



FCM INSIGHT

Classifying business travel risk in 2017

Expecting the unexpected

RISK

Risk comes in many forms. From the high-profile examples of terrorism, natural and man-made disaster, assault and harassment to the everyday problems of travel delays, illness or lost productivity as a result of one of more circumstances combining.

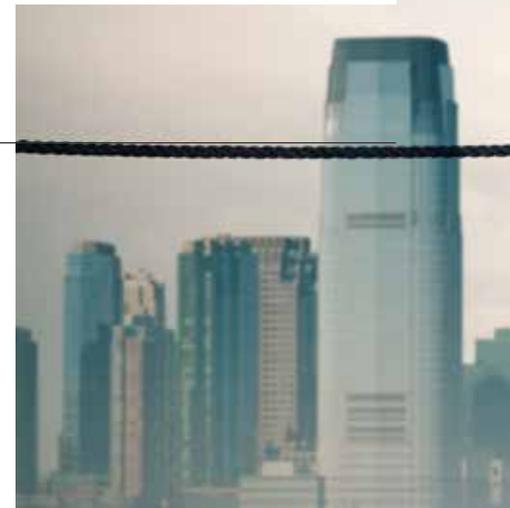
One thing's for sure though; travel risk management (TRM) and traveller security have never been such an important part of travel management. Research by Business Travel News in February 2017 found that 65% of corporates have stepped up their focus on this issue over the last three years, and the bigger the spend, the greater the focus¹. This focus and allocation of resources towards TRM and traveller security correlates directly with an increase in terrorist incidents worldwide as reported by the National Consortium of the Study of Terrorism and Responses to Terrorism (2017). Worldwide significant terror related events occurred roughly every 10 days in 2016.

The survey also found that just over half of travel programmes with an annual spend of under \$10m are doing more to ensure their travellers' safety than

those spending \$50m or more, of whom 81% are tightening their procedures and controls. Statistically the chances of facing risk must be greater for companies whose employees travel more regularly on business, but do less frequent travellers really deserve any less consideration?

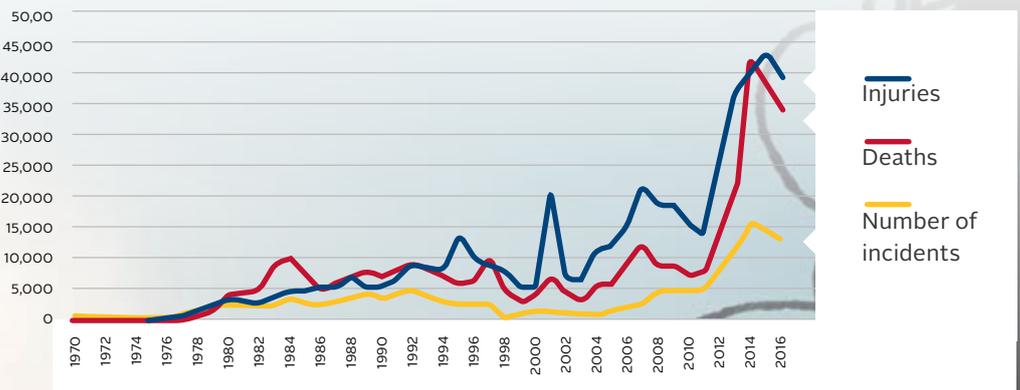
Generally speaking, organisations today are more aware of the challenges in protecting their people.

In a 2016 ACTE published report, 56% of business travellers were moderately to severely anxious about a terrorism threat and 58% were more anxious than the previous year. Challenges range from accessing information about the situations encountered by travellers; creating organisation-



wide awareness of travel risk roles and responsibilities, locating travellers, communicating with them and providing assistance on the ground. Fifty four percent of US and UK travellers carry no specific contact phone number for use in a crisis abroad and 46% percent work for firms with no clear travel security policy. According to GBTA, 30% of travel managers are unsure how long it would take to locate employees in crisis situations.

Terrorist incidents worldwide⁷



2016

56%

business travellers were moderately to severely anxious about a terrorism threat.

58%

were more anxious than the previous year.

DELAYS

Once of the less-recognised manifestations of travel risk is employee stress and its effect on productivity. 2016 research by the Global Business Travel Association (GBTA) found that two of every three business travellers' stress levels rise when dealing with air travel delays or cancellations, whilst another survey² puts travel delays and flight delays at the top of the list of stresses for business travellers, ahead of language barriers and lost luggage.

1.5 billion travellers will fly in and out of Europe this year on business or for leisure. Around 8 million of them will be affected by flights delays and cancellations. Research for the US Federal Aviation Authority carried out by the University of California has estimated that around 0.028%

of national Gross Domestic Product (GDP) is lost due to the cost to businesses and individuals of delayed flights.

At corporate level, delays and cancellations impact the travel programme budget and travellers. Schedules are disrupted leaving travellers stressed out because they just want to get home. Meetings are missed, business put at risk, costs go up and productivity comes down by as much as 10% according to some industry estimates.

According to GBTA's European Business Traveller Well-Being Study, 66% of business travellers reported their stress levels rose when dealing with air travel delays or cancellations.

The stress of business travel can also affect employee health, as Esther Greenglass, a psychology professor at York University in Toronto confirms

“The constant strain of feeling rushed and under pressure can affect the whole body, but headaches, mood swings and muscle tightness are only the beginning. Stress can also manifest itself cognitively, affecting focus and one’s ability to perform on the job.”



