

TMCs Raise Value Of Expertise In Response To Recession

BY DAVID MEYER

No one could have looked at the financial meltdown of 2008 and expected 2009 to be anything but a tough year for travel management companies. Yet, while there were certainly moments when it appeared that any sign of recovery could be years away, it seems remarkable now how well travel management companies adapted to their customers' needs and how quickly the business now appears to be recovering.

While it was horrendously tough going, and many people lost their jobs, the intense cost scrutiny of the past year-and-a-half by senior management was an opportunity for travel managers and travel management companies to show the value of manag-

ing business travel. Reductions in force by most businesses created an environment in which more companies outsourced travel management operations and took advantage of negotiating expertise.

All indicators show that U.S. spending on business travel fell an average of at least 20 percent last year. The combined sales volumes of the U.S. travel management companies that released data to *Business Travel News* this year about the airline tickets for which they paid airlines last year—as certified by the Airlines Reporting Corp., the U.S. bank settlement plan—also

showed a nearly 20 percent loss from 2008.

To cope with the drop in rev-

customer service became even more important to travel management companies last year.

“Transactional volume was not down that much compared to dollar volume.”

enue and an 8.6 percent drop in transactions, many travel management companies reduced headcount. Those reductions in force largely were focused on the point-of-sale agent, however, because account management and

The altering of the financial foundation of the industry that had almost every travel buyer re-considering their contracts and bid activity was greater and more competitive than the industry has

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U.S. Travel Management Company 2009 Statistics

Company	Ranking	2009 ARC Air Transactions	2009 U.S. Non-ARC Air Transactions	2009 ARC Air Sales (\$)	2009 U.S. Non-ARC Air Sales (\$)	2008 ARC Air Transactions	2008 U.S. Non-ARC Air Transactions	2008 ARC Air Sales (\$)	2008 U.S. Non-ARC Air Sales (\$)	Primary GDS And % Of '09 Worldwide Transactions	Affiliations
AAA Allied Group Cincinnati, Ohio	19	125,386	11,180	53,522,888	3,319,913	134,441	8,908	75,470,738	3,479,886	Worldspan, 86	BCD Travel, Virtuoso, AAA
Adelman Travel Group Milwaukee, Wis.	8	289,597	53,000	150,513,137	22,000,000	346,223	55,714	211,408,579	23,600,000	Sabre, 100	Radius, Virtuoso
Adtrav Travel Management Birmingham, Ala.	7	215,614	ND	115,491,938	ND	290,918	ND	115,015,338	ND	ND	Radius, Signature
American & International Travel Services Memphis, Tenn.	31	47,532	7,652	22,491,640	2,690,528	49,387	8,383	28,420,782	2,228,692	Worldspan, 100	BCD Travel, CBTG
Atlas Travel Milford, Mass.	16	132,195	12,981,916	70,614,411	12,981,916	122,980	8,082,744	77,502,105	7,964,857	Sabre, 100	BCD Travel
Azumano Travel Portland, Ore.	15	134,843	11,770	60,548,270	3,816,082	185,226	17,409	91,172,385	4,580,438	Galileo, 100	American Express
Balboa Travel San Diego, Calif.	23	83,302	46,801	60,131,262	14,970,241	98,122	55,345	87,111,983	17,373,638	Amadeus/Sabre, 50	BCD Travel

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seen in a long while. Even though nearly every contract was in play, it seems that the incumbents generally kept the business. Rather than a whole lot of shifting, there was a general reexamination of whether business could be done more efficiently.

By and large, travel management companies adjusted terms and counseled their clients to change their policies, in many cases restricting premium class travel and in some cases implementing or increasing the use of technology. Companies desperate to make substantial cuts to travel expenses without hurting their businesses gained a new appreciation for in-house and travel management company expertise.

Ovation Travel Group executive vice president Michael Steiner summed up the response to the situation by his travel management company and others as “a lot of belt tightening, travel policy consulting, vendor negotiations and best practices discussions.”

“Gross volumes obviously were down for everybody, especially at the beginning of the year, and they kind of picked up at the end,” said Omega World Travel executive vice president of sales and services Goran Gligorovic, “but transactional volume was not down that

much compared to dollar amounts. We knew the fare didn’t go down that much, so we realized that a lot of corporations downgraded travel policy regarding class of service, made more advanced bookings and more strongly enforced travel policy.”

While everyone was challenged last year, and many took a beating, for Travel & Transport the challenge proved to be an opportunity. “We were very fortunate and had our best sales year ever,” said president and CEO Bill Tech, claiming \$115 million in new business, almost half coming from winning the Allstate Insurance and Booz Consulting accounts.

