GLOBAL BUSINESS TRAVEL

Ground Monitor 2019

Powered by Global Business Consulting

Global Business Consulting

WHO WE ARE

American Express Global Business Travel (GBT) is the world's leading business partner for managed travel. The Global Business Consulting (GBC) team at GBT works with companies and organizations to help them create travel programs tailored to achieve specific goals. Our extensive capabilities and results-oriented approach allow us to build and implement strategies that streamline processes, deliver savings, improve compliance and reduce risk.

We base our approach around six strategic consulting solutions that help clients implement a best-in-class travel management program:

Supplier Management – Air, Accommodation, Ground Transport:

Targeted analytics to evaluate your travel program with KPI (key performance indicator) reviews of your supplier contract management, travel spend, traveler behaviors, compliance and more.

Change Management:

Advising on strategy, predictive analysis of impacts linked to expected changes, communication, program design and training plans. Piloting implementation of change programs, including organization, technology and processes.

Program and Process Optimization, Policy Design and Review:

Assessment and benchmarking of deployed end-to-end travel processes, including mission order, booking, validation process and accounting interface. Project management and integration support when implementing new technology solutions, such as single sign-on and HR feeds.

Travel and Expense (T&E) Management:

Analyzing and benchmarking clients' T&E processes. Managing T&E projects related to online booking tools, expense environments, card payment solutions, integration between client systems and GBT systems. Optimizing the T&E environment based on agreed KPIs, supporting clients with maintenance of T&E tools.

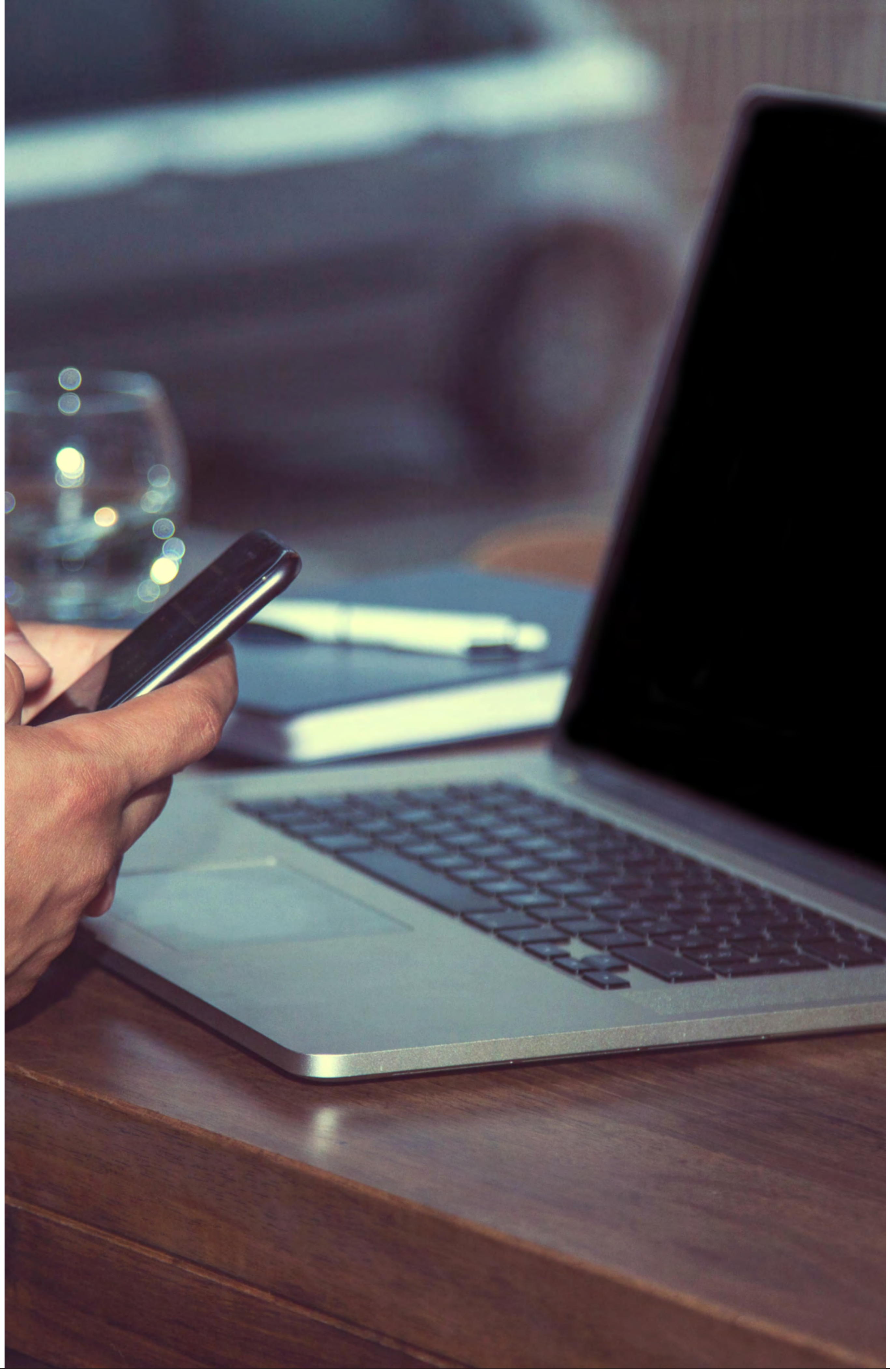
Business Intelligence (BI) and Data Advisory:

