



# Business Travel in India

Emerging Trends  
& Opportunities

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January 2017





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# Forewords

The Indian travel industry has been one of the major contributors to the India growth story. Large population, increasing per capita incomes and the zeal to explore the world have been the primary drivers for the growing travel market in India.

The industry is also vulnerable to the growing geopolitical and technological events and disruptions. Technological disruptions caused by emergence of online travel aggregators has enhanced transparency resulting in massive competitive onslaught between travel service providers and travel management companies in providing the best in class services to business travellers.

Business travellers on the other hand, are becoming increasingly aware of the available travel choices. While Indian business travellers have been on the forefront of embracing technology for all aspects of their travel needs, the “touch and feel” factor imbued in the Indian culture, have amplified their travel expectations. Today’s Indian business traveller is younger, empowered and assertive. At the same time, he/she is more sensitive, requires care and support at each stage to ensure the most productive use of travel time.

As one of the world’s largest travel management companies, we believe we are trustees of our clients’ travel related economic and physical wellness. We also have a duty to ensure that our clients benefit from the latest thinking and developments in this field. While the spectrum of clients and their approach to business travel is wide, there are certain common threads to pain points, cost control, traveller wellness and traveller insight.

This report highlights the evolution of business travel in India, Indian companies’ response to changing traveller needs and how various stakeholders can work together to deliver the ultimate objective: Cost efficient seamless business travel.



Rakshit Desai

**Managing Director**

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The fast growing travel and tourism sector in India is dominated by Leisure travel at present. However the business travel segment is growing at a higher rate and the sustained double digit growth in corporate travel spends makes India one of the fastest growing business travel markets in the world. In fact, the growth rate of business travel in India is on par with other leading industries in the country showing that the segment plays an important role as a driver of economic growth and jobs.

The combination of an aspirational middle class, positive government reforms and strong economic sentiment has resulted in increased demand for business travel. Further the shift towards electronic payments is making it easier for companies to track travel expenditure as well as more convenient for employees to manage their spending. Infrastructure impediments and multiplicity of taxes continue to pose a challenge to the sector, but with the government making infrastructure development a priority and the impending implementation of GST, the sector is expected to receive further impetus.

In this context, the purpose of this report is to present a holistic and comprehensive view of business travel market in India. We aim to assess the size of the opportunity, the growth drivers, the industry value chain, what are the expectations of Indian corporate travellers, what influences the corporate travel spends and what emerging innovations can potentially disrupt the market. The report also identifies some of the hurdles that stand in the country’s path as it looks to build out a strong business travel market and provides recommendations that may play an important role in overcoming these challenges and facilitate further growth in the sector.



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KPMG in India



Class

Flight & Da



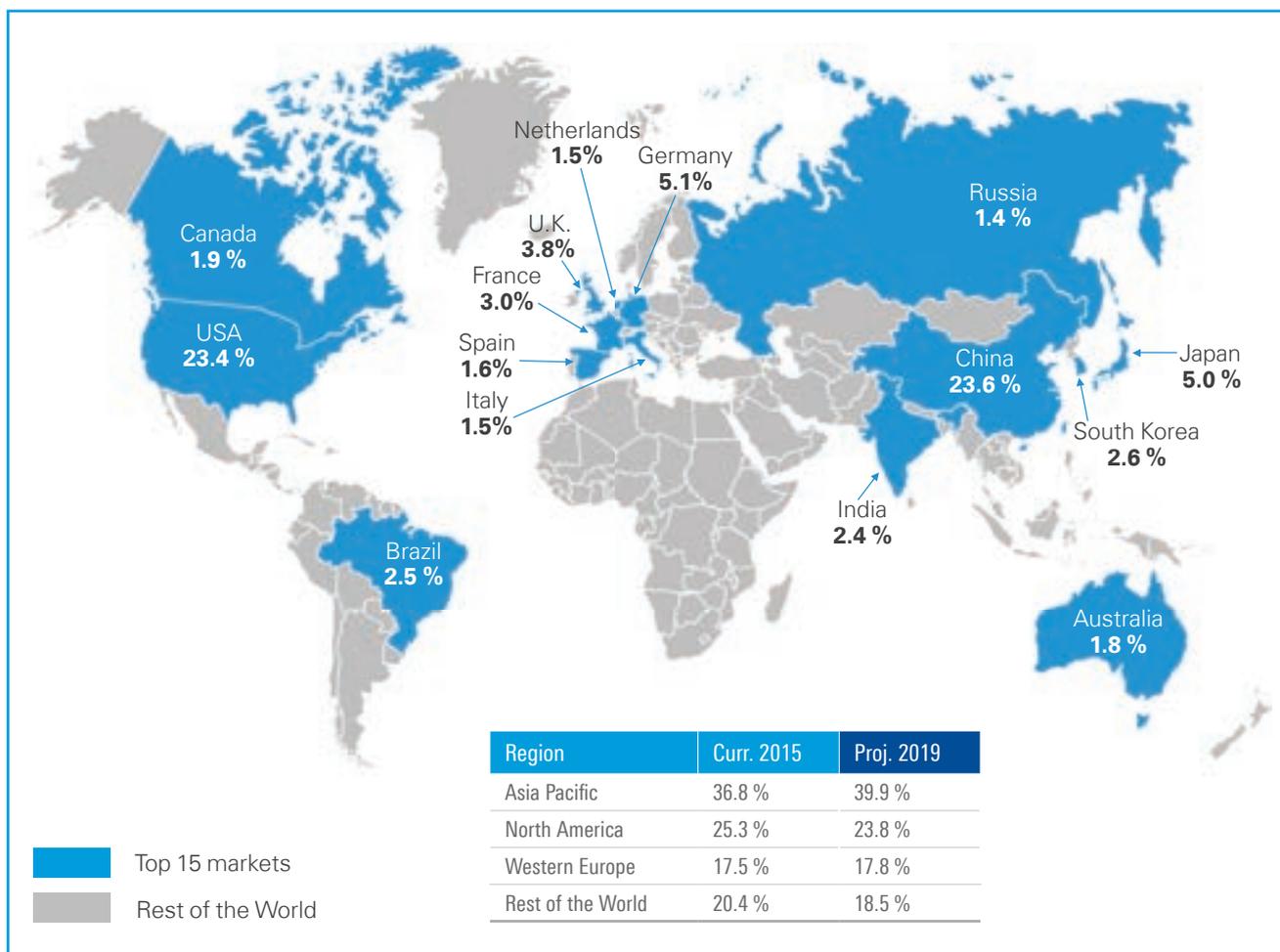
# Executive Summary



## Global Business Travel Market

According to WTTC<sup>1</sup>, the travel and tourism industry comprising business and leisure segments was a USD 7.2 trillion market globally in 2015, dominated by leisure spends. Compared to the overall market growth of 3.1 per cent, business travel spends grew by 5 per cent, led by growing business activity in developing countries largely

in the Asia Pacific region. Global business travel spends are highly skewed with the Top 15 countries accounting for 82 per cent of the travel spends. In terms of users, financial services and pharmaceutical sectors dominate with a combined share of 28 per cent. The top 6 sectors accounted for 64 per cent of the total spends<sup>2</sup>.



Source : "Global Business Travel Spend Topped Record – Breaking \$ 1.2 Trillion USD in 2015, Will Reach \$ 1.6 Trillion by 2020", Global Business Travel Association, dated 11th July 2016, as accessed on 15th July 2016.

The key trends, drivers and challenges of business travel market are summarized in the table below.

**Table 1: Global Business Travel Market- Key drivers, trends and challenges**

Drivers	Trends	Challenges
Increasing global trade	Adoption of managed travel for cost and service considerations	Growing security concerns due to political uncertainties
Growing demand from the Asia Pacific region	Increasing reliance on technology and analytics for travel management	Increasing traveller expectations and demand for customized services
Affordable travel costs due to cheaper crude prices	TMCs targeting M&As for differentiation and innovation	Weak demand growth from developed economies

1. "Travel and Tourism: Economic Impact 2016", WTTC (World Travel and Tourism Council), as accessed on 26th July 2016

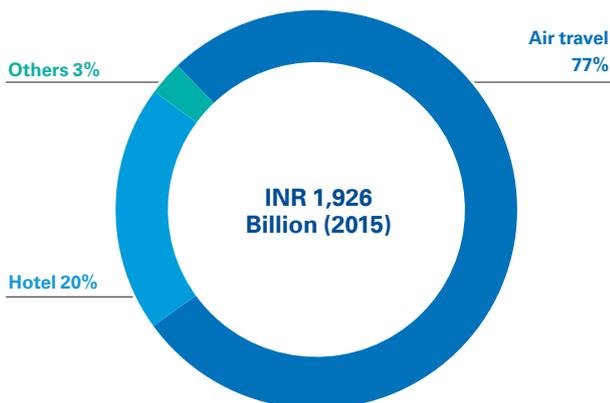
2. Euromonitor, as accessed on 25th July 2016



## India Business Travel Market

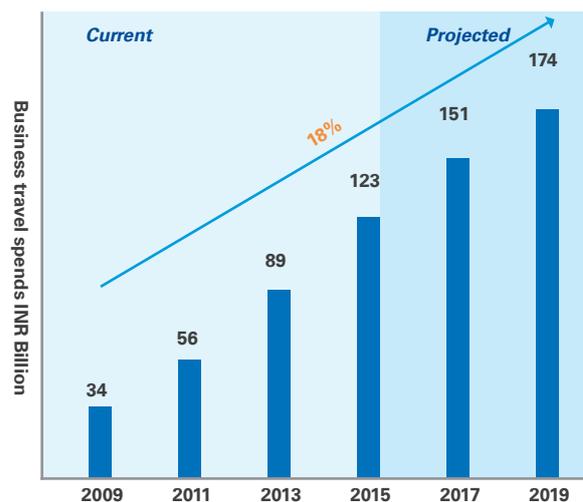
According to GBTA<sup>1</sup>, India was the tenth largest business travel market with spends of USD 29.6 billion (INR 1,926 billion) in 2015 and will be the fastest growing market in the world led by favorable political, economic and demographic factors.

**Figure 2: Business travel spends-Dominated by air travel**



In terms of demand, air travel dominates spends followed by hotel and other spends comprising rail, local transport, etc. Growing internet and smartphone penetration has also enabled greater use of online mode for travel bookings and management.

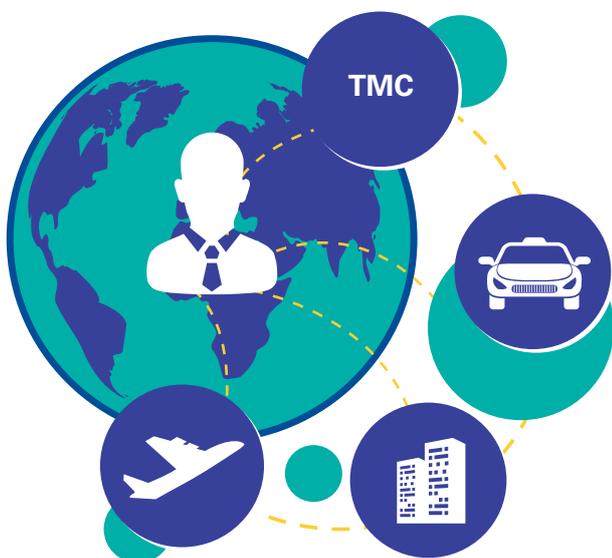
**Figure 3: Trends in online business travel spends**



Till about 5-6 years ago, travel agents /travel management companies (TMCs) were the key point of contact for end users with travel service providers partnering with them to supply services to the users. Increasing internet penetration and ease of online travel bookings have enabled travel service providers to directly target end users.

Indian companies too are enhancing technology usage through automation of travel bookings by developing in-house automated self booking tools or using booking tools offered by service providers including TMCs and OTAs (online travel aggregators)

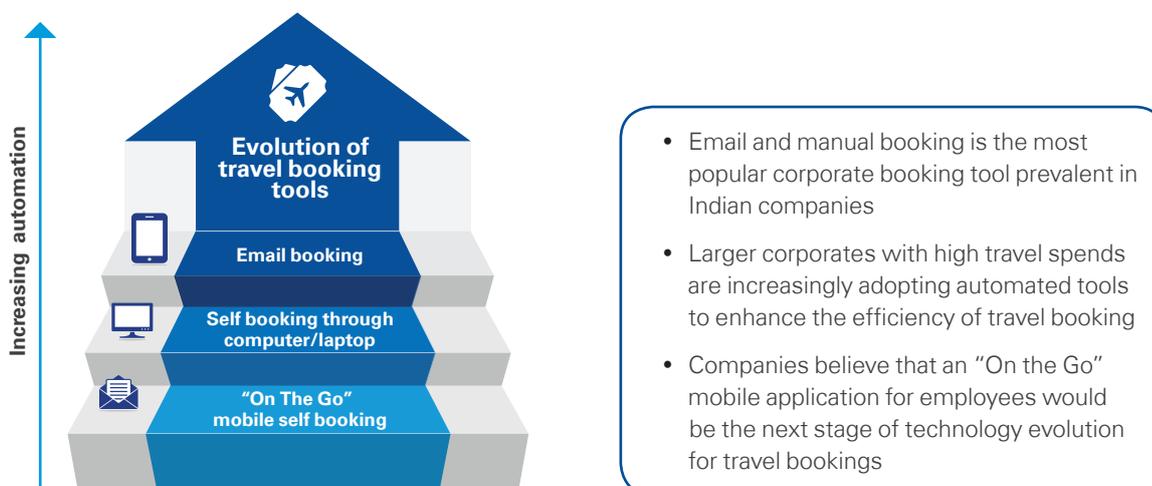
**Figure 4: Emerging corporate travel servicing model**



- In the earlier model, TMCs were the only point of contact between travel service providers i.e. airlines, hotels, cab rental operators etc. and their corporate clientele.
- Emerging online booking tools have enabled these service providers to directly target corporate users. TMCs, however, still remain the dominant source for travel bookings due to need for travel plan coordination and service customization.

1. "Travel and Tourism: Economic Impact 2016", WTTC (World Travel and Tourism Council), as accessed on 26th July 2016

**Figure 5: Evolution of travel booking tools**



## Key trends observed in the Indian business travel industry

**Figure 6: Key trends driving the future of business travel in India**

- Growth in business travel spends is dominated by larger companies in few sectors
- Business travel is emerging as a “service” function from an “administrative” function driven by growing traveler expectations
- Travel managers are increasingly looking for more visibility and control over travel costs
- TMC appointment process is evolving from a low cost selection towards value for money considerations
- Companies are increasing dependence on technology for covering all aspects of travel management
- TMCs are using M&As as a strategy to enhance their capabilities and target niche segments in the highly diverse business travel market

## Key challenges faced by Indian business travelers

Business travelers in India companies face significant challenges due to limited customization of travel services provided by TMCs leading to coordination issues, less developed transport infrastructure, safety concerns,

inconsistent regulatory enforcement and lack of seamless travel planning in companies due to multiple booking platforms and usage of multiple service providers for different services.

**Figure 7: Indian business travelers’ key challenges**

- Limited customization in travel bookings and range of services provided
- Infrastructure, regulatory and safety issues
- Lack of seamless travel planning and coordination



## Evolving regulatory environment in India

The role of the Government as a key enabler of the travel ecosystem in terms of favourable regulations, infrastructure and safety is critical to enhancing ease of travel & business in the country. Government efforts to develop world class infrastructure in Tier II/III towns and make India a knowledge economy are expected to bolster the travel industry. One of the key regulatory reforms in the Indian travel industry is the proposed introduction of Goods and Services Tax (GST). While the GST law is yet to be finalized, it is expected that in the absence of tax abatements in the Draft GST Bill, the higher overall tax incidence on travel including business travel is expected to increase travel costs.

**Figure 8: Business travelers and travel managers expect the government to...**



**Table 2: GST to increase overall business travel costs**

Travel service	Air travel	Rail travel	Hospitality services	Cab rental services
GST cost impact @ 18% rate				

## Impact of Demonetization on business travel

On 8th November 2016, the Government of India, through an unscheduled live television announcement made by the Hon. Prime Minister Shri Narendra Modi, declared that the current Rs. 500 and Rs. 1,000 bank notes (or SBN i.e. specified bank notes) amounting to ~ 86% of the total cash in circulation in the Indian economy would be invalid with immediate effect. The sudden announcement has forced travelers to either withhold or postpone their travel plans due to sudden cash crunch, fear of scrutiny and lack of clarity in rules in using cash post 30th December 2016 when SBNs can no longer be exchanged or deposited with banks.

Some of the key business travel segments which have been impacted due to this development include business class spenders, SME travelers, leisure spenders and forex purchases through unorganized players. Demonetization will enhance competitiveness of organized TMCs and enables larger TMC's to target smaller business travelers, whose needs were otherwise not addressed by them due to price competitiveness offered by unorganized travel agents through lower taxes and cash acceptance options offered by them (which escapes the tax department scrutiny hence reduces tax portion of travel expense).



