



2012 Business Travel Forecast



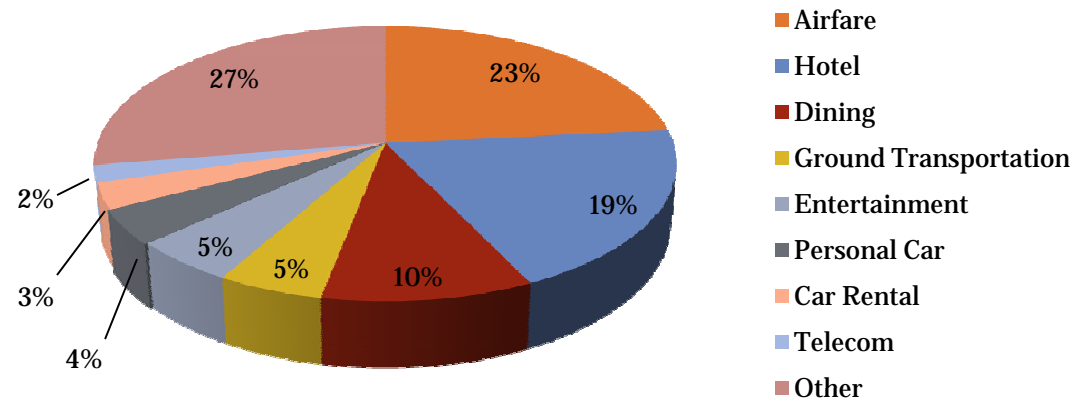
*Predicting the Future by
Understanding the Present
& Analyzing the Past*



Although travel suppliers will continue to increase domestic rates slightly in 2012 overall growth will remain flat. This trend is attributable to uncertainties in the business environment due to a variety of financial factors and lower consumer confidence.

Although recent trends show modest growth in some business sectors, companies are being cautious in expanding their operations domestically. International travel should grow between 5% and 7% as organizations continue to increase their presence in the global marketplace.

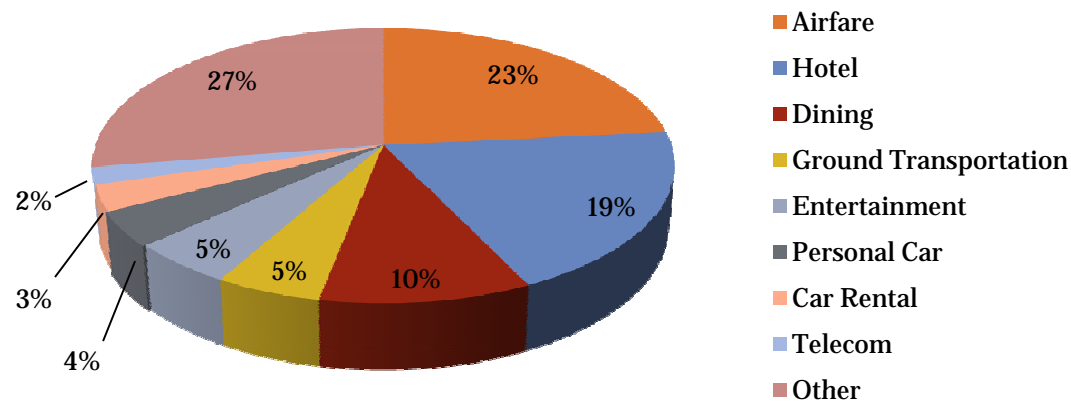
Worldwide T&E Breakdown





Companies will need to expand their focus on more areas of their overall travel spend to further drive costs out of their travel programs. A well-crafted and enforced travel policy, vendor negotiations, reporting and appropriate/advanced technologies are key components to reducing overall travel expense.

Worldwide T&E Breakdown



2012 Forecast - Airlines



2012 will see modest average ticket price increases domestically with slightly larger increases internationally. On-Time rates show a slight improvement since December of 2010, but most major carriers are only on schedule two thirds of the time. Airlines will continue to cut capacity and “right size” their fleets to increase revenues.

Ancillary fees continue to provide airlines with substantial revenues. Companies should consider incorporating ancillary fee reimbursement standards in their travel policies to reduce costs and provide direction for travelers.

Business Travel Airfare	
Domestic Coach	+3%
Domestic Business Class	+4%
International Coach	+6%
International Business Class	+6%

Airline	On-Time %
Alaska	88%
AirTran	82%
Delta	80%
US Airways	78%
American	77%
Continental	77%
Southwest	69%

Source: FlightStats



What to Do to Mitigate Expenses

- Implement pre-trip approval and pre-trip reporting protocols
- Bias GDS and online tool displays to increase preferred vendor adoption
- Tighten travel policy controls regarding ancillary fee reimbursement, out of policy purchases, first / business purchases, lost savings and advanced purchase practices
- Manage revenue versus lift numbers to improve fare and lift balances
- Actively track unused tickets
- Improve demand management practices
- Review current and potential airline programs





Lowest Logical Air | LLA

There has been an increased awareness of the need to define Lowest Logical Air. LLA can include several factors depending on the company.

