

AirPlus International Travel Management Study 2015

Part 1

A comparison of global trends and costs in business travel management.

AIRPLUS. WHAT TRAVEL PAYMENT IS ALL ABOUT.

Introduction

Welcome to the tenth annual AirPlus International Travel Management Study, the essential guide to how travel managers worldwide view the state of business travel today. As usual, we asked two fundamental questions: over the next 12 months, will there be more, the same number or fewer business trips; and will spend rise, stay unchanged or fall?

The answers reveal that 2015 is going to be a year of more travel, and companies spending more on travel. The ratio of those expecting more trips to those anticipating fewer is 2:1. For spend, the gap is even bigger: three times as many expect higher costs as those who expect lower costs. The number of travel managers predicting greater costs is 45 percent – the highest figure for seven years (the last time it reached that level was just before the global recession started).

But an additional, new question in the study provides a striking revelation. Only 18 percent of respondents believe the global economy is having a positive effect on the number of trips they take. A much greater number, 28 percent, say the economy is having a negative effect.

So the conclusion is that travel is booming in spite of the performance of the global economy, not because of it. If trip numbers are rising even

when times remain challenging, does that mean business travel growth will be explosive when economies fully shrug off the downturn of 2008-09 and really start to accelerate?

Yet there are always global geopolitical or environmental concerns that threaten to dampen demand for business travel. With the issue of risk in mind, another new question we asked this year was how much do companies travel to crisis regions? The answer: a significant amount, with 39 percent saying some or most of their travel is to those higher-risk parts of the world.

Another clear finding in this year's study is that companies that spend the most on travel (millions of euros or dollars) are the ones most affected by the big trends. For example, 60 percent think their air spend is likely to rise, compared with 43 percent of small spenders. A higher proportion of large spenders also send travelers to crisis regions than do lower spenders.



More business trips expected in 2015

More business trips ahead
More than one-third of travel managers (35 percent) globally expect there will be more business trips in 2015. That is just over double the number who anticipate fewer trips (17 percent). However, the largest group of respondents is those who expect no change (41 percent).

