

Asia 2020 Industry Forecast

from BCD Travel Research & Innovation

2020
Industry Forecast
Asia



Intercontinental fares will rise by 1% for both business and economy travel.

Strong demand in major markets will drive regional fares up by 2% to 3%.

Although room supply is growing, strong demand will push up hotel rates by 2% to 4%.

High-speed rail is a popular alternative to air travel in China, but fares are rising to fund network expansion.

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Air

Current situation

The low-cost carrier (LCC) revolution that transformed European aviation is now firmly underway in Asia and has driven most of the region's capacity growth in 2019. LCCs already dominate domestic air travel in India, and they are growing in importance across many other domestic and regional markets. In some cases, the strong appeal of LCCs for short-haul trips has so eroded the traffic feeding long-haul services operated by full-service network airlines, that they have cancelled some intercontinental flying.

Business travelers in Asia are more reluctant to use LCCs than travelers in other regions, but this is changing. LCCs already account for more than 80% of domestic air travel in India. In Indonesia, the lower fares and frequent departures on key routes offered by Lion Air and AirAsia Indonesia are winning over business travelers. Loyalty to legacy airlines remains the deciding factor in countries such as Japan and Singapore. But even in these cases, LCC appeal is growing as these airlines become more accessible for corporate travel bookings.

Airline capacity is increasing just as demand is showing signs of softening. Trade within the region is weakening, and businesses are becoming more careful about travel. China is importing less, and India's economic growth has slowed. The trade dispute between China and the U.S. has depressed business confidence across the region. Manufacturers, especially in the automotive sector, are spending less on business trips.

Greater supply and lower demand have not yet resulted in lower prices for air travel. Fares are generally flat, although long-haul fares are up 1% to 3% so far in 2019.

China

After years of double-digit growth, the pace at which Chinese demand for air travel is expanding slowed from 11.7% in 2018 to 8.2% for the first five months of 2019. While this is still much higher than in Europe or North America, it is a clear sign that

Singapore-Kuala Lumpur: LCC or full-service?

This 65-minute flight is a perfect example of differing attitudes towards LCCs. Singapore-based business travelers generally remain loyal to flag carrier Singapore Airlines, even though it is often twice as expensive as low-cost rivals Malindo Air, Jetstar Asia, AirAsia and Scoot. But travelers whose journeys start in the Malaysian capital favor LCCs. For such a short distance, they would typically fly economy on a full-service airline, so switching to a LCC saves money without a noticeable change to service.

The weaponization of Chinese business travel

The number of Chinese visitors to the U.S. fell by 7.9% in 2018, the first decline since 2003's SARS epidemic. Numbers have almost certainly fallen further this year; China's Ministry of Culture and Tourism has advised against travel to the U.S., and employees of the Chinese government or state-owned enterprises may only make officially sanctioned business trips.

The travel restrictions are part of a response to the U.S. tariffs on Chinese imports. Although the U.S. has a goods trade deficit with China, it enjoys a service trade surplus, partly because of Chinese tourist and student visitors. Reducing the flow of Chinese tourists to the U.S. could negatively affect the U.S. economy. This "weaponization" of travel mimics action China has taken in past disputes with South Korea, Japan, the Philippines and Vietnam.

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Chinese government efforts to stop the economy overheating and uncertainty caused by the trade war with the U.S. are affecting demand.

The slowdown in China's economy has persuaded the country's airlines to reduce domestic capacity growth from 12% during 2018 to 8.4% during the first five months of 2019. The fierce competition to secure route rights has now been replaced by a more cautious approach to network expansion.

Two of China's big three carriers are taking different approaches to their inflight product. China Southern is removing seats from its three premium cabins in favor of a larger economy cabin. China Eastern, on the other hand, hopes to woo more premium travelers by introducing business class suites on its Airbus A350s and Boeing 787s.

A premium cabin by any name

Aircraft operating domestic flights in China usually offer only first class and economy service. Chinese carriers now are rebranding first class as business class to align with government travel policies restricting state officials from flying first class. The name may have changed, but fares haven't fallen.

What Beijing's new airport means for corporate clients

Beijing Daxing International Airport is scheduled to open at the end of September 2019—part of celebrations linked to the 70th anniversary of the founding of the People's Republic of China. Business travelers will then have an alternative to Beijing Capital airport. Here's how the airports differ.

Beijing Capital is 26 kilometers north of downtown, close to most commercial and government offices.

Daxing is 47 kilometers southwest of central Beijing in a less-developed area.

It's near Xiong'an New Area, earmarked for development by the government. It's also just 80 kilometers from the major port city of Tianjin. A high-speed rail line will whisk travelers from Daxing to Beijing's city center in 20 minutes.

Travel managers will need to monitor Beijing airline schedules and prepare for changes in air services across the two airports. Daxing will become China's only single check-in airport for passengers arriving via foreign carriers and connecting to domestic carriers.

