

Advito Project Continued Business Travel Growth, Moderate Price Increases in 2012



Trips to emerging markets helped push corporate travel to prerecession levels this year, and travel to those same markets is expected to buoy the industry in 2012, despite economic malaise in Europe and North America, according to the 2012 Industry Forecast released today by BCD Travel consulting unit Advito. Steep increases in oil prices in the first half of 2011 led to equally steep increases in the price of travel this year.

The price of oil has moderated in recent months, but travel buyers will still need to budget for moderate airfare and hotel rate increases, says Bob Brindley, vice president for Advito. "A barrel price of US\$100 is the 'new normal,'" he said. "But there will be additional factors at play in 2012, including the growing power of consolidated airline entities and higher distribution fees in some markets."

Based on the provisional assumption that economic growth will continue in 2012, bolstered by strong demand for travel to Brazil, Russia, China and India, Advito expects business travel demand to increase by medium to high single-digit percentages in growth markets and by low single-digit percentages in North America and Europe. Across all regions, Advito predicts the price of travel to grow by 4 percent to 6 percent.

To create the 2012 Industry Forecast, Advito interviewed industry experts and analyzed aggregated transactional data, as well as figures from the International Monetary Fund and other economic and travel industry organizations. The result is a roadmap for the year ahead, complete with strategic directions for travel buyers.

Among the Industry Forecast insights:

- Airfares will rise 3 percent to 5 percent worldwide, pushed by rising demand, carrier consolidation and capacity control. In general, airlines have been slow to restore capacity since the depths of the last recession, but the transatlantic market is a noteworthy pocket of oversupply. The price of air travel also could be driven up by fees for payment by card, as other carriers follow the lead of British Airways and the Lufthansa Group, and new carbonemissions regulations in Europe.
- Hotels are bullish about their ability to raise rates in 2012, with finalized increases likely to be from 2 percent to 6 percent, depending on location. But in gateway cities such as New York, another year of double-digit increases is probable.
- Meetings demand rebounded in 2011 and is expected to be strong again in 2012, assuming continued economic growth. Consequently, rates will rise in 2012 and accelerate in 2013 based on strong forward bookings. Rate rises will be greatest in gateway cities.
- Negotiated car rental rates in the United States — by far the largest car rental market worldwide — have not moved upwards for two years because of intense competition. Something will have to give, so Advito expects rates to rise by 4 percent to 6 percent in 2012.
- Rail travel prices in Europe are likely to increase around 5 percent, similar to 2011. Deregulation

of the cross-border market will bring about some new services and routes, but pricing is unlikely to be affected.

Additionally, Advito has partnered for the first time with Tnooz, the leading global news service covering travel technology, digital distribution, online marketing and social media, to provide a special section in the 2012 Industry Forecast on travel technology trends. The section addresses ongoing developments in the areas of search, distribution, hand-held devices and mobile commerce.

While demand for business travel showed no discernible flattening through August 2012, economic events are moving rapidly, and Advito will issue revisions to the forecast as necessary to reflect global conditions. The 2012 Industry Forecast will be updated in the fourth quarter, with quarterly updates throughout 2012.

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