

ASIAN BUSINESS TRAVELLERS: FIVE THINGS YOU NEED TO KNOW



ASIA
TRAVEL LEADERS
SUMMIT

COMMISSIONED BY:



SUMMIT PARTNERS:



KNOWLEDGE PARTNER:

McKinsey&Company

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**ASIAN BUSINESS
TRAVELLERS:
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YOU NEED TO KNOW**





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AT A GLANCE...



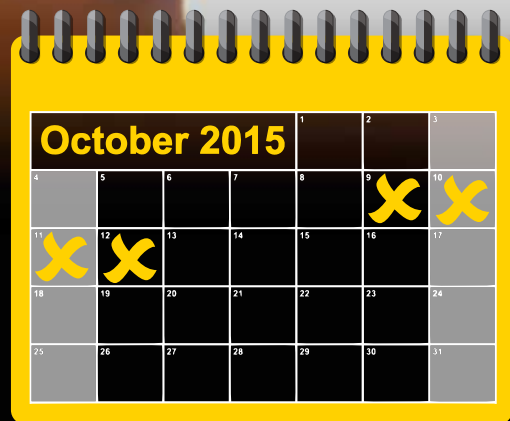
VIEW TRAVEL AS A

56%

PERK

OF THEIR JOB

MORE LIKELY THAN
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2X

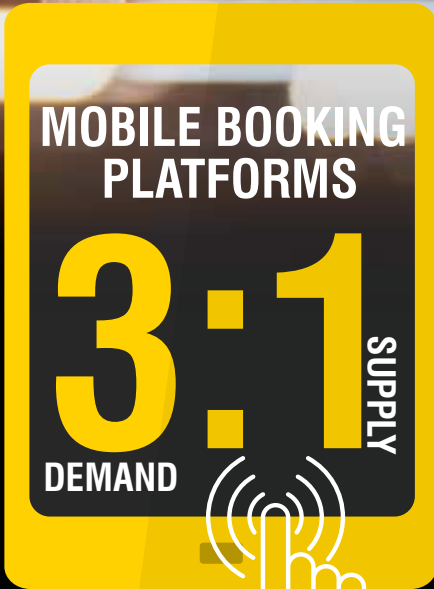


EXTEND BUSINESS TRIPS TO INCLUDE WEEKENDS

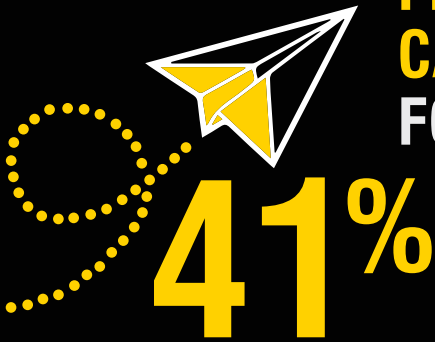
> **69%**  **HAVE FREEDOM TO CHOOSE**



THEIR AIRLINE OR HOTEL
(FROM A PRE-APPROVED LIST, OR WITH
NO POLICY RESTRICTIONS AT ALL)

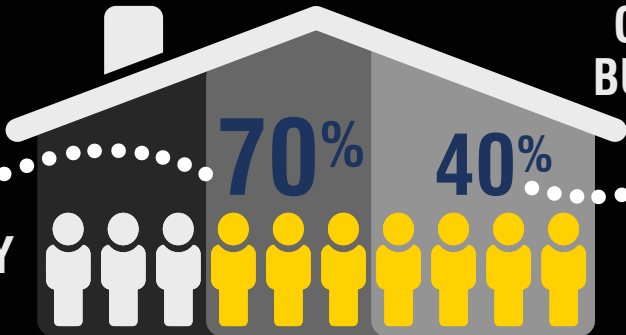


WILLING TO FLY LOW-COST CARRIERS FOR BUSINESS



OF THESE WOULD CONSIDER IT FOR BUSINESS TRAVEL

FAMILIAR WITH SHARING ECONOMY ACCOMMODATION





EXECUTIVE SUMMARY



Asia has become the epicentre of growth for business travel. Already the region is the world's largest market, accounting for more than a third of US\$1 trillion in annual spending globally, and growth over the next few years is expected to dwarf that of other markets. By one estimate, between 2014 and 2018, business travel spending in Asia is projected to grow four times as fast as in North America and more than twice as fast as in Europe.

Despite their importance to the industry, relatively little is known about Asian business travellers (ABT), which we define as those based in Asia. Instead, much of the research has focused on the North American and European markets. This report aims to close the gap, examining the crucial characteristics of ABTs, particularly their preferences and behaviours. Five key markets were explored in our study: China, India, Indonesia, Japan, and Singapore. These countries together represent 68 percent of Asia's population and more than 78 percent of the region's expenditures for business travel.

Our survey of business travellers and discussions with corporate travel managers suggest that ABTs are becoming more demanding and autonomous. Their choices are being shaped by their own leisure travel experiences, as well as evolving digital platforms and services, more flexible travel policies, and shifting consumer preferences. And the trend is likely to continue as more Millennials, those born between 1981 and 1995, join the market.

The research, based on surveys, quantitative and qualitative data, led to five significant insights about business travellers in Asia:

- 1 EMPLOYEE EMPOWERMENT IS RISING
- 2 ABTs SEEK CONVENIENCE AND CRAVE TRAVEL EXPERIENCES
- 3 ABTs DEMONSTRATE CLEAR DIFFERENCES AMONG COUNTRIES
- 4 FOUR ASIAN BUSINESS TRAVELLER ARCHETYPES EMERGE
- 5 BUSINESS TRAVEL IS SUSCEPTIBLE TO THE SAME DISRUPTIVE FORCES AS LEISURE

1 EMPLOYEE EMPOWERMENT IS RISING

ABTs have more flexibility than expected. According to the survey, 69 percent of travellers said they can choose a preferred airline, either from a pre-approved list of carriers or without any restrictions, and 74 percent said they have similar liberties in picking a hotel. More importantly, business travellers appear to be gaining even greater autonomy, particularly as companies adopt digital applications,

such as self-booking travel tools. Corporate travel managers said employer attitudes on travel have shifted, with a noticeable move away from command-and-control models towards ones that allow for controlled choices made by employees. Some companies have introduced techniques such as “gamification,” which rewards employees who keep travel costs low, to promote compliant, cost-conscious behaviour.

As decisions fall more often to travellers, travel companies can no longer focus solely on their relationships with corporate travel desks. Instead, they must also attract and engage travellers

directly. Many companies already bundle ancillary services (e.g., priority check-in, Wi-Fi) to capture more value from business travellers, and some are going even further. “Dynamic bundling”, for example, uses data on travellers’ prior experiences to create packages tailored to their preferences. Travel companies are also being resourceful in using targeted marketing initiatives and campaigns. For example, an airline that had lost its preferred status on a major corporate account identified and directly contacted the most lucrative frequent flyers in that company and offered them its highest loyalty status and guaranteed membership renewals if they reached certain mileage thresholds.

2 ABTs SEEK CONVENIENCE AND CRAVE TRAVEL EXPERIENCES

As with their peers globally, ABTs across all ages, countries, and company types place a high priority on convenience. When selecting flights, convenient schedules and direct flights are consistently ranked among the top three priorities across all segments. Similarly for hotels, proximity to work and features that provide convenience and efficiency, such as high-speed Wi-Fi, are top priorities.

In addition, most ABTs – 56 percent of our sample – view travel as a perk of their jobs rather than an unwelcome requirement. Perhaps in a similar vein, ABTs have a higher propensity than business travellers in other regions to combine business and leisure travel. For example, the survey suggested ABTs are almost twice as likely to make a booking that includes a weekend (12 percent) compared with their European peers (7 percent). Also, 48 percent of our respondents said they were interested in extending business trips for leisure, with even higher proportions in India, China, and Indonesia.

For travel companies, these trends present an opportunity to offer end-

to-end consumer journeys that satisfy the desire for convenience and leisure. However, the typical business travel journey from booking to completion remains disjointed, with Asian business travellers and their travel managers having to deal with multiple service providers throughout an entire journey. Travel companies must prioritise and mobilise resources to deliver convenient, efficient and timely journeys. Some solutions such as direct flight routes and convenient hotel locations can be difficult to address but others are more immediately within the control of travel companies, for instance, improving operational performance.

3 ABTs DEMONSTRATE CLEAR DIFFERENCES AMONG COUNTRIES

While overarching regional trends were apparent from our study, the research also highlighted clear differences among the countries. Indian business travellers, for example, demand digital services and are very willing to pay for these and other add-ons from their own pockets. Indonesian business travellers are also willing to pay themselves for extras and place a high premium on emotional factors, such as being made to feel important

by their travel providers. Singaporean business travellers keep a tighter rein on their personal budgets, even as they yearn for comfort and luxury. Chinese business travellers place strong emphasis on service and prestige, and, among our study sample, were most amenable to mobile options. Finally, Japanese business travellers distinguish strongly between work and leisure and are highly budget-conscious.

With such sharp differences in attitudes and behaviours among Asian business travellers, customisation and personalisation are critical to satisfying this market. Most travel companies already have access to extensive data on the business travellers they

serve, ranging from basic personal information to preferred airline seats, in-flight entertainment preferences and credit card use patterns. This data can be effectively leveraged, for example, to enable anticipatory selling and using “next product to buy” logic to offer customers what they want before they know they want it. Organisational barriers such as planning processes and information ownership would also need to be overcome to realise the full potential of data analytics. To be truly customer-centric and gain single comprehensive perspectives of customers requires coordination and transparency among multiple business units.

