



Table of Contents

2 Air Fares Overview

- North America
- Europe
- Asia-Pacific

7 Global Hotel Landscape

- Review from 50 global markets

12 Car Rental Landscape

13 Travel Management Trends

- Review of research from over 300 travel buyers
- Negotiating environment
- Challenges facing corporations today

14 Research Methodology

Based on Egencia's Q1 global supply research, the following is a summary of the 2012 pricing environment:

- For air travel, North American points-of-sale, ATPs (Average Ticket Prices) for North America showed increases in nearly all business destinations due to increasing cost pressures, especially higher fuel prices and a limited increase in supply.
- For air travel, European points-of-sale, ATPs for European destinations increased 5.8% YoY (compared to a decrease of 8% YoY in 2011). The increased ATPs can be attributed to rising fuel prices and tightly managed capacity by airlines.
- For air travel, ATPs for intra-APAC destinations increased 3% YoY.
- The hotel environment worldwide experienced an Average Daily Rates (ADRs) increase in the majority of destinations. ADRs increased an average of 6% in North America, 3.3% in Europe, and 5.7% in Asia-Pacific.
- For the Supply Landscape for Car Rentals, rates per day have fallen 2.4% YoY in Q1 of 2012.

This guide examines both the supply environment at a market-level for destinations in North America, Europe, and Asia-Pacific as well as the results of research from over 300 global travel buyers. In addition, Egencia provides recommendations and best practices on how to manage travel programs amidst the 2012 supply landscape.



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"The pricing landscape has made a noticeable – although less pronounced – shift from this time last year. We continue to see a return in demand for hotels alongside air. Even though ATPs and ADRs have increased, opportunities for savings can still be found."

In addition to the opportune car pricing landscape, travel managers should look to their travel management companies to identify additional savings opportunities in hotel."

Chris Vukelich
Vice President, Supplier Relations
Egencia Americas

Air Fares Overview

North America

As a result of increasing cost pressures, especially due to higher fuel prices, airlines have continued to tightly manage capacity discipline in 2012. This has resulted in an increase in average ticket prices.

- North American destinations with the largest increases include Minneapolis (up 12.5%), Atlanta (up 11.4%) and Philadelphia (up 9.3%).
- European and APAC destinations from NA saw sharp decreases in ATPs, including Paris (down 19%), Hong Kong (down 14%) and London (down 13%).
- Higher fuel prices have resulted in upward pressure on ticket prices for major North American destinations. Airlines will continue to try to pass along increasing fuel costs.
- November 2011 – American Airlines declared bankruptcy; there is a potential for an American Airlines merger with US Airways in 2012.

ATPs for Intra-NA Travel

NA POS	ATP Change YoY	2012 Q1 ATP	NA POS	ATP Change YoY	2012 Q1 ATP
Atlanta	11.4%	\$364	Phoenix	3.9%	\$354
Boston	5.2%	\$353	San Diego	3.4%	\$395
Calgary	6%	\$721	San Francisco	-0.8%	\$376
Chicago	.1%	\$349	Seattle	5%	\$377
Dallas	9.8%	\$418	Toronto	9%	\$661
Denver	4.2%	\$328	Vancouver	6.7%	\$577
Houston	8.6%	\$439	Washington DC	6%	\$401
Los Angeles	0.9%	\$370	TOTAL	6%	
Minneapolis	12.5%	\$452	Hong Kong**	-14%	\$910
Montreal	7.1%	\$695	London**	-13%	\$588
New York	7%	\$350	Paris**	-19%	\$629
Philadelphia	9.3%	\$403	Tokyo**	-2%	\$1,067

Sources: ARC, Smith Travel Research, OAG, Expedia Internal Analysis

****ARC data for trans-Atlantic/Pacific flights (NA origin)**



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Europe

Continued economic concerns, low cost carriers, and more choices in transportation methods (car and rail) are keeping overall European prices in check. ATPs from Europe POS to North America destinations have fallen relatively sharply.

- Largest increases were in Amsterdam (up 15.2%) and Barcelona (up 13.5%).
- Prices in several major European destinations are slightly down including Marseille (down 1.4%) and Munich (down 1.1%).
- Stockholm and Paris saw larger decreases in air ticket prices – down 12.4% and 9.7%, respectively.
- Paris ATPs may be down due to higher competition, especially from rail. Travelers might be using train services more often since the connection to Paris is very well developed, cheaper and less stressful for travelers.
- For Stockholm, there are many low cost carrier connections available, which could be keeping ATPs down.