## Way Forward

India has come a long way from a 'touch and feel' market to a technology driven market as users and travel managers continue to demand more seamless, cost efficient and personalized travel experiences. While meeting rising user expectations is a key challenge, the same also presents an

opportunity for travel service providers & TMCs to innovate. Striving towards and delivering 'one stop-solutions' for smart travellers is expected to be the way forward for the Industry.



## Key recommendations

**Table 3: Stakeholder wise recommendations**

For Industry 	For Users 	For Government 
<ul style="list-style-type: none"> <li>Industry players led by TMCs may form an Indian Business Travel Association (IBTA)</li> <li>More TMCs may consider providing value added services such as data analytics, travel spend optimization services, safety and security, solutions around safety &amp; security, automation solutions, etc.</li> <li>More TMCs may seek to have greater knowledge of their corporate clients' business, their frequent travel destinations, select and partner with local service providers.</li> </ul>	<ul style="list-style-type: none"> <li>Business travel managers may consider incorporating seamless IT platforms in their travel management systems</li> <li>Business travel managers may obtain user feedback electronically as part of claim submission system and integrate the same with data analytical tools to identify common areas of concern for timely action.</li> </ul>	<ul style="list-style-type: none"> <li>Airfares may be fixed within a band (minimum and maximum price) according to different stage lengths of the flights.</li> <li>The Ministry of Tourism in discussion with the Ministry of Civil Aviation and Ministry of Railways may formulate policies as well as update information on registered/ authorized travel service portals</li> <li>The Ministry of External Affairs may develop SOPs for travelers and embassies/ consulates to enable timely assistance for Indian travelers</li> <li>The Ministry of Civil Aviation and DGCA may prescribe development standards for modernizing airports.</li> </ul>



# Global Business Travel Market



## Key markets and their outlook

### 1: Top 15 Business Travel Markets

Travel and tourism is one of the largest businesses globally contributing about USD 7.2 trillion or 9.8% of the global GDP in 2015. The industry is also one of the largest employers globally contributing to nearly 1 in 11 jobs in the world<sup>4</sup>. The industry comprises of two key segments – leisure and business travel.

Leisure is the dominating segment with overall spends of USD 6 trillion<sup>4</sup> and is growing at 3%, in line with the overall market growth.

Business travel, on the other hand, has been growing at 5% with a global spend of USD 1,237 billion in 2015 according to GBTA. Unlike the diverse leisure travel market, the global business travel market is highly skewed with top 15 countries accounting for about 82% of the total spends.

**Table 4** represents the market size and growth of business travel in the top 15 business travel markets. It can be observed that business travel spends are expected to become more concentrated amongst the top 15 markets with only 4 of the top 15 markets expected to grow at less than market growth rate.

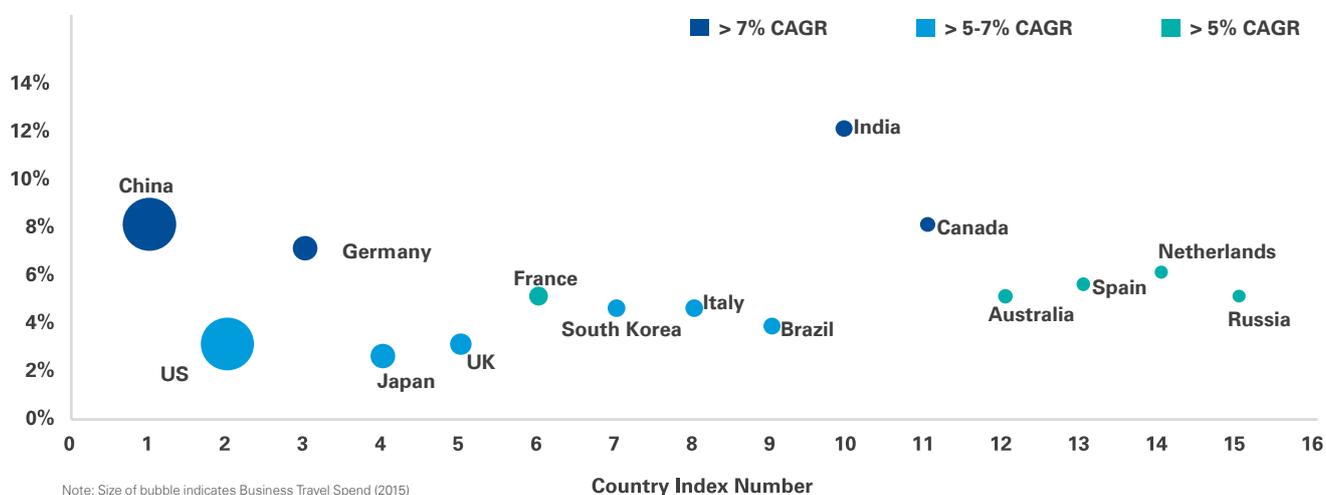
Another significant observation is the growing Chinese influence. In 2015, China pipped US to become the world’s largest travel market and is expected to dominate over the next 5 years as well.

**Figure 9** clearly demonstrates that India (12%) and China (8%) are expected to be the fastest growing business travel markets in the world driven by increasing business activities and investments in these countries driven by increasing business activities and investments in these countries.

**Table 4: Top 15 Business Travel Markets in the World<sup>4</sup>**

#	Country	Business Travel Spend Billion \$	CAGR % ('11-'15)	CAGR % ('16-'20)
01.	China	291.3	14%	8%
02.	US	289.8	4%	3%
03.	Germany	63.5	6%	7%
04.	Japan	62.1	-2%	3%
05.	UK	47.1	4%	3%
06.	France	37.1	1%	5%
07.	South Korea	32.6	2%	5%
08.	Italy	31.6	-3%	5%
09.	Brazil	30.5	3%	4%
10.	India	29.6	9%	12%
11.	Canada	23.1	2%	8%
12.	Australia	21.7	1%	5%
13.	Spain	19.4	0%	6%
14.	Netherlands	18.2	-1%	6%
15.	Russia	17.2	-4%	5%
	Global	1236.8	5%	5%

**Figure 1: Top 15 Business Travel Markets (Growth rate)**



Source: GBTA article dated 11th July 2016, accessed on 25th July 2016

4. Source: World Travel and Tourism Council report 2015, accessed on 18th July 2016  
 Note: GBTA – Global Business Travel Association



## 2: Global Business Travel Market

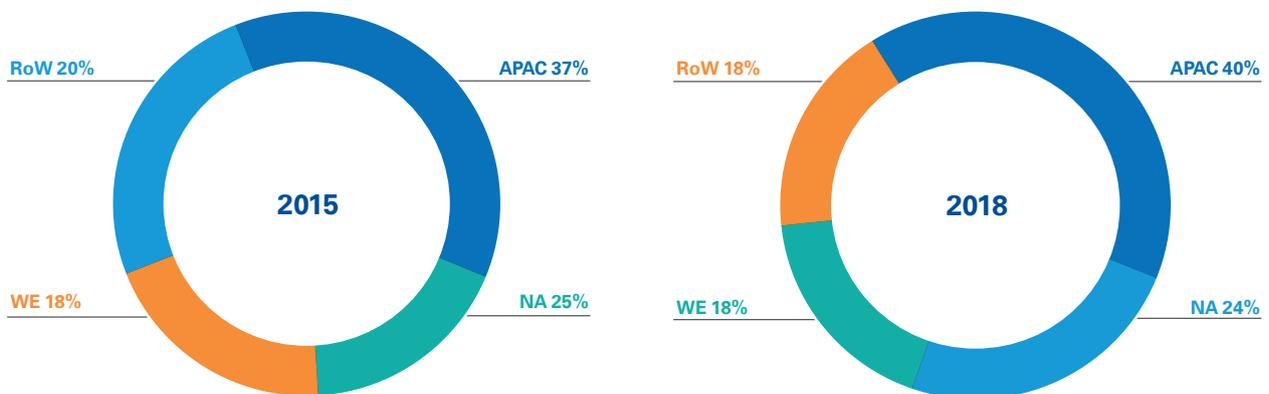
In terms of region wise spends, Asia Pacific (APAC) is the dominant market followed by North America (NA), Western Europe (WE) and balance with the rest of the world (RoW).

**Figure 10** represents the region wise share of business travel market in 2015 and the project share in 2018. APAC is expected to remain as the dominant business travel market led by growing demand from China, Japan, South Korea and India. North America and Western Europe are expected to grow at lower rates.

The region wise key drivers for corporate travel spends is summarized below.

- **Asia Pacific** – Large population base, high consumption economies, investments in infrastructure, manufacturing and growing inter – Asia trade
- **North America** – Key export market for Asian exporters, recovery in the US economy due to shale gas and the subsequent economic recovery
- **Western Europe** – Key export market for Asian exporters, Europe's position as leading tourist destination, Germany's growing influence as the leading European manufacturer

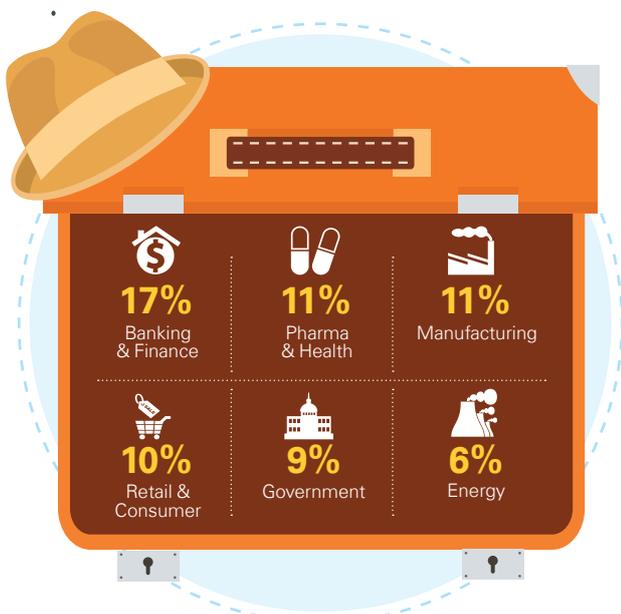
**Figure 10: Region wise share of business travel market**



Note: APAC: Asia Pacific Region; ROW: Rest of the World

Source: GBTA article dated 11th July 2016, accessed on 25th July 2016

**Figure 11: Industry wise spends<sup>5</sup>**



**Figure 11** illustrates the top 6 sectors globally, which account for about 64% of total business travel spends<sup>5</sup>. Globally, the banking and financial services leads business travel spends with nearly USD 1 out of every USD 6 spent on business travel.

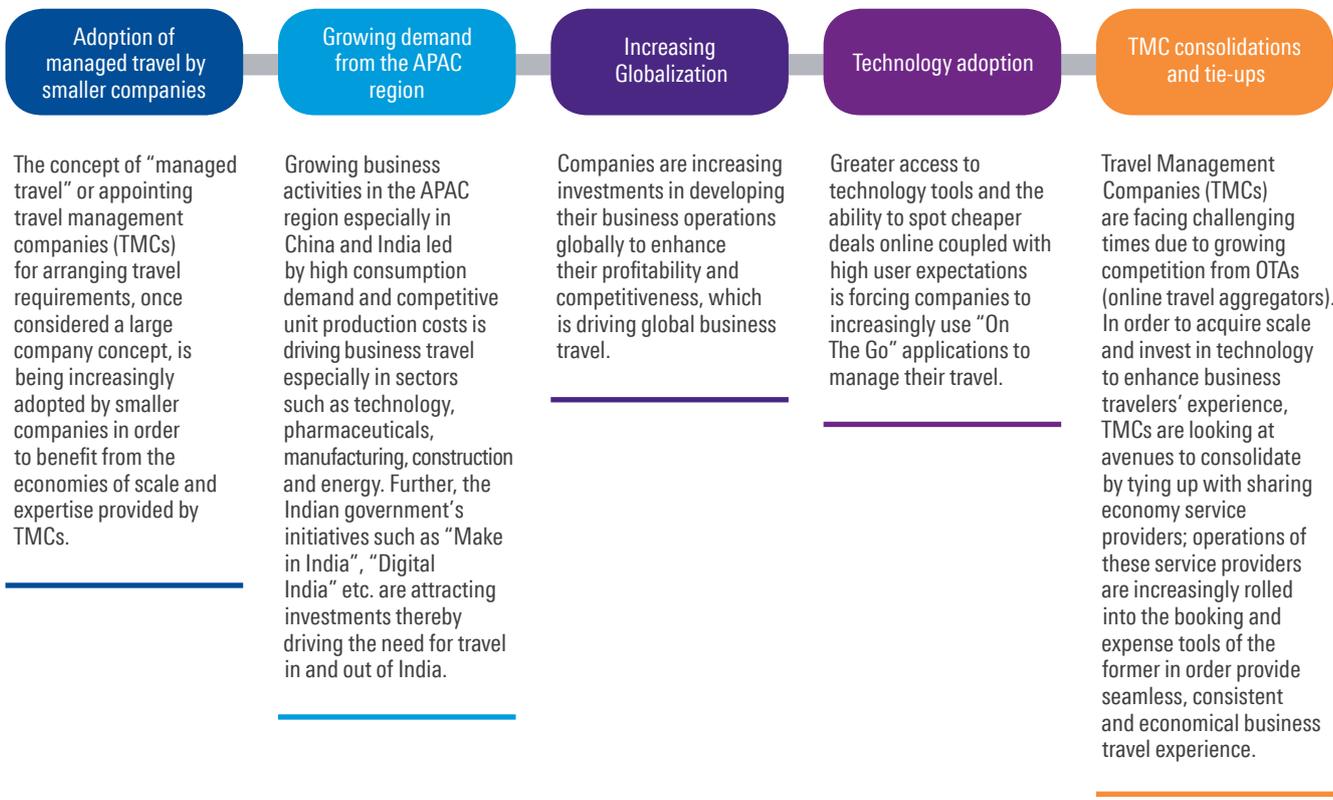
While the industry wise travel spends is largely related to its respective contribution to global GDP, it is expected that going forward, manufacturing and trading sectors will remain the key drivers of business travel spends.

Source: Technavio Analysis, EMIS Database, accessed on 25th July 2016

5. Technavio Analysis, EMIS Database, accessed on 25th July 2016

## Key trends and drivers

The key trends driving global business travel market spends and growth include –



## Key Challenges

The Business Travel Market faces several ‘challenges’, which has not only influenced travel dynamics but also business traveler behavior. Some of the key challenges include:

- **Security threats** due to terrorism, political events such as Brexit, Istanbul military coup etc. and political instability in the Middle East, Africa, North Korea etc. have intensified safety concerns impacting business travel.
- **Volatility in Average Ticket Price (ATP)** due to complex airline pricing strategies (mix of cost based pricing, demand based pricing, service based pricing) and external factors such as fuel pricing, makes predictive analysis and management of travel program/ control of travel budgets difficult and sometimes out of control.
- **Demanding business travelers** due to enhanced travel awareness poses a challenge to travel teams to increasingly deploy tools for customized and user friendly travel options while also ensuring policy compliance.
- **Weak global economy** due to slowing growth in developed economies owing to stagnant population growth and saturated demand.
- **Technology has facilitated business conduct** through video conferencing, VoIP, video calling etc. and impacted business travel needs.

Every business travel program needs to consider the above mentioned trends and challenges. The key elements of a successful business travel program are outlined in **Figure 12 below**.

**Figure 12: Key elements of a successful business travel program**



Source: KPMG Analysis 2016



## Role of TMCs in managing business travel

### Role of TMCs in managing business travel

Travel and Entertainment (or T&E) expenses are considered as the second most controllable expense after manpower costs. In a highly competitive environment, control over travel costs is considered as an important competitive advantage.

Travel managers in companies are constantly under pressure to optimize their travel costs while also enhancing travel experience. According to the travel head of a leading construction company, "One of our KPIs is to keep our ATP (Average Ticket Price) lower than the previous year".