4 FOUR ASIAN BUSINESS TRAVELLER ARCHETYPES EMERGE

Across the different countries and demographics, ABTs fall into four distinct groups, characterised by their preferences and behaviour patterns. “Stereotypical Suits” place the utmost importance on convenience and little else. “Service Seekers” look for distinctive travel experiences and

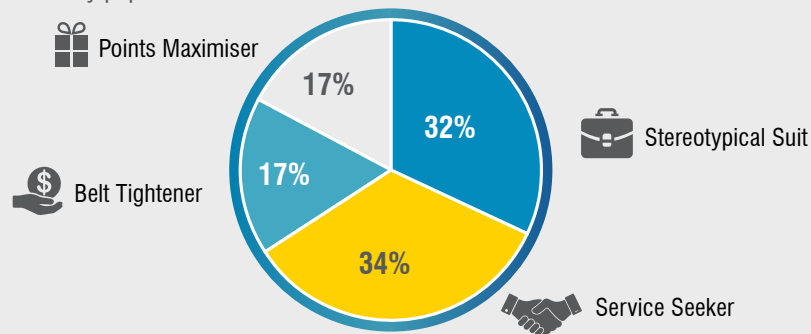
are willing to pay more personally for additional services, whether to facilitate work such as in-flight Wi-Fi or to maximise leisure opportunities such as hotel spa treatments. “Belt Tighteners” are the most value-conscious, spending time to save money, rather than paying extra to boost convenience. “Points Maximisers” want the perks, for instance, by trying to maximise their rewards from preferred travel providers (Exhibit 1).

Each archetype is driven by unique preferences, and differentiated offerings are needed to engage, serve, and capture each. For example, Stereotypical Suits require prioritised,

expedited services that save them time and eliminate hassles. To win Service Seekers, however, travel companies must provide branded dining options and exclusive amenities, for example, to appeal to their desire for distinctive experiences. Value-focused services would be most attractive to Belt Tighteners, which can extend beyond low-cost carriers and budget hotels to include services and amenities that provide a strong value-for-money proposition. To appeal to Points Maximisers, some companies have established networks and partnerships that allow travellers to gain benefits across different travel providers.

EXHIBIT 1: FOUR ASIAN BUSINESS TRAVELLER ARCHETYPES

Breakdown by percentage of survey population



SOURCE: ASIAN BUSINESS TRAVELLER SURVEY 2015

5 BUSINESS TRAVEL IS SUSCEPTIBLE TO THE SAME DISRUPTIVE FORCES AS LEISURE

Three disruptive forces, already felt in the leisure travel market, are impacting business travel as well. The first is a thirst for digital channels. Our survey found that online and mobile channels are, on average, 28 percent more popular than traditional channels as a means to research and book travel. Mobile channels, in particular, seem poised for growth, with our respondents' desire to use mobile tools to book travel three times higher than their actual use.

Second, low-cost carriers (LCCs) are capturing a greater share of business travel. In Asia, they already account for

29 percent of all flight expenditures for business travel, a larger proportion than in any other market globally. Business travel expenditures in Asia on LCCs grew 11 percent annually between 2012 and 2015, compared to 6 percent a year in North America in the same period. Our survey suggested the trend is likely to continue, with 41 percent of ABTs saying they were willing or very willing to fly LCCs. The survey also showed clear differences among countries, which are probably linked to varying availability of LCCs, perceptions of service and comfort, and consumer attitudes.

Finally, accommodation providers in the sharing economy, such as Airbnb and HomeAway, are making their presence felt in business travel. Despite safety concerns raised by travel managers, ABTs appear willing to use such lodging options for business travel. Among our respondents, 70 percent were familiar with shared economy accommodations, and 40

percent of these said they would consider using them for business travel. Millennials were 11 percent more likely than non-Millennials to select this accommodation type, and Indonesians and Chinese were more likely than respondents from other countries.

Established companies should not shy away from adapting their business models. They should recognise and capitalise on the huge incumbent advantages they already possess, particularly with knowing their customers' travel preferences and holding customers' loyalty. In the face of disruptive forces, they should resist the urge to copy elements of new players entirely and instead understand how these services have tapped into increasingly pervasive consumer trends. Partnerships are another way to ride the coming wave with some established companies piloting programmes with start-ups even within their own industry.



BOOM TIME FOR BUSINESS TRAVEL IN ASIA

ASIA HAS RECENTLY BECOME THE LARGEST BUSINESS TRAVEL REGION IN THE WORLD AND IS EXPECTED TO INCREASINGLY DOMINATE

Spending in the region now makes up 38 percent of the global business travel market, which itself is worth more than US\$1 trillion.¹ Since 2000, business travel spending in Asia has more than doubled, and is expected to continue on this upward trajectory. From 2014 to 2018, the region is projected to grow four times faster than North America and two-and-a-half times faster than Europe, while gaining a further 5 percent share of the global market at the expense of these more established travel markets.²

TECHNOLOGY AND DEMOGRAPHIC FORCES ARE CHANGING CONSUMER BEHAVIOUR AND DECISION-MAKING

In parallel, business travellers' expectations are rising, influenced by their experiences as leisure travellers.³ The proliferation of digital tools and platforms is making information more accessible, transactions more seamless, and processes more interactive. As a result, business travellers are now demanding greater convenience, better service, and more individualised offerings.⁴ Their needs and expectations will continue to evolve as Millennials,⁵ already a key demographic in the corporate travel sector, are set to dominate the business travel consumer base over the coming years.

DEEPER INSIGHTS INTO ASIAN BUSINESS TRAVELLERS ARE NEEDED

With such dynamic sector growth and significant shifts in behaviour, understanding the profiles of Asian business travellers is now more important than ever. However, much of the existing literature tends to focus on the "generic" business traveller and the more established North America and European markets. In comparison, Asia receives much less attention. The region's heterogeneity places an even greater imperative on deeply understanding the significant clusters of travellers who have yet to be properly studied.

FIVE THINGS YOU NEED TO KNOW ABOUT ASIAN BUSINESS TRAVELLERS

This report aims to dig deeper into the profiles of Asian business travellers (ABTs) to know their behaviours and preferences and to explore the motivations behind their business travel decisions. Based on survey findings, interviews with travel managers and traveller data, our research uncovers five key insights that can empower travel companies to better target, capture, and serve this growing and dynamic segment.

ABOUT THIS RESEARCH

This research is based on four primary sources of data:

- An online consumer survey of business travellers, for which there were 2,565 respondents spread across India, Indonesia, Singapore, China, and Japan. The survey responses were controlled to ensure a representative spread across age, seniority, company type, and location.
- Interviews with 19 travel managers, representing a wide spread of geographies and industries. Their input was used to qualitatively supplement the quantitative analysis.
- Booking-pattern analysis based on data retrieved from Amadeus, where metrics such as length of trip, advance purchase period, and booking channels were used to supplement behavioural data.
- Spending-pattern analysis based on data retrieved from Visa, where metrics such as the number of transactions and size per transaction were used to supplement market-sizing exercises and understanding of traveller behaviours.

1 GBTA BTI Outlook – Annual Global Report & Forecast: Prospects for Global Business Travel, 2014-2018.

2 Ibid.

3 "Faster, smarter, better? Emerging technologies and trends and their impact on managed travel," *Carlson Wagonlit Travel*, 2015.

4 "It's time: Transforming Managed Travel," *BTN Group*, 2013.

5 Born between 1981 and 1995, currently aged below 35.



FIVE THINGS YOU NEED TO KNOW ABOUT ASIAN BUSINESS TRAVELLERS

1 EMPLOYEE EMPOWERMENT IS RISING

ASIAN BUSINESS TRAVELLERS HAVE MORE FREEDOM THAN EXPECTED

Our survey found that the vast majority of Asian business travellers have some degree of flexibility in choosing how they travel: 69 percent of travellers surveyed are able to choose their preferred airline for business trips, either from a pre-approved list of carriers or with no policy restrictions on carriers at all; 11 percent of respondents overall are free to choose their flights with no restrictions on either provider or budget.

This degree of freedom is remarkably consistent across company type and levels of seniority. For instance, 72 percent of employees from multinational corporations (MNCs) reported having some degree of flexibility compared with 68 percent of those from small and medium-sized enterprises (SMEs).

Business travellers enjoy a similar level of freedom over their choice of hotels as well: 74 percent of travellers have some flexibility in choosing their hotel,

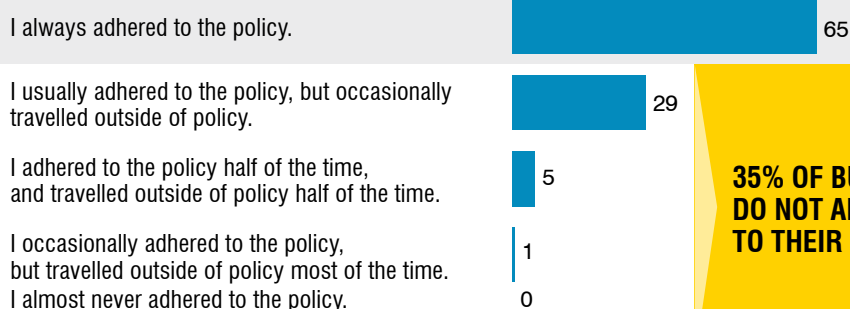
again, either from a pre-approved list of hotels or with no policy restriction on providers; 9 percent of respondents overall were free to choose their hotels without any restrictions on either provider or budget.

Additionally, 35 percent of travellers subject to company travel policies do not always strictly adhere to them (Exhibit 2). However, it's important to note that only 6 percent of travellers overall indicated that they frequently travel outside of policy. This pattern is consistent with our findings from interviews with travel managers in the region.

This non-compliance is most evident while selecting hotels: 40 percent of travellers who travel outside of policy stated that staying at a more expensive hotel is the reason for their most recent breach of company guidelines. Travel managers are aware of this issue, with one respondent noting that "spiralling spending" on hotels is becoming a focal point for greater scrutiny of compliance breaches. Exhibit 3 illustrates the groups most likely to travel outside of company policy.

EXHIBIT 2: SOME ASIAN BUSINESS TRAVELLERS DO NOT ALWAYS STRICTLY ADHERE TO THEIR COMPANY TRAVEL POLICY

How often do you adhere to your company's travel policy?
% of respondents selecting the statement (n=2,565)

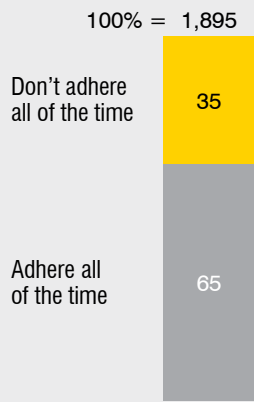


35% OF BUSINESS TRAVELLERS DO NOT ALWAYS STRICTLY ADHERE TO THEIR COMPANY TRAVEL POLICY

EXHIBIT 3:
WHO ARE MOST LIKELY TO TRAVEL OUTSIDE OF COMPANY POLICY?