Providing differentiated insight plus actionable recommendations by analyzing client travel behavior and performance using GBC's proprietary analytics, GBT's rich supply of T&E data, and powerful BI and visualization tools. Through data advisory, we can help you to make informed decisions in your travel management activities. We utilize the datasets available to us to identify behavioral trends, enhance traveler experience and generate savings, delivering value throughout the organization.

GBC Travel Program Management:

Clients benefit from an experienced, single point of contact to provide a holistic, strategic approach; driving day-to-day activities with project ownership, operational support, escalation management and process improvement, deploying savings opportunities and efficiency initiatives.

For more information, visit: https://www.amexglobalbusinesstravel.com/corporate-travel-services/global-business-consulting/



WELCOME TO THE GROUND MONITOR 2019

This report, analyzing the factors that will impact how you buy ground transport services, is produced by the Global Business Consulting team at American Express Global Business Travel (GBT). It is one of a series designed by our consultants and analysts to help you optimize your travel policy and program.

The team has analyzed seven years of GBT car rental data, combining it with key macroeconomic variables including local GDP, inflation, and employment rates to predict how car rental costs will evolve into 2020.

To complement the car rental rate modeling, GBT experts around the world have contributed insights on local factors, including regulatory issues, that affect how you source ground transport. The local view includes information on topics including rideshare and rail, where relevant. As well as impacting cost, these factors will have implications for the traveler experience and for how you fulfill duty of care obligations to your travelers.

Traditionally, ground has not always featured fully as part of managed travel programs. By offering insights into ground providers and a global basis for making price comparisons, this report is designed to help you take a more strategic approach to buying ground transport. Additionally, the price predictions will support your conversations with suppliers.

The Ground Monitor concludes with five considerations for travel buyers, aimed at helping them incorporate ground within their managed programs. Given the diverse and particular nature of ground, one report cannot cover all the specifics as they affect your business. For strategic advice, configured for your travel program, please get in touch with our Global Business Consulting team.

Joakim Johansson
Vice President,
Global Business Consulting

Managing Global Trends in Ground

Unlike air and hotel spend, ground transportation is often overlooked. But it's a sector on which travel buyers need to keep a watchful eye – not least to keep up with their travelers.

Ground is one of the most innovative and fast-evolving areas in travel, with disruptive new platforms and players emerging all the time, from almost every corner of the world. It accounts for a significant – and less visible – proportion of corporate travel budgets.

Most business trips begin and end with ground segments: it's a core part of the traveler experience. And it's a sector in which the traveler is increasingly setting the agenda.

Car rental rates steady

Car rentals are a major focus for Ground Monitor 2019: this remains a key topic of interest for GBT clients. The Monitor's predictive model draws on seven years of client data to generate price forecasts.

Looking at the price forecasts, and combining them with insights from GBT subject matter experts, the traditional car rental model appears to be under pressure across much of the world. Costs are rising but the car rental companies are restricted in their ability to respond by raising rates: overcapacity – and competition between the rental companies – means there is little scope to push up Average Daily Rates (ADRs).

Making ride-hail part of the program

Travelers are increasingly making app-based ground transport, such as ride-hail, car clubs and ride share, part of their travel toolkit. Corporations have kept pace with traveler behavior by including ride-hail services, such as Lyft, Uber and Didi Chuxing, in policy. In GBT's experience, many corporations allow travelers to use approved ride-hail services, but do not mandate their use.

As they become comfortable with ride-share, it is likely corporations will move rapidly to allow the use of other app-based services. Car clubs offer tremendous flexibility: a driver can pick up a car and use it for a period as short as 30 minutes. Another factor that will spur adoption: car clubs are often backed by big car rental companies. These companies have brands, systems and interfaces that are familiar to travel buyers. The car rental companies already pitch their fleet management propositions to travel buyers. Integrating car clubs into the program does not feel like a big step.

Ride share may be a less attractive proposition for travel buyers. Traveler safety is one area of concern; privacy is another, particularly where travelers need to talk business or take part in calls while on the move. As with the adoption of ride-hail, this may be an area in which travelers lead and the corporation ends up following while finding ways to manage the situation.