Parameters may require travelers to:

- Expand the time window for flight searches
- Include anticipated ancillary fees to airfare before booking
- Take connections
- Consider alternate airports
- Use non-refundable tickets
- Book "X" days in advance
- Book preferred carriers





North American car rental rates are expected to remain flat as a result of a highly competitive marketplace and excess capacity.

Current Average Base Rate: \$52.32

Current Peer Base Rate: \$44.75

2012 Base Rates: (-1)% – 0%

2012 Rate Per Day: 2% – 3%

(Includes taxes and fees)

Car rental companies will continue to expand their hybrid and fuel efficient fleets in 2012. Enterprise's *We Car*, Hertz *On-Demand*, *Zip Car* and *Flexcar* are expanding the rental options of many travelers by allowing car rental by the hour in some major cities.

The next innovation (already available at Avis) is in-car Wi-Fi. This service should expand to other rental car companies in the near future.





Car Rental 2012 – Negotiating & Travel Policy Strategies

- Only rent full size vehicles when three or more employees / guests are using the vehicle.
- Strengthen travel policies for ancillary fees including GPS rental, EZ Pass usage, fuel policies, and insurance.
- Put your car rental out to bid.
- Strive to reduce costs by eliminating or reducing city surcharges, one-day rentals, one-way rentals, insurance terms, length of agreement, and weekly rates.
- Renegotiate to achieve front-end incentives and soft dollar benefits. Back-end incentives are generally difficult targets to reach and provide minimal revenue opportunities.



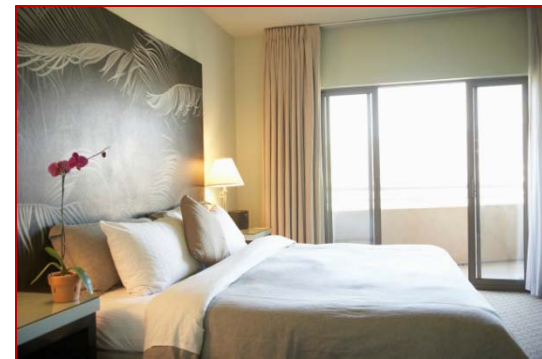
Unlike 2010 and early 2011, hotel room supply during 2012 is expected to end the year virtually flat with a 0.7 percent increase in available rooms. Demand is projected to rise 2.2 percent.

This tightening of room availability and moderate increases in demand will allow hoteliers (depending on location) to regain the pricing leverage they enjoyed prior to 2008.

2012 Average Rate Increases

Mid-Range Hotels: **3% - 7.1%**

Upper-Range Hotels: **4.2% – 6.5%**





Hotels 2012 – Areas of Opportunity

- Mandate the use of preferred hotels and booking channels
- Negotiate hotel programs in the summer months
- Negotiate one primary & one secondary hotel per primary city location where the company has at least 100 room nights annually
- Combine transient and meeting room nights for greater leverage
- Pre-negotiate new locations and renegotiate with existing hotel partners that have new hotels entering their marketplace
- Ask that most add-on costs be included in the rate
- Look at dynamic pricing opportunities in addition to fixed rates



Mobile Devices



75% of business travelers use smart phones

63% of business travelers say that mobile technology helps them to achieve managed travel goals



World Travel & Tourism Council report:

“...a strong connection between spending on business travel and corporate performance...”

“...a positive influence on international trade...”

- Researchers also found that reducing business travel “poses significant business risks” including losing customers to the competition.
- The study calculated an average **10:1** ratio of sales to business travel investment.



Business Travel Justification



World Travel & Tourism Council report:

North America produced an average estimated ROI of 11.5, behind Central/South America (13.3) and European countries outside of the European Union (12.8). With an ROI of 6.9, the European Union had the lowest estimated ROI.

North America and Asia/Pacific had the highest "business travel intensity," as such spending accounted for 1.7 percent of gross domestic product, followed by the European Union and Africa (each 1.5 percent). Central/South America had the lowest business travel intensity at 0.9 percent of GDP.

Researchers also noted "a stronger response to business travel in emerging markets that are receptive to growth in key productivity sectors," and said their analysis "reveals a clear link between international business travel growth and growth in world trade. Countries with a larger outbound business travel market tend to enjoy higher exports, while faster growth in business travel is also linked to more rapid trade growth."

*The survey included responses from 500 business travelers and executives, 100 from each of Brazil, China, Germany, the United Kingdom and the United States.





2012 Business Travel Forecast



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presented in conjunction with
Forte Business Travel Solutions.

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