Most likely segment to not adhere to travel policy all of the time

Adherence to travel policy
% of respondents



Country	India	41
	Indonesia	35
	China	33
	Singapore	32
	Japan	32
Trip Frequency	>6 times a year	44
	≤6 times a year	31
Trip Duration	>3 days	39
	≤3 1days	29
Seniority	Senior personnel	40
	Junior personnel	28
Company Type	SME ¹	35
	LLC ²	35
	MNC ³	33
Segment	Stereotypical Suit	39
	Service Seeker	35
	Points Maximiser	35
	Belt Tightener	25

1 Small and medium-sized enterprise
2 Large local company
3 Multinational corporation

SOURCE: ASIAN BUSINESS TRAVELLER SURVEY 2015

35

ASIAN BUSINESS TRAVELLERS WANT EVEN MORE AUTONOMY – AND EMPLOYERS ARE STARTING TO GIVE IT TO THEM

ABTs indicated a clear desire for autonomy in their travel booking processes. Respondents from all surveyed countries (with the exception of Singapore) prefer to “book independently via online travel agents”. In fact, the second- and third-most popular booking methods are also independent options—booking directly with a provider (e.g., via an airline or hotel website) and booking using their company’s online booking tool.

Technology is facilitating this desire for even greater flexibility. Intermediaries are making information more accessible, enabling business travellers to compare prices, find alternatives, and book travel independently as they regularly do on their leisure trips.⁶ Meanwhile, companies in the region are starting to adopt online-booking tools, thereby empowering employees to exercise more choice (albeit within the parameters set by their travel policy).

This reflects a noticeable shift in mind-set with employers starting to recognise the benefit of moving away from “command-and-control”. Companies can automatically impose boundaries, for example, by showing only approved suppliers and imposing price controls based on seniority within the organisation, while giving employees the freedom to make their own choices within these limits. Techniques such as gamification (where employees are rewarded for choosing lower-cost travel options) are also emerging, largely in tech companies, to promote compliant, cost-conscious behaviours. In the words of one travel manager, “The key is to balance the needs of the traveller with the needs of the corporation, and the balance at present seems to be tipping more in favour of the traveller.”

Companies that are attempting to influence policy rather than dictate terms are in turn reporting increased compliance and reduced administrative costs. As one travel manager noted, “It’s a no-brainer for us to put the employee in the driving seat—it hits multiple key performance indicators on cost, lead time, and employee satisfaction.”

IMPLICATIONS

KNOW YOUR END-USER AND TARGET THEM DIRECTLY

As employees are able to exercise greater freedom and flexibility in their travel choices, travel companies can no longer solely rely on their traditional corporate contracting functions. They must also attract and engage business travellers directly.

Most travel companies already bundle ancillary services like priority check-in and Wi-Fi in an effort to capture more value from business travellers, but some are going even further. “Dynamic bundling” uses data on travellers’ prior experiences and even their employer, to create packages tailored to their preferences.⁷ A “comfort bundle” on a flight, for example, could include noise-cancelling headphones, a pillow, a blanket and a premium seat.⁸ Delta Airlines, for instance, has revamped its website to generate such bundles targeted at particular travellers and trips.⁹

Travel companies are also using targeted marketing initiatives. For example, when one airline lost its preferred status on a major corporate account, the airline identified and directly contacted the most lucrative frequent flyers in that company. The company offered these flyers its highest loyalty status – the equivalent of a black card – and promised to renew their status annually provided the individuals reached certain mileage thresholds.

6 Jad Mouawad, “Business travelers want to be left to their own devices,” *The New York Times*, May 6, 2015.

7 Managed travel 2020: Technology drives new opportunities, *PhoCusWright*, October 2014.

8 “Farelogix unveils ‘dynamic building’ technology for airlines,” *Travel Technology Update*, October 5, 2015.

9 Katie Rice, “Dynamic bundling of ancillaries could be future of airline sales,” *Travel Weekly*, September 29, 2013.



2 ASIAN BUSINESS TRAVELLERS SEEK CONVENIENCE AND CRAVE TRAVEL EXPERIENCES

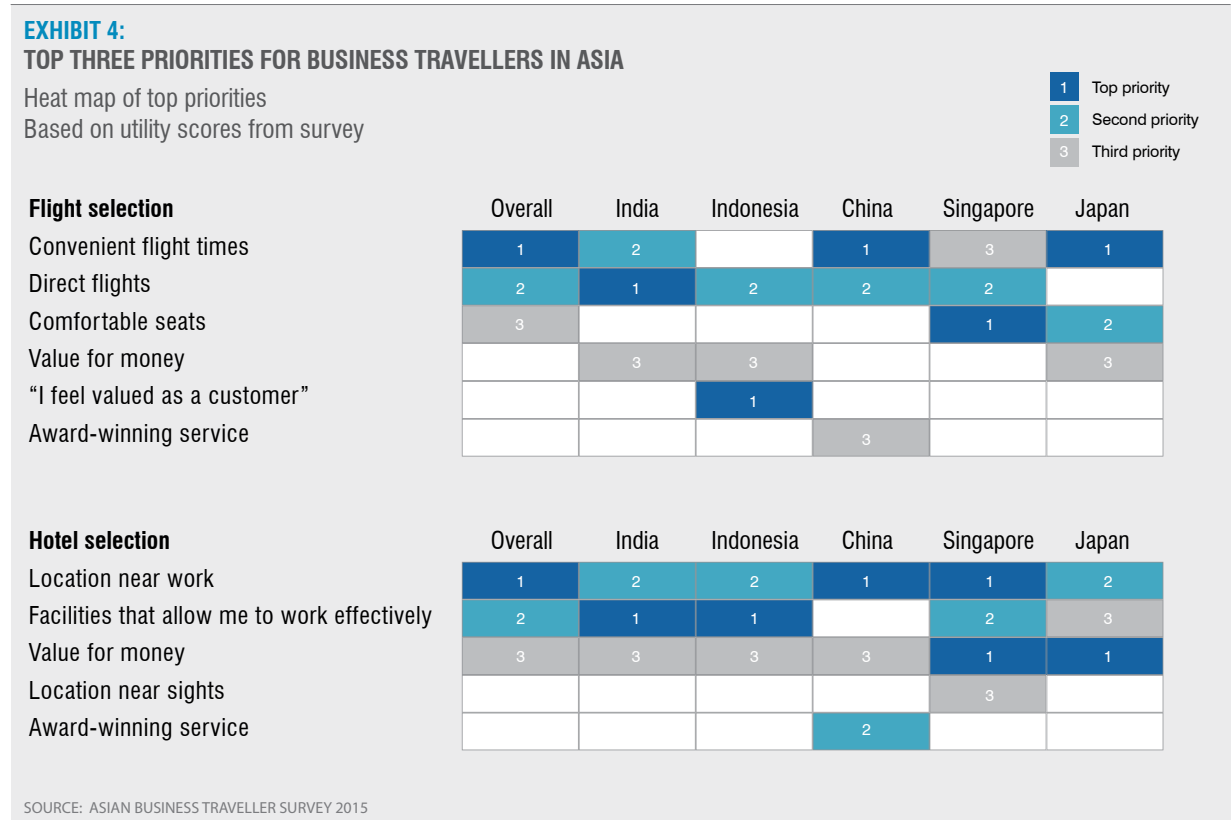
ABTs prioritise convenience and view business travel not just as work, but as a travel experience. These characteristics hold true across all ABTs regardless of country, age, or company type.

CONVENIENCE IS KING

Young or old, road warriors or infrequent travellers, employees from large or small companies, all ABTs place huge emphasis on convenience—the hallmark of business travel. When choosing flights, convenient schedules and direct flights were consistently among the top three priorities across all segments. Similarly, for hotels, proximity to work and efficiency-enhancing facilities (e.g., high-speed Wi-Fi) were top priorities (Exhibit 4).

It is worth highlighting that convenience was the most frequently cited-reason for travelling outside company policy: 53 percent of respondents who deviated from policy acknowledged doing so to boost convenience and avail convenient services such as direct flights.

Travel managers are aware of this and choose travel providers based on their ability to provide convenience and ease travellers’ journeys. Apart from cost considerations, travel managers report that ancillary services, which ensure convenience and efficiency for their employees—such as priority check-in and lounge access—are the key differentiating factors when establishing partnerships with travel providers.



IT'S NOT ALL WORK AND NO PLAY

Just like leisure travellers, it's all about experience for Asian business travellers. ABTs show a generally warm attitude towards business travel, with 56 percent agreeing or strongly agreeing that business travel is a perk of their job. This sentiment is particularly strong among Indonesians (76 percent), Indians (61 percent), and Chinese (59 percent). Perhaps more significantly, ABTs were much more likely to cite experiential reasons rather than material reasons for their enjoyment. For instance, only a few ABTs cited reasons such as "I get to minimise my personal expense" or "I get to enjoy frequent-traveller perks". This suggests that ABTs often view business travel as a travel experience, not just work, and an enjoyable one at that.

ABTs also indicated a desire to extend business trips for leisure; ABTs were almost twice as likely to make a booking that includes a weekend (12 percent), compared with Europeans (7 per cent). This pattern holds true across Asian countries, with travellers from China (19 percent) and India (17 per cent) the most likely to include a weekend (Exhibit 5).

