



## Spotlight on Turkey and Brazil – Fast-Developing Nations Are Crucial for Managed Travel Programs

**AIRPLUS.** WHAT TRAVEL PAYMENT IS ALL ABOUT.

The world is getting smaller – which means travel programs are getting bigger. Twenty years ago, the world business travel map consisted mainly of North America, Western Europe and a few destinations in Asia-Pacific. Today, commerce has truly globalized, and as a result business travel flows have become much more complex, involving every region on the planet.

This paper examines two fast-developing economies at this moment of transition: Brazil and Turkey. While the details are different, the general picture is that Western-style travel management practices are beginning to emerge.

# Contents

## Executive Summary

- 4 Turkey
- 6 Brazil

## Introduction

- 9 Why fast-developing nations are crucial for managed travel programmes

## Spotlight on Turkey

- 13 Business culture:  
Where East really does meet West
- 15 Travel management

## Spotlight on Brazil

- 21 Business culture:  
Hierarchy and personal contact are important
- 22 Travel management

## Case Study

- 26 Odebrecht, São Paulo, Brazil:  
Interview with Murilo Brasil

# Executive Summary

## Turkey

### Business position

#### Fast-maturing economy based on tradition

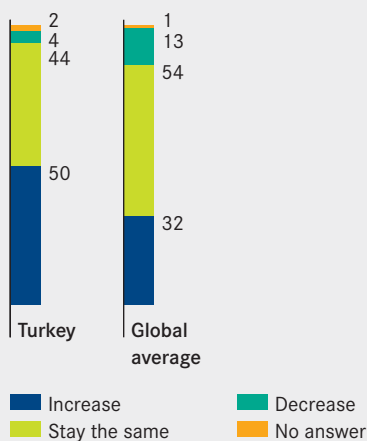
The key trend of the last ten years is the development of Western-style business processes for all key corporate functions, e.g. finance, procurement, production. Turkey's young businesspeople are much more outward looking than their parents. But the business culture is based on tradition and familiarity: taking time to establish face-to-face relationships is essential. The Bosphorus is where East meets West in terms of both geography and culture.

#### Turkey's strengths

Cross-cultural understanding – the ability to bridge Eastern and Western cultures. Youth – a young population provides a large, able workforce with good language and technology skills. Flexible – there is a culture of fast decision-making.

#### 1 What will happen to business travel volumes in Turkey over the next 12 months?

Total: 100%



Source: AirPlus International Travel Management Study 2013

### Trends in business travel

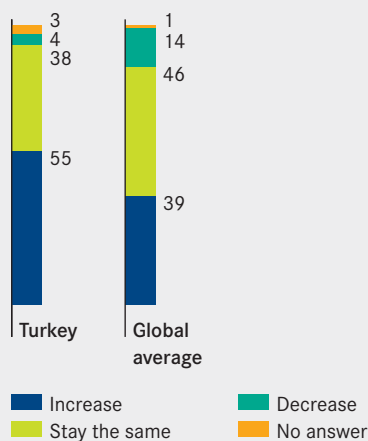
#### Travel volumes and costs are climbing

Of the 24 countries featured in the AirPlus International Travel Management Study 2013 (ITMS), only India has more travel managers expecting travel volumes to rise than Turkey. Travel costs are also rising fast for Turkish companies due to more travel. But the average ticket prices are not rising. There is heavy competition from low-cost carriers on short-haul routes and Middle Eastern carriers on longer routes. Hotel rates are rising by as much as 10% in Istanbul.

80% of Turkish business travel is estimated to be domestic. The European Union remains a primary destination region, but the Middle East has become increasingly important, as has the CIS. Turkey lacks commercial airports, especially in the east of the country, and also hotels outside the big cities.

#### 2 What will happen to travel costs in Turkey over the next 12 months?

Total: 100%



Source: AirPlus International Travel Management Study 2013





## Trends in travel management

### Online booking tools not yet being used properly

Fewer than 5% of business trips are made through corporate booking tools. Most of the big global booking tool names have not yet entered the market. An estimated 70–80% of TMC bookings are made through e-mail requests and the rest by phone.

### Management information only used partially

Management information is rarely used for strategic management but interest is growing as pressure increases to control mounting travel costs.

### Travel policy for international travelers

Turkish subsidiaries of international companies operate travel policies, as do Turkish companies that travel internationally.

### Few professional travel managers

Travel is handled by finance or procurement, with few or no specialized travel managers. Experts believe travel management in Turkey will become more like that in Western Europe when more global corporate travel service providers (e.g. booking and expense tool providers) enter the market.

## Trends in travel payment

### Invoices dominate, potential for corporate cards

An estimated 80–85% of payments for bookings through TMCs are by invoice. The potential for travel-related commercial card payments is huge. Turkey is Europe's second-largest credit market, with 55.7 million credit cards and 93.7 million debit cards in circulation<sup>1</sup>. Only 3.5% of these cards are commercial cards (the average for mature card markets is 6–7%).

