

R U N Z H E I M E R R E P O R T S O N

TRAVEL MANAGEMENT

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Peeking at the Future of Corporate Travel Management

January is always a good time to consider both imminent and ultimate changes in what we do. Not only is it a beginning for a new calendar on our wall, but it is also when planning seems to occupy more of our attention than at other times. This article is designed to explore possibilities, not necessarily to forecast their time of occurrence, but to suggest instead why they may be inevitable at some future date. We will start with the future world of a business traveler; then, we will look at major suppliers and their likely requirements; thirdly, we will try to forecast a role for corporate travel agencies; and finally, we will examine implications for travel management in these prophecies.

for granted. Cellular telephone service will be available everywhere, even in Antarctica, because satellite coverage will be cheaper to supply exhaustively rather than selectively. Payphones may disappear. While total privacy, presumably assured by hard wiring, will still be important, technology will afford higher levels of privacy on cellular operations than is available today. In a rapidly evolving world where tailored information is the ultimate asset, data security in communications will command singular attention because telephones and PDA's are both essentially means of information transfer.

Our traveler will use the Internet as an ultimate reference directory. Who, What, Where, and When will be answered by this resource; Why and How will be answered, as always, by human intellect. Phone numbers, addresses, history, geography, language, etc. will be accessible through a modem-equipped PDA that uses cellular technology to retrieve needed facts. People who can't write legibly will either use voice-to-text technology to "scribe" their needs to their PDA or hunt and peck on a keyboard; others will use stencils, voice or a miniature keyboard.

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Travelers in the future, whether they like it or not, will be "wired" and universally accessible. Two tools, already quite common, will be their constant companions: a cellular telephone and a PDA, or Personal Digital Assistant. These may be combined into one instrument, but dependence on their respective functionalities will be taken

Payment for travel services will be by EFT (electronic funds transfer) to supplier, with controls built into messaging; if a person spends \$200 for a dinner and policy calls for a maximum of \$150, the system will automatically debit both a corporate account for \$150 and a personal account for \$50. Smart cards with stored value will have arrived and then departed because of security issues and better alternatives. Financial transactions, which are ultimately information transfers anyway, will occur when a PDA authorizes their deduction from accounts specifically set up for a variety of purposes. A selection of travel accounts can be pre-established for specific needs: meals, lodging, transportation, or subsets of these like airline, car rental, train, ferry, gasoline (LNG or electric charges). Account balances will be real-time; if a traveler lacks necessary balances, suppliers will deny delivery of services. Virtually every purchase will be committed and authorized prior to delivery so that financial unworthiness need not be first discovered after delivery. Travelers will have to arrange credit resources to avoid being out of funds in the middle of the Sahara.

You may ask why, with such incredible communication tools, would people need to travel at all. A similar question could be asked today; or it could have been asked when Alexander Graham Bell first introduced the telephone. Truly, much travel today can be easily replaced with various types of electronic communication. Yet travel activity continues to grow and businesses rely on it. Whether we like it or not, travel's capacity to place a person in direct proximity to another person or to other animate and inanimate objects generates much more satisfying communication than all alternatives. Man's very sociality and skeptical curiosity demands geographical mobility. And corporate geography will continue to expand because communication will

continue to expand; travel's relative cost will not likely drop as have electronic communications costs, but it will more than likely hit a plateau.

When our traveler goes to another continent, he or she will use supersonic air transportation. Gateways for SST's will be oceanfront airports near ends of capes or peninsulas so that supersonic speeds can be quickly reached without traveling over populated regions. Possible major U.S. SST gateway airport locations will be Cape Cod, Cape May, Cape Hatteras, Key Largo, the Olympic Peninsula, Point Reyes, Point Conception, and Palos Verdes. A transpacific flight will take three hours and meal service will be as modest as on today's flight from Dallas to Palm Springs.

Travelers will use hotels in ocean gateway airport cities or for stays of more than one night; but they will plan travel so that some sleeping can be accomplished while moving; both trains and buses will feature sleeping accommodation options. To the extent that automated highways have been introduced, many travelers will be able to sleep while they proceed by car rental to a distant city. Rest will also be possible for those who fly over populated terrain where subsonic speeds will be mandatory.

