

SAVINGS PER SECTOR
SEGMENT SHARE
QSI

32%
12%

KEY OPPORTUNITIES

COMPLIANCE & COVERAGE ASSESSMENT

SAVINGS BY REGION
PROGRAM SHARE

15%

ADVITO

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2013
industry**forecast**

EXECUTIVE SUMMARY	3
INTRODUCTION	8
CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST	10
Air	10
Hotel	21
Meetings	26
Car Rental	29
Rail	30
SECONDARY SPEND	31
Dining	33
Mobile	33
Ground transportation	34
APPENDIX	35
Regional cost per mile Y-o-Y	36
Historical ADR development Y-o-Y (key markets)	41
Historical ADR development quarterly (major cities)	45
Advance booking	48
Economy class ratio	49
METHODOLOGY	50



EXECUTIVE SUMMARY

Risk outlook

Economy

"The global economy remains in precarious shape," stated the Economist Intelligence Unit (EIU) *Global Outlook Summary* of June 18. After a strong first quarter to 2012 in most parts of the world, Q2 was significantly weaker. There are major fears about the euro crisis, especially the possibility of some countries exiting the currency. The EIU expects global domestic product in the eurozone to shrink 0.7 percent in 2012 and grow only 0.3 percent in 2013.

Europe's problems are also softening growth rates that would otherwise be healthy in other regions. The EIU tips the United States to grow 2.2 percent in 2012 and 2.1 percent in 2013. Even China is forecast to have a slower year, additionally because of fears that its own economy has overheated. The EIU predicts 8.2 percent growth in 2012, China's lowest figure since 2001, climbing slightly to 8.4 percent in 2013.

Oil price

Oil price has followed economic output, climbing high in Q1 and dropping again in Q2. The EIU expects the average price of a barrel of Brent crude oil to fall from \$110.90 in 2011 to \$109.50 in 2012 and again to \$103.40 in 2013. Therefore, no additional airline fuel surcharges are anticipated in 2013, but don't rely on carriers lowering their surcharges either.

Security/safety

At time of writing, no known security, safety or health risks are expected to have a far-reaching effect on travel demand. However, if the Iranian nuclear crisis escalates, demand could be affected severely, as could oil prices.

General travel outlook

In common with most economic and other forecasters, we are working on the assumption that the worst fears about a collapse of the euro or economic slowdown in China do not come true. Even if this optimistic assumption is correct, the fear factor alone will slow growth in travel for the rest of this year and 2013. Companies are stockpiling cash instead of investing. However, there is also little new supply in terms of airline seats or hotel rooms, so generally the cost of travel will continue to increase, either in line with or a little faster than inflation.

Air

Table 1 – Airfare Predictions for 2013

Slowing growth and little new supply will push fares steadily upwards.

		Regional	Intercontinental
North America \$	Business	+3%	+3%
	Economy	+5%	+3%
Latin America \$	Business	+6%	+6%
	Economy	+7%	+6%
Europe €	Business	+2%	+2%
	Economy	+3%	+2%
Middle East €	Business	+5%	+5%
	Economy	+5%	+5%
Asia-Pacific \$	Business	+4%	+3%
	Economy	+4%	+3%

Forecast of average development of air fares used by corporate clients 2013 against 2012
(in \$ USD or € EUR)

Source: © 2012, Advito. 2013 Industry Forecast

EXECUTIVE SUMMARY

Pricing

Airlines have kept the number of seats they sell under tighter control than at any time in living memory. They are quick to reduce or cancel under-performing services and cautious about launching new ones. Disciplined capacity management in the U.S. in particular has led to several domestic fare increases in 2012. Combined with more aggressive yield management (putting fewer seats into lower fare buckets), average U.S. domestic ticket prices have increased 5 percent.

Next year, demand will be strongest in Latin America, and therefore fare rises will be highest (6 percent to 7 percent). Demand will be lowest in Europe, so fares will rise only 2 percent to 3 percent. The U.S. will be up 4 percent to 5 percent. In addition to concerns about demand, other reasons fare rises will be moderate include competition from low-cost and Middle Eastern carriers and, in the U.S. specifically, fears that customers have reached the limit of how much they will pay. Average ticket price in Asia Pacific will be 4-5 percent higher thanks to expectation of strong long-term growth.

Long-haul joint-ventures

All three global airline alliances (oneworld, SkyTeam and Star Alliance) have small groups of members operating transatlantic joint ventures through which they jointly set pricing to corporate clients. There are a few transpacific and Europe-Asia Pacific JVs too. The past year has seen more evidence of JVs setting tougher targets and offering lower discounts, and we believe more is to come when the economy picks up robustly. 2011 should prove which of these views is right.

**Our recommendations for travel buyers and managers**

- **Don't accept airline proposals at face value.** Negotiate not only the level of discount but the details of the spend target.
- **Watch out for restrictions on fares.** In the U.S. especially, conditions such as minimum stays are making a return.
- **Step up your travel management in Asia Pacific,** where savings through introducing a policy and preferred supplier deals will easily outweigh fare increases.
- **Encourage smarter buying by travelers,** e.g., booking earlier.
- **Consider all carrier alternatives when negotiating airline deals.** Include the remaining independent airlines in your air program evaluation, especially the Middle Eastern carriers, which are becoming increasingly influential, well-priced alternatives.
- Watch out for **potentially higher prices in Europe** because of the Emissions Trading Scheme, and a possible trade war that drags in airlines.
- Ancillary fees aren't going away. Airlines are starting to report on them to corporate clients, which **might make the fees easier to negotiate.**

EXECUTIVE SUMMARY

Hotel Pricing

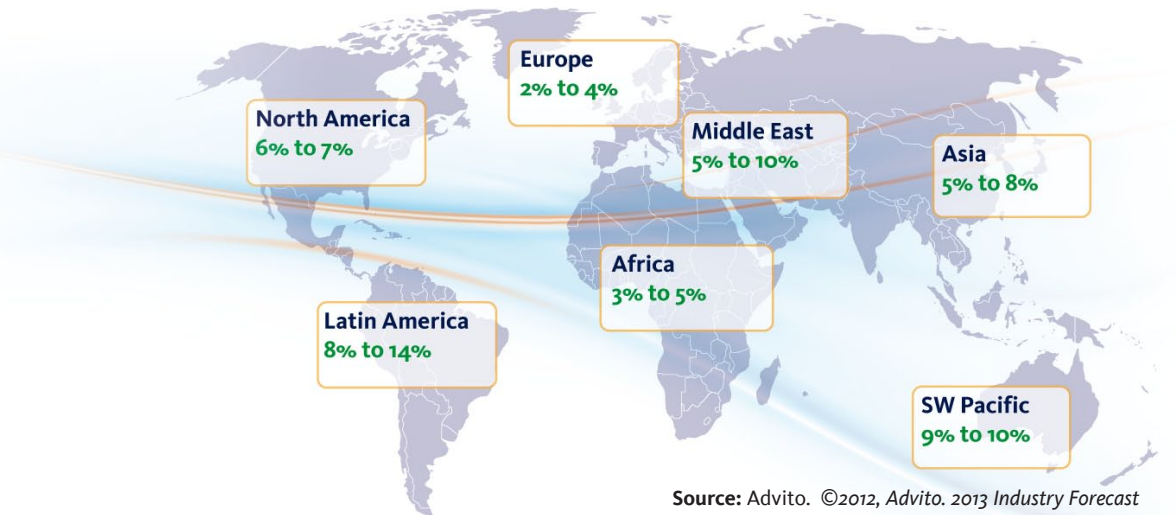
Negotiations for 2013 corporate rate programs will be the toughest for many years, with supplier and buyer expectations far apart. Hoteliers are looking for average rate increases of 8 percent to 9 percent but recent worrying economic news means we think they will achieve 5 percent to 7 percent on average. Africa and Europe will be lower, while the rate growth hotspots will be major gateway cities (e.g., New York, Hong Kong and Singapore) plus Australia and Latin America. Brazil will be hottest of all, up as much as 20 percent for the second year running.

BRAZIL RATES
UP 20%

Fig 1 – 2013 Hotel Average Daily Rate (ADR) Predictions by Region

In 2013 expect higher growth in gateway cities.

Figures represent Y-o-Y changes based on booked ADR



Source: Advito. ©2012, Advito. 2013 Industry Forecast

Our recommendations for travel buyers and managers

- **Understand your buying power in better detail.** It will be unrealistic to refuse all rate increases but don't give in completely to hotels' higher rate demands either. Better data analysis will help you identify where you can stand firm and where you should give way.
- **Look again at supplier consolidation,** perhaps reducing to only one property in less important locations in your program.
- Conversely, **consider expanding** the number of properties you use in high-demand markets to improve the likelihood of booking availability.
- Continue to **negotiate free breakfasts and Wi-Fi.**
- **Watch out for hotel negotiating ploys,** such as giving discounts on standard rooms when no rooms at the property are designated as "standard."
- **Look for internal savings,** such as minor downgrades in accommodation standards or setting price caps per city.
- Some hotel chains are trying to cut short the RFP (request for proposal) process for 2013, e.g., allowing a maximum of 90 days for responses or agreeing to only one re-bid. It is in both sides' interests to make bidding efficient, but **go to more than one re-bid** if it helps nail the right price.

EXECUTIVE SUMMARY

Meetings

Pricing

In the U.S., growing demand with little increase in supply to balance it will lead to above-inflation rate increases, especially in New York and luxury destinations. Rates in Europe will be more in line with inflation because demand has softened after a strong start to 2012.



Car rental

Pricing

Fierce competition between the big three suppliers in the U.S. has kept corporate rental rates frozen, or lower, for the past couple of years. We expect this favorable situation for buyers to continue into 2013.

Our recommendations for travel buyers and managers

- Watch out for hotels reducing **how long they will hold space** without an executed contract in place. It can be for as little as one to two weeks to a month.
- Lead times (the time between when a meeting is booked and when it takes place) will remain shorter than five years ago, although there is evidence of them lengthening again in the U.S. Beware that short lead times in the present marketplace will likely mean higher prices. But **don't make the lead time too short** – not only might preferred dates and space be unavailable, but time to contract is taking longer.
- **Try to be flexible** about the dates of your meeting.
- **Consider deals of two years or more** to leverage spend, drive better concessions and lock in prices.
- **Limit the number of hotels you ask to bid for a meeting.** Inviting 20 to 30 properties to bid instead of five or six is especially a temptation when using electronic RFP tools. If you are using an e-RFP, let the hotels know you have qualified the lead and the number of bidders.

Our recommendations for travel buyers and managers

- If you have not **put your car rental program out to bid** in the U.S. over the past 12 to 18 months, do so now to ensure your rates are still competitive and are locked in for longer.
- Rental companies are getting tougher about vehicle damage. **Tell travelers to walk around the car and note damage** both before and after rental.

EXECUTIVE SUMMARY

Rail

Average fares have risen 3 percent to 5 percent in Europe in 2012 and similar increases can be expected again in 2013. Safety problems have severely affected the ambitious high-speed rail plans of China.

Dining, mobile and ground transportation

An emerging savings opportunity

We estimate these categories, which we label as “secondary spend,” represent an average 18 percent of corporate travel expenditure in the U.S. (and are similarly significant in the rest of the world). We believe they will become a major savings opportunity in 2013.

Controlling secondary spend has traditionally been tough because it has not been bought through regular travel booking channels. This makes it hard to obtain reliable management information and limit travelers’ choices of suppliers. However, technology is providing a breakthrough to influence traveler behavior in two ways:

- Actionable mobile messaging – e.g., automatically texting a traveler on arrival at an airport, telling them to travel downtown by train, not taxi.
- A growth in mobile booking channels selling secondary services from preferred suppliers at corporate rates. One example is Dinova, which negotiates restaurant discounts for corporate clients that can be booked through its website.

We estimate companies can reduce their secondary travel spend by 10 percent if they take advantage of the new technology opportunities.

SECONDARY SPEND
ACCOUNTS FOR 18%



INTRODUCTION

2012 so far

Slowing down after a strong start

2012 started brightly, continuing the recovery in travel bookings which began in 2010 and 2011. However, figures emerging this summer from several different parts of the corporate travel industry showed demand growth is tailing off and perhaps even going into reverse. Nervousness about the euro crisis has re-emerged, and is spreading from Europe itself to other markets, even China, where economic growth is also slowing.

Fears about the economy have a direct effect on business travel. European governments have continued to cut back on spending, which means public sector travel in the region has been severely reduced for the past two years. Meanwhile, European businesses are putting new investments on hold so they can build up cash reserves to protect themselves against another possible major downturn.

The situation is not quite so clear in the rest of the world, where underlying local economic strength has been canceled out by fears of what might happen in Europe (and perhaps a severe economic slowdown in China). The United States has been especially volatile, with demand for business travel lurching from positive to negative growth month by month.

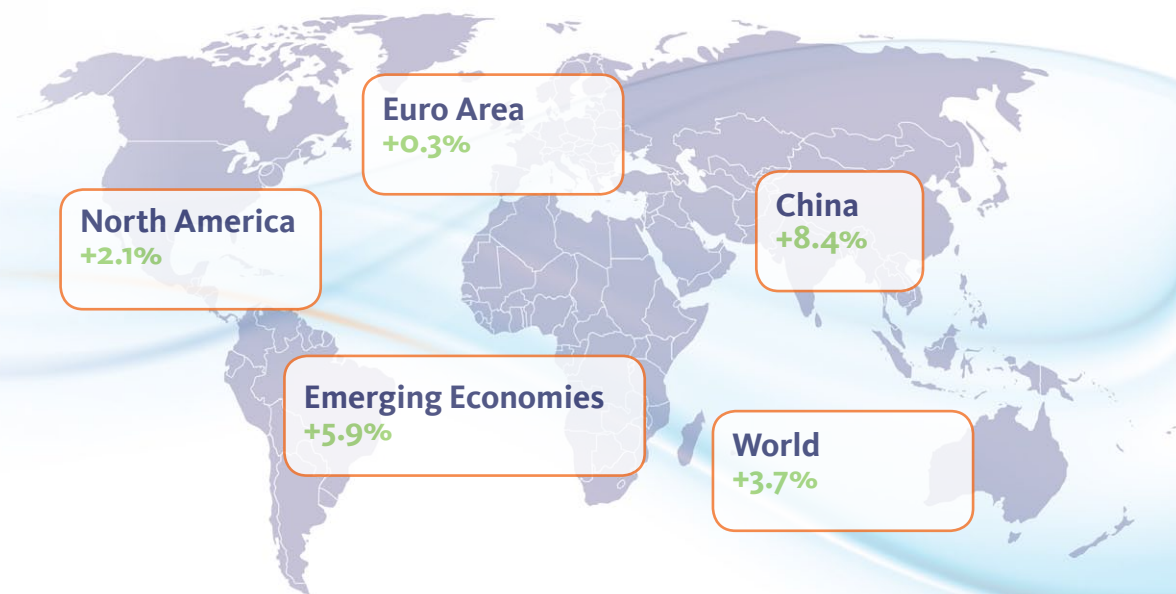
It is too early to state confidently what will happen to travel even for the rest of 2012. One plausible outcome is that companies worldwide will play safe financially for the rest of the year. Playing safe could mean trimming back gently on travel spend, though without resorting to the severe freezes many businesses imposed in 2008. If the worst fears of a double-dip recession have not come true by the end of 2012, steady growth in trip numbers will likely resume in 2013 as corporations realize they must keep traveling to expand their businesses.

Risk outlook for 2013

Demand for travel is influenced by three main areas of risk: the state of the global economy, the price of oil and security. For 2013, the outlook for oil and security is stable, but once again the economy is flagging some serious concerns.

Fig 2 – Economic risk

Worries about the eurozone



Source: IMF, *World Economic Outlook*, July 2012

"The global economy remains in precarious shape," stated the Economist Intelligence Unit (EIU) Global Outlook Summary of June 18. The EIU expects global GDP growth to slow to 3.2 percent in 2012 as a direct result of the problems in Europe, down from 3.7 percent in 2011 and 5.2 percent in 2010 (a year when GDP expansion was fuelled by strong government anti-recession measures). Growth was notably slower in the second quarter than the first. The Euro area is forecast to fall 0.7 percent in 2012, and to grow only 0.3 percent in 2013.

Perhaps the most worrying news of all is that even some of the vibrant BRIC (Brazil, Russia, India and China) economies, which have driven growth in recent years, are starting to weaken as fears about the euro spread. For example, China's export growth slowed to 1 percent in July, the second month running it was down sharply and the country's worst figure (excluding Chinese new year) since November 2009. Economists believe the Chinese government will respond with measures to boost the economy. Even so, the EIU tips GDP growth to slow to 8.2 percent in 2012, its lowest figure since 2001, but to expand slightly faster in 2013 at 8.4 percent.

The EIU also said at the beginning of the year that it expected India to achieve GDP growth of 9 percent during 2012. It has now revised this figure to 6.4 percent. In the world's more developed economies, the EIU predicts the United States will have a relatively good 2012, up 2.2 percent, compared with 1.7 percent in 2011, then slowing slightly to 2.1 per cent in 2013.

Oil price – becoming more stable

The direct correlation of the impact of the price of oil to airline ticket prices has been mitigated as oil prices have stabilized, however if there is another dramatic spike in oil prices (\$10 over a 2 week period) we calculate that for every \$10 rise in the price of a barrel of oil it will lead to higher air ticket prices of approximately 3 percent, according to Advito calculations. . Several airlines blamed high oil costs for poor financial results for Q2 of 2012. In many cases this resulted from earlier

hedging (locking in an agreed purchase price with suppliers) of their fuel at high levels which have since softened because of weaker global demand expectations.

