Globalizing corporate travel management is becoming increasingly attractive for multinationals—and not just the Dow Jones 100 companies. The benefits of centralized management, global reporting, supplier insights, and cost savings are moving travel consolidation to a top C-level initiative.

RADIUS is pleased to present an excellent read on this topic from PhoCusWright, sponsored by one of our important technology partners, Sabre.

This paper investigates the globalization of a managed travel program from the mid-sized company’s perspective—firms spending, on average, between US $10-30M on travel per year.

We hope you enjoy and benefit from this insightful report.

– Nicholas Stafford, SVP, Marketing & Business Development
RADIUS
Globalization of Travel Management Programs

Sponsored by:

By Susan Steinbrink
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Executive Summary

• There is no universal definition or single approach to consolidating a travel program. Differences in cultures, laws and regulations, settlement, travel behavior, purchasing habits, suppliers, GDSs and partners require a global foundation to support local and regional flexibility. Globalization efforts are limited only by your own creativity and company culture.

• As demand for U.S. goods increases, companies of all sizes have to “go global” to compete. Expanding a corporate travel program to other countries is an opportunity to gain control of your firm’s travel spend, direct traveler behavior, generate cost savings and uncover potential fraud, waste and abuse. It requires corporate and regional buy-in despite inconsistencies in approaches by country. Without a true partnership, efforts to globalize your program will be unsuccessful.

• A consolidated program requires a partnership between corporate and regional entities. It must offer local freedom within a global framework that clearly defines which elements are negotiable vs. non-negotiable for each region.

• “C-speak” is the universal language. All globalization updates must report on relevant return on investment (ROI) metrics that echo the way C-level decision makers evaluate business performance. This includes the cost to produce a ticket, travel cost as a percent of sales and travel savings as a percent of earnings. Business intelligence is the currency that influences behavior.

• A company’s readiness to globalize its travel program is determined by a combination of three components: 1) internal company conditions, initiatives and requirements, 2) the operational approach of existing partner/vendor relationships and 3) external market criteria.

• A country’s globalization readiness is defined by a combination of technology infrastructure and use, centralized access to content and purchasing, sophistication of travel management, service orientation and willingness to pay for it, use of credit cards and preponderance of global TMCs and multinational organizations.
Introduction

So, your company is not on the Fortune 500 or maybe even the Fortune 1000 list – does that mean that you can’t successfully compete with these larger firms? Absolutely not! In fact, smaller firms have proven to be more nimble in changing market conditions, more responsive to customers and quicker to capitalize on market niches and unique business opportunities. The same is true for mid-size companies when globalizing a managed travel program.

While larger, multinational companies have been first to consolidate travel programs, globalizing is not exclusive to these firms. Mid-size companies can command many of the same benefits as their larger counterparts, as well as learn and profit from their hiccups, mistakes and challenges to successfully leapfrog through the consolidation process.

Even though larger and growing mid-size companies are striving to address similar issues, the latter face unique challenges. They must find affordable solutions that are easy to install and maintain. With little room for error, mid-size businesses must be vigilant about unnecessary costs and risks. In recessionary times, it is even more essential for these firms to protect cash flow, demonstrate value, streamline processes, avoid costly missteps and forgo decision delays that directly impact their bottom lines. This is why companies of all types are aggressively developing, improving and expanding their managed travel programs beyond U.S. and North American borders.

This paper investigates the globalization of a managed travel program from the mid-sized company’s perspective – firms spending, on average, between US$10-30 million on travel per year. It includes:

- A redefinition of global travel consolidation, including the business indicators that reveal when globalization is warranted and the benefits of doing so
- Metrics of success to help guide consolidation efforts
- Multiple models of partnering to maximize success
- The key criteria that need to be considered when globalizing a travel program
- A globalization scorecard that ranks these criteria on a readiness scale in key markets in Europe, Asia and the Middle East
Definition of Global Travel Consolidation

A common misperception is that globalization of a travel program requires doing business in the same fashion in all locations around the world. In reality, it refers to integrating one or more aspects of a managed travel program into foreign markets or regions where employees travel. There is no universal definition, but globalization often includes one or more of the following:

- Working with fewer partners and technology providers, or even choosing one travel management company (TMC), GDS, and/or self-booking tool (SBT)
- Creating a common travel policy
- Consolidating supplier data
- Consolidating supplier agreements
- Consolidating card agreements and payment vendors
- Centralizing program management – using fewer travel managers or buyers
- Using a consistent set of metrics to measure the effectiveness of a managed program
- Centralizing budget management
- Creating common service delivery standards

There are no absolutes in global travel management and there is no “one size fits all” approach to consolidating a program. But every company can apply best practices to balance local and global needs. Therefore, regardless of how one defines and deploys a global travel program, all successful, consolidated programs have one common characteristic: They are designed to offer local flexibility for differences in cultures, regulations, settlement, travel behavior, purchasing habits, suppliers, GDSs, and partners within a structured, global framework.

