# MARKET SNAP SHOT REPORT

## THE BUSINESS-AS-UNUSUAL EDITION

### OCTOBER 2022

# INTRODUCTION

For corporate travel, the last two-plus years have been characterized by uncertainty.

First, there was the onset of COVID in 2020. Then, there was the recovery. The industry had to make sense of impacts to supply, labor, travel budgets and longer-term travel volumes and patterns.

New variants — delta and omicron — led to unexpected disruptions and recovery delays in 2021 and the start of 2022.

Finally, pent-up leisure and business travel demand sparked significant price increases and shifts in travel patterns — two changes highlighted in TRIPBAM's June 2022 Market Snapshot Report.

Now, as we close out the third quarter, business travel volumes and patterns are proving to be more consistent and seasonally appropriate. Most industries, except for IT and manufacturing, are traveling at the rates they were pre-COVID (though overall corporate travel volumes across all industries are still not at 2019 levels).

For travel buyers, it doesn't mean the challenges are over.

The market is shifting to suppliers. Account managers at hotels are in short supply. Negotiating is going to prove frustrating (and costly) to buyers who choose to follow the old way of doing things.

Now is the time to get back out and reassess your program and to adopt new technologies and procurement strategies.

In this September 2022 edition of TRIPBAM's Market Snapshot Report, we'll examine the factors influencing rates and booking volumes. We'll detail corporate travel volumes by rate type, industry vertical and company size. Finally, we'll once more look at TRIPBAM for Air trends, detailing which domestic and international city pairs are experiencing the largest fare increases and decreases.

It's time to get back to business.

## 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 Sept. 1 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.

## SHIFTS IN HOTEL RATES & VOLUMES

The TRIPBAM Business Travel Index, which examines the health of the corporate travel industry on a scale of 100, is at 79. That's up from 67 in June when this report was last issued.

This rise is not only seasonally appropriate but supports the recovery we've been seeing in overall business travel volumes throughout 2022.