The EIU now expects the average price for a barrel of Brent crude oil in 2012 to be \$109.50, down slightly from \$110.90 in 2011. It forecasts the price to fall further to \$103.40 in 2013. Therefore, we do not expect higher fuel surcharges on air tickets for 2013. In theory, lower oil prices should reduce fuel surcharges, but don't hold your breath: Airlines have proved much slower to bring surcharges down than to put them up.

Security/safety – no immediate concerns

At time of writing, 2012 has been a quiet year for security, safety or health issues harming corporate travel. Once again, the Middle East is the main area of concern. The conflict in Syria has few direct implications for our sector, but an escalation of the simmering Iranian nuclear power issue could lead to major disruption and send oil prices rocketing. The potential political risks of leadership change in China also need watching.

Conclusion – expect moderate demand growth but higher prices

Our Industry Forecast for 2013 is based on the assumption – and it is a very big assumption – that fears of the euro collapsing or a significant slowdown in the Chinese economy do not come true. Even if they do not materialize, the fear that they could happen is likely to slow or in some cases halt growth in corporate trip numbers for the rest of 2012 and 2013.

Ordinarily, buyers might expect slower demand to keep a lid on price increases, but there is another major factor to consider, which is supply. As the category discussions in the rest of this forecast will make clear, there is little new capacity forecast in terms of either airline seats or hotel accommodation. Therefore, we believe the cost of travel will continue to rise in 2013, either in line with or just ahead of the rate of inflation.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Air**Demand**

The number of flights by business travelers rose in the first quarter of 2012, but growth fell sharply in Q2. Premium passenger figures from the International Air Transport Association suggest business-class seat sales are being hit harder than economy class. This probably means corporate travel is feeling the effect of the euro crisis more than holiday travel, and also hints that another round of downgrading of travel policies has started.

Americas

The U.S. has experienced strangely volatile demand, with booking figures zig-zagging up and down from month to month. Overall, the number of tickets processed by Airlines Reporting Corporation, which handles the payments U.S. travel agents make to airlines, was up only 0.27 percent for the first seven months of 2012.

Demand has been strong in South America, especially Brazil.

Europe

The Association of European Airlines reported a 3.3 percent increase in passenger numbers in the first half of the year, but nearly all the growth was in Q1. The global distribution system Amadeus, which is strongest in Europe, reported a significant slowdown in Q2, especially in June. BCD Travel's own transaction figures confirm July was also quieter than usual in Europe.

Asia

Demand is still growing but the rate of growth has slowed as the Chinese economy in particular cools. The three major Chinese carriers (Air China, China Southern and China Eastern) have all issued warnings of lower profits for the first half of 2012, blaming not only higher fuel costs but also slower domestic demand and a depressed international market.

Elsewhere, demand remains strong in India, in spite of the problems of its home-grown airlines (see box on Australia and India), and Japan is recovering well after the earthquake and nuclear crisis of 2011.

Supply

Supply trends have arguably been more significant for travel buyers this year than demand trends. In North America and, to a lesser extent, Europe, the dominant story has been airlines keeping a tight grip on seat numbers. In Asia Pacific, the headlines have been about new low-cost carriers and problems for some of the more established airlines.

North America

Supply of airline seats in the U.S. is up by no more than 1 percent, and has shrunk noticeably in some markets. There are three factors to explain the situation:

- Highly disciplined capacity management – For decades, the U.S. airline industry would shoot itself in the foot as soon as demand increased by introducing too many new seats into the market. Overcapacity led to lower yields (average revenue per seat), leading to overall profits quickly reversing into losses. Airlines have finally learned from their mistakes. The past three years have seen the most sustained period of careful capacity management in living memory. Carriers have become quick to adapt and reduce schedules or aircraft size where demand is weak, and are not rushing to add excessive new seats on routes that are thriving. U.S. carriers are finally introducing new aircraft, but overall fleet sizes are not increasing. Instead, the new aircraft are replacing older, less fuel-efficient models.
- Industry consolidation – U.S. airlines have consolidated considerably in recent years, especially with the mega-mergers of Delta Air Lines and Northwest Airlines in 2008 and United Airlines and Continental Airlines in 2010. Yet another is expected to be announced before the end of 2012 between American Airlines and US Airways, with the folding in of other smaller players, such as JetBlue Airways and Alaska Air, also a possibility. Consolidation has limited competition on many routes, and that is even before the process of integrating the two mega-mergers has been completed.
- There have been few significant new entrants and little growth among younger airlines.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Latin America

The major development has been the long-awaited final approval of a merger between LAN of Chile and TAM of Brazil in June 2012 to create LATAM, serving 150 destinations in 22 countries. The new company is just outside the world's ten largest airline groups in terms of passengers. The process of consolidation could take time as the two airlines are very different in many respects, including route networks and distribution strategies. Other potential consequences include fewer seats between Chile and Brazil, and a growth in the long-haul network.

Europe

Europe's largest traditional network airlines are having a difficult year in terms of supply issues as well as sluggish demand. Long under competitive pressure from low-cost carriers on short-haul routes, they are now feeling the heat from Middle Eastern airlines on the long-haul routes that are key to their profitability (see box on Middle Eastern airlines).

The Europeans are responding with cost-cutting measures. Lufthansa has announced service reductions this winter to the Far East and on the North Atlantic, the market where over-capacity has been most evident. On short-haul routes, Lufthansa, Air France and Iberia are all transferring routes to low-cost subsidiaries. This is especially the case for routes which do not provide feeder traffic to the airlines' long-haul services.

Economic issues are also changing the route map of Europe. Government taxation on aviation has led Air Berlin to withdraw from some important services, including Hamburg-Frankfurt, which has eased the competitive pressure on dominant rival Lufthansa to the cost of corporate clients. Elsewhere, the euro crisis is having a direct impact. This winter, Greece will have no transatlantic non-stop service at all for the first time in nearly 70 years.

Asia-Pacific

Low-cost carriers continue to launch and expand in the region. AirAsia now has six subsidiaries following the launch of a joint venture in Japan on 1 August with All Nippon Airways (the other countries where it has bases are Malaysia, Thailand, Indonesia and the Philippines plus long-haul airline AirAsia X). It has 115 Airbus aircraft in its combined fleet and more than 400 on order.

On long-haul routes, Middle Eastern carriers are becoming increasingly powerful in the region, mainly at the expense of European airlines, such as Lufthansa. The German flag-carrier has reduced its schedule to Singapore and other destinations from winter 2012, and scrapped services to some cities entirely, including Hyderabad and Jakarta.

China's three main carriers continue to evolve. Domestically, they offer a strong product, but there are still weaknesses on international routes when compared with foreign competitors. However, as the airlines continue to add new aircraft on long-haul routes, the situation should improve. There are also breakthroughs in distribution. Travelport now sells Air China and China Southern at its highest level of access through its GDS.

AIRASIA HAS
115 AIRBUS
AIRCRAFT
AND 400 ON ORDER



CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Stormy weather

Australian and Indian flag-carriers fly through turbulence

Two countries that travel buyers should keep an eye on are Australia and India, where home-grown carriers are experiencing major difficulties in spite of booming demand in their domestic markets.

Australia

Qantas is set to deliver its first loss in its 17 years since privatization. Over the past 30 years its share of the overseas market from Australia has declined from 50 percent to 17 percent, a trend that has been accelerated recently by repeated technical problems with its aircraft and a harmful industrial dispute. Competitors are offering newer aircraft and lower fares. Abu Dhabi-based Etihad has been particularly successful at winning Europe-bound traffic. Virgin Australia has made inroads into Qantas' domestic customers thanks to broadening beyond its low-cost roots to attract corporate clients with improvements such as a lounge network. Qantas has responded by terminating some of its loss-making services, and in September 2012 it announced an alliance with Emirates, at the same ending its long-standing partnership with BA. The Australian carrier will shift its stopover point for European flights from Singapore to Dubai.

Price

Generally, business travelers are paying more for air travel this year than in 2011.

North America

U.S. carriers have introduced four, and in some cases five, rounds of fare increases. The price hike is entirely due to tight management of supply rather than any spike in demand. Business travelers are also being hit by difficulty in accessing cheaper fares because they usually book later than leisure travelers. They are being caught out because airlines are closing their lower fare buckets further away from the departure date.

Ironically, in spite of higher fares, U.S. carriers are still struggling to reach profitability. Although passenger revenue per seat climbed 8.5 percent for Delta in Q2, a 24 percent jump in fuel spend caused by expensive hedging led to a net loss of \$169 million.

*Europe**India*

Almost all of India's larger airlines have experienced debt problems over the past year owing to over-expansion of the low-cost sector and intense price competition from troubled Air India. The country's flag carrier has failed to return a profit since merging with Indian Airlines in 2007. Integration of the two airlines has been extremely unsuccessful. Air India's financial loss for fiscal year 2011-12 was \$1.45 billion, not helped by a 50-day pilot strike and suspension of long-haul services. Unlike Air India, the low-cost start-ups have a better reputation for service but they too are challenged by over-capacity and the burden of servicing heavy debts. Buyers should keep a close check on the low-cost carriers because their financial viability has been affecting their operational integrity.

Another problem to watch out for is that New Delhi has massively increased its airport charges. IATA says it is now the world's most expensive airport. The increase in charges is likely to raise fares by 10 percent to 15 percent, and in addition the airport has introduced a direct fee for passengers. Mumbai Airport has also applied to raise its airline charges significantly.

Fares have mainly been unchanged or slightly lower – especially in France, where Air France is fighting low-cost competition and the TGV high-speed rail network. However, soft pricing is being offset by higher taxes and fuel surcharges, which are often bigger than the increases in oil price they are supposed to reflect.

With ancillary fees such as baggage charges also more widespread in Europe, it is becoming increasingly common for travelers to find that the extras on their ticket add up to more than the base air fare. The high cost of extras, especially departure taxes in the United Kingdom, has reached a point where it is affecting decision-making on whether the cost of a trip can be justified.

Asia-Pacific

Air fares for corporate travelers are rising roughly in line with inflation.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Outlook for 2013

Demand

As discussed in the introduction, we have assumed the worst economic fears concerning the eurozone and China will not come true, but that the fears themselves will apply a brake on demand. Based on that assumption, we expect air trip numbers will grow in 2013, but at a lower level than between 2010 and Q1 2012. If the euro does break up, or the Chinese economy slows significantly, bookings would almost certainly drop dramatically on many routes.

Supply

North America

U.S. airlines will maintain their tight grip on capacity and continue to be decisive about trimming or axing services with weak bookings. We expect American Airlines (AA) to opt for a merger, if that has not already been announced in 2012, most likely with US Airways, and perhaps involving some smaller carriers too. A deal of this kind would move the U.S. very close to a long-predicted marketplace of three major airlines and the low-cost giant Southwest Airlines (which itself could swallow some of its smaller budget competitors).

An American Airlines merger would probably not have any practical implications for buyers until 2014 because of delays in approval processes and the scale of planning required. However, the United/Continental merger still has more work to do into 2013 in terms of crew contracting and fleet scheduling. Once these issues are resolved, United, along with Delta, will gain even more control over capacity management.

Europe

Demand is less likely to grow in Europe than in other parts of the world, so we expect more capacity cuts and increasingly fast decisions to cut under-performing services without waiting for the next seasonal timetable.

Asia-Pacific

Traditional Asia-based airlines are unlikely to grow capacity significantly as they struggle with poor profitability and the twin competitive threats of low-cost and Middle Eastern carriers.

TRIP NUMBERS
WILL GROW 2013



CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Fig 3 – 2013 Airfare Forecasts by Region

Advito is forecasting moderate airfare increases across all regions.

North America^{\$}

Airline KPIs	2013
Traffic (RPK)	+0.5%
Capacity (ASK)	+0.1%
Airfare Predictions	2013
Intercontinental	
Business	+3.0%
Economy	+3.0%
Regional	
Business	+3.0%
Economy	+5.0%

Latin America^{\$}

Airline KPIs	2013
Traffic (RPK)	+6.0%
Capacity (ASK)	+6.6%
Airfare Predictions	2013
Intercontinental	
Business	+6.0%
Economy	+6.0%
Regional	
Business	+6.0%
Economy	+7.0%

Europe[€]

Airline KPIs	2013
Traffic (RPK)	+4.2%
Capacity (ASK)	+5.2%
Airfare Predictions	2013
Intercontinental	
Business	+2.0%
Economy	+2.0%
Regional	
Business	+2.0%
Economy	+3.0%

Africa[€]

Airline KPIs	2013
Traffic (RPK)	+4.2%
Capacity (ASK)	+5.2%
Airfare Predictions	2013
Intercontinental	
Business	+4.0%
Economy	+4.0%
Regional	
Business	+?.?%
Economy	+?.?%

Middle East[€]

Airline KPIs	2013
Traffic (RPK)	+14.1%
Capacity (ASK)	+13.3%
Airfare Predictions	2013
Intercontinental	
Business	+5.0%
Economy	+5.0%
Regional	
Business	+5.0%
Economy	+5.0%

Global

Airline KPIs	2013
Traffic (RPK)	+3.5%
Capacity (ASK)	+3.3%

Asia^{\$}

Airline KPIs	2013
Traffic (RPK)	+3.9%
Capacity (ASK)	+3.3%
Airfare Predictions	2013
Intercontinental	
Business	+4.0%
Economy	+4.0%
Regional	
Business	+5.0%
Economy	+5.0%

SW Pacific^{\$}

Airline KPIs	2013
Traffic (RPK)	+3.9%
Capacity (ASK)	+3.3%
Airfare Predictions	2013
Intercontinental	
Business	+2.0%
Economy	+2.0%
Regional	
Business	+3.0%
Economy	+4.0%

RPK (Revenue Passenger Kilometers) measures actual passenger traffic
ASK (Available Seat Kilometers) measures available passenger capacity

Source: IATA

Forecast of average development of airfares used
by corporate clients 2012 against 2011 (in \$ USD or € EUR)

Source: Advito

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CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Price

Based on our assumptions about supply and demand (while warning again that demand could fall faster than we have assumed), tight capacity control will enable airlines to raise fares in 2013. Latin America will face the heaviest fare rises (6 percent to 7 percent) because this is where demand is most vibrant. At the other end of the scale, low or non-existent demand growth in Europe will explain a smaller fare rise of only 2 percent to 3 percent.

The issue of tight supply will particularly push up fares in North America (up 3 percent to 5 percent). Yet even though they are managing capacity much more expertly than ever before, airlines on both sides of the Atlantic are not making aggressive noises on pricing in the same way as hotel suppliers (see hotel section). In addition to softening demand, their ability to introduce major fare increases will be restricted by the following factors:

- Continuing competition from low-cost carriers, especially in Europe (which will also ease some of the upward pressure on fares in Asia Pacific).
- Increasingly effective competition on long-haul routes from the Middle Eastern big three (Emirates, Etihad and Qatar Airways).
- In the U.S. a concern among carriers that after several fare increases in 2012 the corporate market may be approaching the limit of what it is prepared to pay before opting to cut travel instead.

In spite of these checks and balances on price inflation, travel buyers cannot rest entirely easily. 2013 is likely to see increasing restrictions, mainly in the U.S., on lower-priced restricted tickets, such as Saturday night or minimum stay rules. Slightly longer term, the continuing consolidation of suppliers can only mean reduced competition, and we expect major airlines to turn the pricing screws on corporate clients as soon as the global economy picks up.

In Asia Pacific, air bookings are forecast to grow significantly in the longer term, even if growth is weaker right now, so fares will rise another 4 percent to 5 percent. However, most companies with travelers based in the region still have huge opportunities to reduce air spend significantly through introducing good travel management techniques. Examples of these basic practices include collecting data, driving policy and negotiating with suppliers. Companies which can manage their spend better can more easily offset any fare increases.

Our recommendations for travel buyers and managers***Don't accept airline proposals at face value***

In particular, don't look just at the discount the airline is offering but also at the spend target you must hit to trigger the discount. For example, tell carriers to exclude cheaper, more restricted tickets from their target if they are restricting your ability to buy these tickets.

Watch out for restrictions on fares

Make sure you aren't committing your company to fare types that are too restrictive for you to use, e.g., a Saturday night stay. Keep alert for these conditions changing.

Understand your travel patterns

Some companies, even ones with managed travel programs, still do not analyze the detail of their travel spend enough to achieve the best overall savings for their company. This oversight can lead to false perspectives on their air spend, of which perhaps the most common example is too much emphasis on what is spent on air at global headquarters. Look at detailed data for every region in which your company operates.

Tackle your spend in Asia-Pacific

The number of companies in the region which have consolidated their spend through one travel management company and with fewer suppliers remains small. Even more fundamentally, introduction and enforcement of travel policy is still at a lower level than in North America or Europe. Getting a managed travel program up and running is more of a challenge in Asia Pacific, but the success stories are there to prove it can be done and the rewards significant. Prepare, however, to do things differently. For example, you may have to chase airlines to secure a deal rather than the other way round. However, Chinese airlines in particular are learning fast and are looking to build relationships with multinational companies.

Encourage smarter purchasing by travelers

The most mature travel programs are arguably reaching the limits of what more they can achieve through supplier management, but there is still much more to be gained through managing the buying behavior of travelers. Encouraging advance booking for routes where you don't have a deal is one simple example of the opportunities available. Booking earlier will be especially important in Europe as mainstream airlines transfer more of their capacity to low-cost subsidiaries that don't offer corporate deals. Even if booking early occasionally leads to travelers losing a non-flexible ticket when their travel plans change, the total savings will usually still be greater.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Dealing with airline long-haul joint-ventures

All three global airline alliances (oneworld, SkyTeam and Star Alliance) now have a select group of members offering joint venture deals on transatlantic routes. There are also a smaller number of transpacific and Europe-Asia joint ventures. In all cases the JVs have anti-trust immunity to set fares jointly and negotiate as one entity with corporate clients.