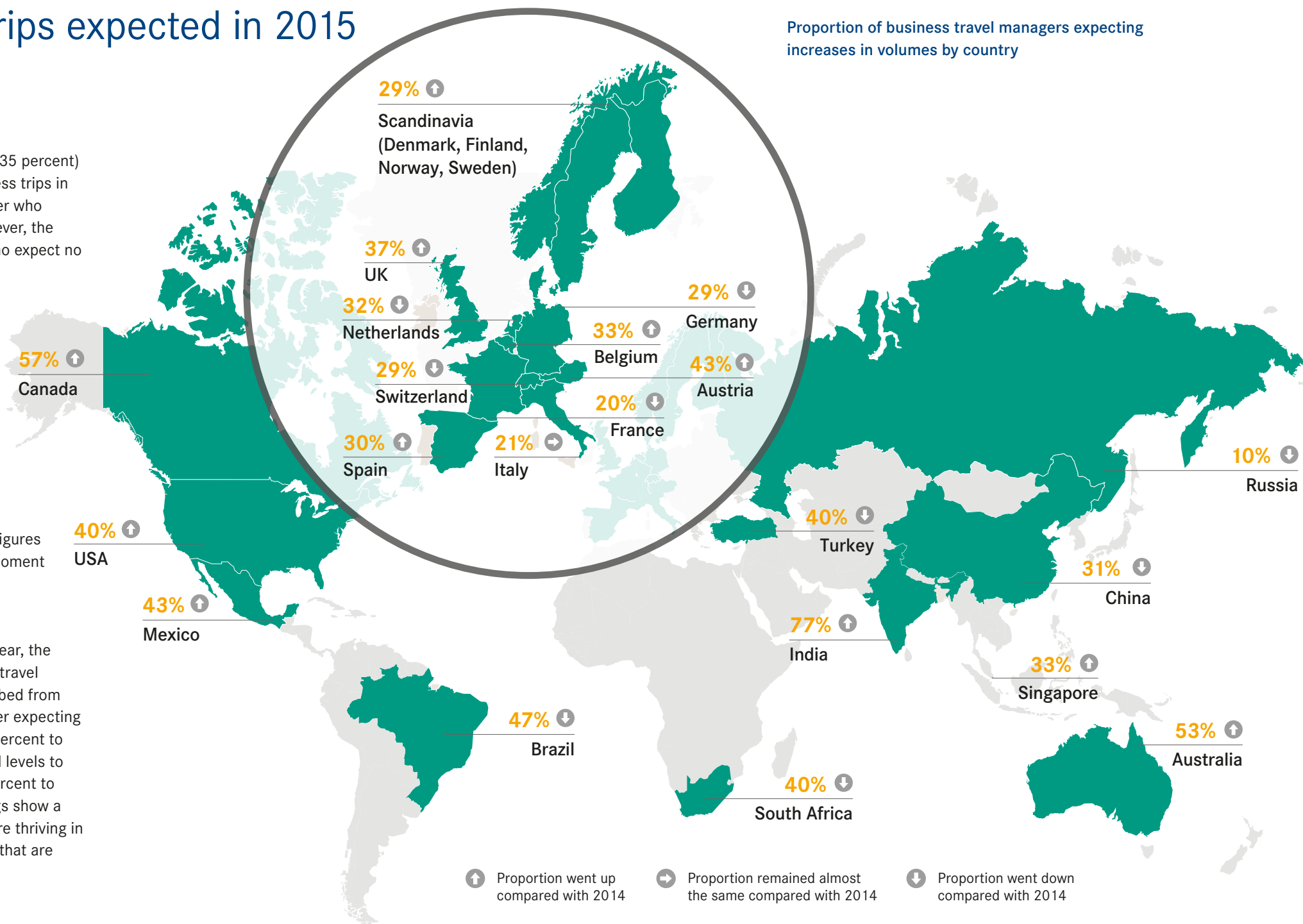
So a paradox is evident: although more travel managers think the economy is negatively affecting business trips than those who identify a positive effect, these concerns are not harming the growth of corporate travel. The figures suggest companies understand they need to travel regardless of the economic situation, especially as most opportunities for growth can be found in other parts of the world. Perhaps these figures show tough times are exactly the right moment to increase travel, not cut back.

But watch out for polarization
When comparing total figures with last year, the picture starts to change. The number of travel managers expecting more trips has climbed from 31 percent to 35 percent, but the number expecting fewer trips has also risen – up from 13 percent to 17 percent. The number expecting travel levels to remain unchanged has fallen from 53 percent to 41 percent. It could be that these findings show a widening gap between companies that are thriving in the current economic climate and those that are struggling.

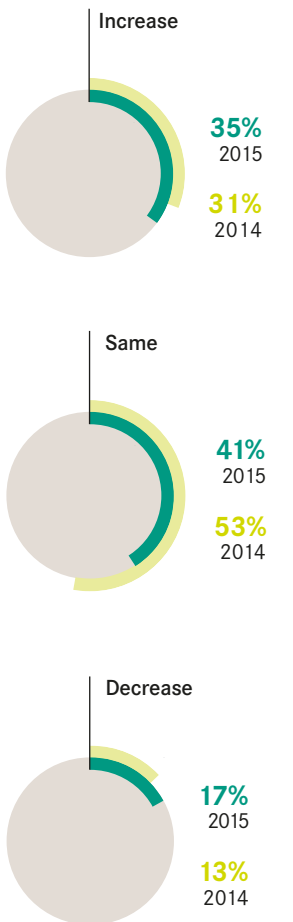
Watch out for national variations
There are also variations from country to country. For example, as we have already seen, economic problems are affecting Turkish attitudes to business travel, perhaps because a strong currency is making foreign trips very expensive. However, although the number of Turkish businesses expecting more trips is down significantly from 71 percent last year to 40 percent this time, that is still one of the highest figures of any country in the study. The explanation may be that the Turkish government has said it wants to rebalance its economy by boosting exports, which inevitably means more foreign trips.

India leads the way
This year, only two countries have 20 percent or fewer travel managers who expect business trips to increase. These are Russia (10 percent) and France (20 percent). Last year, there were four countries in this group. The country with by far the highest number predicting trip numbers will grow is India (77 percent). Other big changes from last year include Canada (up from 24 percent to 57 percent), Austria (up from 25 percent to 43 percent) and Turkey (down from 71 percent to 40 percent).