While the term globalization implies a worldwide effort, consolidation always occurs in a phased approach. It does not require a company to travel to all parts of the world before considering this option.

In fact, few travel programs are completely consolidated and globally managed. For these reasons, the terms globalization, expansion, internationalization and consolidation will be used interchangeably within this white paper.

When to Globalize?

Travel program consolidation has historically been touted as a best practice exclusively for multinationals and travel buyers with travel budgets in excess of $25-30 million. Many mid-sized companies
doing business in at least one or two countries, using a centralized approach to travel and sourcing functions and spending $10-30 million on travel are also prime candidates for consolidating travel programs. However, these firms tend to struggle with whether their program is ripe to consolidate and with finding the most opportune time to expand it internationally.

While the task can feel daunting, a number of clues can help determine a corporation’s readiness. These indicators fall into three categories – general corporate, strategic initiatives, and travel program-related – and can serve as a litmus test for evaluating your own organization and travel program:

**General Corporate**

- **Corporate structure changes.** Corporate headquarters moving internationally, corporate offices opening globally, international acquisitions occurring or planned and recruitment efforts beginning abroad.
- **Follow thy customer.** A globally expanding client and/or prospect base that warrants managed travel support in regions not previously covered by current policies and programs.
- **Acquisition for broader distribution.** A global expansion or change in partners and distribution providers.

**Strategic Initiatives**

- **Company-wide focus on cost reduction.** Renewed attention and scrutiny of your firm’s major controllable expenses, like travel. Companies must aggressively streamline processes and resources to combat the impact of the global recession and recalibrate value and profit margins.
- **Duty of care responsibility.** Increased focus on mitigating employee risk and ensuring traveler safety (as first defined by the Corporate Manslaughter Act in the United Kingdom in 2008).
- **3P’s or triple bottom line accounting.** Heightened corporate responsibility to track not only how much is spent on travel, but also its financial (p = profits), environmental (p = planet) and social (p = people) impact.
- **Corporate accountability.** Increasing need for greater transparency, corporate governance, standardized procedures and automated processes, as required by the Troubled Asset Relief Program (TARP) and the Sarbanes-Oxley Act.

**Travel Program-Related**

- **Increased global travel.** High incidence of multi-segment flights or increasing travel to foreign locations that may not be supported by current travel policies or serviced by existing suppliers, GDSs, TMCs, or booking tools.
- **Supplier fragmentation.** Fragmented use of multiple suppliers or supplier sub-brands where individual volume does not yet warrant corporate discounts, but whose combined volume could be of value to a more narrowed set of suppliers (or the supplier brand family) on a multi-regional basis.
• **Disjointed or incomplete data/metrics.** Difficulty in compiling or using multiple data sources and tools to gain control and create a consolidated picture of your firm’s supplier spend.

• **Varying levels of program maturity.** Geographical differences in the maturity or sophistication of the travel program that leave your firm vulnerable to cost concerns, compliance gaps and missed savings opportunities (immediate red flags for procurement, financial and auditing officers).

• **Stagnant or underperforming regional pockets.** Consistently missing compliance and savings goals in various countries or regions despite efforts to restrict travel, use lower classes of service and tighten travel policy and allowances.

• **Procurement on steroids.** Procurement’s heightened appetite for greater transparency and corporate governance in sourcing, buying, contracting for and tracking travel spend (as well as vendor consolidation) to reduce the complexity of a program and strategically leverage spend.

If the above conditions are true in your organization’s travel program, now is the time to begin expanding.

**Benefits of Globalization in a Travel Program**
Gauging a company’s readiness for globalization is the first step. Understanding the value and benefits achieved from expanding a travel program will determine the fit and motivation for your own organization to proceed. Whether expanding to a single country or to many, numerous benefits are associated with globalizing a travel program.

• **Spend visibility and control.** Consolidating a program with an integrated group of existing partners and tools creates a holistic view of spend and opportunities for cost savings. It also provides the business intelligence needed to centrally manage travel, influence behavior and encourage local decision making and analysis. Sharing this knowledge with regions around the world promotes best practices across the company, encourages planning and budgeting (sorely needed for the mid-size segment) and ultimately improves a company’s competitive position by lowering indirect expenses.

• **Program and process efficiency.** Automating and/or standardizing booking, fulfillment and tracking processes enables firms to comply with government regulations, embrace local nuances and align with an integrated team of partners that have broad global presence and local expertise. Automation eliminates redundancies, expedites travel reimbursement in the home currency, integrates automated expense report filing and improves transparency of sourcing, buying, spend and tracking activities.
• **Policy flexibility.** Consistent and flexible application of corporate policies improves proficiency and productivity and reduces costs and program complexity. By recognizing countries where business travelers never fly coach or where there are differences in per diem requirements, travel policies can promote culturally sensitive best practices.

