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Are Hoteliers Ready to Meet the New Challenges in Online Business Travel?

The Internet has changed the way business travel is being negotiated, managed and purchased | By Max Starkov and Jason Price

The Internet has changed the way business travel is being negotiated, managed and purchased. According to Forrester Research, 70% of Fortune 1000 companies will have installed their own self-booking systems by the end of 2002. Jupiter Media Metrix estimates that the US online managed corporate travel bookings will grow from $12 billion in 2002 to $32.8 billion in 2005. A major trend over the past years is the blending of leisure and unmanaged business travel on the Web. Are hoteliers ready to handle these new challenges? Are they in control of price integrity or are they already losing high-paying business travelers to the online discounters?

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Corporations Embrace the Self-Booking Model

US business travel expenditures reached $174.7 billion. Online corporate travel in the same period reached $8.6 billion representing an overall adoption rate of 9.5% (PhoCusWright). PhoCusWright estimates that online corporate travel expenditures will represent 18.6% of the total US market by 2003. Business travel ranks among the top three corporate expenses. The economic downturn is forcing corporations to better control T & E expenses and to mandate self-booking systems. Booking travel in a self-serve mode trims down travel management fees and can lead to significant savings.

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Corporate adoption rates of self-booking systems, a key GetThere metric, now averages 16%, an increase of 55% from the same period last year. For Q2 2002 GetThere reported strong corporate self-booking revenue growth of over 100% compared to the same quarter in 2001.

This year more than ever corporations are introducing travel policies requiring their employees to book business travel via the corporate self-booking systems. According to a recent survey by GetThere, Inc., 27% of their clients already use a mandate and 45% plan to have one in place this year.

Corporations see the benefits of online booking. According to GetThere, the motivation for increased adoption of self-booking systems is cost savings. Its recent survey showed that 89% of companies were paying 42% less on travel agency fees for trips booked online. GetThere claims that 42% of employee trips made in Q2 2002 were booked online, up from 24% for the same period last year.

Gateway Inc. achieved a remarkable 98% usage of their Intranet-based self-booking engine, provided by e-Travel (acquired by Amadeus). Honeywell managed a 72% adoption rate of their GetThere (Sabre) system within 8 months and saved millions of U.S. dollars in fees and lower Web-only fares. Seattle-based Highwire Inc. (acquired by Galileo), a rising star in the corporate self-booking systems, back in 2001 inked deals with some of the largest business travel accounts in the country including Microsoft and Deloitte & Touche.

Online Managed Business Travel

The growth of the online portion of managed business travel is exceeding the general growth in online travel. In 2002 over $12 billion worth of managed business travel will be booked online. Jupiter projects that by 2005 31% of all managed business travel bookings will be done online.

The 2001 acquisitions of e-Travel by Amadeus and Highwire by Galileo followed Sabre's $757 million purchase of GetThere, Inc. back in 2000. These acquisitions were a reflection of the growing importance of online self-booking corporate travel solutions. In addition to its own self-booking product TripManager, Worldspan invested in and expanded its partnership with Datalex and its self-booking technology (BookIt!Corporate) over the past 24 months.

Here are the main technology providers of self-booking systems:

- GetThere, Inc. (Sabre) is the pioneer in this market and has over 2000 corporate clients.
- E-Travel (Amadeus)
- Highwire (Galileo)
- Datalex (Ireland) and its BookIt!Corporate booking engine, used by Siemens, Canada
- TRX , based in Atlanta offers ResAssist corporate booking engine, used by TQ3, Rosenbluth and WorldTravel BTI

- I:FAO AG, a publicly listed company (Neuer Markt, Frankfurt Stock Exchange), used by 650 companies mostly in Europe.

