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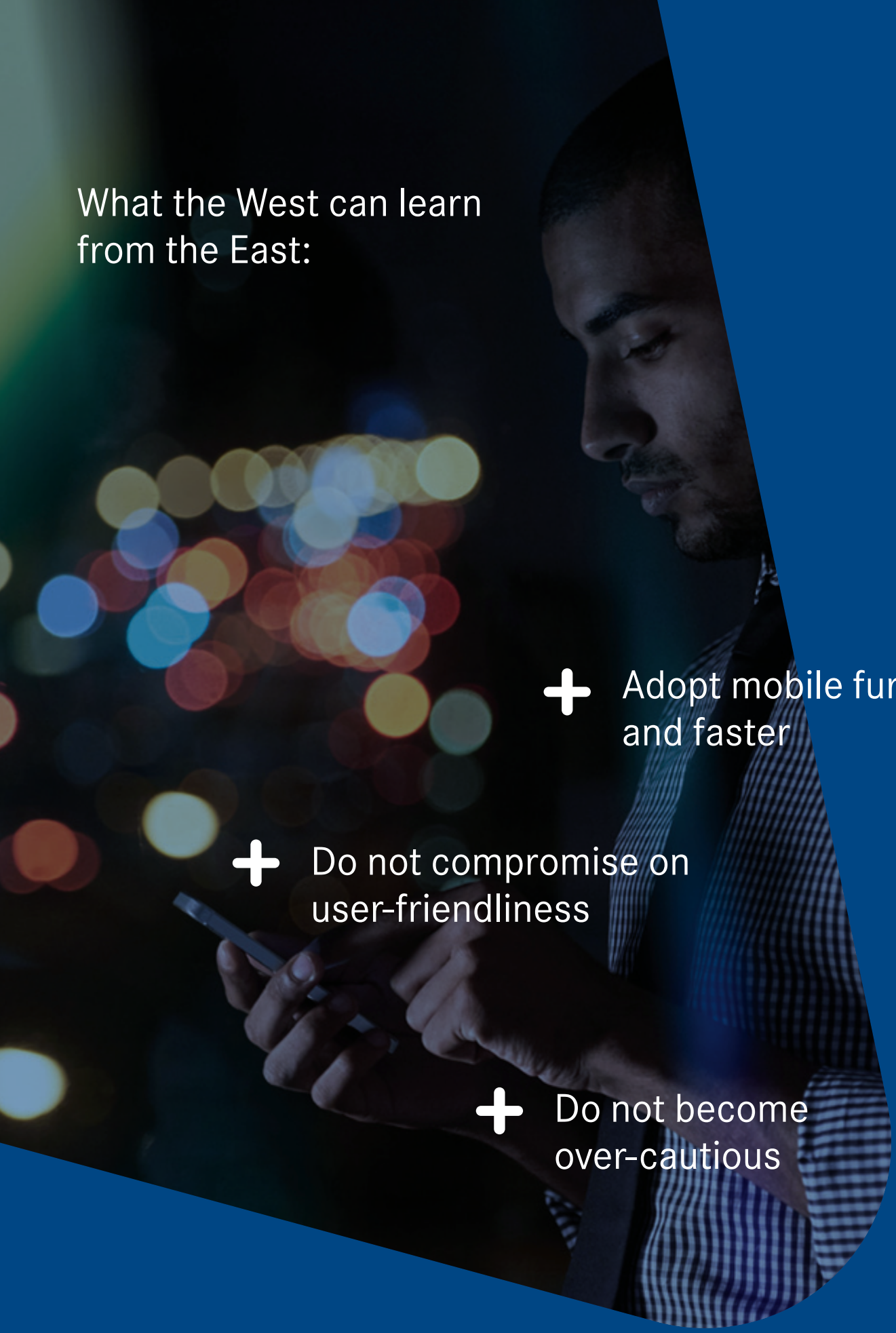
Fusion Travel Management — Merging Eastern innovation with Western practice



What the West can learn from the East:

+ Adopt mobile further and faster

+ Do not compromise on user-friendliness

+ Do not become over-cautious

4 **Executive summary**

8 **Introduction — A turning point in global travel management**

10 **East**

10 China took the lead in mobile corporate travel

14 Case studies: Three Chinese mobile business travel pioneers

16 Mobile innovation in the rest of Asia/Australasia

15 **West**

18 Travel managers strive to meet the consumerization challenge

22 Case studies: Keeping employees loyal to travel programs in the digital age

24 **Conclusion — East meets West = Fusion Travel Management**

24 What the West can learn from the East

25 What the East can learn from the West

27 The role of the travel manager will change
› Meet Lily – the Fusion Travel Manager

30 **Acknowledgements**

Executive summary.

Eastern mobile travel and payment innovation

- China has partially missed out on the PC age and gone straight to the mobile age.
- That means it has also missed out on some problems PC-era technology is causing Western travel managers. China is creating mobile booking and payment innovations not yet seen in the West.
- China has adopted mobile payment much faster than the West. It had 424 million mobile payment users by June 2016. It is now common to go out in Chinese cities without cards or cash.
- An AirPlus study of 2,270 business travelers in 24 countries found 91 percent of Chinese respondents have paid with a mobile phone, the highest figure worldwide. India was second with 75 percent. The global average was 44 percent.
- Case study: A major Chinese corporation has developed its own air and ground transportation pre-trip approval, booking and payment app. Adoption is 100 percent. All bookings are centrally paid. There is no need for travelers to file expense reports. Bookings through a separate hotel app will also soon be paid through the centrally billed account. A dining ordering and payment app is also on the way, again with centralized payment for meals within a daily price cap.
- Other Chinese travel managers and travel management companies report their mobile bookings now surpass online PC bookings.
- Other Asian economies are moving swiftly to a mobile-first approach, especially India following “demonetization” in November 2016. Asian travel suppliers are beginning to offer mobile payment services; conversely, mobile payment providers have started offering travel services.

The Western response to consumerization

- Many mature Western travel programs have achieved major success in delivering key strategic priorities of cost control and duty of care.
- However, the unattractiveness of corporate tools and processes compared to consumer apps is driving concerns that compliance could decline, especially among younger travelers.
- Western travel managers are responding by making their programs more consumer-friendly, including creating their own apps and finding ways to work with consumer apps.

What the West can learn from the East

- Innovation does not only happen in the West.
- Adopt mobile further and faster.
- Do not compromise on user-friendliness.
- Do not let reasonable cautiousness become over-cautiousness.

What the East can learn from the West

- Adopt the basics of travel management. There will continue to be benefits from techniques and tools such as data analysis, supplier relations and corporate payments, which many Eastern companies do not yet have.
- Balance innovation with sensible risk management.

Fusion Travel Management

Fusion travel management merges the best of Eastern mobile innovation with tried and tested Western travel management disciplines. In the future there will be less:

- Sourcing
- Supervising TMC activity
- Policing a strict set of rules

Instead, travel management will become more flexible and less defensive, shifting from a “no can do” approach for travelers towards a “can do” one.

Meet Lily – a typical next-gen fusion travel manager

Combining the best of East and West, Lily's role covers three broad areas:

1. Traveler choice facilitator

- Running a mobile-first travel program, including booking, payment and data aggregation, through both company and consumer travel apps.
- Offering different booking and interaction channels for different demographics and travel needs: Mobile, online, phone, chatbot.
- Allowing travelers to use new-generation consumer suppliers (such as ground transportation and accommodation providers) by working internally to solve challenges such as insurance.
- Making travel policy invisible by building rules into booking and payment tools.
- Mastering data protection and security issues in this more open environment.

