

Global Quarterly Trend Report

Q4-2022

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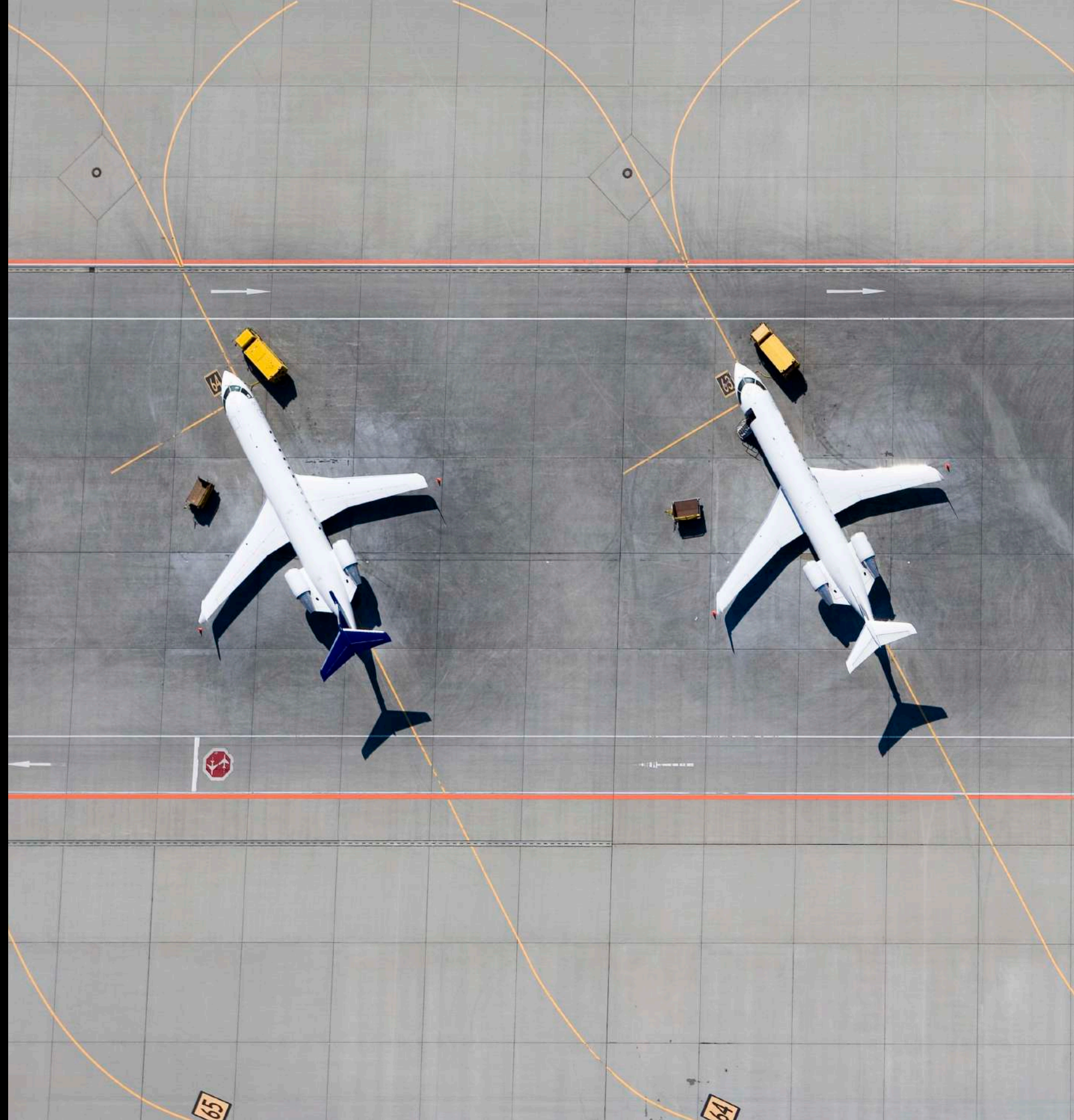


Stage and Screen have access to expert level consulting. Flexible service with tangible results. Our FCM Consulting team is here to guide you in the right direction.

The FCM Consulting team is made up of industry leaders in travel, finance, and procurement, experienced in working with clients from small enterprises through to global corporations.

The services include supplier sourcing, contract performance management, outsourcing, travel policy design, benchmarking, data intelligence, and more.

With a bespoke approach, the team's value lies in its ability to enhance and optimise your program in a way that suits your company's culture and objectives.





→ About the Report

This FCM Consulting quarterly report draws on global data sourced from FCM bookings, for travel during October to December 2022 (Q4-2022). The report uses Cirium aviation data as at 17 January 2023. Airfare variations exclude all taxes.

The average room rate (ARR) quoted for regional accommodation is the average booked rate using FCM and Flight Centre Travel Group corporate booking data. Variations in rates booked, are a reflection of seasonality, supply and demand, corporate booking lead times and subtle variations in exchange rates. Unless otherwise stated all fares and rates are reported in US dollars. STR hotel data and content quoted is dated 23 January 2023.

CORPORATE

Need to Know

Q4-2022 wrapped up the corporate travel industry's year of recovery - kept buoyant by strong growth in Q2 & Q3. All eyes are now focused forward on 2023.

This edition of FCM Consulting's Quarterly Trend Report explores the key outcomes of 2022 and how 2023 is shaping up. We are heading into a year of varied forecasts across the travel industry, influenced by the same macro trends and risks witnessed in 2022. How is your travel budget tracking against a backdrop of rising costs?



CORPORATE TRAVEL

Key Takeaways Q4-2022

1



AIR SEATS BLOOM

In Q4-2022 China was preparing to open **its** borders. At the time of writing **the** report, Asia had increased its airline seat capacity by +17% from Q4-2022 to Q1-2023.