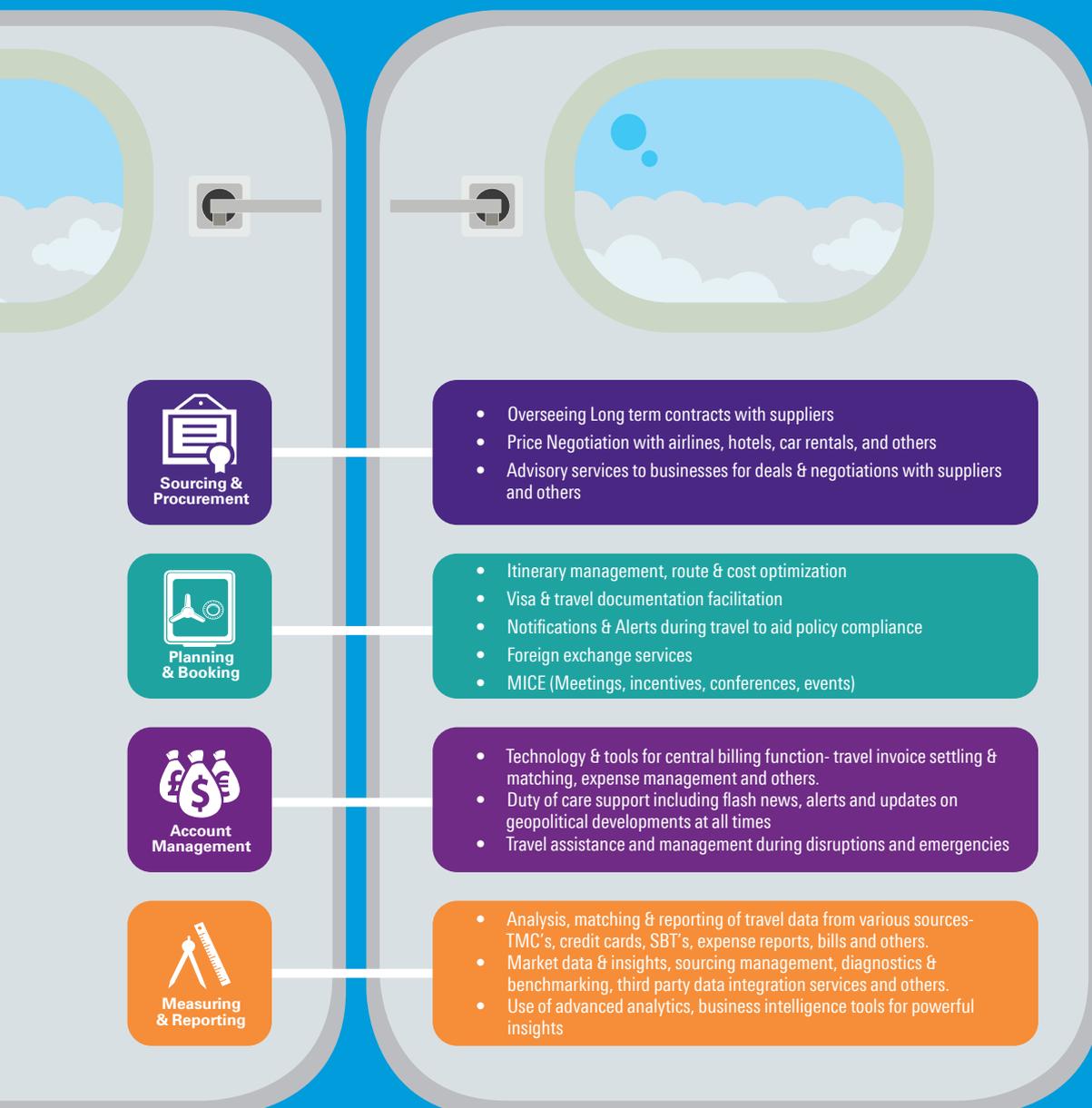
Travel managers believe that one way to enable a balance between costs and quality travel service is to

use the services of an external vendor or a TMC (travel management company), which has the expertise to achieve these twin objectives than the company itself.

TMC's provide an array of services from travel via air, road, rail to hotel bookings to value added services such as enhanced employee safety measures, travel expense management, data analytics, seamless travel management, bleisure etc. with pre-agreed KPI's on cost, service, quality and others.

The services provided by TMC's can be classified into four broad categories as summarized in Figure 13

Figure 13: Scope of services of TMCs<sup>6</sup>



6. Technovia Analysis, accessed on 23rd July 2016

According to industry estimates<sup>7</sup> the value of travel booked/managed through TMCs was about USD 175 billion or about 14% of the global travel spends.

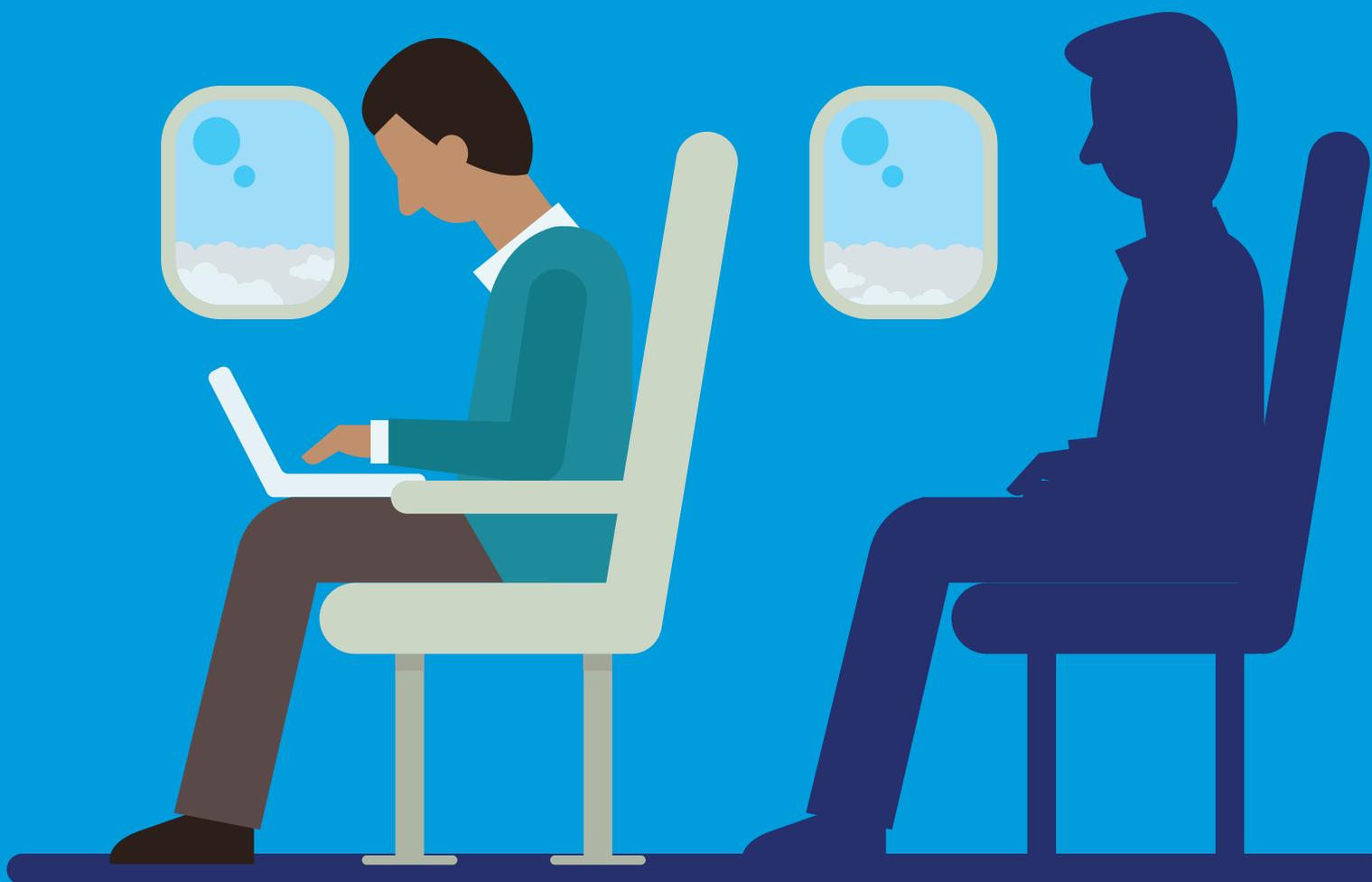
The lower share of TMCs can be attributed to business travel being dominated by small businesses, whose small volumes do not justify using the services of a TMC. These smaller businesses either book their travel themselves through online or offline sources including OTAs.

Some of the leading global TMCs in the managed business travel segment include (listed alphabetically)

- **American Express Global Business Travel**
- **BCD Travel**
- **Carlson Wagonlit Travel**
- **FCM Travel Services**
- **Hogg Robinson Group**
- **Travel Leaders Group LLC**

The emergence of online travel aggregators (OTAs) such as Expedia, Booking.com etc. targeting smaller businesses by assisting them with **“Managed Business Travel”** services has opened a new segment in the managed business travel market.

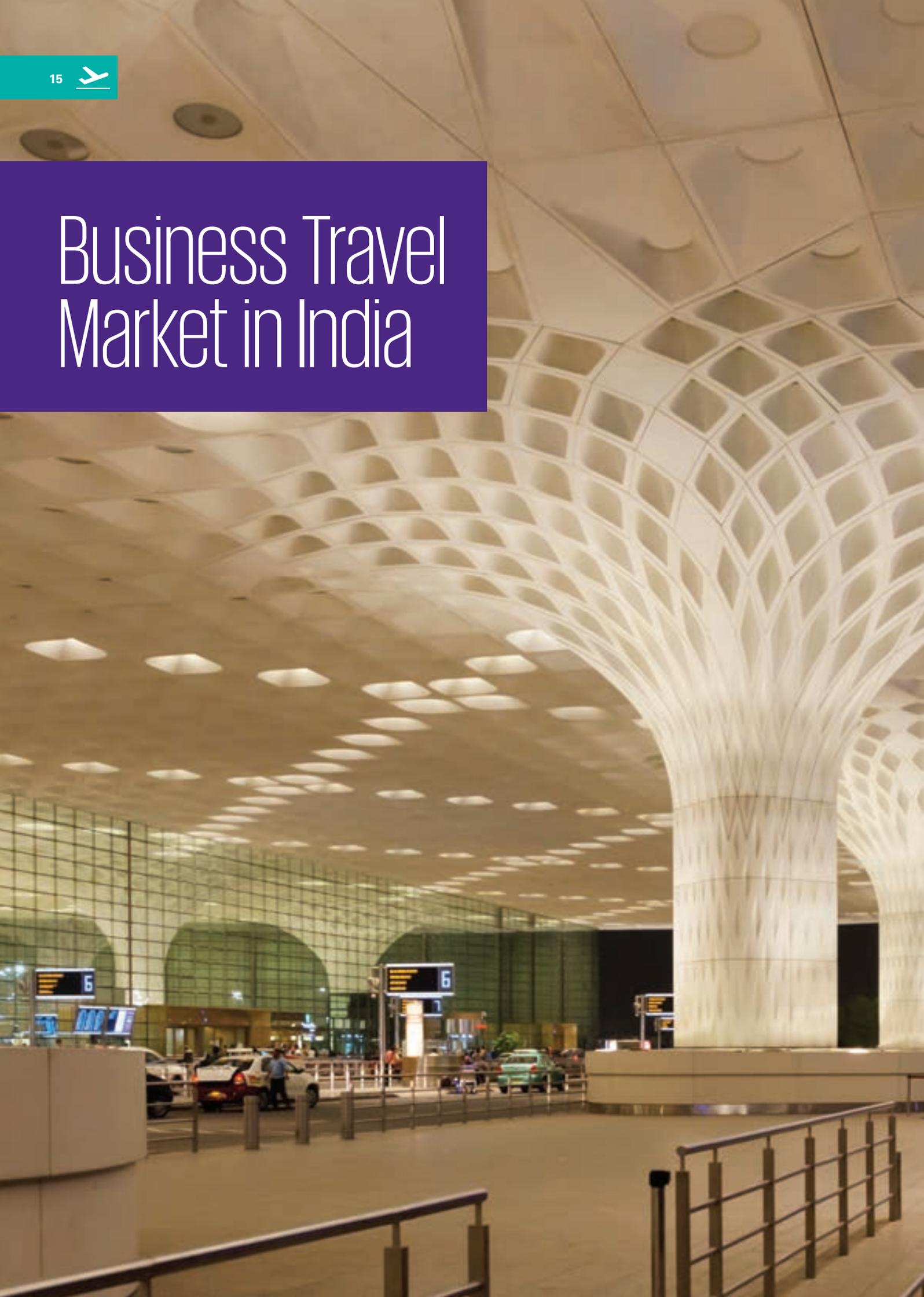
With OTAs increasingly targeting the market traditionally dominated by TMCs as an alternative service provider, it is imperative for TMCs to enhance the range of offerings by using alternative booking channels and differentiating themselves through more value added services considering their ability to offer higher degree of personalized services compared to OTAs.



7. Euromonitor Article titled "Rise of Online Leisure Channel Drives Consumerization of Corporate Travel," dated 27th August 2015, accessed on 7th August 2016



# Business Travel Market in India



## Overview

### 1: Overview of India Business Travel Market

According to GBTA<sup>1</sup>, India was the 10th largest market for business travel in the world in 2015 with total spends of USD 29.6 billion. GBTA estimates that India is expected to be the fastest growing business travel market and will be the 7th largest market globally by 2020, overtaking Brazil, Italy and South Korea.

The key drivers for this growth include

**Political & Regulatory** – The Government of India’s current emphasis on investments and economic growth is expected to enhance India’s “Ease of Doing Business” ranking and lead to a more favorable business environment. Some of the measures taken by the government include:<sup>8</sup>

Visa on arrival/e-visa scheme for inbound tourists has been extended to over 150 countries

Make in India and Invest India coupled with further opening up of tourism related sectors including 100% FDI in airport development

Emphasis on digitization is expected to further drive technology & internet penetration.

The proposed rollout of GST in April 2017 is expected to make India more competitive globally thereby further enhancing international trade and drive more business travel

**Economy & Markets** – The Indian economy is the fastest growing economy in the world with strong macro-economic fundamentals, forex reserves & moderate inflation. The

Indian economy, which was earlier vulnerable to volatile economic developments has become increasingly resilient to recent developments such as Brexit, 2008 US economic crisis etc. led by strong domestic demand and improving fiscal performance. This has enhanced global confidence in the Indian economy resulting in growing investments and the resultant need for business travel

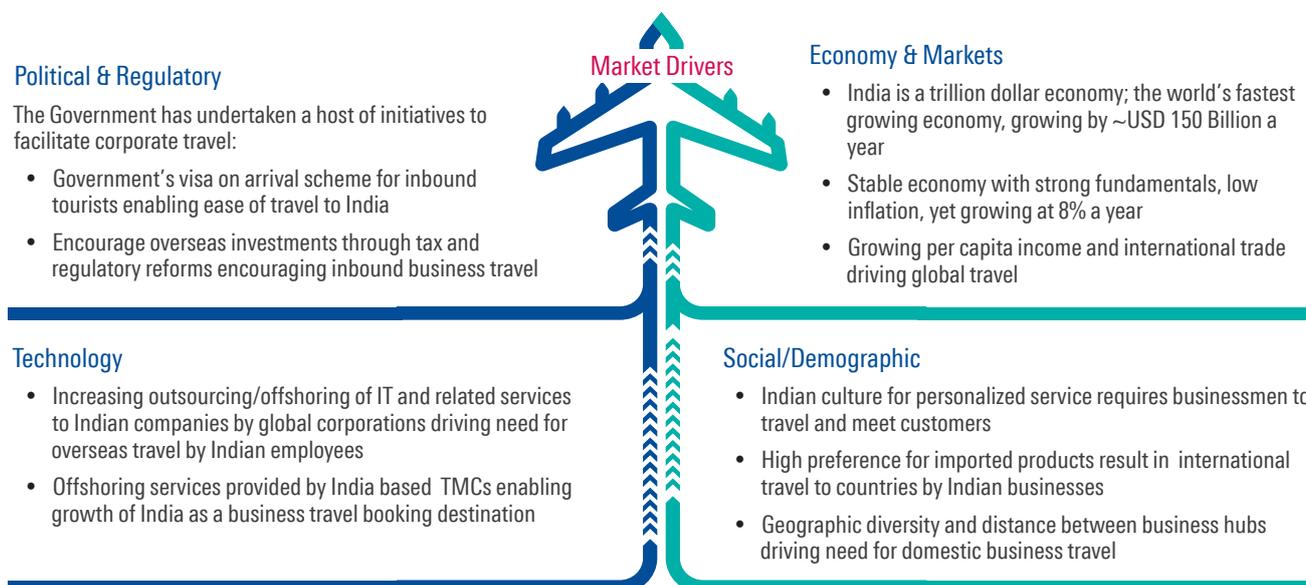
**Demographics/Social** – Growing per capita income and demand for imported products is driving the need to travel overseas by Indian businesses to source and supply these products.

Besides, growing competition and the need for personalized services has also been a key driver driving business travel demand especially amongst SME business travelers.

**Technology** – India’s growing technological prowess and low cost skilled manpower has been a key driver in enhancing India’s position in the global technology map. Increasing cost pressures by global corporations coupled by India’s cost and language advantages has increased outsourcing of key business and technology processes to Indian companies thereby driving business travel from India. Besides, TMCs based in India have been enhancing their capabilities through “offshoring services” thereby enabling growth of India as a business travel management destination.

The PEST Analysis in **Figure 14** outlines the key drivers of business travel spends in India

**Figure 14: PEST Analysis of Indian Business Travel Market**



1. “Travel and Tourism: Economic Impact 2016”, WTTC (World Travel and Tourism Council), as accessed on 26th July 2016

8. Ministry of Tourism website, Ministry of Civil Aviation website, Draft GST Bill 2016 accessed on 15th July 2016



## Demand Analysis

GBTA estimates that Indian business travel spends to grow at a CAGR of 12%<sup>9</sup>. Considering this growth rate, the Indian business travel market is expected to reach INR 3,000 billion by 2019.

Business travel spends can be categorized into three major areas: Air travel, hotel/stay expenses and other travel spends (includes taxi/cab, value added services etc.).