2. Technology director

- Acting as a facilitator by finding ways to introduce and integrate mobile apps and other technologies that travelers want to use.
- Becoming a technology guru to advise travelers on useful apps and monitor emerging trends.

3. Payment engineer

- Understanding and using payment as the underlying process which makes Fusion Travel Management possible. Payment acts simultaneously as an invisible facilitator and controller.
- Using mobile and virtual payments linked to a centrally billed account to power the company travel app and apply corporate controls to consumer travel apps.
- Simultaneously phasing out corporate cards and expense reports to provide ultra-convenience for travelers.
- Introducing a dining payment app to further improve control and reduce expense management.

Introduction — a turning point in global travel management.

China shows us the future of corporate travel

This white paper marks a pivotal moment for global travel management. Until now, travel management (whose birth is sometimes dated back to airline deregulation in the USA in 1978) has been a discipline where North America and Western Europe have led, then other regions have followed.

Now, for the first time, the tables have turned. It is Asia which is offering a vision of how the future might look. China is leading the way after being transformed even more profoundly than the West by the mobile revolution. The scale of that revolution is perhaps still not fully appreciated in Europe or North America. Consider these two facts related to mobile payment alone:

- The Chinese super-app WeChat, whose services include paying by mobile phone, has 768 million users, of whom 50 percent use it for at least 90 minutes a day[1]. That is more than the entire population of the USA.
- It is now normal to go out in larger Chinese cities without a purse or wallet. All payments can be done by phone.

Western travel management faces its sternest test

All this comes as Western-style travel management faces perhaps not a crisis but certainly a critical test of its ability to remain relevant. The core strategic goals of travel management are generally considered to be reducing costs while making travel easier and safer for employees. But a major challenge is now posed by consumerization.

A new generation of consumer booking apps and websites, often offered by a new generation of suppliers, have personalized service delivery to travelers. The PC-originating tools and services travel managers deliver through their company programs often look old-fashioned in comparison.

The fear is that travelers will defect from the managed company program to more consumer-friendly channels outside. That poses two fundamental questions for travel managers:

- Can they hold on to travelers by making their corporate tools equally attractive?
- Or is it a case of "if you can't beat 'em, join 'em" – finding ways to draw the new channels into the program?

China leapfrogs the problem

Mobile is often described as a leapfrog technology for China. It has partially missed out on the PC era and gone straight to mobile. By June 2016, there were 173 million Chinese citizens who only accessed the internet via mobile phones. That equates to 24.5 percent of the country's total "netizens" being mobile-only[2], compared with 11.7 percent in the USA (which in itself was a substantial rise on previous years)[3]. Going straight to mobile means China has also leapfrogged much of the consumerization challenge faced by Western travel managers trying to upgrade tools and management concepts born in the the PC age. China is starting travel management with a mobile-first approach and that is creating innovations in booking and payment not yet seen in the West.

East + West = the best

This white paper examines how mobile is helping China innovate in payments and, in embryonic form, in corporate travel. We also look at the potential for development elsewhere in Asia, such as the recent dramatic demonetization initiative in India.

Then we switch to how travel management in the West is responding to the consumerization challenge. How can travel managers with legacy processes, technologies and policies make their programs more user-friendly and deal with potential brakes to innovation such as compliance requirements? We highlight two progressive Western travel programs as examples of the way ahead.

Finally, we analyze what the West can learn from the East and also vice versa. At AirPlus, we believe the best of East and West will synthesize to create a new fusion of travel management. We finish the white paper by outlining the role of a typical new-generation travel manager, ideally equipped to meet the challenges of the digital age.

[1] 2016 WeChat Data Report

[2] Statistical Report on Internet Development in China (July 2016), China Internet Network Information Center

[3] US Internet Users Rely on Mobile Devices for Digital Access, eMarketer, 2 March 2016

East.

China took the lead in mobile corporate travel

China is a mobile pioneer

Although only around 50 percent of the Chinese population owns a smartphone, those who do have one use it heavily:

- Average number of hours per month smartphone usage in China: **49**
- Average number of hours per month smartphone usage in America: **45**[5]

But Chinese citizens who have smartphones are not just using mobile more than in other countries, they are also using it differently. Several factors explain why:

The government is promoting mobile innovation

China's strategic direction is guided heavily by its five-year plans. The current five-year plan, adopted in March 2016, is the 13th and is known as Shi San Wu ("13-five"). It places far more emphasis on "innovation-driven development".[6] In other words, the Chinese government is encouraging the country's businesses to compete not necessarily by being the cheapest but by offering what no one else has yet done.

Innovation is happening later

The personal computer revolution that transformed the West in the 1980s came a little too early for China's economic development. Instead, the country is more fully catching the mobile-first wave. In contrast, Western companies are having to convert to mobile from legacy PC-led thinking.

[4] Chinese Firms Forced to Choose Market: Home or Everywhere Else, New York Times, 9 August 2016

[5] CINIC, ibid.

[6] China's 13th Five Year Plan: the land of opportunity, KWM.com, 14 April 2016

“The Chinese internet is a lagoon as an aside to the greater ocean of the internet.” – New York Times[4]

China, a lagoon to the internet

As the New York Times put it, China's internet is a lagoon to the internet, which does not include some of the giant digital service players that dominate the rest of the world. As a result, the internet, and especially the mobile internet, has evolved to spawn some strikingly different providers.

WeChat and the rise of the super-app

One of the most dramatic developments of all has been the rapid emergence of a handful of super-apps which cover so many services that users hardly need anything else on their phones. The biggest of all is WeChat, which was originally similar to WhatsApp but now also includes services such as those found in the West on Skype, Facebook, Uber, Amazon, Instagram, Venmo and Tinder.

But WeChat goes much further than that, including services that are virtually unknown in the West, such as hospital appointment booking systems, investment services and even heat maps showing how many people are at shopping malls or popular tourist spots.[7]

This multiplicity of services gives WeChat access to unparalleled amounts of data about its users. There are many implications arising from this accumulation of data power, including that the integration of so many functions creates many new service and commercial possibilities and makes payments a very strong enabler.

The mobile payments boom

"Day to day, I don't carry around a wallet. In Shanghai, you can live without it."
– Commodity Manager, Shanghai

Using a smartphone instead of cash or a plastic card to make a payment has taken off in China like nowhere else on Earth. By June 2016, 424 million Chinese were mobile payment users, up 18.7 percent on December 2015.[8]

Many of these payments are from one individual to another, for example, for gift-giving at New Year, but using phones to pay restaurants, retailers and even street vendors has become normal practice in cities.