Pent-up travel demand into and out of China is forecast to last **3-5 months**, with longer term travel patterns likely to return 2024 pending economies.

2



DISTRIBUTION

In 2022 we saw British Airways, Air France, Qantas, American Airlines and others, commence rollout of new air travel retailing options, known as NDC*. Currently 63 airlines (as noted by IATA) are on a pathway to offer NDC content.

What can you expect in 2023?
More airlines starting to offer expanded content to travellers.

3



TRAVEL COSTS

Forecasting the rate of inflation in 2023 and the flow-on effect is challenging.

What we can share, is that travel costs will remain high for at least another six months. With travel demand strong, fares and rates will remain high. As demand slows and additional supply is provided we will reach a levelling period in travel costs.

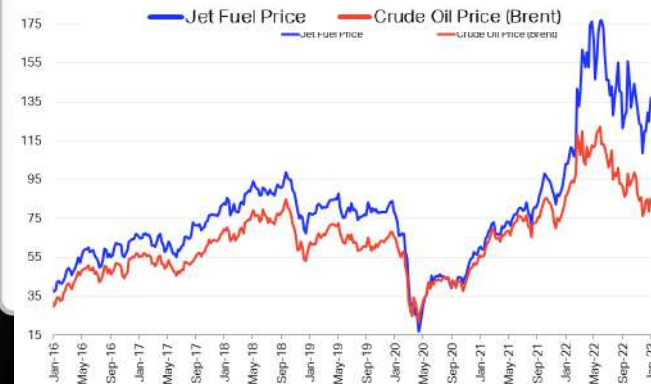
4



FUEL REMAINS HIGH

Jet fuel is **US\$131** per barrel[^] down **US\$13** on the Oct-2022 US\$44 of the 2022 peak **US\$175**.

Jet Fuel & Crude Oil Price (\$/barrel)



Source: S&P Global, Refinitiv Eikon

[^] IATA Fuel Monitor reported the week ending 19 January 2023

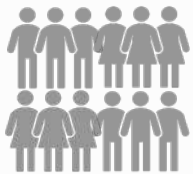
* NDC = New Distribution Capability is an initiative by IATA, for the travel industry, supporting the development of airlines to improve and enhance communication through XML feeds to expand retail air sales and content.

Benefiting faster dynamic pricing, personalized content and broader choice of airline ticket packaging.

CORPORATE TRAVEL

Key Takeaways Q4-2022

5



EVENTS FORECAST

By the end of 2022 clients **planning for virtual and hybrid conferences had dropped by 75% compared to 2021***.

With budgets ready and no concerns about interruptions or cancellations, corporates are booking events throughout 2023 and 2024. Significantly more events are being planned for than in 2019.

6



THE AUDIENCE

FCM Meeting & Events emerging trends for 2023:

- Increasing **sustainability** focus
- **Integrated technology** for the ultimate delegate experience
- **Audience integration** and **on-the-go** content contribution
- **On-demand content** to **engage** pre, during and post event
- Strong emphasis on **diversity, inclusion** and **equality**

7



UNINTERRUPTED

For nine* months in 2022, most of the world was 'getting back on the road'. **Airline seat volume doubled from 2021 to 2022.** During this time travel was tricky to navigate and likely to change at any moment.

2023 and travellers are feeling **more confident** to travel and **less stressed** with the removal of testing and quarantine terms.

8



DEMAND ↑↓

We saw a slight softening in airline passenger load factors^ globally with an average of **81.6%** for **September 2022** (82.2% international and 80.6% domestic travel)

Combined with recent global hotel occupancy levels of **67%***, travellers will need to **book in advance** to overcome reduced supply in forecast travel peaks end of 2022 and Q2-2023.

*Meetings and events data supplied by FCM Meetings & Events.

*Nine month average for the period commencing April 2022, noting that some markets commenced unrestricted travel with no lockdowns earlier.

^ Passenger Load Factors as reported by IATA November 2022. Passenger load factors of an airline is a measure of how much of an airline's passenger carrying capacity is used. Calculated as passenger-kilometres flown as a percentage of seat-kilometres available.

FROM THE FRONTLINE

FCM Consulting Our Top 6 for 2023

SUSTAINABLE BUSINESS TRAVEL

1

TRACK & REPORT

If you're not already, it's time to **track and report** your emissions.

The best value you can bring, is to **align emissions** tracking to your business targets.

2

GO BEYOND CARBON

Set standards **beyond carbon tracking**. Build out a wholistic strategy and make an impact. Some suggestions:

- Prioritise hotels with EV* charging stations to support EV car hire, or
- Prioritise hotels with locally sourced F&B

3

SUPPLIER SOURCING

When sourcing suppliers ask what **policies and practices** are in place and what **accreditation and standards** **have** been achieved. Choose suppliers that **align or surpass** your own business targets.

4

SAF OPTIONS

Explore **SAF^** opportunities and how your involvement can build long-term goals. Consider small investments to start, **and allow your internal business** to understand the **importance of SAF for the future**.

5

EDUCATE

Invest in educating your corporate travellers on why sustainability is important. Share **best practices** and **tips 'n' tricks** when travelling. Importantly **share business targets** with travellers.

6

EMPOWER

Provide the **policy, processes** and **OBT visual guides** that allow travellers to choose more sustainable suppliers, and **adopt better travel behaviours**. This also includes allowing them to choose offset options.

* EV = Electronic Vehicles.