Mobility is a moving target

Innovation defines the dynamic ground transport sector – but regulation plays an increasing role. Around the globe, local authorities have tightened legal controls over ride-hail providers. Higher fares are the immediate consequence.

In the longer term, regulatory concerns about congestion and the environment will drive innovation in the direction of green transportation technologies. Hundreds of cities across the world operate congestion charging and low emission zone schemes, which have spurred the introduction of low and ultra-low emission vehicles, autonomous vehicles and bicycle-share schemes. Over time, Mobility as a Service (MaaS) platforms will emerge to allow travelers to easily manage the growing set of ground services from their smartphones, from ride-hail and electric scooters to local rail services.

Will travel buyers embrace MaaS? As with ride-hail, this is a decision likely to be driven by travelers. The best outcome for the program – in terms of productive, happy and safe travelers – will be for buyers to provide the required policy and safety rules.

Americas

NORTH AMERICA

After almost a decade of low-to-no growth, car rental providers in North America are experiencing rising demand. Costs are rising, too, as new technology and safety features – such as rear cameras, sensors and collision-prevention automatic breaking – make cars more expensive to buy and maintain. Travel buyers can expect modest rate rises as car rental companies seek to pass on these costs.

Intermediate cars – larger than a compact and smaller than a standard – are the predominant car rental type in North America, suggesting that business travelers are using these vehicles for longer distance driving.

For trips within cities, ride-hail is a popular option, and volumes continue to rise across North America. However, the sector's expansion is meeting opposition from traditional taxis, leading to increased regulation and higher fares.

Canada

The Organization for Economic Cooperation and Development (OECD) predicts economic expansion of just under 2% for Canada in 2019.[1] This modest growth means car rental companies, despite facing rising fleet and labor costs, are unlikely to be able to put up ADRs more than 1%.

Ride-hailing options will at last become available across Canada by Q4 2019, following a decision by the government of British Columbia late last year to allow ride-hailing companies to operate in the province.

United States

US car rental companies are thriving despite ongoing disruption in the ground transport industry. The sector achieved record revenues of $30 billion in 2018.[2] This year looks to be profitable, despite slowing GDP growth restricting the rental car companies' ability to push up rates.

Ride-hail is flourishing, as indicated by Lyft's $24 billion valuation in its March 2019 initial public offering. However, one decade on from the launch of Uber, the industry is under increasing regulatory scrutiny, which is putting upward pressure on prices. Initiatives coming into force in New York in the first months of 2019 included a $2.75 congestion fee for pick-ups in the busiest areas of Manhattan and a minimum wage rule for ride-hail drivers.

In the face of regulatory challenges, ride-hail companies continue to innovate. In the last year, Lyft and Uber introduced loyalty programs to personally reward frequent corporate riders. MaaS is another area of interest for these firms. Lyft, for example, rolled out a multimodal transportation app in a handful of US cities that allows travelers to request a shared car, find a scooter or bike, as well as see nearby public transit options.

LATIN AND CENTRAL AMERICA

The big story for Latin and Central America is ride-hail. Across the region, ride-hail companies are experiencing double-digit growth. Providing convenient and affordable mobility in countries that often suffer from poor or overcrowded infrastructure, they offer an attractive option for international business travelers who do not want to rent and drive themselves.

As the ride-hail sector continues to expand, fares are expected to remain stable through 2019 and into 2020. One area to watch: increased regulation may push fares up in the longer term.

In some countries, safety concerns could mean corporations may want to limit ground transportation options to vetted chauffeured services.

Argentina

Following almost two years of recession, modest economic growth is expected to return to Argentina later in 2019.[3] The shallow recovery will see car rental rates largely remain stable, with predicted growth of less than 1%.

Challenging driver conditions make ride-hail an attractive option for international business travelers. The sector has grown strongly. In 2018, Argentina became Uber's fastest growing territory in the world. Looking ahead, regulation may push up fares, but the sector will continue to grow.

Brazil

Economic growth, driven by household consumption, should gain momentum through 2019.[4] The tourism sector, an important driver for car rental rates, will underperform as visitors are deterred by political uncertainty and high crime rates. Overall, rates are predicted to rise by only 0.75%.

Given the congestion and difficulties parking in cities, many business travelers to Brazil will prefer to use ride-hail services rather than rent a car. Competition between the four major players in the ride-hail sector (Uber, 99, Easy Taxi and Cabify) should restrain fare rises.