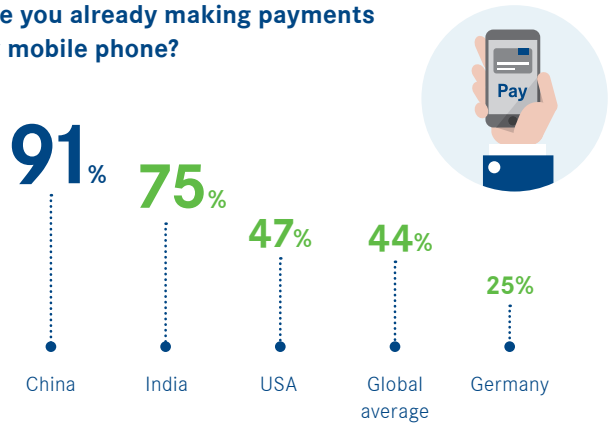
According to the Financial Times, there were nearly 50 times more mobile payments in China in 2016 than in the USA[9]. One reason is that credit and debit cards have never established themselves in China to the same extent as in the West. Another explanation is that Chinese mobile payments have gained from mainly using scanned QR code technology, enabling retailers to offer special discounts to mobile payers. In the West, the dominant mobile payment technology is Near Field Communication.

The dominant mobile player is Alipay, which has 450 million users[10] and is an affiliate of the giant Alibaba Group. Alipay has a 47.5 percent share of the Chinese third-party (non-financial institution) online payments market. Tenpay, the payments arm of WeChat parent group Tencent Holdings, is second with 20.0 percent.[11]

Mobile payments and business travel

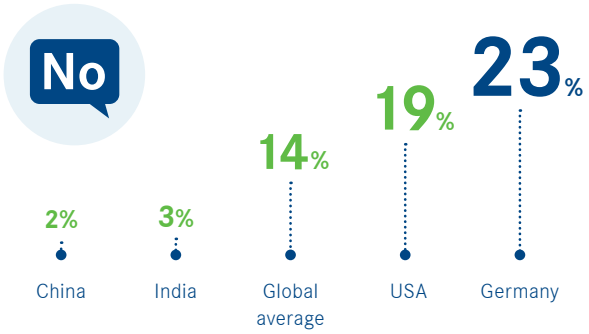
Data from the 2017 AirPlus International Travel Management Study of 2,270 business travelers in 24 different countries suggests China also leads the world in mobile payments for business travel.

Are you already making payments by mobile phone?



Of those Chinese travelers who have used a mobile phone to make a payment, 64 percent have done so on a business trip. The Chinese are also the travelers least fearful of using new payment players:

Would you be ready to consider payments through new players? (percentage who said No)



China pioneers integrated mobile business travel booking and payments

In 2015, China became the world's largest business travel market.[12] The booking of business travel has evolved rapidly from personal assistants making reservations on behalf of travelers a few years ago to mobile self-service today. As the case studies which follow show, mobile has in some cases become the dominant booking channel, whereas in the West PC-based bookings still dominate.

Straight to Travel Management 2.0?

In the West, corporate travel professionals sometimes talk about Travel Management 1.0 and 2.0:

Travel Management 1.0 – A heavily structured program dominated by a detailed travel policy and preferred supplier relationships. All travelers are obliged to book those suppliers through approved travel management companies and online booking tool providers. Credit cards are widely used during trips.

Travel Management 2.0 – Far less structured. Limited or no written policy. Travelers book what they like and where they like, but their employer finds other ways to capture the data. In spite of becoming the world's leading business travel market, China has only partially matured to the Travel Management 1.0 stage. Use of detailed policy and TMCs is normal among foreign multinational companies and is gaining more attention among Chinese state-owned or private-owned companies. More and more Chinese travel managers are realizing that pursuing what looks like the best price on the day is not always the best strategy for gaining overall control of travel expenses.

Now the most pioneering Chinese companies are evolving to a form of Travel Management 2.0. Travelers are not necessarily allowed to book as they wish, but the mobile tools they are given are good enough to remove the temptation to book elsewhere. Policy is embedded in the tool instead of being explicit.

Crucially, payment is automatically embedded in the booking tool as well and is charged to a centrally billed account. As a result, travelers do not have to worry about using credit cards (which the great majority do not have anyway) and the need for expense reports is greatly reduced.

7 New York Times, ibid.

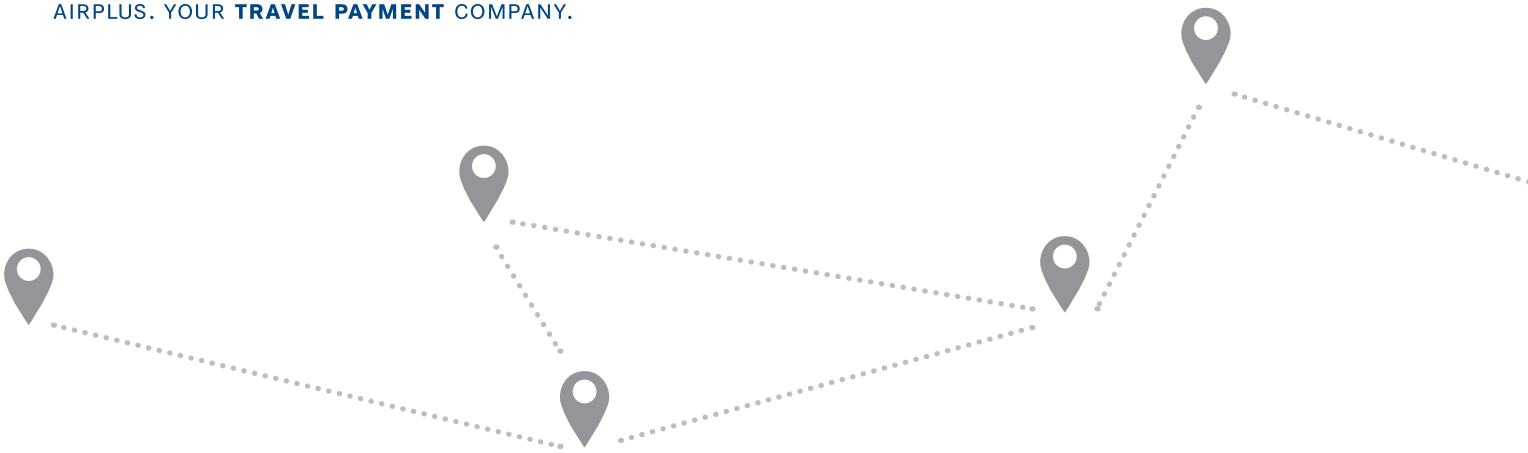
8 CINIC, ibid.

9 China mobile payments dwarf those in US as fintech booms, research shows, Financial Times, 13 February 2017

10 MoneyGram Agrees to Merge with Ant Financial, press release, 26 January 2017

11 China's Third-Party Online Payment Market Confronts Increasing Fierce Competition, iResearch, 23 March 2016

12 China Business Travel Market Overtakes United States as Global Leader in Business Travel Spend, GBTA Foundation, 21 April 2016



Case studies: Three Chinese mobile business travel pioneers

Major Chinese corporation – mobile employee booking and payment app is eliminating the need for expense reports

- Self-built air and ground transportation booking app for employees has 100 percent adoption rate.
- All bookings require pre-trip approval. Payment is settled centrally. Therefore, no expense claim is required.
- Dining app with centrally billed payment to follow, further reducing the need for expense claims.
- Separate hotel booking app currently has 50 percent adoption.

This company's mobile booking and payment app development is a strong indication of where the future of managed travel lies.

Self-built air and taxi app

The company has 2,000 employees traveling on business every day. It has developed its own air and ground transportation booking and payment app for its employees. Adoption rate is 100 percent. The company also uses an online travel agency app for booking hotel accommodation, with an adoption rate of 50 percent.