Our traveler will be able to change trip plans instantaneously by entering needs into a PDA. Because each traveler's calendar and current location through global satellite positioning will automatically reveal their location relative to their itinerary, subsequent segments previously reserved will be replaced and cost of new arrangements will be checked against available credit; if account balance or credit is insufficient, both traveler and supplier will be notified immediately; full confirmation of reservations will not be given until financial capacity has been assured.

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Both telephone and PDA - or a combination of the two - will be powered by solar panels; any light source can be used to generate power; these panels will be so efficient that electrical storage will be unnecessary. Communication will be possible with headlight beams as power sources.

Overseas trips, because of supersonic air speeds, will be comparable to domestic trips in terms of time. They will thus be more numerous and probably as expensive or more so than today. Added value from quick trips will justify higher costs; an executive whose time is worth \$300-\$500 per hour, will save \$1,500-\$2,500 worth of time each way on a transatlantic trip over what it costs today. Of course, in-flight time for reading and work will also be collapsed, compromising the benefit; but an executive can schedule more activity if only because of greater concentration of travel time. Today, a traveler probably spends half their trip listening to PA's mandated by the FAA, another quarter eating and drinking, and the final quarter listening to a neighbor's snore. In-flight entertainment also overlays these other activities. Shorter movies will be necessary for SST's.

Because all transactions will be posted automatically except for cash purchases, a traveler upon return will have little obligation to assemble receipts and perform laborious entry of data already transferred to both suppliers and employer. Cash can be reported conventionally or just sent to bosses on a PDA.

Corporate Air Travel

Sometime soon, in a decade or less, an airline will discover that it can assure profitability by offering significant concessions to intermediaries who take an ownership interest in inventory. These intermediaries will not operate like traditional agencies although we expect that many of them will be transformed corporate travel management companies. They will contract with airlines for specific blocks of inventory - flight segments and dates - at a

wholesale price. They will resell these to their corporate clients or to sub-agencies at prices they establish. In many cases they will assume risks that have historically rested solely with the airline.

This kind of intermediation is enabled by airline pricing structures of today where a range of markup over break-even can be as high as 75%. Virtually all airlines in 1996 were profitable with an average yield of 13 cents a mile; corporate buyers averaged over 30 cents a mile in rates paid. That kind of situation is a wholesaler's dream!

If a wholesaler - or a consortium of corporate buyers like BTCC - acquires inventory at, say, an average price of 18 cents a mile (a margin of 28% for the airline at 1996 load factors vs. typical margins of less than 10%), it can offer very attractive deals to buyers at 25 cents a mile, resulting in a margin of 28% for them as intermediaries; that surely beats today's typical travel agency commission levels including overrides. While risk is incurred, rewards are ample to cover it. With incredibly fast communication and a huge audience to buy opportunistically, risk is all but eliminated for wise wholesale buyers with cash in hand.

As airlines move into wholesale deals, their obligations to provide point-of-sale services diminish; in fact, with ticketless travel, they only have to board passengers and provide a safe and comfortable trip. They will still have to perform record-keeping and inventory control, but they will have fewer worries about oversales and they will have only minimal corporate customer contact responsibilities. Their primary concern will be to match inventory sold to passengers booked by their intermediaries. Also, they will have to be very careful as to who can be a wholesale buyer. This kind of wholesale activity will be the rule for large U.S. airlines; smaller carriers will be their own wholesalers and that will involve higher unit costs. Until they can become primary vendors to sophisticated wholesale buyers, they will have to be content with serving the unconnected market. This will be expensive because of service costs and

explaining schedules and fares; survival will be tougher for them, particularly if their currently overpriced mega-competitors are offering at a wholesale level fares lower than their stripped-down clearance-sale specials.

Frequent flyer programs will persist because they will add value to wholesaler inventories, making it possible for an airline to obtain a premium from wholesalers on popular routes. Inventory control on frequent flyer award travel will be easier because an airline can know well in advance what it can afford to give away - and it will not be seats for 5 P.M. nonstops on popular business routes.

In days when airlines were regulated by a Civil Aeronautics Board, a reseller could only sell seats on airplanes if it held a certificate of public convenience and necessity. Today, little is needed to resell airline seats on certified carriers other than carrier concurrence on a transfer of inventory. When wholesale purchase becomes the most promising way for corporate buyers to reduce air travel costs, it will happen. They can buy direct or through intermediaries, but they will pay more for high-demand departure times (well in advance) and less for those flight departures with low yields. We suspect that minimum contracts will be for several million dollars at first, then lower for less popular departures. Last-minute unsold inventory will be available direct from airlines at market-clearing fares on the Internet.

