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Why the strong dollar is great news for U.S. travelers

By Joe Brancatelli, *The Business Journals*

Happy days are here again: the greenback is almighty around the world and that means lower prices for international business-travel purchases such as hotels rooms, ground transportation and meals.

But, wait, there's more: The strong dollar is also pushing down some domestic hotel rates. That's because the newly muscular dollar is scaring international tourists and they're coming to America in smaller numbers than expected. Facing a surprise downturn in reservations, hoteliers in U.S. cities that host large numbers of overseas visitors are trying to fill rooms by cutting prices for American travelers.

Enjoy the win-win scenario while it lasts. In the see-saw world of international currency exchange, victory may be sweet, but it usually is also short. And the return of the Almighty dollar has been a long time coming.

Back in April of 2008, when the dollar

neared its lowest ebb worldwide, I noted that a 259-pound room at the Waldorf Hilton in London's West End would cost \$518. But now that the pound has fallen to \$1.48 from around \$2 in 2008, that Waldorf room costs \$383. It's a nifty 26 percent discount.

The Canadian dollar was at parity with the U.S. dollar in 2008. Now the loonie is worth 78 U.S. cents. That means a business traveler headed to Toronto or Vancouver enjoys a 22 percent discount on everything from a cab ride to a Tim Hortons apple fritter.

The euro commanded about \$1.55 in 2008 and I bemoaned the high price of everything from a cup of espresso to a copy of the International Herald Tribune. Now the euro is worth only about \$1.06, a 32 percent decline, and the paper is called the International New York Times. (The name change has nothing to do with the relative value of international currencies.)

The Australian dollar has fallen precipitously against the U.S. dollar, dropping to about 76 cents from near-parity in April, 2008. The dollar barely bought 100 Japanese yen back then, but it commands more than 120 now. Given the high cost of business travel in Japan, that 20 percent improvement goes down as easily as a great piece of sushi.

The strong dollar is likely to fuel a wave of overseas vacation travel this summer. Americans, after all, love a holiday bargain, especially in London or Paris or Rome. The impact on business travel is less clear, however. We won't know for sure if more business travelers head overseas until we see how long the strong dollar lasts.

One thing we can say, at least anecdotally, is that the strong dollar is depressing some business and leisure travel from overseas.

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Uber Use Among Business Travelers Approaches Critical Mass

By JoAnn DeLuna, *Business Travel News*

Companies that in their travel policies don't address travelers' use of Uber might do well to consider that corporate travelers in North America in March expensed almost as many rides from the mobile-based, on-demand ground transportation service as all other taxi, limousine and airport shuttle rides, according to expense management provider Certify.

Certify's assessment of actual expenses of business travelers through its platform showed that Uber in March 2015 accounted for 47 percent of all total paid ground transportation rides in North America, a huge jump from March

2014, when it held a 15 percent share of such expenses in Certify's platform.

"The business community is looking for value and convenience, and at the same time this is a group that is interested in innovation," Certify CEO Robert Neveu said in a prepared statement. "Ridesharing services are making inroads into corporate budgets because they combine all of those things."

Uber in a statement on its website said, "We did not participate in Certify's research, but our own data confirms that more companies and employees are turning to Uber for their travel needs."

Uber represented 71 percent of business travelers' first-quarter ground transportation spending in San Francisco, 56 percent in Dallas and 49 percent in Washington, D.C., according to Certify.

The average first-quarter Uber ride (\$31.24) cost less than the average trip for other ground transportation options (\$35.40), according to Certify.

Certify included uberX, uberXL, uberPlus, Uber Taxi, UberBlack, UberSUV and UberLux rides as part of its analysis of business traveler spending with Uber.

American Airlines' \$2 Billion Makeover Brings Fresh Look to Tired Lounges



New design rendering of the bar at American Airlines Admirals Club Lounge/ Courtesy of American Airlines.

By Marisa Garcia, *Skift*

American Airlines has announced the start of a multiyear program to completely overhaul its Admirals Club Lounges, converting them into new spaces where passengers will find themselves at ease to rest, work, catch-up with friends and colleagues, and refresh between flights.