| GLOBAL | NORAM | APAC | EMEA | LATAM |
|---|---|---|---|---|
| 78.95 | 73.21 | 114.07 | 74.21 | 98.96 |

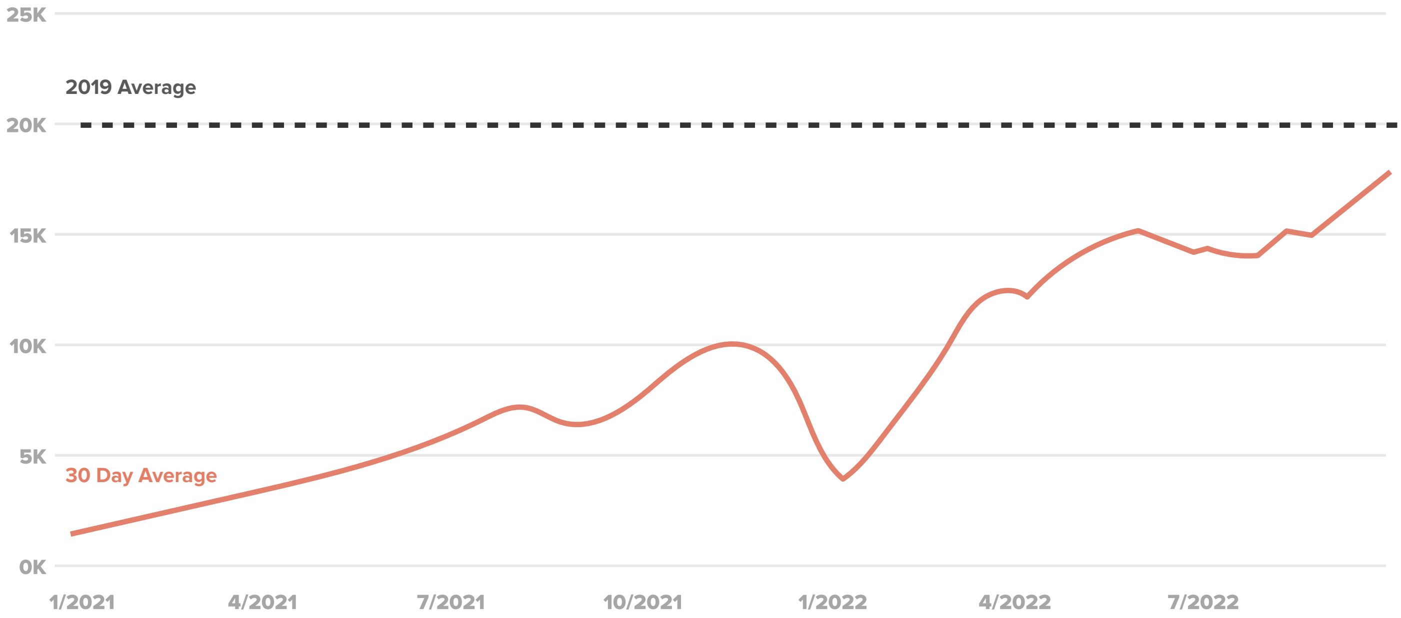






We expect corporate bookings to continue to increase globally into the fall as more companies ramp up trips and off-site meetings. Summer holidays are over and planning for 2023 needs to begin.