Under these conditions, corporate buyers will know far better than they do today how much their air travel will cost. They will be forced to plan better and to establish realistic budgets based on true city-pair travel expectations. As they acquire experience and sophistication, they can better establish constructive purchasing relationships than can be sought now, because today airlines don't trust corporate buyers and corporate buyers have little reason to trust airlines who routinely wipe out their discount concessions with fare increases in the middle of contracts.

Another growing phenomenon will be customer-instituted scheduling. If a corporate buyer, or a group of corporate buyers, or a large travel agency, approaches an airline with a guarantee of profit on a city pair, and that airline has available capacity to deliver, why not respond? American Airlines currently flies from hubs to several Rocky Mountain ski resorts in the winter because ski lodge operators approached them years ago with a deal that would minimize their risk. All that is needed for a creative wholesaler to get cooperation is a willingness to protect their airline supplier from losses on a program of service. When American intended to abandon summer nonstop service between Palm Springs and its Dallas/Ft. Worth hub, local desert tourism interests, primarily municipalities and hotels, put up \$250,000 to ensure continuation of hub access, a small price to pay to have 140 seats a day serving travelers from all over the east. This subsidy then made it easier for American to offer lower fares to conventioners headed for cut-rate summer meetings in luxurious resorts, so everyone came out a winner. That subsidy is less now because traffic demand has grown and it's often difficult to get a seat anywhere from Palm Springs on a summer Sunday.

As air travel distribution moves toward wholesaling and bulk purchase, we will see more point-to-point competition. While hubs will not disappear, some city-pairs currently served on a hub basis will have direct flights - segments like Oklahoma City-Los Angeles and Buffalo-Miami. If a corporate buyer or agency wants a contract through a hub, say Shreveport-Dallas/Ft. Worth-Los Angeles, they may be asked to take some Shreveport-Dallas/Ft. Worth-San Francisco or Shreveport-Dallas/Ft. Worth-Tucson; such parlays will protect airlines from unsold inventory.

Corporate Lodging

Economics will define a future for the lodging business. Corporations just now are realizing that transient accommodations represent a heavy burden that is becoming

proportionately larger every year. We see trends toward selection of limited service accommodations even though luxury sector properties are enjoying high occupancies. In a few years we expect to see replacement of "first class" hotels with conference centers - priced at levels more competitive with those of Courtyard by Marriott, Hampton Inns and Wyndham Garden hotels - and all-suite hotels, which continue to be appealing to travelers.

Corporate ownership or long-term leases of hotel rooms and apartments will expand; few companies make such investments in today's market, but savings on transient occupancy taxes as well as appreciation of real estate will attract more interest. Also, in large cities where real estate is extremely expensive, conversion of department stores to transient accommodations is likely as shopping electronically becomes a routine consumer purchasing habit. Similarly, office space conversion to lodging will occur as people use virtual offices and work out of their homes. What was once a large branch office housing many workers will become a transient lodging center for sleeping accommodations and meetings with home-based employees. Vertical integration of transient lodging will be economically more attractive to corporations than paying for luxury accommodations; many will also be innkeepers for their corporate neighbors.

Meetings and training will be a growth factor for travel and for commercial lodging establishments. Implicit in The Information Age are frequent sessions for groups of employees to review new products and to exchange views on their markets' requirements. Hotels will benefit from this activity only if they are realistic about what they charge for their services. Catering services generally are more economical today than hotel banquet services; corporate entertainment functions will migrate to best value which may be somewhere other than where they sleep. As hotels redefine themselves, greater emphasis will be given to room service rather than dining rooms for meals. In fact, hotel restaurants will either be franchised or

disappear because they tend to be profitable only for breakfast. Room service, on the other hand, involves least cost and most personal attention.

If air transportation improves from bypassing hubs, many more travelers will be able to complete business trips in one day; this will slow hotel rate escalation. Also, with virtually everyone wired, in-person meetings can be shorter and more efficient because follow-up communication will be satisfactorily accomplished electronically.

