

Corporate Travel

Corporates learn to do without champagne

SARAH LANG

Forget the pod beds, the four-course meals and limitless champagne that come with a business-class ticket.

Despite some long faces, the recession has caused corporates to downgrade to premium economy – cattle class with extra wriggle room – as a middle-ground between business and economy. While business-class was the norm for a lot of companies, many have now banned it, says Andrew Dale, chief executive of travel management company Atlantic Pacific American Express.

Board director Mike Petersen says travel policy at Meat & Wool New Zealand and the New Zealand Meat Board has just been amended from business class to premium-economy for one-sector trips.

Airlines have countered with temptingly low business-class fares, and quickly freed up more space for premium-economy travellers. For instance, Air New Zealand recently doubled its fleet's premium-economy seats to 36 per aircraft.

The national carrier has witnessed an increasing cost-consciousness in

business-travel patterns, says Cam Wallace, general manager for the New Zealand and Pacific Island region. "For example, they're travelling at different times or using airpoints – looking to stretch their travel budget further."

More companies, especially small and medium enterprises, are embracing an open-sky or least-cost policy: essentially, any airline will do. The other week, I heard a posse of young corporate thrusters complaining about such a policy, which meant they had to stop in Christchurch en route to Dunedin. "They save 100 bucks, but waste four hours of my time," said one.

But the open-sky policy has reduced the average ticket price by nearly 15 per cent, says Marie Pilkington, public relations manager of the Flight Centre.

"Corporates have moved from using a preferred airline with the best deal of the day to the best deal in the marketplace from any airline," says Mark O'Donnell, managing director of travel management company Orbit.

It is no surprise then that airlines have been jostling to offer more, or rather, more value. From extra leg

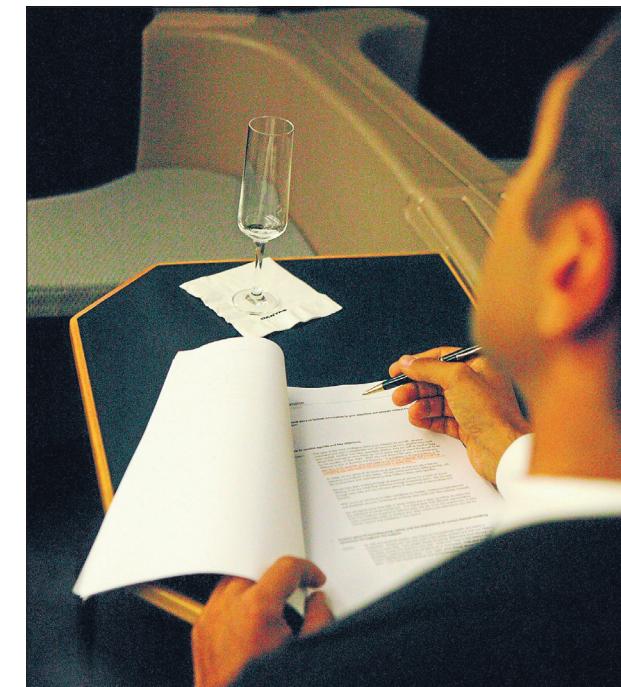
room and web check-in to airpoints and free drinks; from fully flexible, refundable tickets to cheaper fares for no baggage.

To quote a Pacific Blue advertisement, "Does a cup of tea and a boiled lolly warrant paying twice as much? Should you pay for baggage when you're only carrying a briefcase?"

With the introduction of low-cost carriers Pacific Blue and Jetstar, customers' expectation of price has come down, Dale explains. We've all seen the advertisements for \$29 Wellington-to-Auckland and \$89 trans-Tasman fares.

Although it is not traditionally businesspeople who take no-trimmings carriers, more have been doing so. Sure, when JetStar entered our domestic market in June, replacing parent company Qantas, it got off to a jittery start. But the problems have been ironed out and its business-travel market keeps strengthening, says Simon Westaway, JetStar's head of corporate relations.