Proportion of business travel managers expecting increases in volumes by country



Global trends in business travel volumes in %*



* Differences to a total of 100% are caused by respondents who did not answer this question.

Different dynamics in different markets
There are different stories in each country to explain this trend. Within the US and UK, for example, there is the same trend of polarization, suggesting some sectors in those markets are performing much better whereas others are doing worse. Elsewhere, whole countries are doing either better or worse. For example, the number of Indian companies forecasting more travel has leaped from 67 percent to 77 percent, but in Turkey those forecasting less have jumped from 2 percent to 13 percent.

Prepare to pay more for your travel

Travel costs are set to rise in 2015

2015 looks like being a more expensive year for many companies. Exactly three times as many travel managers (45 percent) forecast their company's cost of travel will rise as those who think it will fall (15 percent). One-third (33 percent) expect costs to remain unchanged.

Only few countries expect lower spend

Unsurprisingly, Indian companies have the greatest expectation of more spend (77 percent think their costs will rise), while others notably fearing higher

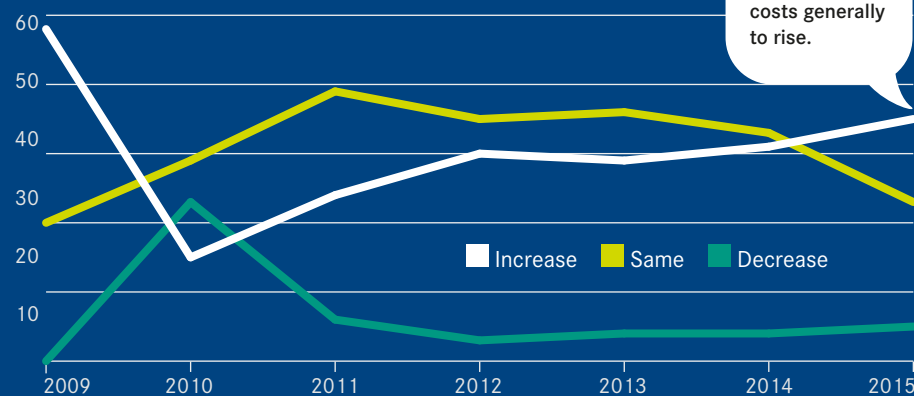
costs are Australia (63 percent), the UK (60 percent), Canada (57 percent) and USA (56 percent). The markets where most travel managers think costs will fall are France (33 percent) and Scandinavia (34 percent) – both the only countries where more respondents expect lower spend than those expecting higher.

Both costs per trip and amount of travel will rise

Only 35 percent expect the number of trips to increase (see right). Therefore, spend will grow faster than volume, suggesting at least some respondents believe costs per trip will rise as well as their travel frequency.

This is the first time in seven years that more travel managers have predicted a cost rise than those who have predicted no change.

2009



45%
expect travel
costs generally
to rise.

33%
expect travel
costs to remain
unchanged.

15%
percent fore-
cast a fall
in travel costs.

Higher budgets for business travel expected

Big spenders fear increases the most

Larger companies in particular fear cost acceleration next year: no fewer than 56 percent of high travel spenders are worried costs will increase in 2015, compared with 45 percent of low spenders and 43 percent of medium spenders.