Corporate Ground Transportation

Car rental will continue to be a favored way of covering a region surrounding an airport destination; car rental will also be used in conjunction with automated highways to substitute, particularly in the U.S., for train travel. Automated highways will make it feasible for someone to travel hundreds of miles at high speeds without having to brake or steer; mechanical problems will be minimized because of improvements in vehicle reliability and, if an incident occurs, power controls will be shut off automatically to eliminate any chance for collision. Expect tolls for such highways to be high, but car rental will still be competitive with other forms of ground transportation, especially when the vehicle is shared between two or more people.

Meanwhile, expect train services to become more useful to business. Traffic congestion in areas surrounding city cores, as it is today, will be a major impediment to mobility. Combining air transportation with commuter rail services may be the most efficient way to reach certain locations. Now, many cities offer organized access from airports to neighborhoods and suburbs. A rail spur from LaGuardia airport or Kennedy to northside commuter lines, even through Grand Central Station, will facilitate access from western origins to Stamford, Greenwich, Bridgeport and New Haven; or to Yonkers, Poughkeepsie, and even

Albany. When Newark airport has its monorail link to Penn Station in Newark, travelers can go in several directions on a dependable commuter rail service.

Philadelphia's SEPTA system now offers integrated service between the airport and about 100 rail, subway and 'El' stations in the Delaware Valley. Schedules on most routes run well into the night. A person traveling to Lansdale, PA from Los Angeles could take advantage of lower fares by flying from Los Angeles to Baltimore-Washington International Airport, take a free connecting bus to AMTRAK, ride the rails to Philadelphia, then connect to SEPTA and arrive with hourly schedules until after midnight. This kind of rail service will increase in all metropolitan areas. While business travelers do not often avail themselves of train connections, they will in the future because air-rail combinations will offer the fastest way of moving from A to B.

Taxis will also hang around, but their intrinsic costs will deprive them of their most lucrative trade - going between city centers and airports. As the Super Shuttle network has taken a big bite out of this market already, improved rail access and express coaches will also gain favor as ideal methods to transport travelers from airport to city and vice versa.

In Europe and parts of Asia, train travel is already established as an alternative to short-haul air, but it could be better integrated with local transit services which now are usually buses. Few travelers from the U.S. ever ride buses in foreign cities and they will probably resist them in the future. But they will use rail transit if it's clean and safe, and connections are easy to understand. We expect urban gridlock to be a global growth industry, so new rail connections will have to be made between airports and all major business centers. In fact, they may be coordinated as part of hotel services when a reservation is made. Inclusion of airport transfers will be a value-added feature for a more competitive hotel industry. Also,

hotels not close to shopping and restaurants will include van service to such attractions if it means more room-nights.

Corporate Communications

Because everyone will be virtually wired and able to communicate globally at any time, little will it matter where a traveler is. In fact, it won't be possible to get lost because GPS (Global Positioning Satellite) technology can pinpoint a location as long as a traveler has a flashlight or car lights to power solar cells. Distance will probably not be a cost variable in the future, just as almost all long distance rates in the U.S. now are not variable as to distance. It will be as easy and economical to call home from Scotland as it will be to call a nearby petrol station asking it to stay open until you get there in a half hour.

Data communication will be through Internet means, either intranets, extranets or other as-yet-uninvented and unnamed -nets. An "Ultranet" must be defined because it has a nice marketing sound to it.

We have been told not to worry about traffic congestion on the Web; that capacity will be virtually unlimited. With many of us experiencing transmission delays today, skepticism is sure to be rewarded with an expected reality. One thing is certain: if a man should be calling his family at home, and his teen-age daughter has pre-empted telephone access because she is chatting with three friends on a two-hour adolescent "conference call," and her younger brother is on the family computer playing a long-distance chess game, all the electronic interruption techniques may not allow a connection to occur. Ultimately, accessibility will depend much more on receptivity of whom you try to contact than on communications.

Corporate Travel Agency Roles

As covered under “Airlines” previously, travel agencies - or travel management companies - will probably have to become direct sellers rather than agents of both air travel and lodging. They will need to share the risk of producing travel services. If they buy wisely, plenty of margin should be possible. They will have to determine to what extent their clients share their risk, just as leisure travel consolidators today have varying policies on rebooking. Lowest fares and room rates will probably be non-refundable and non-creditable. Corporations may buy the same services from their agency at various rates on different days and different seasons, even though they may have bulk-purchased these inventories at a single unit cost.