• **Compliance.** The essence of a successful program directs travelers to use preferred suppliers and company-endorsed practices. Monitoring and proactively addressing leakage improves program performance and drives cost savings.

• **Purchasing power.** Corporations can leverage volume discounts by combining travel spend across countries/regions, transient and group travel, corporate card spend and supplier brands. There will also be fewer relationships to manage.

• **Best-in-class service.** Implementing global best practices ensures that all divisions and offices have access to the same data by which to improve service levels.

• **Traveler satisfaction.** A “follow the sun” service approach ensures that, regardless of time zone, travelers have access to Web-based tools and travel agents for reservation and en route support. User-friendly SBTs and automated expense reports also drive traveler satisfaction. Happy travelers become a program’s strongest advocates.

• **Risk management.** A global program leverages technology to track employees wherever they are located to ensure their safety.

**Anticipate the Roadblocks**

Program consolidation cannot be achieved without understanding some of the obstacles that could derail success. Mid-size programs will encounter a number of hurdles as they expand their corporate travel programs to international markets.

• **Cultural, language and regulatory differences.** A generic or U.S.-centric approach to consolidating travel fails to account for important regional nuances. For example, different work habits and a calendar filled with religious and secular holidays in Eastern Europe requires greater cycle time when working in the region. Multiple dialects make accurate
translation a must across tools and service centers in China. Different taxation guidelines for resident versus non-resident entertainment expenses in the U.K. require highly flexible automated expense systems to support an expanding travel program.

- **Difficulty obtaining global data.** Because travel spend is resident in internal and external silos of data, it is difficult to obtain spend volume across international offices. It requires access to multiple sources, firsthand knowledge of a market and expertise in the subject matter.

- **Integrating technology globally.** While automation is always expected to be the more cost-efficient option, this is not the case around the globe. Automation should be used selectively in regions like India, China and the Middle East, where low labor costs diminish the economic value of corporate booking technology and position the cost of online transactions close to that of agented transactions. This parity requires TMCs to sell their services on the basis of process efficiencies, data consolidation and service.

- **Lack of financial, negotiating or strategic planning expertise.** These skills are critical, and their absence will slow the expansion process. Therefore, the necessary talent must be acquired or performed by travel partners.

- **Internal conflicts and power struggles.** If not brought early enough into the globalization process, information services, human resources and other corporate stakeholders can derail consolidation efforts. In addition, if the input, advice and feedback from local representatives is not actively solicited and communicated at the onset of the process, program buy-in, compliance and support can be compromised.

- **Senior management/executive sponsorship.** Gaining corporate or internal support and buy-in is essential. The most successful programs originate with strong executive sponsor(s). This buy-in can be obtained if the value of a globalized program can be quantified.

**Long-term process.** Depending on the scope and complexity of your travel programs, the internationalization process could take two to three years to complete and can present daunting logistical challenges.
The cost efficiency of internationalizing a travel program is quite compelling for the mid-size company. Success can most notably be attributed to changes/implementation in policy, centralized access to content and leveraged buying power. The average savings from globalization ranges from 10-25%. This depends on the sophistication of the travel program, policies, technology and preferred partnerships/supplier relationships.

For the mid-size company, implementing a standardized travel policy with regional flexibility and purchasing guidance can account for the largest gains: 10-15%. This process includes standardizing preferred suppliers, advance booking options, pre-trip approval requirements and specific reimbursement rules about what is acceptable to purchase. Consolidating GDS, TMC and booking partners and centralizing access to content can generate an additional 5-10% in savings. Leveraging spend volumes across markets with a narrower set of global contracts and local suppliers will yield similar savings. Savings at the top end of these ranges can also be achieved by:

- Implementing consolidated reporting to track compliance and performance, monitor traveler safety and gauge risk exposure
- Deploying a central payment vehicle(s)
- Implementing advanced efficiency technologies, like SBTs and an automated expense management system
- Aligning with existing partners with a strong presence in the targeted markets

It is important to note that the higher the spend and the more fragmented the program is at the onset, the greater the savings return.
Multiple Operational Models of Success

There is no single formula, set of absolutes or universal operational model that guarantees every company’s success in globalizing a managed travel program. If, however, you view the consolidation process as an opportunity to streamline your program, align it around current partners, and strategically blend local best practices from around the world, then you have a recipe for success.

