

Against All Odds Sustainable Development May Survive the Crisis in the Business Travel Industry

Fourth Annual ACTE – KDS Survey reveals combined impact of the financial and environmental crises on organisations' travel behaviour.

2009

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INTRODUCTION

Despite the strains of the credit crunch taking up increasing amounts of management time, companies are maintaining their commitment to Corporate Social Responsibility (CSR), according to the latest ACTE-KDS Survey.

However, 'green' forms of travel are suffering as organisations put cost-saving ahead of the environment, the report reveals.

Now in its fourth consecutive year, the ACTE – KDS Survey analyzes how corporations adapt their travel patterns to external factors such as the current financial crisis and the impact of business on the environment.

The Association of Corporate Travel Executives (ACTE) and KDS, European leader in on-demand travel and expense systems, jointly issued an online survey in January 2009 and, based on those results, produced a study gauging both the impact of global warming on the business travel industry, and the more recent impact of the economic crisis and its resulting effect on travel behaviour.

As in previous years, ACTE and KDS share two goals in producing this study: to continue to raise awareness in the business travel industry on the need to consider the environment; and to create a benchmark for executives to evaluate their CSR programmes against those of other global companies. Due to the current global financial situation, our study also looks at how business travel is affected by the poor economy. We have also asked respondents how their organisations' CSR programmes will cope with today's economic stresses.

In 2008, ACTE and KDS coined a new expression: 'Travel Guilt' – guilt associated with the impact of travel on the environment. Because personal behaviour and sensibility towards the environment is something that has increasingly been considered an ethical and moral issue, we had also introduced questions to gauge

the personal feelings of respondents on issues such as their employers' Corporate Social Responsibility actions or their organisations' procurement policies.

We have asked these questions again this year so we can see how respondents' views on these topics have evolved.

We were pleasantly surprised to see that respondents are optimistic about the future of their organisations' overall CSR programmes. The crisis won't lessen their companies' green efforts, they tell us. We were also encouraged to see that more report that they have a CSR charter, and that a relatively large percentage prefers to buy from a supplier that itself has a CSR charter.

This demonstrates that CSR is now part of many organisations' DNA and is present at all levels of a company, from production to human resources. So, if a respondent says that the crisis won't stop their organisation's CSR efforts, it is because these efforts – whether focused on saving energy, controlling emissions or taking positive social action – are projects that generate savings for everyone in the long term.

However, this isn't always true when it comes to 'green' travel, as carbon-efficient options are still rare and, even when available, sometimes costly.

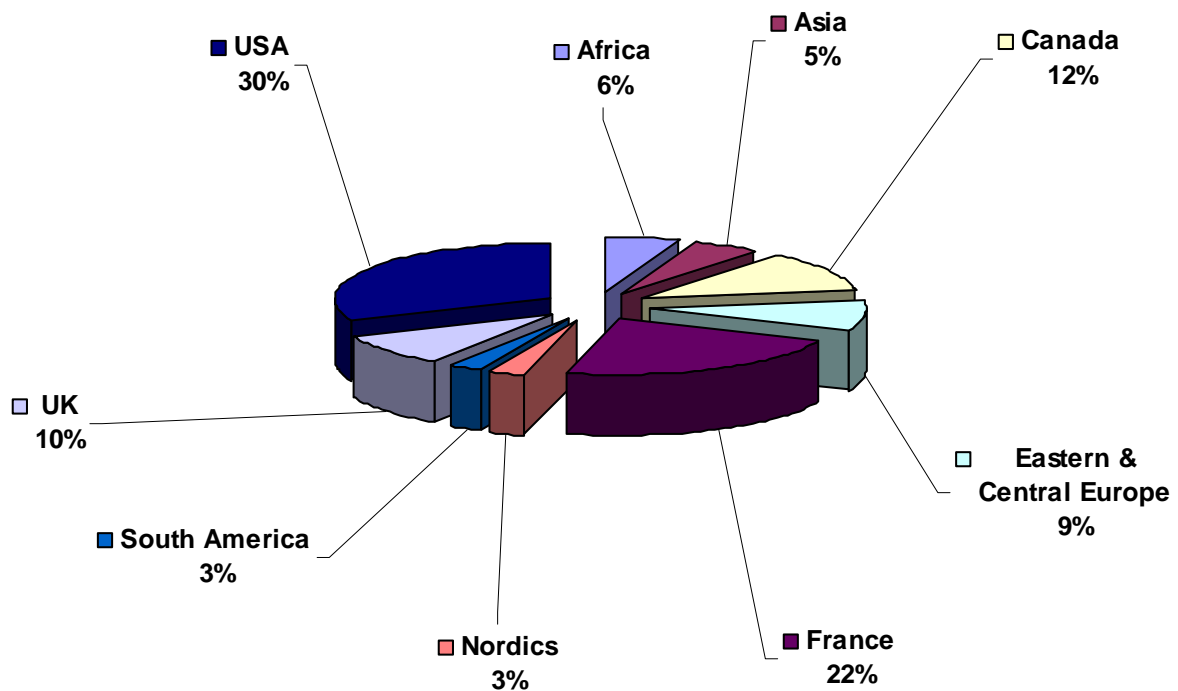
Confronted with poor economic conditions, corporations are slashing costs and business travel is an easy target. A majority of respondents in Europe – and greater numbers in the US – say that their travel has been reduced, and sometimes even frozen, because of the crisis.