### Mobile payments – Turkey to be a leader?

Card companies believe Turkey has significant potential to be a leader in mobile payments. Following successful pilots, several mobile payment services have been launched in the country. Turkey was one of the first to introduce contactless cards and Near Field Communication readers.

### Young travelers lead the way

Only 8% of Turkish business travelers are aged over 55%, the second-lowest figure for any of the 24 countries in the ITMS. Young Turkish business travelers like to plan their own trips and use mobile itinerary management tools.

<sup>1</sup> Source: [www.bkm.com.tr/Interbank](http://www.bkm.com.tr/Interbank) Card Center

# Executive Summary

## Brazil

### Business position

#### Companies are going international

Brazilian companies are expanding globally. Like Turkey, they are introducing more formal corporate processes.

#### Technology

Brazilians are very comfortable with technology, ranging from mobile to using systems like SAP.

#### Hierarchical business practices

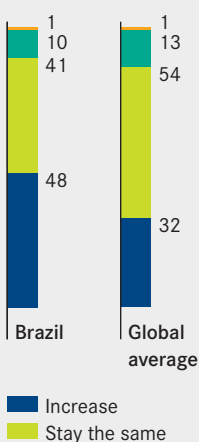
Processes are sometimes centralized and hierarchical, with multiple layers of approval.

#### The personal touch remains essential

Building relationships face-to-face is critical to business success.

### 3 What will happen to business travel volumes in Brazil over the next 12 months?

Total: 100%



Source: AirPlus International Travel Management Study 2013

### Brazilians are creative

Brazil has a reputation for marketing expertise.

### Trends in business travel

#### Volumes are booming

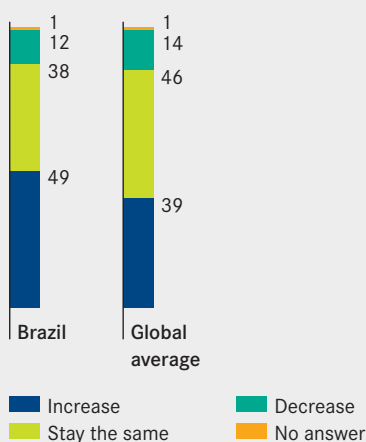
Volumes have generally grown 8% annually for the past decade, although 2012 was much weaker – up by only 2–3%.

#### Travel costs are climbing fast

49% of the travel managers in Brazil expect the travel costs in the next 12 months to rise. This is 10% more than the global average, and 30% more than the average measured for countries in Northern Europe, for example. This is due to sharp increases in hotel costs and higher air fares.

### 4 What will happen to travel costs in Brazil over the next 12 months?

Total: 100%



Source: AirPlus International Travel Management Study 2013



#### Hotel costs

Brazilian hotel rates are subject to severe inflation. According to HRG, the highest rate increases in the world in 2012 were in Rio de Janeiro (up by 19%) and São Paulo (up by 15%).

#### Air fares

Demand exceeds supply and low-cost carriers have had little impact, so average ticket prices are rising too. Rio-São Paulo is the world's third-busiest air route (7.7 million seats in 2012).

### Trends in travel management

#### Diverse range of TMCs

There are many agencies serving the business community but the majority concentrate on high-end personal service, not strategic processes.

#### Policy is strong among big companies

Foreign companies and large Brazilian companies have travel policies. Smaller companies do not unless they travel internationally.

#### Management information

Brazilian companies typically receive MI but the reports are not as rich in data as in mature markets.

#### Expense management makes its debut

Very uncommon five years ago, expense management systems are now a hot topic.

### Trends in travel payments

#### Lodge cards dominate

Centrally billed payment accounts (lodge cards) are much more common in Brazil than in Europe.

#### Plastic corporate cards

Only the top layer of senior management is generally given corporate cards. Cards are not always accepted at hotels outside Brazil's major cities.

#### Travel managers mature

Travel management is becoming more structured and organized, and is perhaps comparable to Europe five years ago.



The corporate travel industry is young in many countries that are being added for the first time to global travel programs.





# Introduction

## Why fast-developing nations are crucial for managed travel programs

The world is getting smaller – which means travel programs are getting bigger. Twenty years ago, the world business travel map consisted mainly of North America, Western Europe and a few destinations in Asia-Pacific. Today, commerce has truly globalized, and as a result business travel flows have become much more complex, involving every region on the planet.

