Canadian Business Travel Outlook 2016

Prepared by:
The Conference Board of Canada
And
Association of Corporate Travel Executives

The Conference Board of Canada – 2016
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Introduction

This report presents the results of the ninth annual Canadian Business Travel Outlook survey conducted by the Association of Corporate Travel Executives (ACTE) and The Conference Board of Canada.

The survey was developed as a benchmarking tool for the Canadian business travel market, for travel management professionals and the travel suppliers that serve them. The results provide an outlook for business travel trends in 2016, including:

- Spending trends of key travel segments and changes in corporate travel rates
- Relationship between corporate travel and meetings management
- Policy compliance, new technologies and the sharing economy

Profile of Survey Respondents

A total of 57 corporate travel managers/buyers participated in the survey, representing a range of national public and private organizations—most with an annual travel budget of more than $1 million. (See Chart 1). The aggregate domestic travel budget of all responding organizations is estimated at more than $700 million in annual corporate travel expenditures in Canada.

Chart 1
Profile of Survey Respondents – Travel Budget for 2016*
(per cent of respondents)

* Canadian operations only
Source: The Conference Board of Canada, ACTE
Key Findings

- The majority of the Canadian organizations polled report their companies either increased or maintained travel spending in 2015, with a lower share of companies witnessing an increase in domestic spending, compared with last year’s survey.

- Overall, respondents expect business travel volumes in 2016 to decline by an average of 1.7 per cent while corporate travel budgets decline 2.7 per cent. These findings are quite similar to those reported in last year’s survey.

- The slump in oil prices and the weak Canadian dollar appear to be the main reasons why corporate travel managers/buyers remain pessimistic this year. In fact, 68 per cent of respondents suggest that lower oil prices/dollar will have a negative impact on business travel this year. On the other hand, no respondents expect lower oil prices/dollar to have a positive effect on business travel this year.

- While respondents generally expect that corporate travel prices will increase in 2016, the rate of increase projected is more modest than in the past. Overall, the survey results suggest domestic airfares will increase 0.5 per cent in 2016 while trans-border and other international airfares increase 1.1 per cent.

- Survey results suggest corporate rates for domestic lodging will increase by a modest 0.9 per cent this year, with corporate car rental rates basically remaining flat (0.1 per cent).

- When asked about the relationship between corporate travel and meetings management within their organization, corporate travel managers reported the greatest level of influence in areas of contracting, data consolidation and sourcing venues.

- Respondents are quite split about the effect of mobile technology, the sharing economy and shifting traveler attitudes on policy compliance. Despite 41 per cent of respondents not expecting any significant effect on compliance from those factors now or in the future, 41 per cent anticipate a negative effect while the remaining 18 per cent expect a positive effect.

- The survey responses suggest that a significant share of companies now reimburse expenses incurred from the sharing economy. Specifically, ground transportation is reimbursed by 50 per cent of companies, car sharing by 38 per cent and sharing accommodation services by 21 per cent.

- Respondents indicate that the most pressing issues facing corporate travel managers in 2016 are cost reduction/control (35 per cent of respondents) and compliance (19 per cent).
Part 1: Business Travel Patterns

Business Travel Spending Up in 2015

According to the survey results, the majority of corporate travel managers state their companies either increased or maintained the level of business travel spending in 2015, compared with 2014. Among the business travel spending categories listed, the most wide-spread increase in spending is reported for air travel, both international (42 per cent) and trans-border (39 per cent). In addition to air travel, a significant share of respondents also report increased travel spending on trans-border and international accommodation. Compared with the responses received by respondents last year, this year’s results suggest a much lower share of companies report increased business spending on domestic travel in 2015—both for air travel and hotel spending. (See Table 1.)