Chile

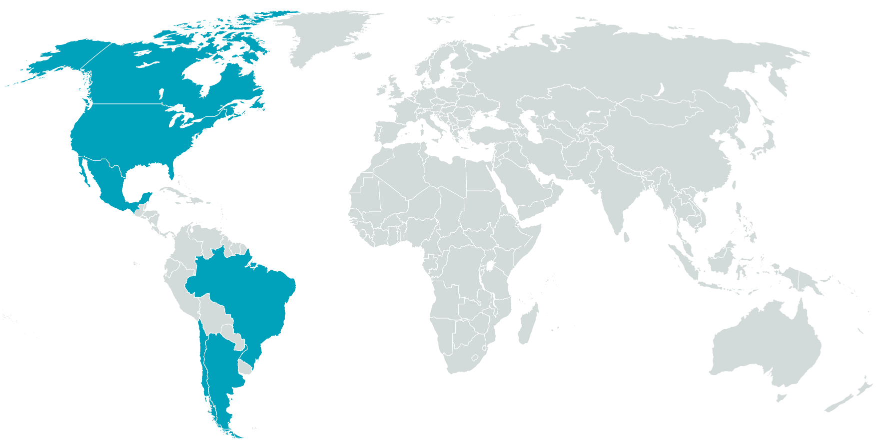
With solid domestic demand and renewed activity in the mining sector, Chile is projected to continue its strong growth to 2020.[5] Despite rising demand, strong competition between the international brands and home-grown car rental companies should keep rates stable through 2019 and into 2020.

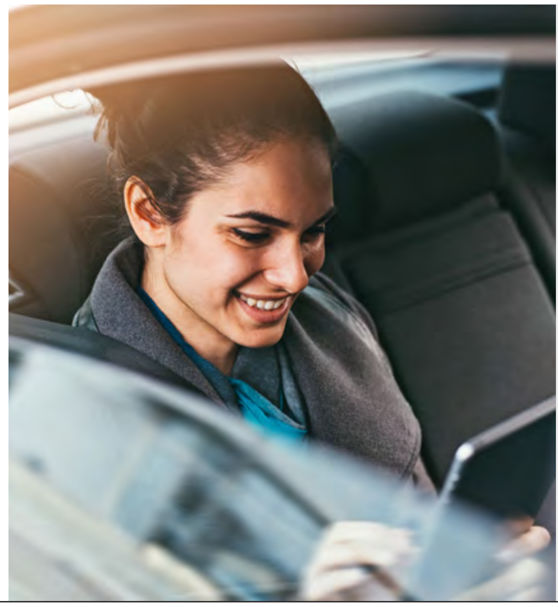
As elsewhere, ride-hail has grown rapidly in recent years. Intense competition between providers, including global players like Uber and Cabify, has reduced scope for fare rises. This may change following the introduction of tighter licensing controls for ride-hail drivers, introduced by the government in 2018 in response to protests by taxi driver unions.

Mexico

Several factors suggest that car rental rates should rise strongly. The OECD predicts the economy will grow by almost 3% by 2020.[6] Inbound tourism, often a key influence on car rental rates, is healthy: Mexico is the region's top destination for US tourists and is receiving record levels of visitors. However, the dominance of lower cost suppliers that operate with tight profit margins should keep cost increases to a minimum.

As elsewhere in Latin America, ride-hail is an important option for business travelers. The sector is very competitive in Mexico with the world's biggest players – namely Uber and China's Didi Chuxing – squaring up against each other.





Car rental rate forecast change (%)

	Forecast change
Canada	+1%
United States	+1%
Argentina	+0.75%
Brazil	+0.75%
Chile	+0.75%
Mexico	+0.75%

Source: Global Business Consulting.

Europe, Middle East & Africa

EUROPE

Europe's car rental companies are contending with rising fleet and maintenance costs, driven by the increasing technological sophistication of cars and tightening environmental rules. Operating on tight margins, these companies want to increase ADRs. However, with an economic slowdown predicted for Europe, rates are forecast to decline slightly in most countries.[7]

Seeking new revenue streams, car rental companies are increasingly combining classic rentals with car sharing: examples include offerings such as Sixt Share or Enterprise CarShare. They also try to persuade companies to outsource fleet management to them.

Despite Europe's excellent railway network, cars remain central to ground transport. Business travelers, however, may use them in different ways, influenced by increasingly complex environment schemes that differ from one city to the next. Rather than rent at origin and drive into a city, business travelers may prefer to travel by train and rent a car that complies with local regulations at their destination.

Ride-hail options are available across Europe: as is the case elsewhere, these disruptive providers are getting more attention from regulators and this could lead to higher fares.

Looking ahead, disruption will continue to define the ground sector, underlined by rival auto manufacturers Daimler and BMW teaming up to launch a $1 billion mobility partnership to explore ridesharing, charging and parking services.

