2017 Industry Forecast
June update

Spotlight

Using soft benefits to maintain **traveler satisfaction**

Corporate travel programs have seen a noticeable shift from cost-centricity to traveler-centricity. Confronted by demographic and technological changes, travel managers are responding by making programs more appealing, focusing on improving comfort and reducing stress on the road and leading to happier, more productive travelers.

Adding services and amenities is a tried and tested way to increase traveler satisfaction. Some benefits have long been a part of negotiated travel contracts. For example, frequent flyer elite status, cabin upgrades and lounge access are perks included in airline agreements. Hotel contracts often include room upgrades, free breakfast and Wi-Fi. But these extras are negotiated on a client-by-client basis, creating inefficiencies for both suppliers, who have to track them, and for travel managers, who have to make travelers aware of them. As traditional distribution and reward models get overhauled, there will be a shift in the approach to these benefits.

Airlines are moving to standardize services by introducing Corporate Recognition programs. These schemes offer all traveling employees complimentary service benefits like higher priority when boarding, protection from offloading on over-booked flights and priority rebooking following disruption. And personalization is on its way too. As travel technology companies enable merchandising platforms and travel management companies employ analytics, delivery of corporate recognition programs and personalized offers becomes easier.

Given the fragmented nature of supply, hotels have a tougher time standardizing value-added benefits into a package. However, they aren't just sitting back. Some delight travelers by offering free drink coupons and gift cards redeemable for hotel amenities. Others celebrate them with customer appreciation days and experiences like a local craft brew tasting.

Travel managers play a critical role in ensuring traveler satisfaction. They have to keep travelers informed and provide a channel for feedback. They must highlight positive opinions and respond quickly to criticism. Creating highly engaged traveler communities is only one side of the equation though. They must also seek additional benefits for their travelers when negotiating deals with suppliers. Travel managers are the best conduit for suppliers looking to build their brand and loyalty among travelers. Offering these add-ons can help build mutually beneficial partnerships, helping both achieve their goals.

Air

Global air travel demand remains strong, thanks to the stimulus of lower airfares in some markets and improving economic conditions. Traffic grew at 7% year-over-year during the first quarter of 2017.[1] Efforts by airlines to push up prices have so far had only limited success. But fares may soon start to slowly trend upwards.

North America
As transatlantic demand recovers year-over-year, we raised our intercontinental economy fares forecast from 0% to 1%.

Europe
We revised up our intercontinental economy forecast from 1% to 2%, as travel demand picks up year-over-year.

Asia
We changed our outlook for intercontinental economy fares from -2% to -1%, as travel demand improves to some regions.

Middle East
We raised our regional economy fares forecast from -2% to -1%, as the outlook improves for the region's economies.

Latin America
As airlines are adding capacity within the region, we lowered the forecast for regional business fares from 0% to -1%.

Africa
We increased our regional economy fares forecast from 1% to 2%, as low-cost carriers fail to expand as fast as expected.

Southwest Pacific
We revised up our intercontinental business and economy fares forecast from 0% to 1%, as demand shows signs of improving.

[1]IATA, Air Passenger Market Analysis, March 2017

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

Indicates change to original forecast

Hotel

As North America hotel demand may have passed its peak, we adjusted the range of our rate increase outlook for this region from 3-4% to 2-4%. We also revised our forecast range for Southwest Pacific from 3-5% to 2-5%, after lowering our figures for Australia to 1-3%. Our forecasts for all other regions are unchanged, despite revisions for a small number of markets. As we made so few adjustments, we're maintaining our global rate outlook at 1-3%.

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

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

Latin America -1% to +2%
Argentina +2% to 4%
Brazil -2% to 0%
Chile -1% to +1%

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

Asia 0% to 2%
China-1% to +1%
India +1% to 3%
Japan +3% to 5%

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

SW Pacific +2% to 5%
Australia +1% to 3%
New Zealand +7% to 9%

Global
+1% to 3%

Indicates change to original forecast

Economic growth assumptions

World GDP growth	2016	2017
	2.3%	**2.6%**

The outlook for global economic growth in 2017 is holding steady at 2.6%, despite adjustments to the forecasts for most regions. A weak start to the year in the U.S. means growth in North America will be lower than previously expected. Oil production cuts have raised concerns about growth potential in the Middle East. But the prospects for growth in Europe and Asia are steadily improving, while growing confidence about the Australian economy supports an upgraded outlook for Southwest Pacific.

Indicates change to original forecast

Regional economic growth forecasts 2015-2017

	2015	2016	2017
North America	2.4%	1.6%	**2.0%**
Europe	**2.3%**	1.8%	**1.8%**
Asia	**4.6%**	**4.6%**	**4.5%**
Latin America	**-0.9%**	**-1.5%**	**1.2%**
Middle East	**2.3%**	2.5%	**2.1%**
Africa	3.5%	**2.7%**	3.4%
Southwest Pacific	2.5%	**2.7%**	**2.8%**
Global	2.7%	**2.3%**	2.6%

Source: Oxford Economics, April 2017

Oil price assumption
US$52 per barrel
We increased our assumption

Oil prices

Rising U.S. output may offset some of the upward pressure on oil prices from lower OPEC production. But growing geopolitical tensions persuaded us to raise our oil price assumption from US$50 to US$52 per barrel.

Source: Advito

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