“The first quarter was horrific. It was T&T’s first-ever first-quarter loss in my 24-year history at the company,” Tech said. “But then with some account wins, things really started turning around. We were

pretty fortunate to get through such a tough time so well.”

Citing the unusual amount of bid activity last year, Tech said business travel buyers “had to reduce costs in their companies just like we did. Luckily, we retained almost all of our business. Not everyone, but certainly over 50

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Rankings By 2009 ARC Transactions

Travel Leaders Group	1,087,763
Travel and Transport	726,265
Omega World Travel	579,155
World Travel Inc.	488,458
FCm Travel Solutions	417,131
Frosch	378,983
Adtrav Travel Management	306,157
Adelman Travel Group	289,597
Ovation Travel Group	264,185
Directravel	217,473
UStTravel	197,040
Christopherson Andavo Travel	194,913
CI Travel	187,504
World Travel Service	135,225
Azumano Travel	134,843
Atlas Travel	132,195
Travel Store	126,079
Fox World Travel	125,706
AAA Allied Group	125,386
Short’s Travel Management	121,076
Best Travel & Tours	107,510
Valerie Wilson Travel	85,044
Balboa Travel	83,302
Gant	80,914
National Travel Service	78,808
Hess Corporate Travel	72,076
Kintetsu International	66,063
Casto Travel	56,571
Covington International Travel	51,505
Teplis Travel Service	48,834
American & International Travel Services	47,532
Child Travel Services	37,600
Conference & Travel Services	37,126
Maupin Travel	31,954
SR Travel Service	21,625
Euro Lloyd Travel Group	17,344

Between the Lines

Once again, the mega agencies would not release their **ARC** data to *Business Travel News* and provided limited information on their annual performance. **American Express** for 2009 reported \$21.5 billion in global corporate sales, slightly up from the \$21 billion it reported to the **U.S. Security and Exchange Commission** the previous year. *BTN* estimates that American Express Business Travel last year processed 13.2 million ARC air transactions, generating \$6.4 billion in sales. **Carlson Wagonlit Travel** air, hotel and ground transportation transactions for 2009 were down 9.3 percent from 2008. Sales volume fell 22.8 percent from last year to \$21.4 billion. Volume in Asia Pacific and Europe, Middle East and Africa was impacted most, declining by 27.6 percent and 27.1 percent, respectively. In Latin America, volume declined 21.2 percent year over year, while North America saw a 17.4 percent decrease. **BCD Travel** saw total sales in 2009 of \$14.6 billion and in 2008 of \$14 billion, but would not release its transaction volume. HRG also did not provide data.

Most notable among changes to the list of participants from last year is the absence of **Altour** and **Ultramar**, which declined to participate, and the acquisitions of **Linden Travel Bureau** of New York, acquired by Houston-based **Frosch**, **The Travel Authority** of Jeffersonville, Ind., bought by Altour, and **George Garner** of Memphis, which became part of **Travel Leaders Group**.