Benelux

Growth slowed across Belgium and the Netherlands in 2018 and is predicted to remain sluggish through 2019.[8] Car rental companies in this region face the same upwards cost pressures as elsewhere. However, the economic background – and competition from other modes of transport, including rail and ride-hail – means rental rates are predicted to fall by 4.5% in Belgium and by 2.5% in the Netherlands.

France

Following almost two years of slowdown, government reforms are gaining traction and the economy is growing.[9] Car rental rates in France will be stable, predicted to rise by only 1%. The growing popularity of car club services such as Zipcar and carpooling services including BlaBlaCar will impact the ability of car rental firms to push up prices significantly.

Germany

With the economy slowing, it is perhaps not surprising that car rental rates in Germany are predicted to decline by 1.5% through 2019 and into 2020.[10] Another dampener on rates in Germany is the strong competition between rental car companies, including big global brands such as Europcar and Hertz. To drive up revenue, providers are upgrading their fleets by adding premium models, such as SUVs and automatics. Look out for new Acriss codes – with higher prices – and increased location surcharges at airports and railway stations.

With low margins on traditional rentals, rental firms are moving into corporate mobility, an example being Sixt's corporate car-sharing services.

Nordics

The Nordics region is set for solid growth through 2019 into 2020, though the rate of expansion is predicted to moderate in Norway as the boost from 2018's oil price rises diminishes.[11] Despite a positive economic picture, car rental rates are forecast to decline slightly, by 2% in Norway and 1% in Sweden, as corporates migrate to alternative modes of transport.

The strong sustainability culture found in many Nordics-based companies may influence some business travelers to adopt services like car clubs and carpooling. This focus on sustainability is also likely to see Nordic companies among the leaders in the adoption of MaaS.

Spain

Despite forecasts for moderate economic growth, car rental companies will not be able to raise rates.[12] For one, the rental sector in Spain is driven by leisure, so changes in business activity have less impact on prices than elsewhere. The industry is highly competitive, featuring the major global brands plus numerous local players. There is also an excess of capacity, following a period where the rental players renewed and expanded their fleets. Together, these factors suggest that rates will fall by 2.5%.

United Kingdom

Modest growth is predicted for the UK economy through 2019, as Brexit uncertainty and concerns about global economic prospects weigh on forecasts. Costs will rise for car rental companies as Vehicle Excise Duty rises again, limiting the scope to cut rates beyond the forecasted 0.5%.

The ride-hail sector received a boost in 2018 when the courts overturned the Mayor of London's suspension on Uber. Other UK cities were waiting on the outcome of the trial before deciding how they would treat ride-hail services in their jurisdictions. Car clubs, such as London's Zipcar, have operated in the UK since 2000. With rental by the hour and the ability to return cars to any rental bay, car clubs offer flexibility and convenience.

AFRICA AND THE MIDDLE EAST

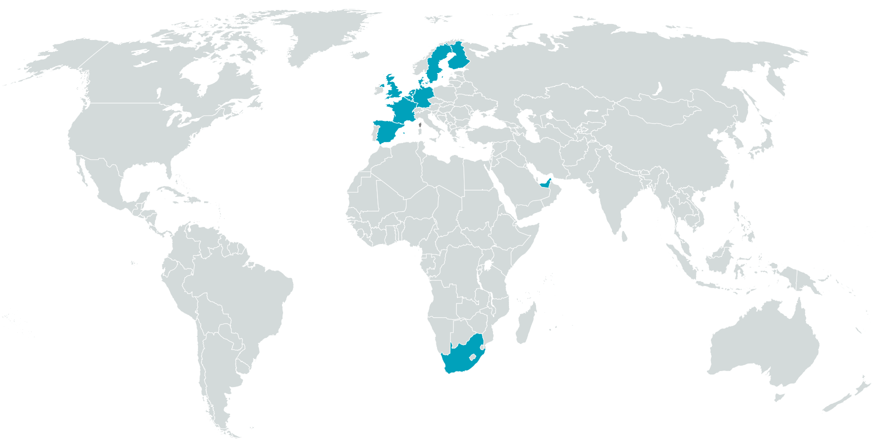
South Africa

Car rental rates in South Africa are forecast to rise by 2% though 2019 and into 2020, outpacing predicted economic growth over this period.

