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An Economy on the Mend Lifts Corporate Travel

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IdeaWorksCompany contributed information to this article - - see italics.

BUSINESS travelers in the United States will spend about $273.3 billion on the road in 2013, a 4.3 percent increase over last year and a reflection of stronger growth in domestic travel as the national economy stabilizes, according to the Global Business Travel Association.

Of that estimated $273.3 billion, about $117.1 billion will be spent on group travel — meetings and conventions, conferences, incentive trips and the like. And $33.1 billion will be spent in the United States on international travel, the trade group says in a report preceding its annual convention, which will be held early next month in San Diego.

No matter how you parse it, that's a whole lot of spending for corporate travel managers and individual business travelers to evaluate and track. Another report is coming out this week, from Concur, the travel expense management company, that seeks to "shine a bright light on a big chunk of data" for business travel spending, said Robson Grieve, executive vice president for marketing.

I had an early look at the Concur study, which examined individual travel expense accounts totaling $50 billion at 18,000 corporate clients last year. Among the findings I found most interesting: Travelers at small and midsize companies on average spent significantly more in every expense category — hotels, airfares, dining and entertainment — than those at large corporations.

That trend is surprising, said Mr. Grieve, who suggested that it probably reflects more aggressive regional business activity by smaller companies scrambling for growth. "A sales rep in a large corporation, for example, has a much smaller territory to cover and naturally spends fewer nights in fewer places, whereas at a small company, say in the Pacific Northwest, that rep makes a lot more individual trips — Portland, Seattle, into Montana. That means more dinners out, more airplane flights, more room nights," he said.

Hence travelers at small and medium-size companies in the Concur study filed far more individual transactions than those at large companies — for airline tickets (37 percent more expense receipts), meals (29 percent), entertainment (67 percent) and car rentals (65 percent).

Concur said that the small-to-medium-size category was made up of companies with fewer than 100 employees, mostly operating out of a single location. So on average they tend to spend more on ground transportation, while expense accounts at large companies reflect a “much higher percentage” of spending on airlines.

For all companies, business travelers’ expense account totals averaged $12,976 during 2012, a slight drop from 2011 because of an unanticipated decline in business travel spending during the fourth quarter. That may be partly attributable to uncertainties over the budget negotiations in Washington, bad weather for travel, and a trend of arranging meetings and conferences that are closer to home, Concur says.

In international travel, the 10 most-visited cities for business travelers based in the United States (ranked by overnight hotel stays) were London, Shanghai, Singapore, Beijing, Tokyo, Toronto, Hong Kong, Paris, Mexico City and São Paulo, Brazil. The 10 most-visited cities in the United States were New York; Las Vegas; Chicago; San Francisco; Houston; Orlando, Fla.; Atlanta; San Diego; Charlotte, N.C.; and Dallas. Las Vegas and Orlando are top destinations for major conventions, of course.

The most expensive international cities, by expense account spending, were Brisbane, Tokyo, Sydney, Perth, London, Stockholm, Melbourne, Zurich, Paris and Dubai. Domestically, the places where business travelers spent the most last year were New York, San Francisco, Garden City on Long Island, Washington, Boston, Long Island City in Queens, Chicago, Miami, Las Vegas and Santa Clara, Calif. (The rankings of Garden City and Long Island City reflect a spillover from Manhattan, and Santa Clara is in the heart of Silicon Valley.)

Other expense account trends I found interesting were spending on airline and airport club access, up 26.8 percent, and spending on in-flight entertainment, down 24.2 percent. It’s clear to me, incidentally, that the sharp drop in spending on in-flight entertainment, like on-demand movies on long-haul flights, is directly related to the sharp increase in the number of passengers who are traveling with tablets and other mobile devices on which they have loaded their personal content, including movies. This is not an encouraging trend for the in-flight entertainment business, and we’ll be returning to that subject soon.

As for other so-called ancillary fees charged by airlines, spending increased by 11.3 percent for priority access, as business travelers struggled to deal with the worsening boarding-area scrums. Spending was also up, 10.8 percent, on penalty fees charged by airlines for changing itineraries. That figure might be expected to rise this year, with most major domestic airlines moving to raise those penalty fees to $200 for a changed ticket, from $150. (Southwest Airlines, which remains an outlier, does not charge for changing a flight.)

Last year, revenue from all ancillary fees on the world’s airlines surged 19.6 percent, to $27.1 billion, according to a report by IdeaWorks, a consulting company specializing in airline revenue.

Corporate travel managers spend a lot of time and effort trying to sort out, and plan for, the confounding proliferation of airline fees. They complain that many of those fees are not sufficiently clear when tickets are booked, and turn up only when expenses are filed.

“We’re starting to get better data” on those fees, Mr. Grieve at Concur said. “But it definitely adds a layer of complexity.”