^ SAF = Sustainable Aviation Fuel

AVIATION

Key Takeaways Q4-2022

1



2023 CONTRACTING TIPS

As 2023 has arrived and travel has returned –here are our contracting tips:

- **Airline contracts have changed.** Read the fine print on commitments including spend thresholds, NDC requirements, non-performance penalties, etc.
- **Discounts are dropping** unless there are competing tensions on routes
- **Leverage your OBT** to drive compliance and achieve carrier targets

2



CONTINUOUS SOURCING

Why have continuous sourcing?

As airlines make more changes in 2023 including flight schedules, seat capacity, pricing and even adding NDC[^] for new options, it's important travel procurement teams regularly review and manage airline supplier models to ensure contracts still hold value.

You may be leaving 5-10% in savings on the table in certain situations.

3



DOMESTIC RETURNS

Domestic seat capacity dominates Q1-2023 vs Q1-2019.

	DOMESTIC	INTERNATIONAL
APAC	+8%	-41%
EUROPE	-11%	-11%
LATAM	+7%	-13%
NAM	+3%	-6%

[^]See page 4 of this report for summary points relating to NDC.

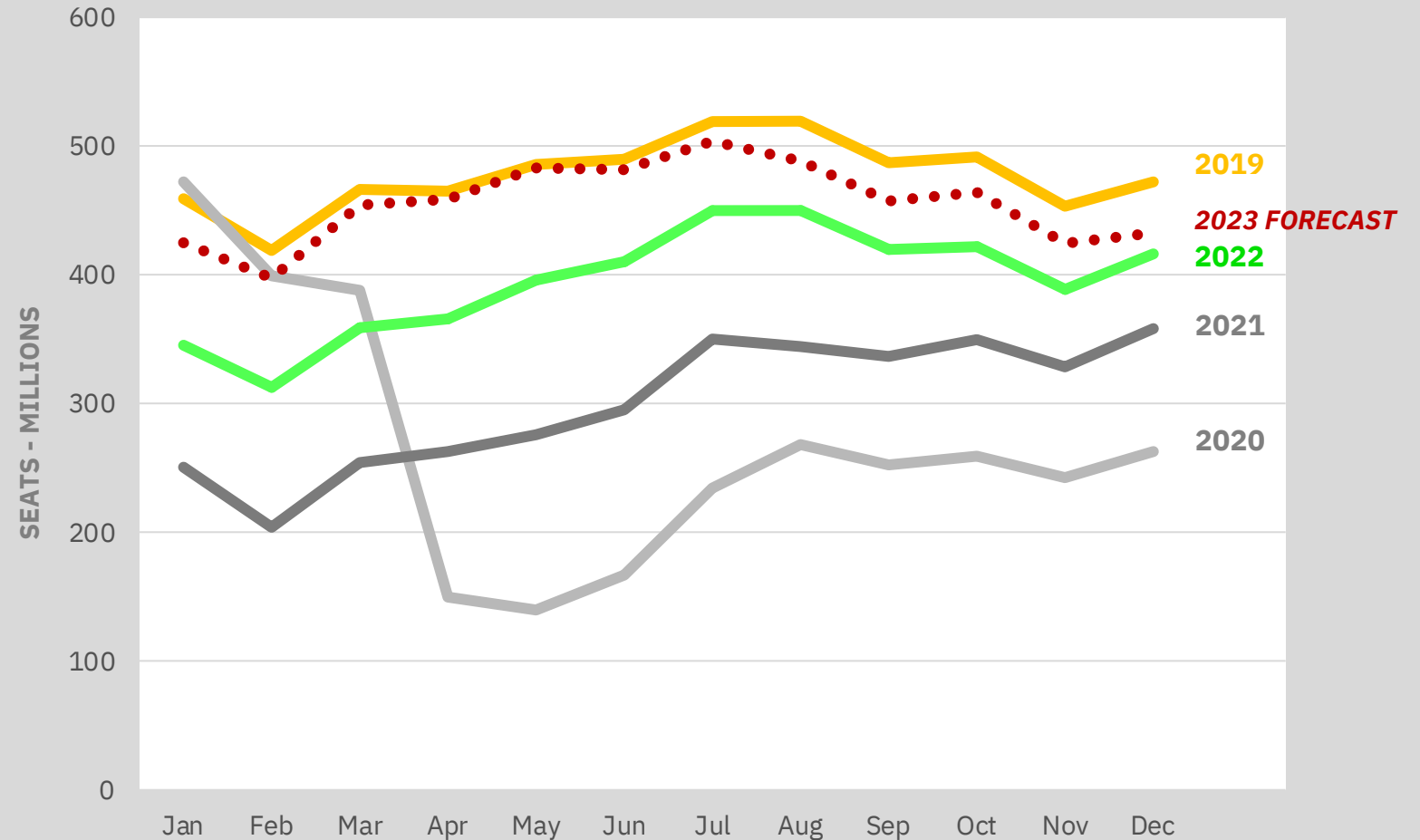
AVIATION - GLOBAL RECOVERY AT LAST

Q4-2022 seat capacity was **+18%** on Q4-2021, and **-13%** on Q4-2019.

With a minor slow down in seat growth in Q4, the 2022 **full-year** seat capacity was **+31%** on 2021 and **-17%** on 2019.

Predicting the full-year 2023 seat capacity is a very long range forecast, nonetheless, airline schedules are **-4%** less seats than in 2019. Q2-2023 heading into the northern hemisphere summer, travel signs are positive.

GLOBAL SEATS



ACCOMODATION

Key Takeaways Q4-2022

1



HOTEL STAFFING

Labour **shortage** was the biggest challenge for hotels in 2022, which will continue in 2023.

Attracting, retaining and **training** staff are paramount to any successful hotel. With operating costs making up 50% of labour costs, increasing salaries to attract talent is only an option if such costs can be passed on to the end consumer. Without adequate staffing, guest experiences are questionable.