Some airlines, such as Finnair, will fly to both airports. British Airways will relocate to Daxing to maintain links with codeshare partner China Southern, which is moving to the new airport. Air China will remain at Beijing Capital. China Eastern's position was unclear as of mid-August 2019.

Smaller Chinese carriers will move to Daxing, incentivized by the promise of new route rights.



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More traffic between China and Europe

China's dispute with the U.S. will see it increase trade links with Europe, as Chinese consumers look to Europe for products previously bought from the U.S. China will also do more business with Russia. Watch for new air routes and more capacity on existing routes from China to both Western and Eastern Europe. Fares will rise in 2020, although not as fast as in recent years.

The slowdown in demand growth has yet to affect fares between China's largest cities, such as Beijing, Shanghai and Xi'an, where flights remain full. A liberalization of domestic pricing allowed fares to rise by 20% in 2018, and they are up sharply again this year. Fare hikes are more modest on routes between smaller cities where demand has failed to meet expectation.

India

April's collapse of Jet Airways, India's leading full-service airline, sent shock waves throughout the country. The airline, which had enjoyed a 15% share of the domestic market in 2018, was the highest-profile casualty of a lengthy price war in which only those airlines with the lowest cost structures seem likely to survive. Air India faces similar problems to Jet, but it has been able to rely on financial support from its government owners.

The loss of such a key player sent airfares soaring 15% overnight on domestic routes. Jet Airways had been particularly strong on routes between India's biggest business markets: Mumbai, Bangalore, Chennai, New Delhi and Hyderabad. Fares leaped even higher—by 30% to 40%—on international routes, where Jet Airways had faced little competition from other Indian airlines.

Market leader IndiGo has been the biggest winner from Jet Airways' collapse, increasing its domestic market share from 42% in 2018 to 49% by May 2019.¹ It is actively pursuing the corporate market, which already accounts for 40% of its business. Full-

service Air Vistara and low-cost SpiceJet are also growing rapidly in the void left by Jet Airways and competing for corporate travelers. To this end, SpiceJet has introduced business class on select domestic routes using former Jet Airways aircraft.

After the collapse of Jet Airways, the Indian government relaxed its 5/20 rules governing the start of international services by a domestic airline. This has allowed GoAir and Vistara to bring forward the start of their first international flights. Vistara inaugurated international services in August and already flies to Bangkok, Singapore and Dubai, United Arab Emirates. British Airways, Air France and KLM are also increasing capacity on former intercontinental Jet Airways routes.

The UDAN² scheme, which was opening up regional cities to air travel, has taken a back seat, as the government encourages airlines to divert capacity growth to fill the gaps left by Jet Airways and bring prices back down.

The steep rise in the cost of air travel after Jet Airways' collapse has forced many Indian companies to rein in business travel by delaying or cancelling trips. The increased pressure on travel budgets is changing traveler behavior. In a country where last-minute bookings have been the norm, more travelers are now booking in advance to save money.

Aviation was also disrupted in 2019 by Pakistan's closure of its airspace amid elevated tensions with India. This increased the duration of European flights by one to two hours, with the extra costs contributing to a rise in international fares. The impact proved to be temporary, however, and prices fell back once Pakistan fully reopened its airspace in July.

In spite of these problems, and a moderation in India's economic growth, underlying demand for air travel remains strong. May's reelection of Narendra Modi as India's prime minister boosted investor confidence and will encourage companies to increase travel to secure new business.

¹ Indian Directorate General of Civil Aviation

² Ude Desh Ka Aam Nagrik

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Airport capacity relief ahead

The collapse of Jet Airways reduced flights and eased delays at Mumbai and Delhi, two of India’s busiest airports and most important travel markets. However, the relief will be short-lived as other airlines take Jet’s airport slots.

Over the next few years, new airport development should address some of the capacity shortages. The construction of Navi Mumbai International is progressing. Hyderabad and Bangalore are also increasing airport capacity. And plans to open more regional airports should also relieve some of the pressure on major airports.

Japan

Airfares have increased steadily this year in anticipation of the Rugby World Cup (Sept. 20-Nov. 2, 2019) and the 2020 Summer Olympics (July 24-Aug. 9, 2020). The revival of Japan’s economy is driving increased inbound travel from Europe, North America and Singapore, yet outbound bookings by Japanese business travelers are weak. Domestic bookings on mainstream airlines ANA and JAL have also stagnated.

This counterintuitive trend can be traced to a couple of key factors:

- A shift by Japanese companies towards Skype and other forms of virtual conferencing.
- Air travel’s continued loss of market share on domestic routes to Japan’s high-speed bullet trains, as airline delays worsen.

Higher fares are forcing some companies to drop their long-standing resistance to using low-cost carriers. They are revising policy to recommend LCCs, even if this means some inconvenience for travelers. LCCs often depart from more remote gates in primary airports or fly from different airports altogether, such as Kobe instead of Itami or Kansai airport when visiting Osaka. LCCs are also gaining popularity by becoming easier to book on metasearch engines.

