



VDR

Business Travel Report Germany

2009

VDR

VERBAND DEUTSCHES REISEMANAGEMENT e.V.

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RELIABILITY IN TIMES OF CRISIS – TRAVEL MANAGEMENT MORE IMPORTANT THAN EVER

Occupational mobility is a highly dynamic factor and a multi-faceted indicator of the state of the economy. The phrase “financial crisis” produces 10.5 million hits in an online search – and “travel management” 56 million (May 2009). This is an interesting sign and partially the result of VDR’s ongoing contribution as a reliable competence centre for all aspects of business travel. These efforts include this seventh VDR Business Travel Report Germany.

Do the key figures for business travel fully reflect the reports of an escalating crisis during 2008? Has corporate social responsibility fallen victim to the economic crunch? How time-intensive is travel management? In addition to year-by-year comparisons and key figures, additional topics are also covered in this study that were requested by our readers. We provide representative answers along with room for contemplation.

Every second Euro spent in German hotels still comes from a business traveller, but a tendency toward redistribution and shifting priorities are becoming apparent. Intelligent mobility solutions are an important prerequisite for new growth. Positive product innovations, for example in the areas of sustainability or communication, spread the quickest through multipliers in the business travel sector.

Travel managers have reacted swiftly to the shocking economic news of 2008. However, there will probably still be some catching up to do with regard to business trips before the next economic upswing. With their far-sightedness, experience and anticipatory cost control, travel managers contribute to ensuring their companies’ future viability. In order to do so, they require transparent framework and competitive conditions. VDR actively supports German businesses and policymakers as a network for partnerships, the exchange of experiences and the mutual shaping of business mobility.

The key data:

◆ In 2008 there were 8.5 million business travellers ¹ (2004: 7.4 million).		
◆ 163.1 million business trips led to spending in the amount of	– 2.1%	2007: 166.6 million business trips
◆ 46.6 billion Euros – translated into	– 4.3%	48.7 billion Euros
◆ 135 Euros per business traveller per day	– 1.6%	137 Euros

Businesses reduce travel spend

Compared to 2007, overall spending on business travel in Germany in 2008 was down twice as much (– 4.3%) as the actual number of business trips (– 2.1%). The “unit volume” in the dawning recession (latter half of 2008) was therefore not pared back as much as the willingness to spend. Accordingly, the average costs per business trip were lower, namely by 1.6% (Figures 1, 2, 4, 20, and 21, pages 5, 6 and 18).

Tradition overrules strategy

Considerable synergy reserves still lay dormant in the area of business mobility. This is because those in charge tend to rely on organisational traditions rather than looking for strategic opportunities. Travel expense accounting thus tops the list of common travel management tasks at 42%. Other important mobility-relevant cost factors are taken into consideration much more rarely, for example event management (28%), fleet management (16%), travel insurance (13%) or mobile communications (11%). VDR’s view: What belongs together should grow together (Figure 13, page 14).

Time to review the basics

As is so often the case, small to medium-sized enterprises have the most homework to do when it comes to recognising significant savings potential. Although travel expense accounting is typically part of the domain of those in charge of business travel (see above), this routine operational task is still carried out “by hand” in a surprising number of companies. A dramatic 85% of businesses with ten to 250 employees choose to do without the (inexpensive) software available for this assignment (Figure 14, page 15).

Boardrooms get involved but ...

In two-thirds of companies today, business travel, although ostensibly a top management priority, is still not part of any discernible strategic plan. The idea of a “Travel Management Competence Centre” by contrast

has not been able to gain any appreciable ground in the past five years. This is unfortunate, because crises are the best time to call in the specialists (Figure 11, page 12).

Switching travel agencies not an option?

Business partners that have come to be held dear can be an expensive luxury. Travel experts are astounded at how the “corner travel agency” is still the partner of choice for German businesses. Without casting doubt on the expertise of independents, businesses are surely more likely to find state-of-the-art access to cost-saving technologies and value-added networks at the larger travel management companies. A (first-time?) request for proposals from various travel management companies could lead to an undreamt-of boost in efficiency (Table 4, page 11).

Structural change through virtual meetings

Intelligent travel avoidance is increasingly part of the standard repertoire of mobility management. Two out of three businesses make use of video, web and/or teleconferences as an alternative to business trips. Virtual meetings also top the priority list when it comes to demonstrating Corporate Social Responsibility in business travel. There’s no question that telecommunications have become a major rival to travel. And with the trend pointing toward the mobile office, things are likely to stay that way (Figures 17 and 20, pages 16 and 18).

Demand sluggish in 2009

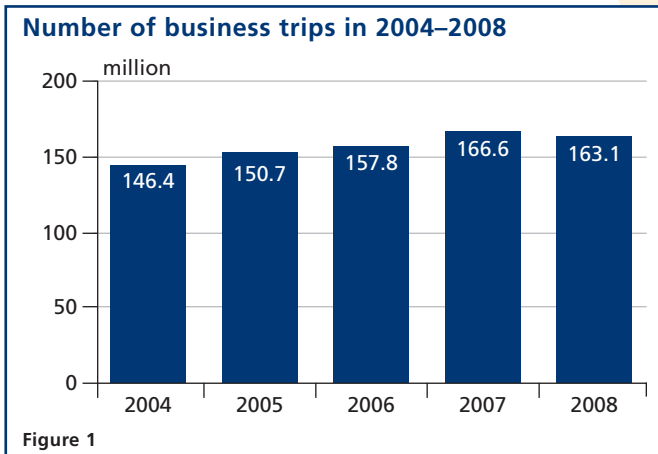
Airlines and airports are likely to be the biggest losers in the crisis, at least in the short term – 37% of German businesses anticipate decreasing demand for air travel in the current year. The forecast doesn’t look much better for hotels (33%) and rental cars (29%). The railways likewise have to count on some losses (26%), but eleven percent of organisations at least have plans for more rail travel in 2009 – in keeping with the demands of Corporate Social Responsibility. (Figures 17 and 21, pages 16 and 19).

¹ Employees of a company or public-sector organisation who take at least one business trip a year.

2 BUSINESS TRAVEL: FACTS AND FIGURES

Volume

The number of business trips in companies with ten or more employees went down 2.1% from 2007 to 2008. Business travel is a sensitive indicator of economic development, responding swiftly to fluctuations. Just as an increase in business travel became apparent even before the economic upturn, many travel managers had to initiate restrictive measures in advance of the news of a recession. Germany's gross domestic product increased by 1.7% in 2008 thanks to a strong first quarter. Thereafter, however, the economy slid into a recession.² Many companies started to take a closer look at whether certain business trips were really necessary.

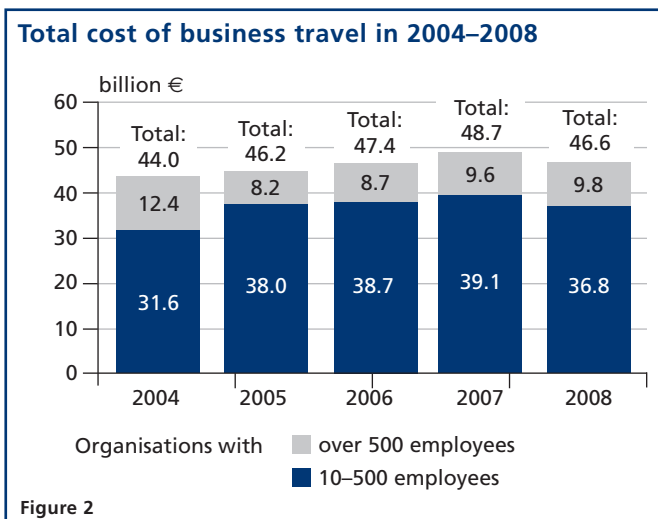


“How many business trips were undertaken in your business/your organisation in 2008?”

The market volume is produced mostly by companies with up to 1,500 employees. Fewer business trips in these companies are the decisive factor in creating the downward trend. Companies with more than 1,500 employees put the brakes on business travel and events particularly in the last quarter of 2008. Nevertheless, the development of their annual volume remained on the whole positive due to increased business travel during the first three quarters of the year.

Costs

The total costs for business trips went down 4.3% to 46.6 billion Euros in 2008. As in 2007, the majority of companies pushed for greater efficiency. This is evidenced by the fact that total costs decreased to a greater extent than did the number of business trips. Reduced energy costs and low demand helped businesses to negotiate lower rates. Small to medium-sized enterprises (SMEs) profit from the many costs-control mechanisms available on the market, as witnessed by the fact that they spent 6% less money on 4% less trips. After double-digit growth in employees, travel volume and costs in 2007, large businesses likewise experienced a downward trend. Some 100,000 more employees (+4%) accounted for 8% more business trips, but only 6% more travel spend. Businesses with 251–500 employees have represented the “critical factor” on the travel market for several years. Although their travel volume sank in 2008, their costs did go up, albeit marginally, by 1%. The public sector continued to demonstrate thrift when it comes to travel. With 1.7% more trips taken, expenses could still be trimmed by a further 1.7%.