"As many as one in five customers are flying for business or government reasons." Unlike Qantas, which was losing \$750,000 a week, JetStar is already in profit on New Zealand's



Nostalgia: First-class business travel is a thing of the past for most corporates.

Photo FAIRFAX/
MICHELE MOSSOP

domestic routes, and it is considering an additional aircraft and expanding to more centres.

Then there is the business-traveller drawcard, the lounges. Traditionally considered soulless hideaways from the riffraff, lounges have scrubbed up. The recently upgraded Koru Lounges – one has just opened at Tauranga – is clearly the fanciest feather in Air New Zealand's plumage.

The lounges are especially appealing if you have to check in two hours before a flight to Australia.

It's not unusual for Koru Club

member Mike Petersen to fly three days a week. "The lounge makes a huge difference. It's the comfort and the chance to use it for meetings." International travellers have options, but, at domestic airports, the Koru Lounge may soon be the last. On December 4, the domestic Qantas lounges in Auckland, Wellington and Christchurch will close. Meanwhile, JetStar plans to share these old lounges with other airlines, on a pay-per-use basis, while retaining complimentary access for Qantas Chairman's Lounge and Platinum members.

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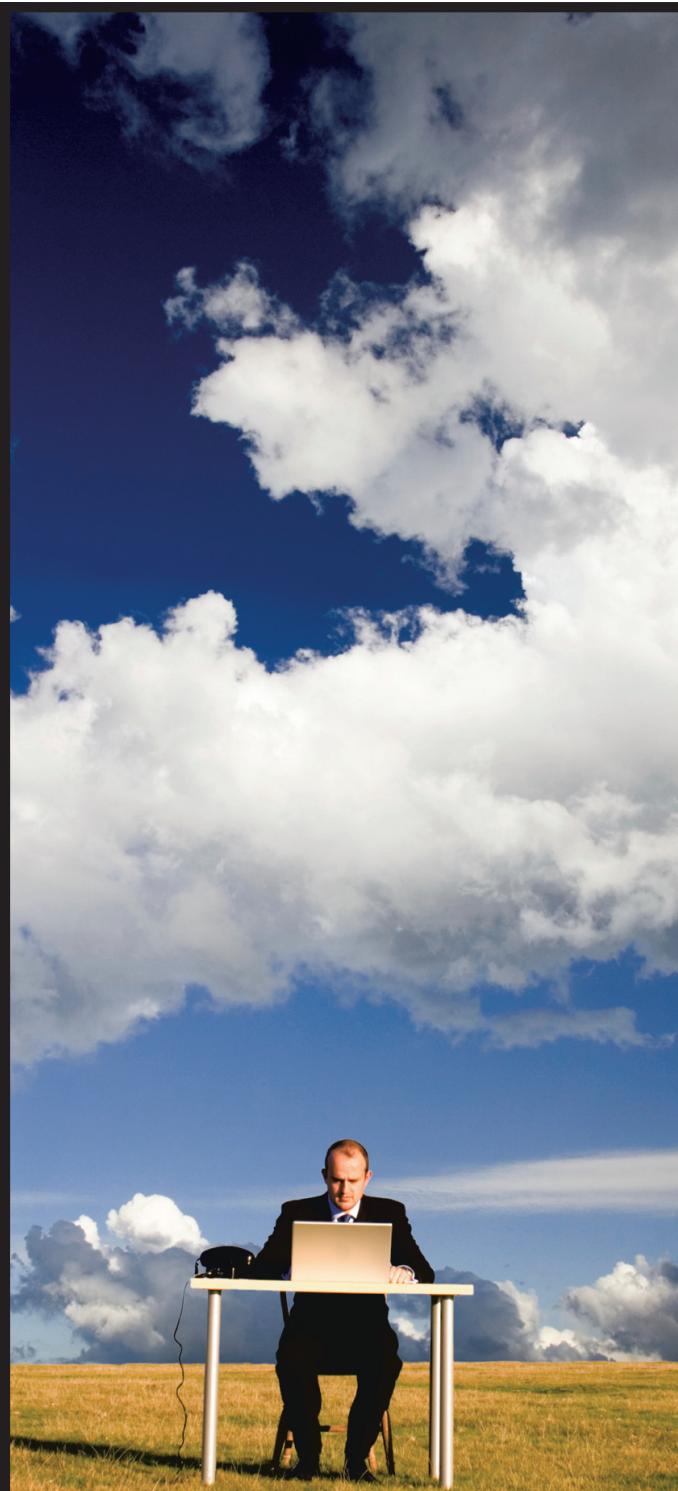
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In tough times, DIY ain't always smart