65%

of corporates have stepped up their focus on risk since 2017

Immigration compliance

Another facet of travel risk is immigration compliance. Often falling between the remit of travel and global mobility programmes, in some organisations movements can go un-monitored and un-managed for compliance because the perception amongst travellers is that it's just another quick trip to a frequent destination and so a visa or permit isn't required³.

In these circumstances the cost of non-compliance can be high, ranging from big fines to imprisonment. Failing to secure visas for company employees in a particular jurisdiction can mean that the employee is no longer allowed in the country and the company cannot obtain future business or work visas to that country.

Little wonder that research by the Association of Corporate Travel Executives⁴ (ACTE) found that 67% of travellers say that travelling to a region where they may not feel safe has a psychological effect on either them or their families. When asked who is most concerned about them when travelling, 77% cited their family and friends, compared to just 16% who named themselves. Just 10% of travellers are unafraid of terrorism, with a further 25%

having very little fear, whilst 31% of business travellers worry that showing reluctance to travel could damage their careers.

Ever since the 9/11 attacks brought the risks from global terrorism to the fore, the threat-awareness generated has also made travellers less sensitive about privacy.

Then there's the risk of travel expense management fraud to the company. Current estimates reckon up to \$1 billion every year is lost to fraud in travel expenses and that 27% of executives will commit it at some point. The impact on corporate regulatory control can be even greater, with the added fees and penalties costing \$9.4 million a year. And yet About 28% of companies in a survey don't conduct compliance audits⁵.



INDEX

of risk

Since no organisation can ever eliminate all risk, travel risk management becomes a matter of evaluating risk; mitigating as many of the risks as possible and insuring against any risks that cannot be brought down to a manageable level.

But is it possible to scale risk and to create an index of risk?

iJET International, Inc., a leading integrated risk management company, publishes Country/ City Security Assessment Ratings (CSARS)© that multinational organizations use to make business and travel decisions. Each CSAR parameter is given a 1-5 rating,

with 1 representing countries or cities with the lowest threat of risk factors and 5 representing those with the highest. Parameters used to assess risk are Crime, Security Services, Civil Unrest, Terrorism, Kidnapping, and Geo-Political Stability.

With the average cost of a medical evacuation being \$25,000 USD⁶, it is no wonder that Duty of Care remains a top priority for 2017. For those organisations that may be thinking they are “exempt” from the risks discussed in this paper because they are not traveling to unsafe areas, think again. iJET International published almost 8,000 alerts in 2016, double the amount published just five years earlier.

Alerts alone don't really tell the entire story. To fully understand the changing dynamics of global security you need to look at the total number of alerts with respect to the change over the past five years.

As for those "unsafe" destinations, they're not just the usual suspects. A five-year study published by iJET International shows alerts and their potential impact is not isolated to the areas where we would naturally assume to be more problematic or dangerous such as the Middle East for example.

A spike in areas that are very common to business and leisure travellers, such as Europe, North America, Caribbean, and Asia has been seen in the past five years. This makes travel risk management even more important because we are seeing activity and the impacts in areas where we may have least expected it five years ago.

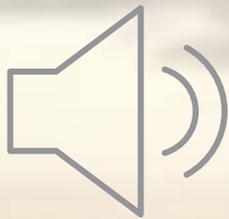
Region	Percentage of change/ increase over past 5 years
South Pacific	125%
EMEA	121%
North America	99%
Central / South America	73%
Asia	73%
Caribbean	64%

A man in a dark suit is seen from behind, standing on a concrete ledge. His arms are outstretched to the sides, and he is looking out over a cityscape at dusk. The sky is a mix of blue and orange, and the city lights are visible in the distance. The overall mood is one of confidence and achievement.

DEBUNKING

“Not in my backyard”

On the bright side, there are steps that organisations can take to help minimize their exposure to risks. Here are some suggestions:



Good

- Provide Travellers with Alert Intelligence
- Provide Travel Administrators and Managers with Alert Intelligence



Better

- Empower internal managers with tools to track, communicate, and report on impacts to travellers quickly and efficiently.



Best

- Provide internal managers and travellers the ability to proactively retrieve pre and post trip alerts and provide easy to access two-way communication.
- Provide travellers an integrated Response/Hotline for security and medical related issues.

Sources

1. www.businesstravelnews.com/Research/Travel-Risk-Management/Taking-On-Travel-Risk-Management
2. www.claim4flights.com/business_travellers/
3. www.envoyglobal.com/immigration-news-insights/global-business-travel-compliance-protected/
4. beyondbusinesstravel.com/terror-threat-business-traveller-safety/
5. www.expensepoint.com/the-high-cost-of-travel-expense-management-fraud-and-noncompliance/
6. iJET International, Inc www.ijet.com
7. National Consortium for the Study of Terrorism 2017. Global Terrorism Database (globalterrorismdb_O617dist.xlsx)

About FCM

FCM is a single global brand providing a comprehensive range of corporate travel and expense management solutions. We have a presence in more than 95 countries and are regarded as one of the top five travel management companies in the world. FCM is responsible for the travel programmes of some of the world's most successful corporate brands.

It has always been personalised service that sets FCM apart from the rest and we blend this with innovative technology and unrivalled access to content to drive the optimum performance of your travel programme.

Contact us today to find out how FCM can elevate the performance of your corporate travel programme.