Fernand Fernandez, American Airline's vice president, Global Marketing will be the first to admit that American Airline's lounges have received little love in recent years. The financial challenges facing the old American Airlines meant that many customer-touch points were, as he puts it, "under-invested."

But the merger with US Airways, which formed the new American Airlines, has cleared up the books, resulting in a record company \$1.2 billion first-quarter profit reported last week, has found the company flush and ready to push forward its previous commitment to invest \$2 billion in a full-on image overhaul, which, in true aviation fashion, Fernandez classifies as a "nose to tail

retrofit of the entire customer journey."

Fernandez says the scope of this new image campaign will ultimately touch every point along the passenger journey, from check-in, to the lounge, to the flight, all reflecting the same cool vibrancy and modern American identity.

Visitors to American Airline's new Admiral's Club Lounges will be met with "open and inviting spaces" which also leave corners for "privacy moments" and which tap into natural lighting to enhance the sense of well-being and connectedness.

Fernandez also says the airline intends to provide emotive focal points for passengers at the lounge. For example, giving guests a good view from the lounge windows of the new American Airlines' aircraft tails.

American wants its future Admiral's Club guests to feel they've entered somewhere welcoming and familiar.

"In the future, when our customers see an Admirals Club sign anywhere

in the world, they'll know they'll find a reliable, modern space where they can charge their devices, grab a bite to eat, get caught up on work or unplug from the world around them," says Fernandez. "Our goal is to create spaces that are more in line with how people live and spend their time today."

Part of that connection will mean getting Admirals Club staff to interact more with passengers, Fernandez says, eliminating the divide generated by large counters and replacing them with podiums, letting staff walk-up and greet passengers as they enter and ensuring there are staff walking the lounge to address any passenger needs.

The lounge design will be marked by both warm and neutral natural materials, and a mix and tan and grey decor interrupted by high notes of rich red. A variety of custom-furnishings will give the lounge a distinctive look, and will

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American Airlines Ups the Premium Passenger Ante With Points Promotion

By Grant Martin, *Skift*

It's been an interesting year for premium domestic passengers as American, Delta, and United all try to jostle in front of one another in an attempt to be the prettiest princess on the block.

The winner of the prize gets the most business from premium passengers, the crown jewel in the tiara of legacy airlines.

The battle actually got started a few years back with the transcontinental premium cabin arms race. United's Premium Service, American's Flagship Service, and Delta's widebody transcon service have all been doubling down on hardware, installing lie-flat seats, better personal entertainment and classier food options. Low-cost carriers like JetBlue and its Mint service also jumped in the game, providing a stick to keep the legacy carriers moving.

The game got interesting in early 2015 as airlines returned to profitability and the economy continued its recovery. Now, with cash to spare and airports full of business travelers hitting the road, airlines are scrambling to roll out the deepest incentive or fanciest product to



lock in premium travelers.

Early in the year, American and United entered the ring by offering a double miles promotion for premium travelers. American's promotion is still ongoing through the year, while United's has since wrapped up.

On top of their current offerings, American is now offering a double and triple points promotion for premium fares.

Elite qualifying points, not to be confused with elite qualifying miles are another tool that American passengers can use to earn elite status. Unlike elite miles, however, points are earned as a

function of fare class; more expensive tickets earn up to 1.5x points per mile while budget tickets earn only a fraction of a point. With this promotion, passengers can now earn points at 2x or 3x per mile, quickly propelling a potential passenger towards elite status valid through December 31, 2015.

With this promotion, American is clearly building an incentive for business travelers to join the airline. And indeed, as premium loyalty members get jaded with the new programs from United and Delta, many may make the move. Expect return fire from the other legacies in short turn.



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Why Airline Loyalty Programs Are More Confusing Now

By Justin Bachman, *Bloomberg*

U.S. airlines are changing the rules of their frequent-flier programs and, befitting air travel, being greeted with a measure of rage.