Both apps are part of a much bigger enterprise super-app, which includes the ability to control air conditioning and lighting in the office, plus gives access to the human resources and financial services departments.

Pre-trip approval

When employees want to book a flight (or ground transportation for the same trip), they must first apply through the app for pre-trip approval. The line manager confirms approval through the same app and a travel application number is automatically generated.

Air and ground transportation reservations are automatically billed and paid centrally. Thanks to the combination of central payment and pre-trip approval, there is no need for travelers to complete expense reports for these items.

Next steps – mobile payment for hotel and dining

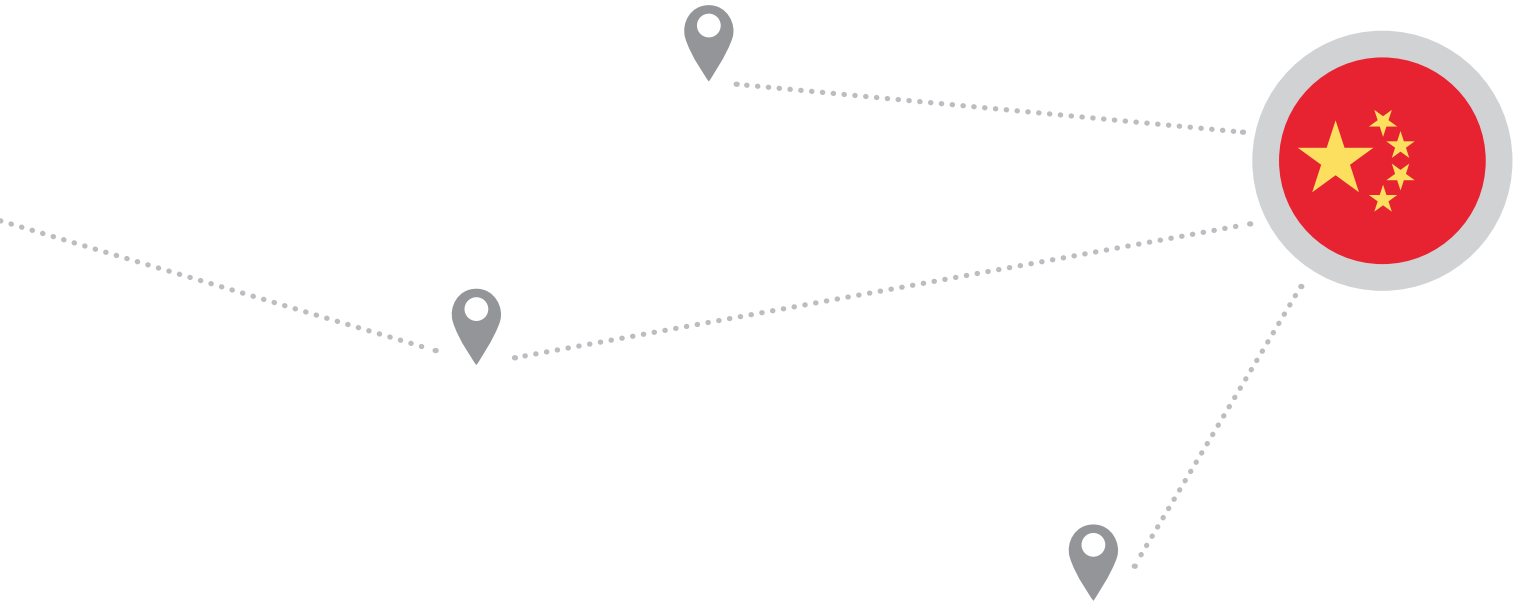
At the time of writing, travelers still have to pay for hotels at check-out, but the intention is that accommodation will also be settled centrally at the latest by the end of 2017. The strategy is to eliminate, as far as possible, the one million invoices generated annually by travelers and reduce the time they spend collecting invoices and receipts.

The final step to eliminating expense reports and invoices will be adding a dining ordering and payment app. The app will be configured with a per diem amount according to the city the traveler is visiting. Spending more than that daily limit will be impossible and once again payment will be made centrally. The company hopes to introduce the dining app by the end of 2017.

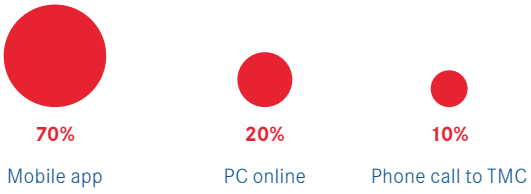
Chinese subsidiary of Western multinational – high mobile booking adoption rates

- Mobile accounts for 70 percent of all the company's travel bookings in Greater China.

This company found Western online booking tools were not well adapted for the Chinese market. It has been much more successful with mobile booking apps. The company uses a global TMC supplier's app for booking flights and a Chinese supplier's app for booking hotels and trains.



As of January 2017, the channel split for bookings made by its employees in Greater China was:



Factors behind high mobile adoption

The company's human resources and mobility services commodity for Greater China attributes successful mobile adoption to the willingness of the providers to customize their apps, including pop-up reminders for different groups of users. High compliance is also achieved by providing training to employees. They are taught during induction that using the apps ensures they will receive both financial reimbursement and duty of care. The company would like eventually to have one app in China to handle all travel requirements from booking to expense reimbursement.

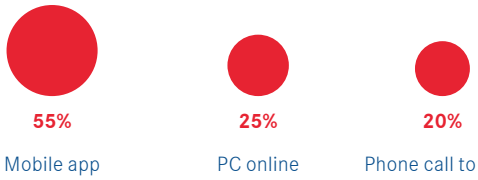
Ctrip Corporate Travel — booking via mobile surpasses online

- Mobile has 50 percent share versus 20 percent for online.
- Booking app can handle air ticket refunds and exchanges.

About Ctrip Corporate Travel

Ctrip Corporate Travel was founded in 2006. It is part of China's leading travel service company Ctrip.com, founded in 1999 and headquartered in Shanghai. Ctrip Corporate Travel is the number one TMC in China. It has 6,000 mid-sized and large clients and more than 16,000 smaller clients.

Ctrip Corporate Travel passed a significant milestone in 2016 when bookings by customers through its mobile app overtook online PC-based bookings. Mobile bookings have largely replaced online bookings, while phone bookings have remained constant. By January 2017 the split was:



Ticket refunds and cancelations

The high adoption rate for mobile once again reflects the mobile-first attitude of Chinese citizens. Another reason for Ctrip's success is that it says it has solved the challenge of offering airline ticket refunds and exchanges via mobile, a problem which has held back mobile air booking growth in the West.

At present, clients mainly pay for their mobile bookings centrally by invoice, but payment using WeChat and Alipay is coming soon.

Data protection

Another concern in the West about mobile booking is data protection. Ctrip Corporate Travel says clients are taking increasing interest in this issue. For example, some companies do not allow travelers' profiles to be changed or even looked at via mobile. Instead, profile management can only be handled online.

Mobile innovation in the rest of Asia/Australia

As home to half the world's population, it is important not to make generalizations about Asia and Australasia. Long-industrialized countries such as Australia, Singapore and Japan have well-established business travel markets, although even these three markets are very different from each other. Japan has developed a unique managed travel eco-system with its own distributors and customs. Australia and Singapore follow Western practices much more closely.

