MARKET SNAP SHOT REPORT

SKY-HIGH RATES EDITION

JUNE 2022

INTRODUCTION

For many travel programs, the time for 2022 budget setting came just as a new variant of COVID-19 was once more throwing business travel's recovery off course. The emergence of omicron and the uncertainty it created led travel managers to project more modest travel volumes, with most expecting to hit only 50% of their program's 2019 levels.

Now, at the midpoint of the year, many companies seem poised to exceed 2022 travel budgets. Business travel has come back faster than many predicted. And while summer seasonality means that as of this month volumes are flattening out, we expect a significant increase later in Q3 and Q4.

At the same time, labor shortages, rising costs and skyrocketing leisure travel demand are making for a difficult and expensive travel management environment.

In this June 2022 edition of TRIPBAM's Market Snapshot Report, we'll look at the current sky-high rates hitting hotels across global markets. We'll detail corporate travel volumes by city, rate type, property type and more. We'll also highlight for the first time in the report the industry verticals and company sizes that are seeing the most business travel.

Plus, we'll provide the first glimpse of TRIPBAM for Air trends, detailing which domestic and international city pairs are experiencing the largest fare increases and decreases.

It's going to be a tricky remainder of the year for travel budget owners. Our recommendation? Now's the time to get your house in order.

METHODOLOGY

The data outlined in this report is sourced from TRIPBAM's global hotel data covering the Americas, EMEA, and APAC. The analysis is based on data pulled June 12 from TRIPBAM's system and is based on a 12-month running average unless otherwise indicated in the text or charts that follow. The booking data is limited strictly to corporate bookings made by TRIPBAM customers and does not include leisure or group bookings.

CHANGES TO VOLUME AND RATE

Business travel volumes across global markets had been climbing steadily this year before they began leveling out in mid-May. It's a dip that tracks with pre-COVID seasonal travel patterns and one we attribute to vacation time making for fewer business trips. Nevertheless, we expect volumes outside the U.S. to begin climbing back up again as restrictions are lifted on international travel.

Another trend worth noting is the rise of secondary markets — cities with smaller hotel inventory that typically see lower business travel volumes. These cities, such as Scottsdale, Ariz. or Charlotte, N.C. in the US, are seeing higher business travel volumes than the larger primary markets.

We attribute this volume shift to a change in business trip types. Think instead of individual sales trips, smaller company retreats where teams can get together again. For buyers, this means business travel volumes are proving harder to predict, particularly compared to pre-COVID patterns and volumes.

While volumes may be dipping from seasonality, it doesn't mean rates have followed. Booming leisure travel demand and limited supply has already pushed market rates (the best available rate in the market, or BAR) beyond 2019 prices and they are continuing to climb.

Globally, market rates have risen 19.3% from 2019 levels to $233 on a like-for-like basis. Digging down by region, US rates are up 12% to $243. In EMEA, rates are up 10% to $245. Finally, in APAC rates are flat at $189.

New York and London have seen the greatest rate increases among individual markets. New York's current market rate is $432, up 31% from 2019. London's market rate is $472, up 29% from 2019.

One trend to note is that global corporate booked rates are flat with 2019 rates, a development we attribute to corporates taking advantage of static negotiated rates established last year. Using a static negotiated rate as a cap is a measure we recommended to travel buyers in previous Market Snapshot Reports to avoid overpaying via dynamic discounts.

GLOBAL AIR TRENDS

SPOTLIGHT

Hotel rates aren't the only thing climbing this year. Airfares are soaring in line with booming travel demand and rising fuel costs.

During the past 30 days, airfares are up 115% compared to January 2022. However, looking on a month-to-month basis, business travel fares have started to level off. It's too soon to say whether this will be an ongoing trend or the result of seasonality.

FEBRUARY	MARCH	APRIL	MAY
+29% MOM	+24% MOM	+36% MOM	-0.8% MOM

Examining the top domestic market routes by city pair, LAX (Los Angeles) to ORD (Chicago O'Hare) saw the greatest business travel fare increase, up 206% during the past 30 days compared to the start of the year. DTW (Detroit) to MCI (Kansas City, Mo.) saw the largest business travel fare decline, down 24% from the start of the year. All domestic market analyses use economy class fares.

