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# The Future of Corporate Travel in Latin America

Prepared by

**Amanda Close**

VP, Global Solutions

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## INTRODUCTION

Recently Global Solutions had the opportunity to participate in a panel at The 2014 GBTA Brazil Conference in Sao Paulo. The panel was entitled: “THE FUTURE OF THE CORPORATE TRAVEL: THE TMC’s PERSPECTIVE”.

## MARKET SIZE AND FORECAST

Latin America represents approximately 5% of both the world’s population and its travel market is currently valued at \$60 USD Billion per year. The market has had an annual growth rate of over 7% since 2000, and is forecast to grow by 5.8% in 2014 led by Brazil and Chile.

According to the GBTA panel in Sao Paulo, the drivers for growth will come from:

- Growth in middle class / first time travellers
- Increase in International Travel (+6%)
- 4.2% Average Increase in size of Travel Budget (predicted operating activities)

## MARKET TRENDS

From a supply side Latin America is facing airline consolidation pressure as many carriers wrestle with right sizing supply and demand. The large network carriers are developing increases in service consistency, network reach, and loyalty programs. Meanwhile the LCCs are continuing their expansion with new offerings by expanding regional reach and partnerships with full service providers.

From a demand side there is a growing need for flexibility and cost control. Companies are asking how they can adopt different policies for differing types of travellers (traditional vs more self-service new-generation travellers).

## MARKET FEATURES

There are particular challenges to this part of the world not least of which are that, according to Groupe Concomitance the market is considered to be 'cautious' and 'dynamic'. The market is cautious because a majority of firms do not want to adjust their travel budget, but it is also dynamic, because when they do adjust it, firms in Latin America tend to adjust it by a very large margin. For example, those firms that predict an increase in their travel budget peg the increases at about 24%.

An additional issue is as in many other parts of the world, is fragmented content. Fragmentation makes travel processing by TMCs labourious and adds to their costs. It also inhibits adoption of corporate online booking tools which potentially could lower the cost per transaction. An interesting feature of traveller behaviour in Latin America is that many more travellers there use mobile not only for 'on trip' services but also for direct bookings. This may be influenced by the fact that a very large part of the travel market is domestic; air and hotel are typically 75% of a corporation's budget (compared with about 60% in Europe for example).

## TRAVEL MANAGEMENT

The business of travel management in Latin America is driven by three priorities:

1. Cost control
2. Expense consolidation
3. Traveller security and safety

### **Cost Control**

Unsurprisingly, organizations say that costs control is the primary consideration for their travel policies. With respect to travel policy, only one in two firms has a policy to manage. Most firms also state that they believe they could benefit from improving compliance to their travel policies by 'a large extent' and yet they also allow a high degree of traveller autonomy in booking travel. Clearly TMCs should be on the lookout for compliance opportunities and will need executive buy in to achieve targets here.

## **Expense Consolidation**

In order to manage the firms' travel budget an end to end view is preferred of course. The Latin America business travel barometer reports uncovered that about 75% of organizations use a travel agency (compared to Europe at 80%) but they tend to be mainly local agencies. Large multinational TMCs have lower share rates (about 18% of organizations) whereas in Europe the situation is almost the opposite; large TMCs have share of 57% of organizations and local agencies only in 31% of them. Consequently, 33% of Latin American organizations use several travel agencies, in comparison with 19% in Europe. This of course affects their ability to manage a full view of the expenses. This represents an opportunity for the TMC that can identify and solve for this issue among its corporate clients.

There is a desire for end to end solutions but corporations are perhaps too flexible in allowing their travellers mobile supplier direct booking. Such noncompliance booking patterns are prevalent in the region. Travel service providers will see opportunities here if they are able to accommodate multiple booking patterns but consolidate data from ticketing and back office systems.

## **Traveller security and safety**

As in all other parts of the world, Latin America firms have taken steps to ensure they understand their local duty of care obligations and have tools to be able to track travellers. The proportion that have spent time educating their employees of such policies, is lower than in other parts of the world however. The TMCs in the region that can help raise duty of care awareness by influencing employee behaviour perhaps with gamification for example, may see some opportunities accordingly.

## LATIN AMERICA AND GLOBAL TRENDS

How do Latin American TMCs view their specific market features and trends relative to global trends?

There is concern that corporations may see the scale benefits of the large global TMCs but risk overlooking the local nuances which are highly valued. Therefore TMCs who operate globally need to find strategies for allowing local variation and nuances while maintaining the integrity of the global benefits. Consider Areka Consulting U.K. director Carol Randall's recent comments in a blog by Amon Cohen of the Beat. Randall sums up this dilemma by pointing out that she believes that more localized decision-making is one of the reasons several of her clients moved to regional TMC contracts from global. "Travellers are demanding more, and they are now regarded internally as customers," she said. "The role of travel managers is becoming more to give travellers what they want, otherwise they fear they will lose them out of the program.

## About Global Solutions Travel Management by UNIGLOBE

Global Solutions is a network of elite UNIGLOBE Travel Management Companies specializing in global management and local servicing for multinational accounts. As a division of UNIGLOBE Travel, Global Solutions addresses the unique corporate travel needs of multinational companies who want ideas, flexibility, transparency and dependability.

The network is governed and supported by the UNIGLOBE world headquarters in Vancouver, Canada and has a corporate governance framework designed to support the company's brand attributes of trust, integrity and flexibility.

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