There are several operational models to consider when globalizing a managed business travel program. Each centers on the type of travel management organization used and varies based on global reach and local expertise. The inevitable trade-offs need to be evaluated based on factors such as:

- Number of countries with operations
- Longevity in the market
- Breadth of local presence and established relationships with local organizations and governments
- Ability to deploy key technology consistently around the world
- Depth of regional understanding (e.g., business, culture, service requirements, payment nuances)

- Centralized access to content
- Technology access, capabilities and reach
- 24/7 service support for global travelers
- Complexity of regulation in targeted country

**Global TMC**

The global or large TMC is best suited to supporting a more sophisticated travel program and expansion into highly regulated markets. These corporate programs require a high level of customer service, customized products, the latest booking and analysis technology, business intelligence and partners with strong, global brand equity. They require more sophisticated payment and settlement tools to accommodate delayed invoicing and limited credit card usage in select foreign locations. These firms also require accurate billing information to accommodate travelers who change plans before traveling (in the Middle East, this can be as high as 75%). In addition, a TMC’s global footprint, established relationships and equity position can be helpful in navigating highly bureaucratic markets where relatively simple tasks (e.g., obtaining a visa) are
time-consuming and difficult. Global TMCs offer corporations scalability to expand into one or two markets initially and into multiple locations over time. A global TMC also offers consolidated reporting, preferred or negotiated rates, consolidated invoicing, 24/7 worldwide support, traveler security, local insight, a single point of contact and stability of business. Finally, a global TMC will be able to settle in dollars.

Regional TMCs/TMC Consortia
This configuration offers the mid-size company an affiliated network of travel agencies that leverages the collective buying power of its members. Each member is screened to offer unique niches of expertise and meet certain standards of performance. The consortia offers consistent service levels, technology and customized support across its corporate base. Technology is not always designed with global applicability and may offer limited value depending on the markets targeted. Because each of its members are smaller agencies, no one TMC has the authority to make global decisions.

Local TMC Partners
The local TMC provides solid reservation support and low prices for the mid-size company, but will not make technology development a priority. Since these corporations are fairly cost-conscious, they will actively seek automation from the GDS in exchange for multi-year GDS contracts. This can be offset by working with GDSs, which supply additional technology. While not all GDS products work in all countries because of regulatory and business issues, it is imperative that a company is aligned with a GDS that has a strong global reach and tailors its technology to the needs and nuances of specific regions. This will enable a company to expand its program to other countries over time without having to change GDS partners. In addition, these smaller agencies provide sufficient support for travel documentation in less regulated markets such as Bahrain, where travelers can obtain a visa upon arrival. Local TMCs can only assist with expansion efforts within a specific country. This means the U.S. travel buyer will have to coordinate relationships with multiple country managers, a variety of TMCs and different GDS providers. This prevents corporations from benefiting from broader buying clout with suppliers and GDSs.

Collaboration is Critical
Regardless of the option chosen, it is vital to partner with a group of TMCs, GDSs, corporate cards, booking tools and expense management system providers. As you evaluate possible collaborators, a number of trade-off considerations should guide your decisions. These considerations again center on the balance between global presence and local expertise and the travel needs of your organization. For example, it may be wise for mid-size companies to:

- Align with a vendor with broader global penetration and more limited rail content rather than one with local expertise and deep rail content if rail represents
a limited portion of travel spend and consolidation is targeted for multiple countries within a region.

- If you have an SBT, ensure it works globally. If you haven’t decided on a booking tool yet, make sure your selection is customer-centric, scalable and global. Use this tactic if your company is aggressively looking to realize immediate and significant cost savings from the travel program.

The partners you work with can help you evaluate these considerations for your specific program and globalization goals.
So how does an organization evaluate which markets should be considered first for international program expansion? First, it takes a close look at a combination of internal factors and external market conditions. Each international market has its own set of challenges and drivers that together define the ease with which a firm can expand its managed travel program there. PhoCusWright has identified 10 readiness criteria that can be used to determine the “globalization readiness” of any given market.

### Top 10 Criteria Defining a Market’s Readiness for International Program Expansion

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<th>Globalization Criteria</th>
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<td>Current or increasing use of Web/online tools</td>
<td>Use of the Internet and affinity for Web applications and SBTs</td>
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<td>Sophistication of travel management</td>
<td>Centralized approach to managing, sourcing and analyzing travel spend and travel behavior</td>
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<tr>
<td>Technology infrastructure</td>
<td>Existing infrastructure to support Internet access, broadband penetration and mobile devices</td>
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<tr>
<td>Centralized access to/purchase of content</td>
<td>Centralized access to local, national and international rail, air, hotel and other content</td>
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<tr>
<td>Use of credit cards</td>
<td>Use of automated payment methods and corporate cards vs. invoicing and cash payments</td>
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<td>Global (vs. local) TMC dominance/consolidation</td>
<td>Composition of global TMCs/TMC networks vs. local/regional TMCs</td>
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<tr>
<td>Simple regulatory environment</td>
<td>Regulation of suppliers, GDSs, businesses, visas and taxation</td>
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<tr>
<td>Service-oriented economy</td>
<td>Affinity for high-touch service</td>
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<tr>
<td>Fee-for-service structure</td>
<td>Affinity for paying for value-added travel services</td>
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<td>High share of large/multinational businesses</td>
<td>Proportion of large, multinational organizations vs. local, smaller firms</td>
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Figure 1

Source: PhoCusWright Inc.
The third part of the equation is an external perspective of the markets being considered for global expansion. To help you prioritize which countries are most ready, this section provides a brief profile of the top five business travel markets in three regions: Europe, Asia Pacific and the Middle East. In addition to regional and country overviews, the figures below rank each country’s readiness (high, medium, or low) by whether it meets globalization criteria.