TOP DOMESTIC MARKET AIRFARE INCREASES

DFW-MCO	DFW-LAX	DFW-MCO	ORD-SEA	LAS-ORD
206%	198%	183%	170%	165%

TOP DOMESTIC MARKET AIRFARE DECREASES

DTW-MCI	DTW-STL	IND-PHL	DTW-MSP	EWR-IND
24%	22%	18%	14%	9%

International markets, too, have seen fare increases, but not to the same extent. The route with the greatest business travel fare increase was EWR (Newark, N.J.) to ZRH (Zurich). Meanwhile, DUB (Dublin) to PHL (Philadelphia) had the only airfare decrease in the past 30 days, down 33% from the start of the year. . All International market analyses use business class fares.

TOP INTERNATIONAL MARKET AIRFARE INCREASES

59%	51%	28%	12%
EWR-ZRH	LHR-SIN	LHR-SEA	JFK-LHR

TOP INTERNATIONAL MARKET AIRFARE WITH DECREASE

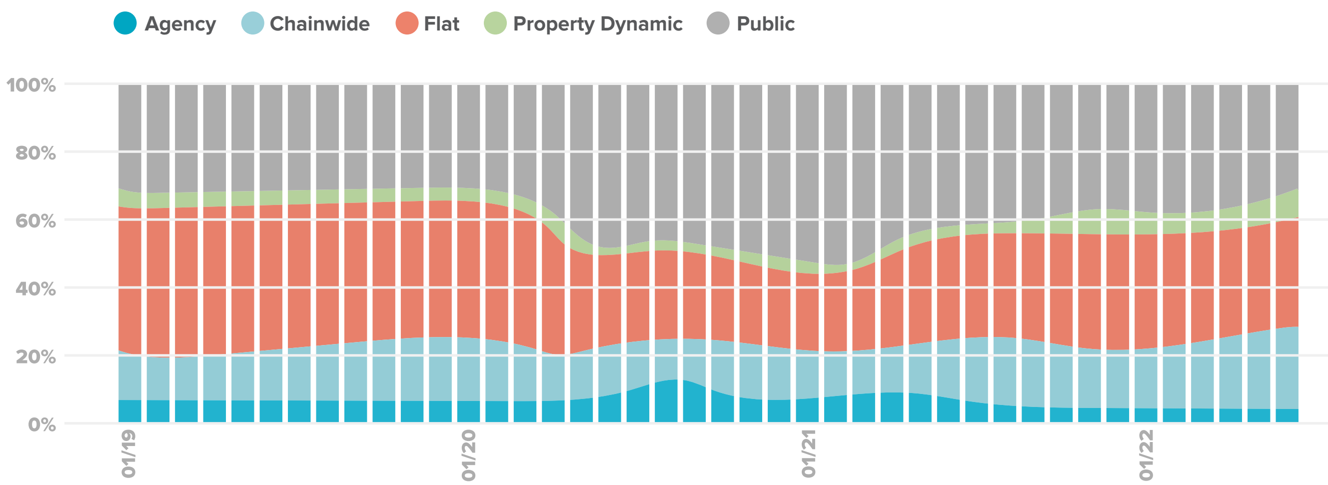
33%
DUB-PHL

Note: This analysis is based on data pulled June 6 from TRIPBAM's system. All fare comparisons are made using the first 30 days of 2022 to the 30-day period of May 8 to June 6, unless otherwise indicated. The booking data is limited strictly to corporate bookings made by TRIPBAM customers and does not include leisure bookings.

