

Trends in Business Travel Strategy & Technology

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Forecast business travel growth / Emerging trends /
Key players in the market / The dynamics impacting the busi-
ness models of service and software providers / How mobile
devices and digital booking services are changing the game
for business travel companies.

Trends in Business Travel Strategy & Technology

Business Travel is a rapidly evolving segment of the travel industry challenged with an expanding global market and increasing demand for advanced digital services.

As this growth continues, what are the trends that you should be aware of and what should you be incorporating into your investment plans?

The number of corporate travelers, the shift in generations and their impact on the travel industry has been a truly disruptive force. This has pushed travel companies to modernize their practices and tailor their products and services to a new breed of traveler.

Technology is becoming increasingly important in changing the game for business travel: mobile strategy is no longer just 'nice to have,' it's a 'must have.' Mature key players must leverage technologies like Artificial Intelligence (AI)/Machine Learning (ML) to avoid being displaced by emerging disruptive startups.

In Business Travel Strategy & Technology, we look at how the market is evolving, divide it into sub-segments to analyze, identify key players, and distinguish market and technology trends. Companies that understand the critical role technology plays in transforming today's business travel landscape will be better-suited to survive and capitalize on opportunities.



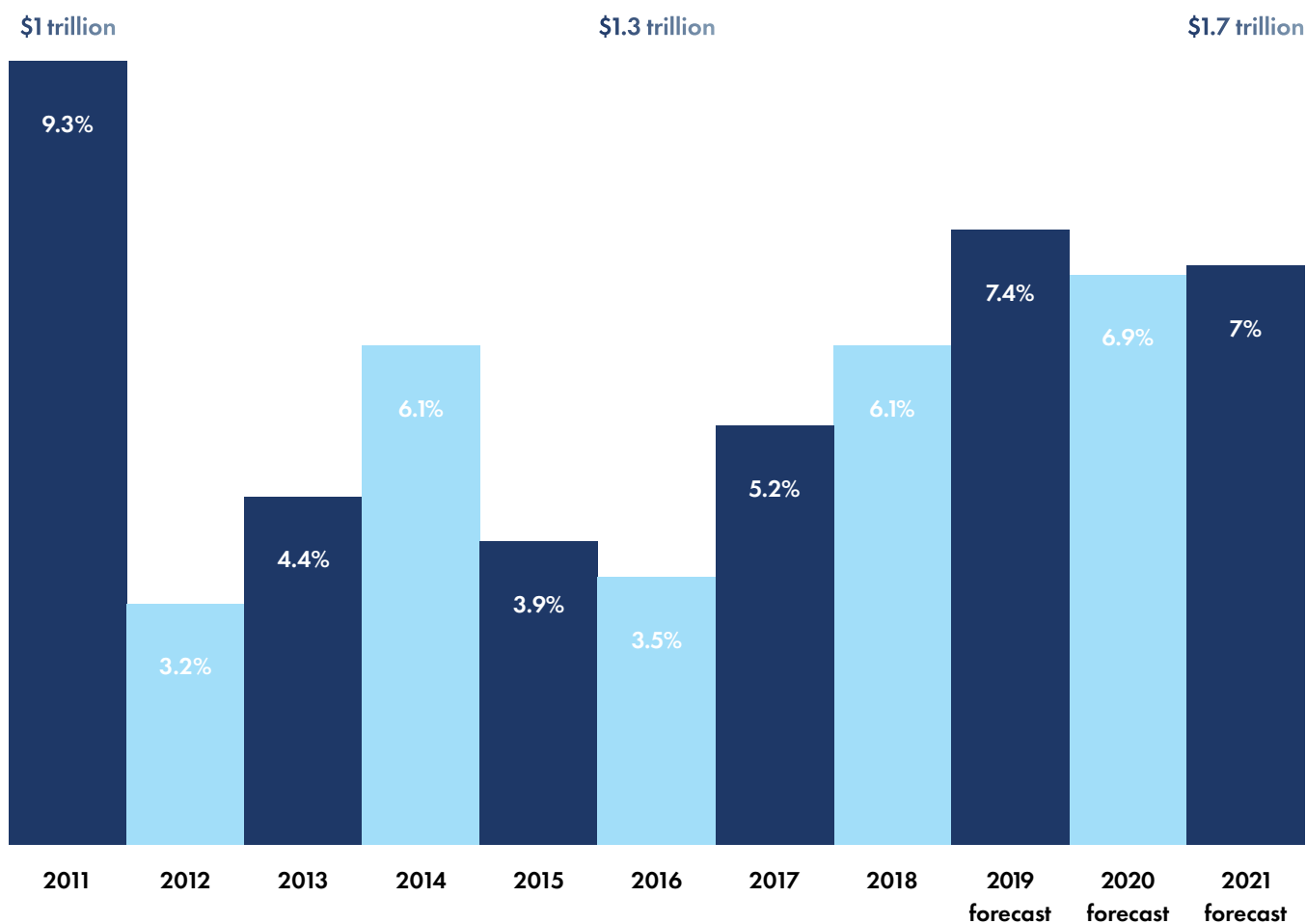
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Business Travel