Contrary to popular belief, cost-cutting does not always equate to a greener environment. As companies look for cheaper transportation alternatives they may turn away from carbon-efficient transport such as railways, which in Europe are efficient, but sometimes more expensive than air travel.

Travel management in a time of economic turmoil often means combining cheaper prices with greener options, a difficult challenge to pull off.

RESPONDENTS

Chart 1 - Where are you based?



The number of respondents rose by 52 percent to 329, from 263 in 2008. Sixty-four percent of those replying are Procurement or Travel Executives.

This study is a global portrait of the travel industry, with 42 percent based in North America, 44 percent in Europe and 10 percent in the United Kingdom; Africa, Asia and South America accounted for 14 percent.

Thirty-four percent are employed in corporations employing over 10,000 people. A further 15 percent of respondents said they worked in companies with 1 to 100 employees.

Respondents are frequent travellers: 19 percent make more than 30 trips per year, while 30 percent travel more than 20 times annually.

TRAVEL MANAGEMENT

Respondents are experienced travellers and travel managers. The majority, 65 percent, use a Self Booking Tool (SBT) to make their travel arrangements, while no fewer than 89 percent say their company has a travel policy: up two points from 2008.

These two criteria are paramount to greener travel management and cost control. SBT centralizes all travel arrangements, thus making it the natural method of controlling not only travel spend, but also travel patterns and carbon emissions via electronic rules triggered by the organisation's travel and expenses policy.

It is encouraging to see that the vast majority of organisations have the necessary tools in place to face the current financial and environmental challenges confronting our industry.

IMPACTS OF THE FINANCIAL CRISIS

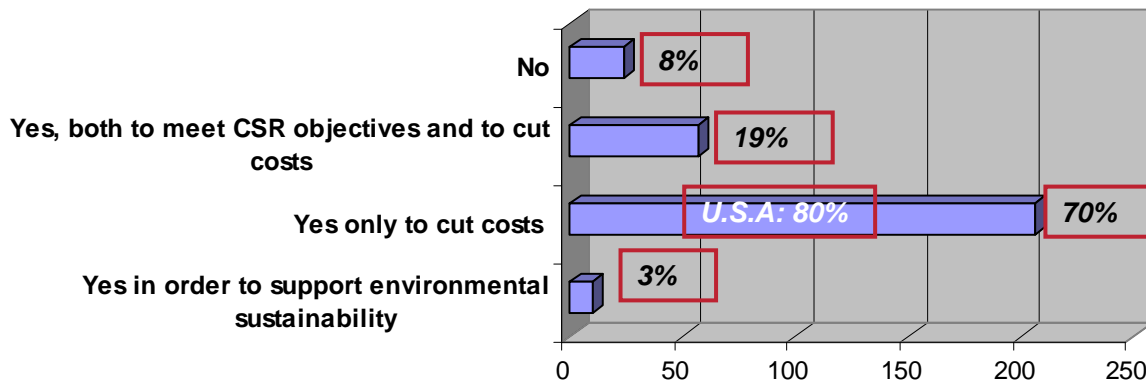
Although the economic situation is not impacting organisations' CSR programmes as a whole, it is impacting travel – and 'green' travel in particular.