Mobile-first and mobile payment-first

Other countries in Southeast Asia, such as Indonesia, Malaysia, Philippines and Vietnam, are more like China. If anything, they have leapfrogged the PC age even more completely and gone straight to mobile as their first exposure to the internet. All the signs are that these countries will adopt mobile payment more readily than plastic cards. They also display a mobile-first attitude as they start to develop an interest in travel management. For example, the corporate expense and payments platform Fraedom reports that mobile is always the first channel it is asked about in those countries.

Grab — travel business or payment business?

As has happened to some extent in the West, the mobile revolution is being inspired by travel-related suppliers — not only Uber and Airbnb but their locally based equivalents. Most notable of all is the on-demand transportation company Grab, based in Singapore but also active in Indonesia, Thailand, Malaysia, Vietnam and the Philippines. In July 2016, Grab launched its own mobile payments platform, called GrabPay. Ola, Uber's biggest rival in India, similarly made its in-app payment service available as a standalone mobile payment app in November 2015.

Grab co-founder Tan Hooi Ling views the expansion of his travel sector company, the development of mobile payment and the more general economic development of the region as dynamic trends which are inextricably linked. "We believe mastering cashless payments is critical to our mission of 'driving Southeast Asia forward' to improve people's well-being and accelerate the move to an increasingly cashless society," he said.[13]

In February 2017, Grab blurred these lines even further by pledging to invest US$700 million to help the Indonesian government create a national digital payments infrastructure.[14]

Demonetization boosts digital payments in India

"Demonetization has catapulted India forward five years." – Gareth Parrington, Fraedom

Indian government withdraws high-denomination notes

In November 2016, and with very little warning, the Indian government withdrew 500 and 1,000 rupee banknotes, its two largest denominations, as legal tender. This action instantly took 86 percent of cash value out of circulation in a country where 90 percent of transactions were in cash.[15]

India was going mobile anyway

Fierce arguments continue over the merits and disadvantages of the demonetization policy, but one outcome not in dispute is that it is quickly pushing India to the forefront of the mobile payments revolution. However, this trend was already in evidence before demonetization. As already seen, India had the second highest number of business travelers with mobile payment experience in the AirPlus International Travel Management Study. Polling for the study was conducted in September-October 2016.

One of the biggest beneficiaries of demonetization has been a payment platform called Paytm, one of whose investors is Alipay parent Ant Financial. Paytm handled 200 million transactions worth 5,000 crore rupees (roughly US$750 million) in January 2017, of which 65 percent were offline – that is paying with a phone in a shop or other face-to-face transaction. Paytm only launched offline mobile transactions in January 2016.[16] Interestingly, Paytm is pursuing a reverse strategy to Grab. It launched an online air, train and bus booking service in June 2016 and was already selling more than one million tickets monthly by September 2016.

Mobile payments to overtake card payments

Deloitte predicts that mobile and digital payments will overtake plastic card payments as the predominant non-cash mode in India during 2017.[17] The Indian government introduced measures in its 2017 Budget to promote mobile payments in preference to cash.[18]

The impact on travel management

With such a profoundly mobile-first philosophy emerging in India, the need for companies to present their business travelers with mobile search, booking and payment tools is clearly becoming a top priority. This will matter because India increasingly matters to global travel programs. India was the fastest-growing major business travel market in the world in 2016 and is forecast to become the sixth-largest market worldwide by 2019.[19]

[13] Uber rival Grab hits the gas on its digital payments platform in Southeast Asia, TechCrunch, 29 November 2016

[14] Grab to invest USD 700 million in 'Grab 4 Indonesia' 2020 master plan, press release, Grab.com, 2 February 2017

[15] Why Modi's Demonetisation Vision Is A Sad Case Of Myopia, Huffington Post, 9 February 2017

[16] Paytm clocks Rs 5,000 cr worth transactions in Jan, Outlook – The News Scroll, 15 February 2017

[17] Deloitte press release, 13 February 2017

[18] Budget 2017: Govt push on e-payments continues, Indian Express, 2 February 2017

[19] GBTA Foundation press release, 1 February 2017

West.

Travel managers strive to meet the consumerization challenge

Much has been written about challenges travel managers face in keeping employees loyal to their travel programs in the digital age. Very user-friendly consumer booking and trip management platforms are unfavorably contrasted with less user-friendly corporate travel platforms, mainly with roots in the PC rather than mobile era. The fear is that travelers, especially Millennials, will ignore the corporate tools and choose their familiar consumer tools instead.

There is some evidence this fear may be exaggerated. A white paper by AirPlus surveyed 305 travel buyers worldwide and found no evidence among them that traveler compliance had weakened or was expected to do so in the future. As one headline in the white paper put it, "The revolution is canceled."[21] However, that was five years ago and arguably pressure has increased since then.

Much work has also been done in the past five years to improve corporate travel tools, especially by moving them to mobile – although interviewees for this white paper said managed travel bookings in Western countries are still overwhelmingly made through PC platforms, suggesting there is still some way to go.

This section on Western travel management analyzes reasons for the user-friendliness gap between corporate and consumer tools and offers some potential solutions.

[21] The Future of Compliance – Should Travel Managers Loosen or Tighten Policy?, AirPlus International/Association of Corporate Travel Executives, 2012

... “Traveler-centricity” was not a term in circulation a decade ago.

Why it is hard for corporate tools to be consumer-friendly

Lack of investment

The consumer market will always be ahead of the corporate market because there is more volume. A greater potential for revenue attracts greater investment.

Lack of motivation

It is not always certain that travel suppliers want corporate channels to be as accessible as their direct consumer channels. Several hotel chains have launched mobile strategies in which they advertise explicitly that they want customers (including business guests) to book with them directly.

Greater complexity

Undoubtedly, and unavoidably, the biggest problem is that corporate travel is inherently more complicated than leisure travel. Just some of the significant complexities that need to be managed include:

- Policy filters
- Approval workflows
- Application of approved payment methods
- Data capture to meet both financial and risk management requirements
- Global consistency
- Integration into the wider managed travel process

Yet, in spite of this valid defense, it is also arguable that some corporate travel tool designers paid attention to the enterprise as the “customer” at the expense of the end-user: The traveler. “Traveler-centricity” was not a term in circulation a decade ago.

Legacy IT issues

Most of the major tools and platforms serving the managed travel market today were born in the PC era (some, such as global distribution systems, even earlier). Re-purposing them for the mobile era has arguably been far more challenging than creating brand new tools and platforms for new suppliers in the mobile era.

How the corporate/consumer gap is starting to be bridged

Payments are the weapon to win the battle for traveler-centricity

Travel managers win the battle to achieve traveler-centricity when a traveler's life becomes easier staying inside the managed travel program than going outside it.

AirPlus published a white paper in 2016[22] which explained how payments will increasingly offer the key to making staying within the program the more attractive option. This solution is based on the marriage of a long-established corporate payment method (centrally billed accounts) with the newest payment technologies: Virtual and mobile payments. Whether booking on their mobile device before a trip starts or paying for expenses such as meals and hotels during the trip, travelers can use virtual credit cards and mobile payments throughout and all the expenses will be deducted from their company's centrally billed account.

How new-gen payment makes travelers' lives easier

There are two profound ways that applying FinTech achieves traveler-centricity:

- Simple or invisible payment – There is no longer a need to carry or show a plastic corporate card. Payment is made with a phone which the traveler carries anyway or alternatively, there is no visible payment transaction at all: Payment happens automatically, such as when exiting a car park.

