels. Just over half of all companies (53 percent) have preferred rental rates, almost the same as last year (52 percent). However, the figure for large spenders is significantly higher at 66 percent, falling to 54 percent for medium spenders and 46 percent for low spenders. There is similar variation by size for meetings & conventions, for which 39 percent of companies overall have preferred rates.

Suppliers cut corporate discounts

Not only are airline deals diminishing in number, but their value is also waning. This year, the average corporate discount on an air fare is 15 percent, down from a consistent 18-19 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.

The average discounts achieved for hotels and car rentals are similar at 16 percent and 15 percent respectively. As is the case with air, hotel discounts are down from an average of 18 percent last year, while car rental discounts are unchanged at 15 percent. Meetings & conventions reductions are down from 16 percent two years ago and 14 percent last year to 13 percent this time. There seems little doubt the travel negotiating climate is becoming more challenging for the buyer.

Buyers believe they can save more

More encouragingly, however, buyers remain optimistic that they can reduce their travel costs. No fewer than 58 percent see opportunities for more savings on air spending, suggesting the airline deal is not dead yet. Generally, however, the optimism is greater in emerging travel management markets than the more established markets of North America and Western Europe, which suggests that the biggest potential to save money is through companies maturing their travel programs.

This is another question on which there is a marked contrast in attitudes according to size of spend, with 72 percent of large spenders expecting to improve air savings, compared with only 50 percent of small spenders. Since larger spenders are more able to achieve negotiated agreements if they can bring their travel management under control, that is perhaps understandable. However, optimism is more muted than in the previous three years, when 61-62 percent overall each year saw an opportunity to save.

Hotels are a similar story. This is the category where the largest number of buyers believe they can save (62 percent), but the figure is down from a consistent 65 percent for the two previous years. Meetings & conventions is also down from 48 percent to 44 percent but car rental is unchanged at 46 percent.



02 New challenges

Mobile technology will lead to a profound change in business travel management

Summary

Mobile is on its way, with 45 percent considering it a long-term trend for business travel and 23 percent believing it is already established. There is more doubt over social media: half consider it irrelevant to business travel, although 27 percent identify it as a long-term trend. Airline surcharging is not yet universal: while considered irrelevant by only 9 percent of US travel managers, that figure rises to 49 percent for French travel managers. Adoption of green travel policies and CO₂ offsetting appears to have stalled.

Travel managers split over importance of mobile

Mobile technology is an issue which divides travel managers, a new question in this year's survey reveals. Respondents were asked how they view the use of mobile booking tools that allow travellers to examine flight and hotel options and sometimes make changes. Almost one-quarter (23 percent) think mobile is already established, while another 45 percent view it as a long-term trend. However, a minority have negative views on the issue: 8 percent think mobile booking is only a short-term trend and 20 percent think mobile booking is not a relevant subject to business travel.

Overall, therefore, the message seems to be that most travel managers believe business travellers using mobile technology for revising trip arrangements is a reality, but that it is a trend which is on its way rather than here today. Equally clearly, some travel managers are simply not yet convinced that mobile is going to play a part in their travel programs. As mentioned in the last chapter, the US tends to be the country which sets business travel trends, and it is notable that more travel managers there believe mobile booking is already established (32 percent) than in any other region.

Travellers are already using mobile technology

Filtering out those who regard mobile as irrelevant, respondents were then asked whether travellers in their company are already using mobile technologies. The answer was strongly positive, with 69 percent saying yes, and another 5 percent saying they expect this to happen over the next 12 months. China is significantly behind other countries, on 42 percent, and Germany is also particularly low on 53 percent. The answers are particularly high in Anglophone markets: US (87 percent), Australia (82 percent), South Africa (78 percent) and UK (76 percent). Could it be that many travel-related mobile apps were originally created in English and have not yet been translated into other languages?