Our survey asked respondents to rank three strategic areas as high, medium or low priorities. While top priorities last year were employee security (78 percent), cost reduction (72 percent) and supporting environmental sustainability (29 percent), the main priority today has clearly switched. Cost reduction is now cited by 78 percent of respondents. Employee security is next with 75 percent, while environmental sustainability drops as a high priority from 29 to 17 percent.

16. Rank the priorities below that your organization currently assigns to the following strategic areas with regards to travel management: Classez par ordre de priorité les secteurs stratégiques concernant les déplacements de votre organisation :					
	High/Haute	Medium/Moyenne	Low/Basse	Rating Average	Response Count
Employee security / Sécurité des employés	74.6% (206)	20.3% (56)	5.1% (14)	1.30	276
Supporting environmental sustainability / Environnement et Développement Durable	17.2% (47)	48.2% (132)	34.7% (95)	2.18	274
Costs reduction / Réduction de coûts	77.8% (214)	18.2% (50)	4.0% (11)	1.26	275
	answered question				280
	skipped question				49

Surveyed organisations are suggesting cutting travel as a way to reduce costs, with 70 percent choosing this course of action. This figure jumps to 80 percent when we single out the US.

Just 19 percent of the companies polled say they are reducing travel to both meet their CSR objectives and to reduce costs. A miserly 3 percent say that reductions in their travel budget are motivated by CSR alone. Just 8 percent report that their organisations have not suggested a travel reduction.

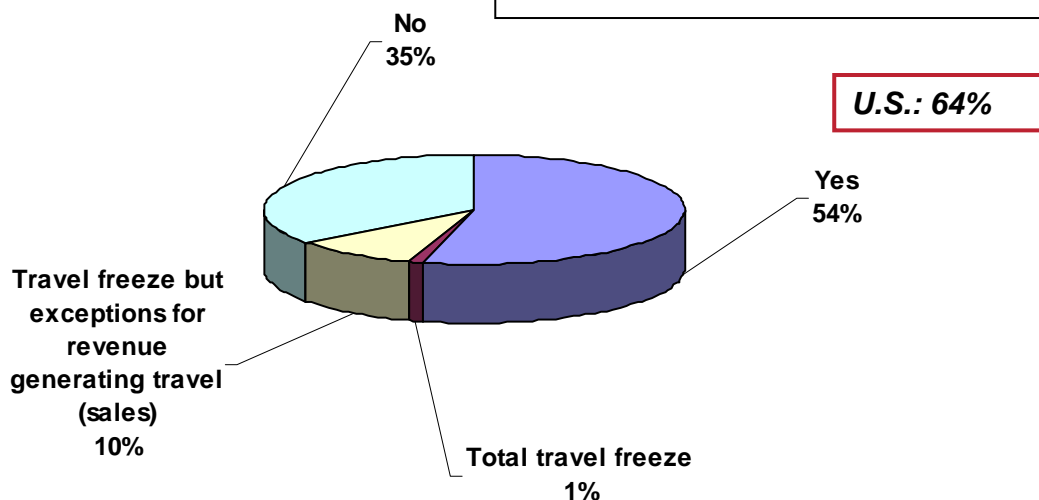


Current Travel Cuts

Among respondents, 70 percent anticipate reductions in business travel, while 54 percent have already had to cut their expenditure in this field. In the US, which has been hit harder and faster by the financial crisis than the rest of the world, the latter figure rises to 64 percent. Ten percent are being asked to freeze their travel totally except for 'revenue generating' trips, while one percent report a complete travel freeze. A significant 35 percent of respondents are still travelling.

"My company has issued a profit protection plan that will drive down travel costs and eliminate non-essential travel." (Nordic, Corporate, over 10K employees)

"And all trips are coach class." (U.S.A., Corporate, over 1K employees)



Not surprisingly, 79 percent of those surveyed anticipate a tougher travel policy in the near future.