- North American destinations saw decreases including Chicago (down 11%), Los Angeles (down 16%) and New York (down 4%).

ATPs for Intra-Europe Travel

EU POS	ATP Change YoY	2012 Q1 ATP	EU POS	ATP Change YoY	2012 Q1 ATP
Amsterdam	15.2%	€238	Marseille	-1.4%	€230
Barcelona	13.5%	€194	Milan	-0.8%	€229
Berlin	7.5%	€197	Moscow	-0.1%	€423
Brussels	5.2%	€301	Munich	-1.1%	€241
Dublin	8.1%	€233	Paris	-9.7%	€211
Frankfurt	4.9%	€261	Stockholm	-12.4%	€283
Glasgow	4.9%	€197	TOTAL	5.8%	
London	6.3%	€223	Chicago**	-11%	\$583
Lyon	4.1%	€253	Los Angeles**	-16%	\$659
Madrid	4.2%	€220	New York**	-4%	\$558
Manchester	5%	€225	San Francisco**	-4%	\$750

Sources: ARC, Smith Travel Research, OAG, Expedia Internal Analysis, Local currency

****ARC data for trans-Atlantic flights (European origin)**



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Asia-Pacific

Asia-Pacific represents a varied air pricing landscape, fluctuating on a market-by-market basis. With uncertainty continuing to play out in the North American and European economies, Asia Pacific's focus is on conducting business within the region.

- Largest increases were in Bangkok (up 17%), and Beijing (up 12.5%).
- Many North American/EMEA destination prices were down: Los Angeles (down 10%), San Francisco (down 10%) and Paris (down 11%).

Some markets also showed decreases due to increased competition in the local markets and increased capacity on a majority of routes, as more and larger aircraft enter the Asia Pacific region.

Low cost carriers are continuing their expansive presence on domestic and international routes, while incumbent major carriers face losing market share. For some intra-APAC, mid-haul routes, a decrease in business class uptake is also contributing to decreases in ATPs.

- Tokyo and Taipei saw the largest decreases – down 11% and 6.1%, respectively.

- Other major APAC destinations showed a lesser decrease in price – Sydney (down 4.3%), Singapore (down 2.7%) and Shanghai (down 1.7%).

ATPs for Intra-APAC Travel

APAC POS	ATP Change YoY	2012 Q1 ATP Domestic POS	2012 Q1 ATP APAC POS	APAC POS	ATP Change YoY	2012 Q1 ATP Domestic POS	2012 Q1 ATP APAC POS
Bangkok	17%	\$258	\$1,205	Singapore	-3%	*	\$1,243
Beijing	13%	\$433	\$1,065	Sydney	-4%	\$287	\$1,099
Hong Kong	7%	\$470	\$966	Taipei	-6%	*	\$1,113
Jakarta	4%	\$386	\$935	Tokyo	-11%	\$979	\$1,029
Manila	6%	\$132	\$1,101	TOTAL	3%	\$339	\$540
Melbourne	2%	\$350	\$1,187	London**	1%		\$685
Mumbai	1%	\$219	\$716	Los Angeles**	-10%		\$1,035
New Delhi	2%	\$251	\$1,074	New York**	-4%		\$1,039
Seoul	0%	\$174	\$1,213	Paris**	-11%		\$701
Shanghai	-2%	\$435	\$1,177	San Francisco**	-10%		\$991

Sources: ARC, Smith Travel Research, OAG, Expedia Internal Analysis, Local currency

****ARC data for trans-Pacific/Atlantic flights (APAC origin)**



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"From an operational perspective, the beginning of 2012 was overshadowed by United and Continental converting to a single passenger service system, website, and loyalty program. In addition, the combined carrier made numerous changes to policies and procedures."

Although much of the travel experience has returned to normal service levels, we recommend you contact your travel agency account manager or United for details on these and other changes."

Mathias Eichelberger
Director, Air and Transport NA
Egencia

Considerations for the Travel Buyer

Consolidate Bookings

Airlines are more agreeable to negotiating discounts if bookings are consolidated, supported by strong policy tools and backed by reporting and historical data. Airline partners will want a concrete demonstration that travel buyers have implemented strong policy controls to increase share and target incentive goals, allowing corporations to shift business to preferred partners.