### Europe
As of 2007, there are 27 member states in the European Union (EU), including the newly added Romania and Bulgaria. Of these, 16 use the same currency (Euros). While the EU continues to move slowly toward becoming a single market, a pan-European travel approach is not recommended because of the many inherent differences between countries. The top five business travel markets in Europe (based on corporate travel revenues) are the United Kingdom, Scandinavia, France, Germany and Spain.

**United Kingdom (U.K.)**
The TMC market in the U.K is the most prepared for global consolidation in Europe. It is sophisticated and competitive, although it has undergone considerable consolidation in the last few years. While the top three TMCs account for more than 50% of the market, regional TMCs and SBT resellers have an active and global presence. At 70%, air dominates travel spend. The number of rail transactions continues to increase due to improved high-speed networks and relatively new systems like Evolvi that streamline the rail booking process for TMCs. The hotel sector is more difficult to measure, since many clients choose to pay hotels directly. Online activity is growing, especially for rail, but varies considerably by company and ranges from 2-40%, with an average of about 15%.

**Scandinavia**
Scandinavia is comprised of Denmark, Norway and Sweden, each of which has its own unique characteristics. While they are discussed separately in this profile, the countries are ranked in aggregate as Scandinavia on Figure 2.

**Denmark**
Though very small in area and population, innovative fare constructions and travel technology have made Denmark an advanced travel market. The business travel revenues of Danish TMCs are approximately $1.1 billion, and a sizable portion are derived from Danish SMEs (small to medium enterprises). The country relies heavily on international travel for business, which does not lend itself to online purchasing for local companies (as reflected by low and slow-growing average adoption figures of 2-19%). Low-cost carrier (LCC) bookings account for 5-7% of total bookings, but are expected to drop due to the collapse of Sterling, a major Scandinavian LCC that ceased operations in 2008.

**Norway**
Norway’s total TMC business travel revenues are approximately $2.4 billion and are skewed towards the many SMEs in the market. This above average volume is due to the sheer size of the country and the amount of domestic travel required to get around, rather than its base of 4.5 million people. Two locally owned TMCs – VIA Travel (globally affiliated with Radius) and Berg-Hansen (longtime affiliate of CWT) – dominate the market. It is highly consolidated.
market with the top four TMCs accounting for 76% of the transaction volume. As one of the more technically advanced countries in Europe, Norway’s online bookings are comparatively high at around 20-25%. Thus far, LCCs have not had a huge impact on the Norwegian market.

Sweden
Sweden is the largest of the Nordic countries, in terms of both population and corporate travel market. Interestingly, Sweden collaborates with Denmark and Norway (and to a lesser extent Finland); many corporate accounts are shared between the countries. TMCs also operate together on a Nordic rather than individual-country basis. Though a technologically advanced country, corporations prefer that travelers purchase via TMCs (versus SBTs). Sweden’s strong public concern for the environment is reflected by increasing rail travel, use of environmentally friendly cars when renting and the number of newly built “green” hotels.

France
France is one of the key markets in Europe. It has a relatively large population (just over 60 million) and a corporate travel market estimated at approximately $9.27 billion. The country is centrally located and has an advanced rail network that sells directly to the public. Hence, rail dominates not only domestic travel but travel to the U.K., Belgium, Holland and parts of Germany. Overall, air represents about 70% of corporate volume, followed by rail at 15%, hotel at 10% and car rental at 5%. Online bookings account for about 15% of the major TMC volume and less than 10% of the rest of the market. LCCs represent only about 5% of bookings, as many clients book these directly to save on fees. In addition to two global players that hold 50% of the market share, thousands of smaller, local agents work together in a consortia network. These groupings handle about 30% of the market. Egencia has its strongest presence in Europe in France, with an estimated 4.4% share. Since commission cuts more than four years ago, firms have adopted a more disciplined approach to the procurement and administration of business travel.
Germany
The total business travel market in Germany was estimated at about $10.2 billion in 2007 and growing (until recently) at an annual rate of about 2-3%. The corporate travel market is quite concentrated, with the top seven TMCs or groups in the country controlling 86% of the market. Causing some unrest in the market is a battle against the national carrier, Lufthansa, which does not make all fares available through all sources. Amadeus, which dominates the market, has yet to come to an agreement with Lufthansa on this issue. Currently Amadeus is carrying the extra cost of displaying these fares, but both TMCs and corporate clients are very unhappy about the situation.