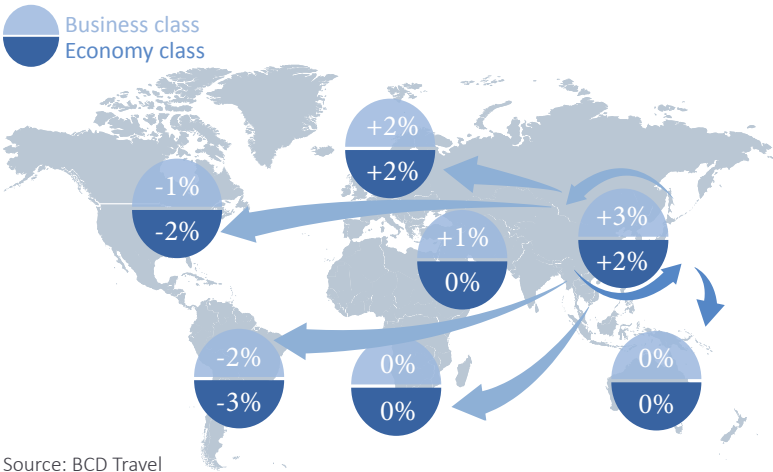
Outlook for 2020

Geopolitics may begin to redraw Asia’s air network and business travel patterns in 2020. Some U.S. companies will respond to the trade war with China by relocating business to other Asian countries, rather than repatriating it to the U.S. Indonesia, the Philippines and Vietnam are the most likely destinations for this investment.

Travel could also grow within Asia if the Regional Comprehensive Economic Partnership (RCEP), designed to lower trade barriers among member countries, makes progress. It is backed heavily by India’s Prime Minister Modi. China could look closer to home, too, developing ties with neighbors through its Belt and Road global infrastructure initiative.

Airfare forecasts

Average ticket prices % change YoY	Intercontinental		Regional	
	Business	Economy	Business	Economy
Asia	1%	1%	3%	2%



Source: BCD Travel

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These developments could boost business travel outside the region's powerhouse economies of China, India and Japan. Vietnam, for example, has seen huge low-cost carrier growth in recent years, helping to reduce average fares. But its transport infrastructure urgently needs improvement to accommodate a surge in business visitors.

LCC development across the region will help offset the impact of steep fare rises expected for domestic travel in some of Asia's largest markets.

Companies in Asia will also have an excellent opportunity to turn global pressures into a reason to tighten control over travel spend. The shadow cast by the U.S.-China trade war and slowing economic growth in China and India will make it easier to drive corporate adoption of money-saving measures such as virtual conferencing, earlier flight bookings and the use of low-cost carriers.

Overall, fares will rise by 1% on intercontinental routes, while stronger demand will push regional fares up by 2% or 3%.

China

Demand will continue to grow, especially on domestic routes. High-speed rail is gaining popularity as a more convenient alternative, but as trains are regularly full, late-booking business travelers often have no choice but to fly. Many of China's main airports are operating close to capacity. This will help push fares up 3% to 5% on average, with double-digit increases likely on the busiest routes.

Demand will also exceed capacity on short-haul flights as regional ties within Asia deepen—especially on routes to India, Malaysia and Indonesia. As a result, fares will rise on these routes, too. However, fares on saturated Southwest Pacific routes will remain flat, and they will fall to the U.S. given Chinese government efforts to discourage travel there.

India

Demand will strengthen as Modi's landslide reelection accelerates reforms promoting economic growth. Airline capacity should return to the levels seen before the collapse of Jet Airways, reducing fares. But airlines are unlikely to allow fares to fully fall back to unsustainably low levels. Travelers must get used to paying more for flights than in the past.

Expect fares to rise by 7% to 8% compared to prices before Jet Airways' demise. They'll go up as much as 10% if carriers cannot fully replace the lost capacity. The grounding of the Boeing 737 Max 8 may limit SpiceJet's ability to expand. It has parked 13 of the aircraft and based future growth on orders for a further 151 Max 8 jets.

Vistara, owned by Singapore Airlines and Tata, and AirAsia India are likely to expand fast in 2020.

Japan

Both Japanese and foreign airlines will want to increase flights to match accelerating demand, especially at Haneda Airport, which is closer to downtown Tokyo than Narita.

But demand will be so strong, especially in the run-up to the Olympics, that fares will inevitably rise sharply in 2020. Competition from high-speed rail will limit domestic fare increases to 3% to 5%. International fares could rise by as much as 10%, especially on some routes to North America and Europe. Corporate clients could see average ticket prices climb even higher as airlines look to reduce negotiated discounts.

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Our air recommendations

- Persuade travel arrangers to book with low-cost carriers. Millennial travelers are less conscious than older employees about the impact on their personal status.
- Encourage travelers to think about the total cost of a ticket, not just the base fare. In India, low-cost carriers may be no cheaper than traditional airlines once all the extras are included.
- Avoid overpromising on market share. Airlines carefully monitor which corporate clients deliver volume and value.
- Incentivize travelers to book lower fares by trading down to economy. Asian millennials are responding well to this approach.
- Exploit rising airfares in countries like China and India to instill more discipline in buying practices, such as booking earlier.
- Encourage travelers to book off-peak flights, avoiding Monday morning and Friday evening.
- In China, consider carriers like Hainan Airlines and Xiamen Airlines, which offer competitive fares.
- For westbound long-haul flights, look at whether Middle East connections will lower costs.