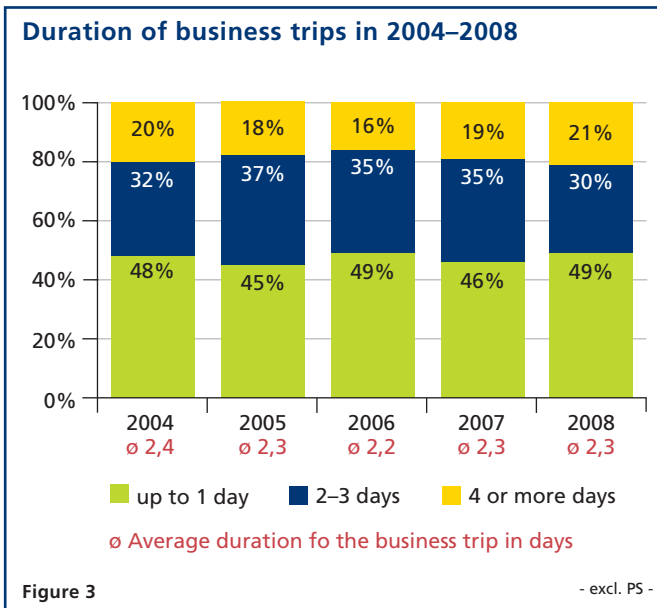


“How high were the total business trip expenses in 2008?”

Note: Any journey undertaken for purposes of business that is recorded on the basis of expense reports counts in this study as a business trip. The duration, purpose, distance and destination of the journey and the professional status of the travellers are insignificant here. As soon as expenditures are charged to the company as business travel expenses, they are counted in these figures. For further definitions of the terms used here, please see the VDR Business Travel Reports from 2003–2006.

²See press release published by The German Council of Economic Experts, Wiesbaden, 12 November 2008.

“How long do business trips last?”



Duration

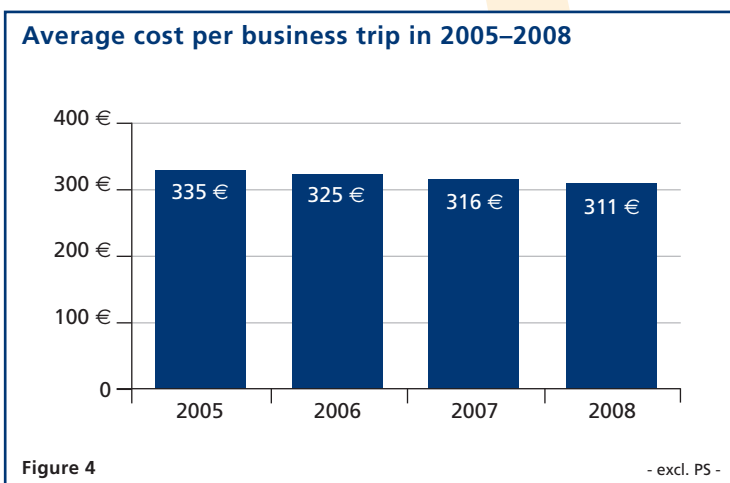
At 2.3 days, the average length of a business trip remained stable in 2008. However, the share of business trips lasting from two to three days was down by five percentage points. Both trips without an overnight stay and longer sojourns gained in importance – harbingers of the recession. For one-day trips, hotel costs can be saved, and in other cases various destinations can be covered in one trip, reducing transport expenses. As in the prior year, the share of trips without overnight stay in the public sector was 68%.

STRUCTURE OF BUSINESS TRAVEL COSTS

Average cost of business travel

The longstanding trend toward cost reduction is equally evident in the average costs per business trip. These were squeezed by an additional 5 Euros in 2008, to 311 Euros per trip. Travel managers reacted very swiftly to news of the crisis.

“What is the average cost of a business trip?”



**“What did companies spend on average for business travel?”
“What influence does travel management have on travel spend?”**

Average business travel spend in 2007–2008

Companies with	Average business travel costs		Change...		Share of companies with travel managers* in 2008
	2007	2008	in average business travel costs	in average business travel volume	
10 employees	148,000 €	138,500 €	- 6%	- 3%	34%

Table 1

- excl. PS -

*Share of travel managers from random sample -

Companies were able to cut down more on average business travel costs from 2007 to 2008 than on average travel volume. As in past years, companies with travel managers did better at cutting costs than those without.

A comparison between business travel and holiday travel³: total costs and daily expenditures in 2002–2008

Key figure		Business travel	Holiday travel
Total costs per year	2008	46.6 bn. €	53.3 bn. €
	2007	48.7 bn. €	50.9 bn. €
	2006	47.4 bn. €	53.9 bn. €
	2005	46.2 bn. €	53.3 bn. €
	2004	44.0 bn. €	53.1 bn. €
	2003	54.1 bn. €	52.1 bn. €
	2002	48.7 bn. €	51.6 bn. €
Daily expenditure per person per day	2008	135 €	67 €
	2007	137 €	65 €
	2006	148 €	66 €
	2005	146 €	67 €
	2004	104 €	63 €
	2003	133 €	62 €
	2002	102 €	61 €

Table 2

A certain amount of stability is normal, even in turbulent times. A business traveller still spent an average of 135 Euros per day in 2008, over twice as much as a holidaymaker. The recession will begin to show an impact on the holiday travel market in 2009. Leisure travel decisions depend on people's individual work and financial situation. At 12.5 days, the average length of a holiday remained the same in 2008.

Cost areas

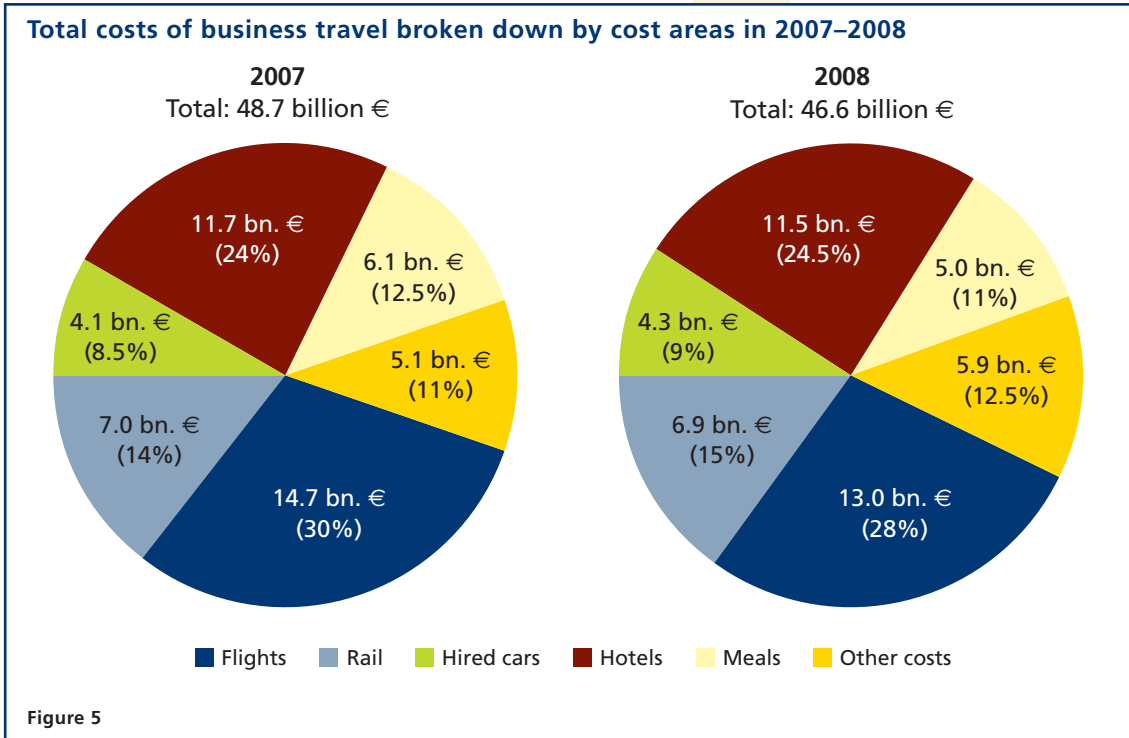
In terms of percentages, not much change is evident in the cost structure. One in every four Euros is still spent on overnight stays. In the restaurant business, however, the situation has grown critical more rapidly than in other areas. Catering for internal meetings and restaurant visits have been the first savings targets. Business travellers spent 1.1 million Euros less on meals in 2008 than the previous year.⁴ While expenditures for hired cars are up slightly, less was spent this year on plane tickets.⁵ Both plane ticket and hotel prices witnessed increasing pressure particularly starting in the second quarter of 2008, and many price hikes from the prior year had to be reduced again. The possible effect of lower, or in future completely eliminated, kerosene surcharges for air travel will only be seen starting in 2009. The first hotels to feel the impact of the slump in demand were those in financial centres. Travellers were booked instead in less expensive transport and hotel categories, which had the effect of lowering costs.

³ Own calculations based on F.U.R, Hamburg/Kiel: Reiseanalysen 2003–2009. Business trip expenditure per person per day: only businesses, excluding public sector. Holiday trips lasting 5 days or longer.

⁴ Restaurant turnover was already down 16% in the summer compared to 2007. See seasonal tourism survey conducted by the Deutscher Industrie- und Handelskammertag (DIHK): “Erwartungen an die Wintersaison 2008/09 – Bilanz der Sommersaison 2008”.

⁵ See IATA – Airline Economic Results 2008 & Prospects 2009, www.iata.org

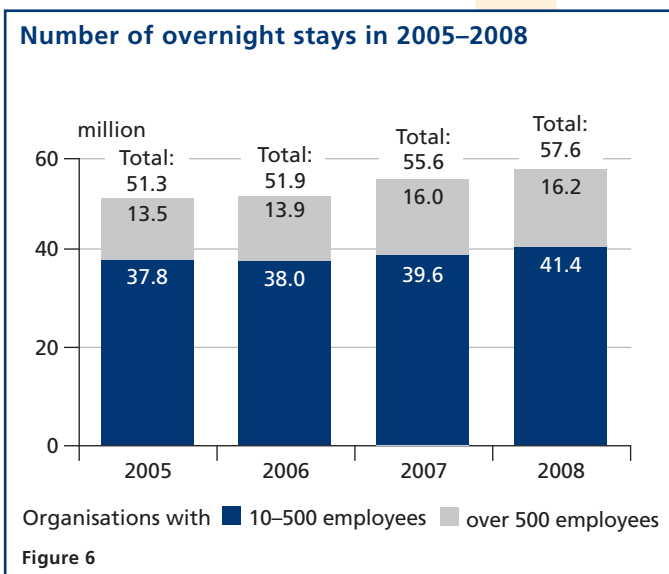
“What were the totals for the different cost areas in your company/your organisation?”