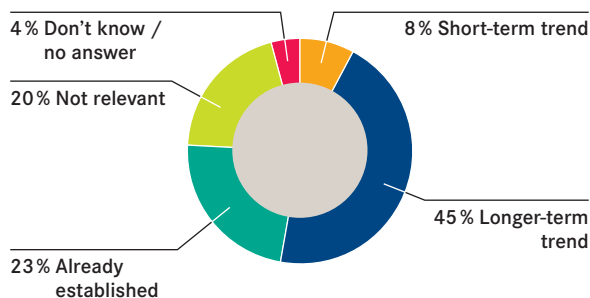
Also of note is that there is little difference in uptake of mobile technology in relation to the size of the travel program: 71 percent of high and medium spenders say their travellers use mobile technologies, while low spenders are not far behind on 66 percent. The mobile revolution may not be led by the biggest corporations.

Question marks over relevance of social media

There is considerably more skepticism about the role that social media might play in business travel. Travel managers were asked to consider whether forums, blogs or general networks (such as Facebook, Twitter or LinkedIn) might become relevant. The responses show exactly half consider social media irrelevant to business travel, while another 7 percent believe it is only a short-term trend. However, once again, there are significant splits on this issue, with 27 percent identifying social media as a long-term trend for business travel, while 12 percent consider it to be already established today.

Expectations for the trend of mobile technology in the business travel sector

Total: 100 %



One noteworthy point is that if the US is an indicator of how trends will develop in future, then social media may not have as certain a future in business travel as mobile. Fifty percent of US travel managers consider social media irrelevant, exactly the same as the global average.

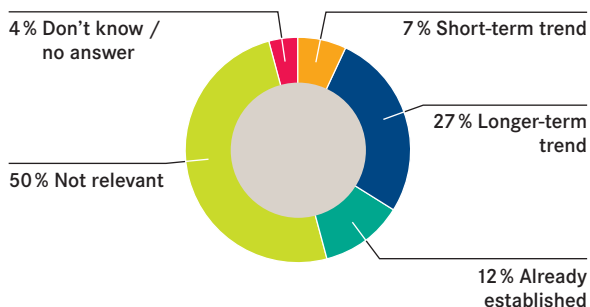
When asked whether they and their business travellers use social media tools, there are stronger signs that this area of technology will gain more ground: 40 percent said yes and another 4 percent said this will happen in the next 12 months (high-spending travel managers were a little more reticent, at 35 percent). However, the question was not specifically about whether such tools are used specifically for business travel purposes, so even if there is strong general usage of social media, it may not necessarily translate across to travel.

US travel managers most aware of surcharges

Another new question this year is about how travel managers view the issue of surcharges in the business travel sector, such as additional fees for luggage or seat reservations. Answers varied sharply by market. In the US, where surcharges are most commonplace, 59 percent regard surcharges as already established and another 26 percent believe it is a long-term trend, while only 9 percent consider it an irrelevant subject.

Relevance of social media for the business travel sector

Total: 100 %



Other parts of the world see the issue quite differently, providing a strong reminder that airline surcharges are not universal. In Scandinavia, for example, 37 percent regard the surcharge issue as irrelevant and only 25 percent believe it is already here, while 49 percent of French travel managers consider it irrelevant and only 19 percent in Singapore and Australia.

Asked whether their companies take surcharges into account, 39 percent of all respondents say they recognise surcharges internally, 33 percent recognise them through their travel agent and 21 percent do not take them into account.

Attitudes vary on reimbursing travellers

Another surcharging issue on which there are dramatically varying responses is whether companies will allow travellers to reclaim surcharged items. Globally, 64 percent decide on a case by case basis, especially in the UK (86 percent), US (77 percent) and Netherlands (75 percent). A further 24 percent allow no increase in travel budget, implying travellers are not reimbursed. This tough line varies from 52 percent in France and 51 percent in Italy down to 7 percent in South Africa and 10 percent in the UK.