Crisis Impact on Corporate Social Responsibility

As noted above, it came as a welcome surprise to ACTE and KDS that, despite the credit crunch, most respondents (52 percent) say their organisations are paying as much attention to their travel-related CSR programme. Again, responses differ between continents; in the US, 27 percent think their organisation will pay less attention to it, compared to 23 percent overall.

Yet, as a UK travel manager commented, this optimistic view may be closer to wishful thinking than reality. It is difficult to understand how organisations can both slash travel costs and preserve green travel alternatives, which are often costlier.

"I would like to say that the financial crisis won't impact our programme, but realistically I think this will happen to all corporates."

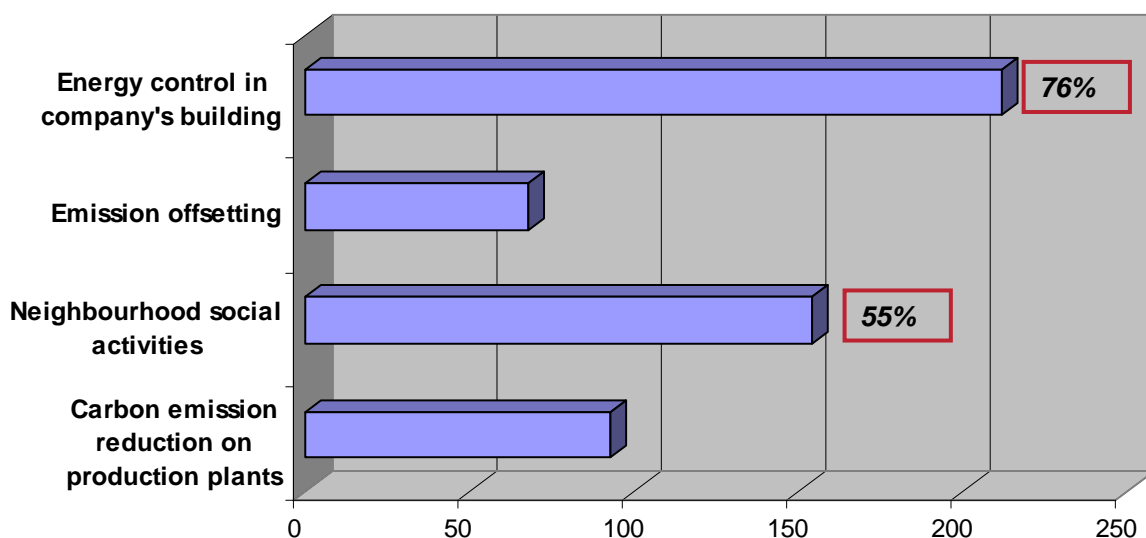
(UK, Corporate, over 10K employees)

SUSTAINABLE TRAVEL

Depending on an organisation's business, the travel-related portion of an organisation's total carbon emissions varies greatly. Travel accounts for most of the emissions of an international consulting firm, for example. That portion will be much lower in a manufacturing company.

Consequently, organisations looking at CSR-related emission controls take into consideration many more items than just travel.

We asked respondents which CSR activities they could list in their organisation:



For the most part efforts are focused in energy control, social actions and production plants.

A comment from one UK procurement executive in a mid-market enterprise illustrates this: *“Our CSR [effort] is heavier in production rather than directly related to our travel patterns.”*