4 OVERNIGHT STAYS

Development of overnight stays and turnover

“How many overnight stays⁶ did the business trips taken for your company/your organisation include?”



In 2008 business travellers for German organisations made 3.6% more overnight stays than in the previous year. The overall number rose to 57.6 million, in keeping with the companies’ 2007 forecast. One in five businesses expected to see some growth here, but not as much as in the prior year.⁷ The average length of a business trip did not change between 2007 and 2008, but overall there were more overnight stays in 2008. So where exactly did this trend show up?

⁶ Overnight stays = room nights.

⁷ VDR Business Travel Report Germany 2007, Section 4 “Overnight stays”.

“How is the number of overnight stays distributed between domestic and foreign accommodations?”



Figure 7

German business travellers spent a total of 39.9 million nights in domestic accommodations in 2008, about one million less than in the previous year. Two out of three overnight stays by employees of German companies took place within the country, while hotels abroad benefited in both 2007 and 2008 from double-digit growth in overnight stays by German business travellers. In total there were almost three million more overnight stays abroad than in 2007. Accounting for these were exclusively organisations with 10–500 employees.

“How much turnover does this generate?”

Turnover for overnight stays (room nights) in Germany and abroad in 2006–2008

Turnover	2006	2007	2008
Germany	8.6 bn. €	8.6 bn. €	8.0 bn. €
abroad	2.5 bn. €	3.1 bn. €	3.5 bn. €

Table 3

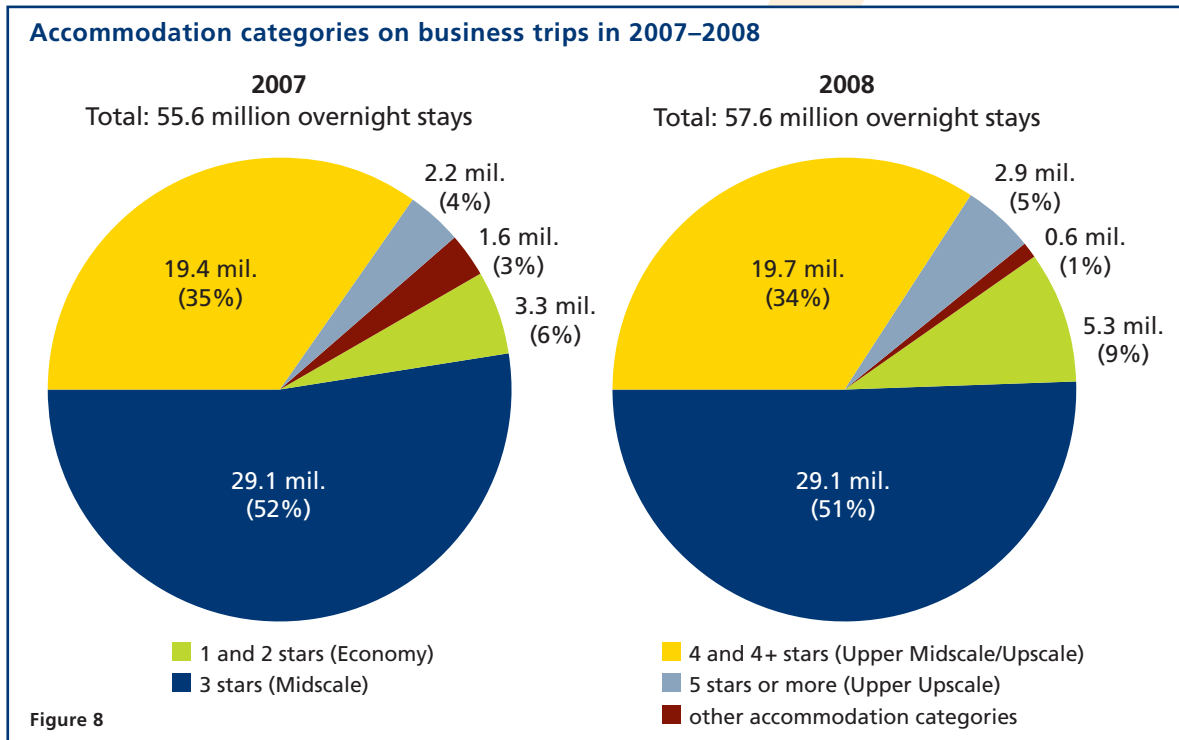
Turnover developed in step with the number of hotel stays: about 3.5 billion Euros was spent in foreign hotels – up 13% from the previous year. At home in Germany hotel turnover was down by 0.6 billion Euros. The total turnover of 8 billion Euros for business travellers corresponds with about half of the overall turnover earned by classic hotel establishments (Table 3).⁸

The average worldwide cost of an overnight stay, taking into account all types and categories of accommodations, went down 9 Euros in 2008 to 131 Euros (– 6.8%), resuming approximately the same level as in 2004 (132 Euros).⁹

⁸See Hotelverband Deutschland (IHA): Hotelmarkt Deutschland 2009.

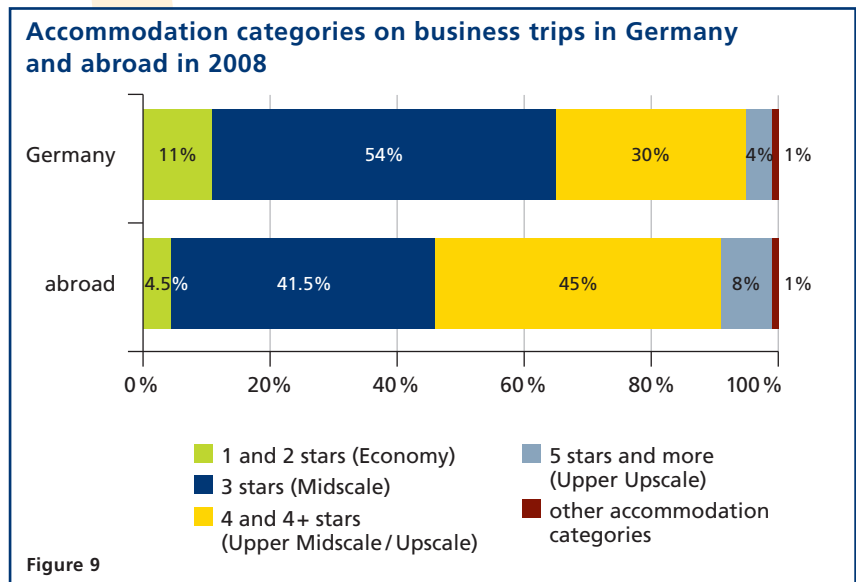
⁹Wherever data on the number of overnight stays as well as the costs could be provided, this was used for the calculations. A calculation based on total overnight stays and turnover as well as a forecast of differentiated average prices between Germany and abroad is not possible.

“Which accommodation categories are booked by your business?”



German business travellers stay overnight worldwide primarily in 3- to 4-star hotels. This did not change in 2008, and all sizes of business tend to make similar choices here. That efforts were made to save in this area as well can nonetheless be seen in the fact that there were two million more overnight stays in 1- and 2-star hotels.

In Germany, one in ten business travellers stayed overnight in “Economy” accommodations. Evidently, comfort was sacrificed in favour of cost savings for business trips on Germans’ home turf. People’s trust in a basic level of service in their own country is higher. For trips abroad, however, more than one in two overnight stays were in 4- or 5-star hotels.¹⁰ This is possibly due not only to the desire for prestige accommodations, but also to the presence of these hotels in booking portals.



Travel managers in the public sector are particularly sensitive when it comes to prices. 92% of those surveyed named price as their top selection criterion.¹¹ Accordingly, the majority of travellers on public business stay in accommodations with up to 3 stars (72%).

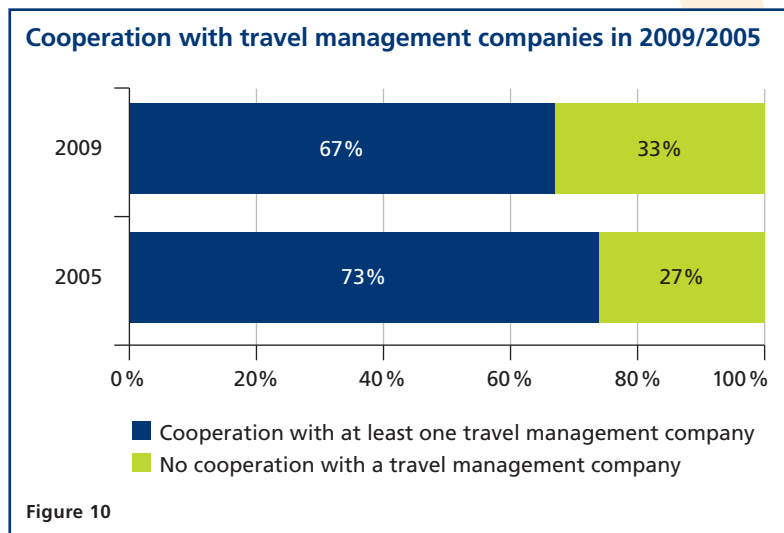
¹⁰ In 2009 this question distinguishes for the first time between accommodations in Germany and abroad.
¹¹ VDR Business Travel Report Germany 2007, Section 4 “Overnight stays”.

