

BUSINESS TRAVEL STILL BOOSTS FRENCH TOURISM



The business travel sector accounts for almost half of France's hotel business, but the economic crisis and the tendency to 'Uberize' everything are disrupting established practices.

French tourism industry seems to be recovering, and while tourism as a whole is expected to reach a record high in 2017, the business travel segment of the market seems to be recovering as well. According to INSEE, almost half of the nights being spent in hotels are by business travelers.

The number of overnight stays by business travelers in France is 96 million, some 48% of the total number of overnight stays in French hotels in 2016, according to INSEE. The estimate of the total value of the business segment of the tourism market in France is EUR 28.2 billion. According to EPSA company, the segment will see accelerated growth in 2017 (+3.5% versus +2% in 2016).

"We have noticed a certain recovery," Claude Lelièvre, Vice-President of the French Association of Travel Management (AFTM), indicated. **It is estimated that business travelers spend between 2.5 and 5 times more than leisure tourists for transportation, hotel, and restaurants.** This fact is driving tourism professionals and French territories to mobilize their efforts in order to attract this lucrative segment of the market.

However, business travelers in 2017 no longer have much in common with their counterparts from thirty years ago. The advent of the internet and the economic crisis have made sure of that.

"There is a less and less clear-cut segmentation of the business tourism market, Claude Lelièvre noted. Companies are no longer hesitating to explore the entire range of fares and rates in order to reduce their costs. For example, instead of buying flexible tickets, they are opting for nonexchangeable ones".

Saving Time and Cost Control

With the aim to save time and control the costs, the digital revolution has turned peoples' habits upside down. "Companies are now using 'webinars' (online seminars) to avoid the travel costs," Jérôme Bonnepart, 'travel manager' at Arkema and regional delegate for AFTM underlined.

The days of travel agencies organizing trips from A to Z are over. Nowadays, traveling professionals are increasingly expected to manage their own reservations via their smartphone. Mobile applications dedicated to this purpose have become indispensable: "You can book your taxi using Waze, manage your expense reports with TGV Pro tools...", said Jérôme Bonnepart. "These days, 80% of reservations are made directly online."

This paradigm shift has not gone altogether smoothly; traditional service providers have had to adapt. Threatened by this new phenomenon of disintermediation, travel agencies have had to redefine their role: after having witnessed, year after year, the increasing role being played by digital technologies, they have begun to integrate digital tools into their own service offerings.

Other Stakeholders Are Delighted

This new business model has delighted other stakeholders. Heavyweights of the collaborative economy understood early-on that this new paradigm presented a new opportunity, one which should not be missed. This trend was kicked off a few years ago by low-cost airlines which began introducing offers geared towards business travelers. Following in their footsteps, Uber, Airbnb, and others have in turn introduced their own offers aimed at the professional segment of the tourism market.

And this trend is beginning to catch on, slowly. "We have noted an evolution of the market brought on by the emergence of certain players in the collaborative economy," the Vice-President of AFTM mentioned. A growth which has been reinforced by the arrival in the labor market of the 'Millennial' generation - people between the ages of 18 and 35 who are addicted to their mobile phones and the economy of sharing. For example, young people in the work force are two times more likely to use Uber and Airbnb during their business trips, according to a Carlson Wagonlit Travel (CWT) study conducted in 2015.

Initially skeptical, traditional operators in the transportation and hotel industries have taken the measure of this phenomenon. Everyone has witnessed the precedent set by airlines: just a few years ago, no one would have imagined that low-cost companies would end up attracting business travel customers as they were previously considered to be too 'cheap' or not well suited to their needs. Nevertheless, that is exactly what has happened: most booking systems used by travel agencies and companies to manage employee travel now offer low-cost airline options. "We have integrated low-cost options into our offering," Michel Dinh, Director General of Havas Voyages confirmed.

The Question of Safety

What strategy should be adopted in the face of collaborative platforms? Traditional operators are attempting to use digital tools, they are seeking to achieve economies of scale while simultaneously developing offers tailored to the needs of business travel sector.

These traditional operators are not out of the running yet. Uber and similar companies will still need to prove themselves if they ever hope to attract a wider public.

"The collaborative economy is very appealing on paper, but poses problems of traceability," Jérôme Bonnepart underlined. This is all the more crucial since, in these troubled times, security has become the primary concern of travelers and travel managers alike - according to the 2016 business travel barometer established by the business travel branch of the American Express group.

Moreover, companies are legally responsible for the safety of their employees. "The issue of safety, which is becoming crucial, is sometimes translated by companies into 'travel policies' which prohibit certain means of transportation and forms of accommodation," the travel manager for Arkema pointed out.

Security of individuals, but also of transactions: "many currently available offers make use of technologies that are not yet fully developed," Jérôme Bonnepart pointed out. Collaborative platforms must still succeed in combining ease-of-use and data security before they will be able to win over the lucrative business tourism market.

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