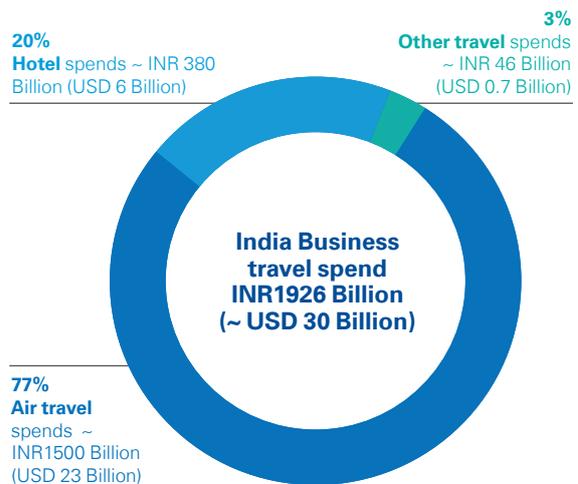
**Figure 15** illustrates the share of business travel spends into air travel, hotel costs and other travel costs. While air travel being the most preferred mode of transport due to time savings, the low share of hotel stays can be attributed to the propensity to travel for shorter time periods to save on costs.

An important aspect of this spend is the increasing business spend using online booking tools. The emergence of OTAs in India such as Makemytrip, Cleartrip, Yatra etc. have altered the way travel is booked and managed in India. The emergence of OTAs in India such as Makemytrip, Cleartrip, Yatra etc. have provided alternatives to the way travel is booked and managed in India. In terms of travel booking channels, the Indian business travel market can be classified into – online segments and offline segment.

While the online segment (~ INR 20 Bn) comprises of bookings made through OTAs, the offline segment (~ INR 1,906 Bn) comprises the rest of the market which includes bookings made by business users i.e. large businesses

and SMEs through travel agents, TMCs and directly with travel service providers i.e. airlines, railways, bus service providers, hotel stay and taxi operators. Offline channel continues to be the dominant channel for travel bookings, however, the online channel is slowly emerging as an alternative choice due to the perceived convenience and multiple travel options offered.

**Figure 15: Share of Business Travel Spends**



Source: Euromonitor, accessed on 15th July 2016

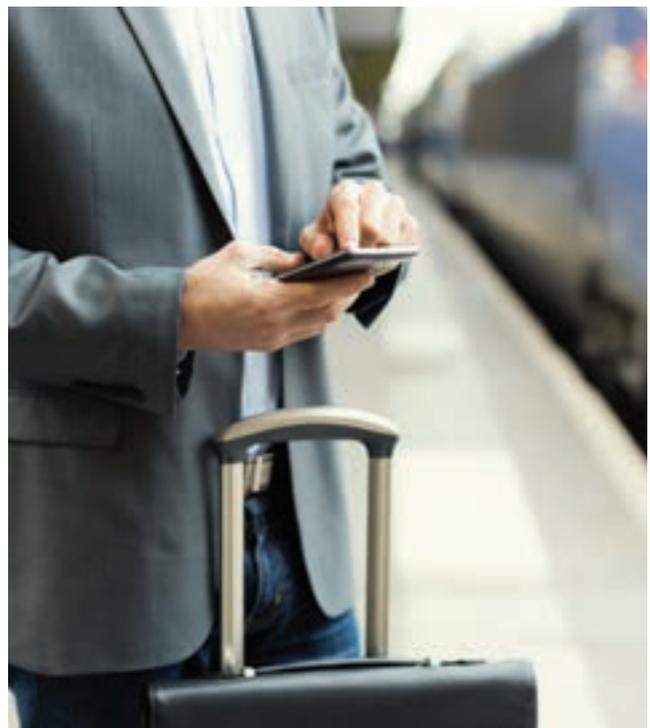
## Online booking trends

Indian business travelers are increasingly using the online route to book their travel needs whether air, rail, hotel or taxi/cab. This is evident from the strong growth of online business travel sales booking value which has more than tripled from INR 34 billion in 2009 to INR 109 billion in 2014.

This trend is expected to continue in the future as well.

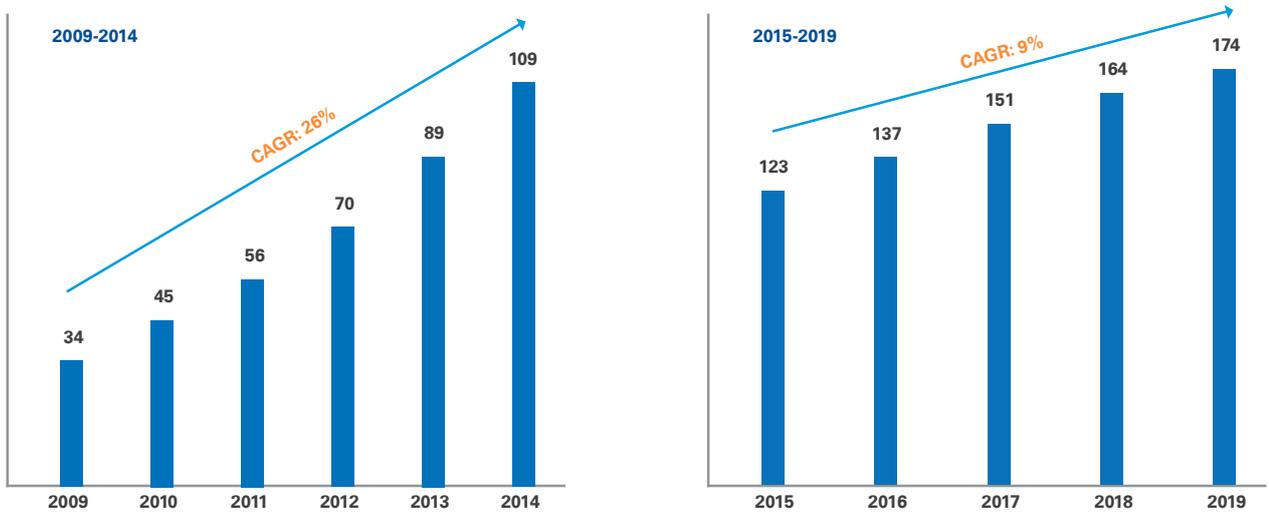
**Figure 16** illustrates the current and expected growth in online sales of business travel bookings over the next 3 – 4 years. The growth is expected to be slower in business travel due to:

- High base effect as initial low online penetration was capitalized by the leading players
- Growing competition is driving smaller, unorganized TMCs to invest in technology and/or online travel management systems to enhance their offerings for corporate customers
- Large corporations are investing in own technology tools and using TMCs only to manage bookings, thereby making price and value added services the key differentiator in TMC services



9. Article titled "Global Business Travel Spend Topped Record – Breaking \$ 1.2 Trillion USD in 2015, will reach \$ 1.6 Trillion by 2020", dated 11th July 2016, accessed on 15th July 2016, Fx rate INR/USD = INR 65

**Figure 16: Online Business Travel Sales in India (INR Billion)**



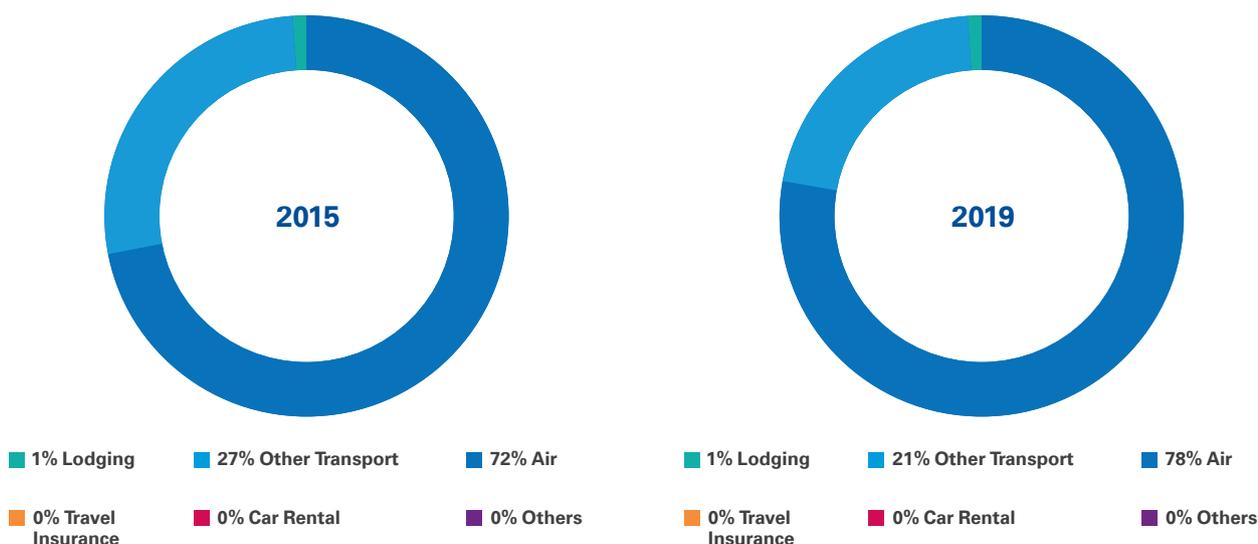
Source: Euromonitor, accessed on 24th July 2016

**Figure 17** represents the segment wise sales breakup of the total online business travel sales. The dominance of air travel sales can be explained by the early penetration of the segment and large number of OTAs as well as service providers i.e. airlines providing the service. Other transport comprises of rail and bus travel, predominantly rail travel

with IRCTC operating a dedicated platform for online rail bookings.

The share of air travel in the overall online spends is expected to increase, led by growing preference and lowering cost of air travel.

**Figure 17: Category wise online sales breakup (% share of total)**



Note (1): Online implies transactions done through major online travel agencies (OTAs) who have a sizeable retail segment as well and transactions done by TMC's doing bookings online  
 Note (2): The very small share of business online lodging is due to majority hotel/accommodation booking done through offline channel (brick & mortar travel agencies/bookings through relationships with hotel suppliers)  
 Note (3): The above diagram neglects actual total hotel sales (done mostly offline through relationships & not GDS), other offline bookings. Also, unorganized business travel sales (transactions that are not dictated by a legal contract specifying transactions to be booked under corporate/business head) are not part of the split shown for business travel.

Source : Euromonitor, accessed on 24th July 2016



## Supply Analysis

The supply of travel services requires interaction of 4 entities i.e. travel service providers, GDS system providers, travel agents/TMCs and the users.

In the traditional model, the agents/TMCs were the interface point for the end user with travel service providers partnering with them to supply services to the users.

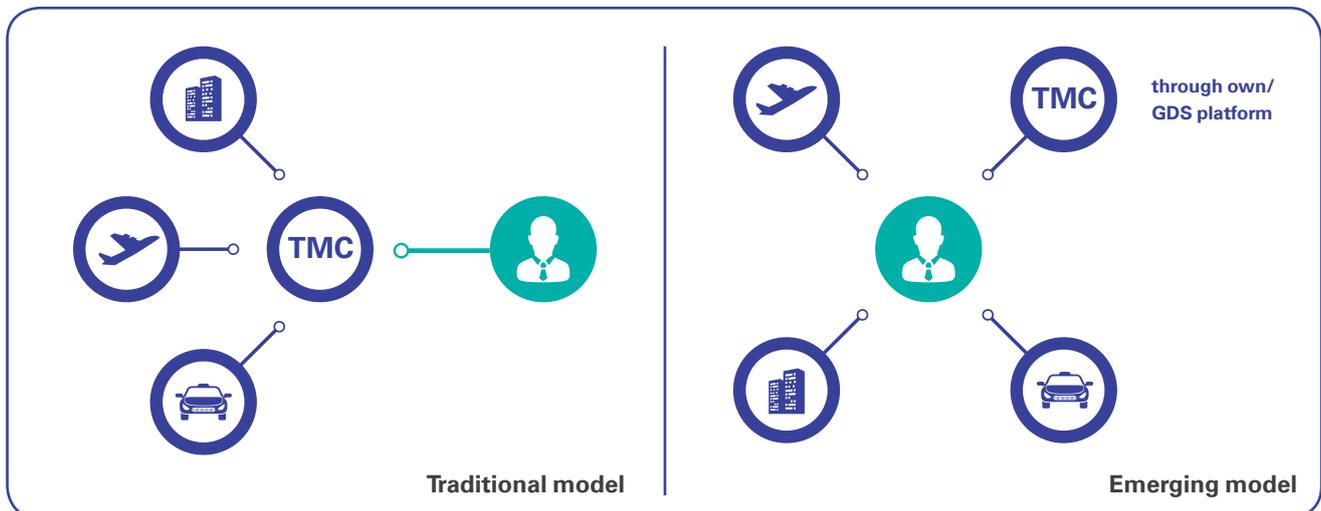
However, the emergence of online booking tools and OTAs has resulted in a fundamental shift in travel service delivery. These include:

1. Emergence of GDSs, which provide a real – time interface between TMCs/agents and service providers through an online tool

2. Travel service providers are progressively targeting the end users aided by technology
3. Higher availability of travel options and mounting traveler expectations makes the travel agent's/ TMC's role crucial and indispensable for smooth and seamless service delivery.
4. OTAs which were primarily operating in the B2C (Business to Consumer) segment are increasingly targeting business travelers through niche offerings. Yatra and OYO rooms are targeting SME business travelers with customized offerings

**Figure 18** below outlines the changing trends in business traveler targeting model.

**Figure 18: Business traveler targeting strategy (Traditional v/s Emerging model)**



Source: Primary discussions, KPMG Analysis 2016

## Industry structure

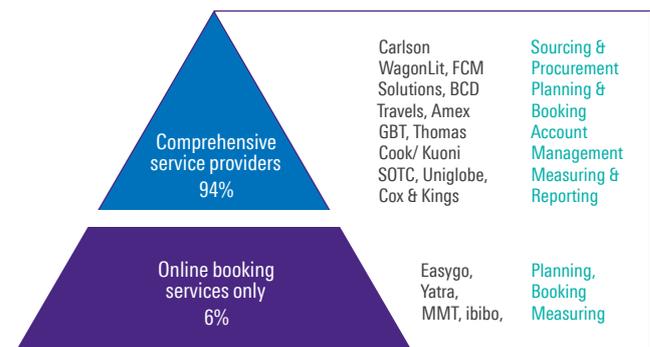
In terms of supply of services, the Indian business travel market is dominated by TMCs/travel agents. These include large global & local players, regional players and other travel agents providing complete travel solutions to business travelers.

Besides TMCs, OTAs are increasingly making their presence felt in the business travel market. According to industry estimates<sup>10</sup>, the share of business travel spend handled by TMC's and OTAs is estimated at 94:6, dominated by TMCs. This includes all online and offline modes of bookings made by organized business travel market. An organized business travel market is one where a business enters into a formal agreement with a travel service provider i.e. TMC, OTA, airlines, hotels etc.

**Figure 19** outlines the current industry structure, where TMCs led by large MNC service providers provide a wide

range of services whereas OTAs are currently providing largely trip planning, bookings and travel data management services. TMCs differentiate themselves through dedicated customer account management and data analytics support services.

**Figure 19: Industry Structure<sup>10</sup>**



10. Primary discussions with key service providers, KPMG Analysis 2016

## Operating Models

TMCs provide a wide range of services to their corporate clients ranging from basic ticketing services to complete strategic travel management services. In the Indian business travel market, there are three models predominantly being used.

### Model 1: Companies opting for Self Booking Tools (SBT)

This model (Figure 20) works as follows

- Company employees use Online/ Self Booking Tools (SBT) that is integrated with human resource repository of the company for relevant policy compliance/ approvals and with finance of the company for expense management.
- This SBT is generally provided by TMC's or procured from system supplier or developed in-house.
- The TMC's GDS powers SBT, which is used by employees to plan trips and bookings.

- Integration of TMC platforms with company technology platform is an important criterion for TMC selection for most corporates due to data/information security risk.

Additional services like visa & passport services, Forex services, travel insurance and others may be provisioned through a single TMC or companies may contract multiple vendors for the same.