5 TOP SUPPLIERS

Last year travel managers were asked for the first time to name their key hotel and airline partners (national and international) and their preferred car hire companies in Germany. This time we looked at travel management companies – who are their customers and which brands are in the lead? As supplementary question to the 2008 survey, businesses were asked to name the car hire companies with which the most bookings were made abroad. The resulting lists of “Key Partners of Travel Management” provide a picture of which suppliers are the most important for corporate clients. These rankings do not indicate market share or turnover volume, however.

Note: The lists of key partners were compiled from organisations that named at least one supplier. For travel management companies, the question referred only to partners for business travel in and from Germany.

“Does your company/your organisation work with a (business) travel management company when booking and handling business travel?”



Two out of three businesses work with a travel management company. However, the use of such services has gone down overall during the last five years. Online offerings have gained market share in this sector, with standard services increasingly found and booked on the Internet. As travel volume rises, so does the potential for saving costs.¹² While half (52%) of small to medium-sized enterprises do without the services of a travel management company, 84% of businesses with over 1,500 employees do take advantage of such services.

Top travel management companies for corporate clients in Germany in 2009

Rating	Travel management companies
1	Independent agencies*
2	BCD Travel Germany
3	Lufthansa City Center
4	CWT (Carlson Wagonlit Travel)
5	FCm Travel Solutions
6	DERPART Travel Service
7	First Business Travel
8	HRG (Hogg Robinson Group)
9	American Express Business Travel

Table 4

* independent travel agencies not belonging to any brand, chain or corporate group
- multiple choices possible -

Top car hire companies for German corporate clients abroad in 2008

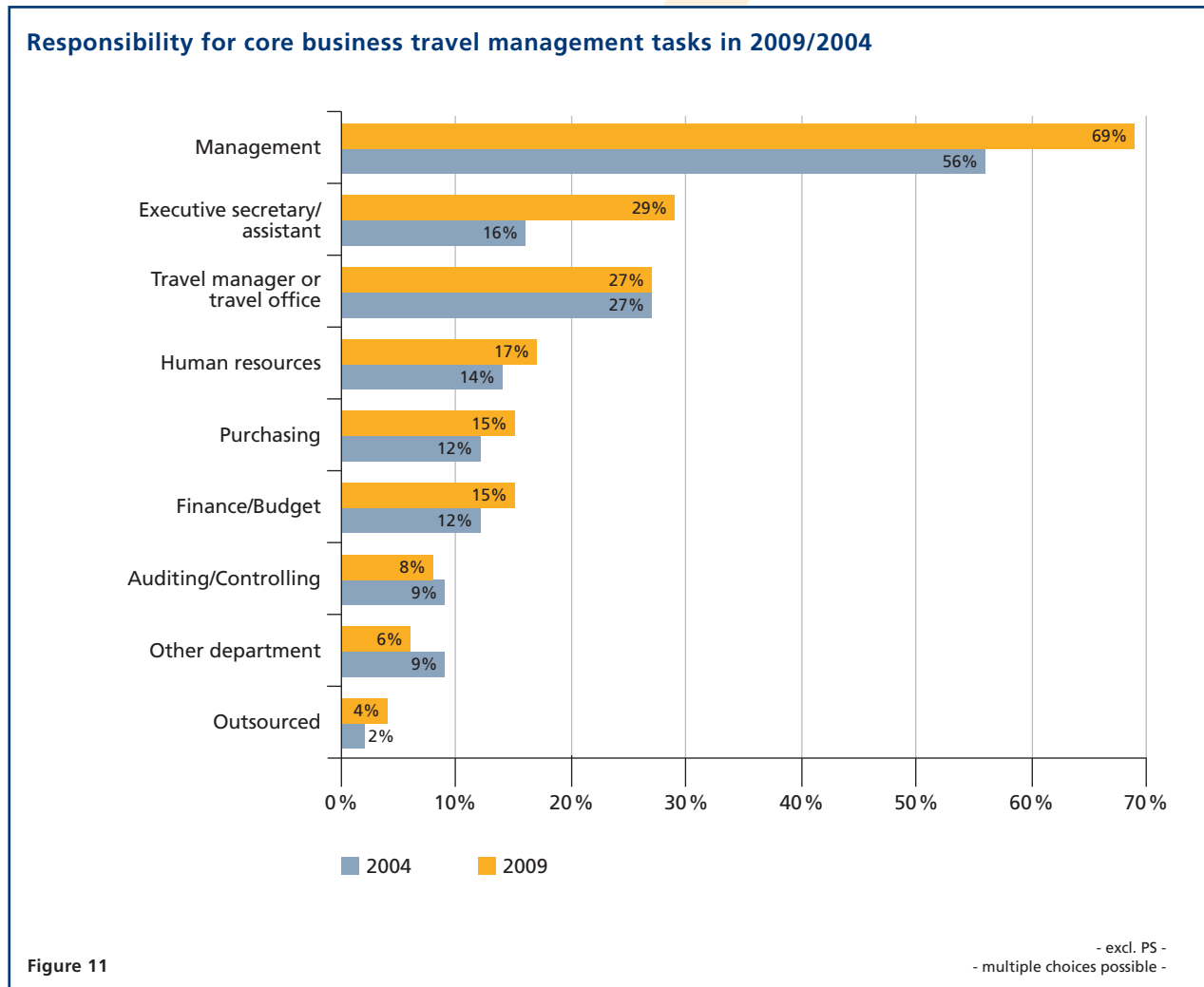
Rating	Car hire companies
1	Sixt
2	Europcar
3	Avis
4	Hertz
5	Budget

Table 5

¹² Over half of companies with travel spend over a quarter million Euros used online booking systems in 2008, often in conjunction with a travel management company. See VDR Business Travel Report Germany 2008, Section “Online booking systems”.

Deployment of travel management

“Who establishes travel policy in your company, negotiates with travel agencies and suppliers, and steers and controls travel spend?”

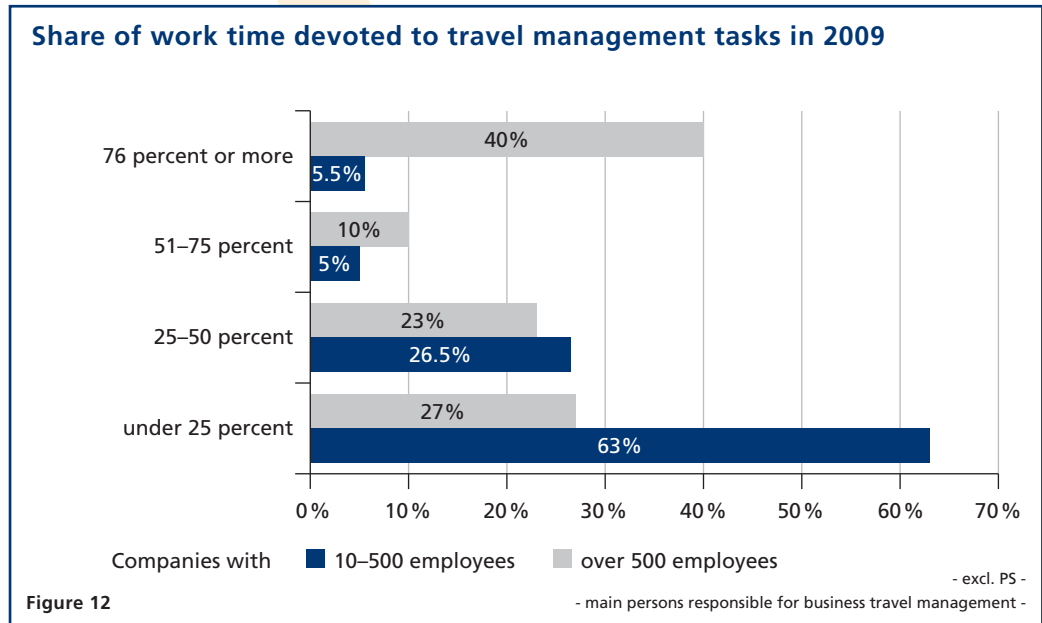


The area of business travel has taken on substantially greater significance for businesses. Some 48,000 persons are involved today in Germany in organisational tasks having to do in a broader sense with business travel (2004: 31,200 persons). The topic of travel management has penetrated through to the management level in two thirds of Germany's businesses. Today management is examining more closely than it did five years ago

the purpose and necessity of business trips and the expenses involved. Particularly in the crisis year 2009, corporate boards are taking advantage of the savings potential offered by travel management, but it is not part of any discernible strategic plan. The idea of a "Travel Management Competence Centre" by contrast has not been able to gain any appreciable ground in the past five years.

Work time, other tasks

“What percentage of your work time do you devote to pure travel management tasks?”



This more detailed question as to time spent on travel management was asked for the first time this year. A true travel manager is more likely to be found in larger companies. In small to medium-sized enterprises with up to 500 employees, those in charge of business

travel have less time for pure travel management tasks. As a rule, businesses with higher travel spend devote more time to trying to keep it under control. What other tasks do they spend their time on?

“Which other tasks fall under your area of responsibility?”

Depending on their position in the company, travel managers may take on other tasks as well. Topping the list are activities relating to travel expense accounting. Two out of five travel managers are executive secretaries. A similar number deal with general administrative tasks. One out of three is also in charge of events (Figure 13).

Anyone who is a travel manager also has to deal with travel expense accounting as top priority. Fleet management is an area that travel managers are entrusted with somewhat more often than others.