Runzheimer hopes that travel agencies serving corporate clients will move quickly - even today - to assemble trip models at negotiated net rates for their clients’ prominent destinations, then resell those models with a markup based partly on savings achieved. This will establish client understanding regarding the true value of agency services, which is their capacity to produce better information on destinations in an “information era.”

Corporate Travel Managers

Guess what corporate travel managers will be doing in the future! If our scenarios play themselves out, and they all happen in a time frame where all exist simultaneously, these would appear to be principal roles:

Planning

Corporate strategists will need to build travel management’s input into any geographical market or production expansion. Travel considerations may be critical cost variables and need to be addressed early.

Travel managers will have a major role in defining travel

budgets. Because cost variance will be driven by competition and negotiation, budgeting will require experience and astuteness as well as comprehensive familiarity with destination costs.

Travel management will set goals for destination trip costs and define strategies for their accomplishment; whether working with an agency or proceeding independently. This will not be a one-time activity but will be ongoing and pervasive.

Organizing

Travel managers will play a key role in defining Intranets or other customized applications accessible to travelers. Travel policy will diminish in importance as it is replaced by contracts with vendors and new purchasing processes, but travel management will have to anticipate what information will be available and how it will be communicated to travelers.

Selection of prospective supplier partners and relating their capabilities to various corporate destination needs will occupy much of travel managers’ time and analytical activity. Single contracts with only a few suppliers will probably be no more effective than today because it is difficult for everyone to be everywhere, and competition is what assures value.

Interaction between travel management and accounting and audit functions will be more dynamic. Travel management as a buyer and contractor will involve coordination with legal and administration specialists that today may be beyond its orbit.

Travel managers will have staffs probably organized by geographical area to assure specialized knowledge of key travel destinations. Organizing assignments and coordinating staff functions will affect team performance.

A travel manager will need to pay special attention to process because so much buying will be decentralized. A traveler in Bombay may want an immediate answer as to how she can

change to another hotel; she may have been directed to call a human being at the travel agency in Johnson City, NY. If an alternate hotel is not a preferred supplier, special procedures regarding credit and payment may be required. That role may be performed by an agency counselor or an in-house specialist desk available 24 hours a day.

Directing

Travel managers will continue to have major responsibility for communicating with travelers, with administrators, with division heads, and with vendors. While this is clearly necessary today, levels of sophistication will be elevated; constant examination of arrangements will yield new possibilities for travelers and must be regularly posted on the universal communication system; they need to be vital and interesting; otherwise, they won't be absorbed.

Travel managers will be principally responsible for initiating negotiation with suppliers. Success of such negotiations must be "sold" to beneficiaries - those who are responsible for travel budget performance - and value must be clearly defined. This may be one of the most difficult roles for travel management because travel managers are usually outranked by people who may question values achieved. For example, expect that some turkey will be looking for airfares at the level of Saturday night stay fares; this should neither be expected nor sought because airlines will go out of business if they sell all seats at their cheapest fares.

Travel managers will need to initiate analytical projects and see that they are productive. Whether they have their own analytical staff or must depend on accounting or planning specialists, certain data are critical to effective travel management: examples include use of preferred suppliers, changes in travel patterns not previously known, changes in overall trip costs to key destinations and why, charge card activity, distribution of travel expense among various categories, etc.

As travel managers face an inevitable future where commissions are not assured on travel services, they must switch evaluation parameters from "profit" issues to "value" issues. Good reasons for fee payments or margins to travel agencies are closely related to the planning and negotiation aspects of travel management. A travel agency partner must be motivated to assist travel managers in finding value that is not dependent on their own self-interests. An agency that accepts under-the-table largess from a supplier has to be in a conflict of interest situation if they also expect value payments from their corporate clients.

And then, as now, travel managers will have to convince senior management of their value to the corporation. Regular one-page memos describing accomplishments and alternative costs must be generated and dispatched. Formal reports in presentation format need to be made at least once a year.

Controlling

Travel managers will have to define and possibly design reports on travel activity. Today, they depend mostly on travel agencies and charge card suppliers to produce reports. Typically, these reports fail to compare relevant data to prior periods; they also measure little at the destination level, easily the most important variable in travel costs.

If policy adherence is still an issue, travel managers must take an active role in providing information on performance variance; furthermore, they must advertise their willingness to help division heads responsible for budgets explain why variances occur and how travel budget overages can be remedied without damaging corporate priorities.