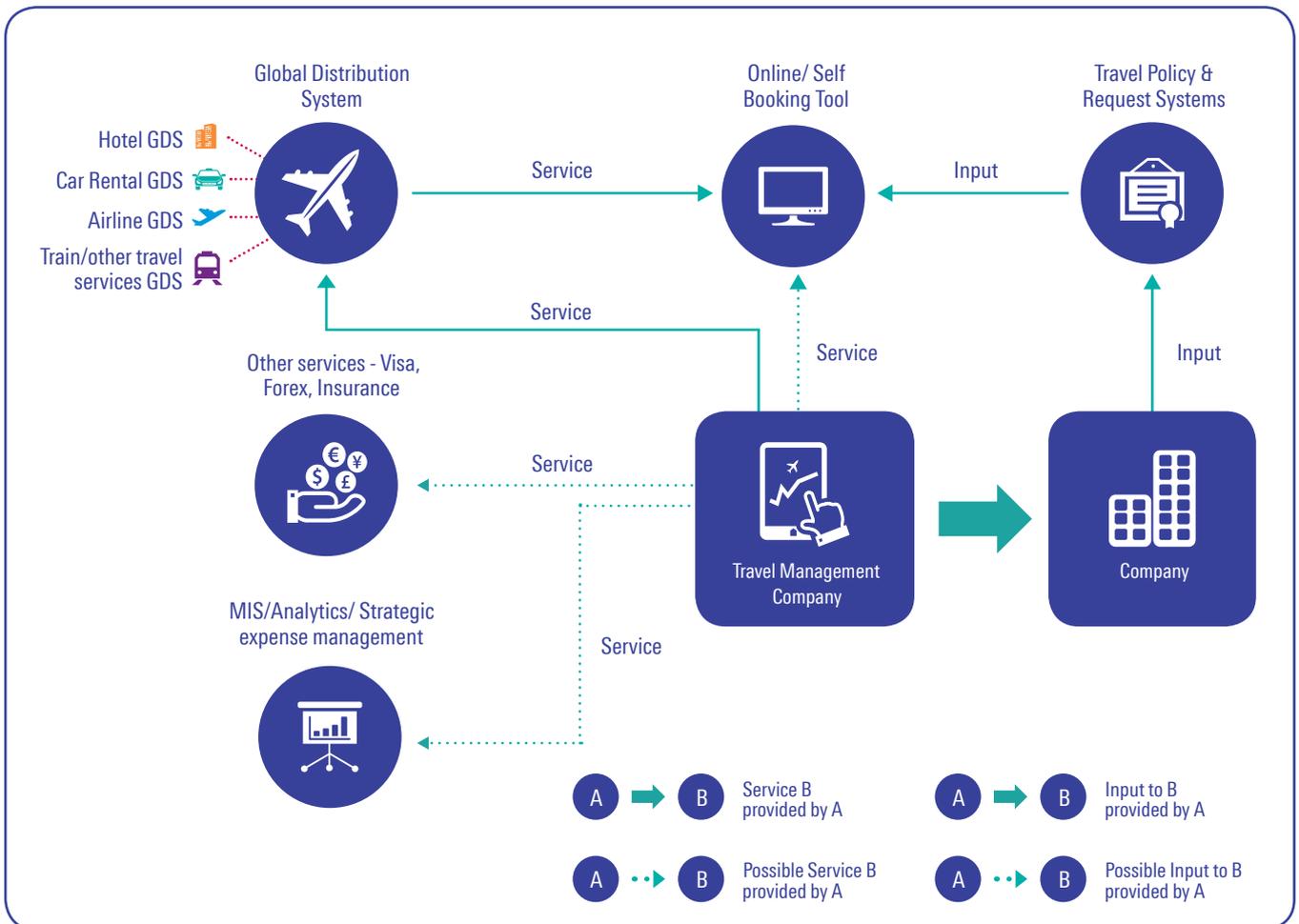
Accordingly, the SBT's provisioned may include options for all segments of trip booking and may integrate expense management/re-imbursements for a seamless travel experience as well.

The self booking tool incorporates

- Travel requisition
- Booking management
- Expense booking and re-imbursements

**Figure 20** illustrates how the self booking model is typically operated in companies opting for the same

**Figure 20: Typical SBT Operating Model**



Source: Primary discussions with users, key service providers, KPMG Analysis 2016

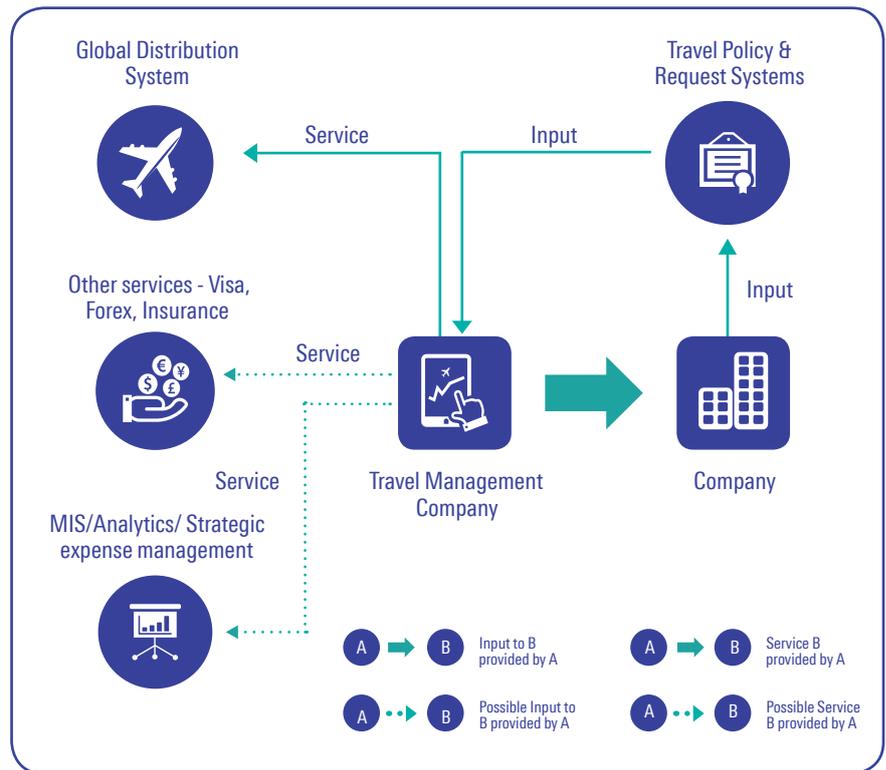


### Model 2: Companies not opting for a self – booking tool

Under this model,

- The travel desk/ TMC receives email requests from employees to book travels.
- The TMC performs trip planning through their GDS in compliance with company policy.
- This model limits the number of transactions serviced basis on a given TMC team size as compared to Model 1 where higher transactions are facilitated through the use of SBT for greater employee autonomy.
- This model is currently the most prevalent among large corporates in India.

**Figure 21** illustrates how the non SBT model is typically operated in companies opting for the same.



### Model 3: Companies opting for OTAs, not TMCs

Under this model,

- Companies tie up with OTAs to have access to the OTA booking tool and GDS.
- Policy integration into the OTAs booking tool is a challenge due to confidentiality, compliance and cost control issues
- For this reason, the model is not popular amongst large companies in India, as the above mentioned issues are not faced in Model 1 and 2 above.

**Figure 22** illustrates how the OTA model is typically operated in companies opting for the same.



**In spite of multiple operating models emerging, users believe that the industry needs to address certain issues and challenges in order to enhance the service delivery, adapt to the changing business traveler needs and most importantly enable businesses to keep their travel costs in check.**

## Current Challenges

KPMG conducted primary discussions with various stakeholders in the business travel ecosystem including select corporates, their CXO’s and travel service providers. The respondents managed close to 5% of all India corporate travel spend.

Current challenges faced and their significance, identified based on weighted average of responses across these respondents, is represented in **Table 5** below

**Table 5 : Key Challenges for Indian Business Travelers**

Area	Key Challenge	Description	Significance
Customized solutions 	Travel customization	<ul style="list-style-type: none"> <li>TMCs do not customize their solutions enough to meet user needs.</li> <li>Integrating their systems with TMC IT platforms is a significant challenge</li> </ul>	
	Limited visibility on cost savings	<ul style="list-style-type: none"> <li>Cumbersome trip planning due to culture of contracting multiple vendors for different services, driven by lower contracting costs</li> <li>Multiple desks for different solutions results in loss of productive employee time during trip planning.</li> <li>Lack of culture for contracting TMCs for end to end travel management due to perception of higher cost of services despite multiple vendors being a barrier to a seamless experience</li> </ul>	
Systemic & Infrastructure related 	Lack of differentiated offerings	<ul style="list-style-type: none"> <li>Lack of technology/processes for faster movement in and out of airport for frequent travelers</li> <li>Services such as in-flight Wi-Fi are yet to be introduced in India, making business travel timings restrictive due to “non-productive” daytime travel</li> </ul>	
	Poor infrastructure for business travel	<ul style="list-style-type: none"> <li>Limited preferable routes to Tier II/III towns leading to longer travel time than necessary.</li> <li>Need to develop &amp; improve airport infrastructure in order to reduce congestion and delays</li> <li>Infrastructure/ public transport systems for seamless connectivity between airports and central business districts.</li> </ul>	
	Lack of effective price regulation in air travel	<ul style="list-style-type: none"> <li>Air fares not regulated stringently: Last minute air fares higher resulting in significantly advance travel planning required</li> </ul>	
	Lack of seamless travel experience	<ul style="list-style-type: none"> <li>Limited co-ordination between flight &amp; hotel timings; hotel &amp; lodging suppliers need to enable flexible check in and check out timings</li> <li>Lack of travel processes/systems standardization across regions; state tourism boards need to make information available and online.</li> </ul>	

Source : Primary discussions with users, TMCs, KPMG Analysis 2016

**Key:**




**Table 2 : Key Challenges for Indian Business Travelers (contd)**

Area	Key Challenge	Description	Significance
	Lack of traditional culture for safety & security	<ul style="list-style-type: none"> <li>• Need for greater 'design for safety' in Indian airports/ railway stations to ease congestion and minimize probability of potential accidents.</li> <li>• Need to install intelligent systems at airports to track domestic and international passengers,</li> <li>• Need for instituting SOPs for local embassy support to Indian travelers abroad in case of emergency situation.</li> <li>• Integrating sharing economy travel options requires greater emphasis on employee security</li> </ul>	
Technology related 	Limited seamless travel planning & booking solutions	<ul style="list-style-type: none"> <li>• Seamless travel planning &amp; booking is seen as a challenge due to a perception of higher costs involved due to</li> </ul> <ol style="list-style-type: none"> <li>1. Integration of platforms of different functions- Travel, HR, Finance</li> <li>2. Integration of TMC technology platform with the company platform.</li> <li>3. Integration of multiple vendor platforms into a single travel platform &amp; booking tool.</li> </ol>	
	Inertia for technology adoption & culture for high touch services	<ul style="list-style-type: none"> <li>• Culture for high touch services proving to be a roadblock to fast technology adoption and extensive use of self-booking tools despite cost and productivity benefits</li> </ul>	

Source : Primary discussions with users, TMCs, KPMG Analysis 2016

**Key:**

 Very High  
  High  
  Medium  
  Low  
  Very Low



Travel managers believe that while some of these challenges can be addressed through technology, "personal touch" through TMCs is also inevitable to address these challenges as they play a key role in customizing and integrating travel plans to enable a smooth and hassle – free travel

## Emerging Practices

The Indian business travel market is at the inflexion point of innovation and technology adoption to address some of the challenges faced in corporate travel management. While most companies are working internally or with their TMC partners to develop innovative solutions to enhance

productivity and lower travel costs, companies, TMCs and travel service providers have implemented solutions that are changing business travel experience. Some of these emerging practices are discussed below in **Table 6**

**Table 6: Emerging practices in Indian Business Travel**

### Emerging Practice 1: Enhanced Corporate Booking Tool

Description 	<ul style="list-style-type: none"> <li>• An advanced corporate booking tool incorporates end to end systems from requisition request to trip bookings (based on exclusive corporate deals and value added services like meals and other related) to complete travel management services.</li> <li>• Key features<sup>11</sup> of an enhanced Corporate Booking Tool includes:                         <ul style="list-style-type: none"> <li>- Alignment with GDS</li> <li>- Flexible system allowing company guests to plan and book.</li> <li>- Integration with platforms of critical support functions i.e. HR, Finance,</li> <li>- Ability to support multiple payment methods</li> <li>- Policy compliance &amp; support including alerts on non-compliance</li> <li>- Site management: More prominent display of preferred/ top rated suppliers</li> <li>- Others: Integration of platform with sharing economy service providers to provide seamless travel experience and guarantee duty of care</li> </ul> </li> </ul>
Challenges addressed 	<ul style="list-style-type: none"> <li>• Seamless travel planning &amp; experience with potentially better cost savings</li> <li>• Customized travel experience which is policy compliant</li> <li>• Single tool which integrates various platforms</li> </ul>

### Emerging Practice 2: "On the Go" Mobile App for Travel

Description 	<ul style="list-style-type: none"> <li>• An "On-the go" mobile application &amp; mobile self-booking tool for travel to deliver personalized/ customized on-the go travel information</li> <li>• Key features of the "On-the go" mobile app integrated with the company's travel management program may include:                         <ul style="list-style-type: none"> <li>- Flight status updates</li> <li>- Itinerary management</li> <li>- Mobile check-ins</li> <li>- Travel alerts (regarding events, security waiting time, etc.)</li> <li>- Policy compliance</li> <li>- Destination information (maps &amp; directions)</li> <li>- GPS check-ins</li> <li>- Expense management and social network based trip sharing</li> </ul> </li> </ul>
Challenges addressed 	<ul style="list-style-type: none"> <li>• Seamless travel planning &amp; experience with potentially better cost savings</li> <li>• Customized travel experience which is policy compliant</li> </ul>

11. Primary interviews, KPMG Analysis



### Emerging Practice 3: City Check In's to ease airport congestion by Delhi Metro<sup>12</sup>

<b>Description</b> 	<ul style="list-style-type: none"> <li>• City check-in terminals near corporate hubs/city centers for baggage check in and receipt of boarding pass allowing business travelers to avoid airport queues and minimize transit time</li> </ul>
<b>Challenges addressed</b> 	<ul style="list-style-type: none"> <li>• Value added service/ differentiated offering for corporate travelers</li> </ul>

### Emerging Practice 4: Next generation GDS with enhanced app integration<sup>13</sup>

<b>Description</b> 	<ul style="list-style-type: none"> <li>• Integrated multi GDS providing fare options for air travel, hotel, car, rail and tours. The next generation GDS is integrated with decision support systems providing intelligence on fare trends, travel seasonality, alternate airports (if any), to predict best time to book &amp; alternate options to minimize travel expense.</li> <li>• The key features of the next generation GDS includes:             <ul style="list-style-type: none"> <li>– Flight tracking and monitoring alerts including country specific requirements</li> <li>– CRM: Adding itinerary options and information into existing PNRs.</li> <li>– E-mail solutions giving live updates to users through social media/email/messaging</li> <li>– Meetings/MICE/Events: Applications for finding global events &amp; locating hotels around event locations, adding event as itinerary option in PNR</li> <li>– Productivity tools: Apps to match frequent flyer database of various airlines with PNR, apps for group travel &amp; group seat selection, pricing applications</li> <li>– Quality control: Apps to highlight availability in preferred carrier, preferred hotel</li> <li>– Reporting: Sales reports, carbon emission calculator, recently viewed PNR</li> </ul> </li> </ul>
<b>Challenges addressed</b> 	<ul style="list-style-type: none"> <li>• Seamless travel planning</li> <li>• Cost savings</li> </ul>

### Emerging Practice 5: Enhanced Travel Risk Management with Duty of Care Features

<b>Description</b> 	<ul style="list-style-type: none"> <li>• Employee management &amp; Communication platform consolidating GDS, TMC, HR data and integrated with Mobile Messenger for effectively tracking, communicating and assisting traveling employees</li> <li>• Key features of the platform includes:             <ul style="list-style-type: none"> <li>– Development of automated workflows based on world events &amp; their impact analysis, risk-level assessments</li> <li>– Pre-trip alerts, risk-level information, destination intelligence</li> <li>– Interactive maps, Real-time two way communication system that triggers messages through phone/ email, text, app</li> <li>– Color coded maps to track communication with employees</li> </ul> </li> </ul>
<b>Challenges addressed</b> 	<ul style="list-style-type: none"> <li>• Enhanced well-being,</li> <li>• Duty of care/safety &amp; security of employees</li> </ul>

12. Delhi Metro website, accessed 8th August, 2016

13. <https://www.sabreredappcentre.sabre.com/directory/cat/e-mail-solutions>, accessed 4th August, 2016, Primary interviews, KPMG Analysis

Emerging Practice 6: Use of Business Intelligence/ Analytics by TMCs

<p>Description</p> 	<ul style="list-style-type: none"> <li>• TMCs are increasingly using big data/ analytics for strong insights to companies on how best to provide customized/ preferred travel experience to its employees within the companies’ managed travel programs</li> <li>• Key features of service include:             <ul style="list-style-type: none"> <li>- Measuring traveler satisfaction through text analytics</li> <li>- Measuring travel behavior through data on previous bookings, semantic analysis of browsing history</li> <li>- Detailed traveler profiling based on booking behavior from earlier bookings</li> <li>- Benchmarking &amp; community analytics to compare performance metrics</li> <li>- Other insights on sources of ancillary spending, program leakage, travel spend through integrated credit card &amp; expense data</li> </ul> </li> </ul>
<p>Challenges addressed</p> 	<ul style="list-style-type: none"> <li>• Seamless travel planning &amp; experience with potentially better cost savings</li> <li>• Highly customized travel experience that is policy compliant</li> </ul>





# Trends Changing Business Travel in India



## Trends Changing Business Travel in India

### Trend 1: Growth in business travel spends are being dominated by larger players in few sectors

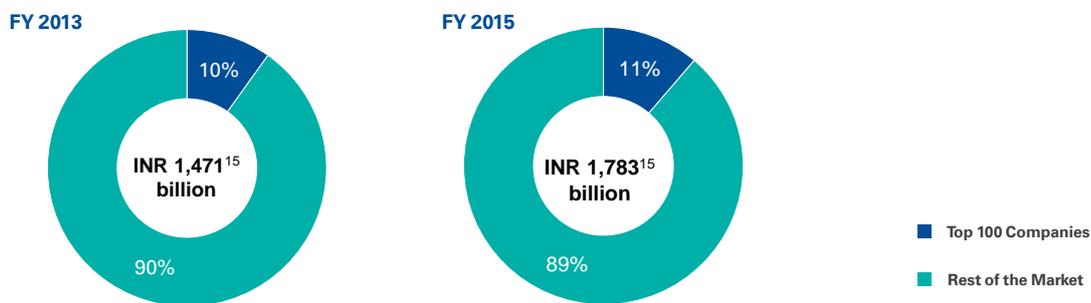
In order to understand the trends in business travel spends, KPMG analyzed the travel spends of India's top 100 companies<sup>14</sup>.