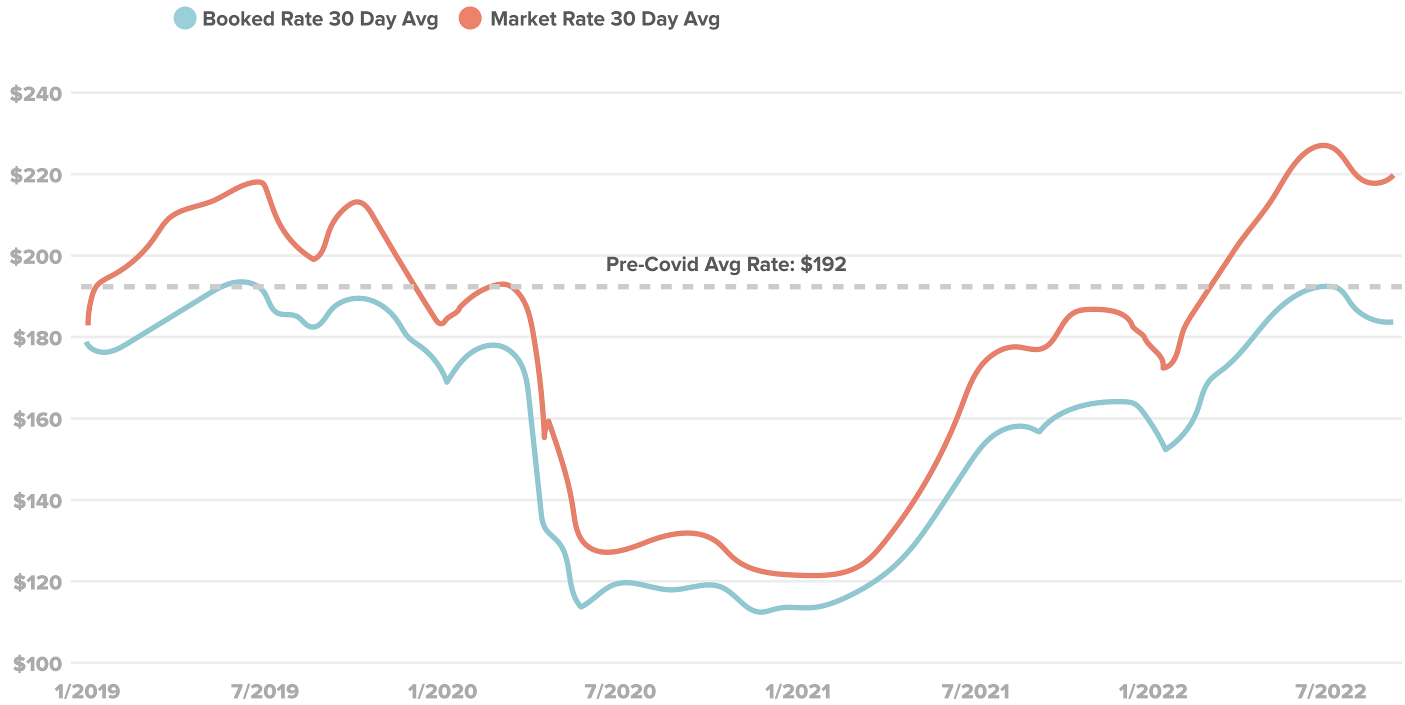
OCCUPANCY | NEW BOOKINGS




Globally, market rates have dropped since our June report, down 6% to $219. The tapering off of leisure bookings is helping to bring down rates for corporate transient, particularly in primary markets that entertain a strong mix of business and leisure travel.

However, rates are still 10.6% higher now than they were during this same period in 2019. Unfortunately for corporates, rates will likely continue to increase, owing to continued pent up demand for less price-sensitive business transient travel, room availability issues due to staff shortages, as well as rising costs for goods, labor and energy.

In Europe, rising energy costs could prove a major concern, both to companies and to hoteliers. The UK government stepped in to cap energy prices for domestic and commercial uses, but the EU is still weighing intervention measures that include energy use cuts or windfall taxes on energy firms. The impact of the British Pound's (GBP) rapid decline also could impact European economies and increase recession risks — at the time of publication, the situation is still too volatile to predict what could happen globally.



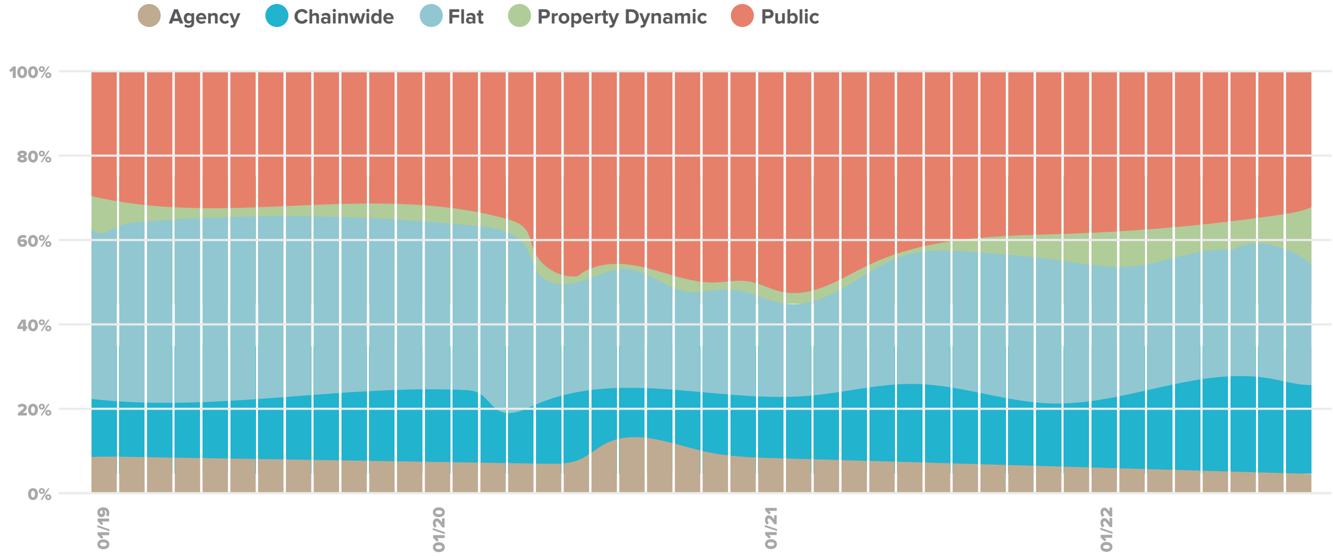

We noted in our last report that global corporate booked rates (the rates TRIPBAM customers are actually booking compared to the market) are flat with 2019 rates during the same period. This trend once more continued in September.