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Hotel

Current situation

Asia is experiencing an unprecedented hotel development boom. Business travelers can choose from more Western and local hotel brands, book more independent properties within their corporate programs and access a greater range of prices. China and India are leading the way, but hotel development is also strong in Vietnam and in key cities such as Kuala Lumpur.

Global groups like Marriott and Hilton are racing to expand in a region where chain penetration is just 10% of the total market. Their growth presents new negotiating opportunities for travel buyers looking to leverage even more of their total global spend with properties that offer familiar booking processes and service standards. But Western travel managers shouldn't overlook the many excellent locally branded and independent options, which may be more convenient or offer better prices. Ask local offices to help identify which properties deserve to be in preferred programs.

While international visitors to Asia continue to favor upmarket brands, the development boom means many more midprice and economy options are on offer. There are also more lifestyle properties aimed at younger guests wanting an informal ambience at lower prices. Travel managers now need to offer a diverse selection of Asian hotels that suit many travelers' tastes and budgets, while taking care not to spread their buying power too thinly.

So many hotels have opened in Asia that corporate demand, while growing steadily, has not kept pace, except in India and Japan. However, the supply boom has not lowered rates. Instead, hoteliers are choosing to maintain or even push them up and accept filling fewer rooms. Robust growth in the high-paying leisure market, largely driven by Chinese tourists, is also helping hoteliers manage their room inventory. They're less willing to offer corporate discounts, although negotiating has become a little easier in Singapore and Hong Kong.

The rise and rise of OYO

OYO (On Your Own) Rooms has developed quickly from a relatively unknown brand to the world's fastest-growing hotel group. Today, it is the world's fastest-growing hotel group, with 23,000 hotels in 18 countries, mostly in Asia. It welcomes 500,000 guests per night³ and is adding hundreds of new hotels every month. Launched in 2013, OYO Rooms is now the world's sixth-largest hotel chain, backed by more than \$1 billion in funding from investors including Airbnb.

Founder Ritesh Agarwal originally identified an enormous gap in his home Indian market for comfortable but reasonably priced accommodation, especially outside major cities. The company contracts with independent one- or two-star hotels, rebranding either some or all rooms as an OYO experience. OYO also provides rapid property refurbishments (14 days) and extensive property management apps for hotel owners.

OYO has made rapid inroads into China, too. Just 18 months after entering the market, it has become the country's second-largest chain, with 450,000 franchised and leased rooms in 10,000 hotels across 320 cities. Yet there is potential for OYO to grow much more; it has only a 2% share of the Chinese market, which contains a total of 35 million rooms.

China

Hotel development in Beijing and Shanghai has slowed as both markets are saturated. But vast numbers of new properties are opening across the rest of China. Demand is growing—albeit slower than in previous years—as the Chinese government prioritizes domestic business over exports.

Domestic business travelers are choosing higher-quality hotels as Chinese companies ease policies and allow them to trade up from economy to midrange accommodation. The additional cost starts at about US\$20 per night, with some employees paying this premium themselves.

Such upgrading has pushed up corporate average room rates, but like-for-like rates are rising no faster than the general rate of

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OYO and the corporate market

OYO offers budget accommodation to a reliably good standard, although facilities and furnishings are below the level expected by most international corporate travelers. However, OYO is an excellent option for domestic business travelers at junior levels. It provides a single point for searching and booking independent accommodation in tier two, three and even tier four cities. OYO may also be the best option for international travelers visiting destinations where a guesthouse may be the only alternative.

Some travel management companies can connect clients to OYO corporate rates. BCD Travel includes OYO in options offered through the TripSource[®] inventory of hotels.

Other hotel companies have adopted a similar model. In China, Huazhu launched H Hotel in February, enabling it to offer standardized service across independent hotels. It aims to sign up 3,500 properties by the end of 2019 and 20,000 by 2022.⁴

inflation. Hotels in Beijing and Shanghai business districts have leveraged their locations to push through steeper increases; companies are willing to pay more to keep travelers from wasting time in traffic-clogged journeys from lower-cost hotels in other parts of the city.

Chinese hotels are analyzing their data more rigorously and negotiating corporate rates only with clients who firmly commit to and deliver on agreed volumes.

As suppliers use data to raise their game, corporate travel buyers must manage their hotel programs more closely, too. But collating booking data isn't easy. Chinese travelers have even more ways to book hotels than in the West, with super-apps like Fliggy offering payment processes that don't even require a credit card.