We have long stated our belief that JVs reduce competition and push up prices for corporate clients. Over the past year, we have seen more evidence of the JVs setting tougher targets for clients and enforcing them more rigidly, while moving to lower discounts. They are also demanding more support from clients on all the routes they serve, even where they do not offer the best deal or most efficient schedule on that route.

Another problem is that they are making discount programs more complicated. As a result, deals that look good superficially turn out to be less attractive in reality, for example because the discounts are applied to fare buckets that are rarely available to business travelers.

That said, the joint ventures have still not been able to turn the pricing screw on clients as much as they hope. They have been prevented by weak global economic growth and Middle Eastern airline price competition.

JOINT VENTURES
SETTING TOUGHER
PRICING TARGETS

**Our recommendations for travel buyers and managers*****Remain cautious about putting your eggs in one basket***

Although it is getting harder, resist giving all your spend to just one airline grouping. If some airlines in a joint venture fit your travel needs but others don't, it may make sense to insist on dealing with only some of them, but don't be dogmatic: in the end you may have to settle for the full JV deal.

Seek independent alternatives

Give some business where you can to non-aligned carriers, such as the Middle Eastern airlines or Virgin Atlantic.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Spotlight on the Middle East

The rise and rise of the Big Three carriers

Emirates, Etihad and Qatar Airways – are becoming increasingly important to travel buyers whose companies do a lot of long-haul flying. According to the Centre for Aviation, Emirates was the world's fourth-largest airline in 2011 in terms of available seat kilometers, behind the three largest airlines in the US; but in terms of long-haul operations, the Dubai-based carrier is far bigger. Qatar is at number 20 but again it would be ranked much higher based on long-haul capacity. This is an important point, because more buyers negotiate deals on long-haul routes than on short-haul services, where a best-on-day buying policy often operates instead.

European and Asia Pacific airlines have experienced a substantial leakage in business to Middle Eastern rivals over the past year. According to one report, there was a 30 percent market share shift from Asia to the Middle East as the stopover for Australia-Europe flights in the first half of 2012. The attractions of the Big Three are young fleets, a good service reputation and lower pricing, especially in premium cabins. Their competitiveness has played a major part over the past year in discouraging other airlines from raising long-haul fares significantly.

It remains unclear how much help these oil-producing-state-owned carriers receive from their governments (for example, in the price they pay for fuel). However, the closely aligned strategies of government and

airline certainly contrast with Europe, where carriers have seen their costs greatly increased by departure taxes and the Emissions Trading Scheme. Taxation gives European airlines an estimated 20 percent cost disadvantage.

U.S. carriers are also beginning to lose some business as the Middle Eastern carriers expand. For example, Emirates launched a Washington DC service in March 2012, and its Abu Dhabi-based neighbor Etihad will follow suit in September 2012. Some U.S.-based travelers remain nervous about the security implications of transferring through a Middle Eastern airport, but these fears normally evaporate after trying the service once.

The Big Three continue to expand their fleets at an extraordinary rate, but their commercial strategies are not clear. To date they have stayed clear of the three global airline alliances, if only because of their reluctance to disclose financial information to other carriers. With significant cash assets, they are starting to build stakes in other airlines. Emirates has acquired shares in SriLankan Airlines and announced a non-equity alliance with Qantas, and Qatar Airways has taken a stake in the cargo carrier Cargolux, while Etihad has bought into Air Berlin, Aer Lingus, Air Seychelles and Virgin Australia. Another possibility might be one of the trio attempting to forge a fourth global alliance, perhaps including unhappy members of the existing alliances.

Our recommendations for travel buyers and managers

Emirates, Etihad and Qatar have reached a stage of maturity with their route networks where it makes strong sense to add agreements with one or two of them to existing deals based around the three global alliances. Not only are they keenly priced but they are very helpful for avoiding giving too much market share to other groupings and keeping corporate pricing competitive.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Spotlight on Europe

Emissions Trading Scheme

Airlines were included in the European Union's Emissions Trading Scheme as of Jan. 1, 2012. The ETS sets a cap on the carbon-dioxide emissions that a business is allowed to make. If the business produces emissions above that cap, it is obliged to buy permits for each additional metric tonne of CO₂.

Since the ETS was applied to aviation, the major worry for travelers been less the cost of the scheme and more the international political row it has caused. China, for example, has forbidden its carriers to participate in ETS, and the U.S. government is moving towards taking the same position. Their opposition threatens a trade war which could disrupt flying from the EU to China and the U.S.

The precise cost to carriers of the ETS is not yet clear because we will not know how far they have exceeded their 2012 emissions caps until the end of the year. We estimate that it will amount to roughly €1.50 per passenger for short-haul flights and €12 for transatlantic flights, less than 0.5 percent of the average total fare. So while it is understandable that non-EU airlines and their governments object on the principle that the EU has no territorial right to impose the scheme, its practical effect on cost is relatively small. Fuel surcharges and departure taxes – especially in the U.K. – cost much more.

Our recommendations for travel buyers and managers

- We expect most airlines will pass on their ETS costs as another surcharge, so prepare to see a small rise in total ticket price for flights to, from and within the EU from next year. However, some carriers may choose to absorb the cost, in which case it will become even more important to compare total ticket prices between airlines, not just the base fare.
- We also believe the refusal of China (and probably the U.S.) to cooperate makes it very likely the EU will drop aviation from the ETS or revise the rules drastically. One option might be only to cap emissions for that part of a long-haul flight which takes place inside EU airspace. Keep a watch on developments.

€1.50
PER PASSENGER
SHORT-HAUL



€12.00
PER PASSENGER
TRANSATLANTIC

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Spotlight on the U.S.

Unbundling

Airlines, especially low-cost carriers on both sides of the Atlantic and traditional airlines in the U.S., continue to introduce and increase ancillary fees for services such as checked baggage. The service downgrade is putting more pressure on economy class passengers of traditional U.S. airlines to upgrade to a more expensive cabin. It is probably no coincidence the same carriers are rolling out or expanding premium economy products which avoid most of the extra fees on domestic routes.

Booking and paying for ancillary fees also remains a problem for travel managers. It is now possible for airlines to load the fees into the GDSs

in the same way as they load base fares, and to raise an accountable document – an Electronic Miscellaneous Document – for process and management information purposes. However, only a few airlines have started to use these mechanisms to sell ancillary fees.- Better news is that the U.S. majors have begun providing their own reporting of ancillary purchases to corporate clients.



PRESSURE ON
ECONOMY CLASS
TO UPGRADE

Our recommendations for travel buyers and managers

- Unpopular as they are, ancillary fees aren't going away any time soon. In fact, expect even more of them. In the U.S., airlines are not taxed on elements of the ticket price that are charged as extras. Since this can easily amount to one-third of the price, it can represent a major tax saving for carriers, especially as they also refuse to include extras in corporate deal negotiations. Buyers must therefore tackle the situation as it is, not how they would like it to be.
- Establish clear policy rules on which ancillary fees are reimbursable. More employers, for example, are refusing to allow on-board food and beverage purchases but will accept them if bought from airport retail outlets. This makes it easier to identify the spend as food in corporate card reporting.
- One development which might curb ancillary fees is legislation. Watch out for the issue to receive renewed attention after the presidential election.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Distribution

The future of how and whether airlines will distribute through the GDSs has remained foggy. With numerous lawsuits flying and a U.S. Department of Justice investigation that was launched in 2011 taking longer than anticipated, there have been no significant changes to existing processes over the past year.

Meanwhile, IATA has started work on a strategy provisionally entitled the New Distribution Capability (NDC). The stated intention of NDC is to allow airlines to offer more flexible and personalized services to passengers than are possible with the limited number of booking classes offered through a traditional GDS process. Offers would be based on “availability, customer needs, preferences or histories,” according to IATA.

The IATA strategy has similarities to the visions outlined by some individual carriers in recent years. Although it sounds a better idea for all airlines to use the same technology, there are still many questions to answer. These include whether IATA members would want to participate and whether they would only load selected fares, not to mention whether the GDSs will cooperate fully as they are being invited to do at present.



NDC

MORE FLEXIBILITY
AND PERSONALIZED
SERVICES**Our recommendations for travel buyers and managers**

Even though little has changed in practice in spite of all the talk, radical changes to distribution will come soon, possibly as early as 2013. It is therefore vital to stay informed and in touch with your TMC.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Hotel

Current market conditions

Supply

With a few exceptions, such as Berlin or the budget sector in the U.K., hotel building in Europe and North America has been limited for the last four years. This pattern has continued in 2012. Many properties have opened in China and India, however, and to a lesser extent in other Asian cities such as Jakarta and Kuala Lumpur.

Demand

The major international hotel chains claim to have experienced strong recovery in 2012. Starwood Hotels & Resorts, for example, reported to investors that global occupancy rose 2.5 percent in the first half of the year. It said demand was up in North America, but down in Europe. Marriott Hotels said North America has performed especially well, and that visitors from the U.S., China and Russia are keeping occupancy levels buoyant in Europe. According to Marriott, room availability has reduced in its properties, especially midweek, with occupancy rates returning to or even exceeding their previous peak levels in 2007-08.

Asia Pacific and the Middle East are not performing quite so well. Although domestic demand is strong, overall demand growth is falling slightly behind the availability of new supply.

BCD Travel's own figures confirm hoteliers' claims that they are generally having a good year. Bookings are up by single-digit rates in Europe, with the U.K. performing better than the eurozone, but the big story is the U.S., where room nights booked have surged 10 percent to 15 percent. Demand is also booming in Latin America, especially Brazil and Argentina.

Continuing a trend of recent years, a select group of cities worldwide are experiencing near sell-outs throughout the working week. The list includes New York, Chicago, Singapore, Hong Kong and London, although the U.K. capital has perhaps not been quite as strong as the others.

Price

In terms of corporate rates, hotels were initially very aggressive in their rate requests. However, most clients successfully reduce the initial bids by 2 percent to 4 percent through negotiation to bring them in line with our 2012 forecasts.

That turned out to be a good result for corporate buyers. Marriott saw its average daily rate across all customer types (not just corporate but leisure, groups, etc.) rise 4.3 percent during Q2 in North America, 5.3 percent in Latin America and the Caribbean, 2.9 percent in Europe and 3.0 percent in Asia Pacific, though it fell 4.7 percent in the Middle East and Africa.

Starwood performed less well, with Q2 rates up 3.8 percent in North America and 1.1 percent in Latin America, but down 7 percent in Europe, flat in Asia Pacific and down 4.5 percent in the Middle East and Africa. Starwood said room rates are still below their 2007-08 peak.

Other figures suggest Asia Pacific is having a good year. Rates are up in most markets, especially Australia, which is experiencing a business travel boom because of the strength of its mining sector. However, rates are softening in China because supply has grown too fast.

The biggest success story of all, however, is Latin America, where rates are up by double digits in several markets, led by a stunning 23 percent to 25 percent rise in Brazil.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Outlook for 2013

Demand

With the usual caveats explained in the Introduction, we expect demand to grow steadily in North America and Asia Pacific, and rapidly in Latin America, but very little in Europe.

Supply

There is little sign of significant numbers of hotel openings in North America or Europe next year. New supply will grow faster in other regions. One trend which might happen in 2013 is global hotel chains buying up small regional chains. An example in 2012 was the acquisition by Accor of Mirvac of Australia, which had 48 properties.

Price

2013 looks set for the fiercest negotiations between hotel companies and their corporate clients in many years. The gap in expectations between seller and buyer is extremely wide.

On the supplier side, Marriott and others have warned during investor calls that they plan to push up rates significantly in their RFP (request for proposal) responses. Marriott president and CEO Arne Sorenson said he is looking for high single-digit percentage increases because corporate rates are still “meaningfully lower than they were in 2007.”

Will the hotels get what they want? We think they will achieve higher rate increases than for 2012 but not as much as they are looking for. There is no doubt that limited new supply has created more of a seller’s market, so hoteliers seem genuinely confident enough to walk away from business, even from long-standing clients, if they consider the price too low.

However, demand is still not as robust as suppliers would like. If there is a silver lining to the recent cloud of bad economic news, it is that the figures are appearing at just the right time to frighten hoteliers as they head into negotiations for 2013.

On average, therefore, we believe hoteliers will look for 8 percent to 9 percent negotiated rate increases but will end up with 5 percent to 7 percent. Africa and Europe will be lower.

As always, the overall regional forecasts mask some significant variations by market. For example, while we expect average rates to rise 3 percent to 4 percent in Europe, the range for southern countries is likely to be zero to 1 percent whereas Germany, France and the U.K. will be 4-percent to 5- percent.

In other regions, countries where negotiations will be particularly tough next year include Australia (up 9 percent to 12 percent) and it will be another spectacular year for Brazil (up 18 percent to 22 percent). With the FIFA World Cup coming to Brazil in 2014 and the Olympics to Rio de Janeiro in 2016, don’t expect hotel prices to slacken there any time soon.

Another trend set to continue next year will be for higher rates of increase in the world’s largest gateway cities (e.g., New York or Hong Kong), and in turn for second-tier cities to accelerate faster than smaller, provincial destinations.

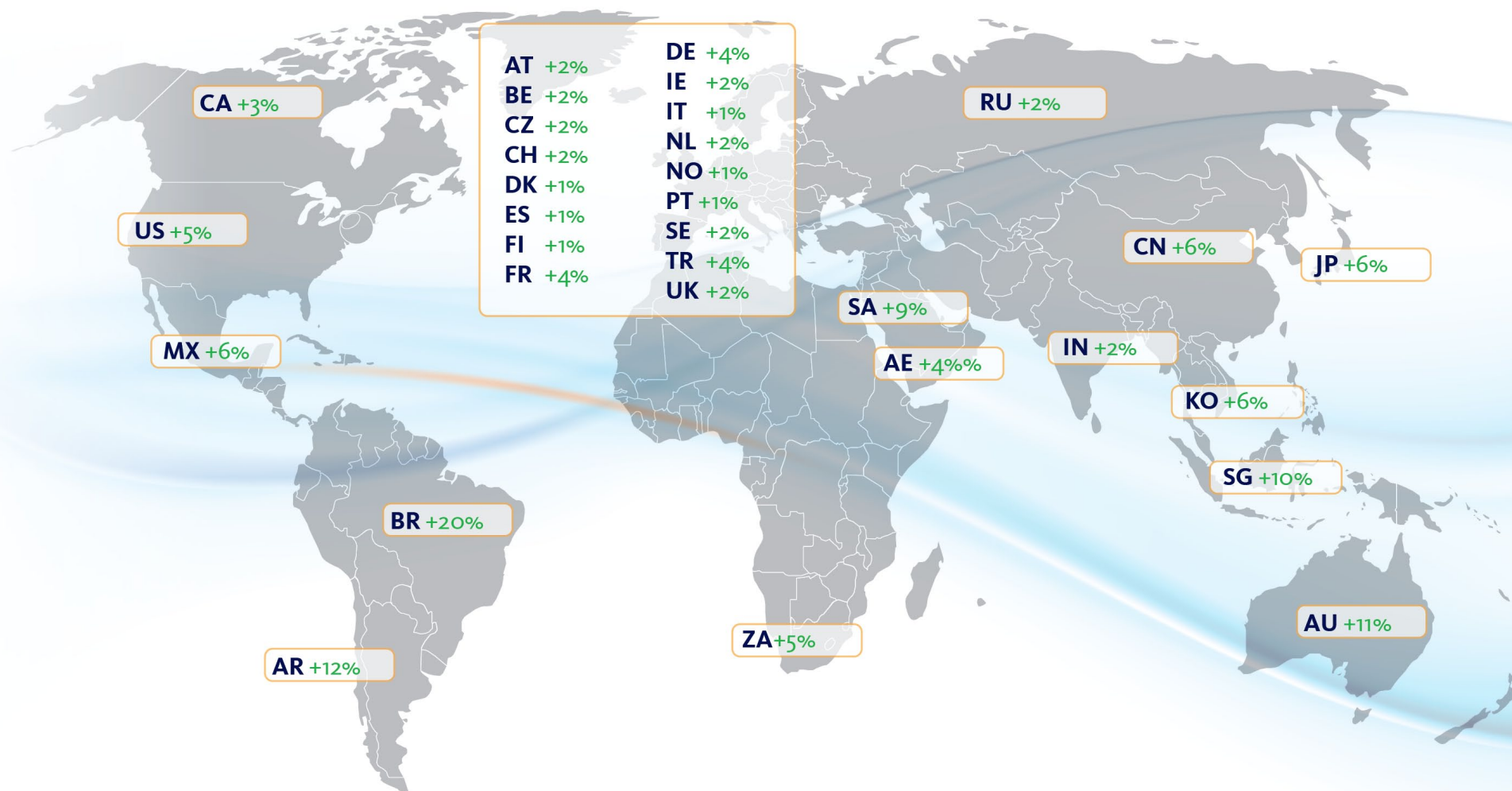
2013 FIERCE
NEGOTIATIONS
EXPECTED



CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Fig 4 – 2013 Hotel Average Daily Rate (ADR) Predictions by Key Market

Moving into next year, increasing demand will be slightly tempered by a slowdown in the global economy and by the impact of recent construction, resulting in moderate ADR increases in most markets.



