
VDR Business Travel Report Germany 2005

in co-operation with BearingPoint

Management Summary

Presented by



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The complete German language version
VDR-Geschäftsreiseanalyse 2005
is available at bookshops.
48 pages, 31 graphs and 4 tables, DIN A4
ISBN 3-938778-01-6, € 79.00

Travel Managers move billions

Hundreds of thousands of jobs in the German hotel, restaurant and transportation industry, in travel agencies and other companies owe their existence to business travel. Business travel secures a stable demand for modern **transport infrastructures** and **services** in Germany, in the 25 European Member States and world-wide. The implementation of new **products** and **technologies** would be much less dynamic without the budgets of demanding business travellers. And millions of holidaymakers enjoy sustainable benefits from offers which are indirectly co-financed by the business travel market.

The first VDR Business Travel Report already demonstrated in detail the enormous economic impact of business-related travel. The second study quantified the total spending of companies and the public sector for mobility including events, mobile communication and vehicle fleets at over **120 billion Euros** annually. Now the third VDR Business Travel Report is available, again presenting important key data and indices, highlighting developments and also shedding light on new aspects.

This year's analysis offers **new findings** on the topics of air transport, travel agent service fees resulting from commission cuts and various cost sectors. The results also emphasise the on-going need of improvement in the field of **business travel expense** management. And once again it is evident that no other organisational form beats good **travel management**.

The VDR Business Travel Report is designed to help shape future structures professionally and effectively. **Neutrality, periodicity** and **representativeness** as offered by VDR are requirements necessary to achieve that goal. The reliable insights of the study can enhance the quality of the dialogue between all experts involved in the business travel market.

Highlights of the VDR Business Travel Report Germany 2005

Key data

- ◆ In 2004 about 7.4 million business travellers in Germany
- ◆ undertook 146.4 million business trips costing
- ◆ 44 billion Euros.

2003:
8.1 million
147.4 million
54.1 billion

Strict cost control reduces total expenses

The causes for the drop in total costs are manifold: Less intercontinental travel, shorter trips as well as cost-saving measures, for example reduction of travel category, more online bookings, use of low cost airlines and discount fares. Total expenses dropped from 54.1 billion Euros to 44.0 billion Euros in 2004.

Small businesses, big spenders

Companies with 10 to 250 employees pay travel agents significantly higher service fees than larger companies since the introduction of zero commission – regardless of the destination.

German business travellers pay for 50 million hotel nights world-wide

The total number of overnight stays by German business travellers amounts to around 50 million a year. This volume is equivalent to 1,370 fully booked hotels with 100 rooms each for 365 days.

Security measures are OK

Current air travel security measures were endorsed by 70% of those asked. Just 6% of those interviewed demanded tougher measures.

Outsourcing remains a big exception

Travel management outsourcing remains the exception at 0.2%.

Travel management, a success story

Four out of five companies, which are at all interested in reducing business travel costs, achieve savings of at least 10% of the total direct travel cost volume. Specialised travel managers produce the greatest savings.

Business travellers, a good deal

In 2004 an average of 104 Euros per business travel day was spent – one and a half times more than holiday travel spending.

More responsibility for travel managers

More and more companies are appointing travel managers. Their sphere of activity has expanded to also include event management and insurance relevant to business travel.

Travel agency customers drift away

The trend away from traditional travel agencies continues. 25% of the companies that see further cost reduction potentials will continue to book online.

Small companies prefer to book directly

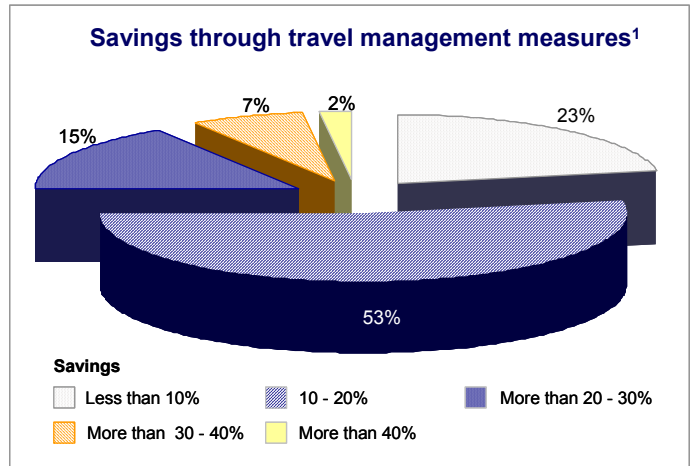
Hotels and rental cars are normally booked directly. Smaller companies book all travel arrangements directly more often than companies with over 500 employees. The importance of complex IT systems in travel management is slightly increasing in the market as a whole.

Public sector discovers management techniques

Business travel management is also catching on in the public sector. Better controls through authorisation procedures or in the accounting process are most often mentioned as future measures.

Forecast 2006: Travel increases

Companies expect constant to increasing business travel activity volume in 2006. International travel will pick up. Larger companies will travel more frequently on European and intercontinental routes than smaller companies.



¹ companies 2004, not including the public sector

Further results

- ◆ Every fifth travel manager is also responsible for **fleet management**. 52% of companies have not outsourced this area. Insurance as well as damage/accident management are mainly dealt with internally.
- ◆ The „road warrior award“ for the highest **business travel frequency** in 2004 goes to employees of small and medium-sized companies - a business traveller from this size category undertook on average 34 trips (total company average: 22 business trips).
- ◆ **“Class society”**: Most business travellers fly Economy Class not only on domestic flights but also when travelling within Europe. Almost half of them travel in Business Class on long-distance flights, however.
- ◆ The proportion of **shorter journeys** is on the increase again. In 2003 there was a distinct decrease in two- to three-day business trips in favour of longer trips; in 2004 the pendulum swung back the other way. Around half of all business trips are one-day trips.

In addition to the results presented above the **VDR Business Travel Report 2005** provides further representative figures on the economic importance of business travel, organisational challenges and other pressing travel management topics.

More value for money with business travel management

Although travel management is not a strategic business area, it strategically supports companies' main business activities. Travel managers contribute to the net value chain. Apart from optimised purchasing of travel services their complex duties include above all cost control and business process reengineering. Travel service quality and safety as well as an excellent and flexible service for travellers are just as important as the measurable economic benefit.

Methodology of the VDR Business Travel Report 2005

All companies located in Germany – including those active abroad – and public institutions with at least ten employees formed the **focus** for the report. This basis was divided into four industries and four staff-size categories respectively.

Between April and May 2005 **512 computer-assisted phone interviews** were carried out with persons who are either responsible for business travel management or authorised to provide the relevant data. The **target group** thus included travel managers, managing directors, human resources specialists, senior finance and controlling officers, purchasing departments, secretaries and comparable organisational positions in the public sector.

Business trips are defined as all business-induced travel, which can be identified by **single travel expenses reports**. Duration, purpose, distance and destination of the trip or professional status of travellers were not taken into account. The results presented are based on the final 2004 figures.

The research team

- ◆ **VDR, The Business Travel Association of Germany**, and its members have defined the basic structures of the report and selected the annual topics.
- ◆ **BearingPoint**, the business consulting and systems integration company, is responsible for all analytical aspects, reporting and organisational control of the project.
- ◆ **United Research** is responsible for the field work and the scientific handling of all primary data.

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