Carbon offsetting fails to make major breakthrough

This year's study provides more evidence that only a minority of companies will link the environment to



Surcharges are becoming more and more of an issue. More than two thirds of travel managers already take them into account today.

their business travel activities for the foreseeable future. Asked whether they make any financial contributions to offset their travel-related CO₂ emissions, only 20 percent said yes, up from 18 percent last year, 19 percent two years ago and 15 percent three years ago. A further 5 percent said they intend to start contributing in the next 12 months, almost unchanged from 4 percent last year and the year before.

Big spenders lead the green way

Financial carbon offset contributions are more common among high travel spenders (28 percent) than medium (20 percent) or low (17 percent) spenders. This may simply reflect the fact that higher travel spenders are responsible for larger travel emissions and therefore need to take more mitigating action. However, what is more likely is that most high spenders are large corporations with more substantial funds available for sustainability work. Even more crucially, they are more likely to be required to report on their CO₂ emissions and therefore have greater need to be seen to take corrective action.

Minimal progress in CO₂-friendly travel policies

However, businesses can take steps to manage the environmental consequences of their travel even if they do not offset financially. Some campaigners believe offsetting does not properly tackle the problem of global warming, which can only be solved by causing

fewer emissions in the first place. Therefore, the study asks another important question, which is whether companies are reflecting climate protection issues in their travel policies? The answers provide more disappointing news for environmentalists, with only 23 percent saying yes, up fractionally from last year's figure of 22 percent. Those intending to create a link to policy within the next 12 months have fallen from 16 percent last year to 14 percent this time. The countries with the lowest linkage of environment to policy are Spain (8 percent,) perhaps owing to distraction by its severe economic problems, and the US (9 percent), the world's biggest air travel market.

As with the previous question on offsetting, in fact even more so, higher spenders are much more engaged. Exactly half are already linking travel policy to the environment, or intend to do so in the next 12 months, compared with 37 percent of medium spenders and 31 percent of low spenders.

03 Travel policy

Tougher regulations, stricter controls

Summary

Adoption of travel policy has grown from 76 percent last year to 82 percent this time. Nearly all companies with policies say they monitor compliance (89 percent). Almost half expect their policies to get tougher (45 percent), while only 4 percent anticipate relaxing them.

More companies adopt a travel policy

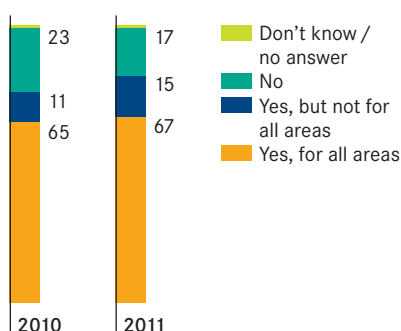
Companies around the world are taking a harder line on travel policy. This year, 67 percent of respondents have a policy for their entire travel program and another 15 percent have a policy for some aspects of their travel. These two responses combined amount to 82 percent, up from 76 percent last year. Unsurprisingly, more high spenders (91 percent) have some or all their travel program covered by a policy than do medium (86 percent) or low (72 percent) spenders, but from another point of view it is surprising that some high spenders still do not have a policy, widely regarded as the starting point for any soundly managed travel program.

Travel managers wave the stick

A travel policy is of little value unless it is followed up with effective policing – monitoring and enforcement. The figures suggest there is effective policing, with 89 percent of companies (unchanged from last year) that have a policy saying they check compliance. This figure varies little according to volume of expenditure. Some countries are close to 100 percent, including the US (98 percent) and Germany (97 percent). The main exception is China, still a very young market as far as travel management is concerned, where only 60 percent of companies with a policy check compliance.