Amid strong travel demand, Delta and Southwest are now pricing loyalty awards more like all other tickets—"dynamically," with regular changes in how many miles it takes to buy an award seat. It looks like United is next.

That means the number of miles required for a ticket will vary with sales, destination, cost in dollars, and other factors. "This is likely to become the new norm on the award side of these loyalty programs," said Tim Winship, editor of *FrequentFlier.com*.

Airlines have always managed their award inventory. Tickets to Europe in summer generally require more miles than in the dead of winter. But the awards hewed to redemption charts, offering mileage collectors a guide—it was clear what a business-class seat to Paris or a January getaway to Maui "should" cost.

That notion of fixed award prices is now under assault, partly reflecting the industry's consolidation into four large airlines since 2009 and their constraints on seat capacity. With passenger load factors well above 80 percent, the airlines can more easily sell seats they may once have ticketed as awards. With these changes, the currency of the mile is no longer tied to fixed conversion rates. Delta stopped publishing mileage award charts for its SkyMiles program in early February, sending many of its members and travel bloggers into apoplexy.

"It's really a punch in the stomach to a big [mileage] fan when they replace the reward chart with a question mark," said Jason Steele, a freelance writer in Denver who blogs about the travel loyalty industry. He likens the change to shopping at a retail store where prices are shown only at the cash register. "Now, overnight and with no notice, all the price tags are gone and the currency is worth whatever Delta says it is," Steele said.



Delta has been the most aggressive of the legacy carriers in altering its program, first moving from a system that doles out miles based on flight distance to one that recognizes how much a customer spends with the company. United quickly followed, matching a revenue-based scheme that had been used previously by airlines such as JetBlue and Southwest. But it is Delta's redemptions system that has received the heaviest and most consistent criticism on social media and travel blogs for being the least consumer-friendly. The changes mostly favor high-spending customers, on both the earning and redemption side of the program.

For the average traveler, the kind who flies only a few times a year and rarely abroad, the airline mileage game soon may no longer be worth the expense of buying tickets to accrue miles.

"I don't want to say they're worthless, but they are certainly worth less," Winship said of the frequent-flier programs. "I can certainly foresee a day when average travelers knock consideration of frequent-flier miles down to the very bottom of their list and they buy on price and let the frequent-flier chips fall where they may."

Karen Zachary, managing director of Delta's SkyMiles program, said "we really take into account our customers and what they provide to us." She said Delta had mapped the evolution of SkyMiles for several years before making the 2015 changes and has convened numerous focus groups about its loyalty program, including two last week in New York and Los Angeles. Most people have been pleased by the changes, Zachary said.

This month, Southwest increased the number of points needed for a free ticket in its Rapid Rewards program "to stay competitive in current market conditions," the airline said in a statement. Redemption levels now vary based on the destination, time of day, demand, fare class, "and other factors." Previously, the airline tied its redemptions to ticket prices, with each \$1 worth 70 points. Under the change, which took effect April 17, some awards now cost 80 points per \$1, although Southwest says many of its award levels will stay the same. Southwest remains the most generous mileage program by award availability, offering nearly 12 percent of all its seats

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as awards, Consumer Reports magazine found in a review being published in its June issue.

United is expected to begin a similar dynamic-pricing scheme for its MileagePlus award seats in the second quarter. A United spokesman declined to discuss specific aspects of the changes but said “we remain very interested in broadening the options customers have both for earning miles and redeeming them.” American, which is merging with US Airways, has made no significant adjustments in its AAdvantage program, although many observers are awaiting news for 2016 to see if the airline mirrors any of the industry changes.

The variable pricing of award seats comes as many U.S. airlines are working to wring more money from their premium cabins, where many seats are not sold but

allotted as upgrades for top customers. Airlines are increasingly offering first class as a paid option, with prices that vary, when someone buys a ticket in economy class. That type of merchandising can reduce premium-cabin seat inventory for use by mileage collectors trying to redeem their milers for seats in first and business class.