- While buyers should ask for increased discounts for consolidated share, current trends have created an environment where airlines are less willing to expand existing discounts without expanded share.
- In addition to fares, consider negotiating airline amenities and perks, such as waived baggage fees, status matches and cabin upgrades.
- Companies with international business may want to seek lane fares and/or flat fares, which deliver better discounts than standard percentage discounts.

Book Early

In an era of constrained capacity and rising ticket prices in many markets, booking in advance remains even more critical. While not every trip is planned early, encourage your travelers to book as early as possible to get their choice of route options and lower ticket prices.

Streamline Pre-Trip Approval Processes

Because of constrained capacity and fare accessibility, it's important that organizations respond quickly and efficiently to passenger requests. By responding in a timely fashion to trip approval requests, companies can ensure that their travelers can book and confirm lower priced tickets.

Monitor Airlines Ancillary Revenue

Airlines continue to grow their ancillary revenue, lessening the pressure to garner the full value of a trip solely through ticket prices. Ancillary revenue includes baggage fees, reservation change fees, and miscellaneous operating revenue (i.e. standby passenger fees.) Travel Managers should ensure they research the total cost of a trip with a particular carrier when comparison shopping, and should look for opportunities to negotiate discounts on the ancillary fees that are most important to them.



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Take Advantage of Increased Competition

Certain global markets and routes are experiencing pricing battles between established and/or low cost carriers. This can represent an opportunity for savings, but organizations should be cognizant of ticket restrictions from many low cost carriers while ensuring they are comparing total prices, which include ancillary fees, when shopping for tickets.

Also, some hidden costs of flying low cost airlines should be considered, such as time to travel to far away airports, waiting time at airports, flight frequency, and the quality of support in case of disruption.

Be Flexible

Educate your travelers on the value of being flexible in their travel plans. By opting to travel to leave slightly earlier or later, or to make one stop versus a direct flight, they can find additional savings on air ticket prices.

Summary

If a company can bring incremental revenue opportunities to a carrier, increased discounts are possible, though 2012 will continue to be a challenging year. For successful negotiations, travel managers must have a good understanding of their travel spend, use strong policy tools, and have historical data in place to manage their travel program. While not all classes of service will receive discounts, travel managers should look to other areas to find value, such as waived fees, upgrades and status matches.



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"Reviewing figures for 2012, we have seen clients tighten their belts this year and shift more of their negotiated hotel volume into 3 stars and below."

For a number of large markets like Manhattan, Chicago, San Francisco and Los Angeles, we have also seen an increase of business travelers choosing to stay at airport properties in an effort to keep travel costs down."

Steve Peterman,
Director Hotels North America
Egencia

Global Hotel Landscape

With improved occupancy appearing in almost every top business market worldwide, average daily rates (ADRs) have increased in the majority of business destinations, continuing to reverse a previous trend of declines.

- North America destination ADRs were up across the board, with the largest increases in San Francisco (up 13.9%), and Boston (up 6.4%).
- In Europe, markets that showed solid rate increases included Stockholm (up 9.2%), Dublin (up 6.5%) and Marseille (up 6.3%). Given all of the economic uncertainty over the past year, the hotel segment in Europe seems healthy, although of all 3 "super regions" (NA, APAC, EMEA) it appears to have the weakest growth.

North America	ADR Change YoY	2012 Q1 ADR	North America	ADR Change YoY	2012 Q1 ADR
Atlanta	2.4%	\$96	New York	2.8%	\$201
Boston	6.4%	\$158	Philadelphia	2.3%	\$121
Calgary	5.6%	\$145	Phoenix	4.1%	\$127
Chicago	5.9%	\$110	San Diego	2.2%	\$120
Dallas	-7.0%	\$97	San Francisco	13.9%	\$154
Denver	1.9%	\$97	Seattle	3.4%	\$117
Houston	3.8%	\$103	Toronto	2%	\$134
Los Angeles	3.6%	\$130	Vancouver	2.4%	\$122
Minneapolis	3.6%	\$97	Washington DC	-1.5%	\$163
Montreal	1.8%	\$123	TOTAL	6.0%	

**Percentage and euro/dollar amounts are based on Expedia research citing leisure and corporate business travel combined.*