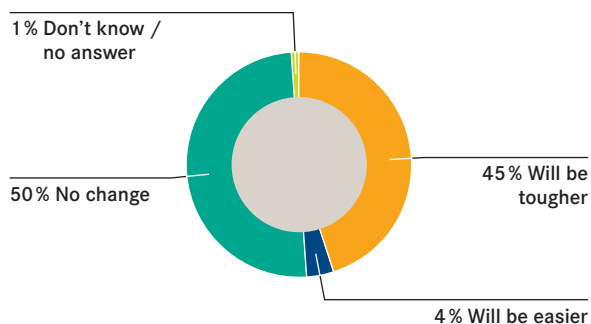
Existence of specific travel policy / guidelines

Total: 100 %



Future development of company's travel policy

Total: 100 %





The tough get tougher

With economic uncertainties continuing to overshadow many businesses, it is little surprise that travel managers have no intention of relaxing their policies, and indeed many expect to toughen them. Only 4 percent say they will make policy easier, while 45 percent believe it will become tougher and 55 percent foresee no change. Expectations of harsher policy are greater among high spenders (51 percent) than low spenders (39 percent).

The findings are interesting in light of substantial travel management press and conference discussion in recent months on the impact of social media and mobile technology. Some experts argue social media and mobile technology are making business travellers increasingly autonomous in their behaviour, making it increasingly difficult for travel managers to achieve strong compliance for rigidly enforced travel policies. As a result, according to this line of thinking, travel managers will be forced to relax their policies and make them more flexible for the needs of younger “consumerized” travellers in particular.

The answers to questions on policy in this study provide no evidence to back this hypothesis. Exactly the same number expected to get tougher on policy last year. However, as the last section showed, opinion at this early stage of evolution is sharply divided on the likely influence of social media and mobile technology. It will be revealing to see what changes there are in the answers to all these questions in next year’s study.



04 Travel management solutions and processes

Reducing travel expenses is the top priority

Summary

Cost control remains by far the most important priority for travel managers. The number of travel managers who analyze their expenses has climbed to 82 percent but there is almost no change in how many use special analysis tools (42 percent). There are clear signs of travel manager interest in benchmarking, but there has been a curious fall in the proportion of large spenders that centralize their travel program (down from 76 percent to 64 percent). Interest in shifting from electronic to paper invoicing for travel has fallen slightly this year.

Companies retain laser focus on costs

It comes as no surprise that travel managers in every country participating in the study continue to consider reducing costs as their number one priority.

Respondents were asked to rank five different priorities, with a score of 1 allocated to the most important and 5 to the least important. Reducing travel costs emerges with an overall score of 1.7, far ahead of the next priority, which is supporting travellers as well as possible (2.9). Behind these two come optimization of internal processes (3.2),

introduction of travel policy guidelines (3.5) and reporting on costs for management (also 3.5). All these scores are virtually identical to last year.

More businesses analyzing their expenses

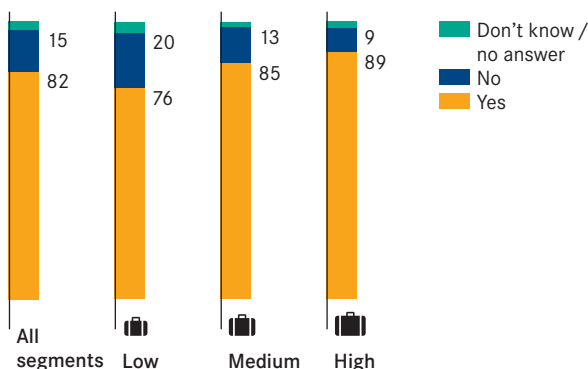
This year, 82 percent of travel managers say they carry out analysis of their travel spend, up from 78 percent last time. Entirely logically, high spenders (89 percent) are more likely to conduct such analysis than medium (85 percent) or small spenders. Instead, as with policy, what seems more extraordinary is that one high travel spender in ten does not scrutinize its travel costs.

Adoption of analysis tools stalls

One explanation for an absence of analysis may be that some businesses lack tools to do the job effectively. Of those companies which say they analyze travel costs, only 42 percent use special tools for the task. This figure has barely shifted over the past two years (41 percent on both occasions), suggesting some travel managers are still unaware of the value of data they receive from sources such as card providers and travel management companies, or have not yet been convinced by them.