Source: Advito. ©2012, Advito. 2013 Industry Forecast

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Hotels aim to change the way they negotiate

One of the major hotel chains continued its confident attitude in letters it sent during summer 2012 to the corporate travel industry about the forthcoming negotiations for 2013 rate programs. In the letters it said:

- clients will have a 90-day deadline to respond to its pricing offer
- the chain will only re-bid once if the client does not accept the original bid
- clients should take advantage of flat discounting on the best available rate (BAR) in cases where the customer does not book enough room nights in a city to justify a special deal.

Once again, we believe hoteliers will only be partly successful in what they are trying to achieve. There is no doubt that annual hotel RFP negotiations are time-consuming and frustrating for both buyers and sellers, and a clearer timetable for both sides could help to shorten the ordeal. However, we do not think most clients are ready yet to go to one re-bid. They can often achieve better prices if they hold out a little longer, so they should not be afraid to stand up to hoteliers if it seems appropriate. We also recommend buyers continue resisting BAR pricing, also known as dynamic pricing. It seldom favors the buyer when business is good for hotels.

Our recommendations for travel buyers and managers

Understand your buying power in better detail

Detailed data analysis will be even more important in a tough negotiating environment. Hotels may genuinely end their commercial relationship with you if they feel you are no longer valuable business to them, but they will blink in other cases where they cannot replace your room nights easily. You need to understand your own spending patterns inside out and obtain a good understanding of the general negotiating conditions in each market. It will be unrealistic to refuse all rate increases but don't give in completely either.

Look again at supplier consolidation

In smaller cities in your program, re-consider whether you can reduce the number of hotels you use, perhaps even cutting down to just one property. This approach will be less advisable in major cities, where more than one preferred property is needed because of limited midweek availability.

Negotiate on extras

Don't forget to negotiate on the total cost of stay, not just the room rate. Free breakfast and Wi-Fi are usually the most achievable targets, especially as some hotel chains are moving to free Wi-Fi anyway (e.g., NH Hotels as of Aug. 1), which puts more pressure on their competitors to do the same.

Beware of hotel negotiating ploys

One example is agreeing last-room availability (LRA) for standard rooms when the hotel does not designate any rooms in its inventory as "standard." Make sure LRA is defined explicitly to give you genuine run of the house. If, after the deal is wrapped up, travelers are rarely able to book rooms at the preferred rate, bring it to the supplier's attention.

Look for savings internally

With supplier relations set to be tough, it becomes even more important to find savings within the program. One option to consider is downgrading policy from full-service to limited service hotels for one-night stays, when travelers have limited need of on-site facilities. Consider also setting travelers a price cap per city. Set caps at the negotiated rates you pay to preferred properties. It will discourage travelers from waiting until the last minute in the hope of the preferred hotel being full so they can trade up to a more expensive one.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Be aware of changes to how hotel rooms are booked
The way TMCs book hotels on behalf of their corporate clients is changing. Outside the U.S., many hotels cannot be booked through the GDSs that TMC staff (and corporate online booking tools) use to make flight reservations. Increasingly, hotels are selling some of their rooms, including to TMCs, through large online travel agencies (OTAs). OTAs are targeting the accommodation market increasingly aggressively and gaining control of hotels' room inventories, even though it costs hotels more to distribute through the OTAs than through their own websites. Even hotels which do sell through GDSs are diverting more of their room sales via the OTAs.

Asia Pacific

The situation in Asia Pacific is different from the one described above. Hotel bookings through GDSs are increasingly significantly as more corporations consolidate their travel requirements through TMCs for the first time. This is creating a different kind of challenge because reservations made through a GDS generally need to be guaranteed with a credit card, and cards are still uncommon in China. Another challenge is that many travelers are continuing their traditional habit of booking directly with hotels.

**Our recommendations for travel buyers and managers**

Buyers should ensure their TMC is capable of booking all the hotels they need, regardless of how the hotels distribute their rooms. This will become increasingly important because we expect hotel distribution to continue to fragment.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Meetings

Current market conditions

Supply

New supply has been minimal in North America and Europe, but there has been growth in other regions of the world.

Demand

There have been different stories in the two main markets for meetings: the U.S. and Europe. In the U.S., demand has been strong all year, and it is becoming increasingly hard to find availability for meetings, especially for large events in the U.S. itself.

There was also a strong start to the year in Europe, up as much as 10 percent to 15 percent on 2011. After several years of depressed spend on meetings, many companies decided they would finally release the purse strings in 2012 in order to improve long-term communication with customers and staff. Spending increased particularly on larger events.

However, there was a marked slowdown in Europe towards the end of Q2, once again because of fears about the euro crisis. Some companies carrying out mid-year budget reviews have opted to scale down their original meeting plans.

Lead times for booking meetings

Beware the consequences of waiting until the last minute

With demand stronger in the U.S than in Europe, a transatlantic divergence in lead-time trends (the time between when an event is booked and when it takes place) is emerging. In the U.S., it is once again becoming tougher to book meeting space at the last minute, so lead times are generally stable or in some cases becoming a little longer.

In Europe, lead times lengthened briefly at the beginning of the year, when buyers felt more comfortable about their meetings budgets, but now they are shortening once more. Clients are waiting, in some cases, until just a few weeks before their planned event. Even though they often understand the delay could lead to higher rates, they are hesitating because they are unsure whether the meeting will go ahead.

Wherever they are based, buyers need to be realistic about the amount of time needed to select and contract an appropriate venue. It can take longer than they think. One noticeable trend this year has been hotels holding provisionally blocked space and rates for less time. They are also negotiating fewer concessions, including being less flexible about terms and conditions than had been commonplace in recent years. The unwillingness of suppliers to move is leading to lengthier dealings between buyers' and sellers' legal teams. Once these formalities are completed, the gap between confirming the booking and the date it takes place can be too close for comfort.

Our recommendations for travel buyers and managers

Lead times will never again lengthen to what they were a few years ago, but don't wait too long to book. Contracting may take longer than buyers think, potentially leaving too little time to switch to another supplier and having to accept dates, a price, and terms and conditions they may not like.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Price

Leaving aside recent softening in demand in Europe, this year has been more of a seller's market than at any time since the recession of 2008. As a result, rates are up.

In the U.S., increases have been steepest in the largest cities, which is where demand has risen most sharply. The strength of the dollar against the euro means Europe has become a more financially attractive destination for U.S. buyers than it has been for several years.

For European meeting buyers, price increases have been largely in line with inflation. One particular challenge which has become more pronounced has been a failure by owners of chain-branded hotels to honor meetings deals agreed at a chain-wide level. This is proving a particular problem with hotels in southern Europe and Asia.

The increasing influence of the e-RFP

Another noticeable trend over the past couple of years has been for increasing numbers of companies, especially in the U.S., to use electronic RFP providers to search for meetings venues.

E-RFPs technology solutions can be very efficient sourcing tools, especially if they are part of a wider strategic meetings management process. However, there are also dangers if the tools are used indiscriminately. Instead of approaching typically five or six venues to quote rates for a meeting, some buyers are requesting pricing from 20-30 venues, or even more, because they can do it almost at the touch of a button.

The situation is causing problems for both suppliers and buyers. Hotels do not know whether they are receiving a qualified lead where the buyer has

carefully chosen a shortlist of appropriate venues. The increased volume of e-RFPs also means hotels are finding it difficult to respond to the large number of leads they are receiving. Hotel chains say their conversion rate for e-RFPs (the percentage of RFPs which lead to confirmed business) is in the low single digits, which is a poor return for the cost and effort it requires of them. Buyers, meanwhile, are experiencing hotels failing to respond to their e-RFPs or sending back incomplete responses.

Our recommendations for travel buyers and managers

By all means use e-RFP tools, but qualify the possible venues as carefully as you did in the past. In addition, let the venues you approach know you have qualified them, giving some details about the proposed meeting and what you require from the venue. It is also important to maintain strong relationships with suppliers so they know you are a client which negotiates in good faith.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Outlook for 2013

Supply

New supply will continue to be limited in North America and Europe, but there will be growth in other regions.

Demand

We expect demand to continue climbing steadily in the U.S., but with limited growth in Europe.

Price

Growing demand and stable supply in the U.S. will cause rates to increase by higher percentages than in 2012. Once again, rate growth will be highest in major cities like New York, and also in luxury destinations.

In Europe, rate rises will be more in line with inflation.

Our recommendations for travel buyers and managers

- Beware of hotels becoming stricter about holding space without a firm client commitment or contract. A typical holding period can now be one month or even as little as one week to two weeks.
- If you are inflexible about the dates for your meeting, it will take longer to find somewhere to your satisfaction.
- Consider deals of two years or more to leverage spend, drive better concessions and lock in prices.
- Make the contracting process faster by negotiating standardized agreements with major hotel chains to lock down terms and conditions.
- Make sure your e-RFPs are as simple as possible and qualified.
- Stay aware of legislation regarding acceptable spend on meetings, especially in the pharmaceutical and healthcare sectors. Auditable data is an important part of this requirement, so companies in these sectors are advised to use meetings management tools which have developed special modules for data capture. Ensure also that your meetings intermediary fully understands relevant legislation.

Incentives - back in fashion

Incentive bookings are up on 2011 as companies recognize once more that the money spent on a reward trip can prove much more motivational than a straight cash bonus. Budgets are increasing slightly, and U.S. companies are increasingly considering offshore destinations. However, the ostentation of former times and the concept of an incentive being little more than a free vacation are gone for good. Companies are wary of reputational damage, and thanks to Twitter and social media, they know that what happens in Vegas

no longer stays there. In some extreme cases, companies have even instructed incentive participants not to take business cards or other identifying branding with them on their trip.

As part of the new image, educational briefings, team-building exercises and charitable work are all becoming more popular. We expect these trends to continue in 2013.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Car Rental

Current market conditions

Competition between the big three suppliers – Hertz, National/Enterprise/Alamo and Avis/Budget – remains extremely fierce. As a result, most corporate clients contracted the same rates in 2012 or even succeeded in pushing them lower.

The big news this year has been the acquisition by Hertz on Aug. 27 of Dollar Thrifty for \$2.3 billion. It represents another massive step towards near-total consolidation among the big three suppliers, which now control 95 percent of the U.S. car rental market between them, according to reports. The acquisition is a good move strategically for Hertz, allowing it more options to remain competitive with its two major rivals.

In spite of soft corporate rates, suppliers are staying profitable thanks to efficient capacity management, lower fleet costs, higher demand and higher leisure rates. They are also earning more from renting ancillary items, including toll tags and satellite radios. Corporate customers are responding by trying to negotiate these extras into their contracted rates, and they are also trying to negotiate caps on refuelling charges. One ancillary that is starting to go out of fashion, however, is satellite navigation devices, because many drivers now have global positioning system-based navigation apps on their mobile phones.

In Europe, BCD Travel has seen a small dip in demand for car rental. This trend could represent a loss in market share to rail, which is often proving a more attractive way to travel not only for environmental but also cost reasons, owing to high prices at the petrol pump. If two or more colleagues are on the same trip, however, car rental may still be the preferred choice, especially if it is not from city center to city center.

Outlook for 2013

We expect the stable situation in the U.S. to continue into 2013, meaning corporate rates are unlikely to rise. Long-term, the effective completion of consolidation of the marketplace following the Hertz/Dollar Thrifty deal could put upward pressure on corporate rates. However, Dollar Thrifty played only a small role in the corporate market, so we expect little change to pricing for this sector in the year ahead.

One trend to watch out for will be more multinational companies consolidating globally with the same rental supplier. At present, multinational deals tend to be on a regional basis.

TOP 3
SUPPLIERS CONTROL 95%
U.S. CAR RENTAL
MARKET



Our recommendations for travel buyers and managers

- If you have not put your company's car rental program out to bid over the past 12-18 months, you should do so now to ensure your pricing is still competitive. Re-bidding now will also lock in current low rates for even longer.
- Rental companies are cracking down harder on charging customers for vehicle damage. Sometimes the notification of extra charges arrives from the supplier weeks after the rental has finished, making it hard to dispute the damage claims. Warn your travelers to be vigilant about this issue, walking around the vehicle both before and after rental to check for marks.

CATEGORY-SPECIFIC TRENDS AND 2013 FORECAST

Rail

Current market conditions

Europe

High-speed rail continues to win market share where it competes with air, and there is some evidence that it is gaining market share from car rental (see previous section). In addition to now-familiar advantages such as city center-to-city center travel and fast check-in, catering has improved and Wi-Fi is becoming more common, so making its superiority in terms of productivity even greater.

On the negative side, competition between rail operators remains limited. A new private service, Hamburg-Cologne Express, has launched between Cologne and Hamburg, with Cologne-Berlin scheduled to follow, but it will be tough for an independent operator to compete with the extensive route network of German national operator Deutsche Bahn. In turn, DB has long been planning to launch services from Frankfurt, Cologne and Amsterdam to London, but technical problems have resulted in another delay until 2015.

There has also been little progress in the problematic area of distribution. It remains challenging to gain full access to fares outside a rail operator's home market.

Asia Pacific

Bullet trains continue to be a key mode of domestic travel in Japan, but the high-speed rail revolution in China has run into serious problems. The country has laid 6800 kilometers of high-speed track since 2007, with plans to reach 16,000 kilometers by 2020, including the completion of the 2078-kilometer Shanghai-Chengdu line in 2013. However, the entire strategy has been thrown into disarray by safety issues, the worst example of which was an accident in July 2011 that killed 40 people and injured 200.

Since that accident, cracks have been discovered in tunnels that were built with unreinforced concrete, and a section of track collapsed in March 2012 when the ground beneath it subsided. There have also been numerous corruption scandals. As a result, passenger numbers are falling and 70 percent of planned projects have been delayed or suspended.

Outlook for 2013

Average fares in Europe have risen 3 percent to 5 percent in 2012, and a similar range is expected for 2013. The U.K. government has given rail operators permission to raise fares by 6.2 percent in England (representing 3.2 percent inflation plus an extra 3 percent to allow for investment) in 2013, and 4.2 percent in Scotland.

AVERAGE FARES
IN EUROPE UP 5%



Fig 5 – Why influence “lightly managed” travel spend?

Traditional Travel Spend: “The Big Three”

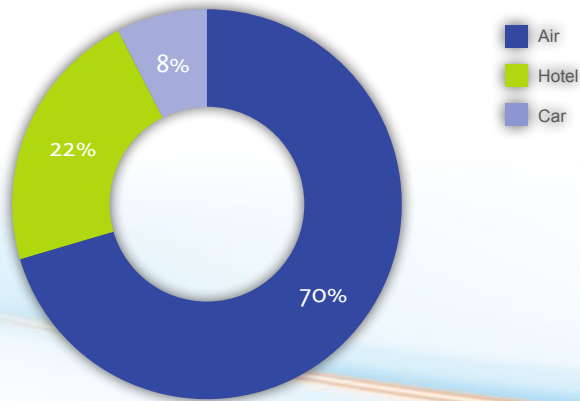
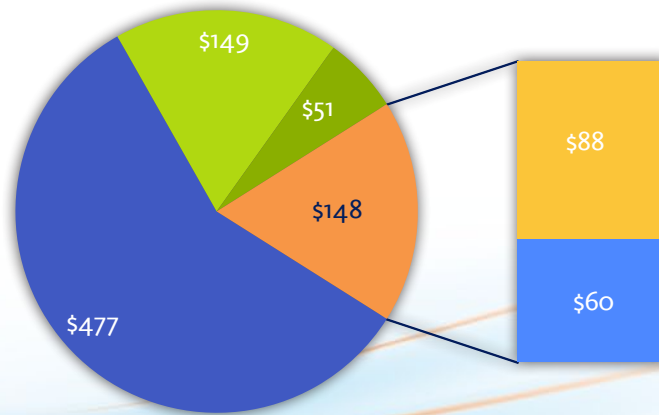


Fig 6 – U.S. Domestic Travel Spend

Air Hotel Car Food Taxi



F&B is about 10% of total T&E spend.

“The Big Three” plus Secondary Spend

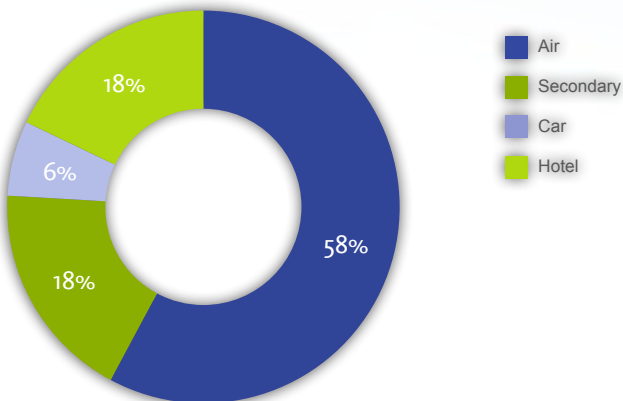
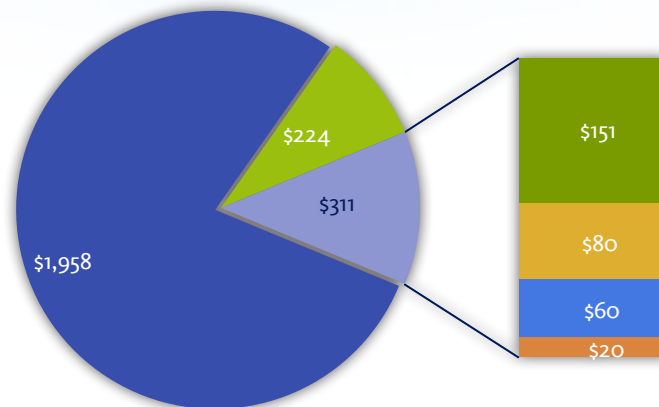


Fig 7 – U.S. International Travel Spend

Air Hotel Food Taxi Mobile Phone Mobile Roaming



Sources:

Air: Ave. ATP 2011; BCD Travel
Hotel: Corporate Travel Index (EMEA)
Secondary Spend:
Food: Corporate Travel Index (EMEA)
Taxi: BCD Travel snapshot of two rides at US \$ 40)
Mobile Phone: 60 minutes at US \$1/minute
Mobile Roaming: US \$20 for 5MB data usage

Source: Business Travel News 2012 Corporate Travel Index; BCD Travel

SECONDARY SPEND

An important, emerging savings opportunity

The Advito Industry Forecast traditionally focuses on five well-managed areas of travel spend: air, hotel, meetings, car rental and rail (which is not managed so directly as the others but is partially controlled by booking through TMCs and online reservations tools). This year, we are looking for the first time at three lighter-managed categories: dining, mobile roaming and ground transportation (local transport connections, e.g., taxis, limos, underground, local railways and buses).