Information is easily the best tool to accomplish positive control over travel expenses. Travel managers have more information than they can use; sorting it out and finding meaningful comparisons - often different for different divisions - will help both administrators and travelers make wise choices in travel services and assure continued respect for professional travel management.

RRTM at ACTE Global

By Andreas Wilbers

Associate Editor and Senior Travel Consultant Rolfe Shellenberger attended ACTE Global in Berlin, Germany November 2-5. An excellent educational program, and opportunities for sharing thoughts and experiences with a splendid group of travel professionals, made this event a worthwhile investment of time and money.

What impressed him most was assimilation of new travel management imperatives equally by people from both U.S. and other countries. Virtually everyone understands that processes must change: ticket-less air travel, automated booking, but perhaps more important in this transitional period, converting to use of e-mail to transmit trip requests.

Remarkably, these changes in process, only recently feasible, reduce administrative costs for corporate buying activity, cut agencies' costs of reservations, and produce substantial gains for suppliers, even those in car rental and lodging. We view travel purchasing as primarily a discipline of information transfer. A traveler transfers information on his/her needs, sometimes via an administrative specialist, to an expert agency employee who consults a CRS - essentially a catalogue of information on suppliers' products and prices - and responds to needs by preparing a proposed solution which is a digest of product information, price information, and known preferences of that traveler. This digested information is transferred to either traveler or administrative specialist for review and acceptance. Use of low-cost e-mail means that geography concerns are virtually eliminated; a corporation or agency could have its reservations center anywhere in the world where a modem can be connected to the Internet.

Globalization is therefore no longer a separate travel management issue; worldwide commerce can be feasibly undertaken by anyone anywhere, as long as communication is possible. Internet's presence and value is fully

understood by what we used to think were less privileged overseas travel specialists.

Every travel manager who reads *RRTM* regularly should be aware of ACTE's excellent educational programs and its leadership in bringing constructive changes to corporate travel purchasing. Runzheimer learned that Earl Foster, ACTE's incumbent president, plans to run for a second term. He has shown great vision, has introduced a series of changes that strengthen the organization, and has obviously other fine ideas to pursue.

Also, ACTE's new executive director, Nancy Holtzman, an active member and officer of ACTE when she was with System One/Amadeus and Continental Airlines, has already demonstrated enterprise and organizational skill in setting up a European office. ACTE Europe will be a fully-functioning association working closely with ACTE in North America to pursue educational goals and member services.

While in Europe, our associate editor met with Andreas Wilbers, a travel management consultant from Cologne, Germany to discuss how he might help Runzheimer global clients cope with changes in Europe. Below is his story on a survey of travel managers in Germany. We thought readers would find some points intriguing.

EXTRACT FROM AN ARTICLE, PUBLISHED IN FVW INTERNATIONAL, NO. 25/97, PAGE 13-14

Tasks and requirements of travel managers in Germany vary significantly from one company to another. This article comments on research conducted by Professor Dr. Edgar Kreilkamp of the University of Lüneburg, developed under sponsorship of VDR, The German Travel Manager Organization. He sent out questionnaires to 300 travel managers and received 105 answers.

In 36.5% of responding companies, one employee alone comprises the complete travel management department. This is surprising in that a large percentage of companies (41.3%) have travel volume of more than ten million DEM (\$U.S. 6.5 million). The travel department is usually established in the Staff department or in the Finance/Controlling department. It is seldom assigned to the Executive Board.

Functions of travel managers in the enterprise are adorned with various names like Secretary of Directors, Head of Purchasing Co-ordination, or Travel Department. The most important tasks in the opinion of Travel Managers are booking procedures, negotiation skills as well as quality control.

For fulfillment of these tasks extensive qualification is necessary. Most important prerequisites are knowledge about their company's market situation and market development, economical know-how, negotiation skills and knowledge on technology. Many travel managers feel inadequately prepared for their tasks; training and seminars aren't sufficiently available either.

Many travel managers are active in this new role for only a few years. They come from other departments mostly within the same company. The list of these earlier jobs is long and very heterogeneous. For example, you may find an EDP organizer or an accountant. As base, most travel managers bring a general business education; some have worked for many years in the travel industry or have a degree from the university.

The survey also investigated co-operation between travel agencies and travel managers. Commission-sharing (rebate) is in the majority, followed by management fee agreements. Transaction fee or Profit Share models are only seldom agreed to because of missing technology to measure it. Most travel managers have scant confidence in online reservation systems. They fear loss of control over policy compliance.