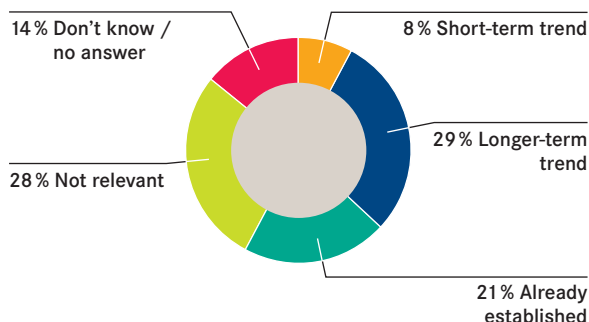
Analysis of business travel spend

Total: 100 %



Expectations for the trend of benchmarking

Total: 100 %



Travel managers warm to benchmarking ...

A new question this year asked travel managers how they regard benchmarking in its application to business travel. The answers reveal that a substantial number of travel managers are interested in this subject: 21 percent believe benchmarking is already established, while another 29 percent view it as a long-term trend.

Benchmarking is perceived as a trend especially by high-spending companies – 61 percent, compared with 41 percent of small spenders. Likely reasons for this disparity include: larger corporations having better opportunities to benchmark (both externally and internally); greater potential for larger corporations to use benchmarking for negotiations; and the more likely existence of a purchasing department, for which benchmarking would be a routine process across multiple buying categories.

... and higher spenders are the biggest users

Travel managers were also asked whether they use benchmark tools in their business today. Filtering out those respondents who considered benchmarking irrelevant and the don't knows, 42 percent said they do benchmark and another 6 percent said they intend to start doing so in the next 12 months. It should be noted the question did not specifically ask travel managers if their company benchmarks for travel, but the fact that almost half of companies have

benchmarking within their business suggests potential for further application to travel. Predictably, significantly more high spenders (59 percent) use benchmarking tools than do either medium (43 percent) or low (33 percent) spenders.

A halt to program centralization?

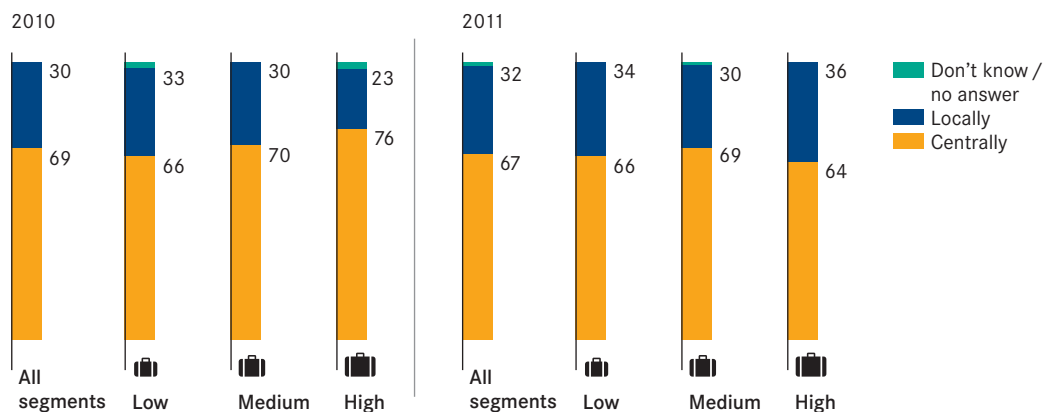
Another perennial debate in travel management is the extent to which companies should centralize or devolve control of their travel programs. In recent years, the trend has been towards centralizing organization of travel management, which is generally regarded as the most effective way to ensure policy compliance and push up use of preferred suppliers.

This year's figures suggest that trend has, for the time being at least, stalled. Three years ago, 62 percent of companies centralized their travel programs, rising to 69 percent by last year, but this year the figure has reduced slightly to 67 percent. Even more startlingly, centralization for small and medium spenders is virtually unchanged at 66 percent and 69 percent respectively. The big change has been among large spenders, plunging from 76 percent last time to 64 percent this year.

