

## AMEX Biz Travel Highlights Findings in Asia Pacific Industry

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Base Air Fares Still Increasing Across The Board - It's not just the cost of fuel that is challenging corporate travel.

The 2nd quarter 2008 American Express Asia Pacific Business Travel Monitor provides little relief to corporations struggling to keep control of rising travel costs. Asia Pacific published fares were up 3% overall quarter over quarter and 9% year over year. Fuelling this increase were flights originating in Asia Pacific going to Intra Asia Pacific destinations which rose 5% quarter over quarter. Both full business class and full economy class saw increases of 3% quarter over quarter.

Kurt Knackstedt, head of Advisory Services for American Express Business Travel, Japan, Asia Pacific and Australia commented, 'Economic pressures and the simple equation of supply and demand continue to force base airfares up, meaning corporations have to act smartly to keep travel budgets in check.'

'Increasingly, companies view business travel as an investment in their business and are interested in doing everything they can to maximize their return. Many companies are still keen to travel despite rising costs, so they need to evaluate all aspects of their travel programs and work harder at finding reasonably priced options.'

'One other outcome of rising airfares is that many companies are finally putting greater emphasis on encouraging and promoting traveler compliance with corporate travel policies. On average 20% of travel and entertainment spend is out of policy' so this represents a huge opportunity for corporations to regain control of the purse strings.'

'To help corporations improve policy compliance, we've recently introduced Change Management as a consulting competency to defray the rising cost of 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.'

### **Country Specific Results**

In Australia all fare types saw price increases ranging from 2 - 3% quarter over quarter. Domestic fares were up 4% from the last quarter however, there was some softening on the international routes with fares to the Americas only rising 1% and fares to Europe seeing a 1% decrease.

'Domestic Discount Economy fares were up 13% year over year so there's still very strong upwards movement in this market. This is likely due to a lack of competition as well as the usual economic pressures and performance goals for the domestic carriers,' commented Kurt Knackstedt.

'International Discount Economy from Australia to the Americas was down 2% year over year which may seem like good news but more often than not discounted economy fares are snapped up so far in advance that normal business travelers can't take advantage of them.'

In China there continues to be very strong year over year increases to fares to Europe at 27%, however domestically the market remains flat.

'China's economic growth eased in the second quarter amid rising inflation, slowing exports and a strengthening currency. This is partly being caused as preparations for next month's Olympic Games slows air travel, but the slowdown in prime export markets is also having an impact. An economic slowdown would be further bad news for the Chinese airline sector already struggling under higher fuel prices and they may have to start looking at raising base fares in addition to the fuel surcharge hikes,' commented Kurt Knackstedt.

This quarter fares have remained relatively flat in Hong Kong however year over year demonstrates a strong upward trend in premium traffic with Business class up 9% and First Class up 14%.

'The softening in fares this quarter may be an indication of the upward trend slowing,' commented Kurt Knackstedt.

The aviation industry in India continues to evolve at lightning speed. Any decreases in fares seen in the first quarter have been quickly replaced by increases almost across the board. Full Business Class is up 7% from the previous quarter and full Economy up 6%. Fares to Intra Asia Pacific destinations are up 9% quarter over quarter and although fares to the Americas were flat this quarter, year over year we have seen a massive 32% increase for this destination.

The only respite for Indian travelers came with the discount economy fare which saw a 2% decrease from the previous quarter.

'Discount economy remains a segment which seems to be benefiting from stiff competition at the low end of the market however, as said previously it is very difficult for business travelers to secure these tickets unless they are able to book well in advance. India's Low Cost Carrier sector now holds a remarkable 49% of the domestic market which is one of the highest in the world. The Indian experience could be instructive for other Asia Pacific countries this year as economic pressures impact on the travel decisions of corporations and consumers,' commented Kurt Knackstedt.

Air fares in Japan bounced back from a relatively flat first quarter and experienced some of the largest increases of any country in Asia - 11% overall. Full Business class was up 13% quarter over quarter and full Economy up 10%. The domestic routes increased by 4% this quarter, however fares to Intra Asia Pacific destinations and the Americas both increased by 14%.

'Over the past couple of years the Japanese carriers have generally been in a weaker financial state than their counterparts in other Asian countries. Consequently given their higher risk and sensitivity to the current fuel crisis it's likely they've had no choice but to increase fares in order to stabilise their business models,' commented Kurt Knackstedt. 'Another factor that could be impacting the base fare level is the premiumisation of the local carrier which now enables it to command a higher price for the improved product and services offered.'

As with Japan, Singapore has seen last quarter's decreases replaced with fare increases of between 3 - 4% across the board on most fare types.

'Singapore remains an extremely robust market, however if you are flying economy long haul to European destinations and can book early there are some savings to be made with a 10% drop in economy discount fares over the last quarter. Unfortunately it is rarely possible for the business traveller to take advantage of these fares which is why other cost saving strategies need to be put in place,' concluded Kurt Knackstedt.

### **Potential Savings through Insights and Benchmarking**

The American Express Business Travel Monitor identifies trends in airfares within and from Asia Pacific. It is designed for companies to compare the changes in their expenditure against the average published market fare.

American Express Business Travel Advisory Services leverages the world's largest corporate travel data repository and takes full advantage of American Express' unique position as the world's only fully integrated travel, purchasing and payment program provider. The consulting team of subject matter experts provides insight into policy management, strategic sourcing and business intelligence, enabling clients to optimise their investment in travel.

### **Methodology**

The American Express Business Travel Monitor, Asia Pacific tracks a constant set of round trip airfares, all originating in the Asia Pacific region with destinations throughout the world. More than 370 city pairs are included. Each city pair is weighted according to usage patterns by business travellers (as per the American Express Business Travel database). A high demand city pair such as Melbourne-Sydney will have a higher weighting than Perth-Sydney when determining overall changes to Australian domestic airfares. The following 14 countries have been included: Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam.

The second quarter 2008 report tracks data for the quarter ending 30 June 2008.

The American Express Business Travel Monitor, Asia Pacific is available on a subscription basis.

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