In 2008 VDR inaugurated the future workshop “VDR-TrendsPort” in an effort to detect developments in travel management early on. Which trends can the business travel industry expect to see in the future? What are the opportunities and risks that result? What can be done to prepare for these changes? The following question is designed to help sketch the second “think tank”: **“Which new services, tools or working methods and processes would you like to have at your disposal to optimise business mobility?”**

Further tasks covered by business travel managers in 2009

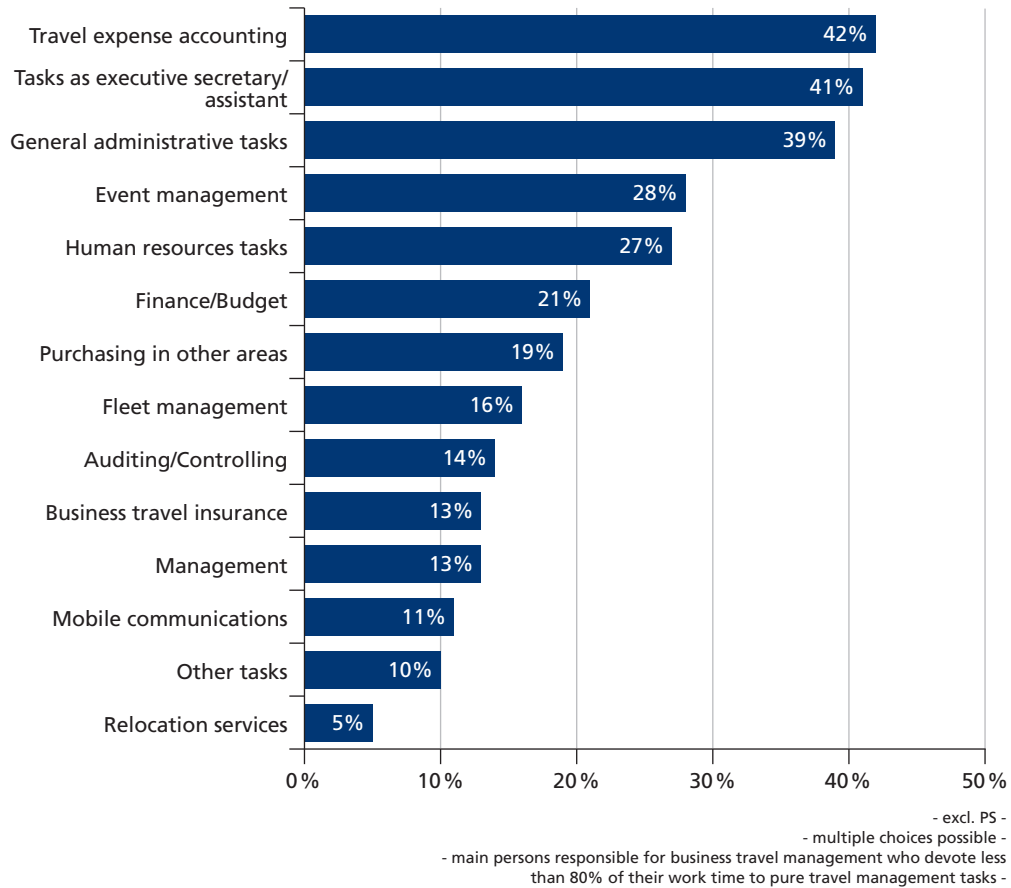


Figure 13

Around 15% of the respondents expressed concrete wishes. Almost half wished their company would purchase tools already available on the market or that it would design internal working methods for greater efficiency and simplicity. Some of the improvements those surveyed would like to see are travel planning and booking tools, software for travel expense accounting, corporate credit cards, analysis tools, and easier access to all data and statistics as well as electronic processes across all stages of the travel process. Web and video conferencing were also on the wish list.

As a second major area with room for improvement, about 25% of the respondents desired better partners in the market – or for the right ones to be found in the first place. Users complained that the available portals and tools do not offer adequate service quality or performance. Higher-grade integration is demanded, e.g. for booking paths or easier invoice processing. For one in five businesses prices, and in particular their transparency, comparability and neutral representation, are an important theme. The air travel area produces the most headaches here.

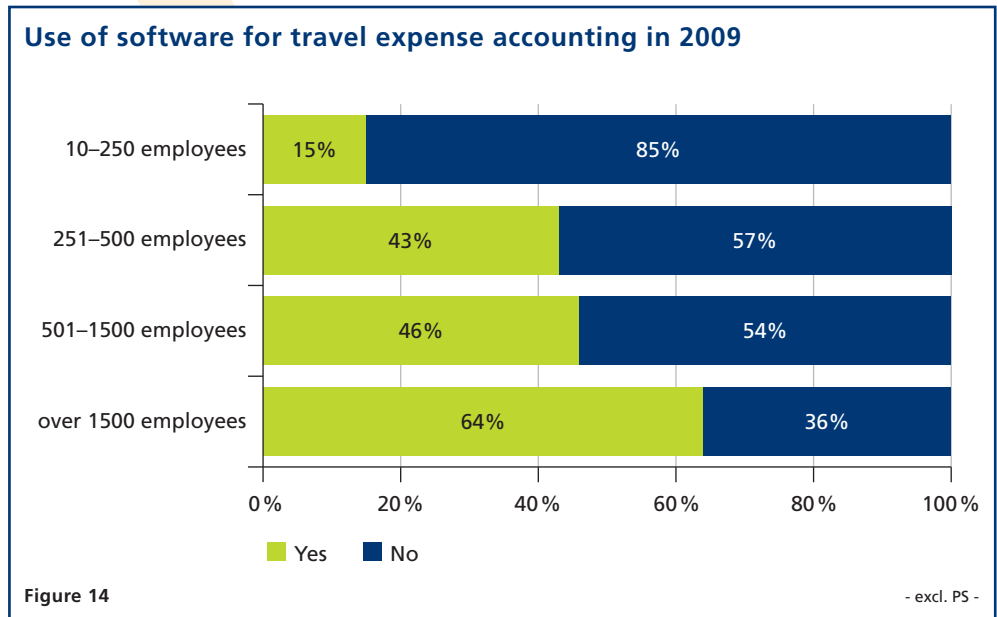
Some respondents describe a challenge to be met for the future: the “Swiss Army knife” of travel management, which would combine all of the individual wishes for lean processes and simple but optimal tools – which are user-friendly and fast – rounded off by top service at a “fair” price. Travel managers would most like to see a customised tool that supports the entire travel process. Such a tool would display all suppliers and relevant criteria – from costs to travel time to carbon footprint – at the touch of a button, including a “person locator”, and thus provide a seamless overview.

Travel expense accounting

“Does your company/your organisation use special software for travel expense accounting?”

The bigger the company, the more likely it is to use special software for travel expense accounting. Almost two out of three companies with over 1,500 employees use such software (64%), along with 36% of public-sector organisations.

About 50% of companies with business trips exceeding one thousand per year use special software for travel expense accounting. The more trips, the higher the usage ratio. Of the companies that do not use any special software, 7% plan to introduce it in the future. This tendency is seen most strongly in businesses with over 1,500 employees (23%).

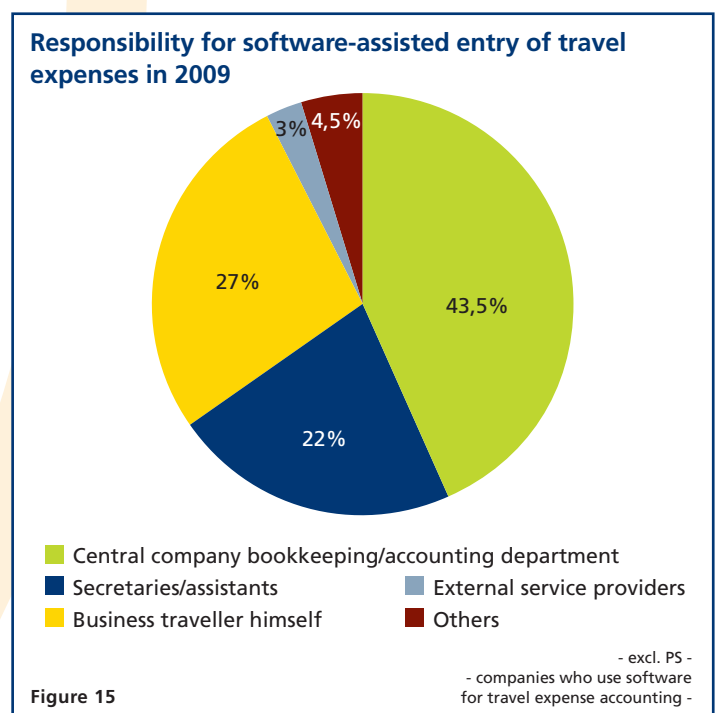


“Who is responsible at your company/your organisation for entering travel expenses in the software?”

Bookkeeping staff are most frequently in charge of entering travel expenses in the system. In almost one in three companies, the travellers themselves must enter their expenses. Secretaries do this work in about one in five companies. Only 3% of businesses have outsourced this task. When “others” are cited, this usually means the human resources department.

“Which department in your company/your organisation is in charge of monitoring travel expenses?”

94% of companies monitor their travel expenses¹³ in-house. The accounting department is most frequently entrusted with this task (58%). In second place is human resources, more often in the public than in the private sector (31% vs. 17%). Only one in ten travel managers is involved in this process. Of note here is that almost one in five management teams, or the comparable organisational level in the public sector, devotes time to this routine task (multiple answers were possible).¹⁴



¹³This means keeping track of expenses by bookkeeping and monitoring whether legal requirements are fulfilled in travel expense accounting, e.g. with regard to taxes, and if the reimbursement can be initiated.