On average, only 25% of air bookings made through TMCs in Asia are accompanied by hotel reservations—even less than in the

Introducing Huazhu

Fast-growing Huazhu Group is one of China's most important accommodation suppliers. In addition to recently launching H Hotels, it added nearly 600 hotels in the 12 months ending March 2019, taking its portfolio to 4,400 properties under brands such as Hi Inn, Elan, Starway and Madison. Huazhu also distributes Accor brands Grand Mercure, Mercure and Novotel in China. The group offers separate corporate deals for the different brands in its portfolio.

Chinese travelers self-upgrade

As living standards rise, more Chinese business travelers are upgrading their accommodation to higher-standard hotels. Many companies only apply policy rules when employees submit their expense receipts, allowing travelers to book where they like. If the hotel they choose is over budget, the employer only reimburses up to the permitted amount.

West. The hotel-to-trip-night situation is improving as companies capitalize on new TMC strategies to improve control over hotel spend and support duty of care.

India

Demand for accommodation has surged by 7% to 9% this year. Hotels in the biggest business markets—Mumbai, Delhi and Bangalore—are almost always full. It's a situation that's also becoming apparent in the next tier of cities, including Ahmedabad, Indore and Chennai. Momentum is building behind demand in Tier II and Tier III cities, such as Amritsar, Pune, Nashik, Varanasi, Jaipur and Vijayawada.

Hotel companies are responding with an unprecedented rate of property openings, especially midmarket hotels in secondary cities. For example, IHG is opening Holiday Inn and Holiday Inn

4 Nikkei Asian Review, June 18, 2019

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Express properties across the country. But Indian chains are driving much of the growth. These include Lemontree Hotels and Indian Hotels Company Limited's economy brand, Ginger. OYO, which is taking a less conventional approach, is expanding rapidly by signing up independent hotels to its virtual chain.

Yet new supply cannot keep up with demand. As a result, rates, which had been unsustainably low, have soared this year by 10% in metro cities and by 5% to 6% in smaller locations. However, the availability of more midrange options allows companies to limit the rise in their program's average daily rate.

Japan

The strength of demand has sent hotel rates 10% to 20% higher in the Tokyo Bay area. While the major chains aren't adding new hotels, so-called "business hotels" are expanding. These tiny rooms cost US\$80-\$90 per night and are used almost exclusively by travelers from Japan and elsewhere in East Asia. They're unlikely to suit Western travelers.

Negotiating corporate deals is becoming increasingly difficult. Hotels in central locations are reluctant to discount and are no longer guaranteeing rate availability. Buyers have had to raise their Japanese rate caps; increase choice so travelers can shop around; and look at alternative accommodation options such as Airbnb or *minpaku* private lodging, even though they may be in less convenient locations.

Outlook for 2020

Supply will continue to increase not only in China and India, but also across Southeast Asia, as manufacturers move out of China and invest in Cambodia, the Philippines and Vietnam. As it will take new hotel openings some time to catch up with the sudden influx of demand, travelers should prepare for higher rates and less availability in these markets.

Goods & Services Tax update

India's Good and Services Tax (GST), introduced in 2017, can be as much as 28% for stays in luxury hotels. Companies are allowed to recover GST, but this was initially difficult to achieve in practice. The process has been simplified, and companies can now recover GST relatively easily if hotel bookings are processed through their travel management company.

Airbnb's mixed fortunes

Airbnb has had limited success with Asia's corporate market. It must overcome entrenched corporate views about accommodation choices. Buyers are concerned about liability issues and the risk of opening up yet another accommodation distribution channel. Airbnb is also heavily restricted in some markets, including Japan and Singapore. Still, Airbnb for Work can be a useful alternative in cities where hotel supply is limited, and its appeal is growing among technology-sector businesses.

In Japan, Airbnb faces competition from local *minpaku* providers whose businesses were bolstered by a new private-rental law that took effect in 2018. The law expanded the traditional practice of renting out spare rooms to include whole-property rentals.

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Demand will outpace new supply across Asia. Expect a 2% to 4% average rise in hotel rates.

