

“2011 Travel Forecast & Trends”

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CTBR Forecast:	5 – 6% increases
Other Industry Forecast:	2 – 10% increases

If you have ever read one of my pricing forecasts you know they generally do not align with the forecasts of the top travel management companies and travel associations in the industry. I commonly poke fun at these entities because they're very seldom accurate in their forecasts, especially the past several years. 2010 was no exception. Most forecasted small to moderate price increases of 1 – 7%. In comparison, my office forecasted higher single digit and even double digit increases, with the largest increases occurring in the third and fourth quarter. My forecast also assumed oil prices would trend higher in parallel with this time period. As 2010 comes to a close, airline pricing is up 10 – 13%, before ancillary fees, and other travel pricing is up between 7 – 10%. Oil is also currently trending at a two year high.

For 2011 I'm forecasting a more moderate increase of 5 - 6%. Other industry forecasts are all over the board - so take your pick. Some are forecasting smaller increases of 2 – 3% in all or specific categories/markets. Others are forecasting double digit increases in all or specific spend categories/markets. My modeling is also different because it assumes rates will increase 5 – 6% above the current highs or closing rates in 2010. Most other forecasts assume a year-over-year average increase. This difference in modeling actually makes my predictions an additional 1 - 2 percentage points higher in comparison because rates were considerably lower during the start of 2010.

For travel, a pricing forecast is always an average. Statistically, there will be more buyers above or below the targeted forecast than aligned right in the middle. A simple process to determine where your company will mostly likely fall in this average is to review your 2010 performance. Companies who experienced the smallest rate increases in 2010 should expect larger increases in 2011. Conversely, companies who experienced the largest increases in 2010 should expect more moderate increases in 2011. With 2011 being the start of a new decade, I have also outlined a few trends that should be interesting to watch.

Travel Management Companies (TMC)

Mergers and acquisitions will be the big news for the TMC industry during this next decade. In the top category we have the mega travel companies (*a TMC with over 1B in annual ticket sales and supports operations around the globe*). American Express, Carlson Wagonlit and BCD historically made up this category, with HRG recently gaining mega status. This category could get very crowded as more travel companies surpass 1B in ticket sales and expand their operations. In my opinion the market cannot support more than 4 - 5 players in this top category, unless there is a significant decline in the number of travel companies in the other categories. Expect the current top players to become more aggressive in acquiring smaller TMCs. Also, do not rule out a merger between two of the top players or between a mega and an online travel agency below. The current top players will also promote a new category (“Super Mega”) to maintain their top marketing position if more travel companies surpass 1B in ticket sales.

The second category covers corporate online travel agencies (OTA). The primary players include Egencia, Orbitz and Travelocity for Business, followed by several smaller start ups around the globe. The top three players are looking more like a mega travel company each day as they expand sales, operations, management services and their global reach. I don't believe the market can support all three players along with the current mega players. If there is not a merger between a mega and OTA, expect a merger between two online players and/or with one of the top regional TMCs.

Regional travel management companies make up the third and largest category. A regional TMC has annual tickets sales exceeding 100M and service locations predominantly in one country or continent. There are approximately 30 – 50 strong players around the globe with several approaching mega status (1B in annual ticket sales). In my opinion there are too many strong players, especially in the USA, for the market to support. The scalable survival sales goal for most will be 900M+ in annual ticket sales. I would not be surprised if the current numbers are reduced by 20% or more during this next decade. Some will be purchased by a mega, but expect a lot of consolidations among equals within this category. Also, look for more cross border consolidations or alliances between TMCs located in different countries.

Travel Management Function and Role

The last decade saw more travel managers or departments reporting up through the procurement/sourcing department. By the end of this next decade more travel managers/departments will be reporting through the IT department. I have already witnessed this change at several new clients. This shift is being driven by the impact of mobile technologies and the integration of other employee services/systems with the travel function. If I was a travel manager/buyer today, I would become friends with the CTO if you have not done so already. The traditional employee titles of "Corporate Travel Manager" and "Category Manager-Travel" will also be replaced with "*Employee Mobility Manager*" and "*Category Manager - Employee Mobility Services*" as the travel manager role is expanded or consolidated. Travel managers/buyers who do not expand their skills or department scope outside of the traditional travel department functions could become extinct or the minority in the industry.

Airline Industry

The major airlines are starting out this next decade in the best position they have been in many years. They have consolidated their numbers, formed stronger global alliances, controlled capacity, reduced labor costs, increased rates and are profitable. Historically, you would expect them to self destruct by recklessly adding capacity and other poorly planned business strategies. At least for the first half of the decade, expect the airlines to be more disciplined and continue current strategies. If this occurs, look for the major airlines to finally start upgrading and competing on service, not just pricing, to maximize revenue. The second trend to watch is the entry of new airline carriers. Historically, every time the industry has experienced a consolidation at the top new low cost carriers have entered the market. Southwest's expansion into major airline status (by volume) and JetBlue's recent success are other supporting factors. I would not be surprised to see several new start ups in this next decade, especially if the economy continues to rebound and the major airlines are conservative in adding capacity.

As in past decades the travel industry is always full of new surprises and challenges. This next decade should not disappoint. Buckle up and get ready for another bumpy flight.

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