¹⁴The question of whether approvals are also done electronically was surveyed last in 2004: VDR Business Travel Report Germany 2004, Section 4.3 “Approval procedures”.

Corporate Social Responsibility, or CSR, refers to the principles and concepts that form the basis for companies to voluntarily integrate social aspects and environmental concerns in their activities and in their relationships with others.¹⁵

Three quarters of German organisations do not incorporate CSR approaches into their business travel. In absolute figures: around 45,000 companies actively take into consideration CSR in their business trips, and almost half of companies with over 1,500 employees do (46%). In 58% of companies who pursue CSR, these concerns also have an influence on travel management tasks.

“Does your company/your organisation pursue Corporate Social Responsibility in the area of business travel? If yes, do these approaches influence your area of responsibility?”

Anyone answering “yes” to the first question was asked to state what form these approaches take in practice:

Corporate Social Responsibility in the area of business travel in 2009

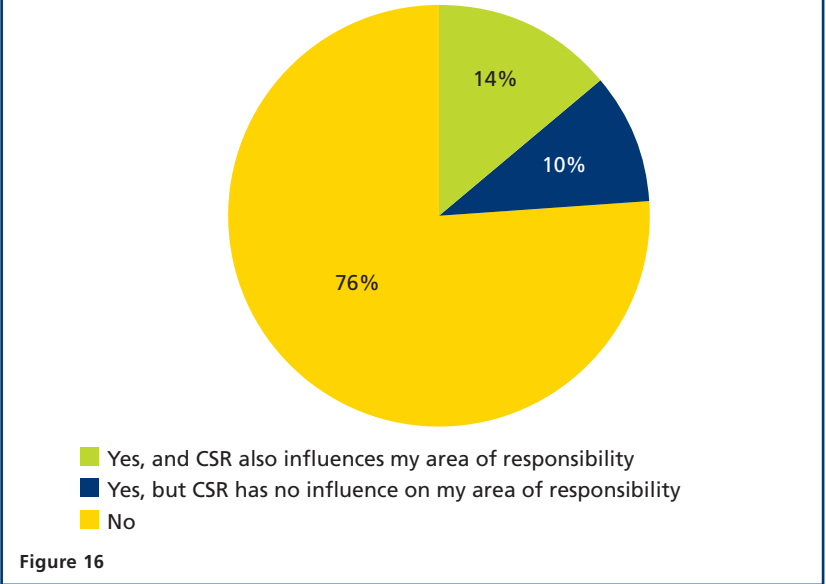


Figure 16

“Which CSR approaches does your company/your organisation pursue in the area of business travel?”

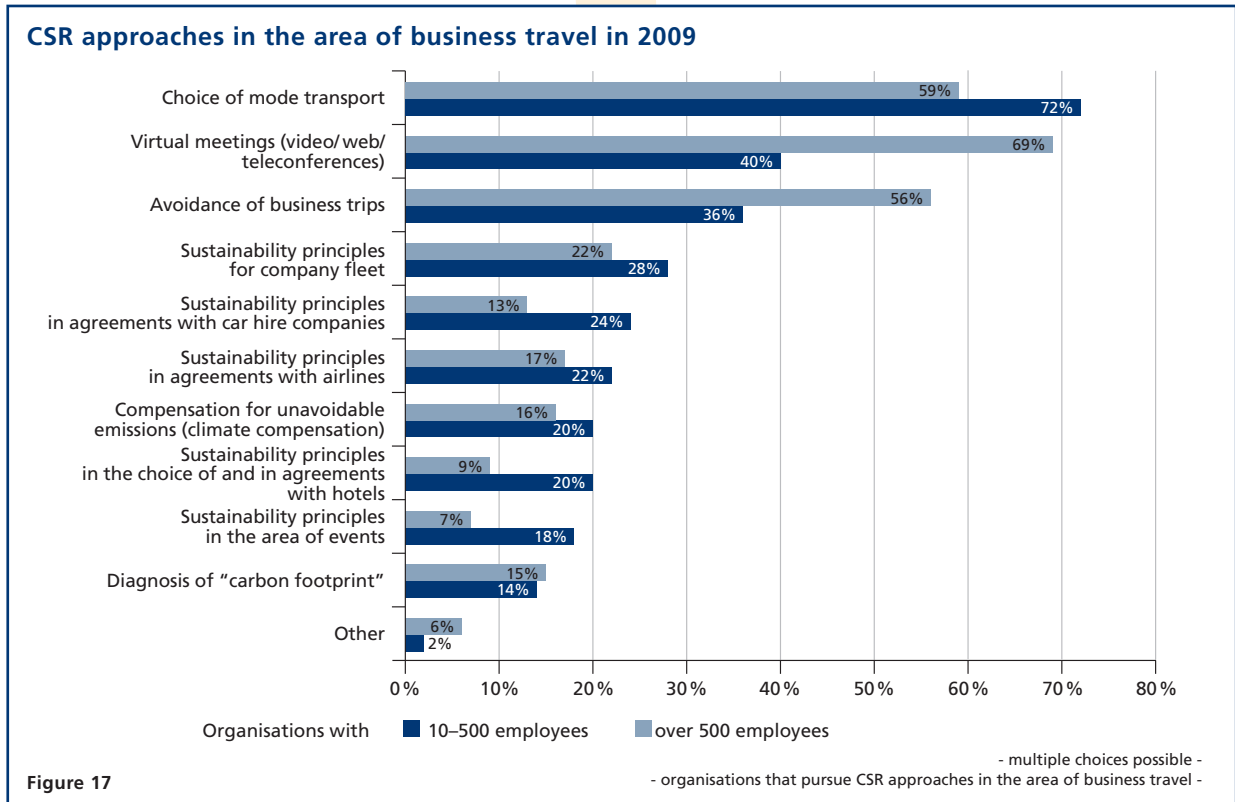


Figure 17

¹⁵ See European Commission: Green paper on corporate social responsibility (2001).

Suppliers of transport services are particularly likely to feel the competitive impact of CSR. The choice of mode of transportation is directly influenced in two-thirds of companies, but this goes even deeper: when companies are preparing to choose the right partner or services in the transport field, the principles of sustainability are important to about one in four of them.

In larger companies business trips are avoided more frequently and replaced by virtual meetings than in medium-sized businesses. One in five organisations with over 500 employees takes part in a programme for climate compensation.

Among the beneficiaries of this trend are suppliers of products and services for virtual meetings. Two out of three companies with more than 500 employees cited virtual meetings as an alternative, whereby their frequency in the private sector is significantly higher (66%) than in the public sector (38%).

“Do CSR approaches influence bids for tender/requests for proposal or actual decision-making?”

In 42% of the businesses that pursue CSR approaches, they also have an effect on bids for tender and a concrete influence on decisions in the business travel area. This is even more the case in companies with 500–1500 employees (53%).

7 IMPACT OF THE FINANCIAL CRISIS AND OUTLOOK

“Has the weakening of the economic environment since 2008 had any consequences for the management of business travel in your company/your organisation?”

The financial crisis, which in the course of 2008 increasingly took on the scale of a global recession, had impacted travel management in some 86,000 German companies by the time the survey was taken (March–April 2009).

In two out of three SMEs the financial crisis has to date had few consequences for business travel. The bigger the company, the more pronounced the impact and the more extensive the measures packages. In the public sector only 11% of organisations are affected, which can be attributed in part to their activities and travel patterns (more domestic travel, fewer overnight stays).