2



RATES REMAIN VOLATILE

Q4-2022 has seen two regions surpass 2019 ARR; **North America +11%**, followed by **Australia/New Zealand +6%**.

Latin America and **MEA** have returned to near 2019 rate parity, however, **Europe -5%** and **Asia -22%**, are below pre-COVID averages.

2023 average global rates are set to climb a further **+7%** / **+\$15** across markets. **The 2024 forecast has rates levelling.**

3



2023 CONTRACTING

As corporates contracted rates for the 2023 year, FCM Consulting saw a **+45% increase in NLRA^ rates offered**. If contract terms are overlooked, client average booked rates may increase **+\$30** depending on the hotel and city.

As rates rose in 2022, **dynamic discounts** off BAR became a higher rate option than negotiated fixed rates. For 2023 contracts, only **2 in 100** hotels offered dynamic discounts better than a fixed rate.

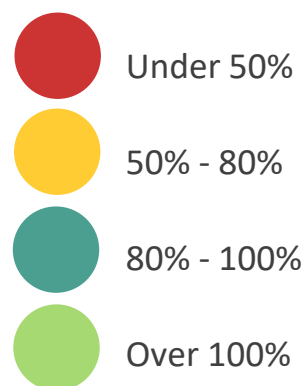
^ NLRA - Stands for Non-Last Room Availability. When offered by hotels, the fixed negotiated rate is available at the hotel's discretion. The hotel can block NLRA rates and charge a higher rate to maximize revenue during peak travel times (seasons or days of the week).

Top performing markets capitalising on regional travel

Occupancy (STD) %, September YTD 2022, indexed to 2019.



STR – PENDING 23 JAN



Vancouver — 89

Chicago — 87

Los Angeles — 89

Mexico City — 80

Bogota

Santiago — 82

107 — Rio de Janeiro

90 — Sao Paulo

79 — Buenos Aires

77 — Moscow

84 — Mauritius

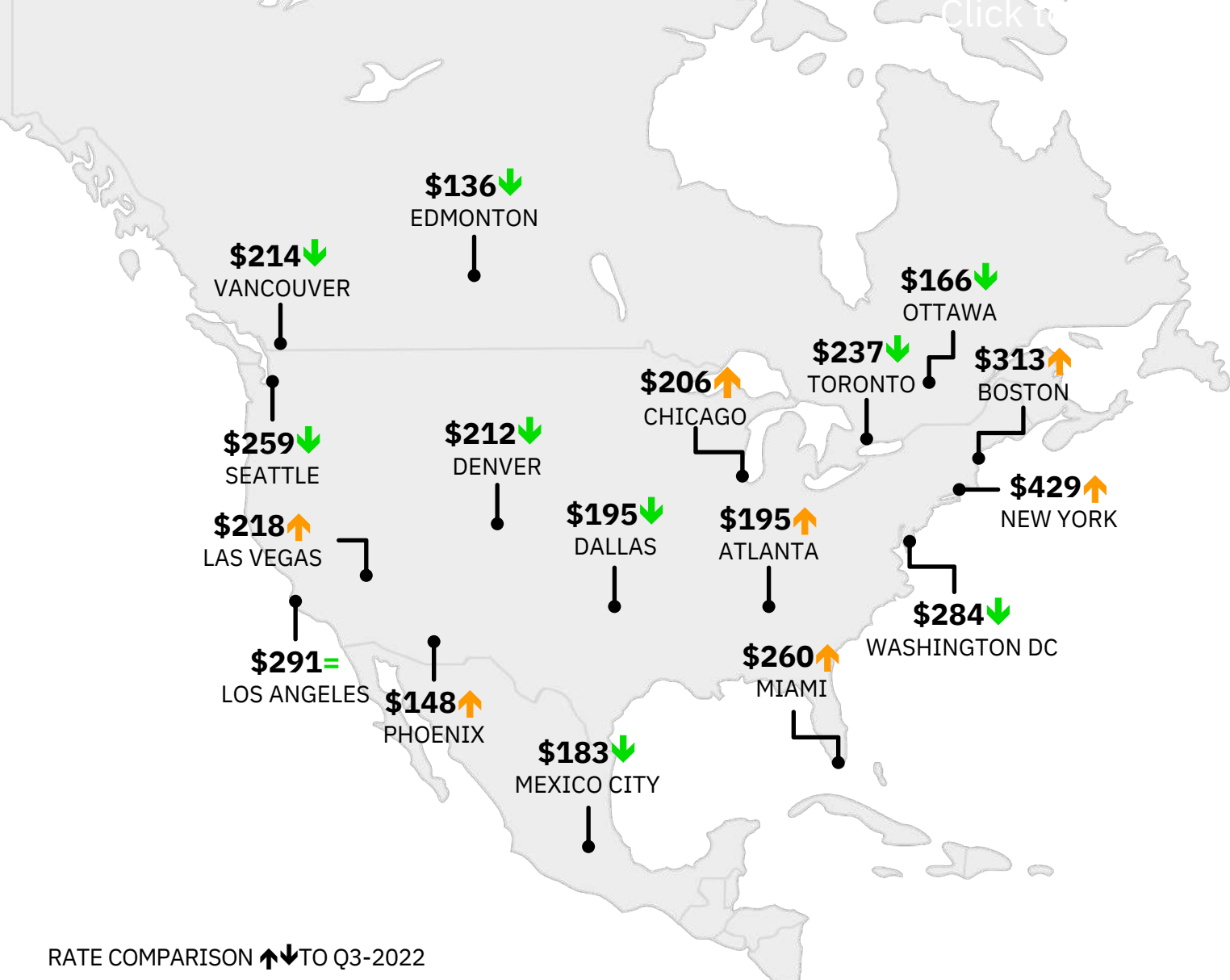
79 — Cape Town

Tokyo

74 — Sydney

Auckland — 60

For more information on STR : apinfo@str.com



RATE COMPARISON ↑↓ TO Q3-2022

Corporate Rates

Average Rate Paid % Var.

