2017 Industry Forecast
December update

Spotlights

Customer journey starts with identity[1]

Consumers connect with business via a range of channels, including mobile and social media. They want convenient, personalized experiences. But to offer them, companies need to know more about the characteristics, buying behaviors and preferences of individual customers.

Using customer identity management, companies like Adobe and Gigya securely collect, connect, manage and leverage consumer identities. The rich data that consumers provide give businesses the information they need to create personalized experiences that promote enduring relationships.

Customer identity management means:

- **Connecting** – turning "anonymous" customers into "known" customers; collecting rich data from them first hand.
- **Collecting** – consolidating data into unified customer profiles.
- **Converting** – querying and segmenting customer data to deliver the insights needed for a personalized experience.

Through customer identity management, TMCs could target their tools and services in a more personalized way. And they can use features like social share buttons and commenting engines to access richer customer feedback and become more responsive to emerging trends.

But allowing personal information to be managed like this may raise concerns about privacy and security. Most customer identity management companies already offer end-to-end encryption and close control of user permissions. As well as complying with applicable data privacy regulations, especially in the E.U., many also conform to information security standards like ISO 27001. This should allay concerns about security of personal information.

Business travel is ideally placed to embrace personalization; many travel suppliers already offer experiences tailored to individual travelers or specific groups. This could be a real opportunity for travel management companies (TMCs), as they manage massive volumes of personal data about travelers. However, they must achieve the fine balance between having data and using it in a manner that is responsible and non-intrusive for travelers. "Don't just reach your customers. Know them."[2]

[1] Gigya [2] Adobe Marketing Cloud

Beyond travel and expense integration

One of the biggest advances in business travel management in the past decade has been the enablement of seamless connections across travel, expense and reimbursement. Dubbed travel and expense (T&E) integration, these linkages have significantly improved the traveler experience of expense reporting and reimbursement. Travel programs value the streamlined processes, improved data quality, enhanced transparency and greater visibility into spending patterns that these integrations make possible. BCD Travel research indicates that companies are well aware of the benefits of T&E integration, but widespread adoption has been limited to large corporations with mature travel programs.

Most integrations in place today are limited to the online booking tool and expense management system. Workflows like offline bookings and payments are either excluded or are not cohesive enough.

Companies demand a more flexible and tailored approach, which incorporates their workflows and is flexible enough to allow travelers to connect at any point without having to follow a prescribed order. Automation and platform evolution promise to allow this enhanced end-to-end (E2E) model in the near future.

Companies can still choose to mandate the use of certain tools. But, this E2E model also allows third party apps and services to integrate with the platform. A curated selection of these external tools at the point of sale on a mobile device will increase convenience and be more user-friendly to travelers. All without compromising on the overall travel program strategy!

A few forward thinking companies are already looking beyond enhanced E2E to an even more progressive model where, other than a few mandated and critical tools, travelers can choose from a host of freely available apps and services according to their preferences. Technological advances and increased interoperability will allow companies to continue to reap the same benefits, while travelers can enjoy a friction-free experience.

Air

Global air travel demand remains strong, growing 7% year-over-year in September.[3] Together with persistent low oil prices, this has encouraged airlines to continue adding or maintaining capacity. But they're still failing to keep up with demand growth. We think this situation will change in 2017. A slowdown in demand growth will result in over-supply, which will make it difficult for airlines to raise fares, and may push them down in a number of markets.

North America
We lowered our intercontinental business fares forecast from 1% to 0% to reflect the impact of softer-than-expected demand.

Europe
We are maintaining our forecast of a rise in intercontinental fares and flat or lower regional fares.

Asia
Continued capacity expansion persuaded us to lower our business fares forecasts to -1% for intercontinental and to +2% for regional travel.

Middle East
As airlines expand within the region, particularly in Saudi Arabia, we downgraded our regional forecasts to 0% for business fares and -2% for economy.

Latin America
We made one change to our forecast, lowering our regional economy fares forecast from -2% to -3%.