- Expense reporting disappears – With payments already compliant and charged to the central account, the tedious need to complete expense reports disappears, a massive breakthrough for the traveler.

The mobile booking and payment program, described in a Chinese company case study earlier, shows that since AirPlus proposed this theory, it has begun to become a reality.

Mobile encourges simplicity and consumer-friendliness

FinTech's influence on payment and expense reporting is a vivid example of a wider trend for mobile to encourage simplicity. The small "screen real estate" of a mobile phone has forced designers to think much harder about what they do and do not include in an app. Of course, designers of managed travel apps face yet again the fundamental challenge of the inherent complexity of managed travel. Even so, interviewees for this white paper who have worked in both the PC and mobile eras say mobile has taught them that not all the complexity and ultra-configurability of PC-era tools was strictly necessary. They now aim for simplicity at all costs.

Other technologies are making managed travel more traveler-centric

Although still generally behind the curve of consumer innovation, new managed travel tools are using new developments in technology to become more traveler-friendly. Examples include:

Machine learning/artificial intelligence – Refines offers made to travelers based on their profiles, booking history and other data sources.

Chatbots – The first examples have arrived in corporate travel of chatbots which converse in text with travelers to offer them services appropriate to their location and the stage of their trip. A simple example would be offering to book a car with a preferred taxi supplier the day before departure to the airport. Employees can also initiate trips, again using natural language. For example, typing in "I want to go from Frankfurt to London on 24 April, returning on 25 April" prompts the chatbot to search for and propose an itinerary to the user and ask them if they want a hotel, too.

It is the travel manager who has to change, not the traveler

There is an alternative route to achieve traveler-centricity. If travelers want to book through the same travel apps they use in their private lives, it can be argued that true traveler-centricity is letting them do exactly that. Instead of deviating travelers from their normal routine, the theory goes, it is travel managers who need to change the way they manage.

[22] The Future of Corporate Travel Payments – How New-Generation Digital Payments Will Transform Managed Travel, AirPlus International, 2016

Ways to change the managed travel process

There are various ways to change the management of travel rather than the traveler. One example would be to strip policy back to a minimum, especially if one accepts that the overwhelming majority of business travelers spend their companies' travel dollars prudently. And with best-price-on-day spreading as a philosophy, the need to mandate use of preferred suppliers is also arguably weakening.

Even so, travel managers still need management information. One solution has been to use tools capable of collecting data even when travelers book through direct supplier websites.

Case studies: Keeping employees loyal to travel programs in the digital age

PAREXEL and Boston Consulting Group both have mature, highly successful travel programs, delivering significant savings to their businesses and ensuring convenience and duty of care for travelers. Nevertheless, the travel managers of both companies recognize changes in the expectations and habits of their travelers and are looking for ways to meet those evolving wishes without harming the strategic needs of the business. These case studies explain how they are adapting.

PAREXEL — The shift to traveler-centricity

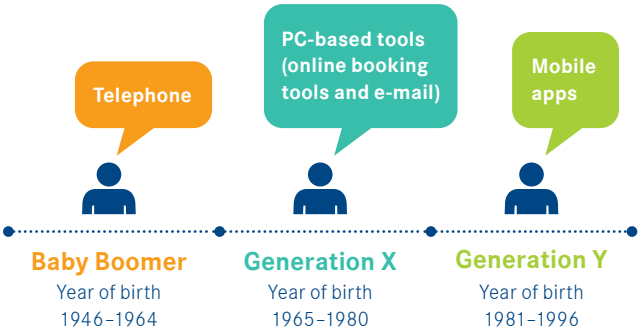
About PAREXEL

PAREXEL is a biopharmaceutical services organization helping clients bring their new treatments to patients faster through its drug development and launch services. It has more than 19,000 employees in 85 locations across 51 countries.

Traveler segmentation

PAREXEL Director Procurement & Travel Benjamin Park considers it important to provide appropriate tools for each generation of travelers in his company's workforce.

Typically, this breaks down as:



Give travelers the suppliers they want (if you possibly can)

Some new-generation travel suppliers do not fit traditional managed travel processes. For example, they are not bookable through global distribution systems. However, since these suppliers are often very popular with employees, Park wants to allow them if possible.

Park therefore co-operated closely with other internal departments, including legal, data privacy and HR, to accommodate the new suppliers. This included exploring liability issues. In the case of a leading new-generation ground transportation provider, Park concluded that challenges could be overcome through three measures:

- Mitigating liability concerns by re-negotiating its standard insurance terms.
- Further mitigating those concerns by allowing the provider in travel policy but not making it a mandatory supplier or the only preferred ground transportation option.
- Making trips with the provider payable through corporate payment options.

Investigating user-friendly technologies for travelers

PAREXEL is in the early stages of testing Sam (Smart Assistant for Mobile), the chatbot created by FCM Travel Solutions. Park believes chatbots have the potential to deliver a more personalized service than online booking tools while also avoiding the considerably greater costs of telephone service.

Direct booking data aggregation

PAREXEL is also considering introducing a management tool to collect data on bookings made by travelers through direct supplier apps. Park is firmly against implementing a single managed corporate super-app because he believes consumer apps will always be one step ahead. Therefore, travelers should be allowed to book through multiple consumer apps and it is his responsibility to find a way to capture and integrate the data.

Introducing virtual credit cards

PAREXEL has introduced the AirPlus virtual credit card product A.I.D.A. for meetings and is now rolling out A.I.D.A. to pay for hotel bookings in Europe and Africa. The intention is to eliminate use of corporate cards as far as possible, partly for control reasons but also for traveler-centricity purposes because it reduces expense management chores for travelers.

What next?

Park regards the steps he has taken so far as interim measures towards a more radical vision of travel management. He believes payments can drive traveler-centricity by eventually eliminating expense reporting all together:

"Travelers will expect everything to be paid for them entirely behind the scenes. They will not expect to have to complete expense reports. These will be completed automatically through payment feeds. Travelers will take the view that if there are no problems with an expense report, then it does not need to be shown to them.

"Our vision is also that travelers won't even know there is a company travel policy. They will be guided through policy as they make their bookings. Only one or two percent of travelers do wrong, so why try to control 100 percent of them?"

The Boston Consulting Group – customized company travel app keeps travelers loyal

About Boston Consulting Group

BCG is a business consulting firm. It has 85 offices in 48 countries, with more than 12,000 employees and 900 partners.

Mobile service but not mobile booking

The Boston Consulting Group's customization of an itinerary management app has proved very successful with its travelers. The company has a youthful workforce that is very mobile-friendly. But when global travel director Gehan Colliander surveyed travelers to find out what they wanted from a company travel app, she discovered that booking or re-booking travel through their mobiles was not a priority. Instead, BCG travelers preferred the online channel or telephone for initial bookings and subsequently asking BCG's TMC to make changes to existing itineraries.