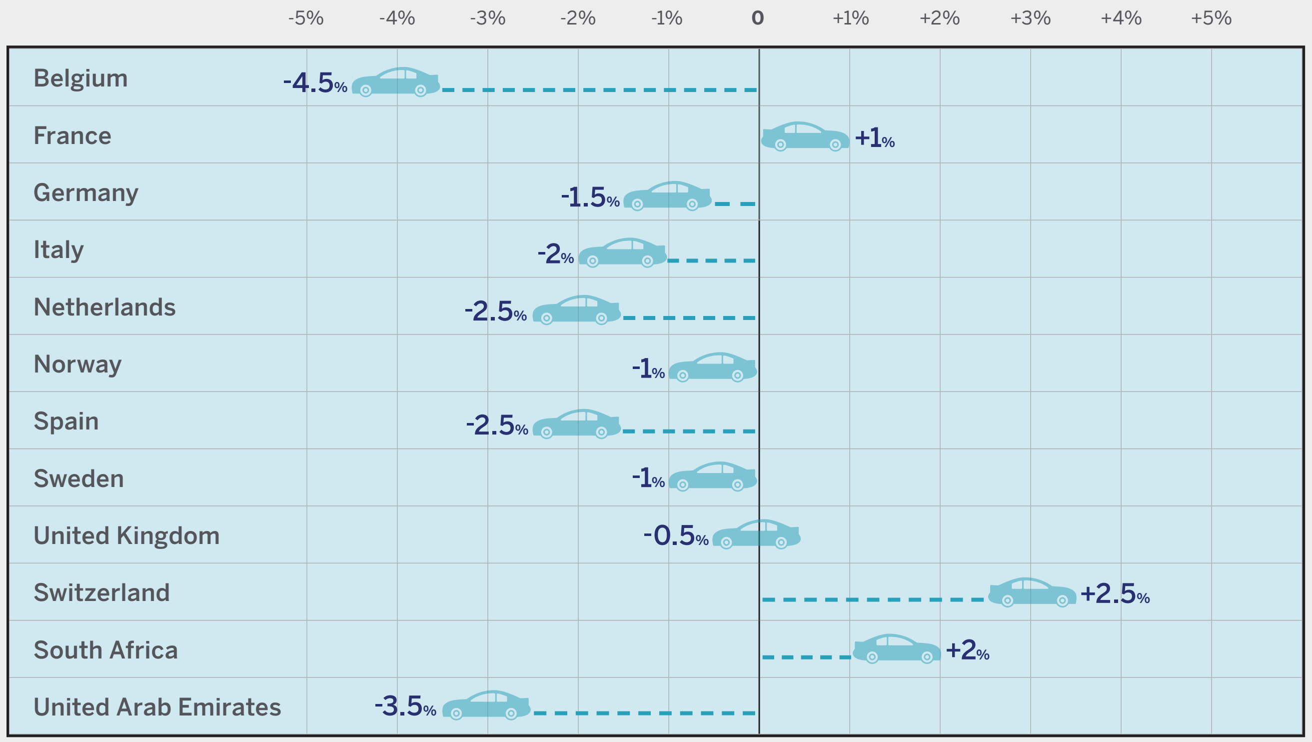
The ride-hail sector is flourishing in South Africa, with homegrown platforms emerging to challenge the global brands such as Uber. Prompted by concerns about passenger and driver safety, ride-hail platforms released security alarm and incident reporting features last year.

United Arab Emirates

The UAE economy is predicted to maintain a healthy growth rate approaching 4%, driven by the active business and tourism sectors. However, car rental firms will not be able to increase rates. For one, a period of fleet expansion means there is excess capacity in the country. The rise of ride-share players eCar and uDrive is further dampening prices. Finally, softening in the important oil and gas sectors means rates are forecast to fall by a decisive 3.5%.Signaling the longer-term growth potential for ride-hail in the Middle East, Uber recently acquired regional leader Careem for a $3.1 billion.



Car rental rate forecast change (%)



Source: Global Business Consulting.

Asia Pacific

ASIA

The Ground Monitor does not provide car rental rate forecasts for China and India. There is not sufficient data to support the analysis due to the prevalence of chauffeur drive and ride-hail in these countries. Instead, the Ground Monitor offers observations on how ground transport is developing in China and India, and what it means for travel buyers and business travelers.