Market Overview

The business travel market is one of the most profitable segments in the travel ecosystem. Corporate or managed travel is the industry's largest segment in terms of expenditure. Travel management has matured as corporate travel managers drive cost savings through negotiation, policy compliance and automation.

According to the GBTA BTI™ Outlook, global business travel spending approached \$1.3 trillion USD in 2016, rising by 3.5 percent over the 2015 level, and is expected to gain steam globally through 2018. The Outlook projects 6.1 percent growth in 2018 and about 7 percent in each of the following two years to reach \$1.6 trillion in 2020. The industry will continue to evolve rapidly as generational and technological change continue apace.



Growth in business travel spending

[Source](#)

Country	Total BTS (\$ Millions USD)	Annual Growth in BTS
China	317.9	9.2%
United States	283.6	-0.2%
Germany	68.2	7.4%
Japan	64.8	4.4%
United Kingdom	50.4	6.9%
France	38.6	4.1%
South Korea	33.3	2.4%
India	33.0	11.4%
Italy	32.6	3.4%
Brazil	27.2	-10.8%
Canada	23.5	1.7%
Australia	22.0	1.1%
Spain	20.7	7.2%
Netherlands	18.3	1.2%
Russia	16.1	-6.6%
Global Total	\$1,261.2	3.5%

Total Business Travel Spending:
Top 15 Markets (2016)

[Source](#)

Travel Management Companies

Travel Management Companies (TMCs) provide a wide range of services for corporate clients, including: managing travel policy, booking, negotiating contracts with vendors and helping organizations monitor and control business travel expenditure. TMCs use Global Distribution Systems (GDS) to book flights, hotels and car rentals. This makes it possible for travel consultants to obtain lower fares by optimizing itineraries and costs.

Top-5 TMCs

				
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TMC Market Trends

Revenue Model

Leading TMCs have abandoned transaction-based pricing in favor of contracting for services, including consulting services, that generate revenue from their expertise in data management and visibility. Additionally, TMCs are looking beyond travel only by integrating expense management

and adding reporting solutions to create additional value for their clients.

Consolidation

The rapid growth of the business travel industry, accompanied technological innovation and dynamic traveler requirements, push the TMC

segment toward consolidation via merger and acquisitions in order to keep up with exponentially rising market demands.

Advanced Mobile

According to [TMC Trends research by MTT](#), 78% of TMCs surveyed recognize the strategic importance of having an advanced mobile strategy to deliver a sophisticated digital experience for mobile-first business travelers. Millennials are leading the shift to mobile — according to [Phocuswright](#), 79% of millennial business travelers have used their smartphones to search for airline tickets, 56% for hotels and in-destination activities, and 51% for car rentals. Bookings, however, still lags significantly behind search — the rate remains below the 50% mark.