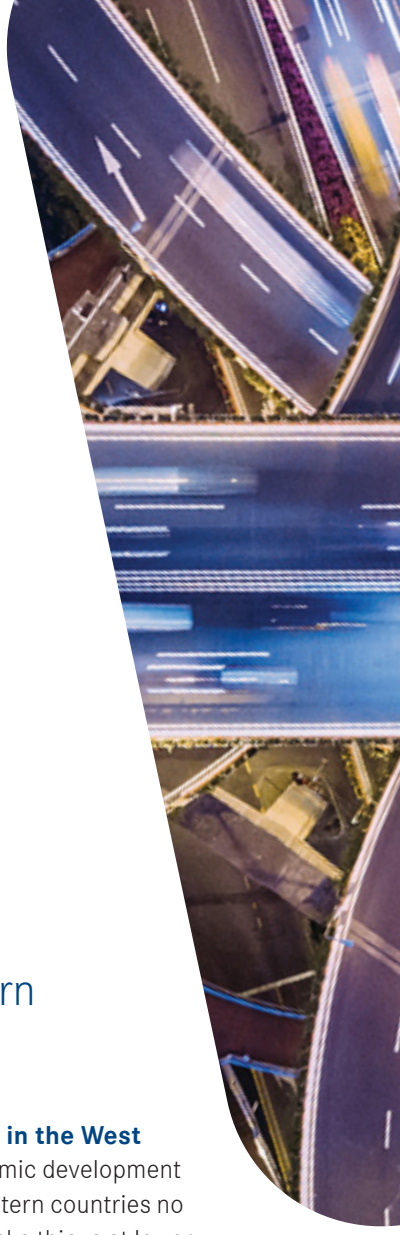
Instead, what travelers advised they did want was an "on the road" app providing access to all trip details, easy check-in, flight notifications and instant alternatives when plans change, as well as synchronization of reservations with their work calendars. Designed by the BCG global travel team, the newly customized version of the Amadeus mobile platform provides all these features plus a click-to-call function which recognizes the traveler's location and connects them to a geographically relevant TMC consultant.

Instant success

BCG travelers can access the app through the company's own app store. It achieved 2,000 downloads within 48 hours of being launched and adoption is now above 60 percent among regular travelers.

Easier staying inside the program

The BCG travel app successfully meets travelers' stated needs by creating a personalized travel experience and empowering them with the ability to self-manage their trips. As a result, Colliander found the app has helped keep travelers away from other apps which could potentially lead to booking outside the managed travel program. Bookings made outside the program are not displayed in the BCG app. Travelers choose to book within the program because they have come to rely on seeing all their itineraries at a glance and receiving easy access to on-trip assistance. "It is helping to make travel a smoother experience if you book inside the program," says Colliander. "We will continue to strive to perfect our mobile strategy to meet the changing needs of our travelers."



Conclusion — East meets West = Fusion Travel Management.

Travel management started life in the West. Now, as we have seen, there are signs of a new, heavily mobile-centric form of travel management emerging initially in the East. But this does not mean the two regions are going to evolve separately. It is much more likely that the East will continue to absorb more Western practices, as has been the case for many years, but now the West will also start to learn from innovations first seen in the East.

This synthesis of ideas will benefit East and West alike and help travel management reinvent itself and improve. We call this Fusion Travel Management.

Inevitably, Fusion Travel Management is an over-simplified concept. For example, to date, mobile businesses created in China's internet lagoon (as the New York Times put it) have started to look much more like Western apps once they have moved beyond their home market. And any travel manager with even a brief acquaintance of China knows that much that happens there is unlikely ever to translate abroad. As with everything else in the country, corporate travel in China continues to be influenced heavily by the government, the Communist Party and guanxi (loosely translated into English as "relationship").

Even so, we strongly believe West and East will profoundly influence each other and ultimately travel management will borrow the best of both worlds.

What the West can learn from the East

Innovation does not only happen in the West

The digital age is speeding up economic development and globalizing innovation. Non-Western countries no longer just provide raw materials, make things at lower cost or offer new markets. Western businesses, including travel managers, need to open their minds to ideas which originate elsewhere and could improve what they already have.

Adopt mobile further and faster

The stunning success of mobile payments in China and now India is an example of how much further the mobile revolution still has to go in the West. It will come, so some travel managers may need to move faster and more whole-heartedly to absorb mobile into their travel programs.

There is an analogy with the Millennial (and post-Millennial) population in the West. Millions of people in Asia are becoming mobile users having previously had limited or no access to PCs. The same is becoming true for new entrants to workforces in the West. Interaction by phone conversation or even PC is alien to them and they will expect travel programs to fit their way of life.

Do not compromise on user-friendliness

Travelers no longer tolerate technology introduced by their employer unless it gives them something they cannot find in the consumer marketplace. Western companies are

still mainly using travel tools originally developed for the corporate market but which are now being consumerized. Conversely, China is experiencing its first big successes in consumer travel tools which are being adapted for the corporate market.

Do not let reasonable cautiousness become over-cautiousness

Risk aversion has become central to all aspects of corporate life in recent years, partly because Western society has become increasingly litigious. But this cannot become an excuse to stifle innovation. As always, success will come through finding a balance. Data protection is an example. Once again, there is a striking similarity between attitudes in China and Millennials in the West, who seem less worried about this issue than older Westerners.

What the East can learn from the West

Adopt the basics of travel management

Earlier in this white paper we discussed how some pioneering Chinese companies are moving directly to a form of Travel Management 2.0. But that does not mean everything about traditional Travel Management 1.0 is obsolete. Far from it. Companies in many parts of Asia have yet to benefit from the potential for major savings through basic disciplines such as policy management, data analysis, supplier negotiation and corporate payments. Yes, managed travel processes are increasingly being challenged in the West, but there is certainly scope for more Asian companies to acquire the basics first.

Balance innovation with sensible risk management

This is the opposite argument to what the West can learn from the East. Digital innovation has been so fast in parts of Asia that the regulatory framework has struggled to keep pace to protect financial assets and ensure data security. For example, there has been far less regulation and licensing of mobile payment providers in China than in the West. Less regulation has meant lower costs, but there is recognition within these countries of the need for more oversight.

Both the Chinese, and Indian governments have taken steps recently to address the situation and indeed, managing financial and systemic risk is a key intention of the Chinese government's 13th five-year plan. The more this happens, the more it will inspire confidence in the B2B marketplace (including travel management) in those countries to adopt innovations already seen in the B2C marketplace.

Technology director

Traveler choice facilitator

Payment engineer

The role of the travel manager will change: Meet "Lily" – the Fusion Travel Manager

We interviewed travel managers and other experts in Asia and Europe for their views on how they believe the role of the travel manager will evolve.

What the travel manager's role will not be in the future
These are typical tasks today that our interviewees believe will reduce in importance or even disappear tomorrow:

- Sourcing – instead this task will be standardized and performed by outsourced specialists
- Supervising TMC activity
- Policing a strict set of rules

In other words, travel managers will need to think more flexibly, which can be more challenging than following the old certainties of rules-based management.

Meet Lily – our imaginary Fusion Travel Manager
Lily is the travel manager of the future, fusing the best ideas from East and West. Her role covers three broad areas:

- Traveler choice facilitator
- Technology director
- Payment engineer

Traveler choice facilitator

Lily's role has changed to saying "can do" to travelers instead of "no can do". She dedicates much of her working day to maximizing convenience for the business traveler without compromising the strategic needs of the company. Her company used to fit the traveler around the needs of the travel program; now the program adapts to the needs of the traveler. Here's how:

A mobile-first program
- Lily has introduced a **company travel app** with features including the ability to book, amend and cancel air, hotel and ground transportation.

