

The Out Box

The Times That Test

Editor's Notes
March 2009

Thomas Paine was looking at a different situation in 1776 when he wrote "The Crisis," starting with the famous words "These are the times that test men's souls." That opening sentence can apply to our current economic crisis as well. It's difficult not to observe that some men's souls appear to have been in test mode for quite a while — and found lacking.

But Paine's point was that the time for talk was past, even if there was little agreement about just when that passage took place. And while his words were unarguably a call to arms, he was certain as well that the actions to be taken must be backed by a certain quality of conviction: "Say not that this is revenge, call it rather soft resentment ..."

If indeed revenge becomes the motivation, there's a strong possibility that the goal of reviving the economy will be clouded over by measures to control bad behavior rather than inspire good ethics. If revenge becomes the motivation, we're flirting with, as observed by NBTA's Executive Director Bill Connors in a recent letter to members, a world of unintended consequences — "What we are concerned about is ... over-regulating corporations, particularly their travel and meetings spend." Connors argues that "travel and strategic meetings management is the natural tonic that can cure corporate excesses."

Sadly, most tonics are not miracle cures. Strong travel and meeting policies can't quell executive excess by themselves. Corporate culture remains a mighty force.

Waiting For The Break

Whether it's determined optimism, opportunistic investing or data-backed forecasting, the chorus of voices looking to the future is growing stronger. It's not yet pervasive, but after a long winter, the industry is beginning to stir.

There are investors who have been waiting to enter the market for a long time, certain that patience would eventually bring them unprecedented opportunities. Many feel that patience is about to pay off. “For the first time in about 16 months, we are beginning to see hotel prices come in line with market expectations,” says Steve Mendell, executive vice president of acquisitions and development for HEI Hotels & Resorts.

The gap between what the buyers want to spend and the sellers expect to earn is narrowing, he continues, adding that his company is willing to wait yet a little longer while prices become “even more attractive.” A wave of acquisitions is about to begin, he predicts, and HEI will be ready. Cash always is king in this part of the real estate cycle, Mendell observes, and HEI is ready with a \$1.5 billion investment fund that “will give us a competitive advantage, coupled with our ability to innovatively structure transactions and our track record of closing quickly at an agreed-upon price.”

One of the main themes is coming from companies that champion data-based solutions. They’re counseling travel and meeting managers that waiting even a few more months may be too long if they expect to reap significant rewards even a year from now. The time to act, they emphasize, is now. As with the hotel investors, convergence is the key. Only instead of the forces being buyers’ pocketbooks and sellers’ asking prices, the database strategists are measuring the possibility of increased government oversight and the certainty of fierce supplier competition against the amount of time it will take to build databases robust enough to use as leverage in future supplier negotiations.

Calling the current economic crisis “a golden opportunity to eliminate wasteful procurement and spending practices, and implement solutions that enable better transparency and provide more control over corporate spending,” Terry Wellesley of BMO Spend & Payments Solutions exhorts that “Now is the time to put real spend management tools to use. The benefits will be even greater when the economy gets back on track and organizational spend begins to increase once again.”

The third chorus being heard right now is predicting fundamental changes in how business contacts will be conducted in the years ahead. Here again, there’s a kind of convergence at work. This time, the need to control corporate costs has combined with increased environmental activism and a palpable disenchantment with the demands of business travel. Reporting a 40 percent spike in bookings in its network of public access videoconferencing studios, Mark Dixon, CEO of the Regus Group, calculates that videoconferencing beats the cost of traveling to a meeting by an average of 75 percent. “Companies can also help the environment by hosting a videoconference — lower hydrocarbon emissions, reduced fuel consumption and less traffic congestion makes videoconferencing a greener way to work.”

In a burst of what may well be more than simple enthusiasm for his business, Dixon adds “The quality of virtual tools available have improved so dramatically in recent years [that] I can’t imagine any company reverting back to its old way of conducting a meeting.”

Eyes Wide Open

Continental Airline's announced intention of leaving Skyteam and joining the Star Alliance instead is not being made lightly. There's a lot of things that could go wrong, acknowledges airline management in its 2008 annual report.

Timing will be of utmost importance, with as little gap as possible between termination of all contractual obligations to individual Skyteam members and collecting the first revenues under the Star umbrella: every day that intervenes between those two events could mean significant loss. And there's a lot that could happen before it's over:

- failure to maintain key customer relationships through the transition.
- difficulty in getting government approvals and setting up bilateral agreements with individual members of Star.
- integration of its own technology processes with the Star system's.
- regulatory demands that the airline give up specific slots, gates, routes or other assets that would make the new partnership less valuable.

Nevertheless, the change sure looks good on paper.

Back To Basics

Business travelers around the world are onboard with corporate efforts to keep travel budgets as tight as possible, according to a report commissioned from the Economist Intelligence Unit by Amadeus Hospitality Business Group. Executives from Asia, Europe and North America earned researchers' label "austere travelers" after ranking what they cannot do without - Internet connectivity, flexibility to change requirements, efficient check-in and check-out, rapid resolution of problems, a quiet room, good transportation and a central location.

Hotels that remember their preferences: not so much. With the Internet put at the top end by 76 percent of respondents, only 29 percent put much importance on special preferences. Gyms and fancy restaurants weren't up there either. In fact, 63 percent of these executives expect their companies to use the economic downturn to bargain for better hotel rates - and they're willing to switch to a less expensive brand if that's what it takes. What they do expect, however, is a hotel brand that can be trusted to deliver a uniform level of service at each location.

The Last Word

Among a checklist of policy changes recommended by Advito Consulting to a global travel manager who'd been asked to cut \$12 million from the budget: "Help travelers plan around sold-out or high-rate hotel stays by posting a calendar of major events in

top cities on the corporate web site.” We’d like to point out that we can help with that: check out Compression Calendar, a monthly profile of a specific city and the coming events that will tighten the available inventory of hotel rooms. Most Calendars are too long to be printed entirely in the magazine but you’ll find the long version on the askBTE website.