Major trends in mobility include:

Seamless Engagement

TMCs must engage the traveler by using the customer's preferred channel (and provide an ability to switch during planning and travel) and throughout the journey via:

- mobile booking and check-in;
- itinerary management;
- real-time modification;
- real-time in-trip messaging;
- destination information;
- open booking functionality;
- live agent chat;
- proactive action for disruptions.

Enhanced Travel Profiles and History

As TMCs expand traveler profiles with more data and use the traveler's trip history to help predict their future desires, service can be improved, and the needs of the traveler can be better served. TMCs are also using company data for all travelers to help predict preferences and provide better service.

Chatbots, Artificial Intelligence (AI) and Machine Learning (ML)

According to [TMC Trends research by MTT](#), 43% of TMCs plan to invest in chat technologies while AI and ML are being considered for their potential to enhance customer service while reducing operating costs.

Focus on Small Medium Enterprises (SMEs)

Increased demand for TMC services from small enterprises is driving the development of SME-focused solutions through in-house initiatives and via external partnerships. Three reasons are cited by industry analysts:

- Travel Risk Management: In a [recent BTN survey](#) of 229 travel buyers and managers and corporate safety and security managers, 65 percent said their company's attention to traveler safety and travel risk management has increased over the past three years.
- Increasing cost-savings: Based on research by Egencia, 85% of customers consider the trend as one of their top three focus areas for 2018 (with 60% putting it first). The other two remain connected to efficiency as "increasing traveler productivity" (50%) and "improving spend visibility" (40%).
- Adoption of Best Practices: SME companies fill top management positions with executives who have worked for larger companies, therefore they're naturally cross-pollinating the best practices across the SME landscape.

Online Booking Tools (OBTs)

In addition to handling bookings, OBTs offer organizations the ability to view real-time data on business travel expenditure, control compliance with travel policies, and track travelers' locations. The TMC market for OBTs is split between those that license third-party software and those that have developed in-house solutions. However, despite the sophistication and expense of OBTs, research indicates that up to a third of business travelers book outside of their company's OBT solution. This trend is potentially problematic as described by the Director of Research for the GBTA Foundation: "As alternative channels are increasingly used, travel programs may have reduced visibility into booking over time, facing greater difficulty ensuring duty of care and achieving cost savings...It's important for travel professionals to plan for this growing trend in their programs — ensuring they capture and manage employee travel no matter where or how it was purchased."

[Source](#)

Top-5 OBTs Providers

				
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Trends Among OBTs

- Online booking tools are nearing saturation, with 92% of corporates using at least one such tool. Many smaller players have exited the market in recent years to the benefit of Concur Travel. Nearly seven in 10 (69%) of corporations use Concur's OBT. Online booking tools are nearing saturation, with 92% of corporates using at least one such tool. Many smaller players have either sunset their tools or exited the market in recent years to the benefit of Concur Travel. Nearly seven in 10 (69%) of corporations use Concur's OBT. In comparison, Sabre's [GetThere](#) tool was used by 11% of companies, followed by Amadeus eTravel Management with 5% and Egencia, Deem@Work and Orbitz for Business at 4% each. Egencia's share will nearly double as it proceeds with the migration of Orbitz for Business clients to its platform. Source: [Phocuwright U.S. Corporate Travel: Market Sizing and Trends Research](#).
- Direct booking is on the rise with one-third of surveyed business travelers expected to use alternative channels more frequently in the coming year. According to research conducted by GBTA and Concur over the past year, one-third of those surveyed booked directly with a supplier and a quarter used an online travel agency (OTA), despite having access to an OBT.
- Consolidation is a recent trend in the business travel segment. TMC's are transitioning from service to software companies through buying or building online booking platforms. *In recent years [AMEX GBT acquired KDS](#) and [Travelport invested in Locomote](#) (acquiring a 49% share).*
- To accommodate the anticipated growth in demand for direct booking from travelers and enhance data visibility, solution providers are increasingly offering comprehensive business travel and expense solutions, e.g. [Egencia](#), Concur, Amadeus, Deem, Rocketrip.

