Relationships Australians must go to meet customers, or risk losing out to competitors

Face-to-face the key for clients in Asia

Chris Tolhurst

Sending employees out on the road to eyeball clients and cut new business deals is becoming much more important for Australian businesses.

Companies seeking to reduce expenses often cut back on business travel, but there's growing evidence that it is face-to-face meetings, rather than the use of Skype or video-conferencing, that boosts profits.

This is especially true for Australian companies trying to hatch trade opportunities and build relationships in Asia.

Direct personal contact counts in Asia, and local enterprises that don't meet their overseas clients can quickly lose out to competitors more willing to invest the time and money.

There's been a significant bounce in spending on corporate travel in Australia this year, which needs to be viewed in the context of China embracing capital-market liberalisation.

The Chinese middle classes and their counterparts in other Asian countries are now spending on products such as financial services and processed food, creating money-spinning opportunities aplenty for Australia's exporters.

Rob Dell, the director of sales of **FCm Travel Solutions**, says because of the various cultures in Asia and the influence of Asia on Australia's business travel market, companies here believe they have to maintain face-to-face relationships.

"That means getting on an aircraft and going into places and being seen," he says.

"This is one of the key drivers. We've seen travel expenditure continue to grow, although I think it's fair to say that some of the key indicators, like fare types and people buying product at the front of the aircraft, are changing."

Research by the global research firm Oxford Economics has estimated that for every dollar invested in business travel, companies can expect an average $12.50 in increased revenue and $3.80 in new profits.

Oxford says that though cutting back on business travel can have some benefits in the short run, negative consequences often show up within 12 months of a budget cut. These can be quantified in terms of lost revenue and profit growth and in terms of giving competitors a distinct advantage.

Dell's travel management company, or TMC, is part of the Flight Centre group. Having on hand a street-smart TMC or a skilled in-house travel manager is critical for many companies, to strike competitive airfare and hotel rate deals, but also to manage employee travel policies, stipulating the circumstances in which people get to fly in business class or upgrade from a three-star to a five-star hotel.

As China's economy has grown, so has its business travel market. Spending on travel and entertainment by Chinese companies has increased by 15.5 per cent a year since 2000, according to the Global Business Travel Association (GBTA). China is projected to become the top business travel market in the world as early as 2015, displacing the US as the big spender.

The GBTA forecasts that China's GDP will increase by 8.3 per cent in 2013, with growth predicted to be about 9 per cent in 2014.

Business travel spending in China is forecast to increase by 15.1 per cent in 2013 to $US226 billion. The projected expansion of 16.9 per cent in 2014 is more than twice the rate forecast for the US business travel market.

Following a sluggish market in 2012, the association is seeing much more buoyant rates of business travel globally this year. It expects the trend to continue in 2014; the globally spread TMC Carlson Wagonlit Travel (CWT) is forecasting moderate increases in worldwide travel prices next year, in line with limited economic growth expected around the world.

Christophe Renard, of the CWT Solutions Group, says moderate price increases are expected, but with some exceptions. "Prices in Europe are likely to decrease because of the continued economic uncertainty in the region, while emerging markets such as Argentina could experience far higher increases in 2014 due to high projected GDP growth and significant inflationary increases."

Most business travellers need flexibility in their travel arrangements.

Adelaide-based corporate travel agent **Max Najar**, of Axis Travel, says although demand for business travel is up, companies are being more selective about spending. Demand for premium economy seating on international flights has picked up strongly and more businesses are choosing to purchase "tactical" business class airfares that come with restrictions and are only available on a limited number of seats.

"You have to buy your ticket within 48 hours or 72 hours, so there are some heavy conditions," Najar says.

"But you can save yourself $2000 to $3000 per person on business class. There are business class airfares to Europe selling for $5500 to $6500 return on carriers such as Malaysian Airlines. When you start going Qantas or Cathay Pacific, you're looking at $7999, inclusive of all taxes. The tactical airfares in the market over the past 15 or 18 months have been really good."

Business travellers, though, aren't carefree tourists. Most need flexibility in their travel arrangements.

Dell says executive travellers are spending longer on the road to get more value out of the investment in a trip.

"That means the hotel expenditure is increasing as a percentage of total expenditure. Also, we are booking more complex travel. People are not just going into Shanghai or Hong Kong and back out again: they're going in and doing multiple segments and getting the maximum bang for the buck."

Moving business travellers around China is ...

That means getting on an aircraft and going into places and being seen.

FCm is one of a raft of TMCs making substantial investments in on-the-ground operations in China, and is assisting customers to access travel services that are difficult to access from outside the country.

"There is an emerging very-fast-train network in China, providing city-centre to city-centre services that compete head-to-head with domestic airlines," Dell says. "But buying the very-fast-train tickets from outside of China is very difficult, so we do that through our China operation.

"We also source local hotels for our customers for the same reason."

CWT forecasts that the Asia-Pacific could see airfare rises of 4 per cent in 2014, although prices vary throughout the region. It believes China's growing middle class will drive significant demand for leisure travel, putting pressure on capacity as the demand for business travel remains persistent.

This could result in prices jumping 7 per cent in China next year.

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