Corporate travel programs have therefore globalized too as companies realize they must control travel spend across far more countries. But expansion poses challenges. The corporate travel industry is young in many countries being added for the first time to

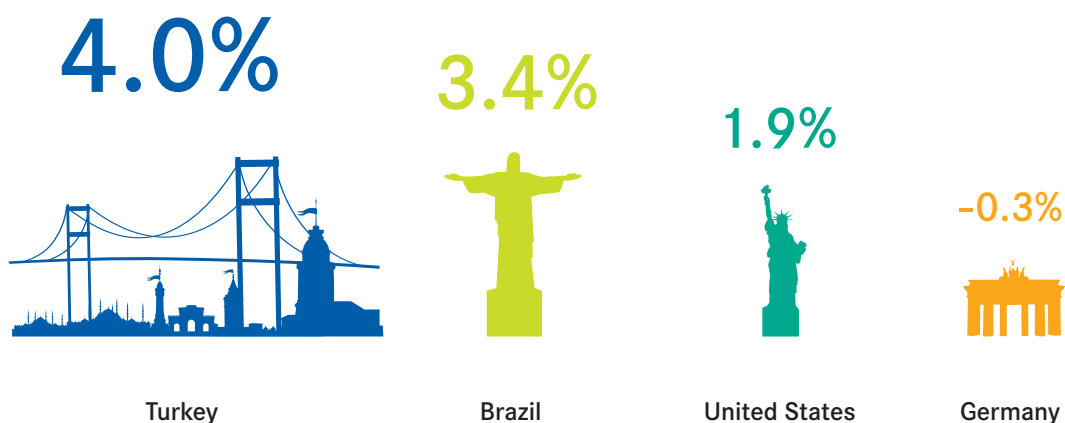
global travel programs, so the familiar processes and tools used to manage travel in mature markets are often underdeveloped or even unavailable. Knowledge and experience levels are also usually lower, with even the largest companies lacking expert travel managers.

### Learning from each other

This paper examines two fast-developing economies at this moment of transition: Brazil and Turkey. While the details are different, the general picture is that Western-style travel management practices are beginning to emerge.

However, although these countries can in one sense be described as five to ten years “behind” maturer markets, it also becomes clear how dangerous it is to make easy assumptions.

## 5 Gross domestic product (GPD) predicted growth 2013



Source: World Bank, International Monetary Fund (Germany)



First, travel management will not evolve in exactly the same way as in the West, because the cultures are very different. Each needs careful studying in its own right. Second, these markets have the potential to leapfrog more established countries and move “ahead” of them. For example, experts think Turkey might adopt mobile payments before the rest of Europe. Countries like Turkey and Brazil may be learning from us but we can also learn from them.

## What do Turkey and Brazil have in common?

### Business

- > **Companies expanding** internationally
- > **Business processes** and culture globalizing – but personal relationships remain essential
- > **Young workforce** comfortable with technology and self-service

- > **Characteristics** that North America and Western Europe can learn from, e.g. good people skills, cultural flexibility

### Travel

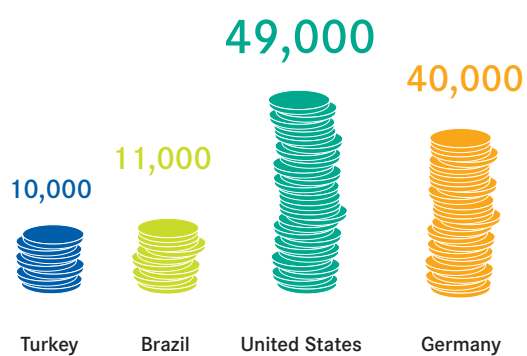
- > **Rapid expansion** in demand
- > **Supply** not always keeping pace

### Travel management

- > **Growing interest** in travel management to control fast-rising travel costs
- > **Evolution of travel management** approximately five years behind North America/Western Europe (e.g. limited application of management information)
- > **Travel management companies** becoming more professional – but lack of travel management expertise within client companies
- > **Limited use** of plastic corporate cards

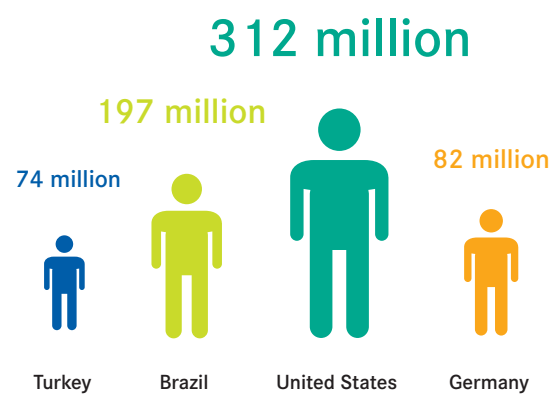


#### 6 Gross national income (US dollars)



Source: World Bank, International Monetary Fund (Germany)

#### 7 Size of population



Source: World Bank, International Monetary Fund (Germany)







# Spotlight on Turkey

## Business

### Economy: Maturing fast

A significant number of small businesses remain unregistered in Turkey, but the country's medium and large companies are maturing fast. GDP growth has substantially outpaced Western countries since 2010 and Turkey is gaining self-belief in its ability to compete globally. As Turkish businesses connect increasingly to the outside world, they are adopting more of the same corporate processes, for example accounting systems and accounting practices. However, there are some concerns regarding business transparency.

### Leapfrogging the West – the Turkish banking system

Turkey radically restructured its banking sector following a domestic financial crisis in 2001. The regulatory framework introduced by the Turkish government in response has proved very successful, making Turkish banks a major investment target for other financial services companies. Turkey has been held up as a model to reform Western banks in response to the crises they have faced since 2008.