Travel & Expense (T&E) Management

The global travel and expense management software market is expected to grow at a CAGR of 7.66% over the period of 2017-2021, [according](#) to the ResearchAndMarkets report. T&E management software is deployed by enterprises to help businesses control travel bookings made by employees, save money on travel expenses, and make better travel decisions for employees.

T&E expenses are one of the **most challenging operating costs to manage**, according to a study conducted by [Forrester Consulting](#). T&E cost triggers are a large category based on pulling data from expense reports, travel systems, corporate cards, HR, and supplier invoices, which makes consolidation difficult.

T&E management refers to the processes involved in supporting the user experience from an initial request through the travel experience and culminating with reporting and analyzing itinerary and expense data.

For business travelers, end-to-end services mean simplifying the booking process and ensuring a smooth and safe trip. From the travel management perspective, end-to-end solutions are beneficial due to their integrated expense management, data control, and cost savings.

\$2.1bn

projected revenues
of the T&E managed solution
market by 2020



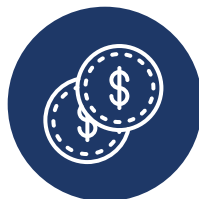
Travel

1. Request Travel
2. Book Travel
3. Take Trip



Expense

4. Submit Expenses
5. Approve Expenses



Reimburse

6. Reimburse Expenses



Analyse

7. Report and Analyse

According to a BCD Travel [case study](#), by developing an end-to-end travel management process for a consulting firm in Belgium, they helped the firm save up to 45% in travel agency costs. Besides the increased level of traveler satisfaction, the automated administration flow (automated booking, online approval, and invoicing) reduced errors and simplified the corporate travel process.

Since T&E expenses represent 6–12% of a typical company’s overall spending, demand is increasing for cost-effective solutions to manage these costs. According to the [Certify Report](#), there is significant room for growth in the T&E management market as nearly half of T&E reporting is completed manually, despite findings that indicate the per-unit cost of manual report processing is nearly four times higher than that of automated report processing (\$26.63 vs. \$6.83).

Key travel and expense (T&E) managed solution providers

- Concur (SAP)
- Certify
- Expensify
- Chrome River Technologies
- Infor
- Coupa Software
- KDS
- NetSuite
- Nexonia
- Oracle
- Serko
- Traveldoo SAS
- Unit4

According to the [G2 Crowd Usability Index for Expense Management | Fall 2016](#), **Concur** and **Coupa** scored the highest on a grid analysis of adaptability and proficiency among the other leading corporate

travel and expense management service companies. **Certify** and **Expensify** have seen some of the highest growth over the past few years and researchers anticipate that this success will continue.

Trends in T&E Management

To effectively manage travel and expenses, a company must promulgate clear and effective travel policies, gain visibility into the nature of expenses, expedite employee reimbursement and adopt industry best practices. To that end, travel and expense management solution trends include:

Machine Learning (ML)

ML is emerging as a mainstream technology in expense management. In December 2017, *Coupa* acquired Spend360 — a U.K. data management and analytics tool — to incorporate machine learning capabilities. *Expensify* has used AI capabilities for a virtual assistant Concierge. In practice, T&E companies are leveraging ML/AI technology to:

- identify important fields of expense receipts using Optical Character Recognition;
- provide tailored recommendations for business travelers;
- implement conversational interfaces by using machine learning for natural language processing, and
- facilitate sentiment analysis to convert written opinions about a product into a numerical sentiment rating.

Adoption by Mid-Size Companies

Mid-size enterprises are adopting T&E management software to analyze expense data and make optimal decisions across business operations.

System Integration

Strategically, the integration of enterprise resource planning (ERP) systems and T&E management solutions are being undertaken to decrease operational costs and reduce errors. In practice, T&E systems are increasingly being integrated with travel service providers, e.g. ground transportation, booking engines.