Delta’s SkyMiles has for years been widely considered the stingiest of the U.S. airlines’ programs in terms of awards, leading some fliers to deride it online as SkyPesos and SkyRubles. Then, in 2014, many were heartened to hear Delta announce that it had heard the complaints and that in 2015 it would boost its award seat inventory at lower mileage levels and add a one-way ticketing option, matching other airlines.

Zachary said those changes were among issues Delta heard about most from travelers, with most people also complaining that frequent-flier programs were too complex. Mileage redemptions at Delta have grown by 10 percent this

year over historical levels, she said, mainly because of the new one-way ticketing option. “We’re just kind of moving things along at a pace that we feel consumers can adapt to,” Zachary said.

Taken together, the changes in airline loyalty programs are likely to reduce the overall number of active members, said Winship of FrequentFlier.com. “It’s making these programs untenable from a value standpoint for a huge chunk of the program members,” he said. Having fewer active program members might actually be a goal for an airline, since unused miles count as a liability and some airlines’ miles never expire. None of the airlines disclose their active-member numbers.

Amid all the grumbling, it’s easy for travelers to forget that airline loyalty programs are an important business unit within the larger corporation, with critical income and with costs that managers must justify. What’s good for a traveler is typically bad, financially, for the airline.

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And that is driving hotel rates down in cities such as New York, Washington and Los Angeles. In recent weeks, I've seen sub-\$100-a-night weekend rates at chain hotels in Manhattan and midweek prices far below seasonal averages. Ditto for other U.S. cities that traditionally cater to international visitors.

"A 10 or 20 percent increase in the value of the dollar translates into fewer reservations from overseas," the general manager of one New York property explains. "When the foreigners don't come, I have to lower my rates to fill the rooms they aren't booking. It's not rocket science."

Looking for a fly in this win-win ointment of lower international prices and some cheaper hotels at home? Okay, here's one: the run-up in the value of the dollar overseas could be wiped out if you don't change your foreign-currency behavior.

Business travelers long ago adjusted to the fact that there is a two-tier system of credit cards. Some charge foreign-exchange fees on charges made overseas and some don't. Most business travelers now know to use cards that are fee-free. (Most credit cards aligned to major airline and hotel frequency

plans have dropped the annoying charge.)

But another traditional money-saving trick — obtaining local currency on arrival by using your ATM card at the airport cash machines — is getting financially risky. Although ATMs once offered the best exchange rates, that isn't necessarily true now. The reason? The same overpriced money changers who run the currency-exchange booths are taking control of airport ATMs. And they are offer the same miserable exchange rates at their ATMs as they do at the currency kiosks.

At London's Heathrow Airport, for example, Travelex has signed a deal to become the exclusive provider of foreign exchange. The firm already controls about 65 percent of the currency booths and ATMs at Heathrow. Come July 1, it'll be the monopoly provider.

How unfavorable are Travelex rates? According to the firm's website on Tuesday evening, 100 U.S. dollars will buy 60 British pounds and 88 pence. That's a 10 percent off-the-top cut for Travelex since the bank exchange rate on Tuesday evening was 67 pounds and 80 pence.

Travelex's assault on Heathrow is being repeated at other overseas airports, too. "The only ATMs in the Gold Coast airport are Travelex," one business traveler returning from Australia last week told me. "In Sydney, there were others where you check in, but

once you got through security, they were all Travelex."

How do you beat this new airport money grab by the money changers?

Before you head overseas, check the ATM locators operated by Visa and MasterCard. They'll tell you whether airport ATMs are owned by a money-changing service or a bank. Even at airports where bank-operated ATMs have been banished from passenger terminals, the ATM finders will show bank-operated machines at nearby airport hotels or on the service roads leading away from the airport.

If you don't have any local currency and must rely on the high-cost airport machines operated by money changers, withdraw only enough cash to get you to the city center. Then obtain walking-around cash at traditional bank ATMs.

Finally, if you think you're going to return to that country, get extra local currency at a bank ATM before your departure. That'll mean you won't have to rely on airport ATMs when you begin your next overseas trip.