China

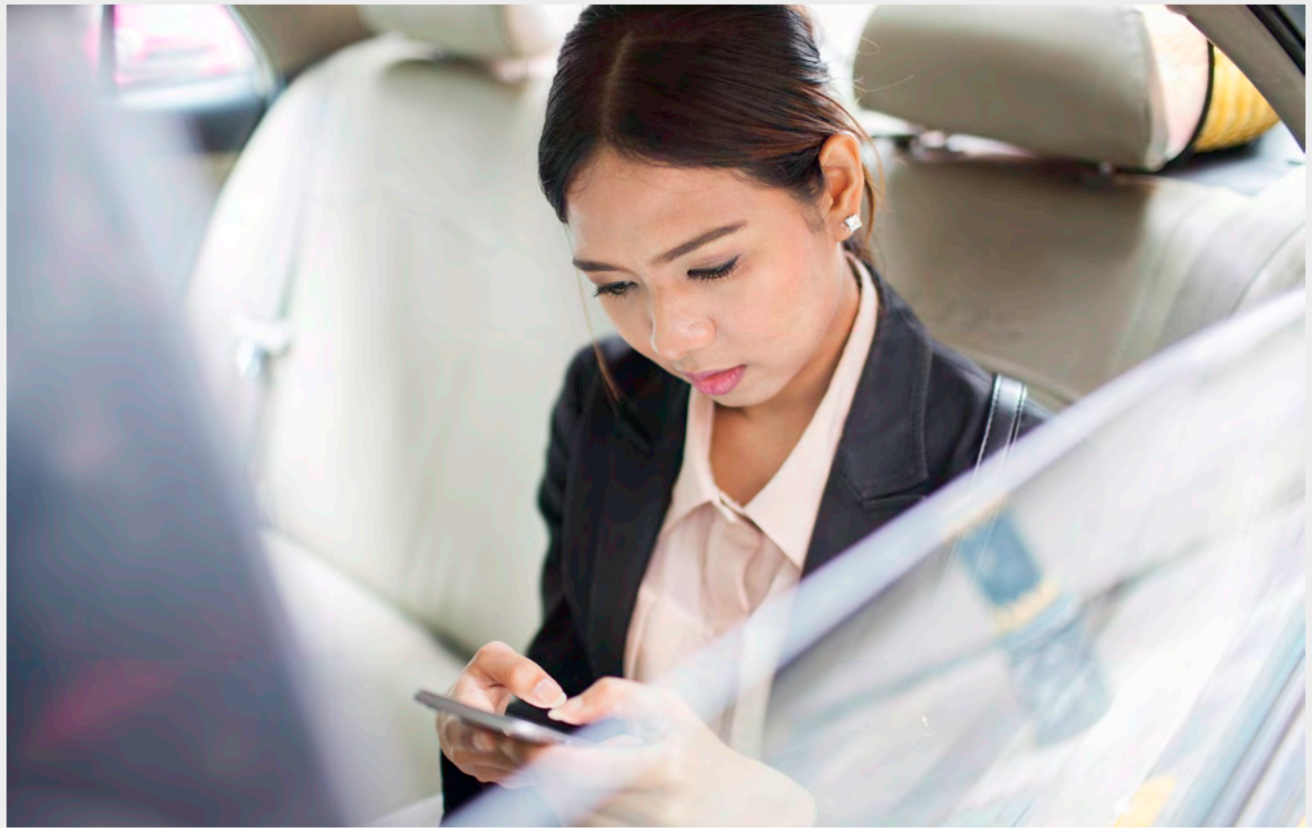
Economic growth is expected to slow through 2019, hit by weakening domestic demand and exports being hit by US tariffs.[13] However, GDP will still expand in excess of 6%, stimulating demand for business travel. Car rental is not part of the business traveler's experience: visitors to China are deterred by difficult driving conditions, large distances and unfamiliar signage. For intercity journeys, China's high-speed rail network offers a strong alternative. Within urban areas, ride-hailing is a safe and convenient option. China has the world's biggest ride-hailing sector, led by Didi Chuxing. Concerns about passenger safety led to the introduction of inspections and tighter licensing of drivers and vehicles.

China is a laboratory for ground transport innovation, with a combination of factors – including congested roads, concerns about pollution, massive demand for transport and high smartphone penetration – spurring experimentation. The country hosts a large number of digitally-enabled mobility start-ups, including ride-hail, bike-sharing and ride-sharing companies.

India

India's fast-growing economy, with the IMF predicting GDP to expand 7.5% in 2019, will drive demand for business travel.[14] As with China, visitors will tend to rent chauffeur-driven cars from big brands, including Avis and Hertz, rather than attempt to drive themselves.

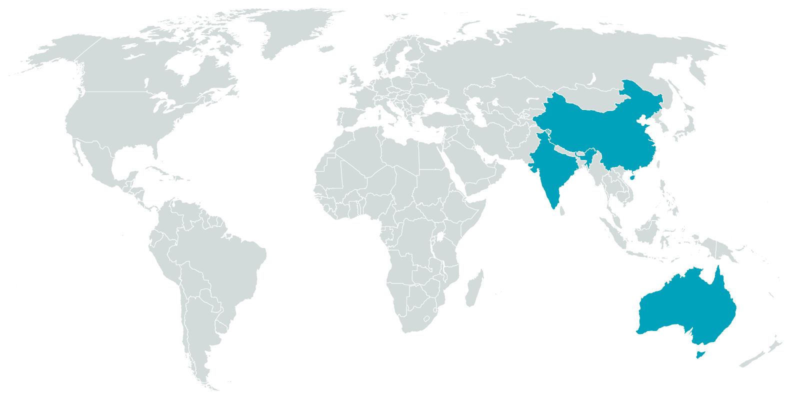
India's major cities have fast-developing metro rail systems but business travelers tend to prefer using ride-hail services. This sector has expanded rapidly, grown by rising demand for transport and the relatively poor state of much of the urban transport infrastructure. Competition between large providers Ola and Uber, and local car service providers, keeps fares low. Ride share is not prevalent on account of safety concerns.