We estimate these secondary categories account for 18 percent of spend by U.S.-based travelers. We have no equivalent estimates for travelers in other regions, but since they also spend money on the same categories, we can safely assume the percentage is similarly significant.

Old problem, new solutions

Dining, mobile and ground transportation have contributed to total travel costs for many years. The reason we are covering them now is that practical opportunities are finally emerging through technology to make some savings. Previously, managing secondary categories has been difficult because they are not often booked in advance or through the same official channels as air, hotel or car rental. Obtaining reliable data has also been a challenge. It will continue to be difficult to direct travelers' secondary spend choices in as controlled a way as primary categories, for the following reasons:

- Standardized spend reporting remains a challenge
- It is hard to limit the many supplier choices travelers can make

But the good news is it has become easier to influence traveler choice thanks to two types of innovation:

- Messages can be directed to travelers at the relevant point of their trip. To take one simple, yet effective, example, companies can send travelers an automated text message on arrival at London Heathrow Airport telling them to take the downtown Heathrow Express rail service instead of a much more expensive, and much slower, taxi.
- Opportunities are growing to buy secondary services from preferred corporate suppliers through mobile booking channels (see below for some examples). Most of these channels are currently more widely available in the U.S. than in other countries, but we are confident they will spread.

Based on our own research, we estimate companies can save 20 percent to 25 percent on secondary spend if they start to use new methods for influencing travelers.

Our recommendations for travel buyers and managers

- Use corporate card data to understand your spend on secondary categories as well as you can.
- Re-visit your policy on secondary spend categories, for example by setting a cap on how much travelers can spend on meals in each city.
- Investigate mobile messaging services for delivering timely buying recommendations to travelers.
- Use social media to back up your policy, e.g., recommending restaurants within your price caps near your company's most visited locations.
- Launch marketing campaigns to promote the secondary spend booking sites you want travelers to use.

What follows is a brief guide to savings opportunities in the specific areas of dining, mobile and ground transportation. Because of the difficulty of obtaining detailed data, we are unable to make pricing forecasts.

Dining

There are several different types of website and mobile apps for finding dining options which benefit both travelers and their companies.

Benefit for the employee – Makes it easier to find a dining option in an unfamiliar location.

Benefit for the employer – There is a good chance of making a financial saving, and the website or app can be marketed as benefit to the employee, not the employer.

Examples:

Corporate dining program (e.g., Dinova) – Dinova negotiates discounts for corporate clients at restaurants which can be booked through its website.

Consumer discount sites (e.g., Groupon) – Travelers can find a restaurant near where they are staying through Groupon and use the online discount vouchers to lower the cost of their meals.

Takeout food sites (e.g., Delivery.com) – Travelers can find menus from nearby takeout restaurants and order from a wider range of food choices than through hotel room service – which is also usually more expensive.



Mobile

The cost of using mobile phones abroad has always been high but in recent years the problem has become even greater because of travelers using mobile devices to access the internet. Mobile data costs are high and – just as worryingly for travel managers – usually invisible and unpredictable.

Two kinds of service can help reduce roaming costs significantly for travelers:

Multiple international number services (e.g., Tru) – Providers like Tru give travelers a local mobile telephone number for the country they are visiting. The multiple numbers can be used on a single phone and SIM card, and they also operate a single voicemail service, so travelers do not have to use their phone in a different way. Savings are estimated at 30 percent to 60 percent.

Voice over Internet Protocol services (e.g., Skype) – Travelers can call very cheaply or even free through their laptops so long as they have access to the internet.

Our recommendations for travel buyers and managers

- Find out who owns the mobility strategy in your company and start working with them.
- Educate travelers about how expensive it is to make calls, access the internet and handle e-mails while abroad. Explain it is generally cheaper to use Wi-Fi than mobile roaming.
- Arrange a data roaming price package with your usual mobile service provider, but sign travelers up to the services discussed above as well.

Ground transportation

Rising fuel prices mean taxi and limo fares continue to climb sharply:

Table 2 – Average London black taxi fares

	1 mile journey	4 mile journey	Central London-Heathrow Airport
March 2008	£5.20	£13.00	£55.00
August 2012	£7.60	£18.00	£64.00
Percentage increase	46%	38%	16%

All prices for journeys 0600-2000 hours

Source: © 2012. Transport for London guidelines

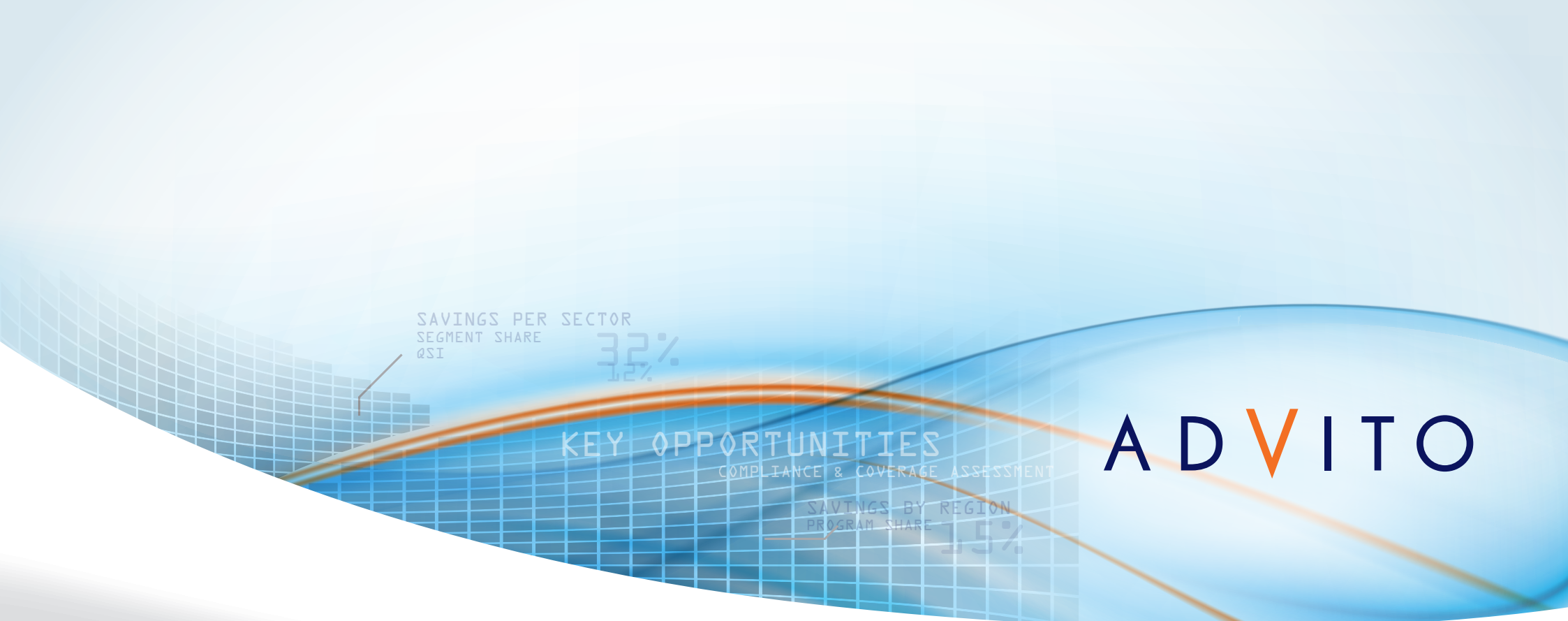
There will be a fresh round of New York City taxi fare increases from September 2012. The price of a journey from Manhattan to John F. Kennedy Airport will rise from \$45 to \$52 (excluding tolls and tips).

RIISING FUEL PRICES
MEAN HIGHER FARES



Our recommendations for travel buyers and managers

- Encourage use of public transport, where safe and appropriate. It is cheaper, greener and sometimes quicker, especially in cities with mass transit rail systems. Communicate the public transport options through mobile messaging, and don't forget to explain why the options are better.
- When limo services are preferable, consolidate use of them to fewer preferred suppliers with efficient booking processes, for example by using online reservation services like GroundLink or Limos.com. For the travel manager, they offer consolidated billing and accurate reporting.
- There are similar services available for regular taxis, e.g., Taxi Magic. Travelers can book their cab through a mobile app, follow the vehicle on a mobile map to the pick-up point and pay through their mobile phones, receiving an e-mail receipt as well.
- Another option is short-term car rental through services such as Zipcar, allowing travelers to rent by the hour, and unlock and start vehicles with an electronic key.



ADVITO

KEY OPPORTUNITIES

COMPLIANCE & COVERAGE ASSESSMENT

SAVINGS BY REGION
PROGRAM SHARE

SAVINGS PER SECTOR
SEGMENT SHARE
QSI

32%
12%

15%

APPENDIX

Regional cost per mile Y-o-Y	36
Historical ADR development Y-o-Y (key markets)	41
Historical ADR development quarterly (major cities)	45
Advance booking	48
Economy class ratio	49

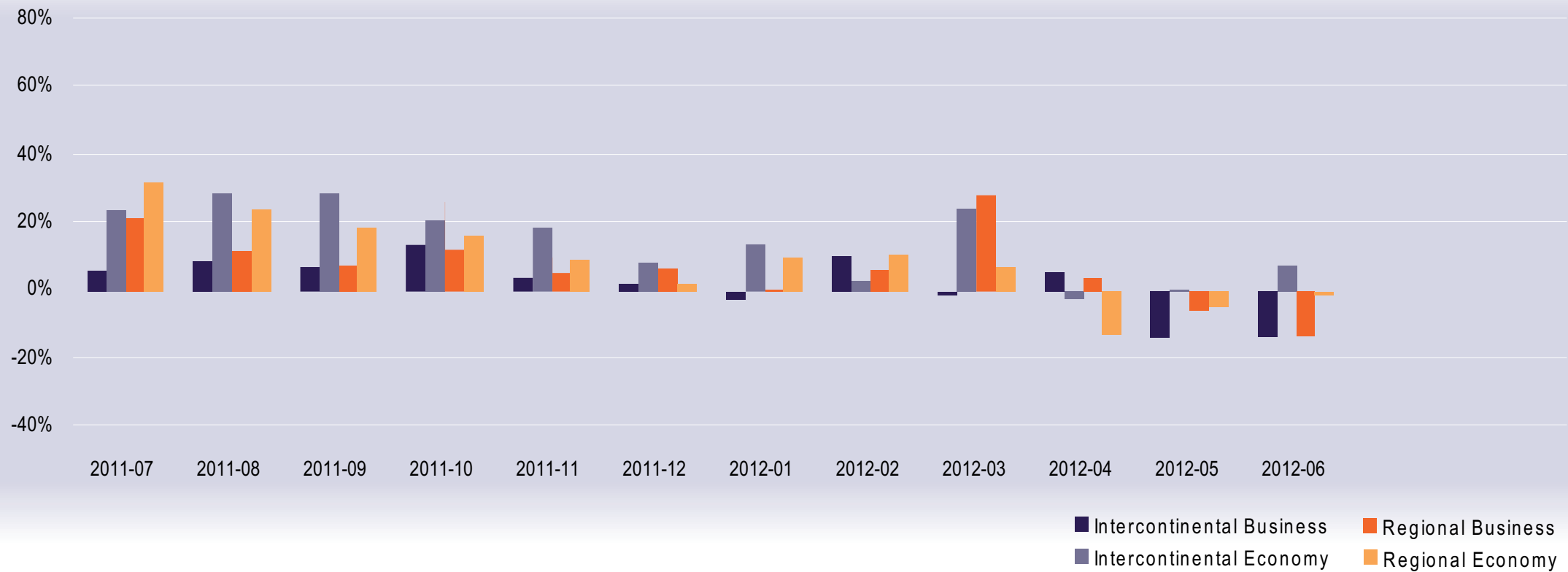
2013
industryforecast

APPENDIX

Regional cost per mile Y-o-Y

Source: Advito. ©2012, Advito. 2013 Industry Forecast

Fig 8a – Cost per Mile Year-on-Year 2010/2011 vs. 2012: Asia-Pacific



Source: Advito. ©2012, Advito. 2013 Industry Forecast

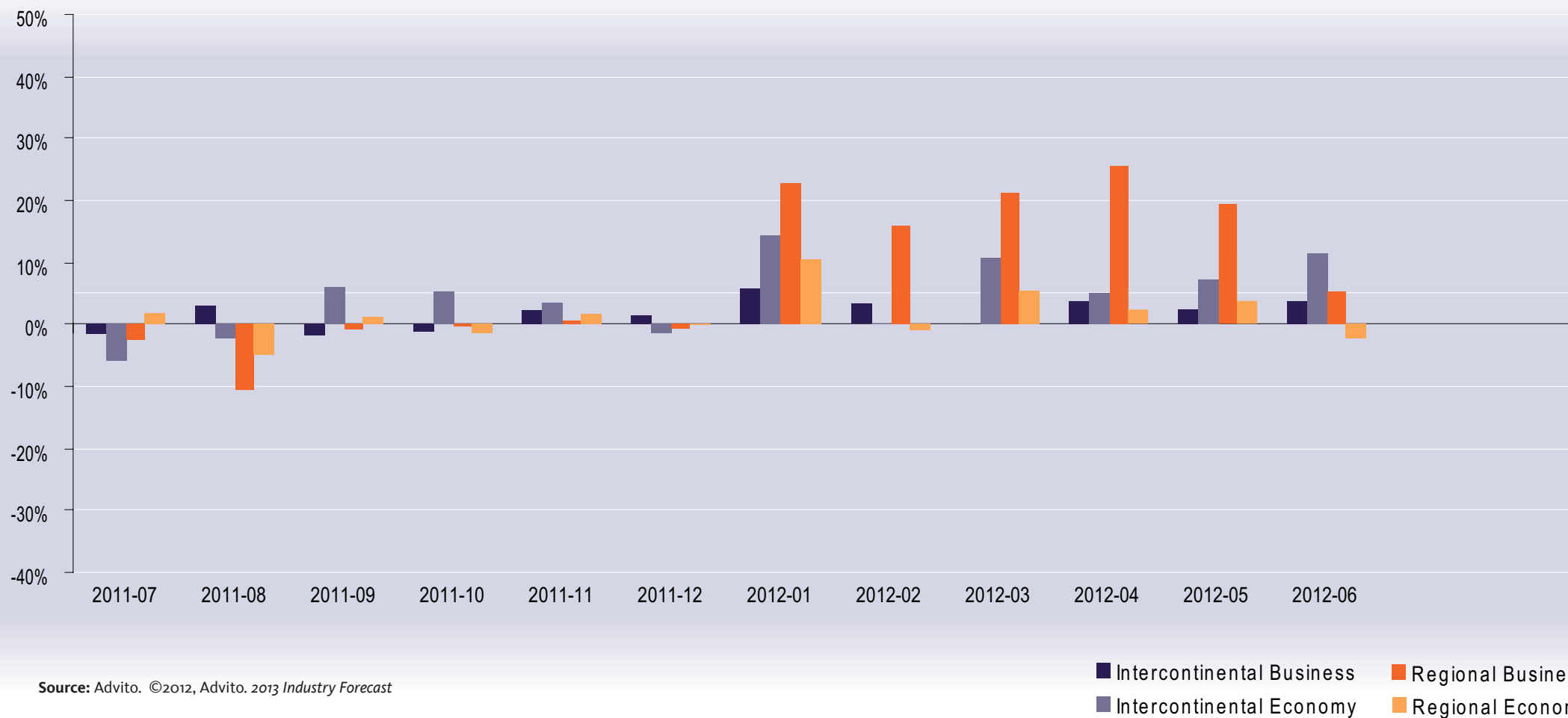
APPENDIX

Regional cost per mile Y-o-Y

Source: Advito. ©2012, Advito. 2013 Industry Forecast

Fig 8b – Cost per Mile Year-on-Year 2010/2011 vs. 2012: Europe

Led by Germany's strong economic performance, fares have risen across the board.