The top 100 companies spent approximately INR 200 billion in FY15 up 38.3% from INR 145 billion in FY13. During the same period, overall business travel spend increased by 21.2% indicating that larger companies led higher growth in travel spends with respect to the market.

Companies believe their travel costs are expected to increase as part of their business growth and expansion plans. According to the travel manager of one of the technology companies, "We expect a double digit increase in our travel spends over the next few aided by our growing contract wins in the overseas markets".

**Figure 23** summarizes the growing share of the top 100 companies in the total business travel spend over the last 2 years compared to rest of the market

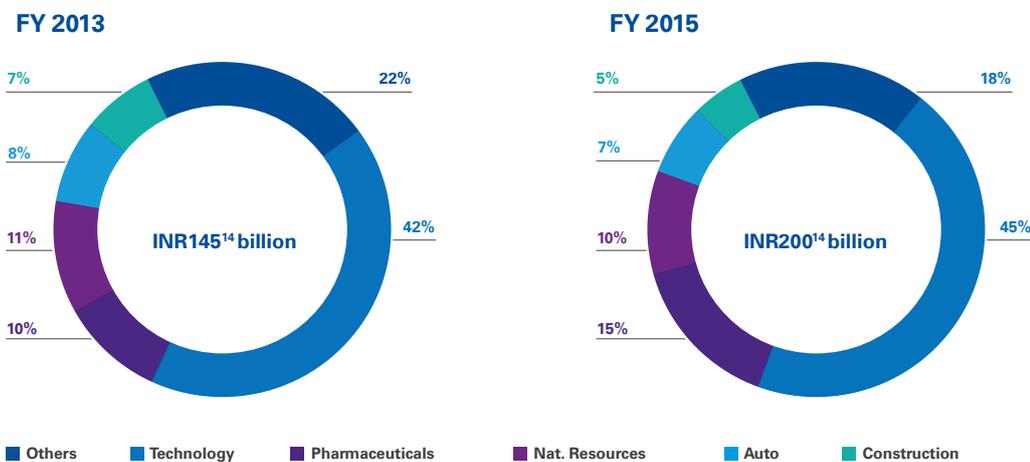
**Figure 23: Business Travel Spends in India (Top 100 companies v/s Rest of the market)**



In terms of sectoral breakup, travel spends amongst top 100 companies was led by IT/technology companies followed by pharma/healthcare, natural resources, auto and construction companies. While the share of the top 5 sectors in FY13 was 78%, it increased to 82% in FY15 **indicating the increasing dominance of few sectors in travel spends.**

**Figure 24** below illustrates the spending patterns of top 5 sectors. In terms of sectoral share, the pharma sector has witnessed a significant increase in share of total spends. The sector wise drivers of travel spends and future outlook is discussed further.

**Figure 24: Business Travel Spends in India (Top 100 companies)**



14. Annual Reports of Top 100 Companies (as per Business Today 500 rankings November 2015) accessed between 20th July & 2nd August 2016.

15. Annual spends (Jan – Dec) converted to (Apr – Mar) for respective years , KPMG Analysis 2016



In terms of sectoral trends, while companies in certain sectors believed that their growing business will enhance their travel costs, companies in sectors such as auto, construction etc. believe their growing business will require

optimization of travel costs due to increasing cyclical in their businesses. The sector wise drivers of travel spends and future outlook is discussed in **Table 7**

**Table 7: Top 5 user industry travel spend drivers and future outlook**

Sector	Key spending drivers	Future spends outlook
Technology 	<ul style="list-style-type: none"> <li>Overseas travel for providing offshore support to overseas clients</li> <li>Stationing personnel at client locations hence high spends on stay and local conveyance</li> </ul>	<ul style="list-style-type: none"> <li>Future spends to be dominated by overseas spending due to increasing global client acquisitions looking for low cost IT services from Indian companies</li> </ul>
Pharmaceuticals 	<ul style="list-style-type: none"> <li>Travel by salespersons to meet distributors, doctors etc. for sales and customer servicing</li> <li>Increasing export focus necessitating foreign travel to meet clients</li> <li>Incentives to doctors, medical practitioners etc.</li> </ul>	<ul style="list-style-type: none"> <li>MICE spending to increase due to greater emphasis on incentives for sales persons and doctors</li> <li>Increasing global focus of Indian pharma companies to meet clients, R&amp;D, acquire companies, visit foreign branches/subsidiaries etc.</li> </ul>
Natural Resources 	<ul style="list-style-type: none"> <li>Personnel visiting plants / remote locations where natural resources are being extracted i.e. mines, offshore locations etc.</li> </ul>	<ul style="list-style-type: none"> <li>Indian companies targeting newer locations for sourcing coal, crude oil, minerals etc. thereby necessitating travel to those locations</li> </ul>
Auto 	<ul style="list-style-type: none"> <li>Travel by salespersons/sales teams for dealers etc. for sales and customer servicing</li> <li>Increasing export focus necessitating foreign travel to meet clients</li> </ul>	<ul style="list-style-type: none"> <li>Optimize travel costs due to increasing saturation of domestic and overseas markets</li> </ul>
Construction 	<ul style="list-style-type: none"> <li>Employee travel to construction sites in domestic and overseas locations</li> </ul>	<ul style="list-style-type: none"> <li>Optimize travel costs by using more locally available personnel or through tie-ups with local partners</li> </ul>

Source : Primary discussions with users, TMCs, KPMG Analysis 2016

- While technology and pharma sector have high travel spends due to the nature of their business, spends by companies in natural resources, auto and construction are sensitive to the state of economy.
- In a volatile economic environment, companies in these industries look to optimize their travel costs, which can be challenging for TMCs and other service providers focusing on these segments



**Trend 2: Business travel is emerging as a “service” function from an “administrative” function driven by growing traveler expectations**

An important aspect of business travel has been the changing attributes and expectations of Indian business travelers. Growing dominance of younger travelers and technological dominance in travel has altered traveler behavior and expectations.

In order to understand traveler behavior, we have profiled Indian business travelers into 3 types based on their corporate profile and approach towards travel cost management. The key attributes of these travelers is discussed below in **Table 8**

**Table 8: Profile of Indian Business Travelers**

Key attributes	The Hi-Fliers 	The Compliant 	The Budget Traveler 
<b>Demographics</b>			
Age (indicative)	• 35 and above	• 21 – 40	• Across all age groups
Corporate profile	• Managers including CXOs, VPs etc.	• Line staff selectively including managers below certain grade	• Blue collar employees, owners/employees of small and micro businesses
Type of companies	• Large to mid – sized corporates	• Large to mid – sized corporates	• SMEs and micro business travelers
<b>Travel preferences and expectations</b>			
Travel expectations	• Seamless and convenient travel	• Convenience, value for money services	• Value for money services, willing to sacrifice convenience to save costs
Mode and criteria for international travel choice	• Fly business class • Choice of flight defined by convenience, time of arrival, etc.	• Fly economy class • Flight choice defined by convenience, cost in compliance with travel policy	• Fly economy class • Choice of flight defined largely by cost, then convenience
Mode and criteria for domestic travel choice	• Fly business class or corporate jets • Choose flights as per own travel convenience	• Fly economy class • Choose flights, which comply with company travel policy requirements	• Fly economy class or rail whichever is cheaper
Hotel preferences	• High end 5 – Star rated and above hotels • Prefer hotels located in Central Business District of the city	• Defined by travel budget or company’s travel policy • Typically 2 – 4 Star rated hotels	• Defined by lowest cost • Typically budget hotels to 3 star hotels • Location near place of work to optimize local travel costs
Local transport preferences	• Luxury cab/ car rental services • Hire cab from hotel or from known service provider • Typically prefer traveling in high – end cabs	• Research own service provider or request company travel desk to arrange for cab • Typically prefer standard private cab services/taxi aggregators like Ola, Uber.	• Prefer point to point cab services • Would even use public /local transport for saving costs
Value added services	• Lounge services at airports • Wi-Fi connectivity in hotels and cabs, • “On call” customization	• Wi-Fi connectivity in hotels, • Breakfast inclusion in room tariff, • On – board flight meals	• Wi-Fi connectivity in hotels • Breakfast inclusion in room tariff

Source : Primary discussions with key service providers, KPMG Analysis 2016



Business travelers are increasingly expecting their companies to provide them flexibility and customized travel options either by themselves or through the TMCs, so that they spend more time for their business activities rather than worry about their travel itineraries.

This has made business travel management, which was earlier seen as another “administrative function” to a more service oriented function.

Due to the complexities involved, Indian companies prefer ‘outsourcing’ their travel requirements to TMCs. Hence, for TMCs, it becomes imperative to understand travelers’ growing expectations and structure specific solutions to their corporate clients.

Based on discussions with travel managers, TMCs and service providers, some of the growing expectations of corporate travelers and expected role of TMCs is discussed in **Table 9** below



**Table 9: Expectations of Indian Business Travelers and strategies to address the same**

Recent trends	Business Travelers expectations	How can TMC's support
"On the Go" travel	<ul style="list-style-type: none"> <li>• Convenience and flexibility in travel booking</li> <li>• 24/7 connectivity</li> <li>• Real – time modifications to travel plans</li> <li>• Immediate and auto check for compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Develop customized “On the Go” apps for business users</li> <li>• Provision of all travel related services in the mobile application</li> </ul>
Value added services	<ul style="list-style-type: none"> <li>• Need for lowering travel costs</li> <li>• Bundling services to enable maximum value for money</li> <li>• Convenience and hassle – free travel</li> <li>• Need for priority, lounge services etc. especially by frequent travelers</li> </ul>	<ul style="list-style-type: none"> <li>• Strong knowledge of “local destination and flavor” to identify opportunities for bundling services</li> <li>• Ability to provide “Customized services on the Go”.</li> <li>• Tie ups for certain local services not otherwise available in regular business travel itineraries</li> </ul>
B-leisure	<ul style="list-style-type: none"> <li>• Enhanced stay by corporate employees to explore destination and/or relaxed stay</li> <li>• Safety and security of employee and information during leisure travel</li> </ul>	<ul style="list-style-type: none"> <li>• Separate bookings and expenses tracking for business and leisure portion</li> <li>• Employee tracking system to enable safety during the leisure portion of the trip</li> </ul>
Duty of Care	<ul style="list-style-type: none"> <li>• Safety alerts and “Dos and Don'ts” checklist during travel</li> <li>• Emergency contact numbers and SOPs in case of emergency</li> <li>• Medical and/or other services in case of any incident</li> </ul>	<ul style="list-style-type: none"> <li>• Advice and guide on right tools for employee safety</li> <li>• Up to date information on political, economic and security developments</li> <li>• Maintain an MIS of traveling employees at all times</li> <li>• 24/7 availability and developing SOPs for dealing with exigencies</li> </ul>

**Trend 3: Travel managers are increasingly looking for more visibility and control over travel costs**

Travel and entertainment expense are considered the second most controllable expense after manpower costs.

Indian travel managers are increasingly relying on IT tools to have better control and visibility over their growing travel costs and they believe technology can play a crucial role in effective travel cost management.

Companies expect business travel managers to have combined knowledge of systems, technology, budgeting

and negotiation to have better control and visibility on travel spends.

Travel cost management is a complex function requiring a constant and coordinated interaction between its four key levers – Procurement, billing & payments, expense reporting and management reporting.

The key elements around each of these key levers is represented in **Figure 25** below

**Figure 25: Travel cost management levers**



***“We were able to achieve a nearly 30% savings in our travel costs primarily due to technology playing a crucial role in the entire travel management process. We look forward to deploying this technology platform to extend these benefits across all group companies”***

- Travel manager of a leading conglomerate





With travel costs becoming increasingly prominent in their financials, companies are increasingly developing tools to track their travel expense.

An emerging practice has been to use TMCs to assist companies in having better control over travel

costs, who are providing data analytics services to differentiate themselves and enabling companies to have greater mobility, visibility and control over travel costs.

Some of the emerging practices in travel cost management in Indian companies across the four levers is discussed in

**Table 10** below

**Table 10: Emerging practices in India for travel cost management**

Area	Key Challenge	Description
Travel procurement	In – house v/s outsourcing	<ul style="list-style-type: none"> <li>Outsourcing the booking process to TMCs, rest managed in – house</li> <li>Multiple TMCs for managing bookings</li> </ul>
	TMC appointment process	<ul style="list-style-type: none"> <li>Appointing TMCs through an RFP process clearly outlining the criteria in terms of capabilities (servicing, IT etc.), certifications, cost etc.</li> </ul>
	Compliance and certification	<ul style="list-style-type: none"> <li>Certifications and should be compliant with the relevant domestic and international travel regulations</li> </ul>
	Vendor agreement	<ul style="list-style-type: none"> <li>Direct agreements with travel vendors i.e. airlines, hotels, cab operators for discounts, special rates etc.</li> <li>Have preferred vendors for high frequency locations with special rates/discounts</li> </ul>
	Value added services	<ul style="list-style-type: none"> <li>Comprehensive agreements with travel vendors for inclusion of value added services in rates charged</li> <li>TMCs arrange for customized value added services to be included in the fare/tariff etc.</li> </ul>
Billing and payments	Booking tools (online v/s offline)	<ul style="list-style-type: none"> <li>Online tools enable efficiency in managing booking requests.</li> <li>Single IT interface to manage all travel requests</li> </ul>
	Price controls	<ul style="list-style-type: none"> <li>Discourage business class travel</li> <li>Travel requests should be made atleast 1 week prior to travel to enable greater control within pre-defined spend limits</li> </ul>
	Corporate card program	<ul style="list-style-type: none"> <li>Mandate single corporate card program for use in all travel transactions (i.e. flights, hotels, cab bookings etc.)</li> </ul>
	Centralized v/s decentralized billing	<ul style="list-style-type: none"> <li>Centralized billing enables greater visibility, data collation and analysis of all travel information and removes duplicity in inter-departmental processing</li> </ul>
Expense reporting	Corporate liability	<ul style="list-style-type: none"> <li>Allowable and disallowable expenses should be clearly defined</li> <li>Employees be made aware prior to traveling which expenses are reimbursable and which are not</li> </ul>
	Escalation matrix	<ul style="list-style-type: none"> <li>Employees should be aware of a clearly defined escalation matrix in case of disallowed expenses or disputes</li> </ul>
	Automation	<ul style="list-style-type: none"> <li>Secured IT platform that has the ability to perform the “lifecycle” functions of with an automated online expense reporting and processing system</li> </ul>
Management reporting	Budgets v/s actual	<ul style="list-style-type: none"> <li>Automated data analysis on budgeted expense v/s actuals</li> <li>Automated alerts to management when expenses are closer to budgets</li> </ul>
	Spend analysis and control	<ul style="list-style-type: none"> <li>Use of data analytical tools to analyze detailed spends and identify areas of high spends, reasons for high spends, action required etc.</li> </ul>
	Policy compliance analysis	<ul style="list-style-type: none"> <li>Use of data analytical tools to check for policy compliance in terms of booking timelines, spends etc.</li> </ul>
	Periodicity of reporting	<ul style="list-style-type: none"> <li>Monthly reporting to the management on travel spends in terms of budgets v/s actuals, spend analysis, policy compliance analysis etc.</li> </ul>
	User feedback	<ul style="list-style-type: none"> <li>User feedback be taken after every travel, collated and results reported to senior management every month for taking action in terms of processes, costs, service levels, vendor performance etc.</li> </ul>

Source : Primary discussions with key service providers, KPMG Analysis 2016

**Travel managers are constantly evaluating introduction of newer practices to improve their travel management process, enhance employee productivity during travel and ensure control over rising travel costs**

**Trend 4: TMC appointment process is evolving from a low cost selection towards value for money considerations**

In the primary interactions conducted by KPMG, nearly all companies had hired the services of a TMC right from only ticket booking to managing the entire travel management process.

While most companies had a largely standardized procurement process for appointing TMCs, the drivers behind appointing them is changing.