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2012 Global Supply Benchmarking Research and Analysis

Europe	ADR Change YoY	2012 Q1 ADR	Europe	ADR Change YoY	2012 Q1 ADR
Amsterdam	2.6%	€111	Madrid	-2.1%	€82
Barcelona	2.3%	€101	Manchester	-1.7%	€75
Berlin	-1.5%	€83	Marseille	6.3%	€81
Brussels	1%	€109	Milan	2.0%	€120
Dublin	6.5%	€81	Moscow	5.1%	€165
Frankfurt	-3.9%	€122	Munich	-1.1%	€102
Glasgow	1.7%	€70	Paris	5.5%	€140
London	2.8%	€139	Stockholm	9.2%	€123
Lyon	-1.8%	€86	TOTAL	3.3%	

**Percentage and euro/dollar amounts are based on Expedia research citing leisure and corporate business travel combined.*

- ADRs in Asia-Pacific destinations generally increased, especially in Jakarta (up 23.6%), Seoul (up 15.4%) and Hong Kong (up 12.4%). For the top business markets (Singapore/Hong Kong) strong demand growth and limited supply will continue to fuel ADR growth.
- Australia, although facing high domestic demand and no increase to supply, has seen little change. Price-conscious India is down across the board, while the performance in smaller emerging markets like Seoul, Jakarta and Taipei appears very strong.
- Dublin continues to rebound from the massive price falls during the recession, with 2011 growth continuing into 2012, although the pace will most likely slow a bit.
- Moscow ranks as one of the most expensive cities for hotel rooms; the strong growth here also reflects the growing overall demand in Russia.



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2012 Global Supply Benchmarking Research and Analysis

APAC	ADR Change YoY	2012 Q1 ADR (USD)	APAC	ADR Change YoY	2012 Q1 ADR (USD)
Bangkok	5.2%	\$90	Seoul	15.4%	\$162
Beijing	3.4%	\$101	Shanghai	-4.6%	\$108
Hong Kong	12.4%	\$214	Singapore	7.4%	\$217
Jakarta	23.6%	\$122	Sydney	0.1%	\$207
Melbourne	1.6%	\$188	Taipei	8.3%	\$137
Manila	0.1%	\$106	Tokyo	-3.2%	\$153
Mumbai	-3.1%	\$158	TOTAL	5.7%	
New Delhi	-1.7%	\$142			

**Percentage and euro/dollar amounts are based on Expedia research citing leisure and corporate business travel combined.*

- Stockholm also leads in terms of overall ADR growth; rates continue to rise even though occupancy levels are flat to slightly down. These gains reflect Sweden's relatively strong recovery from the recession.
- Current ADR results for London do not reflect the upcoming Olympics and other events in the city for the summer months of July and August.
- Since 2010, Hong Kong has been a consistently strong market; overall high occupancy rates and steady demand will lead to higher ADR YoY.
- Jakarta's performance is extremely strong. This could be due to the fact that it fundamentally had one of the lowest ADR values in absolute terms for 2011.



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Considerations for the Travel Buyer

Now is the right time to establish or update preferred supplier strategy, which can be achieved through the following tactics:

Consider Independent Hotels

Without the need to subsidize costly loyalty programs, these properties may offer better rates and amenities.

Leverage Hotels That Offer Free or Discounted Amenities

Encourage travelers to book at and leverage hotels with free amenities such as Internet service, shuttle service, breakfast, and hosted evening events.

Negotiate for Better Terms and Conditions

Favorable cancellation terms or decreased early checkout fees can add up to significant savings.

Negotiate Last Room Availability Clauses

This means that properties must offer negotiated rates even if only one room type is available, resulting in lower ADRs throughout the year.

Regularly Upgrade Room Category Pricing

The ADR ceiling or cap in large metropolitan markets can be tight due to city wide sell-outs, which are more common in these business hubs.

Property-Specific Agreements

Property-specific agreements typically lead to better savings. While chain-wide agreements provide the advantage of a regional discount to companies with geographically dispersed travel patterns, property-level agreements at individual chain properties offer greater discounts. Chain-wide agreements are also very difficult to negotiate without significant travel spend.