China

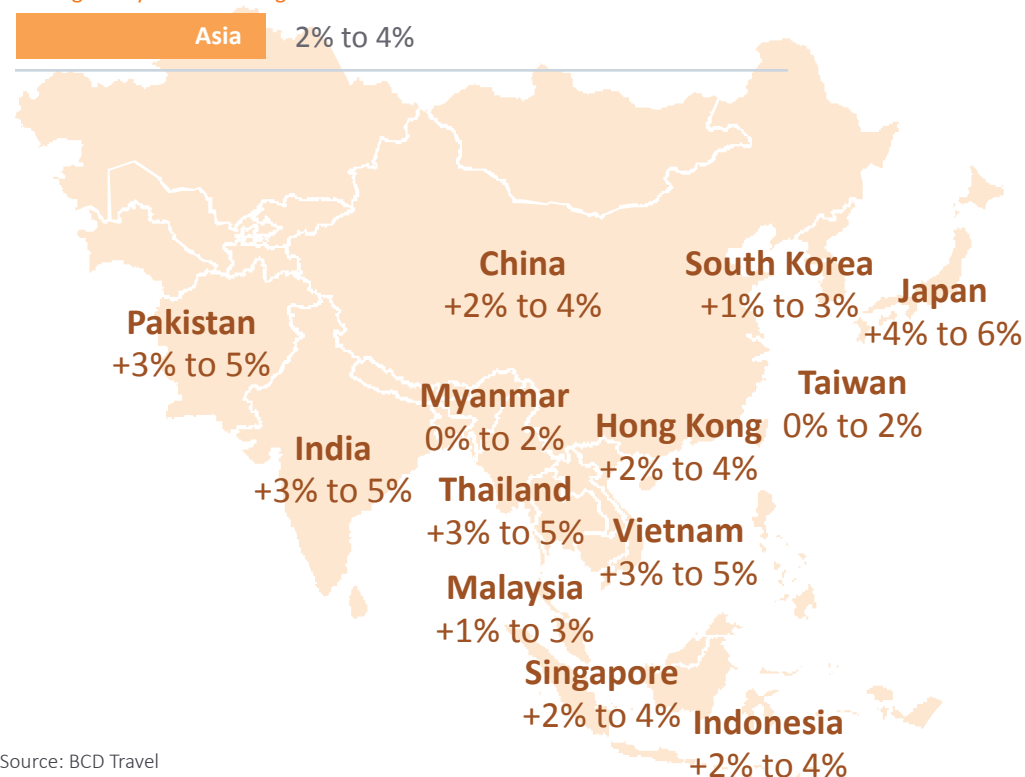
New supply will slow in Beijing, Shanghai, Guangzhou and Shenzhen but continue to grow fast in Chengdu, Xi'an, Qingdao and other second- and third-tier cities. As demand will be weaker than in the past, average rates are unlikely to rise by more than 2% to 4%. But rate increases will be higher than this outside tier one cities.

Hotspot cities

In Chengdu, a flourishing tourism destination and business center, hotel rates are going up fast. It's a similar story in Xi'an, at the eastern end of the Silk Road and home to the Terracotta Army, where supply has yet to catch up with demand.

Hotel forecasts

Average daily rates % change YoY



Source: BCD Travel

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India

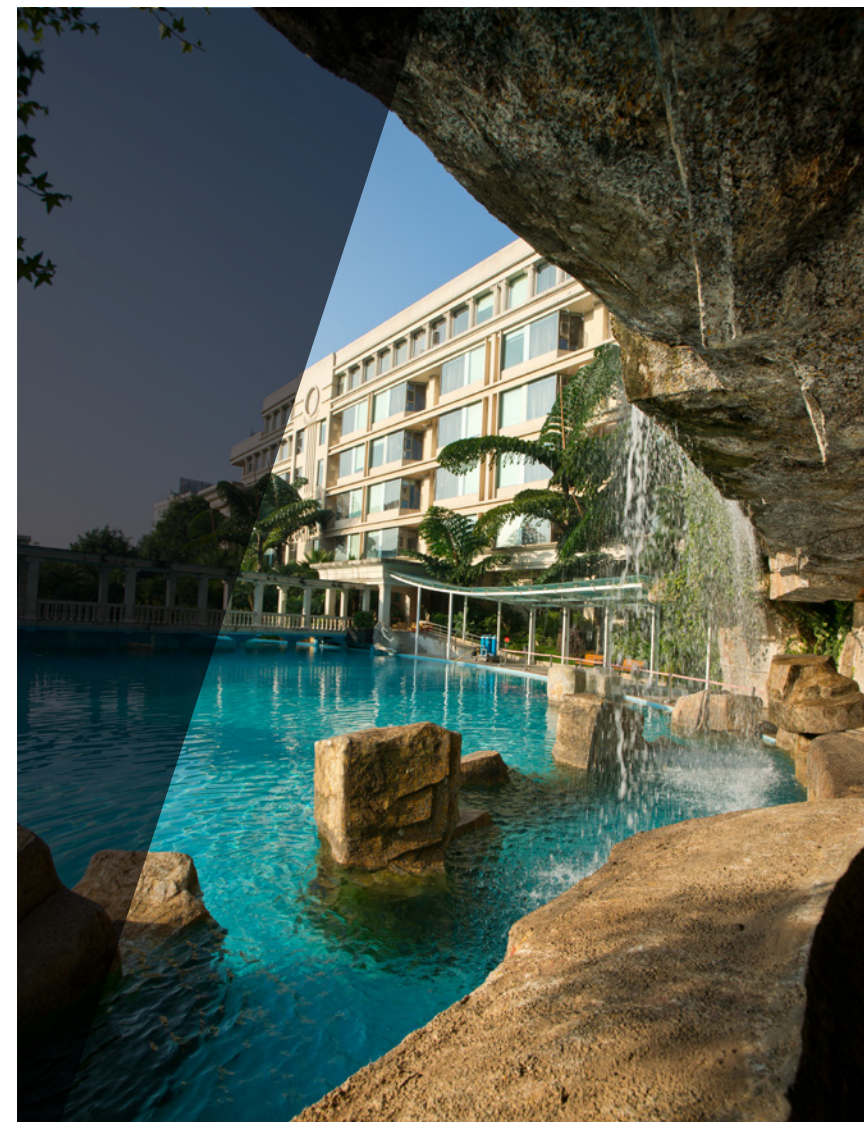
Hotels will continue to open at a fast pace, especially outside the metro cities. But supply will not expand fast enough to satisfy the demand of India's rapidly expanding population of business and leisure travelers. Rates will rise by 3% to 5%, and companies will find it increasingly hard to book rooms at any price at the last minute.