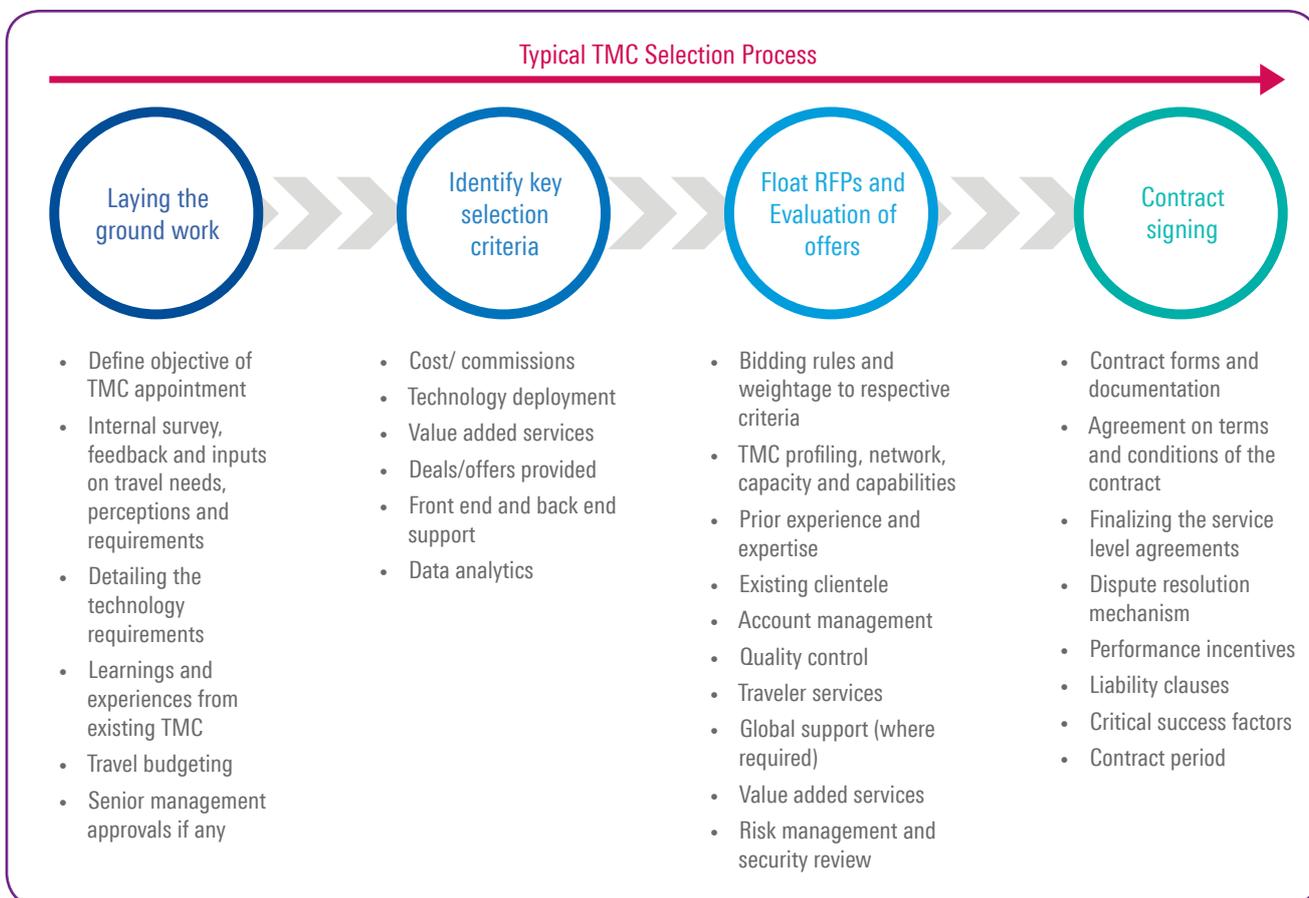
From the traditional approach of selecting TMCs with the lowest cost/commission, travel managers are increasingly looking at TMCs for bringing more value added services

such as seamless travel management, data analytics, assisting companies in developing duty of care/employee safety programs According to the HR head of a leading infrastructure conglomerate, “We are insisting that our TMC arranges for value added services with all travel service providers as it enables us to avoid large number of smaller spends towards services, which can be offered as an add-on through negotiations”

Hence for companies, establishing a relationship with a TMC is not just about finding the lowest cost partner but also implementing the right configuration.

A typical process for appointing a TMC is discussed in **Figure 26** below

**Figure 26: Travel Management Company (TMC) selection process**



Source : Primary discussions with users, key service providers, KPMG Analysis 2016

**Implications for TMCs**

For TMCs, it is imperative to understand the key drivers of the TMC procurement decisions. TMCs need to invest on developing capabilities to provide solutions that enable companies to extract maximum value for money rather than simply focusing on “lowest transaction pricing”





### Trend 5: Companies are increasing dependence on technology for covering all aspects of travel management

Technology has played a key role in transforming travel behavior in India driven largely by growing internet penetration (462 million internet users as on July 2016, CAGR of 15% over last 5 years<sup>16</sup>) and smartphone adoption (220 million smartphone users as on February 2016, growing at a CAGR of 12%<sup>16</sup>) in India.

For companies, technology is being increasingly used across all facets of travel right from booking to making payments, reporting travel expenditures and claims processing.

Emergence of OTAs (Online travel aggregators) has further enhanced digital penetration in the travel industry.

With increasing number of companies relying on a mix of own and TMC technology, TMCs need to look at technology solutions beyond booking tools towards more value added services.

Based on discussions with travel managers, TMCs and select hi – flier business travelers, **Table 11** summarizes the role of TMCs in using technology interventions to meet the future Indian business traveler's needs.



**Table 11: Role of TMCs in using technology to meet business traveler needs.**

What companies and corporate travelers need	Technology intervention	How TMCs can assist
<ul style="list-style-type: none"> <li>Integrated platform with all travel related aspects i.e. service bookings, 24/7 connectivity, real – time modifications, booking status update, track and trace, auto booking for value added services etc.</li> <li>Booking all travel services under a single booking request</li> <li>Travel procurement</li> </ul>	 Seamless Travel	<ul style="list-style-type: none"> <li>Deep knowledge of all value added services provided by travel service providers</li> <li>Negotiate with travel service providers to bundle multiple services (for key destinations) and provide as a single service</li> <li>Provide comprehensive booking options rather than separate options for air, hotel, taxi etc.</li> </ul>
<ul style="list-style-type: none"> <li>Detailed knowledge of employee travel spends, travel patterns, policy compliance levels etc.</li> <li>Information on travel spends, identify areas of cost optimization, policy changes etc.</li> <li>Management reporting and decision making</li> </ul>	 Data analytics	<ul style="list-style-type: none"> <li>Single platform for data collection, analysis</li> <li>Prepare MIS reports and advise the management on employee travel behavior, travel cost optimization, policy changes etc.</li> <li>Enhance their role as travel consultants to their clients</li> </ul>
<ul style="list-style-type: none"> <li>Paperless system for travel management</li> <li>Reduction in manpower and turnaround time in managing travel requests</li> </ul>	 Automation	<ul style="list-style-type: none"> <li>Automation of travel processes i.e. booking, approvals, claims management</li> <li>End to end process management</li> </ul>
<ul style="list-style-type: none"> <li>Access to multiple and local service providers under one roof</li> <li>Ability to accommodate modifications in travel plans</li> <li>Real time visibility on service capacity availability</li> </ul>	 Travel on "Cloud"	<ul style="list-style-type: none"> <li>Integrating own online platform with booking platforms of corporates</li> <li>Onboarding multiple service providers on own platform</li> <li>Real – time visibility for travelers to identify preferred travel service providers</li> </ul>

Source : Primary discussions with users, key service providers, KPMG Analysis 2016

16. Internet and Mobile Association of India website, accessed on 19th July 2016

**Trend 6: TMCs are looking at M&As to enhance their capabilities and identify niche areas for differentiation in a highly diverse business travel market**

The Indian travel industry is highly fragmented with presence of few national/regional players and large number of local players. The primary reasons for the same include

- Low entry barriers
- High degree of personalization
- No significant capital investments

However, companies are looking for service providers who have financial and systemic capabilities to offer

- Flexibility and visibility in handling volumes
- Higher IT adoption
- Deliver promise of lowering travel costs
- Value-added services like booking app, duty of care and others
- Enhanced travel management experience

According to industry players<sup>17</sup>, “M&As are needed to consolidate the number of players to bring more regulation and professional practices in the industry”.

With companies expecting TMCs to provide an IT platform for end – to – end management of their business travel processes, the cost of servicing customers has gone up significantly due to investment in IT platforms while margins are constantly under pressure owing to increasing competition from local players and emergence of OTAs.

This is forcing TMCs to rethink their strategy in servicing business travelers from standardized ticket booking products (Model 2) to a more seamless and customized services (Model 1).

Some of the factors that are driving M&A in the Indian travel industry from the perspective of targeting the business travel market is summarized in **Table 12** below:



**Table 12: Key drivers for M&As in Indian travel industry (business travel market perspective)**

Building scale 	Targeting Tier 2 & 3 Travelers 	Technology 	Personalized services 
<ul style="list-style-type: none"> <li>• Enable synergies in terms of capacity utilization, higher procurement efficiencies from service providers</li> <li>• Ability to innovate and bundle various services as value added offerings</li> </ul>	<ul style="list-style-type: none"> <li>• Targeting growing business travel in Tier 2 and Tier 3 cities</li> <li>• Air traffic in certain Tier 2 &amp; 3 cities growing faster than metros dominated by increasing business travelers</li> </ul>	<ul style="list-style-type: none"> <li>• Acquire technology/ IT expertise, hence ability to offer one – stop solution to corporate clients</li> <li>• Technologies around seamless travel management, data analytics, cloud systems etc. can enable offering a one – stop solution</li> </ul>	<ul style="list-style-type: none"> <li>• Increased need for offering personalized and value added services with “local flavor”</li> <li>• Companies expect TMCs to have knowledge of local offerings where their employees are traveling</li> </ul>

Source : Primary interviews with industry experts, KPMG Analysis 2016

17. Primary interviews with TMCs



# The Indian Regulatory Environment



## Key regulations and taxes applicable to travel industry

The regulatory environment encompasses the regulation of various travel services and the taxation levied on travel services.

The Indian travel industry is highly regulated with various authorities at central, state and local level depending on the jurisdiction and the services involved.

These regulators play a key role in defining standards, overseeing operations, compliance checks and taking

necessary action in the interest of users and the general public.

The **key regulators** for various travel related services is summarized in **Table 13** below

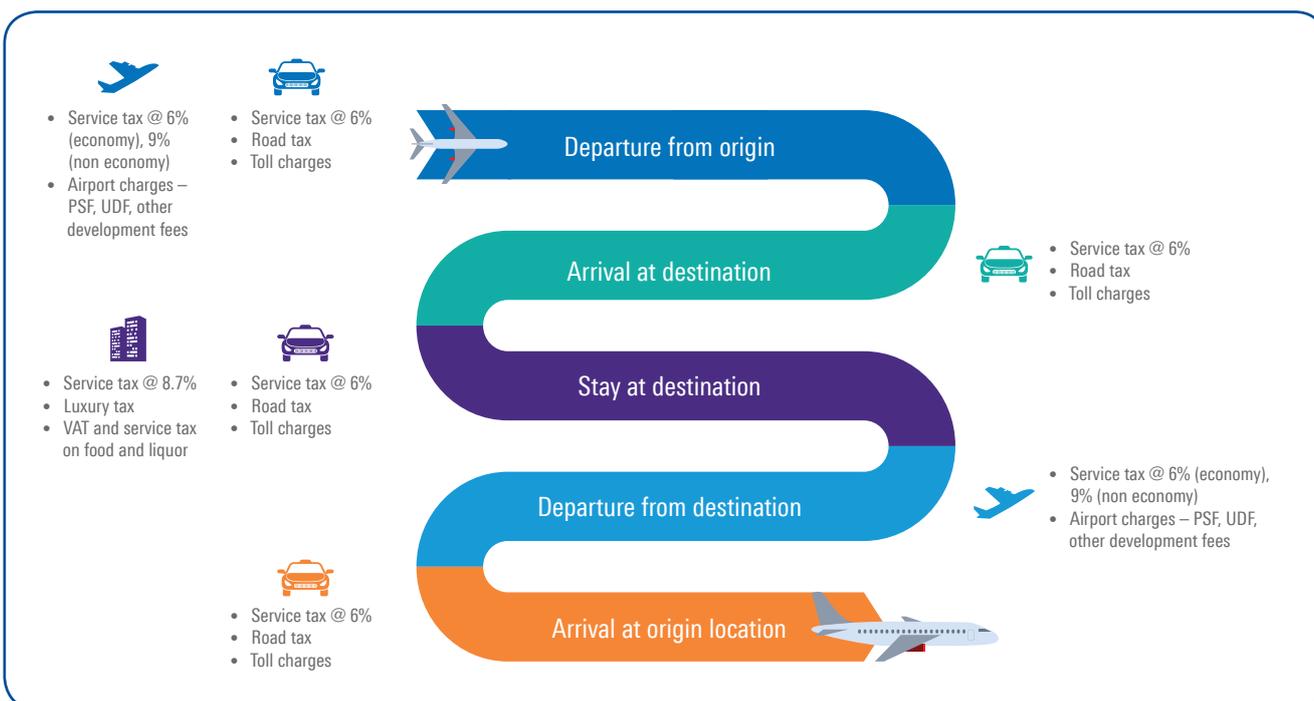
**Table 13: Key regulators in the Indian travel industry**

Central agencies	State agencies	Local agencies
<ul style="list-style-type: none"> <li>Ministry of Civil Aviation</li> <li>Directorate General of Civil Aviation</li> </ul>	<ul style="list-style-type: none"> <li>State Aviation Authority</li> </ul>	<ul style="list-style-type: none"> <li>Airport Authority of India</li> </ul>
<ul style="list-style-type: none"> <li>Ministry of Railways</li> </ul>	<ul style="list-style-type: none"> <li>Respective Railway Division</li> </ul>	<ul style="list-style-type: none"> <li>Railway sub – division</li> </ul>
<ul style="list-style-type: none"> <li>Department of Tourism</li> </ul>	<ul style="list-style-type: none"> <li>State Tourism Boards</li> </ul>	<ul style="list-style-type: none"> <li>Municipal authorities</li> </ul>
<ul style="list-style-type: none"> <li>Ministry of Road Transport and Highways</li> </ul>	<ul style="list-style-type: none"> <li>State Motor Vehicle Department</li> </ul>	<ul style="list-style-type: none"> <li>Road Transport Office</li> </ul>

The Indian travel and tourism industry is subject to multiple taxes by the central, state and local authorities on the various services.

**Figure 27** below summarizes the various taxes paid by business travelers for travel within India

**Figure 27: Tax incidence in the business travel value chain**



Source : KPMG Repository, CBEC website, Article titled "Service Tax Abatement Rate Chart from 01.04.2016" in taxguru.in, accessed between 18th – 22nd July 2016, KPMG Analysis 2016



## Tax incidence for TMCs

In the current taxation regime, travel agents/TMCs are liable to pay service tax as per Service Tax Rules, 1994.

- Unlike travel service providers such as airlines, railways and taxi service providers etc., who can avail service tax abatements under the said rules, travel agents/TMCs pay service tax @ 15% (i.e. 14% + 0.5% Krishi Kalyan cess + 0.5% Swacch Bharat cess) for the services provided by them.
- Close to three-fourths of the total business travel spend is accounted by air travel, while airlines pay 6% and 9% service tax on domestic economy and business class seat. Travel agents/TMCs are levied 15% on any commission income and performance linked bonuses (PLBs) earned from airlines.
- Another option for the travel agents/ TMCs is to pay service tax at the composite rate specified therein under Rule 6(7) of the Service Tax Rules 1994, which currently is 0.7% of the basic fare for domestic air travel

bookings and 1.4% of the basic fare for international air travel bookings.

- Thus, multiple tax rates/ service tax payout mechanisms are available for travel agents/TMCs for providing the same service.

The introduction of GST is expected to simplify the tax structure across all the entities and may sort the complexities involved due to multiple service tax structures for similar services, resulting in less clarity, leading to difference in opinion and interpretation. Considering Industry views and concerns, The Ministry of Finance may consider widening the scope of rule 6(7) of the Service Tax Rules 1994 for travel agents/TMCs to enable them to collect service tax on the services provided by them, either from customer or airline as per the commercial arrangement and discharge the same under the said rule.

## GST and its proposed impact

One of the most significant tax reforms in recent times has been the proposed introduction of GST.

GST or the Goods and Services Tax is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace various indirect taxes levied by central and state governments. GST amalgamates several central and state taxes into a single tax that will mitigate the cascading or double taxation, thereby facilitating a common national market.

While GST is expected to be applicable from 1st April 2017, various uncertainties exist around tax rate, center – state jurisdiction, potential impact on costs, impact on paperwork etc. Over time, more clarity is expected once the law is finalized.