## Business culture: Where East really does meet West

### Starting to think globally

Turkish businesspeople – especially younger ones – are becoming much more international in their outlook. They want to know about global thinking and connect with the outside world, especially those in larger companies. Turkish people are embracing Western business culture – and an increasing number speak English. However, the business culture retains many Eastern characteristics. Trust and familiarity are extremely important. It remains essential to take time to establish relationships with Turkish contacts.

*“The big difference compared to ten years ago is the development of standard business processes for all core functions. Finance, procurement and production are now aligned with the Western world.”*

Financial controller, automotive manufacturing company

Emotions are not necessarily regarded as negative qualities. On the contrary, a lack of emotion may be regarded as a lack of commitment or even integrity.

### Turkey forms a cultural bridge

As a result of these varying influences, East meets West at the Bosphorus not only geographically but culturally as well. Turkish business people are able to think in both cultures and act as translators between the two for others. Eastern parts of Turkey are less cosmopolitan, although larger businesses are concentrated in the west of the country.

## Turkey's strengths

### Youth

Turkey has a very youthful population, ensuring good continuity in the workforce. Young Turks are enthusiastic about new technology and business practices. Their usage of mobile phone and social media is high (making them more flexible than the older generation in how they build business relationships).

### Cross-cultural understanding

The ability to think within both Western and Eastern cultural structures makes Turks important international business mediators and facilitators. Their flexibility is likely to become increasingly important as non-Western businesses and cultures become more influential globally and best practices are drawn from more sources.

## Business travel

### Travel volumes are climbing quickly

As Turkish companies internationalize, their need to travel is increasing fast. Of the 24 countries featured in the AirPlus International Travel Management Study 2013, only India has more respondents expecting travel volumes to rise. The value of IATA airline member bookings transacted through travel agents (Billing and Settlement Plan) in Turkey increased 11.3% in 2012. In addition, there has been major growth in bookings with low-cost carriers, which are not IATA members.

■ ■ ■ Please see page 4, chart 1.

There is a symbiotic relationship between business and travel. Turkish Airlines says that whenever it opens a new international route, exports from Turkey to that market treble within one year. Turkish Airlines has almost trebled passenger numbers since 2005. If growth in travel supply boosts a country's export business, then Turkey can expect its exports to continue to grow substantially: in May 2013, the Turkish government awarded a tender to build the world's largest airport in Istanbul, with a projected annual capacity of 150 million passengers by 2023.

■ ■ ■ Please see page 17, chart 8.

300% – the average amount by which Turkish exports to a foreign market grow when Turkish Airlines starts flying there.

### Blue-collar travel

A higher proportion of Turkish business travellers are blue-collar workers than is the case in Western countries. Sectors include construction, manufacturing and mining.

### Infrastructure remains an issue

Although the number of commercial airports and hotels in Turkey has been growing in recent years, there is still a need for more, especially for business travellers in the eastern part of the country. There is also the fact that good quality hotels are in short supply outside the major cities.

## More travel means more cost

### Air

Considerably more Turkish businesses are experiencing higher travel bills than in other countries. However, experts interviewed for this white paper report little change in average price for air tickets. If anything, fares are falling owing to competition from low-cost carriers for short-haul flights and Gulf carriers for long-haul flights. Instead, the overwhelming cause of increased travel costs is a growth in the number of trips taken.

### Hotel

Unlike air fares, hotel rates are climbing fast. The average daily rate in Istanbul rose 10.3% in April compared with the same month in 2012<sup>2</sup>. One contributing factor has been strong growth in recent years in meetings and events business in the city. However, the upward pressure on price may be relieved in the next few years because Istanbul has one of the strongest pipelines in Europe for projected new hotel supply.

■ ■ ■ Please see page 4, chart 2.

<sup>2</sup> Source: STR Global



## Traveling east

### Growth destinations for Turkish business travelers<sup>3</sup>

- > Middle East
- > Africa
- > CIS (especially Turkic Republics: Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan)
- > China
- > India
- > North Korea

The most important business travel destinations within Turkey are Istanbul, Ankara, Izmir, Antalya and Adana. One source estimated that 80% of business travel by Turkish companies is domestic. This usually involves air travel, because the road and rail networks are not highly developed.

Internationally, Europe remains a very important region for Turkish travelers, but its dominance has waned since the eurozone crisis. During the same period, the Middle East has grown to a similar level of importance, although it too lost some momentum owing to recent problems in the region.

CIS countries are also growing fast as destinations, especially for construction work. Russia is of course a crucial market, and it has been greatly helped by an easing of visa restrictions between the two countries in 2011. However, other countries in the region are important too.

## Travel management

### More travel means more travel management

According to corporate travel experts interviewed for this white paper, travel management was almost non-existent in Turkey five years ago. Today, familiar practices such as travel management company (TMC)

consolidation and use of policy, corporate payments, online booking tools and management information remain limited. Part of the reason is that Turkey has relatively few large corporations.