Employee Support of CSR

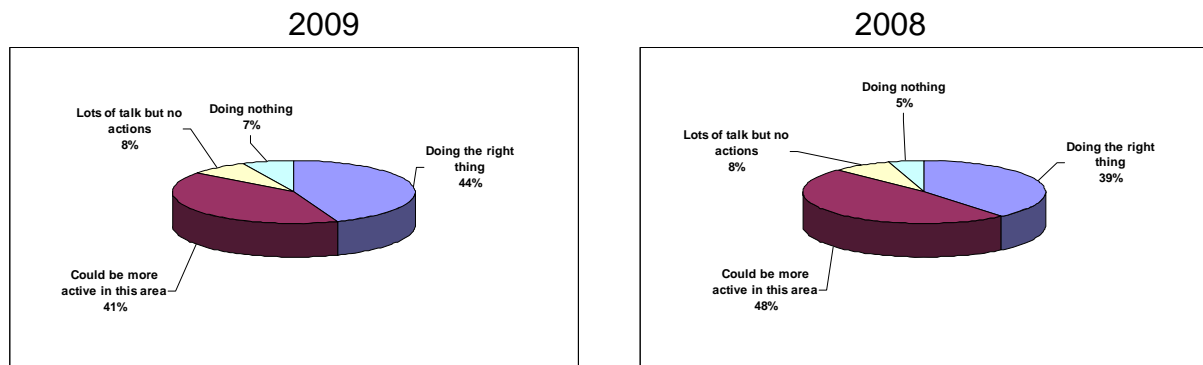
The latest ACTE – KDS study reveals that the number of organisations with a Corporate Social Responsibility charter has grown impressively from 59 percent in 2008 to 61 percent now.

This is in line with our 2008 predictions. The ‘eco-friendly’ stance in travel procurement behaviour is now confirmed. ACTE and KDS now see this as an important trend in how corporations manage their travel. It is a trend that has an impact on every player in the industry, from buyers to suppliers.

This trend is also confirmed by the fact that 27 percent of respondents say they prefer doing business with suppliers complying with a CSR charter, although this has grown only marginally from 2008’s 26 percent.

Among those organisations that have yet to implement a CSR policy, 23 percent say they would like to have one in place. This clearly shows employees’ support for CSR processes.

Similarly, employees are now backing their employers’ CSR efforts, noting an improvement in the position over 2008.



Measuring Carbon Emissions

However, it remains difficult for travel managers to measure travel-related carbon emissions. Sixty-one percent of respondents say that their travel department is not tasked with providing reports to senior management on carbon emissions produced by staff travel.

This is both because few SBTs providing a reporting capability in this field exist, and because measuring the entire door-to-door travel process is nearly impossible.

Current reports are usually limited to the air and rail portions of carbon emissions. Incorporating ground transportation (taxis, car rentals, public transportation) plus

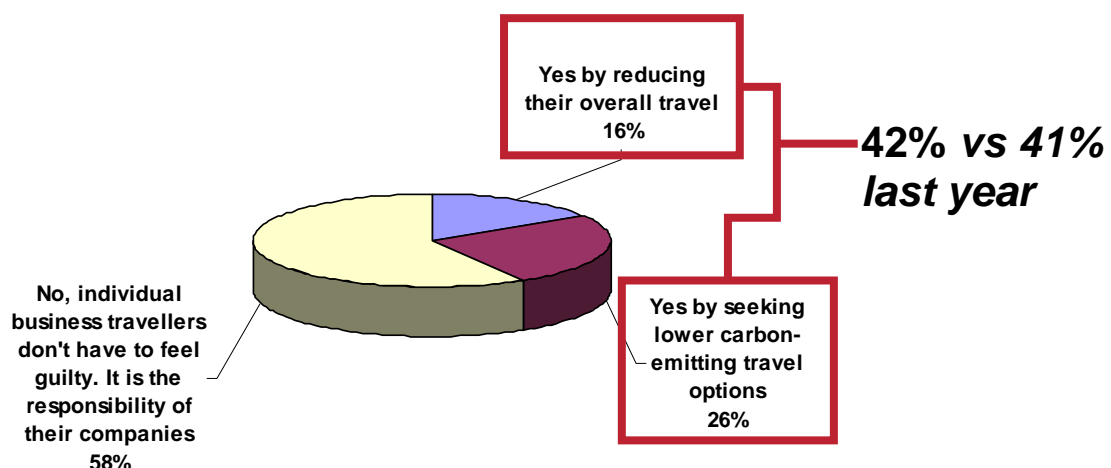
hotel stays into the trip's total carbon emission report is quite difficult and subject to interpretation.

However, ACTE and KDS believe that as technology advances and industry moves towards a generally agreed reporting format, travel departments will increasingly be asked for complete travel-related carbon emissions reports.

Travel Guilt

We asked, *"Will travel-related carbon emissions 'travel-guilt' factors influence individual business travellers' decisions on their travel patterns?"*

Again, the number of 'Yes' responses increased slightly – from 41 to 42 percent – compared to last year.