Development of travel spend by company size

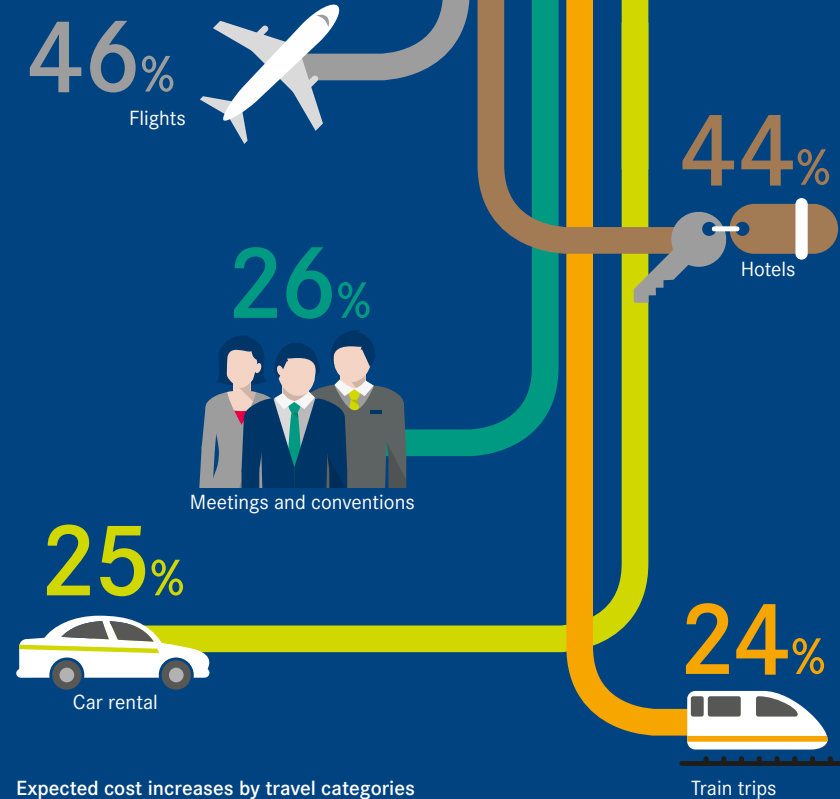


45%

Global average of travel managers expecting cost increase in 2015

Air travel is the major concern

In December 2014, the International Air Transport Association predicted average air fares would fall by 5.1 percent in 2015. Yet that has not stopped travel managers worrying their air costs will rise over the next 12 months. Almost half (46 percent) think they will pay more for flights, more than for any other travel category. Next highest is hotels (44 percent), followed by meetings and conventions (26 percent), car rental (25 percent) and rail (24 percent). Companies with large travel spend are particularly worried: 60 percent expect higher air costs, compared with 46 percent of medium spenders and 43 percent of low spenders.



Expected cost increases by travel categories

Train trips

Economic challenges are having an influence

Many travel managers think the current economic situation is suppressing demand for business travel. While 18 percent globally say the economy is having a positive effect on their business trips, 28 percent say it is having a negative effect.

The majority (52 percent) of the 941 respondents to the 2015 AirPlus International Travel Management Study see no difference one way or the other. Yet the answers to this new question reveal fascinating correlations with macroeconomic trends in some of the 24 countries covered by the research.

India's star shines

The country where by far the most travel managers identify a positive effect is India (60 percent). India is the current star player in global economics. In December 2014, the Organisation for Economic Co-operation and Development said India was the only major economy experiencing a "clear pick-up in growth momentum," thanks to financial sector reforms and a new, business-friendly government. According to Citigroup, India's economic growth is likely to hit 5.6 percent in fiscal year 2014-15, rising to 6.5 percent in 2015-16 and 7.0 percent in 2016-17. Against this background, GBTA Foundation has forecast 7.6 percent growth for India's business travel spend in 2015. The International Travel Management Study findings confirm this picture.

Similarly, Scandinavia has the highest number of travel managers in any industrialized market to identify a positive economic effect on travel (29 percent). Economic growth in Sweden has been 2.1 percent. Although not spectacular, that

is certainly better than most of Europe. Sweden's current success has been attributed to strong public finances and good performance by a small number of globally important companies.

Problems in Turkey and Spain

In contrast, other markets are experiencing more difficult times. For example, only 3 percent of Turkish companies say the economy is having a positive effect on their business trips. After average annual economic growth of 5.5 percent for a decade, 2014 proved a much tougher year, including rising inflation, an over-strong currency and a weak stock market, not helped by internal political problems and security issues across Turkey's borders.

The country with by far the most travel managers saying the economy is having a negative effect is Spain (73 percent). Its performance has improved recently, but this is a recovery from a very low point, with unemployment remaining worryingly high. Other countries where the negative effect is strong are South Africa (50 percent), which has faced mounting problems, Mexico (50 percent) and France, where business performance has also been weak (43 percent).