RATE TYPE & STAR RATING USAGE

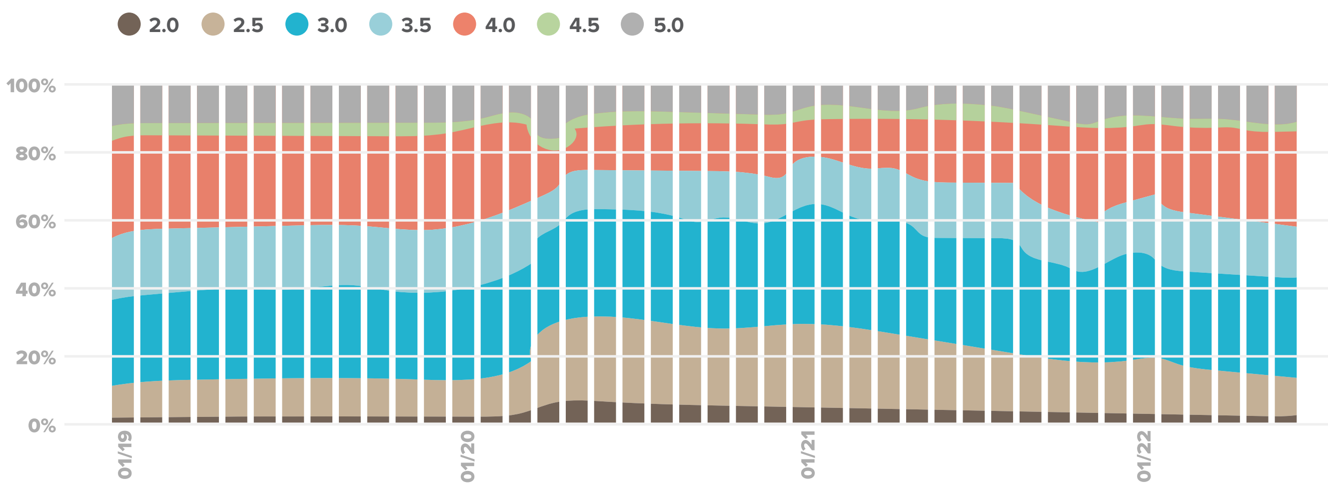
Corporate travelers are booking chainwide rates 25% of the time, up from 19% at the end of last quarter and from 14% in June 2019. Static negotiated rate usage is 32%, up slightly from 30% at the end of last quarter but down from 44% in June 2019. Agency rate usage dipped to 4% from 6% at the end of last quarter and 7% in June 2019.

RATE TYPE ANALYSIS



Analyzing global bookings by star rating, we can see that the trend we noted in our last report of business travelers returning to properties in the upscale, upper-upscale and luxury segments continued. In fact, today's share of bookings for each segment is right in line with where they were in June 2019.