While these actual booking numbers seem high, ABTs' reported willingness to extend trips is even higher. When surveyed, more than 50 percent of respondents in all countries except Japan agreed or

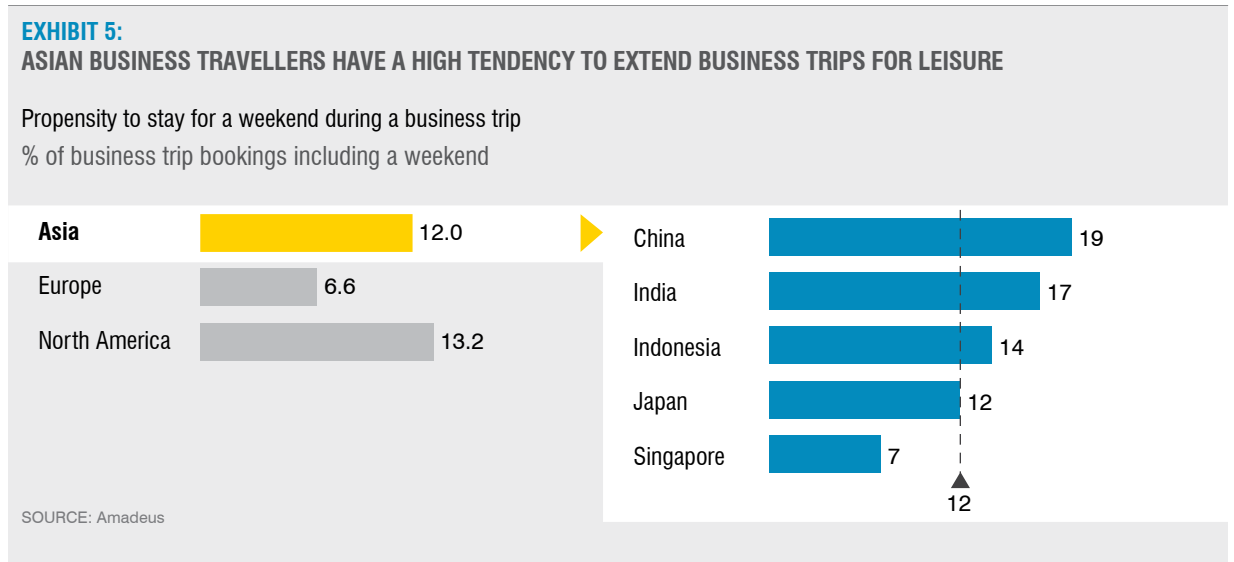
strongly agreed that they were very likely to extend business trips for leisure at their own expense. The vast majority of these respondents were even willing to bring a family member along.

This latent demand presents an exciting opportunity for travel companies and hoteliers to convert such travellers from prospective to actual business *and* leisure travellers. Furthermore, the potential for these travellers increased with higher-tenured employees. For example, 55 percent of senior management were willing to extend a stay compared with 32 percent of entry-level travellers. When deciding whether or not to extend a business trip for leisure, most ABTs appeared to be driven by the destination. "I have not been to this destination before" and "I would like to visit a specific attraction at the destination" were the top two reasons most commonly cited.

IMPLICATIONS

PRIORITISE YOUR TRAVELLERS' TIME

To be competitive, travel companies must prioritise and mobilise resources to deliver efficient and timely journeys. Some of the levers for doing so are difficult to address – such as direct flight routes and convenient hotel locations – but others are more immediately within the control of travel companies, for instance, operational performance.



Since 2010, Delta Airlines has focussed on improving on-time performance and has since jumped from 15th to 3rd on that metric among national carriers. The airline now uses this record to differentiate itself from its main competitors. Most notably, the airline recently launched an on-time performance pledge to its corporate clients, promising travel credits if Delta's on-time arrival and flight completion rates fall behind its main rivals.¹⁰

FOCUS ON MAKING THE JOURNEY SEAMLESS AND HASSLE-FREE

Despite travellers' overriding emphasis on convenience, the typical business travel journey from booking to completion remains disjointed, with Asian business travellers and their travel managers having to deal with multiple service providers throughout an entire journey.

One clear opportunity for improvement is when things go wrong. Flight delays, the resulting confusion—and lack of alignment between different sources of information (airport, gate agent, airline mobile app)—are among the foremost frustrations for business travellers. Add to this the knock-on effects at different stages of the journey, particularly if delays affect the purpose of a business trip. In the words of one visibly frustrated traveller, "Flight delays without specific reasons have caused

clients to be dissatisfied with my company and negatively impacted my sales results. Despite all my complaints, neither the airport nor the airline could solve my issue. That's no way to work."

When delays happen, access to timely, accurate information is imperative and business travellers want it at their fingertips. Some airlines are satisfying this demand by enabling real-time flight tracking on mobile devices. For example, the FlightView feature on the United Airlines mobile application, allows passengers to see real-time maps of flight paths and weather conditions thereby empowering travellers to make their own decisions over arrival times and potential delays rather than relying on official estimated arrival times.

Although dispersed in pockets across the travel industry, there are signs that the technology necessary to deliver an end-to-end service for the traveller has arrived. For example, Amadeus has launched Amadeus Common Use Service. The application allows airport staff to check in passengers from any location using a handheld device and to respond flexibly and quickly to any irregularities. In another example, Concur has developed mobile applications for smartphones that enable business travellers to track and share their travel plans, manage expense reports, and book and change travel itineraries.

¹⁰ Michael Sasso, "Delta to pay business fliers if it's later than American, United," BloombergBusiness, September 1, 2015.



TRAVEL BEHAVIOUR VARIES BY COMPANY TYPE—BUT MOSTLY ALONG EXPECTED LINES

Differences between respondents from different types of companies were mostly along predictable lines. SME respondents, as expected, ranked “value for money” much higher, a factor that likely contributed to their higher tendency to fly LCCs or stay at shared accommodation. Another key difference is that a significant proportion of SME respondents were unaware or unsure of their corporate travel policy—40 percent—compared with 18 percent across LLC and MNC respondents.

For MNCs, loyalty was a bigger factor; for instance, they were twice as likely to travel outside of policy

for loyalty points compared with SME travellers. They also appeared to be the biggest spenders, consistently being the group most likely to spend personally on extras, fly FSCs, and stay in international chains. Even in these cases, however, country differences mattered more than company differences; for example, 97 percent of MNC respondents from India were willing to purchase add-ons, compared with only 69 percent of MNC respondents from Singapore.

SME: Small-to-Medium Enterprises; MNC: Multi-National Corporations; LLC: Large Local Companies; LCC: Low-Cost Carrier; FSC: Full Service Carrier

3 ASIAN BUSINESS TRAVELLERS DEMONSTRATE CLEAR DIFFERENCES AMONG COUNTRIES

Asia's immense diversity is evident in its traveller profiles. Aside from the aforementioned shared characteristics of seeking convenience and travel experiences, our research shows clear differences in travel preferences and behaviours between ABTs from different countries.



SINGAPORE BUSINESS TRAVELLERS –BUDGET LUXE

Singaporean business travellers have a strong desire for comfort. When selecting flights, Singaporeans ranked in-flight comfort as their most valued attribute, even above convenience. Travel managers attested to the higher expectations of Singaporeans compared with other ABTs, an observation further borne out by the fact that Singaporean business travellers fly premium class more than twice as often as any other nationality in this study—52 percent of their business traveller bookings are premium class.

They are however unwilling to pay for premium services personally. Singaporean business travellers, similar to the Japanese, were consistently the least willing to pay for ancillaries across hotel, flight, and digital processes. For instance, only 15 percent of Singaporean business travellers were willing to pay for a digital option to check into a flight or hotel, or to receive their flight boarding pass, compared with 30 percent of all business travellers on average. This reluctance to pay personally suggests a mind-set of “it should all be on the company”. This may also be linked to the comparatively generous travel policies of Singaporean companies, supported by the fact that Singaporean spending on corporate cards far exceeds all other countries’ at an average of US\$677 per night.

Preference for new digital processes is surprisingly low for this wired nation. Singaporeans preferred face-to-face processes at rates significantly above average, for both boarding pass collection and hotel check-ins—a surprising finding given Singapore’s reputation as a digitally savvy nation. However, this may be due more to inertia rather than a lack of digital exposure, resulting in slower adoption of technology in new and unusual areas. Even for familiar processes such as flight check-

ins, Singaporeans opted for digital platforms at average rates. Another explanation may be the high expectations that Singaporean business travellers harbour. “If you’re going to give me a digital product, it has to work and it has to work 100 percent, otherwise don’t bother,” is how one travel manager explained their sentiments.



INDIAN BUSINESS TRAVELLERS –DIGITAL AND WILLING TO SPEND

Indian business travellers have the strongest appetite for digital processes similar to the Chinese, with 85 percent preferring digital processes for flights, and 64 percent for hotels. They are also the most willing to use online and mobile booking tools. This is consistent with the fact that India is the highest-penetrated market for online bookings amongst the five countries studied.

Indian business travellers consistently report the highest willingness to spend on ancillary services, even personally. Although travel managers view Indian business travellers as typically budget conscious, the travellers themselves reported the highest willingness to pay for ancillary services across all categories: flight (96 percent willing), hotels (97 percent), and digital processes (75 percent). Along with the Indonesians, they are also the group with the highest percentage of personal spending in their business travel budget directed towards bigger-ticket items such as flight upgrades versus smaller daily expenses.

These results paint a picture of an increasingly confident Indian consumer, with India recently ranking number one globally on Nielsen’s Q2 2015 consumer confidence index. As one traveller described his airline preferences, “It’s not just about the fare; it’s about whether airlines can provide the best value-added services for customers.” An additional factor, however, may be that Indian business travellers have a lower proportion of expenses covered by their company and so have to dip into their own pockets. Corporate card spending data appears to support this; Indian business travellers charge the least amount (US\$66) to their corporate cards on a per-night basis compared with any other country in this study.



CHINESE BUSINESS TRAVELLERS – VALUES SERVICE AND PRESTIGE

Chinese business travellers are heavily service oriented and concerned about prestige. They are the only travellers who ranked “award-winning service” among their top three factors for selecting either a flight or hotel. They are also the only ones to emphasise prestige in discerning between different types of accommodation. Concerns about appearing “low-class”, encountering “low-quality guests”, and “not fulfilling the company image” were also cited frequently by Chinese business travellers as reasons for rejecting low-cost carriers (LCCs) and shared economy accommodation.

EXHIBIT 6: KEY FEATURES OF BUSINESS TRAVELLERS BY COUNTRY



SINGAPORE:

- **Desire comfort**, but generally **unwilling to pay** out of pocket for extras
- Content to settle with the **digital status quo**



INDIA:

- Hungry and ready for **innovative digital products**
- **Highly willing to pay** for add-on services



CHINA:

- Strong emphasis on **service and brand prestige**
- **Mobile-savvy** and highly open to new mobile travel solutions



INDONESIA:

- **Value feeling recognised** by their service providers
- **Enthusied about business travel**, willing to pay out of pocket during the trip



JAPAN:

- Clearly **separate work and play**
- **Budget conscious** and **unwilling to pay** out of pocket

SOURCE: ASIAN BUSINESS TRAVELLER SURVEY 2015

Unlike their Singaporean counterparts, however, Chinese business travellers appeared more willing to pay for premium services or products such as better meal options on a LCC flight. They also placed the lowest emphasis on price considerations across all the countries when it came to choosing flights or hotels.