Automated Processing

The rate at which companies are shifting from manual (paper or spreadsheet-based expense reporting) processes to automated web-based solutions is not expected to abate.

Demand for Advanced Mobile Technology

Today's business traveler wants the convenience of managing the trip, expense report processing and reimbursement from a mobile device.

Global Business Travel Market Trends

Mobile Strategy

Carlson Wagonlit Travel (CWT) predicts that a quarter of all corporate travel bookings next year will be made via mobile devices. There remains enormous room for growth since 7 in 10 corporate travel programs lack a mobile strategy. [Source](#)

AI, Chatbots

AI is experiencing an investment boom in the corporate travel market. Modernized communication strategy has established a foundation for the chatbot success. Via new technologies, business travel will become more automated and more personalized with tailored offerings based on stored preferences and profiling facilitated by custom website browsing, unique pricing and convenient payment.

Personalization and Big Data

Capturing and analyzing data on traveler behavior is delivering a personalized journey. [CWT's 2016 Travel Trends](#) Program Priorities Survey found that 49% of travel managers expected *customization* to make a "high or very high impact" on their programs, while 54% said *big data* would have a similar impact.

Note: As the level of personalization within business travel increases, — together with increased public awareness of initiatives like GDPR -a debate about data privacy is likely to emerge as a hot topic.

Open Booking

Open booking is a travel management approach which allows business travelers to book via any

channel as long as they meet certain budget and program criteria. This gives more freedom and personalization to modern business travelers, e.g. giving booking responsibility to travelers. A [survey conducted by PhoCusWright](#) and Business Travel News led to findings indicating that managed travel programs are a common characteristic of large companies while open booking is more prevalent among smaller ones. 67% of business travelers who worked for companies with at least 5,000 employees said that their companies had managed travel programs with official rules on vendor usage and booking channels, compared to 41% at companies with 500 – 4,999 employees, 33% at companies with 50 – 499 employees, and only 12% at companies with fewer than 50 employees. However, according to Concur research, 40-50% of managed travelers don't always comply with their company's booking channel policy.

Disruptive Startups

The time when corporate travel business model was resistant to change is over. A new generation of technically savvy road warriors creates new challenges for companies looking to restrain spending. Innovative startups that leverage technologies like AI/ML are finding ways to deliver what today's (and tomorrow's) business travelers and travel managers need faster than mature key players. How do these startup companies evolve? Some of them have already partnered with major travel management companies, while some provide solutions for companies to completely bypass using them. One way or another, innovative startups have great potential to disrupt the corporate travel space.

Conclusions

The business travel market is evolving rapidly in response to expectations for improved cost containment and demand from travelers for convenience via technology.

1

The business travel segment is large and poised for growth

Travel and tourism is a huge industry, contributing more than \$10 trillion to the global economy. Business travel is a large part of this industry, making a total global economic contribution of \$ 1.11 trillion. Business travel managers from many countries expect business travel to increase in coming years, suggesting that the industry will increase its footprint.

2

Millennials are redefining the nature of business travel

They travel more frequently and spontaneously than previous generations and use their smartphones to search for options and book business trips as well as complete expense management. Millennials are the leading edge of change in technology adoption in business travel. Travel managers emphasize enhanced mobility functionality as a key technological priority for their programs.

3

Mobile

Since a quarter of all corporate travel bookings are expected to be made via mobile devices next year, TMCs will continue to invest in a digital strategy to deliver a sophisticated digital experience and engage seamlessly with mobile-first business travelers.

4

Expect consolidation

We should expect this segment to be impacted by mergers, acquisition and aggressive talent acquisition as companies attempt to enhance their technology and appeal to the new generation of mobile-connected business travelers.

5

The TMC revenue stream is rapidly shifting to a subscription model

Focusing on capturing value-added services rather than transactions, we anticipate opportunities to provide technical solutions for tracking TMC services, data reporting and compensation management.

6

The SME business travel market is heating up

TMC and T&E companies are seeking revenue from SMEs by crafting solutions scaled to meet their needs.