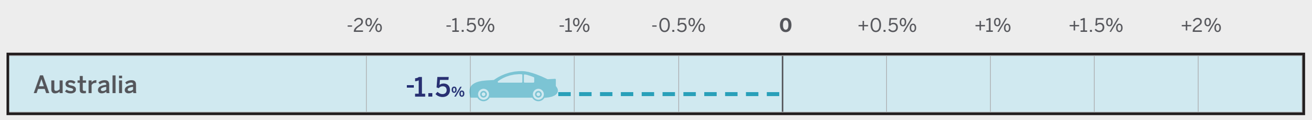
Australia

While the OECD forecasts robust growth for the Australian economy overall, car rental rates are predicted to fall by 1.5%.[15] The mining industry has a strong influence on rental rates in Australia: changes in productivity quickly feed through to demand and price, and this effect is felt especially strongly in the mining communities of New South Wales, Queensland and Western Australia.

Ride-hail is an important ground transport option in Australia, with many corporations allowing this in policy. Car clubs, allowing drivers to rent a vehicle for a period as short as 30 minutes, are an increasingly popular mobility option for business users. Responding to well-established local services like GoGet, the global car rental brands have introduced car clubs at their locations in major cities.



Car rental rate forecast change (%)



Source: Global Business Consulting.

Bringing ground into the program

Optimizing your ground program: top tips and best practices

Ground transportation is a core component of the travel experience, but few corporations today include ground in their managed program. Ground Monitor 2019 concludes with five considerations to help travel buyers take a more strategic approach to ground.

- Ground is an afterthought for many programs, but it makes a big impact on travel buyers and travelers. For one, ground is complex: while air, for example, is globally standardized, ground is local. Travelers have a lot of autonomy when it comes to arranging ground transportation, which means a lot of this spend is invisible. This autonomy can also make ground stressful for the traveler: in an unfamiliar city, getting a taxi from the airport to downtown can be an ordeal. A managed approach to ground will mean more visibility on costs, better value for money and improved travel experiences.

- The ground sections of any trip can pose significant risks to the traveler. Almost 1.25 million people die in road traffic accidents every year, and tens of millions more are injured. [16] Travelers are also more at risk from theft and assault when using ground versus other modes. There are compelling traveler safety reasons for buyers to make ground part of their program.

- Rental cars remain central to ground transportation. Travel buyers should monitor spend for ancillaries and on-top costs (for example, refueling or damage waivers) and agree with rental car suppliers that restrictions are in place: everything should already be included in the agreement. Buyers should meet regularly with key suppliers to ensure they are fully informed about changes in fleet, service and technology, and understand how any changes will impact their program.

- More ground options become available all the time. Travel buyers need to be ready to include new modes in policy and to merge or combine different products (for example, rental car and fleet management). Adjustments in procurement could be required: inventory that is currently managed by different buyers may in future be included in one tender.

- Travelers tend to take the lead when it comes to ground. In a fast-evolving sector, travel buyers need to keep a close eye on traveler behavior so they are not caught on the back foot when travelers adopt a new mode or mobility platform. Today, that could mean car clubs or e-scooters. Looking ahead, it may entail adopting a MaaS platform.

For more advice on how travel buyers can optimize ground transportation in their managed program, please get in touch with GBT's **Global Business Consulting** team.

The Methodology

Forecasting requires a lot of good data. In the ground transport sector, where many local factors influence the availability and cost of transport options, the specialist knowledge of subject matter experts is also required.

For the car rental rate predictions, GBT built up a data picture from the city-level, aggregated to the country level, and specified one car type (economy / standard), priced in local currencies, so the data is stable enough for statistical forecast.

The GBT model used seven years of GBT's own aggregated car hire data. Macroeconomic variables, including local GDP, inflation and rate of employment were also factored into the model.

Predictions generated by the model were then reviewed and adjusted by GBT experts around the globe. These experts also provided additional insights into local factors that may impact traveler and travel buyer choices.

ABOUT AMERICAN EXPRESS GLOBAL BUSINESS TRAVEL

American Express Global Business Travel (GBT) is the world's leading business partner for managed travel. We help companies and their employees prosper by making sure travelers are present where and when it matters. We keep global business moving with the powerful backing of 17,000 travel professionals in more than 140 countries. Companies of all sizes, and in all places, rely on GBT to provide travel management services, organize meetings and events, and deliver business travel consulting.

Learn more at **amexglobalbusinesstravel.com**

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