

THE ROAD SHOW IS BACK ON

After weathering the downturn, business travelers are on the move again

Autumn is peak travel season for road warriors, and even though the economy may feel like a bumpy flight right now, the recovery in business travel remains at cruising altitude.

As the economy began to improve in 2010, companies realized the ill effects of cutting back on travel too much, so they loosened the reins. Over the last year, the expression of pent-up demand has resulted in a welcome recovery in business travel in the U.S. and around the world.

The current outlook

"The recession in 2009 resulted in a decline in the corporate travel market of over 30 percent compared to 2008. However, our business travel volume is now back to 2008 levels due to a moderate rebound in Europe and North America, and much stronger growth rates in markets such as Brazil, Russia, China and India," says Don Bunkenburg, Lufthansa's Managing Director, Corporate Sales and Regions, North America. The recovery and outlook are equally robust on the hotel side. For example, Best Western International, with more than 4,000 hotels worldwide, reports that its advance bookings for autumn are up 8 percent compared to this time last year.

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The outlook for business travel remains relatively strong through the end of the year, according to the Global Business Travel Association (GBTA). "There's a lot of attention on the negative economic indicators of late, even though there's plenty of positive statistical evidence to the contrary, such as increasing corporate profits and cash flow, which corporations are using to invest in equipment, software and travel this year. Global trade and U.S. exports are also expanding. The fundamentals of the U.S. economy currently appear strong enough to stave off a substantial shutdown in travel. That said, next year we do expect growth to be significantly slower in business travel spend," says economist Kenneth McGill of Vantage Strategy, which produces GBTA's Business Travel Quarterly Outlook.

In 2011, GBTA expects the number of business trips in the U.S. to increase 1.6 percent and spending to increase 7 percent compared to last year, due to a combination of higher prices and relaxed corporate travel policies. The downside to the recovery is that increasing demand is resulting in higher prices—GBTA expects business travel prices to increase about 4 percent this year. For 2012, GBTA anticipates growth in business travel spend to continue but at a slower pace of 4.3 percent due to economic ambiguity.

Meetings and conventions

One reverberation from the recent recession is more scrutiny around budgets and locations for corporate meetings and events. As a result, only a modest increase in travelers



World's Biggest Spenders on Business Travel in 2010

DATA: VANTAGE STRATEGY, GBTA FOUNDATION

headed off to meetings and conventions is expected in coming months—but it is good news that the decline has been halted.

Companies that understand the importance of training, team building and customer relationship management (or just checking up on the competition at industry trade shows) are slowly allowing more employees to plan to attend more meetings and events. (So you might be donning a "Hello, my name is..." badge sooner than you think.)

Las Vegas is a traditional bellwether of meetings and events spending. Like many destinations, Vegas was hit hard by the recession, but has experienced a 5 percent increase in the number of visitors in the first half of 2011 compared to the same time last year—and its hotel occupancy rates have been nearing 90 percent. "From our hotel partners, we are also hearing that future bookings are showing strength through the remainder of 2011 and into 2012," says Chris Meyer, Vice President of Sales for the Las Vegas Convention and Visitors Authority, adding that "Las Vegas has long been known for continually reinventing itself to ensure that every experience is fresh and new."

Even during the darkest days of the recent recession, Las Vegas was evolving, adding the shiny new CityCenter complex and the glitzy new Cosmopolitan of Las Vegas. In August, Caesars Entertainment announced that it will develop Project Linq, a new \$550 million outdoor dining, retail and entertainment district anchored by the Las Vegas High Roller, a massive, 550-foot observation wheel similar to (but taller than) the famous London Eye. Although US Airways recently shrunk its once-formidable hub operation at Las Vegas McCarran International Airport, other airlines such as Allegiant, British Airways, Mexicana, Southwest, Spirit and Volaris have recently beefed up their flight schedules there.

Around the globe

If you haven't taken a trip overseas recently, you might want to dust off your passport and devote some time to a Rosetta Stone language course. Rising international trade with rapidly expanding emerging markets, and growth in U.S. exports, is resulting in big jumps in international travel for Americans.

At the same time, business travel spending is growing dramatically in developing countries. China and other Asian countries will increase business travel spending at about four times the rate of the U.S., with China expected to surpass the U.S. as the biggest spender by 2015, according to economist McGill. The U.S. Department of Commerce reports that India sent 18 percent more travelers to the U.S. in 2010 than 2009, and it expects the number of Indians visiting the U.S. to increase nearly 100 percent in the next five years. "India has become increasingly important for Lufthansa, as many American corporations are expanding their business presence there," says Lufthansa's Bunkenburg.

As international business travel takes off, global airlines are expanding and upgrading their business-class offerings to snag more of this lucrative market. For example, over the last year Lufthansa has put seven new double-decker Airbus A380s into service, each configured with a whopping 98 business-class seats, nearly filling the entire upper deck, with room left for just eight first-class seats.

From its hub in Frankfurt, Lufthansa has deployed A380s to Miami, New York and San Francisco, as well as Beijing, Johannesburg and Tokyo, with Singapore joining the list on Oct. 30. It has also revamped and expanded business-class lounges in Frankfurt and Munich, and in the U.S., new lounges are opening and the upgrade of existing lounges is underway.

—Chris McGinnis

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