It may indicate some large companies feel their travel program is simply too big to manage in a uniform manner around the world, and are trying to make themselves more sensitive to travellers' needs by

How is travel management organized in your company?

Total: 100 %



re-localizing some of their arrangements. One example might be allowing each country in a region to choose between the services of two different approved travel management companies instead of insisting all countries must use the same TMC. The same is even more likely for online booking tools.

Paper – no sign of the final cut

Process automation is generally cited as a best practice for travel management, and one way to achieve that strategy is to take the invoicing process paperless. However, it is clear from the study that while travel managers in some countries share a strong ambition to move towards electronic invoicing, those in other countries do not. As a global average, 51 percent would prefer to receive their bills in an electronic PDF format in future, and another 8 percent would like to receive them as electronic files in other formats. But paper is not finished yet: 24 percent want their invoices in both electronic and paper formats, and 15 percent want paper only, meaning that almost two travel managers out of five wish to continue to receive at least some paper.

Scandinavia leads the way

There are enormous variations across markets, even within Europe. While 59 percent of Germans want either paper or both paper and electronic, the figure for Scandinavia is only 15 percent. The contrast is a testament to the power of government policy. Nordic

countries have been pushing towards e-invoicing for a decade thanks to co-operation between the region's national governments and banks, which agreed to merge their e-payment capabilities. In 2008, the Swedish, Finnish and Danish governments announced they would cease to accept paper invoices for their procurement activities. As a result of these initiatives, e-invoicing adoption rates are among the highest in the world.

Anyone hoping to see the same transition to automation elsewhere in the world will be disappointed by the global figures revealed in this year's study. Two years ago, the number of travel managers wanting paper invoices was 18 percent. That figure fell to 13 percent last year, before rising to 15 percent this time. Similarly, those wanting both paper and electronic invoices fell from 26 percent two years ago to 22 percent last year before rising to 24 percent this time. In spite of initiatives launched by organizations such as the European Commission, these figures suggest the automation project has reached an impasse. It seems most likely this is because some countries, such as Germany or China (where 49 percent of travel managers want paper only) continue to run systems for personal taxation of business expenses that are heavily paper-based.



05 Status of travel managers and travel management

Hard job to find the right balance

Summary

There has been little change in travel manager attitudes on whether they enjoy their work, have enough time for their travel tasks or have more rights than obligations. Nearly two-thirds (62 percent) are finding it increasingly difficult to balance cost control with supporting travellers.

No change in travel management evolution

Travel managers were asked to rate how travel management is positioned within their company, with 0 being no systematic travel management and 10 optimal travel management. Globally, the average score they awarded was 7.2, almost exactly the same as last year (7.3). There was little variation according to expenditure volume, ranging from 7.1 for low spenders to 7.4 for high spenders.

Travel managers enjoy their work

Not surprisingly, countries where travel managers give a lower evolution score also tend to be those where fewer respondents say they enjoy their travel management tasks. Globally, 89 percent enjoy travel management, but for Germany the figure is only

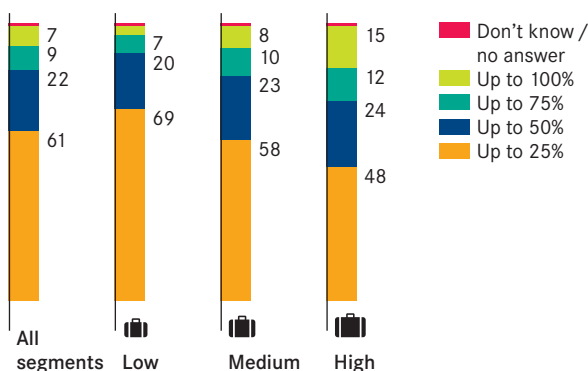
78 percent. German travel managers only rate the state of travel management in their companies at 6.7. Similarly, China is the country where by far the smallest number of respondents enjoy travel management (53 percent), and it too gives a rating of 6.7. The less systematically organized travel is within a company, it would seem, the less people enjoy managing this category. However, the number of respondents overall who enjoy travel management has not dropped since last year.