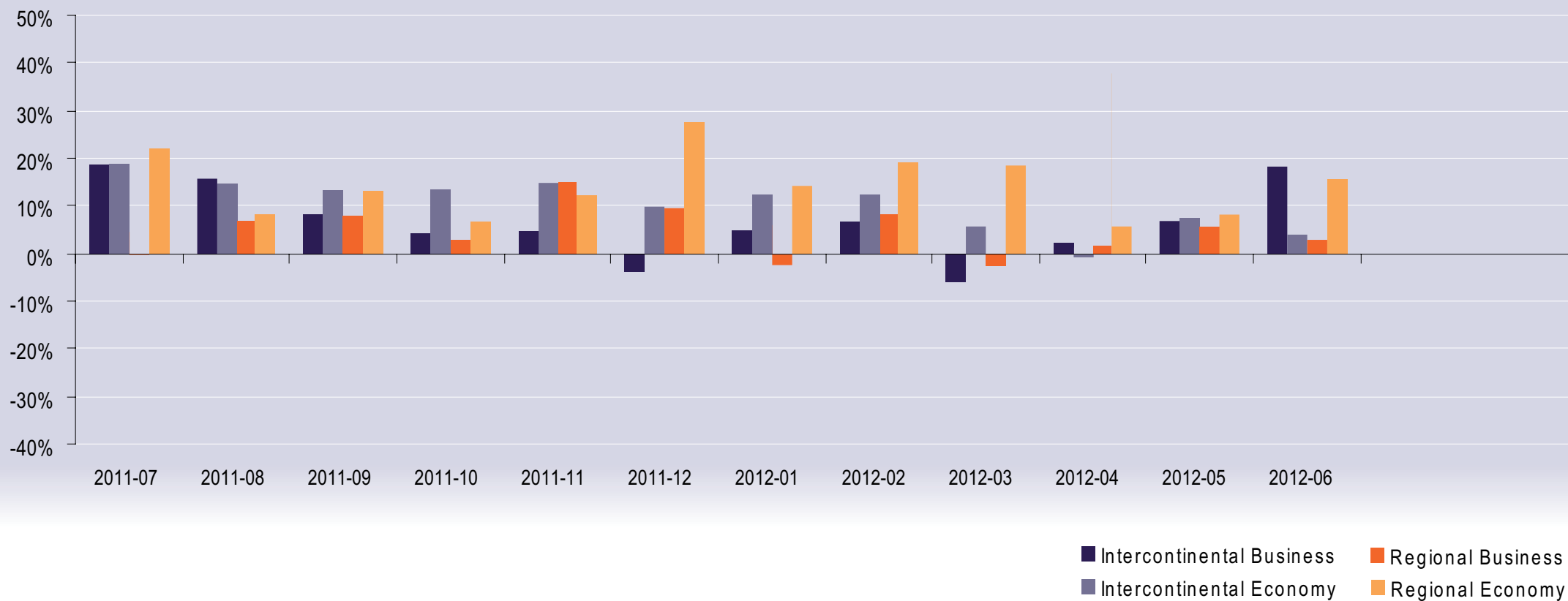
APPENDIX

Regional cost per mile Y-o-Y

Source: Advito. ©2012, Advito. 2013 Industry Forecast

Fig 8c – Cost per Mile Year-on-Year 2010/2011 vs. 2012: Latin America

Regional economy fares are on the rise, while business class growth has slowed.



Source: Advito. ©2012, Advito. 2013 Industry Forecast

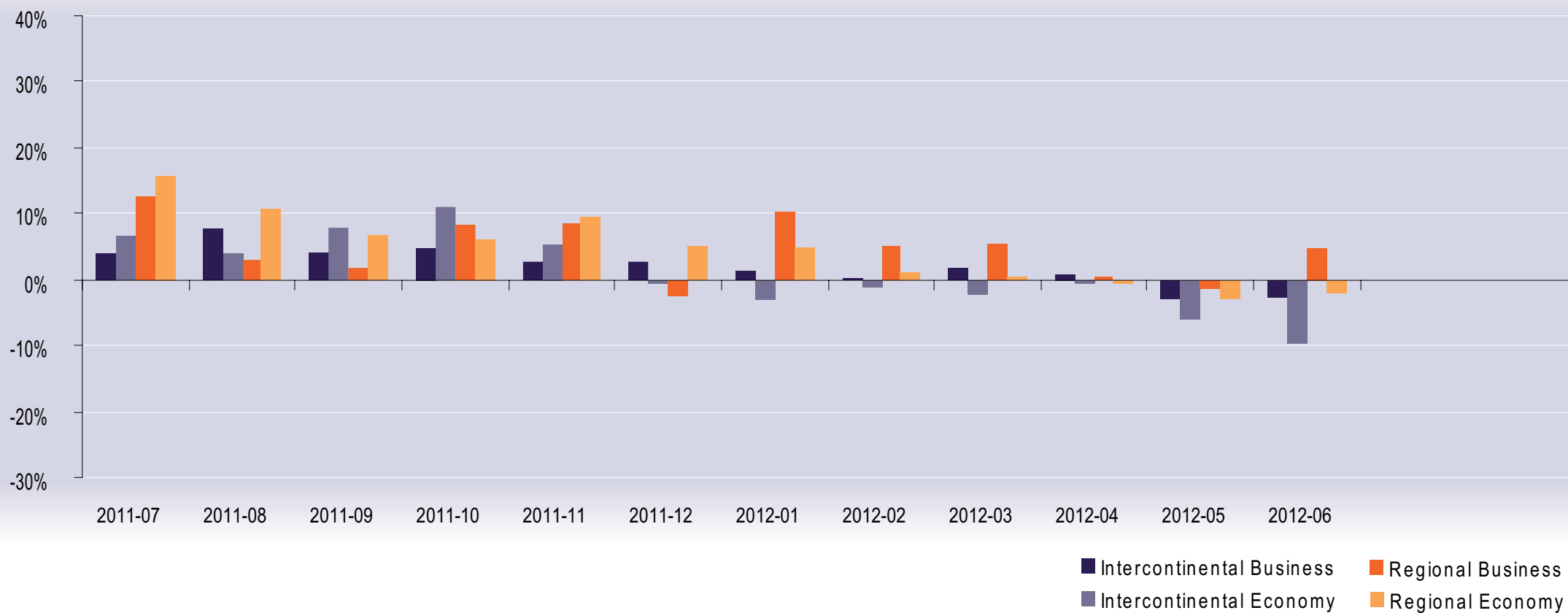
APPENDIX

Regional cost per mile Y-o-Y

Source: Advito. ©2012, Advito. 2013 Industry Forecast

Fig 8d – Cost per Mile Year-on-Year 2010/2011 vs. 2012: North America

Helped by strict carrier capacity discipline, intercontinental and domestic economy fares have rebounded strongly from depressed 2009 levels.



Source: Advito. ©2012, Advito. 2013 Industry Forecast

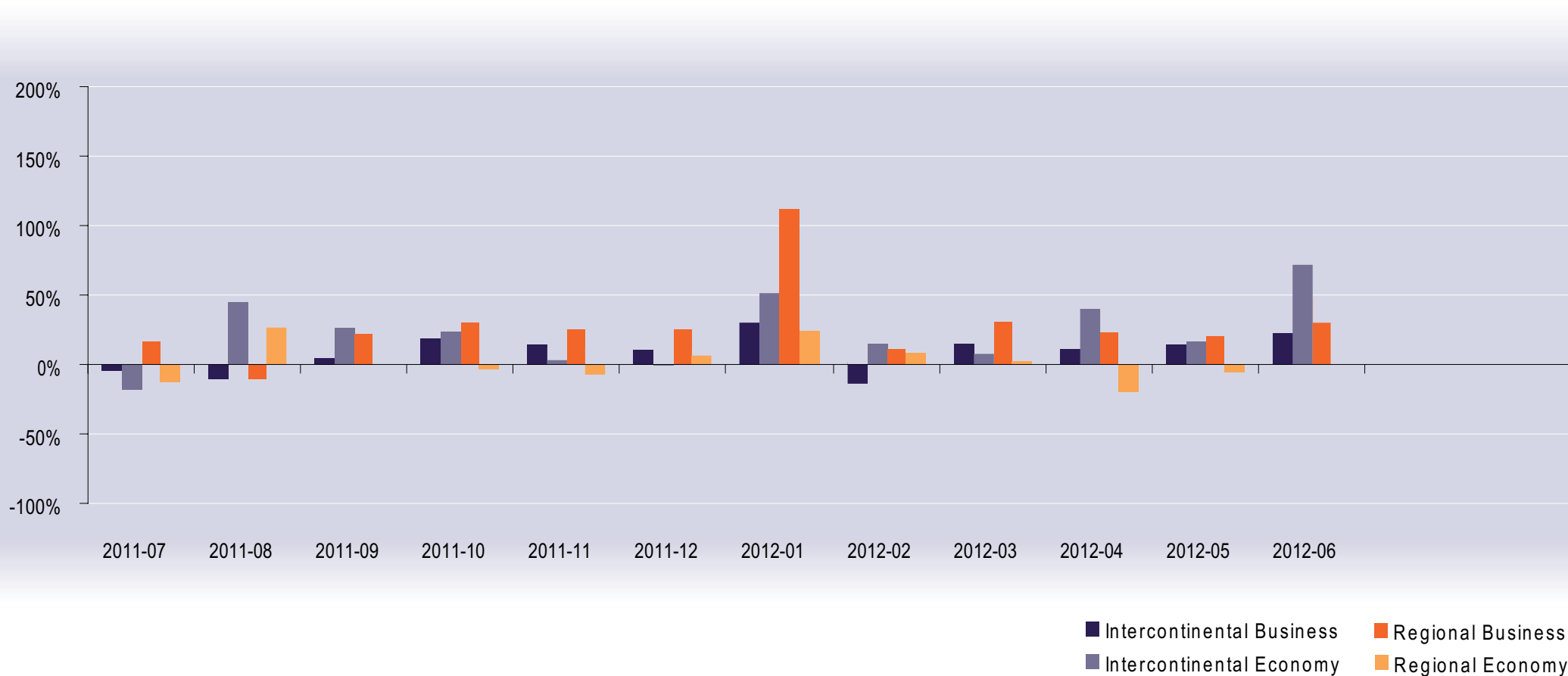
APPENDIX

Regional cost per mile Y-o-Y

Source: Advito. ©2012, Advito. 2013 Industry Forecast

Fig 8e – Cost per Mile Year-on-Year 2010/2011 vs. 2012: Middle East

Carriers' hub strategy is pulling intercontinental business from other markets, leading to an uptick in fares.



Source: Advito. ©2012, Advito. 2013 Industry Forecast

APPENDIX

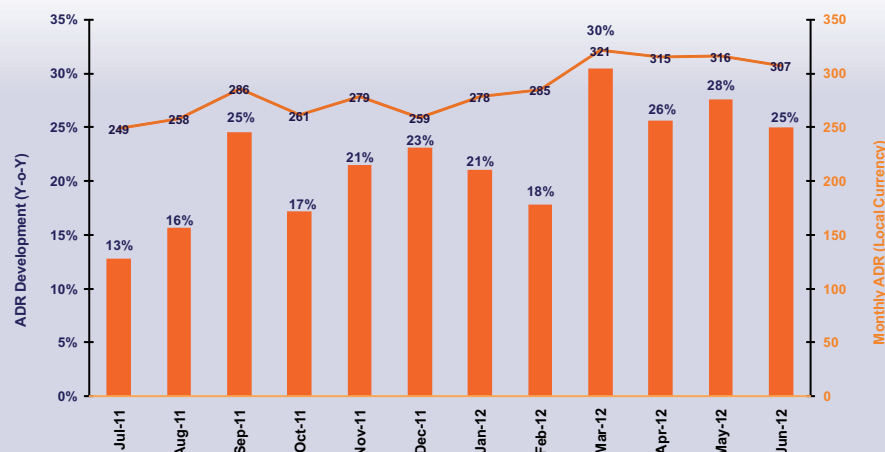
Historical ADR development Y-o-Y (key markets)

Fig 9a – Historical Average Daily Rate (ADR) Development in 2011/2012

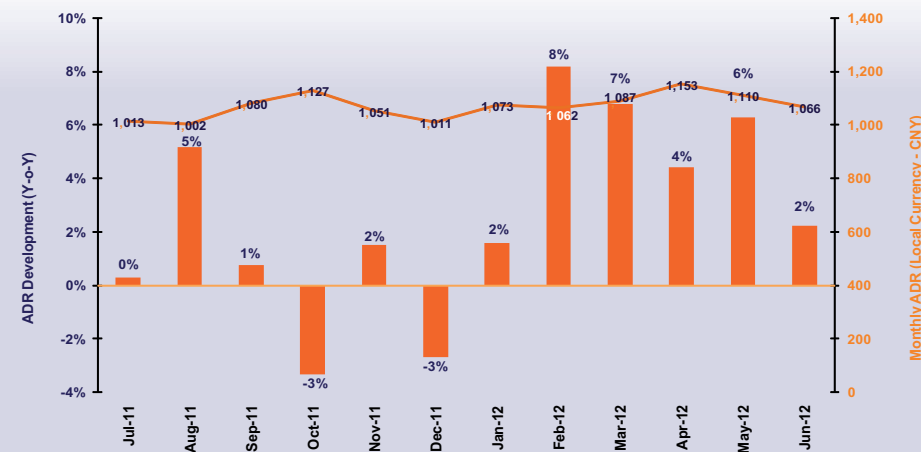
In key markets, hotel rates swung significantly upward from first quarter to second quarter.

Source: Advito. ©2012, Advito. 2013 Industry Forecast

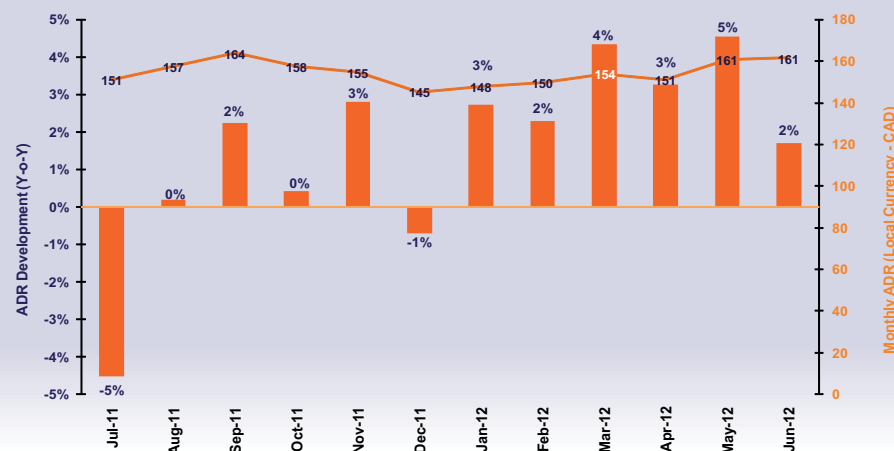
Brazil



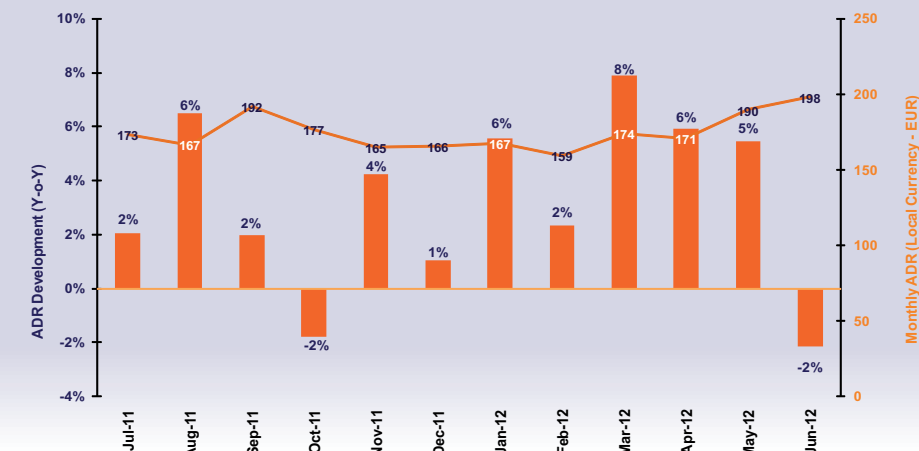
China



Canada



France



APPENDIX

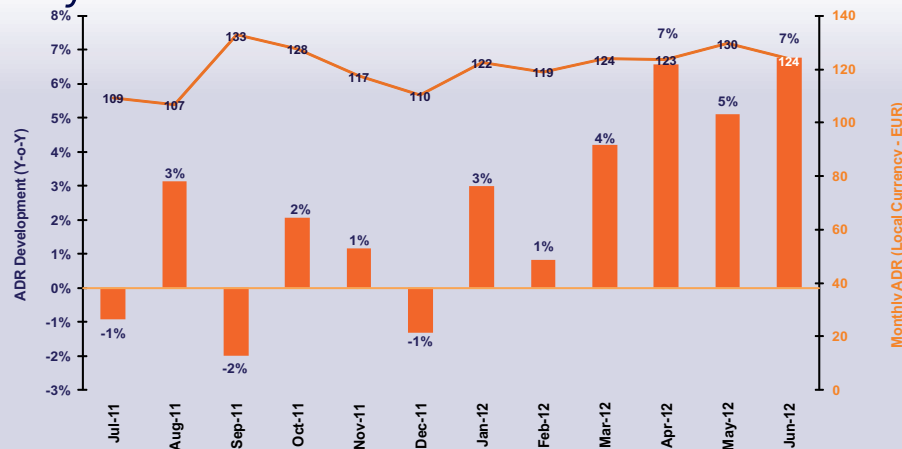
Historical ADR development Y-o-Y (key markets)

Fig 9b – Historical Average Daily Rate (ADR) Development in 2011/2012

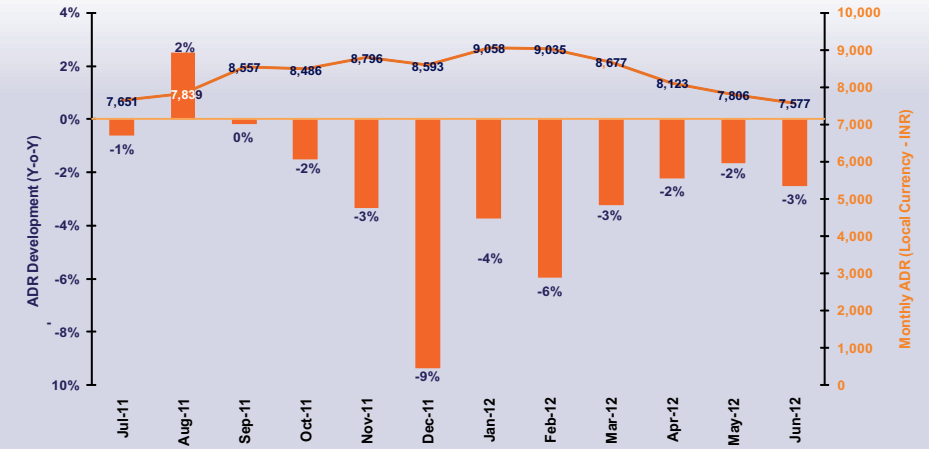
In key markets, hotel rates swung significantly upward from first quarter to second quarter.