Crisis regions and travel risk management

This year, we asked travel managers about travel to dangerous destinations. Most respondents (59 percent) said none of their travel is to higher-risk locations, but a large minority (34 percent) said some of their travel is to those regions and 5 percent said that this involves most of their travel.

Spreading the risk

The country with the most travel managers saying some or most travel is to higher-risk destinations is Brazil (64 percent), followed by Spain (56 percent), Italy (46 percent) and South Africa (also 46 percent). At the other end of the scale, no travel managers from Singapore say most of their travel is to crisis regions, and only 23 percent say some of their travel is to those regions.

A bigger challenge for large spenders

30 percent of small travel spenders make some trips to crisis regions, and the figure for medium spenders is 34 percent, but it rises sharply to 47 percent for large companies. This result is logical: companies that spend more on travel are more likely to send

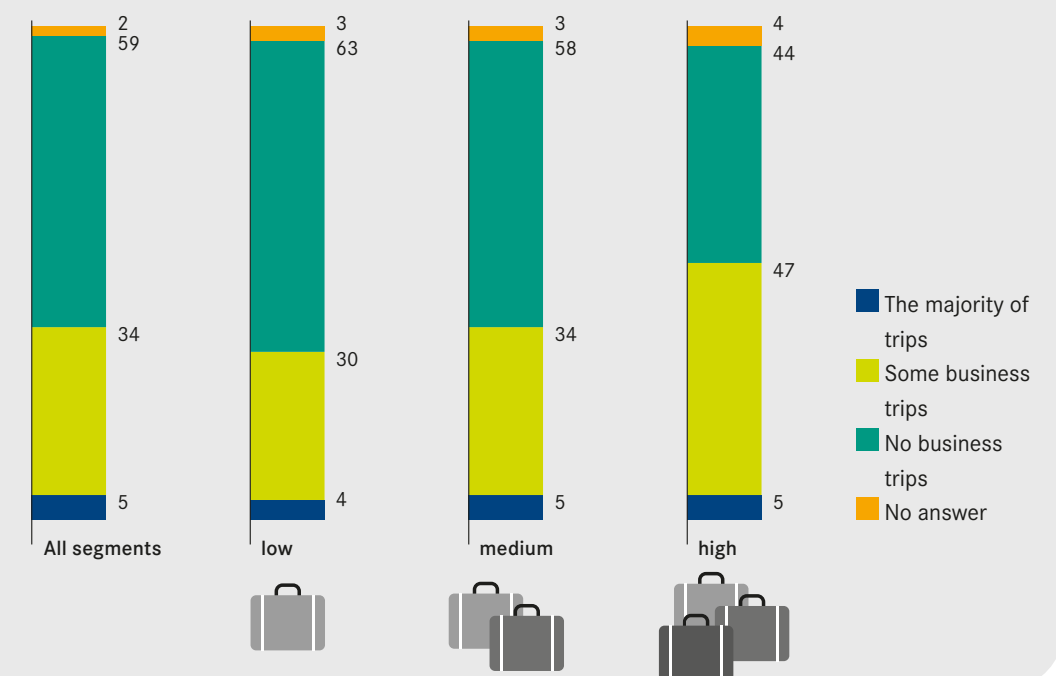
employees to a wider variety of destinations. Risk management is therefore likely to be an even more important consideration at large multinationals than smaller companies, although it is important to remember all travel (even domestic) carries some level of risk that needs to be assessed and mitigated.

Employee security gains importance

The answers suggest travel risk management is a very important issue for many companies, which need to show proper duty of care regarding their employees' safety and security. Of course travelers may face emergencies anywhere in the world, and all companies therefore need to think about health, safety and security even at low-risk destinations. Is your company taking enough precautions?



Number of business trips to crisis regions by size of travel spending
in %



AirPlus International

Dornhofstraße 10
63263 Neu-Isenburg
Germany

T + 49(0)6102.204-444

F + 49(0)6102.204-3490

btm@airplus.com

www.airplus.com

About the study

This is the first of three parts to the 2015 International Travel Management Study. For this study, the international market research agency 2hm interviewed 941 managers in 24 countries between September and October 2014.