2016 Industry Forecast

Global travel climate

Lufthansa plans distribution shakeup

Lufthansa Group plans to add a €16 surcharge for global distribution system (GDS) bookings. Travelers and agents can avoid the fee by booking direct with the airline. This will lead to content fragmentation, as you may now have to shop multiple channels to find the best deal. The GDS suppliers already do a good job of presenting competing fares, enabling one-stop shopping, serving the interests of travel buyers. By booking direct, travelers risk compromising the integrity of their managed travel programs. Data capture becomes more difficult and it complicates the provision of services like duty of care and crisis management support.

Airbnb - is it right for corporate programs yet?

Over the last year Airbnb has signed up more than 250 companies to its business travel program. It's added a new dashboard for corporate travel planners that includes travel itineraries, financial reporting and central billing to help increase appeal to travel managers. Airbnb is now running a "business ready" pilot program to address concerns about safety and security and a need for more business-friendly properties. But it still faces challenges around regulation and taxation. Hotel chains may also develop similar products, increasing market competition.

Innovate your hotel program

It's time to change how you manage your hotel program. Innovate and you'll contribute ongoing and strategic value in a fast-changing market. Think of managing it like an investment portfolio. Start by diversifying your program to ensure you have rooms and rates in place to cover all eventualities. Once you've done this, be sure to dynamically manage your program. This means you'll need to work on real-time performance reporting, rate availability auditing, and analyzing data to provide insights into behavior, travel patterns and hotel spend. You'll then be better equipped to engage your travelers, empowering them with the information they need to make better decisions, driving improved compliance, savings and satisfaction.

Air

Airlines continue to enjoy the benefits of cheaper oil. Lower costs are driving increased profits and giving the airlines the confidence to expand capacity. This supply increase will keep fares from rising in most markets, and will lower them in regions where competition is most intense. The pricing environment could change very quickly, if there's a material movement in oil prices.

North America
Capacity management will help airlines increase airfares.

Europe
Business fares will be unchanged, but economy fares will fall.

Latin America
While intercontinental fares will fall, regional fares will rise.

Middle East
Gulf carrier growth will continue to drive down most fares.

Asia
Economy class fares will fall, but business fares will be unchanged.

Africa
Capacity expansion will mean lower fares in all segments.

SW Pacific
Intercontinental fares will fall, but regional fares may increase.

While global fares will be essentially flat in 2016, there will be some regional variation. Business fares will be stable in North America, Europe and Asia, but they'll fall by 2% to 3% for intercontinental travel in the rest of the world. They'll also rise for regional trips in Latin America and Southwest Pacific. Economy fares will fall in almost every market, with the biggest decreases likely in Africa and the Middle East. We only expect economy fares to increase in North America and Latin America, in response to strong demand for regional travel.

	Intercontinental		Regional	
	Business	Economy	Business	Economy
North America	1%	-1%	0%	2%
Europe	0%	-1%	0%	-2%
Asia	0%	-2%	0%	-2%
Latin America	-2%	-1%	3%	1%
Middle East	-3%	-5%	0%	-1%
Africa	-2%	-5%	-2%	-5%
Southwest Pacific	-3%	-1%	2%	0%
Global	0%	-2%	0%	0%

Hotel

Three regions will help drive global hotel rates up by 3% to 5% in 2016. As demand recovers in North America and Europe, a lack of new supply will allow hotels to increase prices. Rate growth will also be strong in Latin America reflecting the continued strength of demand. However, widespread openings, particularly in China and India, will ensure lower rates in Asia.

North America +4% to 6%
Canada +1% to 3%
Mexico +0% to 2%
U.S. +4% to 6%

Europe +1% to 3%
France -1% to +1%
Germany +0% to 2%
U.K. +2% to 4%

Latin America +4% to 6%
Argentina +6% to 8%
Brazil +4% to 6%
Chile +2% to 4%

Middle East -1% to +1%
Qatar +0% to 2%
Saudi Arabia +0% to 2%
U.A.E. -2% to 0%

Asia -2% to 0%
China -3% to -1%
India -3% to -1%
Japan +3% to 5%

Africa +1% to 2%
Nigeria +4% to 6%
South Africa +0% to 1%

SW Pacific +0% to 2%
Australia +0% to 2%
New Zealand +1% to 3%

Economic growth assumptions

World economic GDP growth

2015 → 2016

2.5% → 3.0%

We expect 2016 to be a positive year for the world economy. Fueled by stronger growth in Latin America, momentum will return to emerging markets. Thanks to a rebound in the fortunes of the U.S. economy and steady recuperation of the Eurozone, advanced economies will make a stronger contribution too.

	2014	2015	2016
North America	2.4%	2.0%	2.8%
Europe	1.4%	1.9%	2.1%
Asia	4.4%	4.6%	4.7%
Latin America	1.0%	0.2%	1.8%
Middle East	2.8%	2.9%	3.3%
Africa	3.9%	3.8%	4.3%
Southwest Pacific	2.8%	2.8%	2.8%
World	2.6%	2.5%	3.0%

Source: Oxford Economics, June 2015

Although oil stocks continue to build, signs of improving demand have helped stabilize prices. The U.S. Energy Information Administration (EIA) believes more limited supply will support a modest 10% rise in oil prices in 2016 to US$67 per barrel (bbl). But with the prospect of new supply from Iran and uncertainty about Eurozone demand, we assume oil prices will be $60/bbl, in line with the average for 2015.

Oil price assumption
US$ 60 per barrel

Source: Advito

ADVITO