- Travelers may also book through direct supplier apps. Lily has **negotiated corporate agreements with important suppliers** that allow travelers to be recognized when booking through their direct apps.

- Lily has introduced a **data aggregation tool** which collects reports on bookings travelers make through consumer apps.

The right channel for each traveler
- Lily ensures **different channels remain available** for different needs – not just mobile but online and telephone, too. And there is a new form of communication: Lily has chosen a TMC with chatbot technology allowing travelers to interact via either text or voice recognition-based dialogue.

Fully adapted to new-generation suppliers
- Lily **works with other internal stakeholders** to ensure new-generation suppliers can be accommodated even if their consumer-led business models do not always fit in smoothly with corporate processes. For example, she co-operates with her company's insurance expert to ensure liability issues are covered.

Travel policy has become invisible
- The emphasis has shifted to trusting the 98 percent who buy travel responsibly instead of stopping the 2 percent who do not. As a result, Lily has **eliminated most of the company's policy rules**.

- **Travelers no longer use a published policy document**. Instead, **policy is embedded** within the booking and payment tools they use, only allowing options to proceed if they are compliant.

Communication has gone digital, too

- Lily interacts with her travelers via **social media**, both to gauge their feedback and tell them about new suppliers or travel disruptions.

Data security is key

- Lily **understands data protection issues** far better than she did five years ago. She helps advise travelers on maintaining data security on the road. She also has gained a working knowledge of data privacy law and makes sure direct engagement between travelers and suppliers does not compromise data protection obligations.

Technology director

Lily is not a geek, but she is tech-savvy. She makes it her job to understand and work with the latest technologies so she is always one step ahead of her travelers.

Technology facilitator

- Lily always looks for ways to **introduce and integrate mobile apps and technologies** that travelers want to use, such as the super-apps which dominate in China, or chatbot communication.

Technology guru

- Lily **advises travelers on the best apps** in the marketplace for their needs.
- Lily **monitors emerging trends**, such as blockchain, to understand how they will affect corporate travel.

Payment engineer

Payment is the secret ingredient that makes Fusion Travel Management possible. It is a facilitator but also a controller, and it is largely undetectable. Therefore, Lily has taken time to understand and introduce the ideal payment process for her company.

Powering the company travel app

- Lily has engineered all bookings made on her company's official travel app to **be paid invisibly through a centrally billed account**.

The key to integrating consumer apps

- Payments also bring consumer apps under corporate control. For example, Lily has invisibly **embedded her company's centrally billed account** in a ground transportation app. Each time an employee books through the app, payment is made centrally and the data captured.

No more credit cards or expense reports

- Lily's travelers n**o longer use plastic corporate cards or file expense reports**. How? Because all on-trip payments are made through their mobile phone and all of them also link back to the company's centrally billed account. By using virtual credit card technology, constraints are placed on what the traveler spends and where, so all payments are inherently compliant and automatically captured. Ultra-compliance and data collection for Lily, ultra-convenience for the travelers.

Even restaurant bills are paid by phone

- A special **dining payment app** captures food spend, too. Travelers can dine where they like within a set per diem limit as long as they use the app to pay. Lily's travelers no longer carry wallets or purses because they do not need cards or cash.

Traveler choice facilitator

A mobile-first program
The right channel for each traveler
Adapted to new-generation suppliers
Invisible travel policy

Technology director

Technology facilitator
Technology guru

Payment engineer

Powering company travel app
Integrating consumer apps
No more credit cards or expense reports
Restaurant bills are paid by phone

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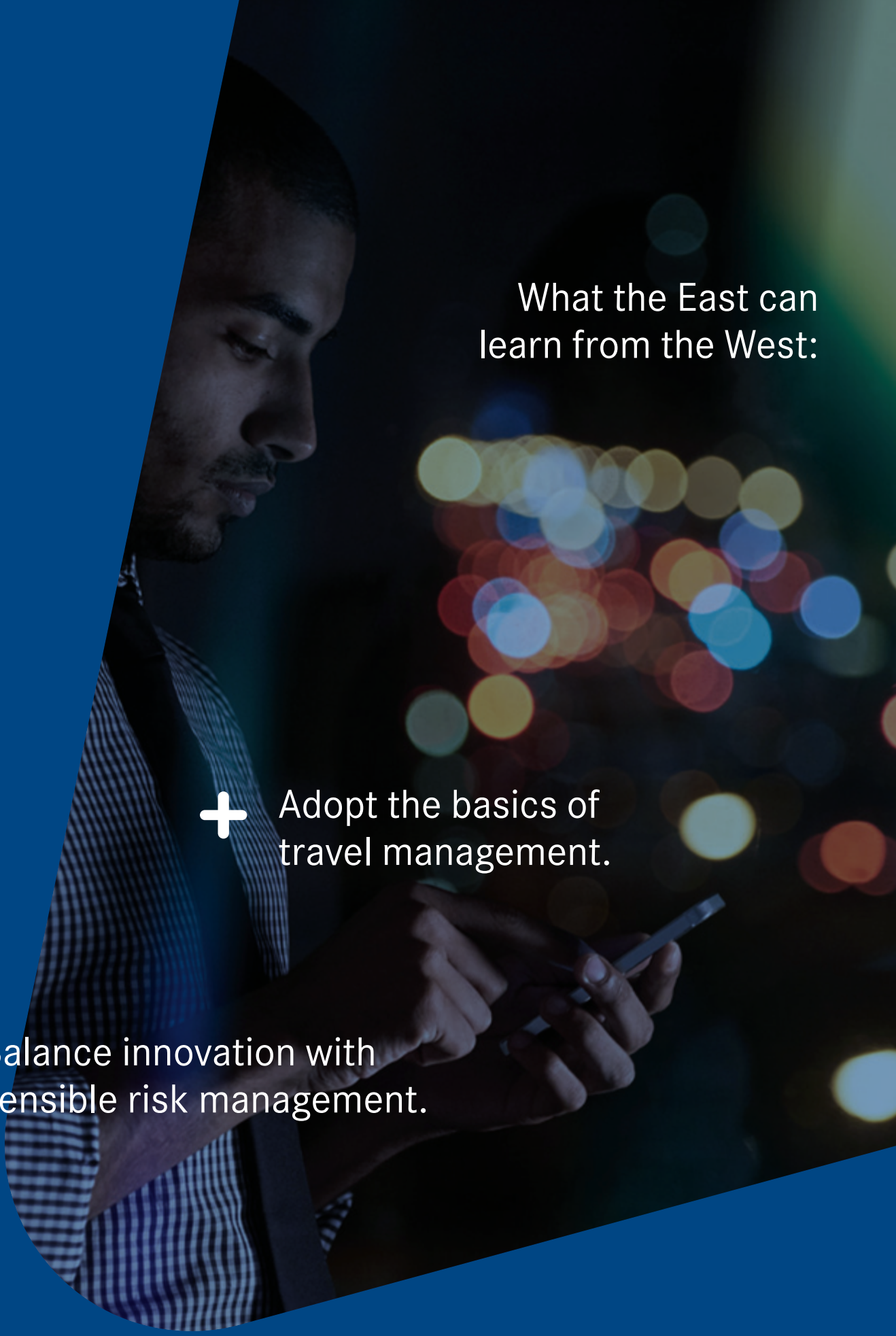

What the East can learn from the West:

+ Adopt the basics of travel management.

+ Balance innovation with sensible risk management.

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