Africa
We lowered our forecasts for intercontinental fares because of weaker demand to Europe and the Middle East. But we now expect regional economy fares to rise by 1%.

Southwest Pacific
We're maintaining our forecast for flat intercontinental fares and increased regional fares.

[3] IATA, Air Passenger Monthly Analysis

Intercontinental fares will fall or stay flat in all regions except Europe, where business and economy fares will rise slightly. There's more variation in the outlook for regional fares. Business fares will be flat within Europe, Latin America and the Middle East, but we expect them to increase in all other markets. Economy fares will be flat or lower in most markets except Africa and Southwest Pacific, where we predict an increase. Globally, this adds up to a 1% rise in business fares and stable economy fares.

Indicates change to original forecast

	Intercontinental		Regional	
	Business	Economy	Business	Economy
North America	**0%**	-1%	1%	0%
Europe	1%	1%	0%	-1%
Asia	**-1%**	-2%	**2%**	0%
Latin America	0%	-2%	0%	**-3%**
Middle East	0%	-2%	**0%**	**-2%**
Africa	**0%**	**-1%**	1%	**1%**
Southwest Pacific	0%	0%	3%	1%
Global	1%	0%	1%	0%

Hotel

We changed our forecasts for five regions. In Europe, we raised our rate expectations for Iceland, Ireland and Russia, and this lifted our regional forecast from 0-2% to 1-3%. We also increased our forecast for Southwest Pacific because of strengthening rates in New Zealand. And we made a small adjustment to our Africa forecast. But we lowered our outlook for Asia and Latin America, after reducing our forecasts for some key markets in these regions.

Indicates change to original forecast

North America +3% to 5%
Canada +2% to 4%
Mexico +1% to 3%
U.S. +3% to 5%

Europe +1% to 3%
France 0% to 2%
Germany +1% to 3%
U.K. +2% to 4%

Latin America -1% to +2%
Argentina +3% to 5%
Brazil 0% to 2%
Chile 0% to 2%

Middle East +2% to 4%
Qatar +1% to 3%
Saudi Arabia +2% to 4%
U.A.E. +1% to 3%

Asia 0% to 2%
China -1% to +1%
India +1% to 3%
Japan +4% to 6%

Africa 0% to 3%
Egypt 0% to 2%
Nigeria 0% to 2%
South Africa +5% to 7%

SW Pacific +3% to 5%
Australia +2% to 4%
New Zealand +5% to 7%

Global +1% to 3%

Economic growth assumptions

World GDP growth	2016	2017
	2.2%	2.6%

The outlook for the world economy remains stable. Growth should gradually improve in 2017. Advanced economies will contribute less than previously thought, as the uncertainty arising from the U.S. presidential election and Brexit weigh down on the performance of North America and Europe. But this will be offset by upgraded growth forecasts for Asia and Latin America.

Indicates change to original forecast

Regional economic growth forecasts 2015-2017

	2015	2016	2017
North America	**2.4%**	**1.5%**	**2.0%**
Europe	**2.2%**	**1.8%**	**1.6%**
Asia	4.4%	**4.4%**	**4.4%**
Latin America	-1.0%	**-1.1%**	**1.9%**
Middle East	**2.2%**	**2.4%**	2.7%
Africa	**3.5%**	2.9%	**3.4%**
Southwest Pacific	2.6%	**3.0%**	**2.7%**
Global	**2.6%**	**2.2%**	2.6%

Source: Oxford Economics, October 2016

Oil price assumption
US$ 50 per barrel
We are maintaining our original assumption

Oil prices
Efforts by producers to restrict supply are unlikely to push oil prices up beyond the US$50-54 per barrel (pb) that forecasters like the U.S. Energy Information Administration (EIA) predict for 2017. As they have not changed their position since we adopted our initial assumption, we continue to expect oil prices to average $50 pb in 2017.

Source: Advito

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Good advice travels far