Table 1
Change in Business Travel Spend 2015 vs. 2014
(per cent of respondents)

<table>
<thead>
<tr>
<th></th>
<th>Up</th>
<th>Down</th>
<th>No Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>International air spend</td>
<td>42</td>
<td>15</td>
<td>42</td>
</tr>
<tr>
<td>Trans-border hotel spend</td>
<td>40</td>
<td>23</td>
<td>38</td>
</tr>
<tr>
<td>Trans-border air spend</td>
<td>39</td>
<td>22</td>
<td>39</td>
</tr>
<tr>
<td>International hotel spend</td>
<td>39</td>
<td>14</td>
<td>47</td>
</tr>
<tr>
<td>Domestic hotel spend</td>
<td>37</td>
<td>26</td>
<td>37</td>
</tr>
<tr>
<td>Domestic air spend</td>
<td>35</td>
<td>27</td>
<td>38</td>
</tr>
</tbody>
</table>

Business Travel Expected to Decrease in 2016

Compared with the Canadian Business Travel Outlook survey conducted last year, fewer respondents expect business travel volumes to increase in 2016. In particular, this year's survey results show that only 32 per cent of the Canadian organizations polled anticipate their company’s business travel volumes will increase in 2016. This is down from the 39 per cent of respondents last year. Meanwhile 39 per cent of respondents expect business travel volumes to decrease this year, compared with 33 per cent last year. Overall, this year's responses for business travel volumes are slightly more subdued than those reported last year, suggesting corporate travel managers are increasingly concerned about business prospects over the near term. (See Chart 2.)
Among those corporate travel executives expecting business travel volumes to improve, the largest share (61 per cent) expect growth in the range of less than 5 per cent. A further 28 per cent of respondents expect the increase to be between 5 and 10 per cent, with 11 per cent anticipating business travel volumes will increase by more than 10 per cent. (See Table 2.)

Table 2
Increase in Business Travel Volumes
(per cent of respondents expecting an increase in business travel volumes)

<table>
<thead>
<tr>
<th>Per cent</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5%</td>
<td>61</td>
</tr>
<tr>
<td>5 – 10%</td>
<td>28</td>
</tr>
<tr>
<td>10 – 15%</td>
<td>11</td>
</tr>
<tr>
<td>More than 15%</td>
<td>0</td>
</tr>
</tbody>
</table>

By incorporating the responses of corporate travel managers that expect business travel to increase, remain flat or decline in 2016, the overall survey results suggest that the volume of business travel by Canadian organizations will decrease by an average of 1.7 per cent in 2016, year-over-year. This outlook is quite similar to last year’s results, which anticipated that business travel would decline 2.1 per cent in 2015.
The continued decline in oil prices and the low Canadian dollar may be contributing factors for the pessimism in business travel. In fact, when the question was asked directly in the survey, no respondents indicate that lower oil prices/dollar will have a positive effect on business travel volumes this year. On the other hand, 68 per cent of respondents feel lower oil prices/dollar will have a negative impact on business travel. A further 18 per cent of respondents feel that lower oil prices/dollar will have a negligible effect with a further 14 per cent of respondents being unsure about the impact it will have. (See Chart 3.)

Chart 3
Impact of Lower Oil Prices/Dollar on Business Travel Volume (trips) in 2016
(per cent of respondents)

<table>
<thead>
<tr>
<th>Effect</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive effect</td>
<td>0%</td>
</tr>
<tr>
<td>Negative effect</td>
<td>68%</td>
</tr>
<tr>
<td>Negligible effect</td>
<td>13%</td>
</tr>
<tr>
<td>Unsure</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: The Conference Board of Canada; ACTE

Travel Budgets Increasingly Pressured for 2016

When asked about their expectations for travel expenditures, 39 per cent of respondents feel their organization’s travel spending will increase in 2016. This is up slightly from the 35 per cent that reported likewise last year. At the same time, 34 per cent of respondents feel travel budgets will decrease this year, down slightly from the 37 per cent that reported likewise last year. Despite the slight improvement, corporate travel managers/buyers remain pessimistic about business travel prospects budgets. (See Chart 4.)