Spain
Spain’s corporate travel market, valued at about $10 billion, is relatively mature. Major players like CWT and AmEx are gearing up for consolidation. Some of this evolution is driven by global clients, which are pushing these players to establish and enforce common, standard processes. Air travel expenditures constitute a major percentage of TMC revenues in Spain. Most business travelers are not averse to using low-cost airlines if the price is right. However, when it comes to incentives, they prefer traditional airlines.
Asia Pacific

Australia, China, Singapore, India and Japan represent the top corporate travel markets in the Asia Pacific region.

Australia

The Australian corporate travel market is estimated at $6 billion. It is common for multinational and local companies to in-source supplier negotiations, and some companies in Australia also hire independent travel management consultants. The market has matured and consolidated over the past decade, with a few players now controlling the TMC space. Market leadership tends to fluctuate between CWT, QBT and AmEx. Qantas capacity cuts in 2008 and declining hotel occupancy (now at 55-60%) are indicators of a downward trend in overall bookings. The online corporate players, like Egencia and Travelocity Business, have had little impact in this market.

China

As of 2007, the corporate travel market in China was valued at $10 billion. The market is quite fragmented, especially for air bookings, due to a strict regulatory environment. According to current policies, all foreign TMCs wishing to operate in China must establish joint ventures with Chinese partners and cannot hold a majority stake in these ventures. As the sole GDS provider for air distribution in China, TravelSky licenses distributors for air in different cities. These licenses are only valid for a single city, so TMCs are required to obtain a new license for each city. This has caused a large number of TMCs to proliferate nationwide, each specializing in a different part of the country. As such, no single TMC has captured a major share; the total market is shared across more than 10,000 TravelSky distributors. AmEx, CWT and HRG are recognized as the major foreign corporate travel TMCs in China, while Ctrip is one the emerging local corporate travel TMC. Despite these challenges, opportunities abound. The Chinese government is now deregulating the entry of foreign TMCs into China. E-tickets are making it possible for TMCs to operate nationwide without getting new licenses.

Singapore

Singapore’s corporate travel market is $2.1 billion. While small compared to markets like India or China, Singapore’s dynamic business environment ensures a large number of active corporate travelers. The overall travel market in Singapore is becoming consolidated, though there are still marked distinctions between local (45% of the market) and global players. Singapore has yet to see significant online bookings, though this is changing as U.S. multinational mandate online purchasing. There is widespread use of invoices by SMEs, which are the major clients of local TMCs. Corporations are limited in their TMC selection, as TMCs in Singapore charge transaction fees.

India

The expanding presence of multinational companies and the rising market share of LCCs in India has fueled corporate travel growth in recent years, and the corporate market currently accounts for $1.4 billion. However, high fuel costs and the termination of license fees is slowing that pace. TMCs are expecting relatively flat growth for the next few years due to the high concentration of SMEs and a business culture that emphasizes cost-cutting travel
solutions. Indians resist transaction fees because of their expectation of in-person (rather than online) service. TMCs include global and local companies that operate either through wholly owned subsidiaries or local partnerships. The market is characterized by low credit card usage and heavy reliance on invoicing, as few companies are compelled to pay vendors immediately. Cash card usage is increasing as an alternative form of payment for individual travelers.

Japan
The Japanese corporate travel market totals roughly $9-10 billion. Despite advances in consumer technology and the country’s affinity for it, the Japanese travel industry has been slow to innovate. A complex network of multiple GDSs and three or more air and rail proprietary reservation systems make integration difficult. This situation has prevented TMCs from leveraging consolidated databases of inventory or automated booking tools for full airline content and ticketing capabilities (e-ticket and/or market net fares). Such complexity has driven some firms to adopt their own in-house TMCs; barely 15% of the market is managed by specialized global TMCs. While the sector is slowly changing and adopting more efficient managed travel programs, it remains dependent on long-cultivated human relationships. High service requirements sometimes even outweigh cost considerations.

| Ranking of Globalization Readiness, by Country—APAC |
|-----------------------------------------------|-----|-----|-----|-----|-----|
| Overall Market Globalization Ease               | High | Medium | Low | Australia | China | Singapore | India | Japan |
| Current/Increasing Use of Web/Online Tools       | High | Medium | Low | Australia | China | Singapore | India | Japan |
| Sophistication of Travel Management             | High | Medium | Low | Australia | China | Singapore | India | Japan |
| Technological Infrastructure                     | High | Medium | Low | Australia | China | Singapore | India | Japan |
| Centralized Access to/Purchase of Content        | High | Medium | Low | Australia | China | Singapore | India | Japan |
| Use of Credit Cards                              | High | Medium | Low | Australia | China | Singapore | India | Japan |
| Global (vs. Local) TMC Dominance/Consolidation   | High | Medium | Low | Australia | China | Singapore | India | Japan |
| Simple/Easy Regulatory Environment              | High | Medium | Low | Australia | China | Singapore | India | Japan |
| Service-Oriented Economy                         | High | Medium | Low | Australia | China | Singapore | India | Japan |
| Fee-for-Service Orientation                      | High | Medium | Low | Australia | China | Singapore | India | Japan |
| High Large/Multinational Share of Business (vs. Local/SMEs) | High | Medium | Low | Australia | China | Singapore | India | Japan |