Chinese business travellers are the most ready for the next wave in mobile technology. Unsurprisingly for a country with a booming smartphone market, Chinese business travellers were consistently the most likely to opt for mobile processes. For example, 37 percent of Chinese business travellers preferred to check in for a flight via their mobile device, compared with 26 percent of Asian business travellers on average. There is also no “gap” in their digital appetite for less-familiar versus more-familiar processes (e.g., hotel check-in versus flight check-in). This stood in stark contrast with all other ABTs, and could perhaps indicate the “leapfrog” effect in China, where the pace of change is so quick that consumers bypass already-outdated technology and advance directly to the most cutting-edge services.



INDONESIAN BUSINESS TRAVELLERS –HIGH-TOUCH AND OPTIMISTIC

Indonesians are the most buoyant travellers among all the countries surveyed, reporting the most positive attitude towards business travel, and 76 percent of them agree or strongly agreed that business travel is a perk of their job, compared with an overall average of 56 percent. A significant number claim never to have experienced frustration in their business travel experiences. “I think they are always fun” and “just enjoy!” were common refrains.

This attitude extends to their outlook on combining business and leisure travel. Remarkably, all Indonesian respondents likely to indulge in such trips were also likely to bring a family member or significant other along, a clear reflection of the family-oriented nature of the Indonesian consumer.

Indonesian business travellers place a very clear emphasis on feel-good brand and service factors, ranking “The airline always makes me feel valued as a customer” as their top factor in selecting flights. The same factor was ranked similarly high for hotels,

particularly in comparison with other countries. Indonesians were also the second most likely to prioritise “award-winning service” after Chinese business travellers, and likely to pay more for “luxury” services such as spa and in-room massage at hotels, in particular. Other research has also shown that Indonesians attach more importance to brand than the consumers of any other nation at a similar stage of development, including China.¹¹



JAPANESE BUSINESS TRAVELLERS —POLICY AND PRICE CONSCIOUS

Japanese business travellers appear to stick by the rules—work is work, clearly separated from their personal lives. They were the least likely to consider business travel a perk of the job; only 39 percent agree compared with a 56 percent average. Nor do they wish to mix it with leisure; only 22 percent agree compared with a 48 percent average. A Japanese travel manager explained these observations: “Generally speaking, mixing up public and private matters is frowned upon in Japanese society—it’s perceived to be a question of values.”

Japanese business travellers were also the most policy conscious, being the least likely to deviate from travel policy. Personal spending on all items was also consistently the lowest across all countries, with 52 percent of Japanese travellers having their business trip expenses entirely covered by the company—vastly higher than the survey average of 26 percent. This may be indicative of comparatively generous policies amongst Japanese companies.

Japanese business travellers split across two sharply polarised groups. The first group comprised extremely price-conscious, budget SME travellers, who prioritise value for money above all. According to a travel manager, many Japanese companies provide *per diem* rates for domestic business trips, allowing employees to keep the remainder in cash: “This tends to incentivise emphasis on value for money.” The second group, in contrast, is made up of primarily loyalty- and

convenience-driven travellers. Travel managers pointed to the popularity of loyalty programmes offered by national carriers as a key factor behind the behaviour of this group, an observation borne out by Japanese business travellers who rate loyalty the highest among their peers in other countries. As one Japanese business traveller stated when rejecting LCCs, “Japan Airlines miles are more important than low fares”. A travel manager also notes that loyalty among Japanese business travellers is heavily weighted towards local brands, attributing to the fact that “the majority of Japanese people prefer Japanese service, particularly in terms of language and meals”.

Certain traits, however, such as unwillingness to pay for additional services and a higher-than-average emphasis on value for money, appeared to cut across both groups. This could reflect the increasing budget consciousness of Japanese consumers and companies in general, a result of the stagnating economy and plunging consumer confidence.¹²

IMPLICATIONS

PERSONALISATION IS KEY TO CAPTURING A VARIED MARKET

In such a heterogeneous market, customer personalisation is essential and companies should continue to consider new ways they can leverage their data for this cause. Travel companies have access to extensive customer data—everything from basic personal information to preferred airline seats, in-flight-entertainment preferences, meals at hotels, and credit card usage patterns. While there’s no doubt that the organisational and IT challenges required to deliver are daunting, the potential gains are significant.

For example, consider the impact of leveraging data to enable anticipatory selling. Using “next product to buy” logic could offer customers what they want, before they know they want it. Epteca is a prime illustration of such technology. The company partners with travel companies and suppliers of goods

¹¹ Arief Budiman, Heang Chhor, and Rohit Razdan, “Understanding the diversity of Indonesia’s consumers”, mckinsey.com, April 2013.

¹² Brian Salsberg, “The new Japanese consumer,” mckinsey.com, March 2010.

and services, and uses profile data and predictive algorithms that match context and intent to send targeted offers to travellers throughout their journey.

Another example of using data to personalise offers is demonstrated by Optiontown, an online travel solutions portal, which collaborates with airlines to offer travellers class upgrades and other travel perks for a discounted price, thereby optimising value both to travellers and travel providers. For example, the “empty seat” option with AirAsia X is gaining attention as a novel way to create a business class-like atmosphere in economy, by allowing travellers to purchase empty seats next to them at a dynamic price.

ORGANISATIONAL CAPABILITY IS A PREREQUISITE TO MAKING BEST USE OF DATA

Organisational barriers such as budgets, planning processes, and information ownership need to be overcome to realise the full potential of data. Coordination and transparency amongst multiple business units, instead of having separate databanks for each unit, would be an example of a critical step towards developing a customer-centric approach.

Another prerequisite is employee engagement. Employees, for instance, can play a pivotal role in uncovering information to personalise travellers journeys. By engaging employees to observe and record traveller preferences, direct providers gain insights that are otherwise unknown to third-party booking platforms. Employees too can be encouraged to act on this information, and use both customer data and insights gleaned to tailor the service they provide.



DEEP DIVE: THE INDONESIAN BUSINESS TRAVELLER



As the fourth-most-populous country in the world with a rapidly growing middle class, Indonesia's business travel market is still relatively small but tipped to be a key emerging market, with projected growth rates as high as in China and India.¹³ As the Indonesian business traveller is still a relative unknown, our research aimed to uncover new insights.

Indonesian business travellers tend to plan late.

They have the shortest advance purchase period among all the countries surveyed, booking an average of only 14.4 days in advance. This is also reflected in their higher-than-average tendency to pay for last-minute changes to flights and hotels, with 27 percent of Indonesian business travellers reporting this behaviour.

Indonesian business travellers desire comfort and are willing to pay for it, but this may also be due to less-generous company policies.

They were very likely to go for additional services that promise comfort, such as lounge access, a wider choice of in-flight entertainment, and spa or massage at hotels. This willingness to spend may be explained by high consumer confidence amongst Indonesians—a 2015 Nielsen survey ranks them third in the world in terms of spending optimism.¹⁴ However, it could

also be attributed to less-generous corporate budgets: corporate card spending by Indonesians on business trips was relatively low at only US\$109 per night, lowest amongst all the countries studied with the exception of India. In contrast, China spends US\$174 per night.

They are extremely open to new travel providers.

Indonesian business travellers have the highest awareness of low-cost carriers and express the greatest willingness to fly LCCs for business. A high number are also willing to consider shared accommodation, with 57 percent of those aware of the concept willing to consider it—which, along with China, is the highest rate of all countries.

Indonesian business travellers who travel international versus domestic have more commonalities than differences.

Key preference such as the emphasis on service, brand, and value for money, cut across both segments. Even willingness to pay for added services is similar (93 percent for international travellers, 88 percent for domestic). The only main difference lies in personal spending power, which is much higher for international travellers: 62 percent of international travellers report that more than one-fifth of their last business trip spending was personal, versus 39 percent of domestic travellers.

¹³ GBTA BTI Outlook - Annual Global Report & Forecast: Prospects for Global Business Travel, 2014-2018.

¹⁴ Q2 2015 Consumer Confidence Report, Nielsen, July 2015.

4 FOUR ASIAN BUSINESS TRAVELLER ARCHETYPES EMERGE

While Asia is a heterogeneous region, our survey found four distinct business traveller archetypes that hold true across countries and demographic profiles, each with clear differences in their travel preferences and behaviours (Exhibit 7) with variations between the different countries (Exhibit 8).



STEREOTYPICAL SUIT

This segment makes up a sizeable proportion of the Asian business traveller population—almost a third of those surveyed (32 percent). The Stereotypical Suit embodies the conventional image of a business traveller, placing the utmost importance on convenience and little else. When selecting flights, for example, this segment seeks direct flights with convenient arrival and departure times, placing 50 percent more importance on convenience attributes compared with the average business traveller. When Stereotypical Suits bend policy guidelines, it's typically because they want to travel more conveniently: 62 percent of those who deviated from policy cited added convenience as the reason for non-compliance, compared with the average response of 53 percent.

Stereotypical Suits were much less concerned about distinctive offerings such as service levels, price, and loyalty programmes; indeed, they consistently rank these factors among their least concerns. As one traveller noted, "I'd only fly a LCC if there was an advantage other than low fares, like convenient time, no stopovers, or flexibility to change my ticket".

Stereotypical Suits are typically older travellers: 61 percent are non-Millennials, and 63 percent are from MNCs or large local companies (LLCs).



SERVICE SEEKER

Service Seekers form the largest segment of ABTs—34 percent of our survey respondents. Service for this segment means attentive staff and additional facilities, whether these are for work—such as in-flight power outlets—or for leisure such as personal trainers at hotel gyms.

In contrast to Stereotypical Suits, members of this group are looking for a distinctive travel experience, one where they feel recognised and valued. Additionally, experiential factors such as seeing a different part of the world and doing impactful work drive their overwhelming enjoyment of business travel; 67 percent viewed it as a perk compared with the overall average of 56 percent.

Service Seekers are also the most lucrative segment in terms of their potential for additional spending. They were the least price sensitive for both flights and hotels and the most willing to spend out-of-pocket for additional services such as better in-flight entertainment options and the ability to pick rooms. In fact, Service Seekers were consistently willing to pay more than any other segment. They were also frequent flyers (62 percent make more than three trips per year) and the most likely segment to fly in first or business class (43 percent compared with the average of 29 percent).

