



Business travel can help bottom line: study

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By Deborah Charles

WASHINGTON (Reuters) - Business travel -- often the target for cutbacks by companies seeking to reduce expenses -- actually boosts profits and could help the U.S. economy come back from the recession, a report found on Tuesday.

Research released by the global research firm Oxford Economics 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.

"Cutting back on business travel can in the short run have some benefits but, even over a 12 month period, (have) significant negative effects on corporate performance," said Adam Sacks, managing director of Oxford Economics. "As companies perform, so does the U.S. economy.

"When companies reduce their travel budgets there are negative consequences that we can now quantify, in terms of lost revenue and profit growth and in terms of giving competitors a distinct advantage."

The study was commissioned in part by the U.S. Travel Association, which represents the American travel industry.

Roger Dow, president of the association, said the report quantified how businesses can benefit from travel and from face-to-face meetings.

The analysis said executives and business travelers estimated 28 percent of current business would be lost without in-person meetings. They said about 40 percent of prospective customers are converted to new customers with an in-person meeting compared to 16 percent without one.

"In this economy especially, business travel has come under greater scrutiny than before," Dow told reporters.

"It's very important that business travel be seen as a solution. This industry could lead the economy out of the recession if people begin traveling and doing business."

The industry group said in the first six months of 2009, business travel spending is down 12.5 percent and business travel volume is down more than 6 percent.

Sacks said a 10 percent increase in business travel across the board could potentially boost U.S. gross domestic product between 1.5 percent to 2.8 percent.

The report was based on a combination of two separate surveys of corporate executives and business travelers and an econometric analysis of the effects of business travel on corporate performance. It covered 14 economic sectors over a span of 13 years.

The report comes as the world airlines announced they expect to post \$11 billion in losses this year due

to weak passenger traffic and cargo demand pressure revenue.

(Editing by Cynthia Osterman)

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