However, travel management is now on the map in Turkey and growing fast from a low baseline. Experts believe it will spread rapidly in the next five years, because increasing travel is forcing up companies' travel costs, leading to more focus on savings.

*"Five years ago, there was no travel management, but when you visit a Turkish company today you can talk about travel. Within five years, companies will have travel experts. Things are changing very fast."*

Airline executive

### TMCs – growth has started

TMCs offering a full range of managed services are growing in popularity but many companies still book trips through old-fashioned travel agents that offer little more than a telephone reservations service. It is common practice for large Turkish companies (including the ten largest holding companies) to own a travel agency, some of which provide management services.

An increasing number of non-Turkish multinational companies are extending consolidation of their TMC partners into Turkey. For example, as of April 2013 BCD Travel Turkey serviced 44 global clients. Three years earlier it had 17 global clients.

### Travel managers – not yet in existence

There are almost no specialized travel managers in Turkey. Reservations are coordinated by designated bookers, often working in the HR or finance department, with little knowledge of the subject.

<sup>3</sup> Source: BCD Travel Turkey

#### Online booking tools – waiting for the major global providers

BCD Travel Turkey reports that 5% of its clients' bookings are made through online booking tools. Another 70–80% are made through e-mail requests and the rest are handled by phone. It can safely be assumed that online adoption is much lower for customers not using the large multinational TMCs. It is believed that none of the major international corporate booking tools has been launched in Turkey, although Amadeus does offer a mid-market, lightly managed tool.

#### How travelers book – division between young and old

Only 8% of Turkish business travelers are aged over 55, the second-lowest number among all 24 countries in the AirPlus International Travel Management Study 2013. As is the case in all countries, there are major differences in the habits of younger and older business travelers. Younger travelers are much more likely to

use online tools for schedule planning, booking and itinerary management. Older travellers rely on assistants to book for them. Younger travelers are also more interested in having a corporate card.

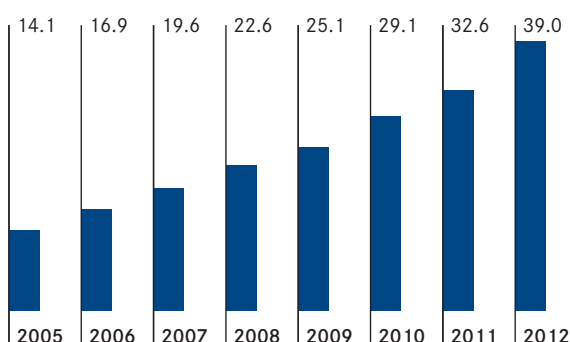
#### Policy – strong for international travel

Turkish subsidiaries of multinational companies generally have travel policies, as do Turkish-based businesses whose employees travel internationally. Only those with domestic travel usually have no policy. Where companies do have a policy, it is typically brief – for example stating the permitted class of travel – but strict. Since businesses are unable to exert control through, for example, expense reporting, they rely instead on deterring travelers at the point of sale with tight guidelines. Finance and procurement departments are beginning to show more interest in exerting control, although they struggle to influence assistants who book on behalf of senior management.



## 8 Turkish Airlines passenger numbers

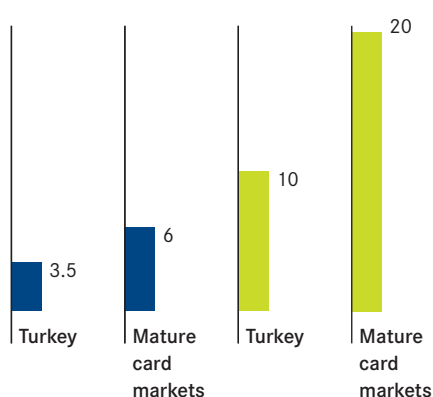
In million



Source: Turkish Airlines

## 9 Payments through commercial cards

In percent



■ Commercial cards as percentage of all cards issued  
■ Commercial cards as percentage of all card volume

Source: MasterCard Worldwide

Approval processes are also common in Turkey, even at companies that do not have a policy. However, they are usually rudimentary and always unautomated.

### Management information – early stages

It is difficult for companies without effective travel policies to gather meaningful management information (MI). Therefore, it is unsurprising to learn that multinational businesses, which do have policies, are able to make use of MI. Conversely, data is far less common at Turkish companies, but interest is growing as the desire to exert better financial controls increases.

There are also question marks over the effectiveness with which MI is used even among those companies that do have it. With little in-house travel expertise, Turkish companies may use reporting to track policy compliance, but rarely for strategic or planning purposes.

### Supplier relations – work in progress

Given the problems outlined above with policy, management information etc, it is unsurprising to learn that corporate supplier deals based on (in the case of airlines) detailed origin & destination analysis remain rare. Turkish Airlines established a commercial sales department in 2009, but much of its work remains educational, teaching companies how they can control costs through the principles of travel management. The airline is 49% owned by the Turkish government, giving it a wider mission to help the economy and transform Turkish businesses.