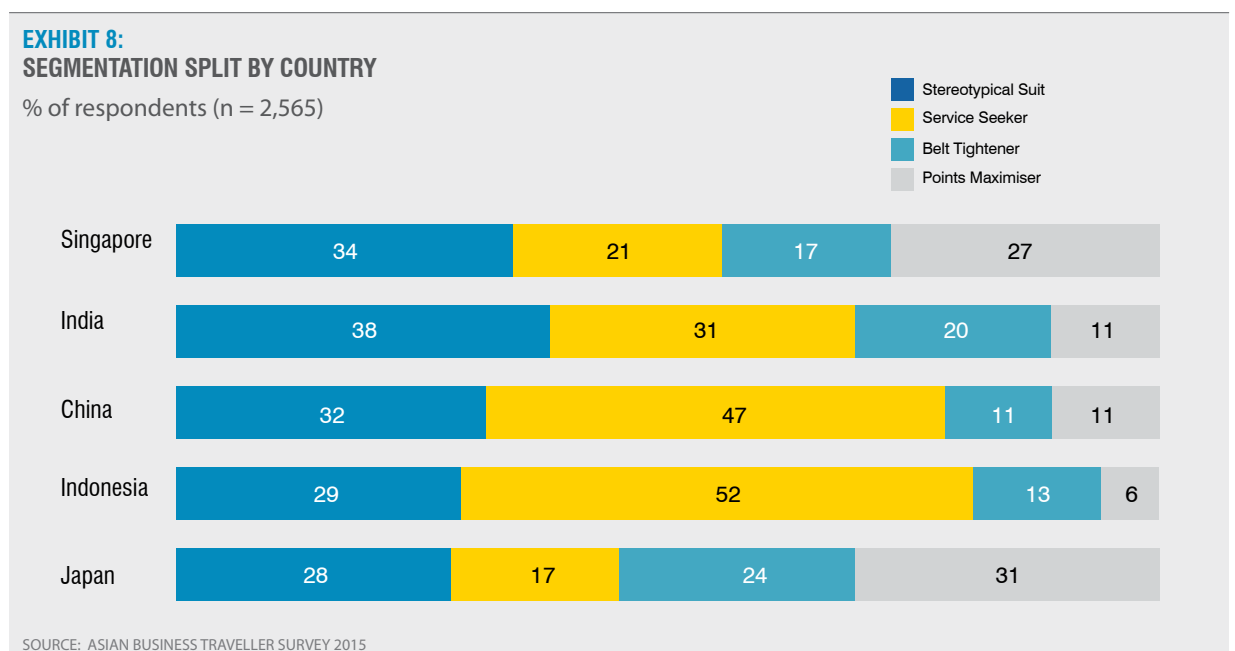
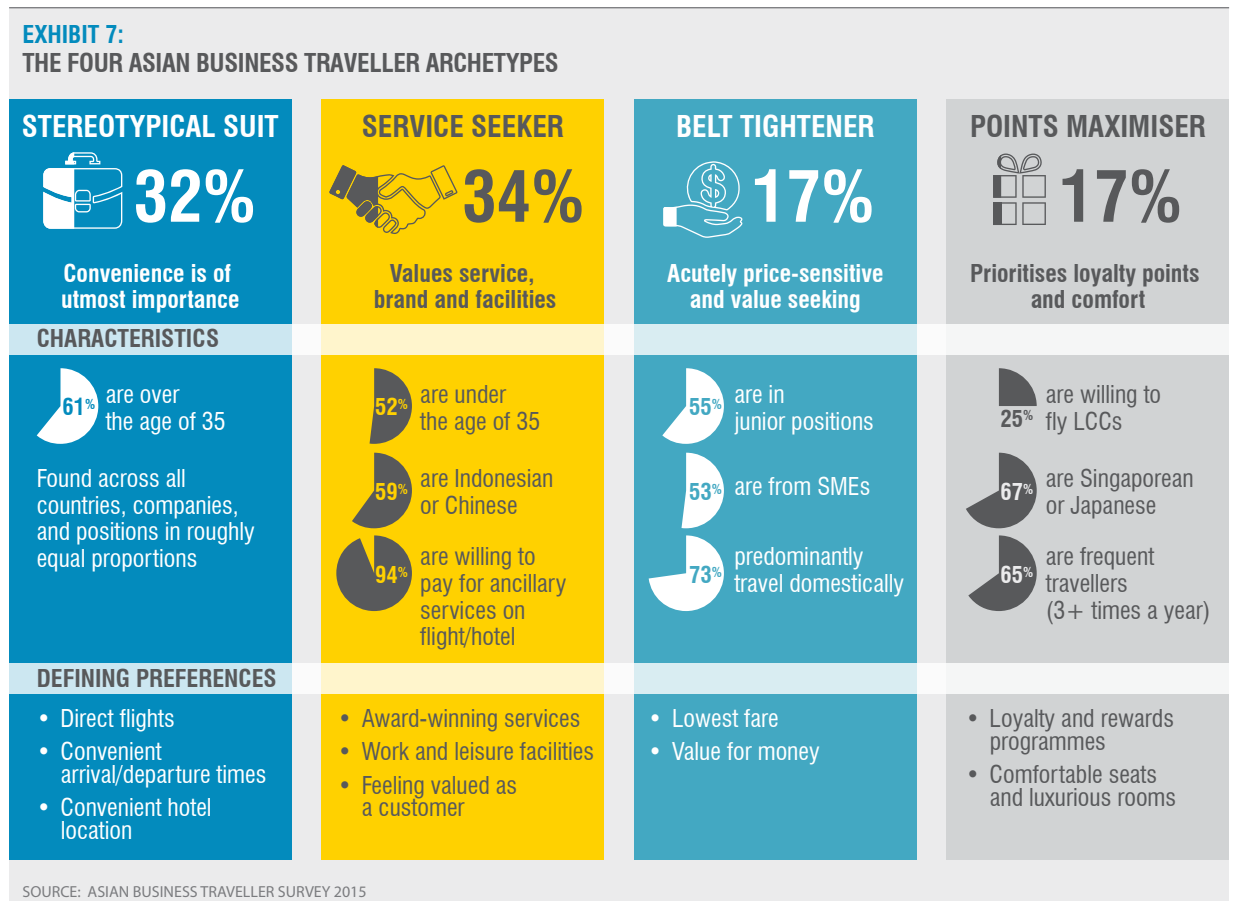
That said, they are also the most open to considering sharing economy accommodation for business travel (38 percent compared with the average of 28 percent). One reason could be their desire for a distinctive travel experience; as one Service Seeker noted, it offered "a sense of adventure".

Service Seekers typically work for large companies; 68 percent are from MNCs or LLCs. They are made up of a high proportion of Indonesians and Chinese travellers (31 percent and 28 percent respectively).



BELT TIGHTENER

Belt Tighteners are a comparatively smaller segment, making up 17 percent of the Asian business travellers surveyed. While most business travellers place a high value on convenience, Belt Tighteners are price conscious. This segment appreciates the lowest-available price and value for money approximately twice as much as the average business traveller. They would rather spend time to save money than vice versa.



Being budget-conscious, they were the least willing to pay for value-added services, least likely to extend their business trip to incorporate leisure (37 percent compared with the overall average of 45 percent), and most likely to fly LCCs (57 percent compared with the overall average of 41 percent). As one Belt Tightener explained, “Money is important. I wouldn’t spend on additional-frill services which merely help to inflate your ego”.

Delving deeper into the demographics of Belt Tighteners further validates them as a low-margin segment. They are typically infrequent, short-duration travellers; 73 percent fly mostly domestic; they are predominantly from SMEs (53 percent compared with the overall average of 37 percent); and a higher proportion are junior management level or below (55 percent compared with the overall average of 50 percent).

Unlike Service Seekers, Belt Tighteners are ambivalent about traveling for work: only 44 percent viewed travel as a perk of their job compared with the average of 56 percent.



POINTS MAXIMISER

Points Maximisers make up 17 percent of Asian business travellers surveyed. They view travel as a way to collect loyalty rewards. While they are not overly enthused about business travel (only 49 percent view travel as a job perk), those that do enjoy business travel attributed it to the points they can earn (15 percent compared with the average of 6 percent).

This segment, more than any other, occasionally evades travel policy in order to earn loyalty points (35 percent compared with the average of 21 percent). Independent hotels are also unpopular—only 9 percent choose them as their preferred accommodation compared with the average of 14 percent—likely due to the limited scope to accumulate points across different locations. This may also explain why only 25 percent of this group are willing to fly LCCs.

Points Maximisers also appreciate comfort; they are more likely than any other segment to value comfortable aircraft seats and luxurious hotel rooms

than any other segment. However, they do not seem as willing to pay out-of-pocket for such perks. Consequently, they do not appear as lucrative as Service Seekers, in terms of additional individual spending. They rarely spend personally on hotel add-ons: for example, only 28 percent said they would be willing to pay for laundry compared with 42 percent of Service Seekers. Similarly for flight add-ons, only 32 percent would be willing to pay for better meal options compared with 55 percent of Service Seekers.

Although the potential for add-on services may be limited, this segment is likely to be spending more in total than other segments. Consider that Points Maximisers are made up of a high proportion of Singaporeans and Japanese travellers (31 percent and 36 percent respectively) compared with the average survey population of 20 percent each. These nationalities typically spend much more on hotels, flights, and other expenses per trip than the average business traveller. Additionally, Points Maximisers reported that their companies cover a greater amount of their additional expenses: 33 percent said their company pays for almost all expenses compared with the average of 26 percent. As one Points Maximiser noted, “I have a Marriott account, and I want to leverage it as much as possible to collect points. Also, my company pays the bill for accommodation, not me, so I don’t need to compromise.”

Points Maximisers are typically non-Millennials (56 percent) and frequent flyers, with 25 percent flying more than six times a year.

IMPLICATIONS

TARGET EACH ARCHETYPE DISTINCTLY

Each of these archetypes is driven by distinct preferences; accordingly, a differentiated, customised set of offerings is needed to better engage, serve, and capture each type.