Clearly, however, for most people, feeling guilty about travel done on business is not a factor. Yet 116 persons out of 164 who answered this question do feel some travel-related guilt.

As stricter travel policies are put in place and more travel avoidance alternatives come into play, we are confident that, when given a choice, these travellers will trade a seat in a plane for one in a train – or even for a tele- or video-conference option.

This finding is supported by the following comments from a Travel Manager working for a company employing more than 5000 people in the Middle East: *"I think companies should be more pro-active [in regard to CSR] and you will be surprised to see the responses from the employees - they embrace CO² reduction plans."*

SUMMARY

The fourth annual ACTE - KDS survey confirms that organisations globally are embracing concern for the environment.

It demonstrated the following:

1. Corporate Social Responsibility programmes relating to travel will survive despite the global financial crisis.
2. Organisations increasingly favour doing business with 'green' suppliers.
3. Employees are supporting their organisations' CSR programmes.
4. The financial crisis has already forced organisations to cut travel and respondents are expecting even more travel restrictions.
5. Travel budget constraints may have a negative impact on environmentally-conscious travel policies.

As we put the final touches to our 2009 study, we have mixed feelings about the situation facing the business travel industry. In just a few years, it has succeeded in embracing CSR to the point where it is now part of its own DNA. Organisations are now massively equipped with advanced online travel management solutions and with well-trained procurement executives. That will count in the months and years ahead as companies fight to survive in the grim global economic landscape.

Respondents are positively committing to green travel. However, two things are getting in the way: finance and the availability of green travel options.

- Finance: by cutting travel budgets, travellers are forced to travel more cheaply... which is not always synonymous with travelling 'green'.
- Green Travel Options: in Europe airlines compete with (frequently expensive) rail, but no similar alternative exists on long-haul routes. Similarly, there are still only a few hotel or car rental companies that offer 'green' products.

In the responses to our study, we can discern a real drive toward sustainable travel and continuing optimism in the work being done in this sector. However, much still remains to be done to empower travellers and procurement managers to efficiently combine cost and environmental constraints into their travel policies. Suppliers need to continue developing greener products and the industry as a whole must establish common guidelines for Corporate Social Responsibility.

For further information

Susan Gurley ACTE
Stanislas Berteloot KDS

703.683.5322 x 204
+33 (1) 46 29 33 80

sgurley@acte.org
sberteloot@kds.com

About KDS

KDS on-demand travel & expense offers a completely integrated solution for travel and expenses management, addressing essential needs ranging from travel policy definition and enforcement, to online travel self-booking, automated travel expenses processing and beyond. Every critical procedure can be completed through the KDS ASP offering, resulting in greater efficiencies and associated financial benefits. In addition, KDS offers the most extensive back-end connectivity to airline, car, rail and hotel providers in the industry, ensuring optimized pricing and up-to-the-minute inventory control. For more information, visit www.kds.com

About ACTE

The Association of Corporate Travel Executives (ACTE) represents the global business travel industry through its international advocacy efforts, executive level educational programmes, and independent industry research. ACTE's membership consists of senior travel industry executives from 82 countries representing the €463 billion business travel industry. With the support of sponsors from every major segment of the business travel industry, ACTE develops and delivers educational programmes in key business centres throughout the world. ACTE has representation in Africa, Asia-Pacific, Canada, Europe, Latin America, Middle East and the United States. For more information on ACTE, please go to www.acte.org.

Note to editors:

The following companies have agreed to talk to the press. Contact KDS for more information.

- H. Lundbeck A/S
- BMO financial group
- Tourisme Montreal
- AAPT Ltd
- limagrain
- scor
- berger-levrault
- BATSA
- União de Bancos Brasileiros - Unibanco
- Sleepwell AB
- IGATE
- Class Tour
- Derek Smith and Associates
- Hotel Association of Canada
- Hotel Sourcing Alliance
- UNIGLOBE Travel - Sub Saharan Africa
- Altadis, S.A.
- Fields
- Community Financial Services Association of America
- OKAIDI
- PAR Travel Tech, Inc.
- AirPlus International