Consequences of the financial crisis for business travel management*

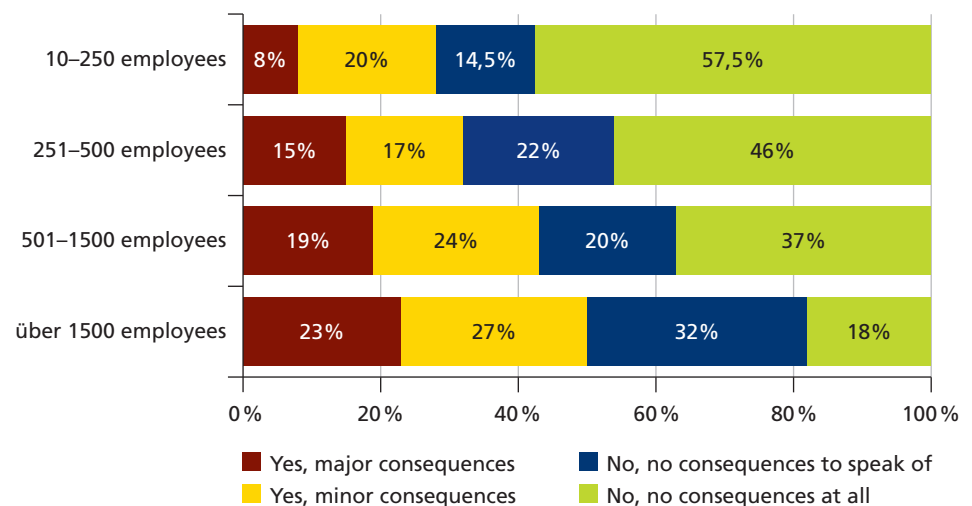


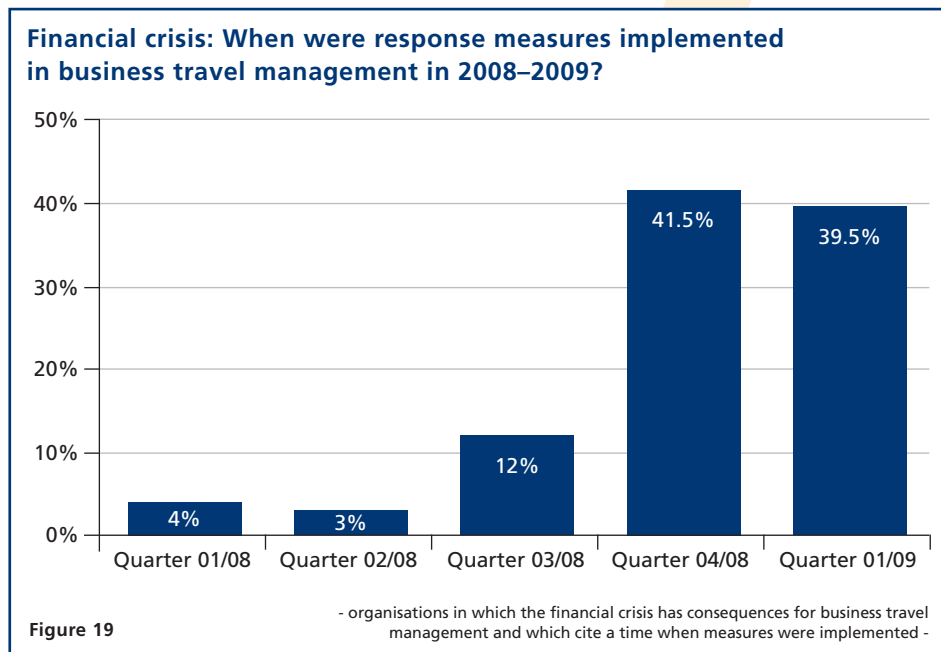
Figure 18

- excl. PS -
* survey period March–April 2009

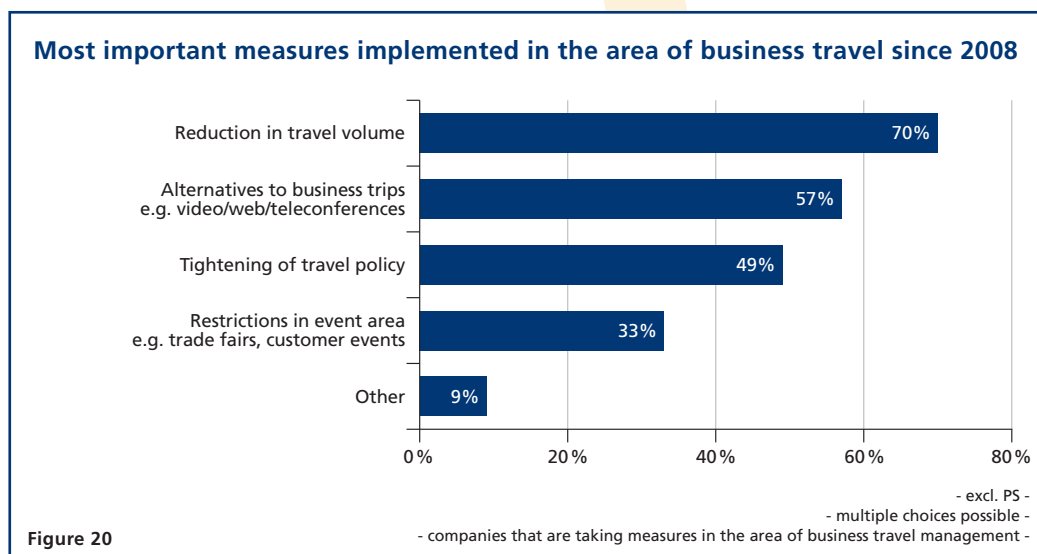
The situation is far more dramatic in companies with intensive business travel, for example VDR members. According to a survey, over 80% had felt the impact of the crisis by mid-February.¹⁶

In public perception, the financial crisis began to take hold in Germany in the fourth quarter of 2008. But already in the third quarter 19% of the affected businesses had begun to introduce control measures. This previously unknown finding supports the thesis that business travel is an early indicator for the state of the overall economy.

“If so, when were the first measures taken in the area of business travel management?”



“Which measures are most important for your company/your organisation?”



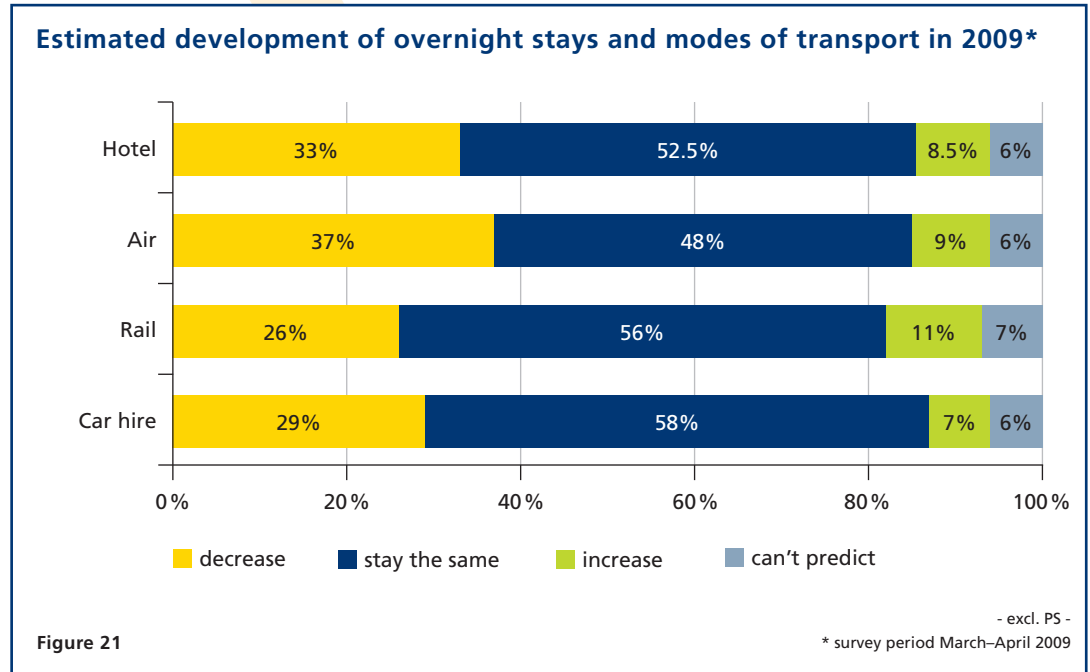
Two out of three enterprises that have implemented restrictive business travel measures as a reaction to economic developments have reduced travel volume. Among those benefiting from the crisis are suppliers of solutions for intelligent optimisation of business travel activity or its reduction. One in three companies is reacting by cutting down on events.

¹⁶ See Prof. Dr. Ernst-Otto Thiesing, Department of Tourism Management at the Karl Scharfenberg Faculty in Salzgitter of the University of Applied Sciences Braunschweig-Wolfenbüttel, survey of travel managers organised in VDR, February 2009.

Development of business travel volume – expectations for 2009 and subsequent scenarios

“How will the number of business trips change in your company in 2009 compared to 2008?”

Around one third of the companies will travel less in 2009. About half of them plan the same number of business trips in 2009 as in 2008. Only one in ten surveyed still predicts rising travel volumes. The economic crisis and related job cuts thus mean declining travel volume for all suppliers. A shift to rail travel is evident, and not only for reasons of cost.¹⁷ While in 2008 one in three companies still planned to fly more often in 2009, now only 9% still have such plans. Travel in the public sector is not affected to the same extent; one in three of the organisations surveyed believes that travel volume will remain the same.



As soon as the first signs of an economic upswing are felt, business travel is sure to pick up again. The positive development of the labour market from 2004 to 2008 was reflected in the number of business travellers (2008: 8.5 million) – a rise of 14.8% in four years. This served to safeguard jobs in the hotel and restaurant sector in particular, as well as with transport companies, airports and travel agencies. While 2008 was a year of ambivalent developments, many industries will not complete the year 2009 unscathed. The few winners in 2009 are likely to include consulting services and specific tools for planning, booking and monitoring business travel flows, along with alternatives to business travel. Future growth in travel volume can be expected primarily amongst SMEs, because this is where travel is less frequently replaced by alternatives.¹⁸ Already today, 5.5 million business travellers can be traced to this cornerstone of the German economy.

We still don't know when the economy will recover. It is probable, though, that a boost in demand cannot, and will not, help all areas of business travel to resume their former significance in proportion and in synchrony with the economic upturn. We can expect instead to see partial distortions of the market, leading some to lose their market and negotiating positions (both on the supplier and customer side), as well as structural adjustments. Travel managers who keep their knowledge up to date and transfer it to others, and who bundle negotiating strength, can take steps to counteract these developments early on.

Examples and scenarios:

- ◆ Companies whose airline ticket demand has dropped drastically can expect fewer turnover bonuses, or none at all. Frequent flyers' status will be downgraded and they will need some time to get back their privileges (lounge use, preferred check-in and boarding, etc.).
- ◆ Businesses that neglect to book regular room contingents for major events (such as fairs), might possibly be placed on waiting lists and forced to make new plans, as capacities will in some cases have been blocked in the meantime by other customers.

¹⁷ See Figure 17 on approaches to Corporate Social Responsibility.