The Model GST Law 2016 is currently in the draft stage. Going by the present draft, the potential cost impact of GST (considering GST rate of 18%) on the respective travel services is discussed in **Table 14** below

**Table 14: Impact of GST on cost of various travel services in India**

Air Travel	Rail Travel	Hospitality	Taxi/cab rental
<ul style="list-style-type: none"> <li>• Domestic originated leg of an international flight would be subject to GST</li> <li>• Aviation turbine fuel is outside the GST purview hence there would be no input tax credit</li> <li>• All taxes, duties etc. would be considered for GST levy against current regime where service tax is levied on base fare</li> <li>• Services rendered by overseas CRS companies would attract GST in the hands of domestic carriers</li> </ul>	<ul style="list-style-type: none"> <li>• Draft GST Bill does not provide for any service tax abatement on rail services, which is presently at 70%</li> <li>• Higher tax on services rendered by IRCTC and other similar CRS service providers</li> </ul>	<ul style="list-style-type: none"> <li>• Total taxes paid by hospitality industry is in excess of 20% including VAT, service tax, luxury tax etc.</li> <li>• GST below 20% would lower overall tax incidence for hospitality sector</li> </ul>	<ul style="list-style-type: none"> <li>• Draft GST Bill does not provide for any service tax abatement on Taxi/Cab rental, which is presently at 60%</li> </ul>

Source : Model GST Law June 2016, Article titled "Airlines fear rise in costs because of GST, leading to higher ticket prices" in Economic Times on 5th August 2016, accessed on 5th August 2016, KPMG Analysis 2016

**Going by the present draft, it is believed that unless there are abatements on GST rates made available for travel services, the introduction of GST is expected to increase travel costs.**

## GST and its proposed impact

The Government is one of the key stakeholders in the Indian travel industry considering its role as both a regulator and operator of travel services.

Indian business travelers believe that high taxes, infrastructure/service deficiencies and high security risks results in a “not so friendly travel experience”.

Growing instances of flight delays (due to lax staff attitude, infrastructure deficiencies) and safety issues (flight hijackings, railway accidents etc.) makes the role of the government more prominent to make travel experience safer and more pleasant.

Travel managers and TMCs believe that that while the government has taken significant strides such as providing tax benefits on certain tourist services, airport infrastructure development, easing of immigration and visa rules etc. there are other interventions required to enhance the quality and efficiency of business travel.

Some of these potential government intervention areas is summarized in **Table 15** below

**Table 15: Potential government intervention to enhance Indian business travel experience**

Services	Steps taken till date	Other intervention areas
Fare regulation 	<ul style="list-style-type: none"> <li>Proposed a Draft Regional Connectivity Scheme for lowering cost of air travel to regional and low traffic airports</li> <li>Reduction in ticket cancellation and modification charges levied by airlines</li> <li>Ban on surge pricing by taxi aggregators such as Ola, Uber etc. by Karnataka and Delhi state governments</li> </ul>	<ul style="list-style-type: none"> <li>Policy framework needed to regulate air ticket pricing</li> <li>Airfares should be regulated the way airport charges are regulated by Airports Economic Regulatory Authority (AERA)</li> <li>Regulatory measures to check arbitrary pricing by airlines</li> </ul>
Infrastructure 	<ul style="list-style-type: none"> <li>Enhanced capacity at metro and certain non – metro airports</li> <li>Implemented the GAGAN system to improve air traffic management</li> </ul>	<ul style="list-style-type: none"> <li>Automatic baggage scanning system at all airports to reduce passenger waiting times</li> <li>Dedicated mass/public transport connectivity for all metro airports</li> </ul>
Simplify travel procedures 	<ul style="list-style-type: none"> <li>Replacement of physical tickets with web tickets for security check prior to airport entry</li> </ul>	<ul style="list-style-type: none"> <li>Automation of repetitive procedures through Aadhar based or biometric procedures to reduce check – in congestion at airports</li> </ul>
Overseas assistance 	<ul style="list-style-type: none"> <li>Government extending financial and humanitarian assistance for overseas Indian business travelers</li> </ul>	<ul style="list-style-type: none"> <li>24/7 helpline for overseas travelers for assistance in case of distress/ emergency</li> </ul>

Source : Primary interviews with users, TMCs, KPMG Analysis 2016

**While various measures have been taken to improve the quality of business travel, there is a need to consider adoption of international best practices to provide world class travel experience.**





## Demonetization impact on corporate travel

On 8th November 2016, the Government of India, through an unscheduled live television announcement made by the Hon. Prime Minister Shri Narendra Modi, declared that the current Rs. 500 and Rs. 1,000 bank notes (or SBN) amounting to ~ 86% of the total cash in circulation in the Indian economy would be invalid with immediate effect. The rationale for demonetization were to curb the problems of black money, smuggling and terrorism besides other crimes.

While many sectors have been impacted due their high cash dependence, the impact on business travel is mixed. Based on excerpts from interactions with business travelers and media reports, while most sectors have remained largely unaffected, certain sub – segments such as travel by SME businessmen, business class travel in airlines, purchase of forex and travel services through cash, Bleisure travel spends etc. have reported decline in bookings. Sudden cash crunch, fear of scrutiny and lack of clarity in rules pertaining to events post 30th December 2016 when SBNs can no longer be exchanged or deposited with banks have been cited as the primary reasons for withholding and/or postponing travel spends.

While demonetization will enable more shift of business travel bookings towards organized operators or travel agents (including TMCs) in the long run, the potential expected impact on certain key sub – segments within business travel is summarized in the below table.



Segment wise potential impact				
Potential impact areas	Air travel	Hotel stay	Taxi/ local transport	TMC services
Business class travelers' spends	Negative impact	Neutral to negative impact	Neutral impact	Neutral impact
Travel spends by SMEs	Negative impact	Neutral to negative impact	Neutral impact	Positive impact
Bleisure travel	Neutral to negative impact	Neutral to negative impact	Neutral impact	Neutral to negative impact
Forex purchase through organized TMCs	Neutral impact	Neutral impact	Neutral impact	Positive impact

- Positive impact
- Neutral impact
- Neutral to negative impact
- Negative impact

For TMC's, it is an opportunity to understand and develop innovative solutions to assess the needs of the above sub – segments identified above to ensure limited long term impact on their business travel spends. Demonetization enhances competitiveness of organized TMCs and enables larger TMC's to target smaller business travelers, whose needs were otherwise not addressed by them due to price competitiveness offered by unorganized travel agents

through lower taxes and cash acceptance options offered by them (which escapes the tax department scrutiny hence reduces tax portion of travel expense). While smaller travel agents will continue to offer cash options, but will limit the extent of cash transaction options for business travelers due to increasing pressure of tax compliance and increased scrutiny of tax departments.





# Way Forward



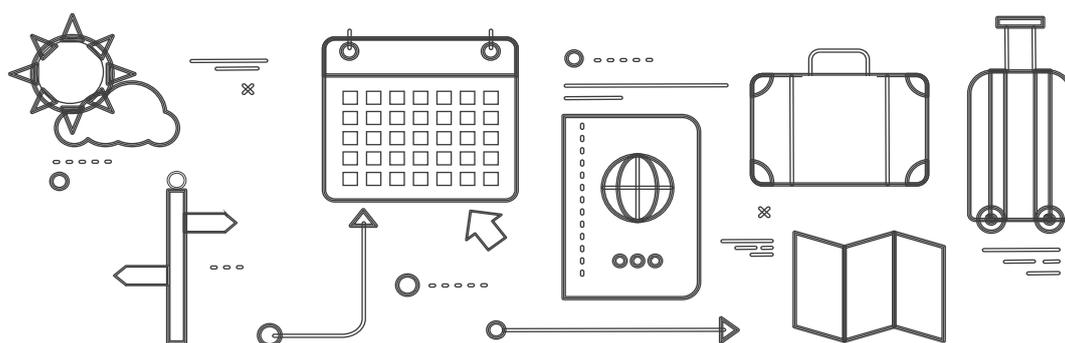
## Way Forward for Industry

With India being one of the key business travel markets globally and witnessing high technology adoption, it is perceived as a promising destination for travel innovation.

Travel managers believe that while overall business travel experience in India has improved over the last 3 – 5 years, it is yet to achieve parity with global standards. For India to emerge as a preferred destination, certain initiatives need to be taken by all concerned stakeholders i.e. the industry,

the users and the government. While these stakeholders are implementing various initiatives, there needs to be a more coordinated effort to achieve the objective of “seamless travel”.

The issues, the resolution and the recommendations on the same for the respective stakeholders is outlined below in Table 16, 17 and 18 for the industry, users and the government respectively.



**Table 16: Way forward for the Industry**

Issue	Resolution	Recommendation
<ul style="list-style-type: none"> <li>There is no Business Travel Association of India that voices concerns or shares best practices in business travel in India</li> <li>It is observed that there is no united voice addressing the issues and concerns of Indian business travelers.</li> </ul>	<ul style="list-style-type: none"> <li>An Indian Business Travel Association may be formed on the lines of Global Business Travel Association.</li> </ul>	<ul style="list-style-type: none"> <li>Industry players led by TMCs may form an Indian Business Travel Association (IBTA)</li> <li>This association may have members from TMCs, business travelers, airlines, government agencies such as Ministry of Tourism, Ministry of Civil Aviation, Ministry of Railways, Ministry of External Affairs, Competition Commission of India and others related.</li> <li>The IBTA may act as a common voice for collating information on business travel, sharing industry best practices, organizing events, lobbying with the government on industry issues, regulation of business practices, et</li> </ul>
<ul style="list-style-type: none"> <li>Users believe that TMCs largely provide vanilla services such as ticket bookings, hotel bookings, etc. hence user needs to appoint multiple service providers for providing various travel related services increasing overall business travel costs.</li> </ul>	<ul style="list-style-type: none"> <li>TMCs may work towards a “one – stop” solution mindset in order to enhance customer service and corporate travel service standards.</li> </ul>	<ul style="list-style-type: none"> <li>More TMCs may consider providing value added services such as data analytics, travel spend optimization services, safety and security, solutions around safety &amp; security, automation solutions, etc.</li> </ul>
<ul style="list-style-type: none"> <li>Users believe that TMCs are not fully aware of customized value added services available at different locations or with different service providers which can be bundled to control corporate travel costs</li> </ul>	<ul style="list-style-type: none"> <li>TMCs to seek for up-to-date knowledge of their clients to enable provision of customized value added services</li> </ul>	<ul style="list-style-type: none"> <li>More TMCs may seek to have greater knowledge of their corporate clients’ business, their frequent travel destinations, select and partner with local service providers.</li> <li>TMCs may consider providing aggregators for value added services to enable their clients to control travel costs.</li> </ul>

Source : Primary interviews with industry experts, KPMG Analysis 2016


**Table 14: Impact of GST on cost of various travel services in India**

Issue	Resolution	Recommendation
<ul style="list-style-type: none"> <li>Business travel managers do not have streamlined processes for managing business travel. As a result, travelers spend significant productive time in follow ups for travel bookings, claims, and others.</li> </ul>	<ul style="list-style-type: none"> <li>Business travel management may be streamlined into a seamless platform integrated with other functions and platforms of the company to enable quick turnaround in travel management.</li> </ul>	<ul style="list-style-type: none"> <li>Business travel managers may consider incorporating seamless IT platforms in their travel management systems</li> <li>The initial high cost of this platform can be recovered through improved time and manpower productivity</li> <li>Where possible, travel managers may consider adopting a paperless travel management system right from bookings to claim submissions .</li> </ul>
<ul style="list-style-type: none"> <li>Most business travel managers do not measure user experience frequently resulting in delaying response to user feedback</li> </ul>	<ul style="list-style-type: none"> <li>Business travel managers may collect and incorporate user feedback regularly to enhance service delivery and identify shortcomings, if any.</li> </ul>	<ul style="list-style-type: none"> <li>Business travel managers may obtain user feedback electronically as part of claim submission system.</li> <li>User feedback may be integrated with data analytical tools to identify common areas of concern for timely action.</li> </ul>

**Table 18: Way forward for the Government**

Issue	Resolution	Recommendation
<ul style="list-style-type: none"> <li>In the absence of any fare regulatory mechanism, business travelers have to pay airfares, which are nearly 4 – 5 times or even higher than the average fare on the same route</li> </ul>	<ul style="list-style-type: none"> <li>Airfares may be regulated in a manner wherein flyers pay a reasonable fare and airlines are also able to cover their costs, including capital costs</li> </ul>	<ul style="list-style-type: none"> <li>Airfares may be fixed within a band (minimum and maximum price) according to different stage length of the flights.</li> <li>The Ministry of Civil Aviation may float a discussion paper on airfare regulation and invite feedback from relevant stakeholders on the same.</li> </ul>
<ul style="list-style-type: none"> <li>Service levels at Indian airports are not standardized due to which airlines and flyers face difficulties resulting in delays and inconveniences</li> </ul>	<ul style="list-style-type: none"> <li>Airports in India may have provision for standardized and world class facilities so that travel is smooth, safe and delays can be avoided</li> </ul>	<ul style="list-style-type: none"> <li>The Ministry of Civil Aviation and DGCA may prescribe development standards for modernizing airports.</li> </ul>
<ul style="list-style-type: none"> <li>Business travelers do not have access to updated information especially in Tier 2 and Tier 3 cities hence face issues of safety and unfair charges by unregulated operators.</li> </ul>	<ul style="list-style-type: none"> <li>Business travelers need to have updated information and assistance at airports and railway stations to enhance awareness of travel choices at all times.</li> </ul>	<ul style="list-style-type: none"> <li>The Ministry of Tourism in discussion with the Ministry of Civil Aviation and Ministry of Railways may formulate policies as well as update information on registered/ authorized travel service portals</li> </ul>
<ul style="list-style-type: none"> <li>Indian travelers traveling abroad do not get timely assistance in case of any emergency resulting in inconvenience and safety risks</li> </ul>	<ul style="list-style-type: none"> <li>Indian embassies and consulates stationed abroad need to assist with 24/7 availability to Indian travelers</li> </ul>	<ul style="list-style-type: none"> <li>The Ministry of External Affairs may develop SOPs for travelers and embassies/consulates to enable timely assistance for Indian travelers</li> <li>Additionally, the Ministry of External Affairs may consider having a 24/7 helpline number to assist Indian travelers when traveling overseas</li> </ul>

## Conclusion

The Indian business travel market, currently, the fastest growing market in the world is at the tipping point of embracing innovations as India seeks to enhance its digital and physical infrastructure to cater to the growing number of passengers.

Increasing adoption of technology, led by OTAs, is bringing down physical barriers between service providers and end users. Indian business travelers are enhancing technology usage across their travel environment, whether booking tickets online or using “On the Go” applications for real time taxi/stay bookings. However, due to the traditional “touch and feel” culture and growing awareness, business travelers are also seeking more customized service offerings by way of enhanced safety features and value added services such as on – board meals in flights, lounge services at airports, last minute travel changes, etc. While travel service providers such as airlines, hotels and taxi service providers are directly targeting the business travelers, TMCs will continue to play an important role in coordination of these various travel services and ensuring smooth management of the complexities associated with the same.

Demonetization or the Government of India’s restrictions on cash transactions has opened a new opportunity for TMCs- SME travelers, which were traditionally not seen as a significant segment due to their budget travel needs and preference for cash spends. Tax compliance pressure coupled with introduction of GST is expected to increase travel spends for SME travelers (due to higher spends on the tax component) and expected to drive their preference towards use of organized TMCs.

TMCs and travel managers need to be aware and adapt themselves to these constantly shifting trends in business travel caused by demographic, social, regulatory and technology factors. Business travelers today believe that seamless travel and enhanced duty of care is a necessity in every corporate travel plan. Indian businesses need to look at technology – driven solutions to enhance employee safety and productivity across the travel lifecycle. TMCs on the other hand, have the opportunity to reinvent themselves as seamless travel service providers with capabilities to provide customized value added services to ensure a safe, hassle free travel experience.





# Glossary



APAC	Asia Pacific
ATP	Average Ticket Price
BREXIT	Political event marking exit of the United Kingdom from the European Union
CRS	Central Reservation System
DGCA	Directorate General of Civil Aviation (Regulatory Authority for Civil Aviation in India)
Digital India	Campaign launched by Government of India to drive internet adoption and deliver government services electronically
GAGAN System	GPS Aided GEO Augmentation Navigation (Satellite based navigation & air traffic management system)
GDS	Global Distribution System (A platform enabling automated transactions between travel service providers and travel agencies)
GST	Goods and Services Tax
IRCTC	Indian Railway Catering and Tourism Corporation
KPI	Key Performance Indicator
M & A	Campaign launched by Government of India to boost domestic manufacturing
Make in India	Standard Interpretations Committee
MICE	Meetings, Incentives, Conferences, Events
NA	North America
OTA	Online Travel Aggregator
PEST	Political, Economic, Social & Technology
RoW	Rest of the World
SBT/OBT	Self Booking Tool/Online Booking Tool
SME	Small & Medium sized Enterprises
SOP	Standard Operating Procedure
TMC	Travel Management Company
T & E	Travel and Entertainment
WE	Western Europe

# FCM Travel Solutions

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