Stereotypical Suit: Stereotypical Suits prioritise convenience above all else and are therefore influenced by offerings that save time and eliminate stress. Direct flights, convenient flight schedules, and optimal hotel locations are the typical “hygiene

factors” that travel companies need to satisfy, and some companies are taking a broader and more creative view of how to enhance convenience to attract this segment. For example, AirAsia’s Red Carpet Service is an exclusive paid facility that offers travellers a dedicated team providing expedited service. Benefits include dedicated check-in counters, escorted buggy service to the gate, priority boarding, and priority baggage offloading upon arrival. Stereotypical Suits place a high premium on these types of express services, which can typically be delivered at reasonably low cost to the provider.

Service Seekers: Appealing to Service Seekers’ desire for “experience” is fundamental to capturing this largest and potentially most-lucrative segment. This is essentially the underlying premise of Virgin Atlantic’s recent “Business is an Adventure” campaign, aimed at international business travellers.¹⁵ It was designed to differentiate the business travel experience at Virgin Atlantic from ordinary travel with headlines such as “Business is an adventure. Make it Epic” and “Business is an adventure. Pack for Glory” as well as highlighting exclusive airport clubhouse facilities and in-flight Wi-Fi service.¹⁶

Some LCCs also appear primed to target and capture Service Seekers. American LCC JetBlue, for instance, has introduced Mint Class, a new premium cabin product, on select routes. Offering a “refreshing new take” on premium-class travel, it focuses on “top-notch service”, additional amenities such as private suites, flat beds, and extras such as branded dining options and lifestyle products. The response has been enthusiastic with Mint Class frequently selling out, forcing a 30 to 40 percent drop in premium-fare pricing across the whole market.¹⁷

Belt Tighteners: “No frills”, value-focused service is the most effective way to win and serve this segment. Although LCCs and budget hotels are the obvious providers, recent plays by premium providers show how it’s possible to adapt and standardise offerings to target this segment. Starwood’s Aloft brand, for example, is defined by two main features: low room prices and consistent, contemporary decor. Of particular appeal to Millennials due to its digitally advanced amenities, slick design, and buzzing social atmosphere, Aloft has been one of the fastest-growing brands in the history of hospitality with nearly 100 hotels in 15 countries, and with strong presence in all the key Asian markets.¹⁸

Points Maximisers: It’s all about locking in loyalty for this segment by offering rewards across their entire journey. Next-generation loyalty programmes are going further by using the power of partnerships and networks beyond their sector and even their industry. For example, Hilton, Marriott, and Singapore Airlines are just a few players who have teamed up with Travelling Connect, a service that rewards travellers with extra miles or hotel points when they use roaming on partner mobile phone networks.

As another example, Starwood has partnered with Emirates and Delta Airlines to provide reciprocal benefits to “elite” travellers in both loyalty programmes, allowing them to earn points on both programmes simultaneously. This is a mutually beneficial partnership for all companies that have vested interests in each other’s territories. The partnership with both a US airline and an international airline enables Starwood to play in two key geographies.¹⁹ It also allows travellers to gain benefits that they would not otherwise get. Furthermore, such alliances help providers capture significant benefits from sharing data and analytics.

¹⁵ Kate Maddox, “Virgin Atlantic Campaign for Business Travelers Takes Flight”, *Advertising Age*, April 6, 2015.

¹⁶ Ibid.

¹⁷ Billy Witz, “JetBlue Adds Flat-Bed Seats”, *The New York Times*, June 23, 2014; and “JetBlue To Start Offering Mint Class To The Caribbean”, *Boarding Area*, March 15, 2015.

¹⁸ “Starwood Hotels’ Tech-Forward Aloft Brand to Debut in Indiana”, *Hospitality Net*, September 21, 2015.

¹⁹ Brian Kelly, “Double Your Points with New Starwood-Emirates Partnership,” *Travel + Leisure*, November 2014.



5 BUSINESS TRAVEL IS SUSCEPTIBLE TO THE SAME DISRUPTIVE FORCES AS LEISURE

As Asian business travellers have their expectations and preferences shaped by their consumer and leisure travel experiences, the business travel industry is primed for disruption by the same forces at play in the leisure market.

GOING DIGITAL

The shift to digitally enabled booking tools isn't just a priority for travel companies—it's what ABTs want as well. Between online, mobile, and face-to-face (F2F) interactions, F2F was the least-popular option except for hotel check-ins where it dominated. ABTs also value the transparency of choice and information that autonomous digital booking channels provide. Our survey showed digital booking channels, such as using a company online booking tool, are overall 28 percent more popular than offline channels, such as booking via a secretary.

That said, they aren't necessarily ready to pay for the service. Willingness to pay for digital processes such as a mobile boarding pass was relatively low in aggregate (Exhibit 9). Nevertheless, this did vary across the different groups of ABTs (Exhibit 10). Besides country differences, age is also a factor: 33 percent of travellers aged 20 to 29 were willing to pay for digital processes compared with 18 percent of travellers over the age of 50.

Mobile is the one area clearly on the rise, with the proportion of ABTs wanting to use mobile platforms and processes outstripping current penetration by more than three times. Travel managers also singled out mobile booking for business travel as the next big wave of change, predicting that this will hit the sweet spot for ABTs by enabling them to book, change, and view real-time travel information on the go.

The digital divide between young and mature travellers was also most distinct in mobile. For instance, 27 percent of 20 to 29-year-olds selected mobile booking tools as their preferred channel to book travel compared with only 12 percent of those over the age of 50.

LOW-COST CARRIERS FLYING HIGH

Hot on the heels of the leisure market, the use of LCCs for business travel in Asia is widespread and expanding rapidly. In Asia, LCCs comprised 29 percent of all business travel expenditure on flights, making this the most penetrated region in the world. As a benchmark, penetration in North America is at only 16 percent.²⁰ Growth has been the fastest in Asia as well—business travel expenditure on LCCs has grown 11 percent annually over the past three years, nearly double the rate of growth in North America (6 percent).

This momentum does not look likely to let up. Travel managers report using LCCs for a variety of reasons beyond simply "cost". Convenient schedules, networks, and products on par with full-service carriers (FSCs) are all cited, although these factors were highly country-dependent. At the same time, 41 percent of ABTs themselves stated they are willing or very willing to fly LCCs for business, with the biggest cheerleaders being in India and Indonesia. Furthermore, increasing LCC schedules and routes in the region is likely to boost adoption among business travellers.

High overall willingness masks strong country-level differences in attitude amongst ABTs. For example, 63 percent of business travellers in Indonesia were willing or very willing to fly LCCs compared with only 25 percent of Singaporeans.

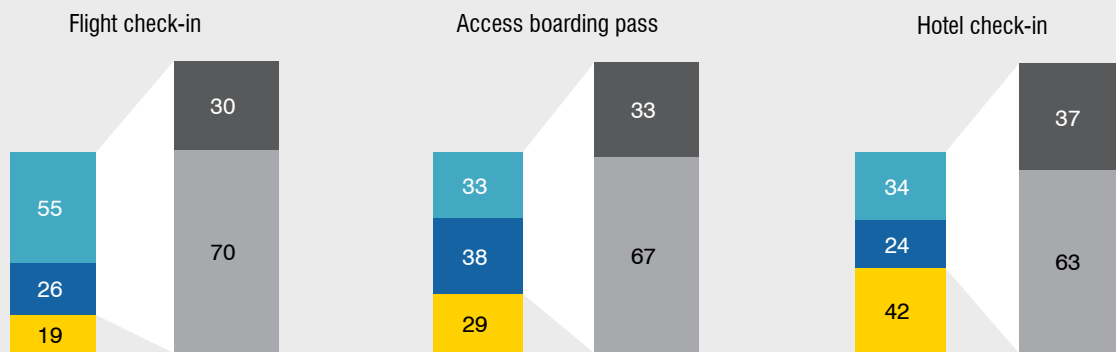
Market factors such as LCC penetration and infrastructure play an undeniably significant role in these differences. India and Indonesia, the two countries with the greatest LCC penetration, have by far the highest proportion of business travellers willing to fly LCCs. In Japan, where willingness was lowest at 20 percent, the most commonly cited reason was the inconvenience of flying LCCs. Narita Airport, the LCC hub, is more difficult to reach from Tokyo compared with Haneda Airport; Japan is also served by efficient bullet train services from the centre.

²⁰ Data provided by Visa.

EXHIBIT 9:
ASIAN BUSINESS TRAVELLERS WANT TO USE DIGITAL CHANNELS,
BUT AREN'T NECESSARILY WILLING TO PAY FOR THE PRIVILEGE OF DOING SO

% of respondents (n = 2,565)

■ Prefer online ■ Willing to pay
■ Prefer mobile ■ Unwilling to pay
■ Prefer face to face



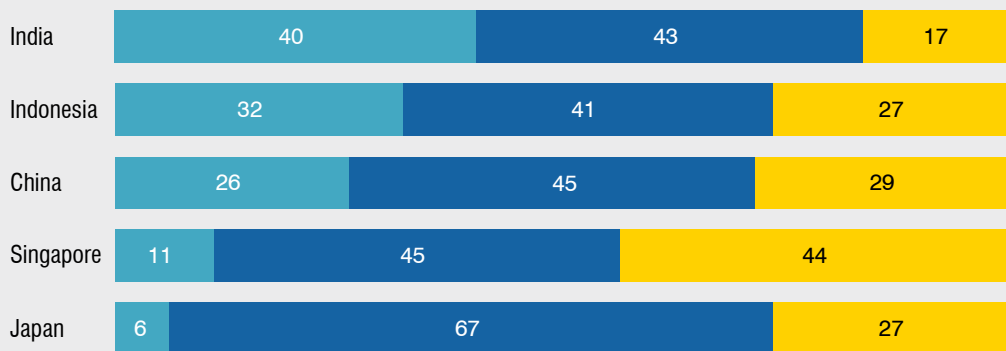
SOURCE: ASIAN BUSINESS TRAVELLER SURVEY 2015

EXHIBIT 10:
WILLINGNESS TO PAY DIFFERS GREATLY BY COUNTRY
IN A WAY THAT DOESN'T ALWAYS CORRESPOND TO PREFERENCE FOR DIGITAL

Sample process: Flight boarding pass¹

% of respondents (n = 2,565)

■ Prefer digital, willing to pay
■ Prefer digital, unwilling to pay
■ Prefer face to face



¹ Other 2 processes surveyed were flight check-in and hotel check-in. The trends were broadly similar across all 3 processes.