¹⁸ *ibid.*

- ◆ The government car-wrecking scheme (“cash for clunkers”) has had drastic effects on the residual value of used cars, upsetting the calculations of car hire and leasing businesses. Some market players are already insolvent, and others are completely revising their offers. Model policies and conditions are being redefined, with mobility managers’ CSR approaches increasingly playing a role.
- ◆ Service-oriented suppliers, such as travel management companies or travel agencies, will utilise the phase of short-time work even more than in the past to become leaner. Personnel will in future be deployed more productively. This goes along with a general trend toward minimising the range and depth of basic products offered. In order to compensate for these pared-down services, customer relation management will take on increasing importance.
- ◆ In times of travel restrictions, people will take advantage more frequently of the versatile possibilities offered by modern telecommunications. Their high quality, a further wave of innovations, the low price of hardware and network use, the affinity of the younger generation for technology, and a habituation effect will lead to a fraction of business trips being replaced for good by virtual alternatives (“intelligent travel avoidance”). This is even more the case as CSR becomes obligatory and tangible dangers increase (there is no risk of terrorist attacks or medical infection at a web conference) and might even be reinforced by the increasingly relevant argument of the “duty of care”.¹⁹
- ◆ Airlines risk their claim to time slots at airports (“Grandfather Rights”) if they do not use these slots at least 80% – which is what is happening now. For the summer 2009 schedules, the European Parliament has passed a directive that temporarily suspends the principle of “expiry if not used”. The future of these “hereditary rights” is open, however. The slump might have the effect of opening up historical chances to competitors, leading to shifts in flight offerings, especially at secondary airports.
- ◆ An increasingly critical view will be taken of long business trips to remote destinations. The demand for regional services and products will rise sharply.

THE RESEARCH TEAM FOR THE VDR BUSINESS TRAVEL REPORT GERMANY 2009

VDR – The Business Travel Association of Germany, the publisher of this report, has defined the basic structure of the analysis and selected topical questions in consultation with its members. United Research AG is responsible for the field work and the scientific evaluation of the primary data, which is gathered by the 3wPhone company. The VDR team has been working together with project manager Kirsi Hyvärinen since 2003 for the expert analysis, reporting and organisational supervision of this study project.

VDR – THE BUSINESS TRAVEL ASSOCIATION OF GERMANY

VDR – The Business Travel Association of Germany represents the interests of German business with respect to all aspects of business travel management. The aim is to ensure that worldwide business travel is efficient, economical, safe and unimpeded. With some 500 member companies, VDR represents a total business travel turnover of more than ten billion Euros per year.

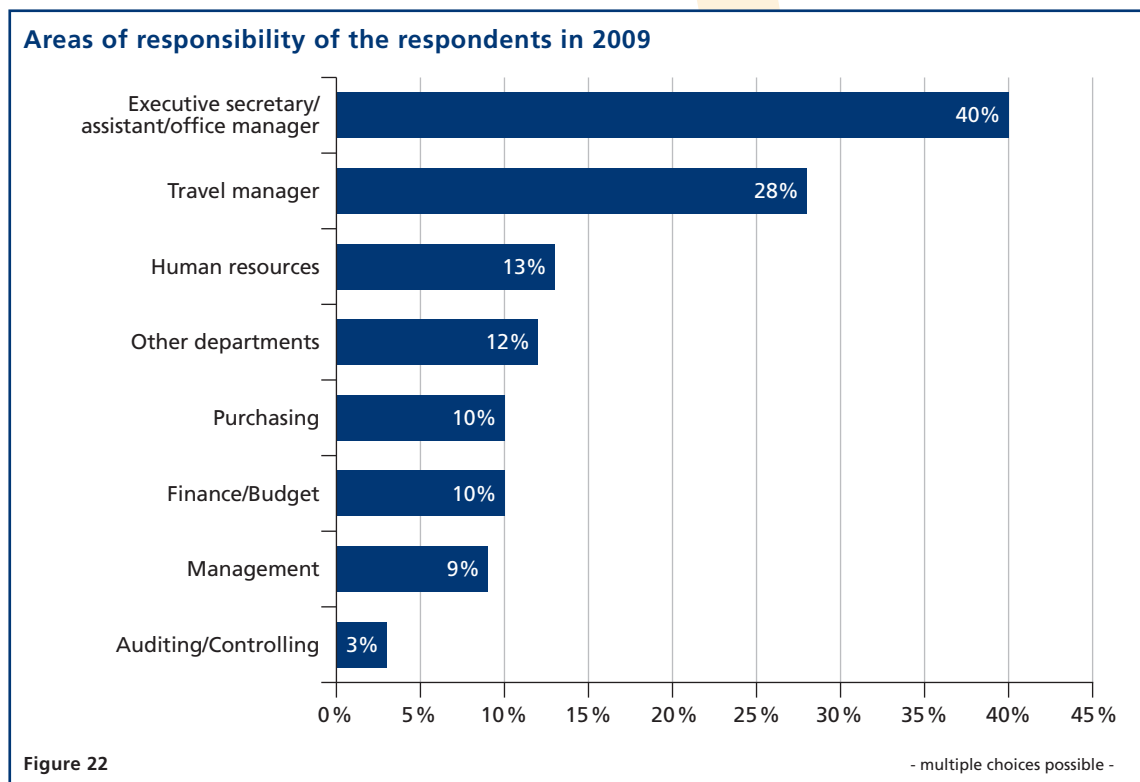
¹⁹Legislation that companies must comply with (Employers’ duty of care: German Civil Code Section 618; Art. 328 OR - Swiss; Corporate Manslaughter and Corporate Homicide Act - UK).

METHODOLOGY

As in previous years, the statistical universe for the survey was constituted by all businesses that have their principal place of business in Germany – including those that have operations abroad – and organisations in the public sector with ten or more employees. On the basis of these features, the four different sectors, manufacturing/construction, services, trade and the public sector (PS), were equally well represented. Equal weight was given to the four different size categories. Due to the differences that have repeatedly become apparent between the private sector (“businesses”) and the public sector, most results are presented separately. The corresponding data basis is made clear in the respective passages:

- ◆ When reference is made to businesses or companies, this excludes the public sector (- excl. PS -).
- ◆ When reference is made to organisations, this means both businesses and institutions in the public sector.

A random sample was taken from this statistical universe. Between March and April 2009, 800 computer-assisted phone interviews were conducted with persons who are either responsible for managing business travel or authorised by their organisations to provide the relevant data.



The responses to qualitative questions reflect the situation at the time of the survey, while all others are based on the 2008 figures. All extrapolations without reference to secondary sources are based on a special evaluation of the statistics of the German Federal Employment Agency (see Table 6, page 22).

The following organisational size categories have been defined for this analysis:

- ◆ organisations with 10–250 employees
- ◆ organisations with 251–500 employees
- ◆ organisations with 501–1,500 employees
- ◆ organisations with more than 1,500 employees

Number of organisations in Germany and their employees according to size categories and business sectors (WZ03)

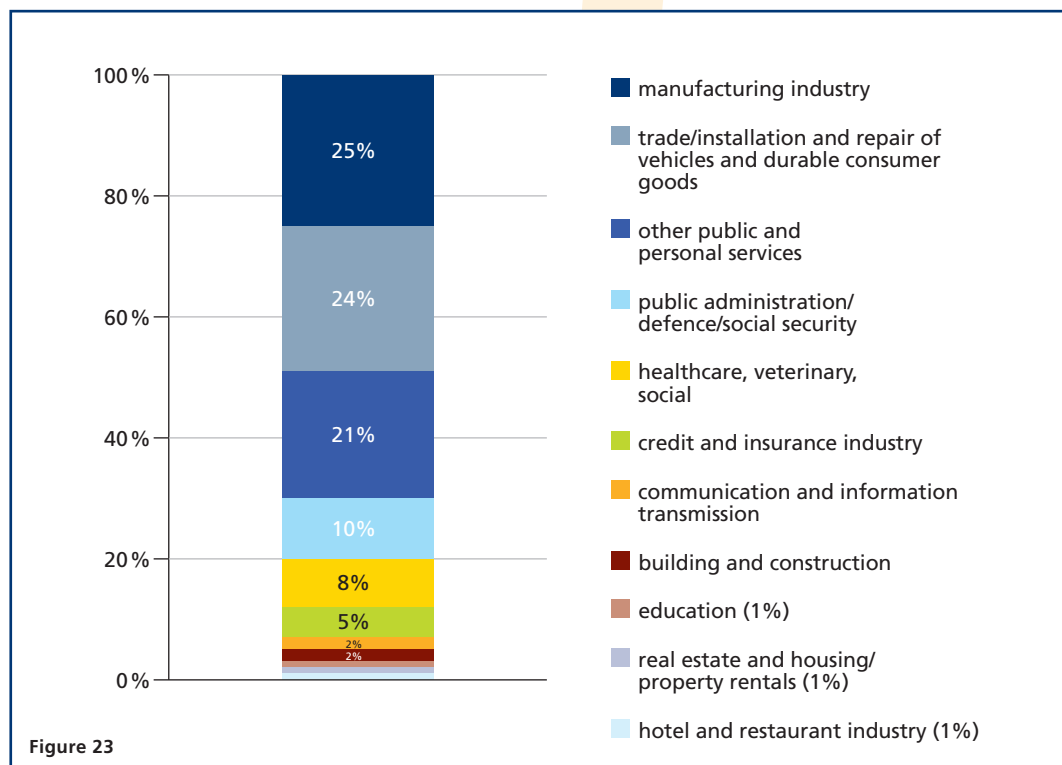
	Organisational size categories (organisations with employees)									
	10–250		251–500		501–1500		over 1500		Total	
	Organi-sations	Employees	Organi-sations	Employees	Organi-sations	Employees	Organi-sations	Employees	Organi-sations	Employees
Total	382,481	13,680,947	8,139	2,803,224	3,977	3,117,104	1,066	3,035,098	395,663	22,636,737

Table 6

- as of: 30 June 2008, preliminary -
- not including organisations with 1–9 employees -

Source: Statistics from the Federal Employment Agency, Data Centre, Nuremberg, 2009.

Sectors of the respondents in 2009



IMPRINT

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Where the male pronoun form is used in the text, this was done for the sake of simplicity. This is meant to signify both men and women.

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