Source: PhoCusWright Inc.
Middle East

- The Middle East market includes several different areas. This section focuses on five of the six countries in the Gulf Cooperation Council (GCC): Saudi Arabia, United Arab Emirates (UAE), Qatar, Kuwait and Bahrain. These countries will be referred to collectively as the GCC.
- While each state is unique, there are some inherent and noteworthy characteristics about the region that will impact its attractiveness and the globalization approach taken:
  - The GCC is quite traditional in its approach to business travel. The migration to managed travel processes has been stimulated by the regional presence of large oil and energy companies and the influx of multinational corporations (MNC) over the past 8-10 years. As a result, increasingly sophisticated travel management practices are being deployed in most countries (except UAE) as MNCs deploy cost-cutting initiatives like virtual conferencing to reduce nonessential travel.
  - The business travel sector is expected to grow as the GCC invests heavily in infrastructure, airport facilities and hotel offerings. These factors will contribute to whether it earns a reputation as a hub for international business in the future.
  - Corporations provide basic travel policy and management. Historically, travel decisions have been driven by customer preferences or costs, but companies are beginning to adopt more centralized principles and establish standard policies, preferences and reporting as issues of security and savings become more pressing.
  - Travelers and corporations expect a high level of personalized service, particularly because travel plans from this region constantly change (e.g., ticket re-issues). Expatriates account for more than 50% of the population in each of the GCC states. The majority are blue-collar workers with a limited income.
  - There is limited to no use of SBTs. Corporations are unwilling to pay usage fees and small and mid-size TMCs are reluctant to spend on automation because their margins are so slim. Nonetheless, TMCs are actively promoting online tools to MNCs but will require substantiation of ROI to boost adoption. It is anticipated that GDSs will provide this automation to entice corporations to sign multi-year agreements.
  - Kanoo Travel, Bahwan Travel Group, Sharaf Travel and Alshamel Travel & Tourism represent the largest travel agencies in the region. TMCs win corporate contracts because of price, reputation and the ability to ticket and get the desired routing for the trip.
  - Airlines typically work directly with TMCs, though (as in Europe) this is beginning to change as airlines seek to capture a greater share of the lucrative corporate travel segment. How closely they work together varies by market. The smaller and less sophisticated the country (in terms of travel management), the more suppliers and TMCs (as well as other partners) will work
together. Joint ventures and alliances are quite common within this region as a means to expand penetration among the agency community (e.g., Sabre and Gulf Air).

- Every country has a national carrier and one or two LCCs. National carriers are more dominant in the Middle East, though the number of LCCs is slowly increasing. Allegiances remain with national carriers because they employ a large (relative) percentage of the population and are often government-owned (e.g., Gulf Air was previously owned by Bahrain, Oman, Abu Dhabi and Qatar). LCCs offer Web-only ticketing that does not go through International Air Transportation Association (IATA) or Billing and Settlement Plan (BSP) processing.

- Labor is fairly cheap and terrain rough, so corporations often delegate travel tasks to the TMC rather than having the traveler do it himself via the Internet.

- While four out of five Middle East travelers own at least one type of payment card (source: MasterCard Consumer Lifestyles Survey, 2007), use of credit cards is not an automatic process for business travel. In fact, invoicing is far more common between TMCs and corporations.

- Managed travel bookings are traditionally completed directly with air or hotel suppliers, followed by local TMCs.

**Saudi Arabia**

This market is comprised primarily of organized labor and technicians (85%), followed by nonprofessional staff (10%) and professionals employed by the government and private sector (5%). Three GDSs compete in this price-sensitive market and are educating travel agents about the value of managed travel. Like the rest of the Gulf, Saudi Arabia requires highly personalized service built on long-established relationships.

**UAE (United Arab Emirates)**

The UAE is a federation of seven monarchies. It is one of the region’s most vibrant and developed economies. It is also one of the most connected countries, with an Internet penetration rate of 60% (source: Arab Advisors Group). However, its economic recovery over the past five years is expected to slow due to high debt levels, a sharp drop in oil revenues and a struggling real estate market (source: Gulf Cooperation Council, Oct. 14, 2009). The increased use of low-cost carriers, growth in air taxis and business jets, use of the Internet for booking business travel and the introduction of lower-cost hotel properties (specifically in Dubai) mark the growing importance of cost-consciousness in business travel in this region. While few corporations have clearly defined policies, market dynamics suggest a ripe opportunity for corporate buyers to renegotiate rates with hotel suppliers.
Qatar
Considered a late starter in commercial exploitation of oil and infrastructure development, Qatar is developing its presence in this region. As in the UAE, Web-based and online tool usage is being driven by larger TMCs. It is expected that Qatar’s online usage will rival the UAE’s by year-end 2010. This, coupled with an increasing presence of MNCs, will help drive a more managed approach to business travel.