As market rates climb, static negotiated rates are proving more valuable than dynamic discounts, so corporates that have put in place a static negotiated rate as a cap in their programs have benefited and will continue to do so.

## BOOKING VOLUMES BY RATE TYPE, INDUSTRY VERTICAL & COMPANY SIZE

Corporate travelers are booking static negotiated rates 31% of the time. While this is on-par with the share of static negotiated rates being booked as of Q2 2022, it's much less  than the 43% share seen as of Q3 2019.

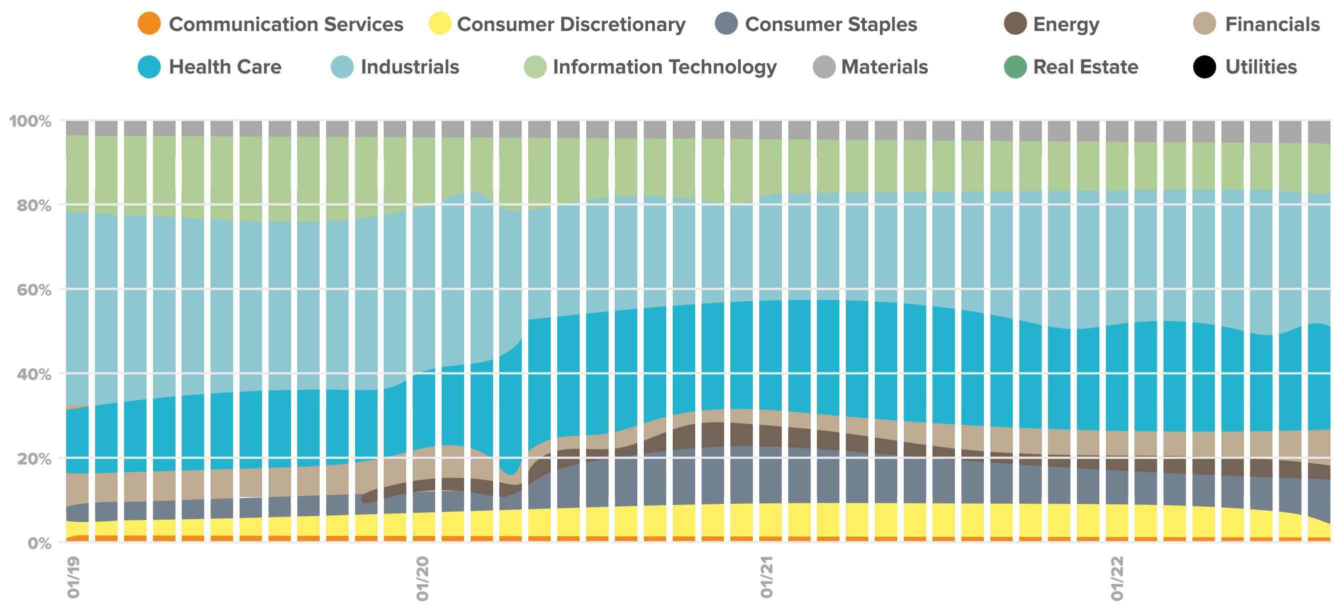
RATE TYPE ANALYSIS




The decline in the use of static negotiated rates can be attributed to an overall increase in corporate use of chainwide, public rates and dynamic rates since the pandemic. Buyers can realize greater savings if they start taking a more active management approach of their corporate hotel programs through sourcing, auditing and benchmarking going forward.