Monitor Your Program

Monitoring creates visibility and can help a travel manager stay ahead of out-of-policy practices. Accessible travel program data can help companies negotiate better rates and volume discounts, by providing greater clarity of:

- Travelers who routinely overspend
- Underutilization of specific hotels
- Top cities for the travel program

Analyze Spend

Analyze your total hotel spend in each market and on a regional basis. A common best practice is to try and consolidate one hotel for every 250 room nights at a particular property.



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Provide Support

By demonstrating a consistent effort to drive share towards preferred suppliers, corporate travel buyers have a stronger place at the bargaining table. Mandating bookings via an agency of record will also aid in this discussion.

Consider Department-Specific Restrictions

By segmenting traveler groups, organizations can still provide a solid level of service and amenities while decreasing costs.

Consider Timing

Corporate travel buyers may have more favorable results when the negotiation is timed during a slower period for the hotel.

Work With Your Travel Management Company

Work with your Travel Management Company (TMC) to take advantage of powerful discounts and perks. In many cases, TMCs can consolidate the buying power of a broad range of clients and offer benefits that companies may not be able to achieve on their own.

Summary

Now is the time to work with your hotel partners. Companies that can show incremental demand may be able to negotiate favorable agreements. While hotel rates continue to rise, there still remains an opportunity to negotiate for amenities that are meaningful to your travelers.



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Car Rental Landscape

Overall for North America, rates per day have fallen YoY (-2.4% in 2012) due primarily to a highly competitive marketplace and abundance of supply.

Considerations for the Travel Buyer

Even with the improving environment, car companies will demand value from accounts in exchange for discounts. If companies cannot meet their revenue commitment, discounts will be reduced. But if a company can bring additional business to the table, the buyer is in a very good position to negotiate.

In addition to focusing on discounts, buyers should also prepare data that allows a company to negotiate additional cost savings. Insurance, drop-off fees, and surcharges are all areas that deserve additional focus. Buyers should also compare fees across vendors and use the data in negotiations.

Also, be sure to leverage multiple data sources. Typically, expense systems only provide the amount spent and the location, but will not provide all the details needed for negotiations with vendors.

Summary

Driving policy enforcement and mandating car rental bookings will allow corporate accounts to realize savings through compliance and by negotiating better preferred vendor agreements.



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Travel Management Trends

According to respondents of Egencia's survey of over 300 travel buyers worldwide:

- 43% of buyers expect their travel volumes (number of trips) to increase during the remainder of 2012 (compared with 54% in 2011) with 46% expecting their overall travel spend to increase.
- Additionally, 62% of travel buyers said they will negotiate more in 2012 (compared to 38% in 2011).

Travel Managers universally identified cost control/reducing spend as the greatest challenge facing their travel programs. Specific rankings of travel program challenges are as follows:

- Cost control/reducing expenses (77%)
- Traveler compliance/policy enforcement (40%)
- Capturing a full view of travel spend (38%)
- Increasing traveler satisfaction (35%)

Top cost control measures include:

- Reviewing and enforcing corporate travel policy (68%)
- Requiring advance purchase (56%)
- Requiring lowest logical fare purchase (49%)

Even as companies try to hold the line on travel spending, they are also mindful of traveler satisfaction; possibly attributing to an increasing willingness to bump their travelers to front of cabin travel (business/first class) on flights lasting more than nine hours.

In fact, Egencia found that 45 percent of business travelers are permitted to travel in front of cabin seats on flights over nine hours, compared to just six percent of business travelers on flights lasting less than nine hours. Allowing for business/first class travel may be emblematic of companies wanting to be seen as supporting their employees, not just cutting costs.



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Research Methodology

Data and insight based on the statistical analysis of the past and present industry trends, macroeconomic factors, market research and vendors' capacity forecasts for 2012. Smith Travel Research (STR) and Expedia data were leveraged for a market-level analysis of both Lodging and Air capacity. ARC, STR and Expedia Internal Data were used for market-level analysis of pricing.

Average Ticket Price Calculations

- Average Ticket Price (ATP) is the average airfare paid by consumers including taxes and fees
- Based on roundtrip, coach class tickets to the listed destinations
- ATPs are in local currency, based upon the point-of-sale and are weighted by ticket share for that point-of-sale

Average Daily Rate Calculations

- ADR – or Average Daily Rate, is the average daily rate paid for lodging including taxes and fees
- Based on date of stay in the listed destinations
- ADRs are in local currency, based upon the point of supply



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