Turkish Airlines currently has global agreements with five Turkish companies. There are no deals with local companies based on market share. Part of the reason is lack of O&D analysis, but also because Turkish Airlines has already 72 per cent BSP market share in its home market.



## Travel payment

**Invoices dominate - commercial card boom started**  
80–90% of business travel spend are made through agents paid by invoice.<sup>4</sup>

The overwhelming majority of payments for business travel are made by electronic funds transfer or bank transfer in response to invoices. Not only does this method deprive clients of reporting that would be available to them through card payments, it also creates significant financial risk for agents.

### What is holding back commercial cards?

Only 10% of business travel payments are through commercial cards<sup>5</sup>. There are far fewer commercial cards in Turkey than in mature card markets:

- > **Traditional preference** for cash, cheques or promissory notes
- > **Limited choice** – Lack of commercial cards from local issuers
- > **Limited choice** – Lack of corporate payment options, e.g. no lodge or purchasing cards
- > **Hierarchical status** – Companies typically restrict distribution of corporate cards to senior management
- > **Cash advances** – On-trip expenses are often funded by paying advances into employees' personal accounts. It is customary in Turkey for individuals to have different bank accounts in Turkish lira, euros and US dollars. Which account the advance is paid into depends on where the employee is traveling.
- > **Benefits** of commercial cards not yet communicated successfully to Turkish companies.

■ Please see page 17, chart 9.

### Why cards have a big future in Turkish business travel

- > **Turks like plastic** – Turkey is Europe's second-largest personal credit card market, with an estimated 55.7 million credit cards and 93.7 million debit cards in circulation as of April 2013<sup>6</sup>.
- > **New opportunity** – As the table above shows, commercial cards are significantly underrepresented in Turkey. However, profitability of consumer cards has declined over the past couple of years, so issuers are seeking opportunities in other sectors.
- > **More products** are emerging – AirPlus International is set to launch the first comprehensive lodge card product in Turkey in summer 2013.

There are signs the commercial card boom may already have started. MasterCard says it experienced 50% growth in the corporate card market in 2012. Visa also reported 40–50% growth and predicted that Turkey will become one of the top six markets in Europe<sup>7</sup>. BCD Travel Turkey says 40% of the payments it receives are by card, following a surge in growth in 2012.

■ 200–300% is the projected growth number for the commercial cards market in Turkey 2013–2018.<sup>8</sup>

### Could Turkey be a breakthrough market for mobile payments?

Though expected to be widespread in future, using mobile phones for payment remains a rarity around the world, especially for corporate users. However, in Turkey several mobile payments services have been made available following successful pilots. Turkey was an early adopter of contactless cards in 2006. Contactless cards are scanned on Near Field Communication readers, the same hardware used to scan payments from mobiles.

<sup>4</sup> Source: The Eurasia crossroad – Turkey, CardCommunity, April 2012

<sup>5</sup> Source: CardCommunity

<sup>6</sup> Source: [www.bkm.com.tr/Interbank](http://www.bkm.com.tr/Interbank) Card Center

<sup>7</sup> Source: Buying Business Travel Corporate Cards supplement, May/June 2013

<sup>8</sup> Source: MasterCard Worldwide

Turkey is expected to become one of the first countries to adopt mobile payments.



#### The future – travel management will mature quickly

Numerous factors suggest travel management will evolve quickly in Turkey:

- > **Increasing** travel demand leading to increasing travel bills
- > **Enthusiasm** from younger travelers for new tools, such as online booking and corporate cards
- > **Improving** services from TMCs
- > **Improving** communication about the benefits of travel management
- > **Increased** contact with Western business culture, where travel management is commonplace
- > **New opportunities.** For example, the new Istanbul airport, with capacity for 150 million passengers, will create more capacity for competitors to Turkish Airlines, leading to more opportunity for competitive O&D-based negotiations.

#### The major concern – lack of service providers

Experts expect travel management in Turkey ultimately to resemble that in Western countries. However, they warn that this will not be possible until more service providers, such as corporate booking tool and automated expense management system vendors, launch or enhance their presence in this market.







# Spotlight on Brazil

## Business

### Economy: Going cross-border

The stabilization of Brazil's political system in recent decades and universalization of primary education in the 1990s was followed by impressive inward investment and economic growth of around 4% annually from 2003–2010 (although it slowed to 2.7% in 2011 and a disappointing 0.9% in 2012).

Now Brazilian companies are beginning to expand beyond their own substantial borders, increasing their presence in the rest of Latin America and throughout the world.

São Paulo is reputed to house more American, Japanese and German companies than any other city outside those countries.

As is the case in Turkey, increasing interaction with global companies means the biggest change to Brazilian business practices over the past decade has been the formalization of processes. Disciplines such as accounting and procurement are now broadly similar to those in mature economies.

### Business culture: Hierarchy and personal contact are important

Brazilian business culture can sometimes be highly centralized, bureaucratic and hierarchical, which can complicate processes. Multiple levels of approval are required, potentially stifling flexibility and responsiveness, although the tendency to centralize is declining.