Besides, getting currency before you leave is a sound investment. The U.S. dollar isn't likely to be worth much more than it is now. That means you'd be buying local currency cheap and it'll almost certainly gain in value as it sits in your drawer awaiting your next visit.

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include handy features like power outlets and USB ports fitted into high-backed chairs.

American has announced that the first two lounges to receive the radical makeover will be the Admirals Club lounges at Phoenix Sky Harbor International (PHX) and Sao Paulo International (GRU) airports.

While Fernandez says logistics drove these choices—with the airline's recent expansion at Phoenix demanding more room and a move at the Sao Paulo terminal providing an excellent opportunity to change—he acknowledges some competitive advantage to marking the Sao Paulo space with a distinctive American flair. American, he points out, is the largest carrier flying into Brazil and serving the most North American destinations.

Frequent flyers in Miami, New York

(JFK), Dallas/Fort Worth and Los Angeles can look forward to Admirals Club lounges at those cities starting construction this year.

Clubs in Chicago, London and other key cities will enter the renovation phase thereafter.

Fernandez says the airline will pace these change to fit the logistics and scope of such a massive program, but it will ultimately have redesigned all of its properties, including its First Class Flagship lounges in "a few years" time.

Southwest-Amadeus deal provides fares to corporate booking tools

Southwest Airlines agreed to a multi-year agreement to provide fares and inventory to users of Amadeus-owned corporate booking tools.

The agreement extends to Amadeus' e-Travel Management and iFAO's Cytric corporate booking systems, according to Amadeus.

A Southwest spokesperson said "users will have access to all of the fares that Southwest makes available to our corporate customers."

The deal extends live availability, last-seat inventory, fare search, integrated displays and "additional functionality related to deferred ticketing, retrieving and canceling reservations, and exchange funds toward new itineraries," according to the announcement.

Southwest separately agreed last year to use Amadeus as the provider of its core reservations system. Southwest also integrates with the Concur, Deem, GetThere, nuTravel, Egencia and Orbitz for Business booking tools.

GBTA: Oil prices shackling travel price increases

Citing the effect of "plummeting oil prices," the Global Business Travel Association (GBTA) on Tuesday reduced its forecast for 2015 U.S. business travel spending to \$295.7 billion from its previous forecast of \$310.2 billion, issued in January.

The new 2015 projection still represents a 3.1% increase from 2014 spending levels, and GBTA also projects a 1.7% year rise in person-trips to 492.1 million in 2015.

"Plummeting oil prices are putting downward pressure on travel price inflation, particularly in the transportation segments," according to GBTA. "Although business travelers have yet to see the benefits of lower fares as a result of lower oil prices, we expect the cost of air travel, ground transportation and rental cars will all moderate in 2015. In aggregate, travel prices should only rise 1.4% this year before returning to more normal levels in 2016."

While GBTA forecasted a 5% increase in 2015 international U.S. outbound person-trips and another 6.9% increase in 2016, the association cautioned, "We expect volatility in international outbound travel over the next seven quarters as uncertainty in the global economy clouds the forecast."

Heathrow Express installs safety platform 'gap-fillers'

Heathrow Express has installed platform gap-fillers at its stations to reduce the risk of passenger accidents.

The rail company is the first in the UK to fit the devices along the edge of station platforms, reducing the size of the gap between the train and platform edge.

The gap-fillers also enhance access for disabled passengers and will be installed at all Heathrow Express train stations by the end of May.

"Stepboard" accidents — when someone falls between the train and platform edge — are responsible for 48 per cent of the overall fatality risk to passengers, Heathrow Express said.

A year-long trial at Heathrow Terminal 5 station found there were no incidents wherever gap-fillers were in use.

Joanne Lewis, Heathrow Express' head of safety, said: "Our top priority is ensuring Heathrow Express, and the rail industry as a whole, is as safe as possible for customers and employees.

"Stepboard accidents are a concern across the rail industry, and for good reason — they can be fatal. With demand for rail travel predicted to double over the next 30 years in the UK, devices like gap-fillers could be a big help."

The platform gap-fillers are designed by Australian company Delkor Rail.