Q4-2022 vs

Q3-2022 = **FLAT**

Q4-2019 **↑ 11%**



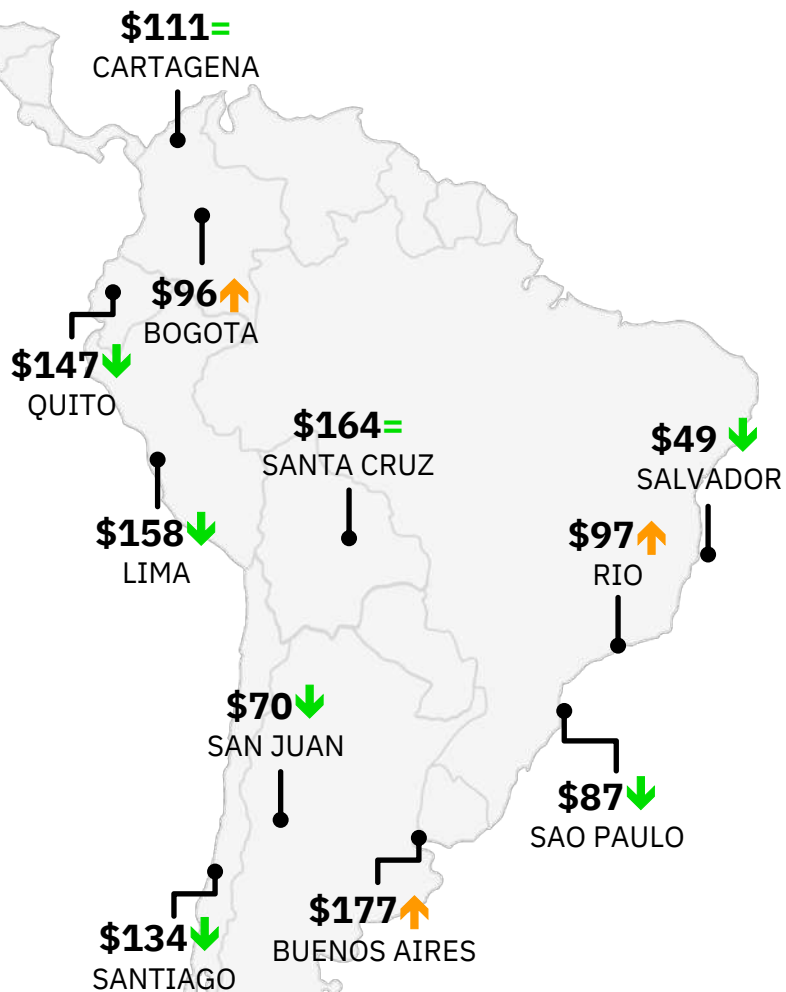
NORTH AMERICA

Accommodation Q4-2022

**RATES WERE UP AND DOWN
MAKING THE REGIONAL
AVERAGE +\$1 VS Q3-2022**

RATE COMPARISON TO Q3-2022

- CHICAGO **↑ 13%**
- LOS ANGELES **↓ 6%**
- NEW YORK **↑ 12%**
- MEXICO CITY **↑ 7%**
- VANCOUVER **↓ 26%**



RATE COMPARISON ↑↓ TO Q3-2022

Corporate Rates

Average Rate Paid % Var.