Like Turkey, and indeed most markets outside Western Europe and North America, establishing contact in person is essential in Brazil.

*"If you send an e-mail to someone you haven't been out to lunch with, things won't flow smoothly with them. You may send ten e-mails and not receive an answer."*

Payment company executive

### Technology: Up to speed

Use of technology within companies is generally in line with mature economies, and in some ways is ahead. Brazil has significantly more mobile phones – 261 million, the fourth-highest total in the world – than inhabitants<sup>9</sup>. Making full use of technology can sometimes be held back by hierarchical constraints. One major company might only issue smartphones to senior management, even though it would create considerable efficiencies if its traveling salesforce were allowed them as well.

## Brazil's strengths

- > **Large** population
- > **Significant** natural resources
- > **Regional** leadership in South America
- > **Creative** and marketing businesses

## Business travel

### More travel

Globalization of business and improving transport links (such as new airports in cities other than São Paulo and Rio de Janeiro) have substantially increased business travel volumes in recent years. The trend looks set to continue well ahead of the global average. The National Airlines Association of Brazil estimates the country's scheduled air capacity will grow by 9% in 2013.

■ ■ ■ Please see page 6, chart 3.

<sup>9</sup> Source: wicountry.co

### Busiest air routes in the world

Number 3: São Paulo to Rio de Janeiro with 7.7 million seats sold in 2012.<sup>10</sup>

### Costs rise sharply

Business travel spend in Brazil:

2000: US\$11 billion (estimate)

2012: US\$30 billion<sup>11</sup>

Business travel spend has expanded by 8% annually on average since 2000, according to GBTA BTI. It looks set to continue rising:

■ ■ ■ Please see page 6, chart 4.

GBTA BTI forecasts that business travel spend in Brazil will grow by 14.3% to US\$34.5 billion in 2013, with international travel outbound travel growing especially fast (up by 20.2%).

### Why is travel spend rising so fast?

The answer is a combination of a steep increase in trip numbers and a steep increase in cost per trip, especially for accommodation (95% of Brazilian business travel is domestic). The highest hotel rate increases in the world in 2012 were in Rio and São Paulo, according to HRG.

### Cities with fastest increases in hotel rates 2012<sup>12</sup>

Number 1: Rio de Janeiro 19%

Number 2: São Paulo 15%

Advito quoted even higher figures in its 2013 Industry Forecast. It said hotel rates rose by 23–25% in Brazil in 2012, and predicted an additional rise of 18–22% for 2013.

Rates fell in the middle of the last decade following a period of over-building, but now supply has fallen behind demand, leading to the steep rise in rates. A new

wave of construction is under way, including three-star properties outside the country's two largest cities. However, prices are likely to remain high for the foreseeable future, especially with the FIFA World Cup and Olympic Games due in 2014 and 2016 respectively.

### Where are Brazilians flying?

Although 95% of Brazilian business travel is domestic<sup>11</sup>, the figure has fallen slightly as Brazilian companies open up new foreign markets. HRG says high-growth destinations include Buenos Aires, New York, Miami and Paris, the Middle East and Asia.

Turkish Airlines and the large Middle Eastern carriers have started to establish a presence in Brazil.

## Travel management

### TMCs – Beginning to mature

Experts consider Brazil to be around five years behind Western Europe and North America in its travel management evolution. Travel management companies are a familiar presence but the emphasis is more on high-touch service for travelers than strategic cost control. Only a small number offer features such as service level agreements, key performance indicators, reporting and regular client account management reviews.

### Travel managers – Skills are improving

Travel managers are starting to become professional, structured and organized. For example, global and national travel management associations are establishing themselves in the country. However, experts believe Brazilian travel managers will struggle to gain status and influence within their companies to the same level as their peers in mature markets.

### Online booking tools – Well-established

Corporate booking tools are very familiar in Brazil. HRG's Brazilian partner Alatur says approximately 40% of the

<sup>10</sup> Source: Amadeus

<sup>11</sup> Source: GBTA BTI

<sup>12</sup> Source: HRG



reservations it handles are made online, which it believes is slightly higher than average.

#### **Policy – A mixed picture**

Nearly all foreign corporations and large domestic Brazilian companies have travel policies. As in Turkey, policies are less common among smaller businesses unless they travel internationally. Brazilian companies have access to management information, but the reporting is not as rich as in mature markets.

### **Travel payment**

#### **Lodge cards dominate**

60–80% of air travel bookings are made through TMCs paid via central payment accounts (lodge cards).<sup>13</sup>

The most distinctive characteristic of corporate travel payments in Brazil is that lodge cards (central pay-

ment accounts) are very common – even more than in Europe. One reason is that companies are reluctant to issue plastic corporate cards to employees outside their top layer of management. Once again, a strong hierarchical culture plays its part. Furthermore, employees' travel costs often exceed their salaries, which would create both credit and taxation challenges if they paid by card. Another problem is that plastic cards are often not accepted at hotels outside Brazil's big cities.