Time for a change?

One reason people may not enjoy managing travel is if they are not given enough time for the task. This problem continues to challenge a significant minority of respondents (34 percent), although the good news is this figure has fallen from 37 percent last year and the year before. Slightly more travel managers are struggling to find sufficient time at higher spending companies (38 percent) than at low (34 percent) or medium (33 percent), suggesting they have to deal with more trips but are not given commensurately more resources.

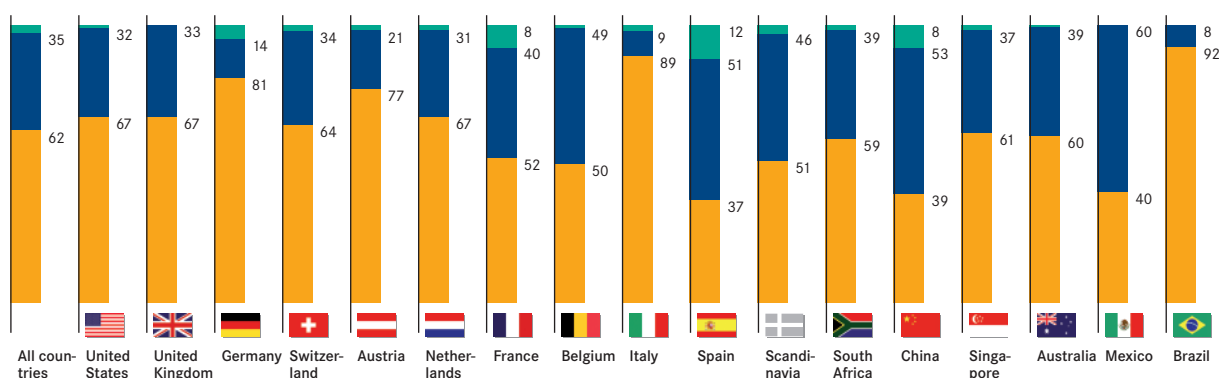
Working time for travel management

Total: 100 %



The balancing act between optimal support for those travelling and strict cost management is becoming more and more of a challenge

Total: 100 %



■ Don't know / no answer
■ No
■ Yes

Although there has been a small fall in travel managers' perception that they lack enough time for their work, there is no evidence that they are actually spending more time on this task. Only 7 percent of respondents spend more than three quarters of their working week managing travel, while another 9 percent spend between half and three quarters of their time. The majority (61 percent) spend less than one quarter of their week managing travel. These figures have changed very little since 2008.

Inevitably, companies which spend more money on travel also spend more time managing it. While 69 percent of small-spending respondents dedicate less than one quarter of their time to travel management and only 3 percent dedicate more than three quarters of their time, the respective figures for high spenders are 48 percent and 15 percent. Yet the latter figure still seems astonishingly small for companies spending at least €1 million per year on travel and in most cases considerably more. How much larger would their savings be if they dedicated more time to managing travel?

Struggling for balanced management

A similar number of travel managers (35 percent) complain they have a lot of obligations but not many rights to those who say they lack sufficient time. As with all the answers in this section, this figure is virtually unchanged from last year, suggesting the status of travel managers and travel management is not improving but is not getting any worse either.

A much more common grievance among travel managers is that balancing the need to reduce costs with the need to support travellers is becoming more of a challenge – a statement supported by 62 percent of respondents. The figures in Section 3 where travel managers were asked to rank their priorities showed that controlling costs takes firm precedence over traveller welfare. Perhaps this is unsurprising, since travel manager performance is most typically assessed on savings achievements, but travel managers nearly always have responsibility for keeping travellers happy too. It can be a difficult tightrope to walk, especially at times when companies decide to downgrade the class of travel.