STAR RATING ANALYSIS

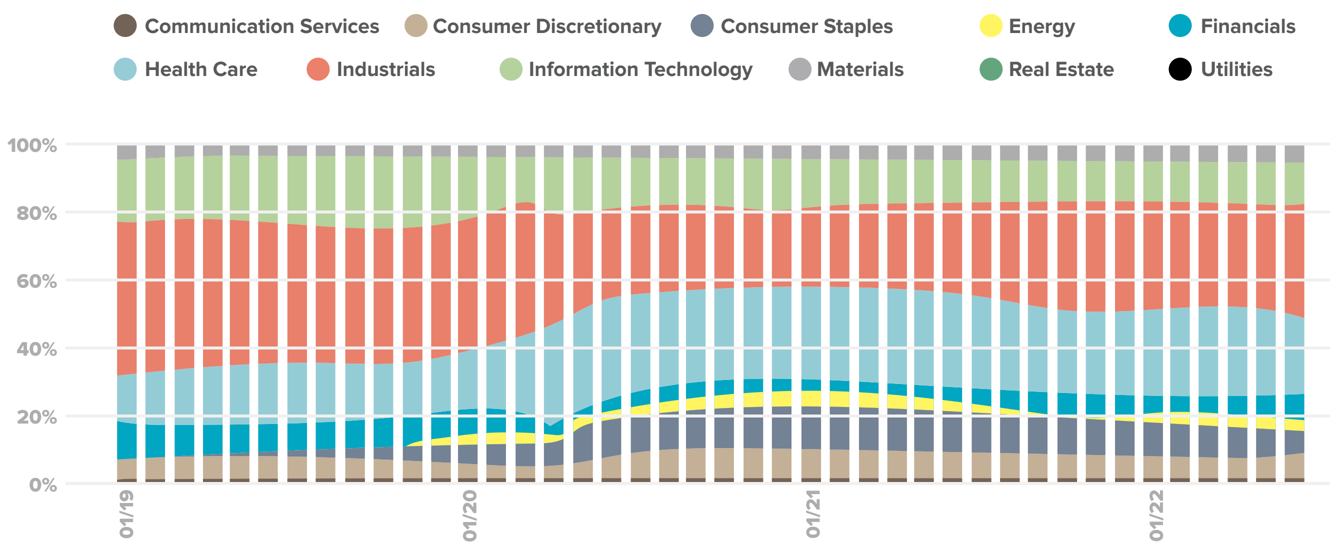


BOOKING VOLUMES BY INDUSTRY VERTICAL & COMPANY SIZE

A new addition to TRIPBAM's data dashboard this quarter gives us the power to analyze booking volumes based on industry vertical and company size.

The three industry verticals that have seen the biggest shift in their travel volumes post-COVID are healthcare, large tech and industrial.

INDUSTRY VERTICAL ANALYSIS



Note: Industry verticals were created using the Global Industry Classification Standard (GICS).

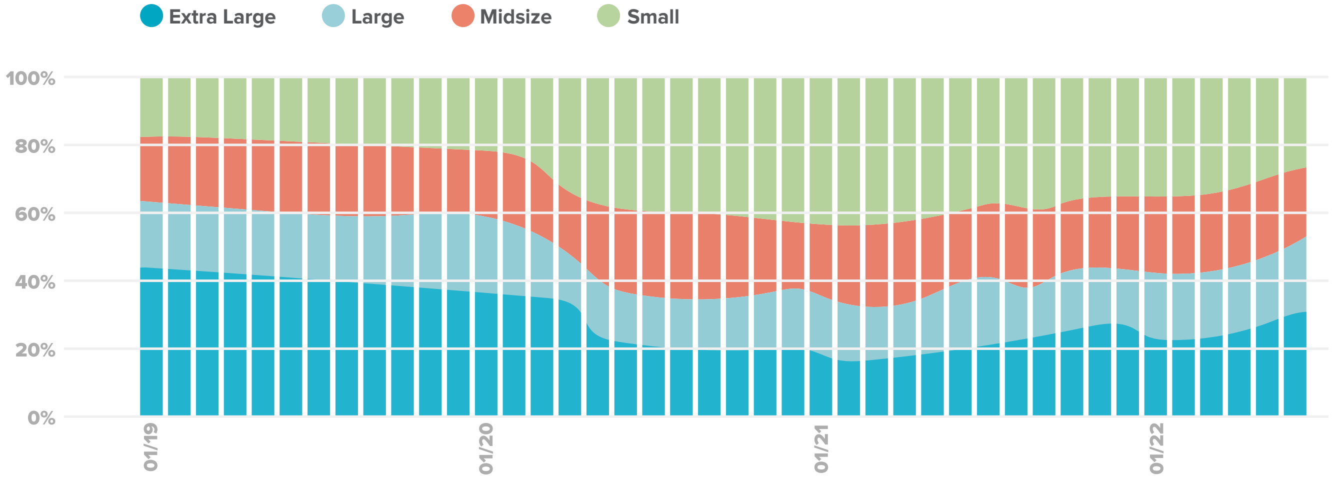
Healthcare currently accounts for 23% of business travel, up from 14% in June 2019.

Large tech, on the other hand, is down to 12% from 18% in June 2019. This seeming lack of recovery in travel among tech firms we partially attribute to a more significant shift to virtual meeting platforms and away from business transient travel.