Kuwait
Kuwait has an active migration toward travel agents and away from supplier direct purchasing: Travel agents represent the preferred method of purchase for outbound travel. Most key wholesalers have online booking engines used not by consumers but by retail travel agents through an extranet. In anticipation of increasing demand for managed business travel, Kuwait-based TMC Alshamel International is expected to expand to Saudi Arabia and Oman this year.

Bahrain
Called the “Gateway to the Gulf,” Bahrain is one of the smallest and most centrally located GCC countries. It does not rely on oil as much as the other states. In fact, oil and gas contribute less than 20% of gross domestic product (GDP) growth. Bahrain is the only GCC member that permits 100% foreign ownership of companies. This helps attract international businesses and corporations (e.g., HP, Kraft, Citigroup). Dadabhai Travel is one of the country’s leading agencies.

### Ranking of Globalization Readiness, by Country—Middle East

<table>
<thead>
<tr>
<th>Feature</th>
<th>Saudia Arabia</th>
<th>UAE</th>
<th>Qatar</th>
<th>Kuwait</th>
<th>Bahrain</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

Figure 4
Source: PhoCusWright Inc.
Larger corporations have a host of must-know issues and learned secrets that could enable mid-market companies to leapfrog through the consolidation process.

1. First, assemble your subject matter experts. This is the team of individuals who will serve as your critical advisors and help you navigate the minefields as you expand your program. They can include specialists in your home location (e.g., tax, legal, finance and human resources) and in the countries you are targeting for expansion. Since this is the true first step to controlling information about your globalization plans, their support is critical to your success.

2. Listen and learn. Be sure to travel abroad and listen to expert insight about what globalization really means in that country as well as the obstacles, business issues, regulatory concerns, cultural nuances, service requirements (e.g., destinations traveled, change flexibility), executive expectations and proportion of expatriates that define the market. This information will serve as the basis of your strategic plan.

3. Pride drives local resistance. By the time you arrive, in-country associates will know more about you and your efforts than you will about them. They will be proprietary about their practices, having functioned autonomously until now. You will need to earn their trust and help them understand corporate goals, the global picture and the importance of holistically managing travel as a controllable expense.

4. Develop a strategic plan. Complete with milestones and dates, the plan should reflect 1) the travel landscape, 2) the country’s integration with other locations, 3) the entire supply chain (globally or by country), 4) the global expectation for this country’s market, 5) actionable business intelligence metrics, and 6) corporate strategy.

5. Strive to obtain financials that reflect the actual cost of travel in that country’s market. Lack of information will require you to compile the travel spend picture. Tap multiple resources to reconcile country sales estimates with profits and loss, costs and impediments. These include local travel buyer/TMC information, accounts payable, suppliers, GDSs, expense management, self-booking tools, card vendors, third-party information management partners and benchmark data from others already started on globalization.

6. Develop change management documentation. Communicate frequently with C-level executives, subject matter experts, partners and travelers about progress, challenges and impact on procurement and consumption strategies.

7. Create plan buy-in. As soon as global responsibility is assigned, host a meeting with all in-country personnel to capture three best practices and three concerns about globalizing the travel program. Globalization messaging should originate from your chairman, CFO, CEO or CPO and be
echoed by all executives, particularly those in affected regions.

8. Use a global procurement structure to establish a supply chain in order to control costs.

9. C-speak is the universal language. It is important to have C-level buy-in within the designated country(s). Solicit the approach local CEO or CFO recommends to save money. You will garner this support if you’re prepared to present an alternative model that accomplishes the same sales targets at a lower cost. Monitor progress and revisit the plan after the first six months. Use ROI metrics to capture performance, including the cost to produce a ticket, travel cost as a percent of sales and travel savings as a percent of earnings.

10. Unite travel buyers by top concerns. Travel buyers involved in globalization fear having to single-handedly implement a global program and that the U.S. program will suffer as expansion ramps up.

11. Any program is scalable, but all require phasing to be successful. While your goal is to think comprehensively, start locally. Consider testing the program in larger markets, where you anticipate the least resistance. This will build buy-in and justification for wider implementation.

12. Anticipate the amount of time required and then double it. Cultural, language and terminology barriers will inevitably slow the process. Integration with third-party software, security reviews of SBTs and rate-loading of hotel information always take more time than expected. Travel buyers with additional, non-standard responsibilities (e.g., freight and fleet management) will need to be vetted to allocate these responsibilities properly. And for those not accustomed to a structured or well-managed program, extra guidance is essential — especially because more processes are done manually in these markets.

13. Delivery of the same services and capabilities globally is not possible even for the largest of TMCs or technology providers because each region operates so differently. Companies must establish local service level agreements and partnering relationships.

14. Be sure the technology works worldwide so selections are not made in a vacuum.