Comments on the research published in FVW international, No. 25/97, page 13-14 from Andreas Wilbers Managing Director of Andreas Wilbers Unternehmensberatung International Travel Management Consultants, Germany:

It seems that more and more companies see "Business Travel" as one of the key cost generators in their organization. Nevertheless, in most cases they do not establish a department with responsibilities to control the whole process of "Business Travel." Surely most Travel Managers are not well prepared for their role. Today a mixture of training is necessary. Seminars on "Process Management," "Technology," "Global Business (International Travel Management)," "Negotiation Skills," "Strategy Development," or "Project Management" individualized to Travel Managers are important, but not available yet.

It is also important that the travel department report directly to the managing directors. Travel expenses are, in many companies, the second or third largest cost factor. Travel needs to be controlled by top management.

RRTM COMMENTS: Mr. Wilbers' observations might easily apply to many U.S. companies. Too often, companies forget that travel management calls for a broad range of expertise and understanding; they do not invest in training that can cause a travel manager to increase efficiency and produce even greater financial and service benefits than what are being produced today. Few corporate disciplines call for as large an array of skills as does travel management.

If any of our subscribers wish to contact Mr. Wilbers directly, his e-mail address is: andreas.wilbers@t-online.de. If you communicate with him, we hope you will copy in our associate editor: rrs@runzheimer.com or rrshel@aol.com.

International Business Travel Price Index Fourth Quarter 1997 Index Increases 0.7% from 3rd Quarter 1997

Runzheimer's International Business Travel Price Index increases to 164 for fourth quarter 1997.

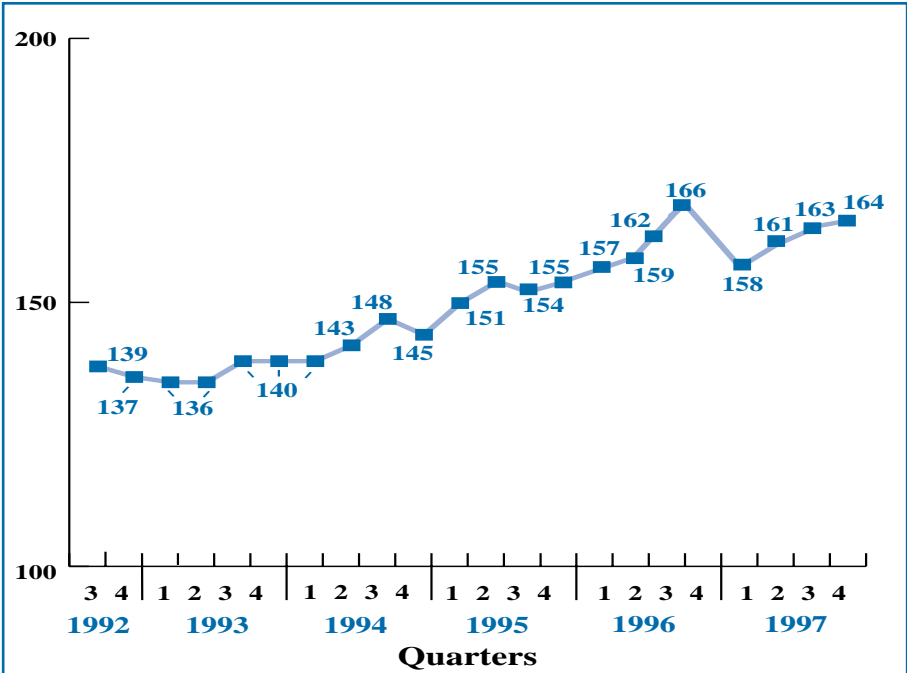
4th Quarter 1997

**Travel Price Change
from 3rd Quarter 1997**

Total: +0.7%

Components

Airfares: +1.0%
Lodging: -0.6%
Meals: -0.6%



The index consists of a weighted average of three key cost areas: airfare, meals, and lodging. The airfare portion of the index includes 20 city-pairs, with origination in North America, and travel to key cities outside of North America. The destination cities cover five continents. Runzheimer based the city selections on their prominence within their region of the world and their desirability as business destinations, as determined in part by survey data from Runzheimer's Survey & Analysis of Business Travel Policies & Costs. We have rounded the index numbers shown in the graph, but the percent changes to the left of the graph are not rounded.

