

## International Airfare Surged as Domestic Airfare Levelled Off in 2007

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### Hotel Supply Constraints Drove High Costs As Competition for Business Travelers Propelled Product Improvements

American Express Business Travel today released analysis of North America-based domestic and international air, hotel and car rental rates for the full year 2007. Using data from its Business Travel Monitor, the industry's pricing benchmark, international rates experienced price increases across the board while domestic airfare and hotel rates remained stable.

'Tight global supply and another year of high fuel costs drove continued price growth for international business travel in 2007 even as domestic prices flattened,' said Hervé Sedky, Vice President and General Manager, Global Advisory Services, American Express Business Travel. 'Companies can achieve savings in this environment through a well managed, dynamic travel and entertainment program allowing the flexibility to adjust their travel policies in real-time accordance with fast-moving industry changes. To help lock in savings, it's also essential for companies to clearly communicate policy changes to travelers in order to influence their spending behavior while on the road.'

American Express Business Travel has recently added Change Management as a consulting competency in its Advisory Services organization to help corporations defray the rising cost of travel and implement their T&E programs and policies more effectively. Change Management complements its established Compliance practice and places further emphasis on the importance of managing traveler behavior.

'The Change Management and Compliance practice offers best practices for monitoring and influencing traveler behavior to improve compliance to corporate policies and procedures,' said Frank Schnur, Vice President, Advisory Services, American Express Business Travel. 'Depending on the methods used, incremental cost savings made possible through this new practice area can range between 11 percent and 33 percent of a company's total air spend.'

### **Average International Airfare Paid Increased a Record Eight Percent**

In 2007, international airfare increased to its highest level since the Business Travel Monitor was first published in 1999. As in the previous year, the increase was driven by rising fuel costs coupled with strong travel demand. Since 2004, the average international airfare paid has increased 21 percent.

#### **International average airfare paid:**

2001 - \$1,461

2002 - \$1,473

2003 - \$1,469

2004 - \$1,514

2005 - \$1,614

2006 - \$1,707

2007 - \$1,836

'No region was immune to price increases as airfares to Asia, Australia, Central America, South America, and Europe all experienced double digit growth,' stated Sedky. 'With global economies continuing to develop and expand, demand for international business travel has remained high. At the same time, carriers continue to weather surging oil prices. In this environment, companies need to lean even more heavily on negotiated discounts, strategic buying opportunities and driving their travelers to preferred suppliers to offset rising costs.'

### **Average Domestic Airfare Paid Decreased One Percent**

After jumping seven percent from 2005 to 2006, the average domestic airfare stabilized in 2007 due to a combination of factors.

'Travelers heeded the call to book their trips further in advance by taking advantage of lower, advance purchase fares,' stated Sedky. 'Meanwhile, the continued expansion of low fare models was counter-balanced by a slowdown in network airlines' capacity growth, causing the net \$1 reduction in year-over-year domestic air fares.'

#### **Annual average domestic airfare paid:**

2001 - \$259

2002 - \$243

2003 - \$243

2004 - \$225

2005 - \$216

2006 - \$231

2007 - \$230

### **Average International Booked Hotel Rates Rise While Domestic Rates Stabilize**

Growing international economies spurred a rise in both business and leisure travel which placed hefty demand on an already short supply. Domestic hotel rates remained relatively steady throughout each quarter of 2007. Tight supply, high demand, and increasing renovation and operating costs kept rates at record highs.

### **International Average Booked Rates Increased \$36 in 2007:**

2000 - \$190

2001 - \$192

2002 - \$188

2003 - \$195

2004 - \$197

2005 - \$212

2006 - \$230

2007 - \$266

### **Average Domestic Booked Rates:**

2000 - \$131

2001 - \$133

2002 - \$129

2003 - \$127

2004 - \$132

2005 - \$137

2006 - \$141

2007 - \$157

Tight supply, high demand, and increasing renovation and operating costs kept rates at record highs, but were level throughout each quarter. The deluxe hotel segment was the one exception to this trend. Deluxe hotels continued to experience double digit increases while economy and budget tier rates flattened out. In other hotel segments, the price differential between budget, economy, and mid-price hotel tiers began to blur amidst tough competition.

'Competition is fierce in the hotel sector as companies in all tiers vie for the business traveler dollar,' said Sedky. 'However, though rates remain high, this competition has spurred hotels to continually upgrade their offerings and amenities to the benefit of business travelers in countries around the world.'

<b>Average Domestic Booked Hotel Rate by Tier</b>	<b>Q4'06</b>	<b>Q1'07</b>	<b>Q2'07</b>	<b>Q3'07</b>	<b>Q4'07</b>
Deluxe	\$233	220	233	228	260
Upscale	\$189	190	198	196	204
Mid-Price	\$189	178	192	193	207
Economy	\$164	159	173	180	186
Budget	\$179	147	181	190	193
Overall	\$200	190	203	203	220

### **Car Rental Rates Increase 4.4 Percent**

Overall domestic car rental rates increased 4.4 percent in 2007 as rental firms battled to offset high operating costs. Fleet costs, which increased 20 percent in 2006, grew at a slower pace in 2007 due to the weakening economy and the ability of rental firms to negotiate better deals with manufacturers.

'As the price of car rental has continued to rise, corporate buyers have increasingly focused on ways to more tightly manage spending in this area,' said Sedky. 'We continue to view a well managed car rental program as an opportunity for companies to maximize the value of their ground transportation expenditures.

#### **Average daily car rental rates:**

2001 - \$63

2002 - \$64

2003 - \$65

2004 - \$65

2005 - \$66

2006 - \$69

2007 - \$72

#### **About the American Express Business Travel Monitor, North America**

The American Express Business Travel Monitor is a benchmarking service that offers corporations a comprehensive collection of pricing data across major travel and entertainment (T&E) expense categories in the marketplace today, by accessing American Express' extensive global database of purchase information.

The American Express Business Travel Monitor tracks a variety of travel expense categories including published and purchased airfares captured across hundreds of domestic and international routes. The average fare paid is the one-way average paid by all business travelers booked by American Express Business Travel, and includes a variety of fare types, including first class, unrestricted and discount air fares. Typical business airfares are generally the lowest refundable economy fare available to the business traveler.

Average booked hotel rates, both international and domestic, represent the total spending of all American Express Business Travel clients divided by the total number of room nights confirmed. The average daily cost for car rentals is drawn from American Express(R) Corporate Card data and includes all charges incurred, including mileage, gas, tax and insurance.

#### **About American Express Business Travel**

American Express Business Travel ([www.americanexpress.com/businesstravel](http://www.americanexpress.com/businesstravel)), a division of the American Express Company, is dedicated to helping its clients realize the greatest possible value from their investment in travel through increased cost savings, outstanding customer service and greater spend control. For small businesses, medium-sized enterprises and multinational corporations, American Express Business Travel provides a combination of industry-leading booking technology, travel management consulting expertise, strategic sourcing and supplier negotiation support, and customer service available online and offline, around the world.

American Express operates one of the world's largest travel agency networks with over 2,200 travel service locations in over 140 countries and territories worldwide. The Company processed \$24.6 billion in global travel sales in 2007.

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