Q4-2022 vs

Q3-2022 ↓ 5%

Q4-2019 ↓ 2%



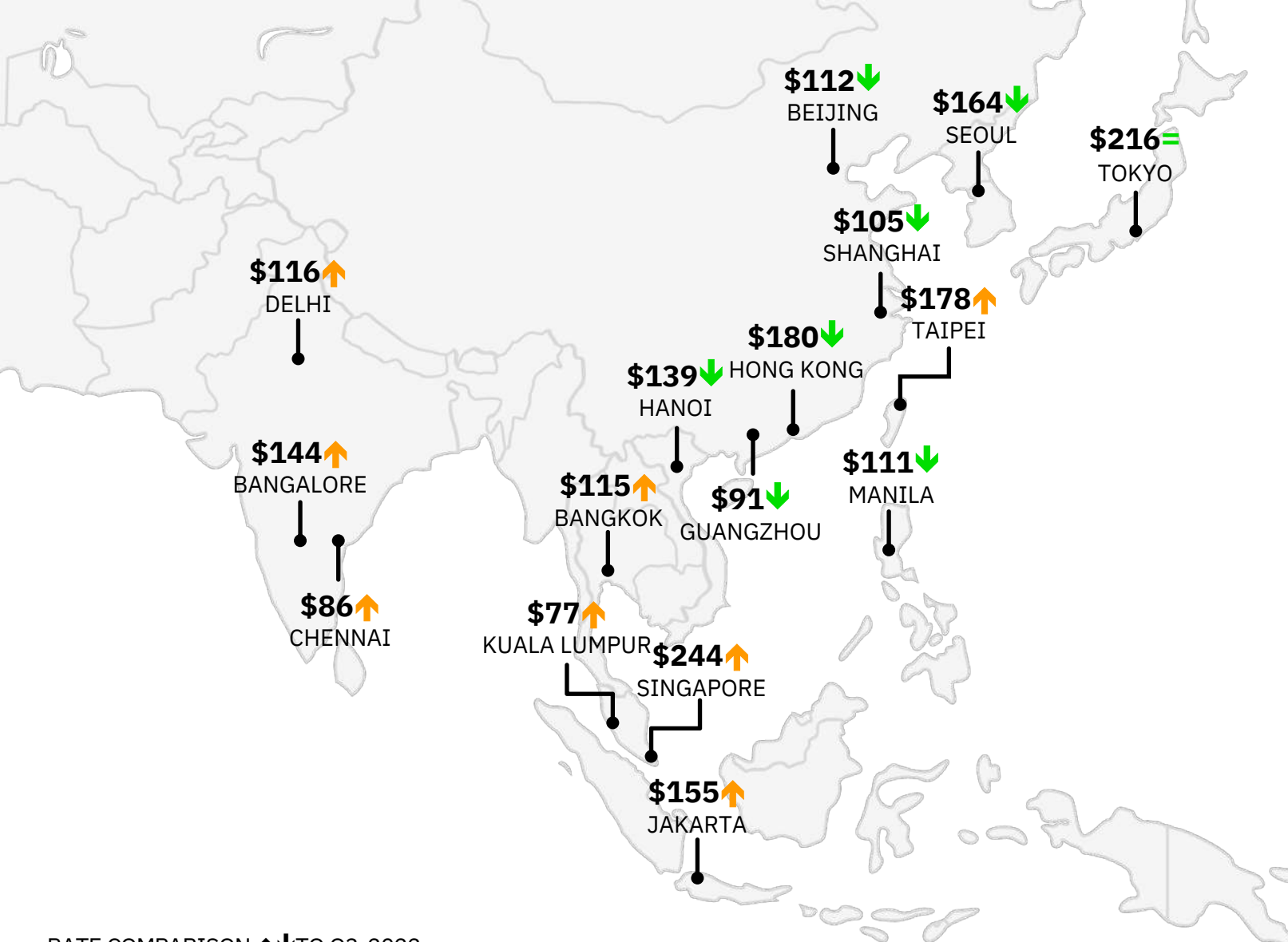
LATIN AMERICA

Accommodation Q4-2022

RATE REDUCTIONS SLOW TO AN AVERAGE -\$7 ACROSS THE REGION VS Q3-2022

RATE COMPARISON TO Q3-2022

- BUENOS AIRES ↑ 5%
- LIMA ↓ 17%
- RIO ↑ 5%
- SANTIAGO ↓ 17%
- SAO PAULO ↓ 3%



RATE COMPARISON ↑↓ TO Q3-2022

Corporate Rates

Average Rate Paid % Var.

Q4-2022 vs

Q3-2022 = **FLAT**

Q4-2019 ↓ **22%**



ASIA

Accommodation Q4-2022

**RATES WERE LIFTED AND
REDUCED ACROSS MARKET
MAKING THE REGIONAL
AVERAGE +\$3 VS Q3-2022**

RATE COMPARISON TO Q3-2022

- CHENNAI ↑ **29%**
- HANOI ↓ **5%**
- MANILA ↓ **21%**
- KUALA LUMPUR = **FLAT**
- SHANGHAI ↓ **9%**
- SINGAPORE ↑ **7%**