Industrial, too, is down to 35% of business travel volumes from 43% in June 2019. This change could be the result of labor shortages and supply chain issues currently impacting industrial firms around the globe.

Analyzing booking volumes by company size, we can see that small companies have seen the greatest growth since 2019, accounting for 27% of business travel volumes, up from 19% in June 2019.

COMPANY SIZE ANALYSIS



Midsize and large firms are on par with where they were pre-COVID, suggesting a return to normalcy for these programs.

Extra large programs, as classified by Business Travel News Corporate Travel 100, haven't seen the same recovery in volumes. They currently demand 32% of booking volumes, down from 42% in June 2019.

THE TRIPBAM BUSINESS TRAVEL INDEX

First launched in last quarter's report, the TRIPBAM Business Travel Index examines the health of the corporate travel industry on a scale of 100. It currently sits at 66.69, a marked improvement from the first quarter index of 21.36. It's been trending downward slightly in recent weeks in line with seasonal reductions in travel volumes.

CONFRONTING HIGH RATES

Long-term we still expect business travel volume to peak at 80% of pre-COVID levels, owing to sustainability mandates, remote work, virtual meeting advancements and budget cuts.

Nevertheless, business travel is still recovering faster than originally anticipated. In the latter half of Q3 and in Q4, many travel programs will have to confront the threat of budget overruns, if they haven't already.

For buyers, the days of being laser-focused on duty of care and traveler wellbeing, the way many were during COVID, are over. The new focus is cutting costs. Here's how we recommend you make the shift:

1. **Turn on rate (and fare) re-shopping with automated rebooking**. When costs are going up and your corporate discounts are less powerful, it's important to find savings wherever possible.
2. **Audit, audit, audit.** Make sure travelers are staying within program to keep costs down and suppliers are honoring contracted discount agreements. Last room availability is always an issue during high-demand periods, so make sure you stay vigilant to avoid cost overruns. Contact suppliers when you find issues. On average, 25% of program savings are lost from LRA issues.
3. **Continuously adapt your program.** Benchmark your negotiated deals against your peers — if you see others are getting a better rate, renegotiate. If you see that travel volumes have shifted to a new market, source new agreements there.
4. **Consider trip avoidance measures.** When the budget gets tight, one of the easiest ways to save is to discourage travel. Put in additional budget approval steps to make sure employees are only taking trips considered necessary. Discuss trip alternatives with budget managers to get more value from travel spend.
5. **If you haven't already, use rate caps and targets through your online booking tool.** With rates climbing higher, make sure you set limits on which rates travelers can book through your company's online booking tool. If you can't limit the point of sale, consider sending compliant hotels and rates to travelers booked well above the caps.

2023 SOURCING RECOMMENDATIONS

Those preparing to source new negotiated agreements for 2023 may be wondering what to expect and where to begin.

First, be prepared for chains to offer static rates 10% or more higher than whatever static negotiated rate was rolled over from 2019. If you negotiated in 2021, chains may try to push rates even higher, particularly in leisure-heavy markets like Orlando, Fl., Las Vegas and Scottsdale, Ariz.

If you have dynamic discounts, they should stay the same (20%). But expect the cap rates that you use as part of a dual-load rate strategy to increase.
Here are some steps you can take to keep your program's discounts the same or improved:

1. Prove that you can shift share using rate caps, point-of-sale biasing or TRIPBAM's Smart Share Shift solution.
2. Agree to a reasonable market share commitment at a chain or property in return for a good discount. Rely on a trusted third party to provide market share metrics, not the chain or property.
3. Consider delaying negotiations until later in 2022 as occupancy levels may drop because of seasonality in leisure markets, high rates and budget constraints.

IN CLOSING...

The remainder of 2022 is going to challenge buyers to show their worth to their companies — not an easy burden to take on amid rising costs and reduced service levels from staff shortages.

Most importantly, stay calm. Think outside the box. Collaborate with peers. Use the tools and analytics at your disposal. And keep the communication channels with supplier partners, internal stakeholders and budget owners across your organization open. You got this.