#### **Expense management systems – Growing interest**

Expense management systems are currently considered a hot topic within Brazilian corporate travel circles. They are well-established among foreign multinationals and growing in popularity among larger Brazilian companies. However, implementations do not always go smoothly if companies have not introduced change management initiatives around their wider travel program at the same time.

<sup>13</sup> Source: Alatur estimate







Fast-growing business both inside and outside Brazil requires more professional and structured travel management.





# Case Study

## Odebrecht, São Paulo, Brazil

**Interviewee:** Murilo Brasil, Administrator  
**Company:** Odebrecht, São Paulo, Brazil  
**Sectors:** engineering, construction, infrastructure, energy, industry  
**Number of members (Odebrecht's chosen synonym for "employees"):** 175,000  
**Number of countries in which Odebrecht operates:** 25

"Our business is growing fast, both inside and outside Brazil. The regions we travel to most are North America, Latin America and Africa. However, we also travel to Europe (especially Germany and Portugal) and to countries in Asia with strong demand for oil and gas-related manufacturing equipment.

As a result, our travel costs have been growing too. However, we have been able to control these costs through negotiating regional and global agreements with domestic and international travel suppliers. Using tools such as Amadeus (online booking tool) and AirPlus International (corporate payments) has also helped keep average price down and reduced our travel processing costs.

Five years ago, our travel process was almost entirely manual. Today, much of it has been automated, thanks to trip planning and booking through the Amadeus online tool, payment through our corporate travel accounts, reporting and reclaiming expenses through our enterprise resource planning system, and obtaining online management information from the booking and expense processes.

We introduced our first travel guidelines in 2000. Since then, we have made many improvements, driven by greater experience, better tools for travel management, benchmarking with companies with profiles similar to ours, and an ever-increasing emphasis on controlling costs because we travel so much more than in the past. Today, we use detailed management

information to make effective and efficient strategic decisions about how to manage our travel spend. That includes monitoring policy compliance and negotiating agreements with suppliers.

Our travel policy is not mandatory. Instead, it provides best practices to guide employees towards making the best choices based on quality, safety and price-competitiveness. Our business culture at Odebrecht is based on trust, decentralization, delegation and best practice communication. We also encourage our employees and partners to think globally and act locally, so a heavily mandated policy would not be appropriate.

Policy implementation and administration are the responsibility of a team of employees, led by a coordinator working with travel partners. We use four travel agencies in Brazil to support us and manage our policy. Other countries can work with any of those four agencies or choose one of their own.

We are looking at mobile payments. In May 2013, the Brazilian government enacted a law that regulates payments through mobile devices. We plan to study the feasibility of mobile payments for travel and we will implement it if the study confirms the technology is viable in terms of security and functionality. Some of our employees already use mobile for functions such as check-in and itinerary management.

Our younger travellers have grown up only knowing the internet, including search sites and social networks, and naturally they want to use these tools for travel as well. They prefer the "do it yourself" approach for trip planning, shopping for the best prices and making bookings.

The supply situation is improving for corporate travel in Brazil. International air services are expanding all



the time, and the introduction of more competition has led to better pricing. We think the same will happen for domestic travel.

Hotel supply has been more of a challenge because there has been limited new supply. However, there has been substantial new hotel building for the FIFA Confederations Cup (2013), FIFA World Cup (2014) and Olympic Games (2016), all of which are being staged in Brazil. We think that will make pricing more competitive and broaden availability across economy, business and luxury accommodation segments.

I believe travel management in Brazil will evolve in the same way as in North America and Western Europe. Indeed it is already happening and I think Odebrecht is a good example of this evolution in action."

### Acknowledgements

AirPlus International would like to thank the following people who contributed their expertise to the research and writing of this white paper:

Murilo Brasil, Odebrecht; Mehmet Can Bilkur, MasterCard Worldwide; Ricardo Ferreira, Grupo Alatur; Erhan Karakaş, Mercedes-Benz Türk; Oğuz Karakaş, Turkish Airlines; Uğurhan Konuk, BCD Travel Turkey; Patricia Silva, Odebrecht.

Credits: msenolyilmaz/Fotolia (p. 1), AStock/Corbis (p. 5), Johan Sjolander/Getty Images (p. 7), minemero/Fotolia (p. 8), Estúdio Luciano Azevedo/Getty Images (pp. 10-11), Lemonade/Fotolia (p. 12), amana productions inc./Getty Images (p. 16), Cindy Prins/Getty Images (p. 19), Eliezer Sanchez/Getty Images (p. 20), Paul Bradbury/Getty Images (p. 21), Nicola\_Del\_Mutolo/Fotolia (pp. 24-25), Eduardo Moody/Odebrecht archives (p. 27)

**AirPlus International**

Dornhofstraße 10  
63263 Neu-Isenburg  
Germany

**T** + 49(0)6102 204-444

**F** + 49(0)6102 204-349

[btm@airplus.com](mailto:btm@airplus.com)

[www.airplus.com](http://www.airplus.com)

[www.airpluscommunity.com](http://www.airpluscommunity.com)