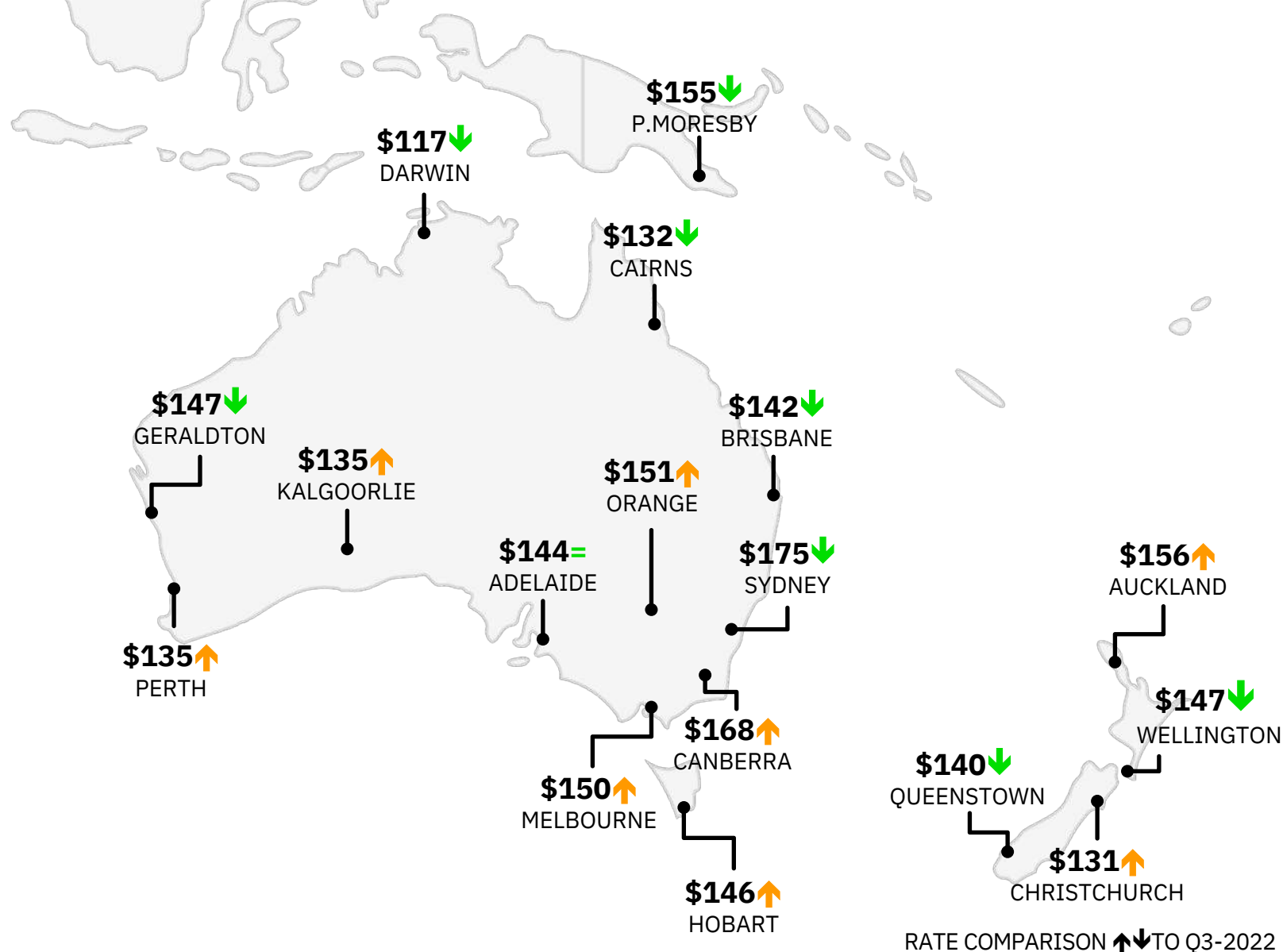
AUSTRALIA & NEW ZEALAND

Accommodation Q4-2022

**RATES REDUCED -\$8 VS
Q3-2022, SIGNALLING
STABILISATION**

RATE COMPARISON TO Q3-2022

- ADELAIDE = **FLAT**
- AUCKLAND ↑ **24%**
- KALGOORLIE ↑ **10%**
- MELBOURNE ↑ **2%**
- SYDNEY ↓ **1%**
- WELLINGTON ↓ **7%**



Corporate Rates
Average Rate Paid % Var.

Q4-2022 vs

Q3-2022 ↓ **3%**

Q4-2019 ↑ **6%**

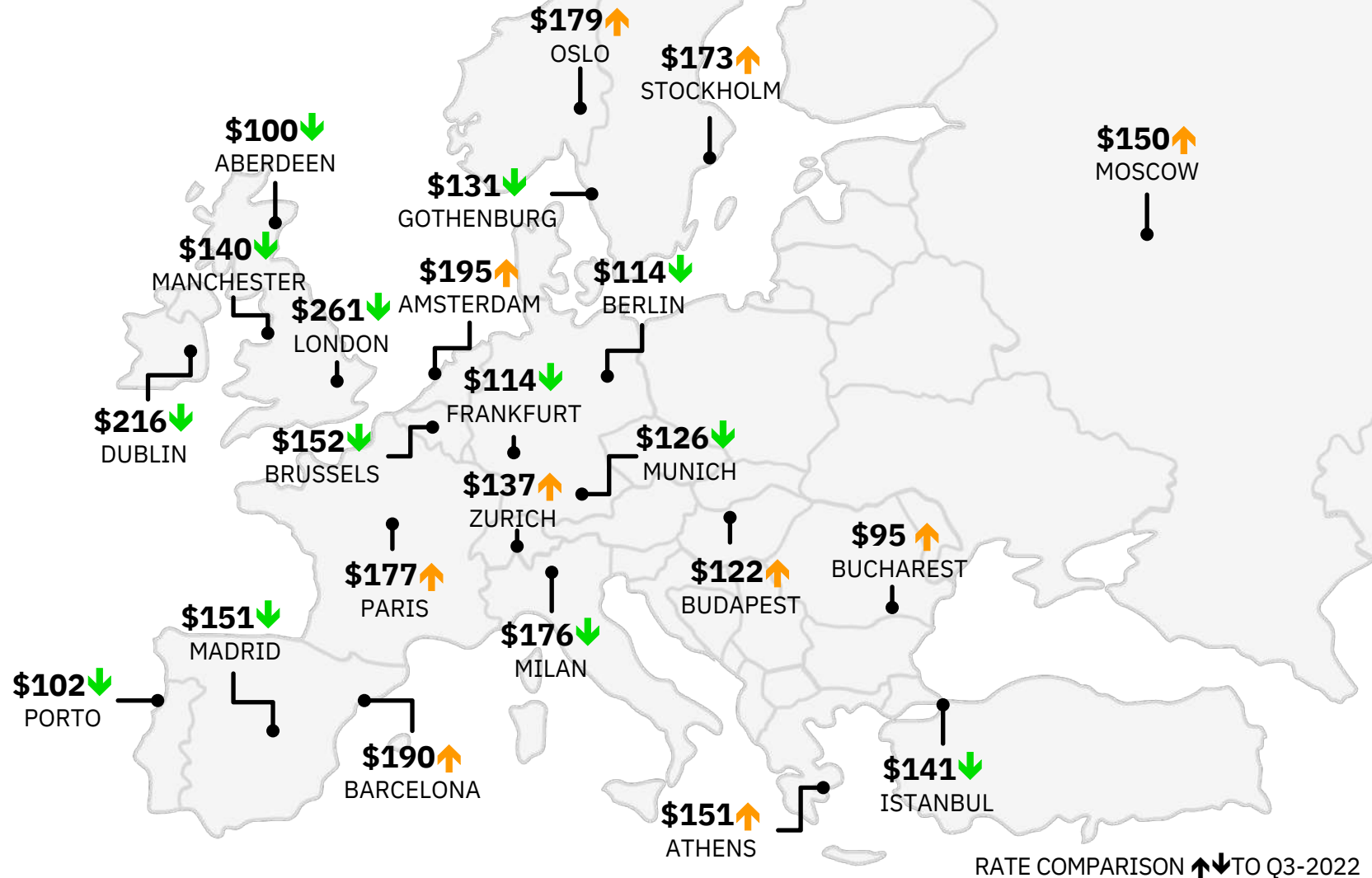
EUROPE

Accommodation Q4-2022

REGIONAL AVERAGE
RATES DROP -\$14 VS Q3-2022 AS DEMAND SLOWS

RATE COMPARISON TO Q3-2022

- AMSTERDAM ↑ 7%
- BERLIN ↓ 18%
- DUBLIN ↓ 7%
- FRANKFURT ↓ 9%
- LONDON ↓ 7%
- MADRID ↓ 7%



Corporate Rates
Average Rate Paid % Var.