SOURCE: ASIAN BUSINESS TRAVELLER SURVEY 2015

That said, market structure doesn't explain the entire story. In China, where LCC penetration is the lowest by far at only 6 percent, business travellers were still relatively willing (41 percent) to fly LCCs. Consumer mind-sets appear most likely to explain the difference. In Singapore, where penetration is relatively high and infrastructure convenient, business travellers mostly cited concerns about perceived levels of comfort and service. When there is little difference in product, the gap in willingness also appeared to narrow. IndiGo Airlines, an Indian LCC, is widely cited as an example. As a travel manager based in India noted, "Even my CEO is happy flying low-cost carriers—they offer him a meal if he wants one".

SHARING ECONOMY—NASCENT AND GAINING ATTENTION

The sharing economy is small but growing. Sharing economy accommodation accounted for only 0.1 percent of expenditure on business travel accommodation globally. However, in North America (the market leader in sharing economy business travel), spend has tripled over the past year to US\$99 million and incumbents in Asia should not ignore these players.

The main barrier is travel policy. All the travel managers interviewed either flatly ruled out using sharing economy accommodation or are taking a "wait-and-see" attitude. None had current plans to incorporate this sector into their programme. Lack of security was their overriding concern, although some acknowledged potential in certain scenarios such as capacity crunches or longer stays. As one travel manager specified, "Duty of care is one of the key elements of any corporate travel programme."

Despite resistance from travel managers, ABTs appear much more open to the idea. A significant majority—70 percent—of Asian business travellers were familiar with sharing economy accommodation, of which 40 percent were open to considering it as an option for business travel. The primary reason appeared to be greater value for money although several respondents also cited experiencing local culture and previous positive stays. This may also explain why those who are most open to sharing economy accommodation are also most open to flying LCCs.

Unsurprisingly, this openness trends with age. Millennials were 11 percent more likely to consider sharing economy accommodation than non-Millennials. Cultural factors also appear to be at play: Indonesians and Chinese business travellers led the pack—41 percent and 38 percent respectively—of those who were willing to consider it, while Singaporeans and Japanese travellers lagged behind at 20 percent and 10 percent respectively.

Sharing economy players are not standing still—they are hungry for growth. Airbnb has reported 700 percent growth since launching its global business travel programme a year ago.²¹ This segment is set to be a lucrative one for such players, with long stays likely to form a significant chunk of their potential business travel market.

21 Rachel King, "Airbnb expands Business Travel program worldwide, adds dashboard", *ZD Net*, July 20, 2015.

IMPLICATIONS

LEARN FROM DISRUPTORS, BUT DON'T COPY THEM

Established travel companies should not shy away from adapting business models. They should ask themselves the hard questions about which parts of their core business model needs to change in order to keep up. At the same time, they should resist the urge to copy elements entirely. The key is learning how these services have tapped into increasingly pervasive consumer trends, and figuring out how to emulate this within their own business model. The success of Airbnb, for example, can be distilled down to putting existing assets to better use; creating an authentic, customer-centric experience; and starting with the biggest ambitions.

TAKE ADVANTAGE OF EXISTING CONTROL POINTS—ASSETS, DATA, CUSTOMERS—AND DEFEND THEM

Established players should recognise and capitalise on the huge incumbent advantages they already possess. For example, travel companies know their customers and their travel preferences best; they are the ones who hold their customers' loyalty today.

CONSIDER ENTERING PARTNERSHIPS TO GET AHEAD

Partnerships can even occur between seemingly disruptive start-ups and established players in the same industry. Hyatt hotels has not only funded Onefinestay, which markets itself as an upmarket Airbnb, but has entered into a trial partnership with the company whereby Onefinestay's guest can store their baggage and freshen up at a nearby Hyatt hotel if their rental property is not ready, or such guests can utilise the Hyatt's facilities during their stay.²²

²² Dennis Schaal, "It's Beginning: Onefinestay pilot with Hyatt highlights sharing economy collaboration to come," *Skift*, July 21, 2015.



759
531

54
54

101
101



CONCLUSION

Travel companies cannot risk ignoring the Asian business travel market. Already, business travel in Asia accounts for more than a third of a global industry worth more than US\$1 trillion a year, and studies suggest growth in Asia over the next few years will significantly outpace that of other markets.

To capture this opportunity, travel companies must first develop a general understanding of the market. For example, Asian business travellers (ABTs), which we define as those based in Asia, are wresting increased flexibility in their travel choices, either from a set list of providers or without restrictions. Our study showed that their behaviours and preferences also set them apart from their peers in other regions. But we identified overarching trends that span the entire market, Asia is a large, dynamic, and, above all, diverse region, and business models must be crafted to address national differences, as well as distinctive archetypes seen among business travellers. And to add to the complications, the impact of disruptive technologies must also be weighed carefully.

To address this market, travel companies must create customised offerings that cater to the characteristics seen in national markets and among the traveller archetypes. Furthermore, they must revisit business models to assure that they keep pace and respond appropriately to disruptive technologies and innovative attackers.

Most market research in business travel has focused on North America and Europe, while the momentous growth in Asia has slipped by almost unnoticed. Our research on the market is a major step towards closing this knowledge gap, but it is only a step. Further research is needed to gain a deeper understanding of the fundamental trends in the Asian business travel market and the behaviours and preferences of business travellers in the region. With Asia at the forefront of growth and changing consumer habits, travel companies that better understand Asian business travellers could gain huge competitive advantages in this fast-growing market.



APPENDIX: METHODOLOGY

This report aims to understand the consumer decisions and behaviours of the Asian business traveller. There were four main data sources to support this research:

- Online consumer surveys of business travellers
- Interviews with travel managers
- Booking pattern analysis from Amadeus data
- Spending pattern analysis from Visa data

ONLINE CONSUMER SURVEYS ON BUSINESS TRAVELLERS

The survey on business travellers was conducted online across five countries (China, India, Indonesia, Japan, Singapore) in four languages (English, Bahasa, Chinese, and Japanese). Each country generated approximately 500 responses for a total of 2,565 respondents. An even spread was maintained through quotas across age buckets (46 percent Millennials versus 54 percent Non-Millennials), seniority (53 percent middle management and above versus 47 percent junior management and below) and employer type (37 percent small or medium enterprises, 42 percent large local companies and 21 percent multinational companies).

In order to segment the different business travellers, the survey included value questions that required respondents to rank their preferences and make trade-offs from a combination of four themes: convenience, comfort, facilities, and value. Following this, an analysis was performed based on these themes to identify distinct traveller archetypes based on their key decision drivers.

INTERVIEWS WITH TRAVEL MANAGERS

The report was supplemented through qualitative interviews with 19 travel managers from around the region across a range of industries, mainly from multinational corporations. These managers were based in Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Japan, Singapore.

The interviews were designed to understand the decision-making balance between the corporate and the individual traveller, as well as to understand the key features and trends in business travel policy and travel patterns.

AMADEUS: BOOKING PATTERN ANALYSIS

Amadeus's Travel Intelligence data was mined to understand booking patterns of business travellers. Examples of metrics studied include length of trip, advance purchase period, booking channel, and booking dates. These analyses were conducted across both regional and country levels over the period 2012 to 2015.

VISA: SPENDING PATTERN ANALYSIS

Transaction data from Visa-issued corporate cards were used to determine aggregate spending trends. The metrics used include the number of transactions as well as size per transaction, which were aggregated to provide an overall picture of spending.

Analysis on the different segments of spending (such as hotels or flights) was carried out at a merchant-level, while demographics were proxied using the cardholder's origin country. These analyses were conducted on both regional and country-levels over the period 2012 to 2015.



CREDITS

This study was commissioned by the Singapore Tourism Board for the Asia Travel Leaders Summit 2015. McKinsey & Company was the Summit Knowledge Partner and provided fact-based analysis for this study. Amadeus and Visa were the Summit Partners and supplied quantitative booking data and quantitative spending data respectively.

Created and spearheaded by the Singapore Tourism Board, the sixth edition of the Asia Travel Leaders Summit continues to gather the leading minds and voices of the Asian travel industry and inspires purposeful dialogue in response to key issues facing the industry.

This invitation-only summit is intended to be an intimate dialogue among key business leaders who have strong interests in the development of the travel industry in Asia, and seeks to lay the foundation for potential collaborative efforts among leaders to meet the needs of the industry.

ABOUT THE SINGAPORE TOURISM BOARD

The Singapore Tourism Board (STB) is a leading economic development agency in tourism, one of Singapore's key service sectors. Known for partnership, innovation, and excellence, STB champions tourism, making it a key economic driver for Singapore. The STB aims to differentiate and market Singapore as a must-visit destination offering a concentration of user-centric and enriching experiences through the "YourSingapore" brand. For more information, please visit www.stb.gov.sg or www.yoursingapore.com.

ABOUT MCKINSEY & COMPANY

McKinsey & Company is a global management consulting firm dedicated to helping the world's leading organizations address their strategic challenges. With consultants deployed in more than 50 countries around the globe, McKinsey advises on strategic, operational, organizational and technological issues. For more than eight decades, the firm's primary objective has been to serve as an organisation's most trusted external advisor on critical issues facing senior management.

ABOUT AMADEUS

Amadeus is a leading provider of advanced technology solutions for the global travel industry. Customer groups include travel providers (airlines, hotels, rail providers, airports), travel sellers (travel agencies and websites), and travel buyers (corporations and travel management companies). The Amadeus group employs around 13,000 people worldwide, across central sites in Madrid (corporate headquarters), Nice (development), and Erding (operations), as well as 71 local Amadeus Commercial Organisations globally. To find out more about Amadeus, please visit www.amadeus.com and www.amadeus.com/blog for more on the travel industry.

ABOUT VISA WORLDWIDE

Visa Inc. (NYSE: V) is a global payments technology company that connects consumers, businesses, financial institutions, and governments in more than 200 countries and territories to fast, secure and reliable electronic payments. Visa operates one of the world's most advanced processing networks – VisaNet – that is capable of handling more than 56,000 transaction messages a second, with fraud protection for consumers and assured payment for merchants. Visa is not a bank and does not issue cards, extend credit or set rates and fees for consumers. Visa's innovations, however, enable its financial institution customers to offer consumers more choices: pay now with debit, ahead of time with prepaid or later with credit products. For more information, visit usa.visa.com/about-visa, visacorporate.tumblr.com and [@VisaNews](https://twitter.com/VisaNews).

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