Conclusion

The results of this year's AirPlus International Travel Management Study suggest a difficult period ahead for travel managers. As is the case every year, the travel managers who participate in this study rank cost containment as their number one priority, far ahead of any of their other responsibilities. The problem is that other findings in the study suggest considerable upward pressures on the cost of travel, but little in the way of new tools or options to bring these spiralling expenses under control.

The simplest reason costs are likely to rise for more than one third of respondents is that, in spite of the uncertain economic climate, especially in Western Europe, they forecast more travel for the 12 months ahead (35 percent). Only 11 percent think trip numbers will fall. While that leaves the majority of businesses anticipating no change in trip volumes, an even greater proportion (40 percent) see travel costs rising.

If some travel managers anticipate trip numbers will stay the same but costs will rise, that can only mean they are worried about cost per trip going up as well as number of trips. Put the two together and it could be an expensive year, because in previous studies expectations of trip and expenditure increases have always been nearly identical.

This news will not surprise experienced travel managers, who have seen numerous factors push up prices recently. These include growing demand but relatively stable or even – in the case of some air markets – diminishing supply and accelerating costs for suppliers, not least for aviation fuel. There is also an increasing shift towards long-haul flying as companies globalize their businesses, and that too leads to higher costs per trip, both for flights and hotels.

However, the study directly reveals two other inflationary factors particularly affecting air costs, which 46 percent of travel managers expect to rise. One is signs of a problem with negotiated deals, down from 59 percent to 54 percent, and even more in the trend-setting US from 54 percent to 37 percent. Not only are air deals declining, but so too is the level of discount for those companies able to secure negotiated agreements – down from an average 18 percent to 15 percent.

Meanwhile, in some markets, airline surcharges are also biting hard – 85 percent regard surcharges as already established or a long-term trend in the US, for example, although it is important to note travel managers in other markets, including Scandinavia, Singapore and Australia, are far less concerned about surcharges.

With upward pressures on cost all around them, it is increasingly critical for travel managers to use every opportunity at their disposal to apply some downward pressure as well. There were some strong signs from the International Travel Management Study in the previous two years of the economic downturn empowering travel managers to get tougher and make changes to their programs that would really bring costs under control. This time around, some of those initiatives may be running out of steam.

By far the brightest spot – and it is an extremely important one – is that travel policy adoption is on the increase. This year, 82 percent of respondents have a policy for some or all aspects of their travel program, up from 76 percent last time. There has also been an increase in the number of companies analyzing their spending – up from 78 percent to 82 percent.

Yet other signs are less encouraging. There has been no improvement in the number of companies using special tools to analyze their travel spend. Furthermore, there has been a small fall in the number of companies looking to move to electronic invoicing.

There has not been any progress in the status of travel managers or travel management either, with respondents scoring the perceived evolution of managed travel within their companies at 7.2, slightly down from 7.3 last year. Perhaps more importantly, travel managers are still not being given more time to manage travel. Even among companies designated high spenders on travel, only 15 percent of respondents spend more than three quarters of their working week on travel management.

Away from the area of cost control, there is a sense of inertia regarding environmental issues, with the number of companies reflecting climate policy climbing only fractionally from 22 percent to 23 percent. Travel managers also seem undecided on how new technology will affect business travel. While mobile technology is accepted as a relevant factor now or as a long-term trend, half feel social media are irrelevant. Perhaps if respondents had more time to manage travel, and consider the implications more deeply, they might change their minds on this topic. Certainly, if they had more time, they would have a better chance of tackling the key question of cost reduction which is going to be a crucial issue if businesses are to maintain or even increase their travel during a period of severe economic pressure.



AirPlus International

Hans-Böckler-Straße 7
63263 Neu-Isenburg
Germany

P +49 (0)61 02 20 44 44

F +49 (0)61 02 20 43 49

btm@airplus.com

www.airplus.com