Q4-2022 vs

Q3-2022 ↓ 6%
Q4-2019 ↓ 5%

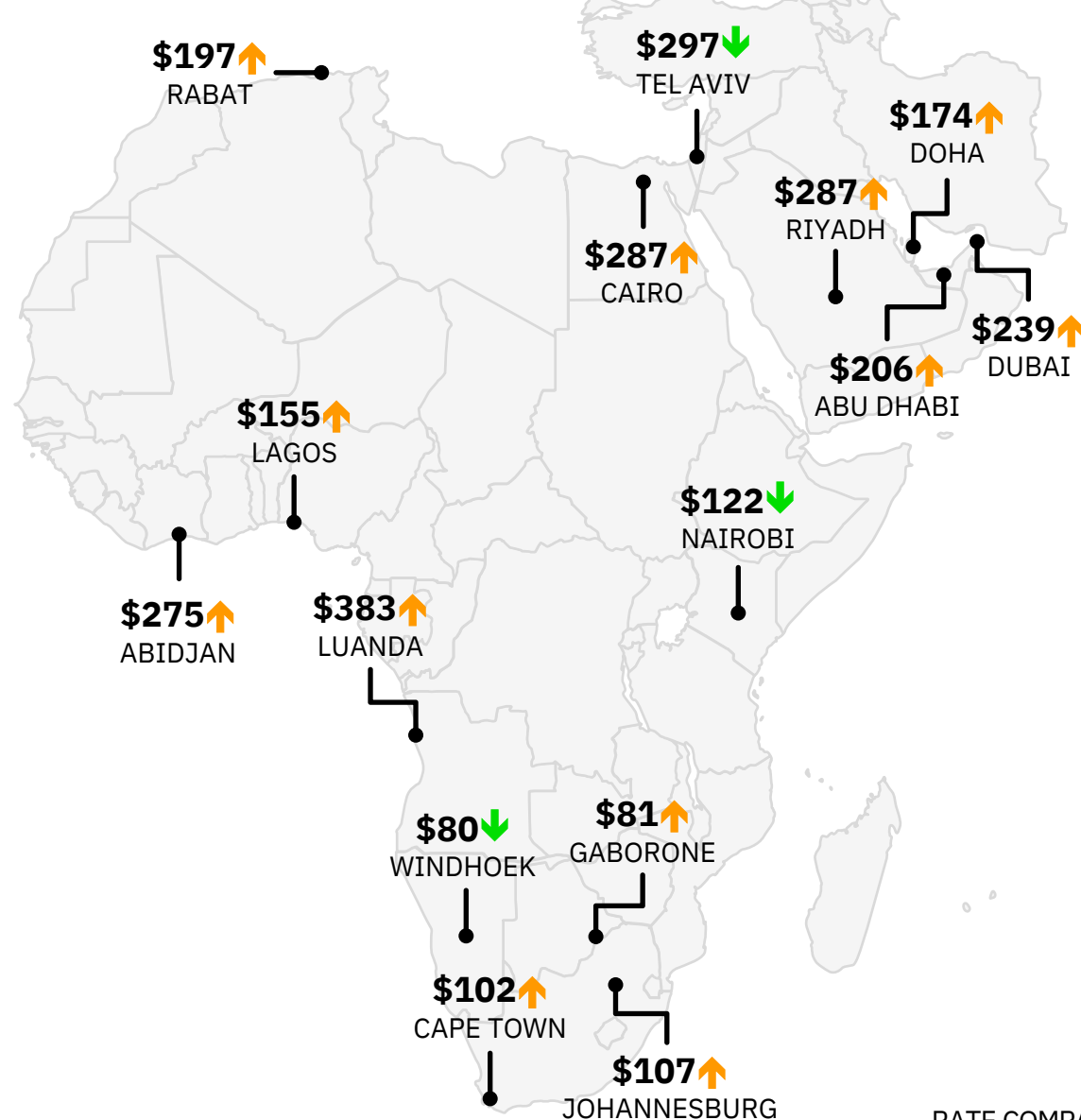
MIDDLE EAST AND AFRICA

Accommodation Q4-2022

**AVERAGE RATES RISE +\$35
VS Q3-2022 - ON PARITY TO
2019 PRICES**

RATE COMPARISON TO Q3-2022

- ABU DHABI ↑ 82%
- CAIRO ↑ 49%
- CAPE TOWN ↑ 3%
- DUBAI ↑ 56%
- JOHANNESBURG ↑ 7%
- RIYADH ↑ 86%



RATE COMPARISON ↑↓ TO Q3-2022



Corporate Rates

Average Rate Paid % Var.

Q4-2022 vs

Q3-2022 ↑ 33%

Q3-2019 ↓ 1%

More Information

FCM Consulting

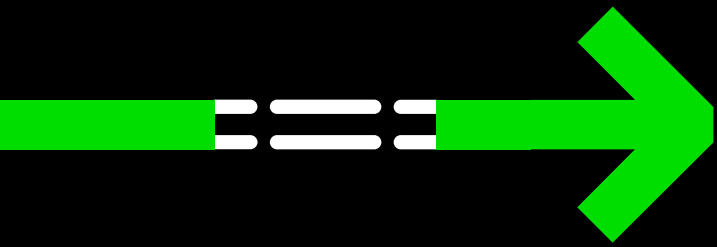
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