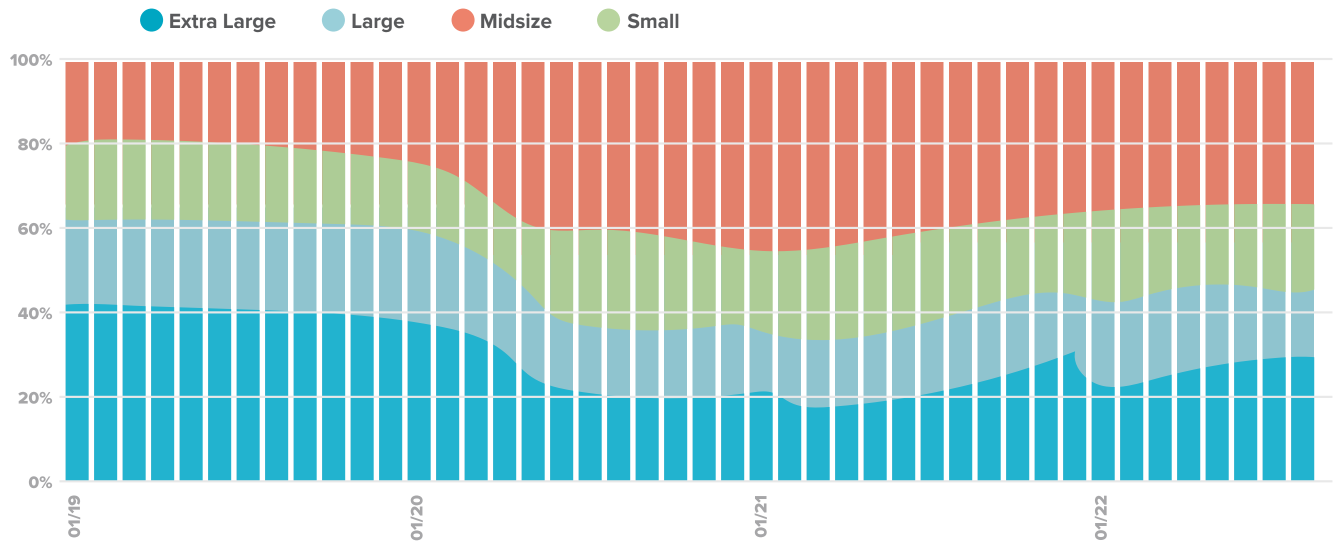
By industry vertical, healthcare continues to generate greater travel volumes than it did pre-pandemic, accounting for 26% of all bookings versus 19% at the start of September 2019. IT and manufacturing remain the two verticals that have yet to return to 2019 levels.

INDUSTRY VERTICAL ANALYSIS



We previously noted the lack of recovery in travel among tech firms, which indicates a long-term shift to virtual meeting platforms. However, reports in recent weeks also point to more conservative budget setting for tech firms amid what could be challenging economic times ahead.

COMPANY SIZE ANALYSIS




Booking volumes by company size reveal smaller companies continue to make up a larger portion of overall business travel, accounting for 33% as of Sept. 1 compared to 21% for the same period in 2019.

Extra-large companies, meanwhile, have seen volumes fall to 29% of overall business travel as of Sept. 1 compared to 38% in 2019. Press reports in recent weeks have highlighted cutbacks of business travel among this segment, particularly in IT, as previously noted.

# GLOBAL AIR TRENDS

SPOT LIGHT

In this second analysis of TRIPBAM for Air data, we see different stories emerging between domestic air pricing and long haul international.

Pricing among domestic city pairs (defined as an origin and a destination within the same country) has softened.

Pricing across all domestic routes now more closely resembles levels seen back in March, down 21% from the May peak. This suggests the summer leisure demand that had fares climbing has now dipped with the return of school and autumn weather.

That doesn't mean corporates don't have to worry about fare hikes. Aircraft availability and airline staffing challenges are expected to persist and the price of jet fuel is 74% higher than it was this time last year, according to IATA. Companies should ready themselves for potential airfare increases through the end of the year at least.

DOMESTIC CITY PAIRS WITH THE GREATEST SWINGS IN PRICING (ECONOMY CLASS) TOP INCREASES

| | | | |
|---|---|---|---|
| 107% | 78% | 70% | 69% |
| EDI-LCY | CLE-LGA | ATL-CLT | ATL-CVG |
| 64% | 60% | 60% | 58% |
| ATL-FLL | DTW-FLL | PDX-SLC | ATL-CHS |

TOP DECREASES

| | | | |
|---|---|---|---|
| 52% ELP-MSP | 51% AUS-MCO | 49% BNA-EWR | 46% MSY-ORD |
| 45% LAX-MIA | 44% EWR-MCI | 44% DFW-SMF | 43% BOS-RDU |

Long-haul international, unlike domestic, has seen a steady and continuous rise in average segment prices, which are 14.9% higher in August ($2,972) than they were in April ($2,675).