Source: Advito. ©2012, Advito. 2013 Industry Forecast

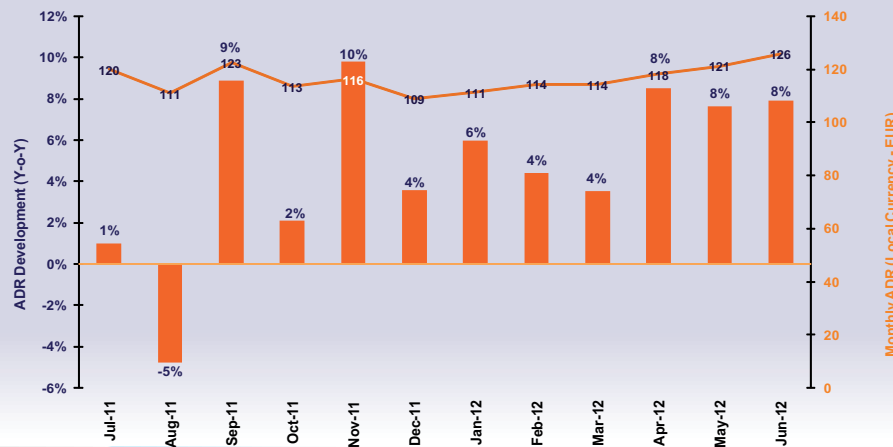
Germany



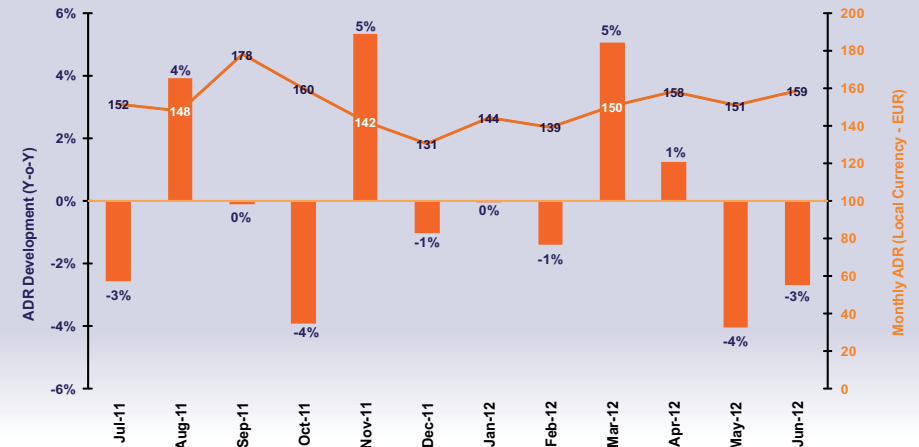
India



Ireland



Italy



APPENDIX

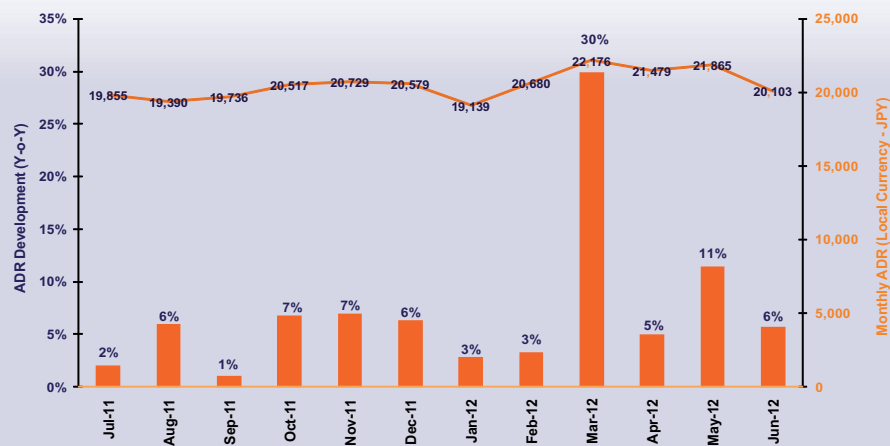
Historical ADR development Y-o-Y (key markets)

Fig 9c – Historical Average Daily Rate (ADR) Development in 2011/2012

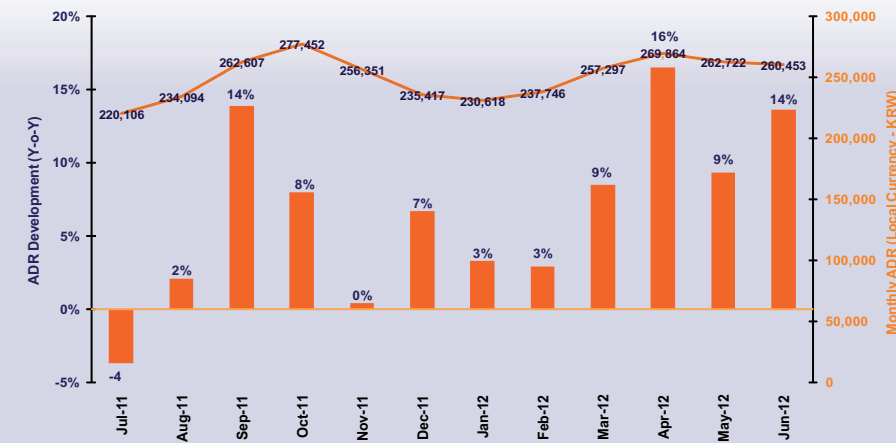
In key markets, hotel rates swung significantly upward from first quarter to second quarter.

Source: Advito. ©2012, Advito. 2013 Industry Forecast

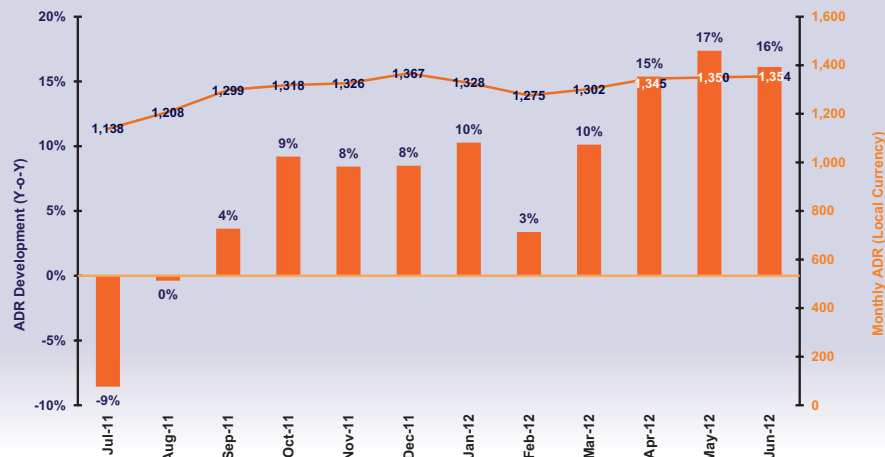
Japan



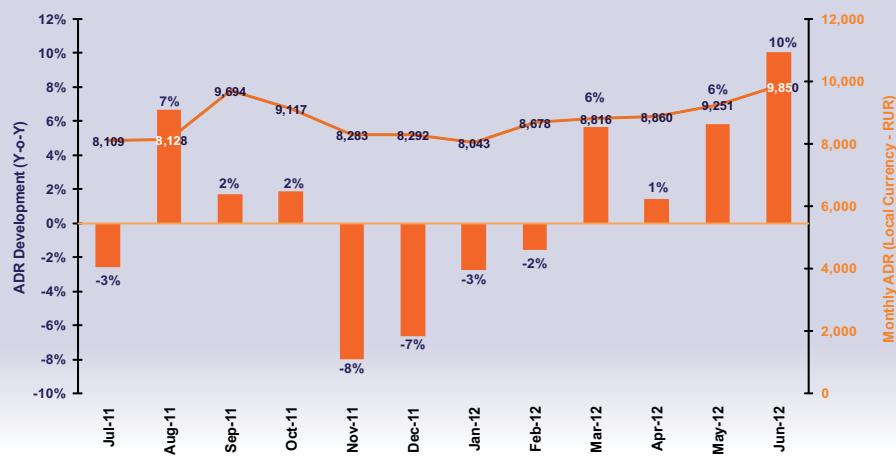
Korea



Mexico



Russia



APPENDIX

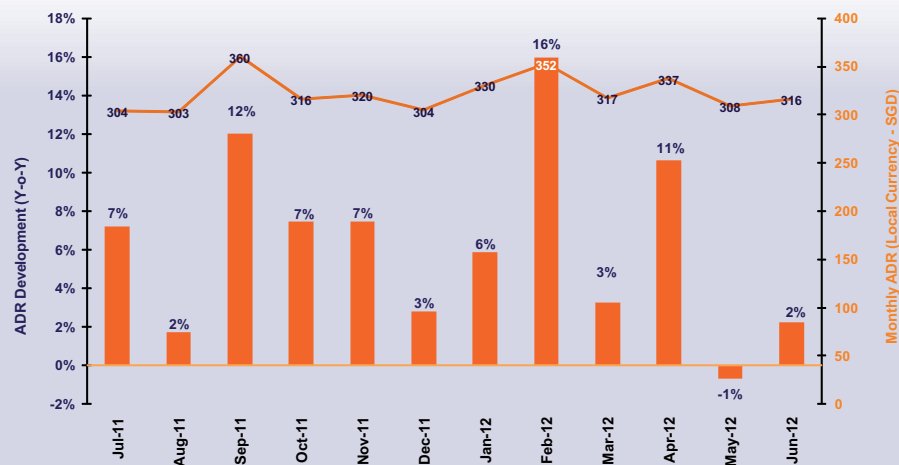
Historical ADR development Y-o-Y (key markets)

Fig 9d – Historical Average Daily Rate (ADR) Development in 2011/2012

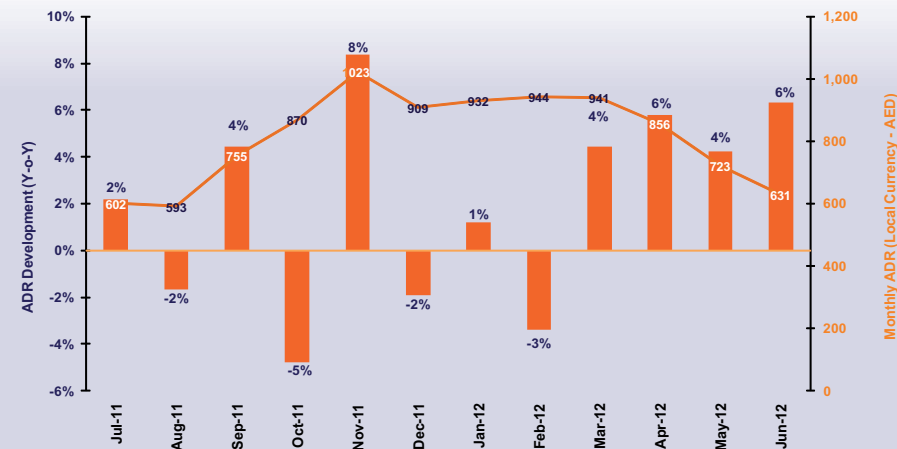
In key markets, hotel rates swung significantly upward from first quarter to second quarter.

Source: Advito. ©2012, Advito. 2013 Industry Forecast

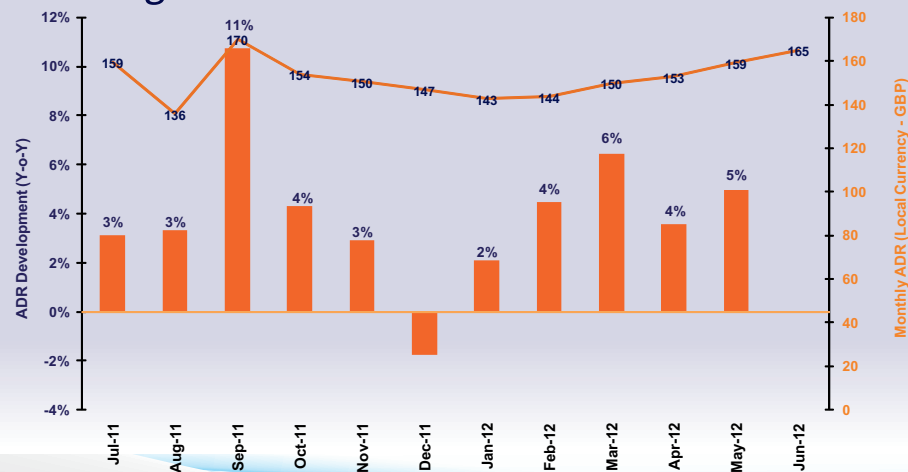
Singapore



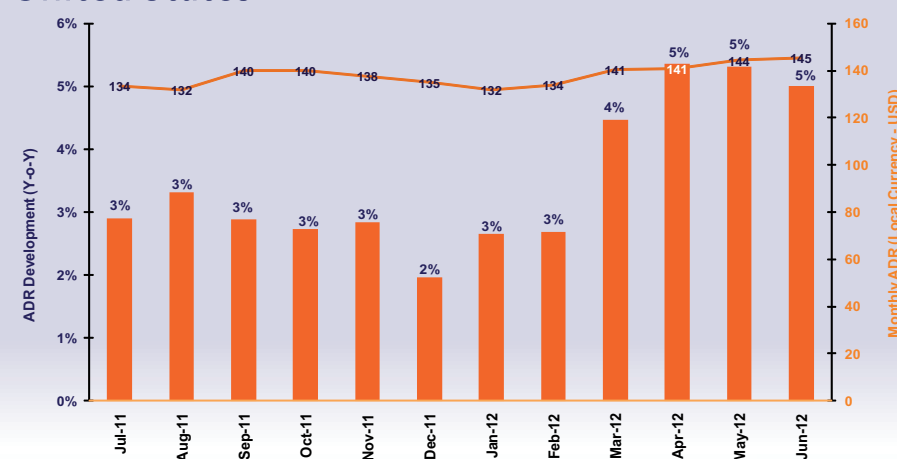
United Arab Emirates



United Kingdom



United States



APPENDIX

Historical ADR development quarterly (major cities)

Fig 10a – Historical Average Daily Rate (ADR) Development in 2011/2012

Source: Advito. ©2012, Advito. 2013 Industry Forecast

Top U.S. Cities ADR US\$		2011				2012	
		Q1	Q2	Q3	Q4	Q1	Q2
Atlanta	ADR	135	133	132	132	139	139
	Y-o-Y	2.6%	3.0%	1.2%	-4.0%	3.0%	4.6%
Boston	ADR	183	240	246	229	195	273
	Y-o-Y	3.9%	5.3%	4.8%	5.0%	6.7%	13.7%
Charlotte	ADR	131	130	127	131	131	135
	Y-o-Y	5.0%	3.8%	4.3%	1.9%	0.2%	3.8%
Chicago	ADR	153	206	202	204	163	221
	Y-o-Y	4.1%	6.9%	3.9%	2.2%	6.7%	7.3%
Dallas	ADR	138	132	131	135	138	143
	Y-o-Y	10.4%	6.5%	4.4%	4.9%	0.4%	8.8%
Denver	ADR	141	146	151	141	143	154
	Y-o-Y	1.4%	3.9%	7.3%	1.5%	1.7%	5.8%
Houston	ADR	134	141	134	134	143	148
	Y-o-Y	-0.8 %	3.9%	3.4%	2.2%	6.4%	4.8%
Indianapolis	ADR	109	112	112	110	120	117
	Y-o-Y	-0.3 %	-0.8 %	1.9%	3.1%	10.5%	4.6%
Las Vegas	ADR	141	133	130	132	154	145
	Y-o-Y	5.0%	3.3%	8.5%	2.1%	9.4%	8.9%
Los Angeles	ADR	168	169	170	172	181	195
	Y-o-Y	8.5%	4.3%	5.3%	6.4%	7.6%	15.1%