Japan

Demand will outpace supply right up to the end of the Olympic Games in early August 2020, with rates rising by 4% to 6%. Prices may then drop. Hoteliers, who learned from the post-Games oversupply in previous host cities like Sydney, are considering converting some hotels into apartments to rebalance supply when demand drops.

Our hotel recommendations

- Using cheaper hotels farther away from meeting locations in major cities may save money, but traffic congestion means travelers can waste a lot of time even on short-distance journeys by road.
- Seek a balance between global deals and arrangements with essential local properties.
- Add midrange properties to your program while retaining high-end choices for senior executives.
- Reduce negotiated rates by excluding amenities your travelers don't use. By making your preferred rates more competitive, you'll keep more travelers within the corporate program and away from the no-frills prices offered online.
- Your TMC now may be able to book Asian hotel brands, even if they aren't included in a global distribution system. Work with your TMC to research which available brands would fit your hotel program.



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Meetings

Current situation

Demand for conferences and meetings is booming in Asia, and companies are growing their budgets. Meetings rates have jumped by 4% to 5%, especially as the construction of new meeting space tails off. Hong Kong remains the region's No. 1 meetings destination, followed by Singapore. Other destinations are growing in popularity, including Shenzhen, China, and the coastal Thai city of Pattaya. Thailand's popularity as a meetings destination waned during a period of political uncertainty, but it is once again becoming a preferred location.

Companies increasingly prefer to hold several smaller meetings across a country—or even the whole of Asia— instead of one mega-event. As a result, hotels are becoming more flexible, dividing their meeting space to accommodate smaller events.

The April 2019 terrorist attack in Sri Lanka made security a top priority again for corporate programs with travelers in the region. Bookings to Sri Lanka have not yet recovered. Hotels in Jakarta, Indonesia, and major Indian cities have improved their security following incidents in previous years and are now well regarded by meeting planners. Singapore continues to benefit from its reputation as a safe destination for meetings and events.

Many companies still take a relationship-driven, event-by-event approach to meetings, instead of managing their needs strategically. Lead times for booking events also remain very short.

Outlook for 2020

Limited increase in supply coupled with strong demand should send meetings rates up by another 4% to 5%. As with transient hotel rates, Japan will be very expensive as the Olympic Games approaches. But prices could fall sharply afterward. Some Olympic facilities might be converted into meeting spaces. Until then, Japan's high rates may persuade international meetings organizers to look at alternative destinations like Thailand and South Korea. These countries offer interesting experiences and high-quality venues at good prices.

Macao is a destination to watch thanks to improved accessibility following the opening of a bridge connecting it to Hong Kong and the Chinese mainland. But it, too, has been affected by geopolitical events. In August 2019, the Association of Corporate Travel Executives (ACTE), citing duty of care concerns, canceled a summit in Macao following weeks of protests in Hong Kong that disrupted travel.

Our meetings recommendations

- Look beyond the obvious cities. Alternative destinations, such as Chiang Mai in Thailand, can provide better value for money and a wow factor for your event.



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Ground transportation

Ride-hailing

Uber is not Asia's leading ride-hailing company. Didi Chuxing dominates the Chinese market, where its main rival is Ucar. Grab is the No. 1 option in most of Southeast Asia after buying out Uber in the region. Indonesia's Gojek is also doing well in Singapore, Thailand and Vietnam and is considering entering Malaysia.

Ride-hailing is not yet widely included in corporate travel policies, but it continues to attract business travelers away from traditional taxis. The main exception is Japan, where taxis are supported by the government.

Rail

China

High-speed rail network expansion continues to attract airline passengers away from delay-prone flights. The new Beijing-Qingdao line has reduced rail journey times from five to three hours, comparing favorably with a 90-minute flying time. Traveling by rail can also be much cheaper, encouraging many business travelers to make the switch.

However, rail's success brings its own problems. The nonstop Beijing-Shanghai service is so popular, especially during the summer typhoon season when flights are often disrupted, that travelers booking less than two weeks ahead are unlikely to secure a seat. A second line between the two cities is under consideration.

The Chinese government controls rail fares. It has kept prices unchanged in economy class but raised them for first class and business class (confusingly, the highest travel class). Fares are likely to rise faster to finance the heavy debt from network expansion.