GetThere, Inc. is the market leader and claims to be the world's largest provider of online corporate travel reservation systems. Among its clients are half of the Fortune 200 companies and such marquee names as Boeing, Charles Schwab, ChevronTexaco, Cisco, General Electric, Boeing, PWC, etc. In July GetThere announced the GetThere Multi-Source Engine, a technology that gives corporations access to virtually all fares and travel options (GDS, Web-only, supplier websites, direct connections to supplier CRSs, etc).

Online Unmanaged Business Travel

Another major component of the corporate travel market is the unmanaged business travel. A major trend over the past years is the blending of leisure and unmanaged business travel on the Web. Actually, unmanaged business travel, as far as the Internet as a distribution medium is concerned, is no different from leisure travel. Millions of sales people, executive and consultants from mid-size and smaller companies are already using the online services to book their business travel. It should serve as no surprise that of all the major online agencies are extremely interested in this market. Both Expedia and Travelocity claim that 30% of their bookings are business-related.

Online leisure /unmanaged business travel:

2000: $13.4b

2001: $17.2b

2002: $24.8b

2003: $31.9b

2004: $37.8b

2005: $46.2b

(eMarketer/Jupiter Media Metrix)

These trends present a threat as well as opportunity for Internet savvy major brands to develop a robust eDistribution corporate travel strategy aimed at expanding market share and increasing revenues from this lucrative market.

Who are the most likely "converging business travelers" to adopt online travel purchasing?

- Small business owners
- Sales people and consultants
- "Rogue" purchasers- corporate travelers beating the mandates

(NBTA, PhoCusWright)

The Web has a major impact on corporate travel programs. For example, "rogue" purchasing affects ability to meet contractual obligations with suppliers

Here is how corporate travel managers react:

- 49% think Web fares affect ability to manage travel programs
- 45% believe Web fares influence corporate traveler choices
- 27% think Web fares affect ability to reach contracted volumes

- 51% forbid employees from booking travel online

(NBTA Survey, 2002)

Here is how corporate travel policies handle the question of using the Internet to book business travel online:

"Does your corporate travel policy allow using the Web to book travel?"

- 36% - yes
- 51% - no
- 13% - no corporate policy

(OAG Survey, 2002)

In 2002 Expedia announced plans to launch a dedicated travel and technology services division by the end of the year thus becoming the first of the major online agencies to provide a full array of travel services needed by corporations. As part of its new strategy, the company purchased Metropolitan Travel, a Seattle-based corporate agency, which last year generated $150 million in gross bookings and has among its clients Starbucks and Nordstrom.

Orbitz.com also announced services for corporate travel departments in a move it said would save companies as much as 75% from the costs charged by offline travel agencies. "Orbitz for Business" will allow companies to compare their negotiated prices with published and Web-only prices for air, hotels and cars. Orbitz plans to charge as little as $5 a ticket.

As a minimum, the hotel brand website should be enabled to provide online business travel reservations (transient and negotiated) at corporate and preferred rates. Another opportunity is developing a special online corporate program on the hotel website for the SME market (smaller and mid-size corporations) that automatically creates new accounts, tracks commitments and productivity, and provide rewards, etc.

Here is how online US business travelers respond to the question "Where have you booked business travel online?"

- 57% - Supplier website:
- 42% - Online agency:
- 23% - Company's booking engine:
- 12% - Consolidator:
- 11% - Traditional agency:
- 09% - Portal:

(2002 Forrester, Multiple responses allowed)

Conclusion

The Internet has changed the way business travel is being negotiated, managed and purchased. In this economic environment corporations are not only cutting travel expenditures, but are actively saving costs by introducing self-booking systems and more relaxed policies toward purchases over the Internet. Self-booking corporate travel systems are becoming the norm. By 2005 31% of all business travel bookings will be done in the self-serve mode. A major trend over the past years is the blending of leisure and unmanaged business travel on the Web. The mega online services like Expedia and Travelocity claim that 30% of their bookings are business-related. Hoteliers' business travel strategy should become an

integral part of their overall Internet distribution strategy to avoid losing their best paying customers to the online discounters.

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