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Best Travel & Tours <i>Chicago, Ill.</i>	21	107,510	10,215	64,381,579	2,156,987	93,586	12,819	49,021,935	2,658,757	Galileo, 100	Radius, Ensemble, Virtuoso
Casto Travel <i>San Jose, Calif.</i>	28	56,571	12,512	46,115,516	4,999,800	80,607	20,598	76,574,258	6,885,766	Galileo, 98	HRG, CBTG, ABC, Thor
Child Travel Services <i>Colchester, Vt.</i>	32	37,600	7,050	15,934,973	2,526,154	46,215	7,939	22,927,376	3,018,246	Galileo, 100	ABC, BCD Travel, Travel Leaders
Christopherson Andavo Travel <i>Murray, Utah</i>	12	194,913	25,379	98,971,869	7,186,881	145,457	28,641	79,417,286	8,114,228	Worldspan, 62	BCD Travel
CI Travel <i>Norfolk, Va.</i>	13	187,504	29,755	121,736,675	10,480,000	192,512	19,618	124,613,180	9,020,000	Worldspan, 80	American Express
Conference & Travel Services <i>Fort Wayne, Ind.</i>	33	37,126	5,885	16,782	1,860,771	41,905	5,581	22,019,868	2,050,054	Galileo, 100	Travel Leaders
Covington International Travel <i>Glen Allen, Va.</i>	29	51,505	8,529	28,106,596	2,641,858	60,908	9,488	39,742,342	2,600,389	Galileo, 95	BCD Travel, Travelsavers
Directravel <i>New York, N.Y.</i>	10	217,473	ND	118,023,952	ND	274,043	ND	175,884,126	ND	Galileo, 90	American Express, Hickory, Virtuoso
Euro Lloyd Travel Group <i>East Meadow, N.Y.</i>	36	17,344	4,600	13,208,403	5,521,000	20,002	ND	20,011,518	1,718,000	Sabre, 100	Thor, Travelsavers
FCm Travel Solutions <i>Chicago, Ill.</i>	5	417,131	ND	231,515,320	10,000,000	477,425	ND	314,349,934	ND	Sabre, 80	Radius, Travelsavers
Fox World Travel <i>Oshkosh, Wis.</i>	18	125,706	ND	52,290,996	ND	143,675	ND	74,504,553	ND	Galileo, 100	ND
Frosch Travel <i>Houston, Texas</i>	6	378,983	15,000	260,477,185	20,000,000	344,829	16,000	279,449,849	26,000,000	Sabre, 50	Global Specialist Markets (GSM), Signature, ABC
Gant Travel <i>Bloomington, Ind.</i>	24	80,914	ND	43,289,421	4,584,760	79,273	ND	51,578,219	3,672,210	Galileo, 100	FCm
Hess Corporate Travel <i>Bountiful, Utah</i>	26	72,076	10,148	37,239,538	2,463,007	43,124	12,795	25,298,633	1,871,583	Worldspan, 100	American Express
Kintetsu International <i>New York, N.Y.</i>	27	66,063	2,589	47,635,983	756,000	77,994	2,953	62,312,072	946,000	Galileo, 100	ABC, Thor, Travelsavers
Maupin Travel <i>Raleigh, N.C.</i>	34	31,954	5,921	16,257,179	2,126,376	37,355	7,158	20,372,316	2,849,751	Amadeus, 100	BCD Travel, Virtuoso
National Travel Service <i>Charleston, W. Va.</i>	25	78,808	14,336	38,347,067	4,119,897	88,077	14,488	43,000,177	4,327,554	Galileo, 99	ABC, American Express
Omega World Travel <i>Fairfax, Va.</i>	3	579,155	ND	360,196,839	217,850,000	845,208	ND	539,053,051	215,775,000	Sabre, 50	Radius
Ovation Travel Group <i>New York, N.Y.</i>	9	264,185	35,350	226,433,902	11,097,749	362,158	36,828	298,530,010	10,671,104	Sabre, 100	Radius

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percent of our clients came back and asked us to re-look at it. We adjusted terms in some cases and in some we couldn't.

"We even got a couple of five-year contracts, which are practically unheard of these days," Tech added. "Those customers have been with us for a long time and wanted to lock into a lower price."

At Valerie Wilson Travel, "In many cases, after October of 2008, we were guiding our clients on corporate policy and changing procedures," said co-president Jennifer Wilson-Buttigieg. "As TMCs, we've learned to become so flexible and nimble because you don't know what the crisis of

the day will be. We've been teaching and showing our clients that."

The one-to-one conversations that took place with each corporation to reexamine every contract, leases and rent, medical expenditures and compensation structures are "what relationships are based on," Wilson-Buttigieg said.

While a lot of Ovation's clients

issued requests for travel management company proposals, Steiner said, "most used that opportunity to validate the program, and 100 percent stayed with us. Some went off-site to reduce costs, and some moved online, but most kept their configurations the same."

Some TMCs dealt with the situation proactively. At Omega World Travel, said Gligorovic, "We

decided the environment created an opportunity for us to reach out to them as a value-add and act as a consultant to get through the tough times."

Directravel president Pat Fragale said that very few of his company's clients went out to bid because "we were proactive in late 2008 in scaling to the business level. If that meant some displacement of employees, unfortunately that's what had to happen. I retained 95 percent of my business and meanwhile won a lot of new business."

With so many accounts in play, it is interesting how few changed

"That was a lesson that we learned that we will use in future downturns: Cut quickly, but then give back gradually. That allowed us to retain people that we otherwise would have had to cut."