Overall, the survey results suggest average business travel spending will decrease 2.6 per cent in 2016. This is almost the same as the 2.7 per cent decline reported from last year’s survey.
Chart 4
Change in Business Travel Budget in 2016
(per cent of respondents: year-over-year change)

When asked to provide up to three reasons why their organization’s travel spending might decrease in 2016, 63 per cent of respondents cite overall travel budget restriction as one of the primary reasons. Mandate from leadership is also cited by 63 per cent. Another 47 per cent of respondents indicate that increased use of travel alternatives would be one of the main reasons behind the expected decrease in their organization’s travel expenses. Meanwhile, 37 per cent of respondents indicate that the projected decrease in business travel expenses will stem from fewer travellers. (See Table 3.)
Table 3  
**Reasons for Expected Decrease in Travel Budgets**  
(per cent of respondents)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall budget restrictions</td>
<td>63</td>
</tr>
<tr>
<td>Mandate from leadership</td>
<td>63</td>
</tr>
<tr>
<td>Increased use of travel alternatives (tele/web/video conferencing)</td>
<td>47</td>
</tr>
<tr>
<td>Fewer travellers</td>
<td>37</td>
</tr>
<tr>
<td>Fewer domestic trips being taken</td>
<td>26</td>
</tr>
<tr>
<td>Improved compliance to policy</td>
<td>26</td>
</tr>
<tr>
<td>Fewer transborder trips being taken</td>
<td>21</td>
</tr>
<tr>
<td>Fewer international trips being taken</td>
<td>16</td>
</tr>
<tr>
<td>Proposed savings based on implementing technologies (i.e. online booking tool, expenses management system, etc.)</td>
<td>16</td>
</tr>
<tr>
<td>Duration of trips decreasing</td>
<td>11</td>
</tr>
<tr>
<td>Changes in primary destinations</td>
<td>0</td>
</tr>
<tr>
<td>Travel prices decreasing</td>
<td>0</td>
</tr>
</tbody>
</table>

*Source: The Conference Board of Canada; ACTE*
Part 2: Corporate Travel Rates

More Modest Price Increases Ahead

Among the corporate travel managers surveyed, the vast majority of respondents continue to anticipate that airfares and hotel rates will increase in 2016. Meanwhile, only 13 per cent of respondents expect car rental rates to increase in 2016. In fact, the vast majority (80 per cent) of respondents expect car rental rates to remain unchanged during the year. In general, the survey results suggest fewer respondents expect prices to decrease this year, compared with responses from last year’s survey. (See Chart 5.)

Chart 5
Change in Corporate Travel Prices in 2016
(per cent of respondents; average change over 2015)

In the case of airfares, corporate travel managers expect a slight increase for domestic, transborder and international airfares. In particular, transborder and international airfares are expected to rise 1.1 per cent, while domestic airfares increase 0.5 per cent. These figures incorporate all responses, including those expecting airfares to increase, decrease or to remain flat. (See Chart 6.)
While many respondents expect corporate rates for domestic lodging to increase (76 per cent), the majority of those anticipate growth will be in the range of 2 to 4 per cent (see Chart 7). By taking into account all responses, including those who expect rates to decline or remain unchanged, the survey results suggest that corporate rates for domestic lodging will increase by an average of 0.9 per cent this year. Meanwhile, corporate car rental rates are expected to remain almost flat (0.1 per cent) among respondents.

Chart 7
**Expected Rate of Change in Domestic Hotel Rates during 2016**
(range of change among those anticipating rates to increase in 2016)
Part 3: Emerging Issues Facing Corporate Travel Managers

The Canadian Business Travel Outlook survey asked corporate travel managers to report on the amount of influence they have over specific meetings and events related activities. On this topic, travel managers indicate the greatest level of influence in areas of contracting, data consolidation and sourcing venues and the least influence in meetings management technology.