Hotel and meal data are based on hotels and restaurants frequented by North American business travelers overseas. Lodging and meal costs are based on 5 nights of lodging and 6 days of meals (breakfast, lunch, and dinner).

Runzheimer's International Business Travel Price Index is designed to give the North American travel manager the ability to evaluate the movement of international travel costs quarterly, and to anticipate any impact to his or her travel budget. ▲

*Airfare portion of index data provided by System One/Amadeus.

Domestic Business Travel Price Index Fourth Quarter 1997 Index Increases 4.3% from 3rd Quarter 1997

Runzheimer's Domestic Business Travel Price Index increases to 182 for fourth quarter 1997.

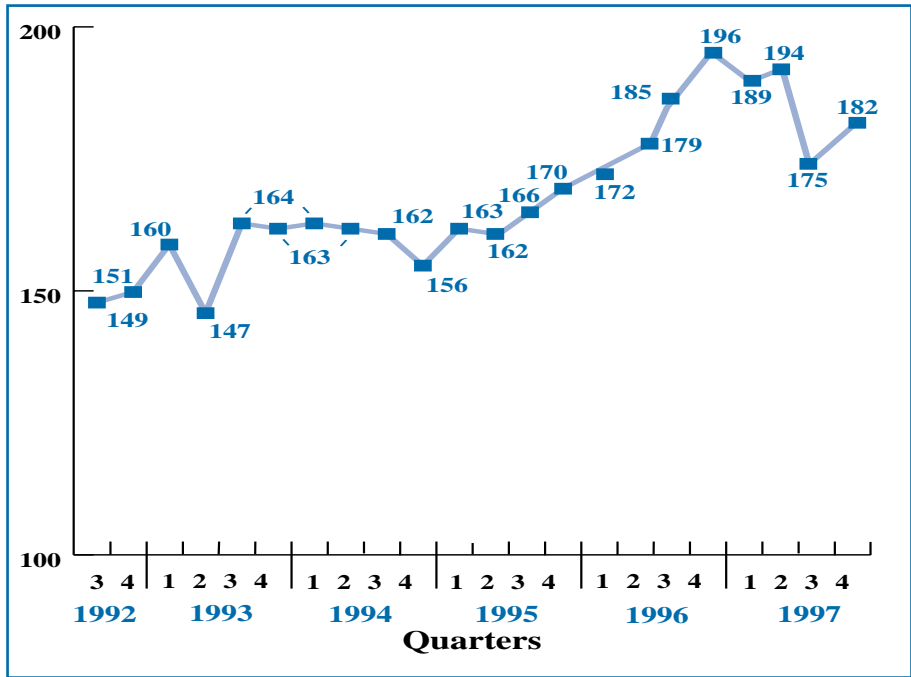
4th Quarter 1997

**Travel Price Change
from 3rd Quarter 1997**

Total: +4.3%

Components

Airfares: +6.6%
Lodging: +3.4%
Meals: +0.5%
Car Rental: +2.0%



Basis of the index through first quarter 1992 is: Average roundtrip business discount airfares between 20 heavily traveled business city-pairs, as reported in an airline reservation system; per diem and car rental rates for three days from the Runzheimer Guide to Daily Travel Prices. The base year is 1988, equaling 100. The total Travel Price Change is figured from a weighted average of the components (airfares, lodging, meals, car rental). The Runzheimer Domestic Business Travel Price Index reflects recent trends in business travelers' airline ticket-purchasing habits.

From Second Quarter 1992, after much of the airline industry significantly altered its fare structure, the basis of the index remains unchanged with the following exceptions: The airfare portion of the index is determined by combining "business discount" airfares (which are calculated in the same way in which they were calculated prior to Second Quarter 1992) and "actual coach" fares (i.e., those reduced-rate fares designed to appeal to travelers who had formerly purchased "full coach" or "Y-fares" prior to the restructuring. Note that "actual coach" fares are not necessarily "Y-fares" because some of the airlines have maintained the "Y" designation on some of their fares in markets where travelers are able to purchase "actual coach" tickets at considerably reduced prices. However, in markets where "actual coach" fares are not offered, "Y-fares" are included in the calculation of the index). Note also that the index does not take into account the effects of any losses of negotiated corporate discounts that companies are likely to have experienced. ▲

*Airfare portion of index data provided by System One/Amadeus.