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Short's Travel Management Overland Park, Kan.	20	121,076	135,337	45,497,706	40,996,110	115,772	162,146	52,448,128	71,815,776	Galileo, 95	ND
SR Travel Service San Francisco	35	21,625	ND	24,819,917	1,236,301	22,745	ND	28,939,568	934,926	Sabre, 100	BCD Travel, Virtuoso
Teplis Travel Service Atlanta, Ga.	30	48,834	13,520	33305836	3,872,557	14,811	60572	4,632,718	45,464,536	Sabre/ Worldspan, 50	ABC, Travelsavers
Travel and Transport Omaha, Neb.	2	726,265	710,506	331,010,667	322,719,992	771,760	714,240	428,239,463	314,757,687	Galileo, 60	Radius, Virtuoso
Travel Leaders Group Holland, Mich.	1	1,087,763	196,523	705,089,466	87,181,198	988,703	227,466	737,961,037	101,474,071	Sabre, 86	ABC, GlobalStar, Travel Leaders
Travel Leaders Corporate* Coral Gables, Fla.		199,336	52,872	112,334,671	13,181,198	142,761	64,226	70,278,141	16,474,071		
Tzell Travel Group* New York, N.Y.		782,647	143,641	539,915,793	74,000,000	845,942	163,240	667,682,896	85,000,000		
Travel Store Los Angeles, Calif.	17	126,079	49,347	76,887,507	11,818,000	165,293	57,251	114,044,147	13,660,000	Sabre, 70	BCD Travel, Signature
USTravel Anchorage, Alaska	11	197,040	87,910	99,758,432	16,032,758	190,636	115,434	111,376,048	25,396,206	Galileo, 98	BCD Travel, Signature
Valerie Wilson Travel New York, N.Y.	22	85,044	11,929	77,054,242	8,650,000	106,483	9,709	109,535,964	7,522,253	Sabre, 82	ABC, CCRA, Virtuoso
World Travel Inc. Douglassville, Pa.	4	488,458	81,433	260,133,369	21,427,228	535,018	77,200	330,229,116	21,676,046	Galileo, 80	Radius, Ensemble
World Travel Service Knoxville, Tenn.	14	135,225	21,217	65,688,858	5,283,572	138,629	19,315	77,204,846	4,857,618	Worldspan, 100	BCD Travel, Ensemble

* Travel Leaders Corporate and Tzell Travel Group are subsidiaries of Travel Leaders Group.

Travel Agency Survey Methodology

Business Travel News again this year asked travel management company chief executives to sign release forms and send them to Arlington, Va.-based Airlines Reporting Corp., authorizing the U.S. bank settlement plan organization to release for publication each agency's 2009 ARC air ticket transaction and sales data.

BTN invited agencies that book more than half of their sales for business travel through ARC to release ARC data for wholly owned home offices and legal entities, including all branch and satellite ticket printer sales data and the percentage of tickets purchased for domestic travel.

ARC provided only ARC air transaction and sales data and the percentage of sales booked for domestic versus international travel. ARC defined net air sales as the sum of the fare listed on each ticket exclusive of agency commissions. Air transaction counts exclude refunds, exchanges and voids.

All other data, including non-ARC sales and transactions, are self-reported. This volume may include purchases made through vendor websites, sales to ARC-accredited Corporate Travel Department accounts and such bulk-buy programs as American Airlines' AAirpass.

Publicly held American Express and HRG, privately held BCD and Carlson Wagonlit and all online-originating players did not participate.

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hands. "For the most part, their travel management companies gave them what they were looking for in the way of concessions," explained T&T's Tech, adding, "There is a cost to change in terms of the time, energy and the money it takes to make a successful transition."

Many travel management companies responded to the reduction in customer demand by eliminating the jobs of 10 percent to 30 percent of point-of-sale travel consultants. Others made severe salary cuts to retain employees.

Tech said that as things improved, instead of giving back the pay cuts immediately, "we gradually gave them back. We gave some back in October of last year, some on Jan. 1, and we didn't restore everyone back to their salary until April 1 of this year. On July 1, we're going to give raises. That was a lesson that we learned that we will use in future downturns: Cut quickly but then give back gradually. That allowed us to retain people that we otherwise would have had to cut."

"We acted the same way we did after 9/11 and in 2003," said Valerie Wilson's Wilson-Buttigieg, "and put tiered pay cuts in place. We were able at the end of 2009 to give 50 percent of everyone's pay back in one lump sum check. And then 50 percent of their pay was reinstated in May of this year."

No matter how well companies may have recovered, 2009 was a rough year for everyone. Still, the trial by fire helped to validate travel programs and travel management company services and drive greater compliance with preferred vendors and policies.

"I think the strong survived last year," according to Directravel's Fragale, "and what I see is that this business is about relationships and communication."

He said this past year was the time to say, "If it's not broke, break it and figure out more efficient ways to improve the bottom line."

"In the past," Fragale continued, "when times were good, our recommendations weren't a top priority. After the past 18 months, we're seeing that our services are more important than ever, and are being accepted more than ever before." ■



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