In this year’s survey, corporate travel managers were also asked about the impact of new technologies and the sharing economy on both policy compliance and reimbursement policies.

New Technologies, Sharing Economy and Compliance

There is mixed opinion among corporate travel managers about the effect that mobile technology, sharing economy suppliers and shifting traveler attitudes have on policy compliance. While 41 per cent of respondents do not expect any significant effect on compliance from those factors now or in the future, 14 per cent indicate those factors have already contributed to travellers becoming less compliant with a further 27 per cent expecting those factors will contribute to making travellers less compliant in the future. On the other hand, 18 per cent of respondents feel those factors will contribute to greater compliance among business travelers. (See Chart 8.)

Chart 8
Impact of Mobile Technology, Sharing Economy Suppliers and Shifting Traveler Attitudes on Policy Compliance Levels
(per cent of respondents)
Corporate travel managers were also probed on their existing reimbursement policy for the sharing economy. Regarding sharing economy providers of ground transportation, such as Uber, 50 per cent of respondents indicate that such expenses are reimbursed by their company. Meanwhile, car sharing is reimbursed by 38 per cent of companies represented and sharing economy accommodation is reimbursed by 21 per cent of companies. (See Table 4).

Table 4
Reimbursement of Sharing Economy Business Expenses
(per cent of respondents)

<table>
<thead>
<tr>
<th>Sharing economy suppliers of ground transportation</th>
<th>Yes</th>
<th>No</th>
<th>Depends</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>31</td>
<td>19</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sharing economy suppliers of accommodation</th>
<th>21</th>
<th>48</th>
<th>31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car sharing suppliers such as Zipcar, VRTUCAR, Enterprise CarShare, etc.</td>
<td>38</td>
<td>33</td>
<td>29</td>
</tr>
</tbody>
</table>

Source: The Conference Board of Canada; ACTE

Respondents were able to provide comments or explanations to the questions regarding sharing economy suppliers. A few respondents indicate that business travel expenditures are being reimbursed even though they are not included in the travel policy. Meanwhile, other respondents state their companies do not reimburse sharing economy supplier expenditures either due to insurance issues or because it does not fit the corporate culture.

The comments also reveal that many companies are currently reviewing their corporate travel policy on sharing economy suppliers.

Issues facing Corporate Travel Managers in 2016

Corporate travel managers were asked to identify the biggest issues they face in 2016. Perhaps not surprisingly, the most pressing issue is cost reduction/control—mentioned by 35 per cent of respondents. The second biggest issue reported is to increase compliance (19 per cent). Other frequently mentioned issues facing corporate travel managers is the economic situation, the improvement/implementation of booking tools and keeping up with new technologies (13 per cent each). (See Chart 9).
Chart 9:
**Biggest Issues faced by Corporate Travel Managers in 2016**
(per cent of respondents, multiple responses possible)

Source: The Conference Board of Canada; ACTE
About ACTE:

The Association of Corporate Travel Executives (ACTE) has been leading corporations through the business travel management process for 25 years. As a global, not for profit association with members in over 100 countries, ACTE pioneers educational and technical advances that make business travel productive, cost-effective, and straightforward.

From corporate travel managers and buyers/purchasers to agencies and suppliers, all sectors of the industry are granted equal membership and ACTE’s global programs are open to members and non-members alike. For more information, visit www.acte.org.

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- Experts in running conferences but also at conducting, publishing and disseminating research, helping people network, developing individual leadership skills and building organizational capacity.
- Specialists in economic trends, as well as organizational performance and public policy issues.
- Not a government department or agency, although we are often hired to provide services for all levels of government.
- Independent from, but affiliated with, The Conference Board, Inc. of New York, which serves nearly 2,000 companies in 60 nations and has offices in Brussels and Hong Kong.

Our Mission: The Conference Board builds leadership capacity for a better Canada by creating and sharing insights on economic trends, public policy and organizational performance.

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