There's nothing to suggest rates will slow their steady climb in the quarter ahead as growing corporate demand continues to put pressure on supply throughout the industry.

LONG-HAUL INTERNATIONAL CITY PAIRS WITH THE GREATEST SWINGS IN PRICING (BUSINESS CLASS) TOP INCREASES

| | | | |
|---|---|---|---|
| 75% EWR-LHR | 66% CDG-EWR | 50% DUB-JFK | 47% HND-SYD |
| 47% BOS-LHR | 41% SFO-SIN | 41% EWR-FCO | 35% AMS-PHL |

TOP DECREASES

| | | | |
|---|---|---|---|
| 25% EWR-GRU | 19% FRA-ORD | 12% LHR-SIN | 10% AMS-EWR |
| 10% PHL-ZRH | 7% EWR-VIE | 5% EWR-MUC | 5% LHR-PHL |

For travel managers, now is a key time to revisit airline agreements to ensure they match your organization's travel patterns today as opposed to what they were pre-pandemic. Similarly, look at benchmarking to see if the negotiated discounts and fixed fare pricing you have in place are actually providing you value, especially as fares continue to trend upward.

It's time to start thinking about 2023. Negotiate 2019 levels for your premium status levels for your most important travelers. It's important to stay nimble and know your data now so you can be proactive rather than reactive heading into next year.

*Note: This analysis is based on data pulled Sept. 7 from TRIPBAM's system. All fare comparisons are made using 30 days at the mid-point of Q2 2022 to the 30-day period at the midpoint of Q3 2022, unless otherwise indicated. The booking data is limited strictly to corporate bookings made by TRIPBAM customers and does not include leisure bookings.*

## RECOMMENDATIONS FOR BUYERS NEARING THE CLOSE OF 2022...

While business travel volumes have yet to surpass 2019 levels — something we've long said may not occur, owing to sustainability mandates, remote work, virtual meeting advancements and budget cuts — they have still rebounded faster than industry watchers predicted.

Travel budget owners are now finding themselves in an uncomfortable position closing out the year, with the need to rein in spending colliding with renewed interest in activities like company offsites to unite teams and set strategies for 2023.

Now is the time to cut costs and lay a foundation to secure savings in 2023.

Here's where to focus:

1. **Keep a close eye on economic shifts**, including inflation, rising interest rates and climbing energy prices. A recession looks likely in Europe. Any economic weakening will have an impact on strategy. If demand drops significantly, so will business travel pricing. In this scenario, a dynamic discount program would provide more savings than static negotiated discounts.

2. **Watch for volumes shifts by market and negotiate new deals if needed.** COVID has changed travel patterns. You should still strive to cover 80% of your spend through meaningful negotiated discounts. Simply reducing hotels in your program is not the answer.

3. **Be visible to budget managers**. 2022 travel budgets set at the end of 2021 have already been surpassed by many corporates. Be ready to provide guidance to members of your organization to help make their money go farther. These measures include trip avoidance, setting lower market rate caps, shifting travelers to preferred hotels, using hotel clustering through rate reshopping, and encouraging travelers to book lower-star-rated properties.

4. **Audit, audit, audit.** Trust but verify that you're getting the negotiated discounts you've established with supplier partners. What are the true value of your contracts? Are your negotiated discounts working as described or are rate exceptions reducing their value?

## CONCLUSION

Conditions are shaping up for a tricky close to 2022 and start to 2023. However, the good news for travel managers is that budget constraints and rising costs are things you've dealt with before.

Business travel may be back to something resembling normal, but that doesn't mean you should return to the old way of doing things.

Explore the ways in which new strategies for sourcing and program management could give your company an edge in these challenging times. Use the tools and analytics at your disposal.

Now is the time to use your knowledge and skills to show your worth to your company.