Top U.S. Cities ADR US\$		2011				2013	
		Q1	Q2	Q3	Q4	Q1	Q2
New York	ADR	260	329	323	360	259	342
	Y-o-Y	6.0%	8.8%	6.4%	2.9%	-0.3%	3.7%
Orlando	ADR	130	123	109	118	132	126
	Y-o-Y	6.9%	3.3%	4.5%	1.2%	1.5%	2.4%
Philadelphia	ADR	164	177	170	177	167	194
	Y-o-Y	4.6%	8.0%	6.3%	8.4%	1.7%	9.7%
Phoenix	ADR	153	120	104	127	143	116
	Y-o-Y	-3.7%	-1.9%	0.4%	-2.2%	-6.6%	-3.6%
Portland	ADR	117	134	133	127	127	135
	Y-o-Y	-0.4%	5.9%	5.0%	3.1%	8.0%	5.7%
Saint Louis	ADR	119	125	124	123	120	129
	Y-o-Y	2.6%	3.9%	5.0%	3.8%	0.8%	3.5%
San Diego	ADR	143	144	152	143	140	144
	Y-o-Y	2.3%	-0.1%	0.0%	2.8%	4.5%	5.9%
San Francisco	ADR	207	213	235	231	236	244
	Y-o-Y	11.1%	14.8%	15.6%	12.7%	13.9%	14.6%
Seattle	ADR	152	163	178	159	158	172
	Y-o-Y	3.0%	2.2%	4.7%	5.0%	3.7%	5.2%
Washington D.C.	ADR	234	259	223	239	233	268
	Y-o-Y	2.1%	-0.4%	-3.3%	0.1%	-0.5%	3.6%

APPENDIX

Historical ADR development quarterly (major cities)

Fig 10b – Historical Average Daily Rate (ADR) Development in 2011/2012

Source: Advito. ©2012, Advito. 2013 Industry Forecast

Top Euro Cities ADR Local Currency		2011				2012	
		Q1	Q2	Q3	Q4	Q1	Q2
Amsterdam	ADR	146	159	158	153	151	163
	Y-o-Y	3.4%	-0.3%	-0.3%	2.2%	3.3%	2.3%
Barcelona	ADR	121	147	161	136	150	159
	Y-o-Y	4.7%	13.1%	24.5%	13.2%	23.4%	8.4%
Berlin	ADR	122	118	117	111	120	116
	Y-o-Y	0.7%	-1.8%	-7.6%	-4.3%	-2.0%	-1.0%
Brussels	ADR	156	163	145	160	159	172
	Y-o-Y	10.6%	4.7%	4.4%	1.8%	2.0%	5.6%
Copenhagen	ADR	1132	1208	1207	1175	1163	1316
	Y-o-Y	9.8%	8.8%	1.9%	4.9%	2.7%	8.9%
Dublin	ADR	111	117	121	116	115	128
	Y-o-Y	-3.1%	-1.2%	3.7%	6.3%	4.0%	9.0%
Düsseldorf	ADR	122	137	109	127	125	132
	Y-o-Y	7.1%	18.6%	-6.4%	-1.7%	2.5%	-4.2%
Frankfurt	ADR	152	141	142	146	153	160
	Y-o-Y	4.3%	-3.4%	1.5%	5.4%	0.7%	13.8%
London	ADR	160	180	180	176	170	186
	Y-o-Y	2.5%	8.6%	7.3%	3.1%	5.8%	3.2%
Hamburg	ADR	114	123	125	117	119	124
	Y-o-Y	-0.2%	5.0%	1.2%	1.4%	5.0%	0.6%

Top Euro Cities ADR Local Currency		2011				2012	
		Q1	Q2	Q3	Q4	Q1	Q2
Madrid	ADR	118	130	134	137	133	138
	Y-o-Y	0.4%	0.1%	16.6%	14.5%	12.8%	5.8%
Milan	ADR	171	176	169	168	178	182
	Y-o-Y	0.5%	2.8%	-0.6%	3.7%	4.3%	3.8%
Moscow	ADR	9548	9556	9590	9536	9592	10216
	Y-o-Y	4.0%	1.8%	3.4%	-3.0%	-0.5%	-6.9%
Munich	ADR	136	140	151	140	135	164
	Y-o-Y	9.9%	1.0%	-0.8%	-1.3%	-0.8%	16.9%
Paris	ADR	184	215	209	199	197	223
	Y-o-Y	2.4%	8.5%	5.0%	1.5%	6.8%	4.0%
Prague	ADR	2712	3172	3229	3022	2854	3325
	Y-o-Y	-4.8%	1.3%	3.9%	2.2%	5.2%	4.8%
Rome	ADR	157	190	182	169	154	187
	Y-o-Y	6.3%	-0.6%	-1.3%	1.2%	-1.5%	-1.4%
Stockholm	ADR	1616	1723	1671	1977	1609	1758
	Y-o-Y	-0.8%	-1.0%	-5.4%	-1.0%	-0.4%	2.0%
Vienna	ADR	131	143	143	142	138	143
	Y-o-Y	-0.1%	1.0%	-1.3%	3.6%	5.2%	0.3%
Zurich	ADR	260	277	274	261	270	272
	Y-o-Y	-7.0%	-4.0%	-2.4%	0.7%	3.9%	-1.5%

APPENDIX

Historical ADR development quarterly (major cities)

Fig 10c – Historical Average Daily Rate (ADR) Development in 2011/2012

Source: Advito. ©2012, Advito. 2013 Industry Forecast

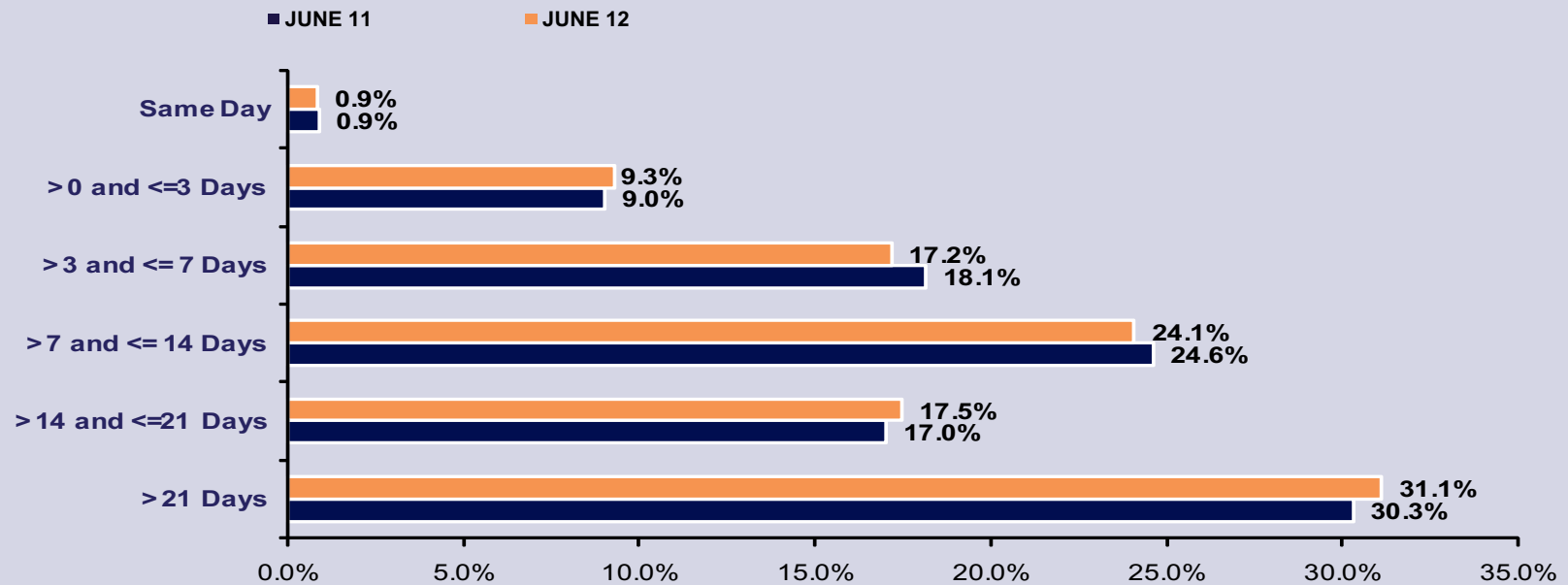
Top APAC Cities		2011				2012	
ADR Local Currency		Q1	Q2	Q3	Q4	Q1	Q2
Bangkok	ADR	4881	4900	4785	4811	4661	4831
	Y-o-Y	2.0%	6.4%	8.9%	4.9%	-4.5%	-1.4%
Beijing	ADR	1074	1142	1111	1118	1136	1153
	Y-o-Y	7.0%	7.7%	9.7%	3.6%	5.8%	1.0%
Dubai	ADR	915	709	668	942	962	752
	Y-o-Y	-4.8%	0.9%	8.8%	7.8%	5.2%	6.2%
Hong Kong	ADR	2350	2112	2116	2372	2442	2308
	Y-o-Y	23.0%	11.4%	10.7%	7.3%	3.9%	9.3%
Mumbai	ADR	10252	9121	8629	9864	9698	8720
	Y-o-Y	7.0%	0.9%	-3.3%	-4.7%	-5.4%	-4.4%
Seoul	ADR	242163	245719	248310	266513	255391	273348
	Y-o-Y	4.9%	3.9%	3.2%	5.1%	5.5%	11.2%
Shanghai	ADR	1195	1228	1185	1221	1254	1285
	Y-o-Y	5.2%	-4.2%	-5.2%	-5.3%	4.9%	4.7%
Singapore	ADR	307	308	322	314	333	321
	Y-o-Y	6.6%	1.2%	7.1%	5.9%	8.4%	4.0%
Sydney	ADR	249	238	245	269	273	255
	Y-o-Y	-3.8%	-1.6%	3.3%	3.7%	9.5%	7.2%
Tokyo	ADR	21050	21643	21207	21913	22697	23251
	Y-o-Y	-5.4%	-2.1%	2.1%	4.6%	7.8%	7.4%

Canada & LatAm		2011				2012	
ADR Local Currency		Q1	Q2	Q3	Q4	Q1	Q2
Buenos Aires	ADR	667	674	753	734	802	746
	Y-o-Y	26.8%	23.0%	31.2%	8.9%	20.3%	10.7%
Lima	ADR	530	561	536	515	553	567
	Y-o-Y	6.5%	12.9%	12.1%	0.7%	4.2%	1.1%
Mexico City	ADR	1709	1595	1665	1838	1814	1918
	Y-o-Y	-5.3%	-7.4%	-2.4%	9.9%	6.1%	20.2%
Montreal	ADR	148	163	162	158	151	163
	Y-o-Y	3.1%	-0.6%	-2.7%	3.5%	2.1%	-0.3%
Rio de Janeiro	ADR	355	360	373	406	419	444
	Y-o-Y	8.3%	11.3%	18.9%	23.1%	17.9%	23.2%
San Jose	ADR	75448	77334	74853	81700	83796	70004
	Y-o-Y	-1.3%	6.2%	0.6%	11.0%	11.1%	-9.5%
Santiago	ADR	84601	88655	90939	108577	104853	113687
	Y-o-Y	-15.5%	-5.0%	11.0%	16.2%	23.9%	28.2%
Sao Paulo	ADR	302	325	332	340	396	440
	Y-o-Y	6.9%	17.7%	25.1%	28.8%	31.0%	35.5%
Toronto	ADR	153	161	164	164	163	167
	Y-o-Y	2.0%	-1.9%	2.4%	2.7%	6.7%	3.7%
Vancouver	ADR	153	177	182	159	158	182
	Y-o-Y	-15.2%	4.0%	1.0%	-2.3%	2.9%	3.0%

APPENDIX
Advance booking**Fig 11 – Advance booking behavior**

Bookings made more than 14 days in advance remain at about 50% share of a fluctuating behavior pattern

Source: Advito. ©2012, Advito. 2013 Industry Forecast



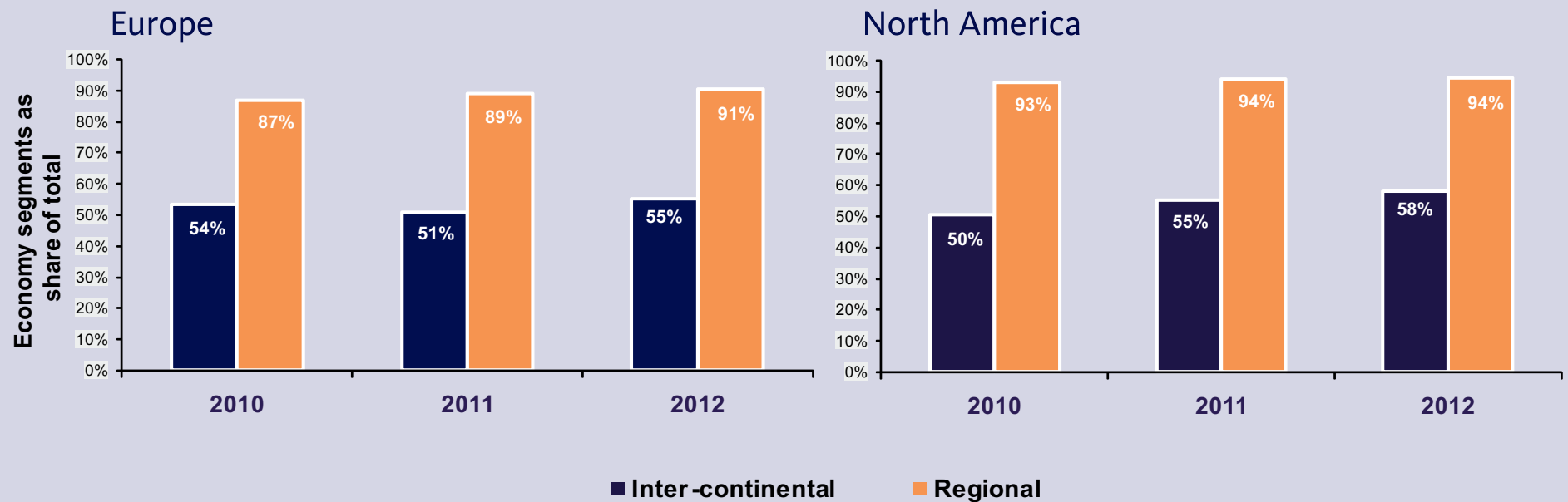
APPENDIX

Economy class ratio

Fig 12 – Economy class ratio

Bookings made more than 14 days in advance remain at about 50% share of a fluctuating behavior pattern

Source: Advito. ©2012, Advito. 2013 Industry Forecast



It has been assumed (as working hypotheses rather than predictions) that:

- The price of oil per barrel will be within the range of US\$115 and US\$125 over a three month period in 2012;
- World economic output will expand by about 3.5 percent in 2012, with a sluggish start followed by slightly accelerating growth in the second half of the year; growth will continue in 2013, with world economic output rising between 0.2 and 0.6 percent year over year.
- Impact of the long-term structural reduction of travel intensity for most sectors will be insignificant in 2012 (i.e., organizations will not further reduce their number of trips in relation to their business volume).

Broader industry developments and trends have been identified based on Advito research throughout 2012 and an analysis of in-depth interviews of experts in international corporate travel and meetings management with additional insight by the respective Advito practice leaders.

The category-specific predictions are based on an Advito analysis of aggregated transaction data of BCD Travel's corporate clients worldwide. The analysis and forecast are based on dynamic baskets using the actual number of room nights, car rental bookings and air segments for the period in question to reflect potential shifts in travel pattern and booking behavior. The level of aggregation used for the trend analysis was determined based on the validity of the data pool in question with a minimum threshold for year-to-date and historical number of transaction for each unit.

Averages per month are weighted by category transactions for each of the unit in question—the exception is the area/region average for hotel which is a simple average across all countries in that area/ region. Quarterly averages are simple averages of months in the quarter. Unless stated differently, price developments are based on local currencies and are therefore subject to foreign exchange fluctuations. Local currency transaction data has been normalized into leading world currencies using the daily average conversion rate on the date of travel (for air and rental car) or planned checkout date (for hotel). Hotel market tiers assignments are following Advito's proprietary classification scheme. Air cabin classes are based on the Advito master table of booking classes for airlines. In addition to the BCD Travel client data the following sources have been used as parameter input to the trend analysis and forecasting:

- International Air Transport Association (IATA) for airline capacity and traffic;
- International Monetary Fund (IMF) for macroeconomic predictions and oil price;
- Economist Intelligence Unit (EIU) for macroeconomic predictions and oil price;
- Lodging Econometrics for hotel construction pipeline;
- OANDA for foreign currency exchange rates;
- Official Airline Guide (OAG) for airline capacity;
- Organisation for Economic Co-operation and Development (OECD) for historic macroeconomic indicators;
- Smith Travel Research (STR) for hotel occupancy level.

The estimates and predictions are based on data available through June 2012 for air and hotel transactional data and through August 2012 for macroeconomic and industry indicators.

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About Advito

Advito provides travel-management advisory, procurement and outsourcing services that guide clients through a complex travel environment. Advito delivers proven value, unbiased counsel and a customized approach for every client and every engagement, together with industry expertise and access to data to drive quantifiable decision-making. Advito is headquartered in Atlanta, and operates in key business markets around the world. Advito is an independent operating unit of BCD Travel, the world's third-largest travel management company, owned by BCD Holdings N.V. For more information, visit www.advito.com.

About BCD Holdings N.V.

BCD Holdings N.V is a market leader in the travel industry. The Dutch, privately owned company was founded in 1975 by John Fentener van Vlissingen and consists of BCD Travel (global corporate travel management), Travix (online travel: CheapTickets, Vliegwinkel, BudgetAir and Vayama), Park 'N Fly (off-airport parking), TRX (travel transaction processing and data integration), Airtrade (consolidating and fulfillment), VakantieXperts (leisure) and Parkmobile International (mobile parking and traffic applications). BCD Holdings employs approximately 13,700 people and operates in more than 95 countries with total sales, including franchising, of US\$24.4 billion. For more information, visit www.bcd-nv.com.