SARAH LANG

There's a saying that "for every company feeling the pinch, there's one going through boom times". That's certainly true of this recession – think campgrounds, cinemas, gardening stores – but a more unlikely benefactor is travel management companies.

"In the good old days they were called travel agents," says Travel Agents' Association of New Zealand director Andrew Bowman (also managing director of First Travel Group). "Now the new-generation term 'TMC' has been coined for business-travel specialists."

And don't just expect TMCs to book your flights; sure, their core job will include getting the best discount deals, but you can also get them to check there's a complimentary drink inflight or make sure the pillows are soft at your hotel.

As businesses battle to keep costs down, international bookings have slowed, admits Marie Pilkington, PR manager of global travel company Flight Centre, whose chief corporate arm is FCm Travel Solutions. "But domestic and trans-Tasman bookings have increased during the recession. In tight times, companies turn to TMCs for accountability, advice, quotes, options. They're saying, 'I need a smarter way to travel'."



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PR manager Flight Centre.



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Shouldn't you just get your secretary to book online, or do it yourself? Sure, DIY travel might seem like one way to slash costs, but it can actually cost more, industry figures say. Particularly for time-consuming, complicated trips where expert knowledge (and negotiating power) can make the difference between, say, a free transfer and a pricey taxi.

Says Andrew Dale, chief executive of multinational TMC Atlantic Pacific American Express (APX): "If it was a business-class trip to London with a side trip for the family in Los Angeles, you can see how complicated this could get."

"You save both hard and soft costs," says Pilkington. "Say you've got a PA spending X per cent of her

time online, looking up and guessing as to the best deals. Her time's spent more productively on other things."

An FCm survey of its business customers found internal staff take, on average, an hour to make a travel booking and two alterations online. "Also, there's a misconception that the best fares are online," Pilkington says. "Often, they're not, but consultants are constantly updated on the best available fares."

Mike Petersen, director of various farming companies and boards, and chairman of Meat and Wool New Zealand, has been with FCm for four years. Petersen, who flies domestically and internationally regularly, says he'd never go back to DIY. "I live in Waipukurau so it's far more convenient to ring Anita and

say 'I want this that and the other', and it's all done." From corporate-travel arms of global heavyweights through to local independents, TMCs don't just make the bookings. They also help customers create and manage travel policies (including policing upper travel limits), and issue reports highlighting where travel dollars are going and ways to reduce costs. For instance, Orbit often arranges shared taxis to cut costs.

Rivalry keeps prices competitive and service levels high. "What was already a crowded market has become even more competitive during the recession," says Bowman. Mark O'Donnell, managing director of Orbit – the corporate-travel arm of House of Travel and New Zealand's fastest-growing TMC – admits there's

"huge competition", especially for large corporates' multimillion-dollar accounts. None more competitive than APX. Doubling its size by merging with BTI Signature Travel on September 1, APX says it spans all travel budgets. "Think \$50K to \$20m," says Dale.

There are also plenty of small businesses – including one-man bands – on TMC books. In January, Flight Centre brought discounted business-travel division Flight Centre Business Travel into the market to capture the small-business niche.

Pilkington says leviathans have something over littles: the backing of a global-heavyweight parent; worldwide reach; buying and negotiating power across multiple suppliers. "We can pull international strings."

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