Electronic ticketing will soon make rail easier for business travelers. Currently, they must print tickets to submit as *fapiao*

Mapping apps offer more ride-hailing options

Chinese travelers are increasingly using mapping apps such as Gaode Maps to give themselves a choice of ride-hailing services. Gaode consolidates different ride-hailing services on a single platform, giving travelers easy access to ride-hailing options and eliminating the need for multiple apps.



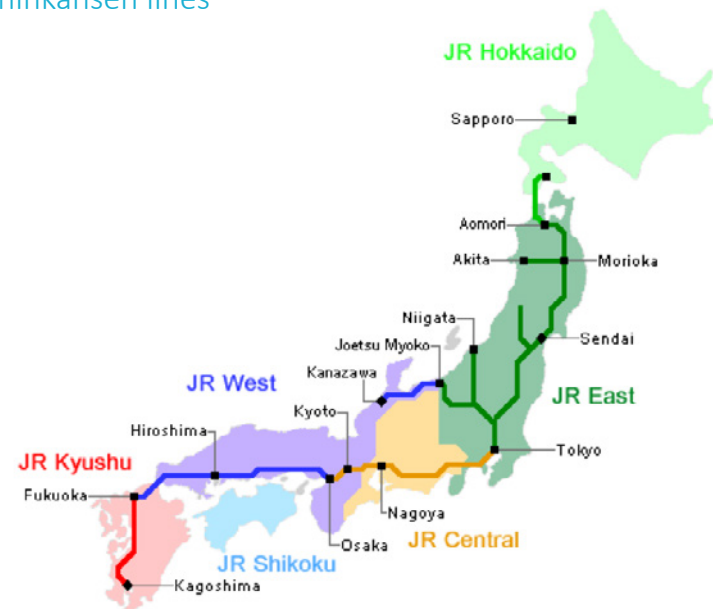
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receipts required for reclaiming business expenses. In future, a digital *fapiao* for the ticket will be sent electronically to a company e-wallet.

Japan

Rail travel already accounts for 65% to 70% of domestic business trips. The most popular route is the Tokaido Shinkansen, a high-speed service operated by Japan Rail Central, connecting Tokyo, Osaka and Nagoya.

The operation areas of the regional JR companies and shinkansen lines



High-speed rail fares have remained flat. While no new routes have opened for some time, Japan Rail plans to introduce magnetic levitation—or maglev—trains from 2027. Their speeds will greatly exceed the roughly 500 kilometer-per-hour speeds of existing high-speed trains and could halve journey times.

Thailand

Thailand has plans for two high-speed lines backed by Chinese technology and perhaps financed as part of China's Belt and Road strategy. One line will run from Bangkok to Thailand's northern border with Laos. The other will connect three airports in the Bangkok area: Don Mueang, Suvarnabhumi and U-Tapao.

Our rail recommendations

- Review travel policy as new rail routes are added.
- Consider mandating rail when fares and total journey times are comparable to or better than air.

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Methodology

Assumptions

We have assumed, as working hypotheses, that:

- The price of oil (Brent crude) per barrel will average US\$67 in 2020.
- World economic growth will be 2.7% in 2019, holding steady at 2.8% in 2020.

Approach to analysis

Our ongoing research and in-depth interviews with experts in corporate travel and meetings management form the basis for our discussion of broader industry developments and trends.

We base our category-specific predictions on our analysis of aggregated transaction data for BCD Travel's corporate clients worldwide.

We analyze and forecast on dynamic baskets using actual air segments, room nights and car rental bookings to reflect potential shifts in travel patterns and booking behavior. The level of aggregation for each measure is determined by the validity of the relevant pool of data.

We weight monthly averages by category transactions for each unit. Regional averages for hotels are calculated using total room nights to weight the forecasts for all countries in that region. Quarterly averages are weighted averages of the months in that quarter. Unless stated differently, we base price developments on local currencies; these developments are therefore subject to foreign exchange fluctuations. We normalize local currency transaction data into leading world currencies, using the daily average conversion rate on the date of travel.

Hotel market tier assignments follow our proprietary classification scheme. We designate luxury and upper upscale hotels as upper tier and all other hotels as lower tier. Air cabin classes are based on our master table of airline booking classes.

When applying economic growth in our regional forecasts, we use figures aggregated at market exchange rates rather

than at purchasing power parity (PPP). The PPP approach risks overstating the contribution of emerging markets.

Sources

In addition to aggregated BCD Travel client data, we use the following sources:

- International Air Transport Association (IATA) for airline capacity and traffic
- Oxford Economics for historic and forecast macroeconomic data
- Tourism Economics for room nights by region
- International Monetary Fund (IMF) for macroeconomic projections
- Economist Intelligence Unit (EIU) for macroeconomic projections and oil prices
- Oanda Currency Converter for foreign currency exchange rates
- Official Airline Guide (OAG) for airline capacity
- U.S. Energy Information Administration (EIA) for historic and forecasted oil prices
- Flightglobal.com for airline industry news and analysis

The estimates and projections are based on data available through March and April 2019, respectively, for air and hotel transactions, and through July 2019 for macroeconomic and industry indicators.

Meet the team behind the Industry Forecast



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