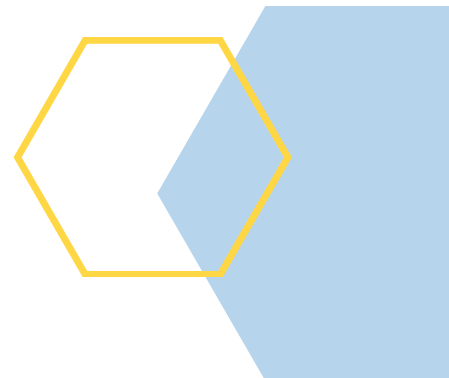




FIRST VIEW
March 2024



Consolidation in the TMC Space





THE FACTS

American Express GBT announced on Monday March 25 that it has entered into a definitive agreement to acquire global business travel and meetings solutions provider CWT for a value of \$570 million.

THE ANALYSIS

This acquisition suggests that travel management continues to follow other segments of the travel industry in a path of consolidation. GBT is by some margin the market leader among global TMCs and CWT is one of its few worldwide competitors. The announced acquisition price is considerably less than the projected 2024 revenue for CWT and only about 7.5 times its EBITDA.

At first sight this level of consolidation between direct competitors might be expected to attract regulatory attention but T2RL believes this will only be the case if the regulators take a very narrow view of the relevant market.

The value of the global travel and tourism market in 2023 was around \$9.5 trillion¹ while GBT's total transaction value was about \$28.2 billion², slightly under 0.3% of the whole. Of course GBT and CWT do not play across the entire market, which includes around \$5 trillion of leisure travel spend, but even disregarding the leisure market GBT's share is well under 1%.

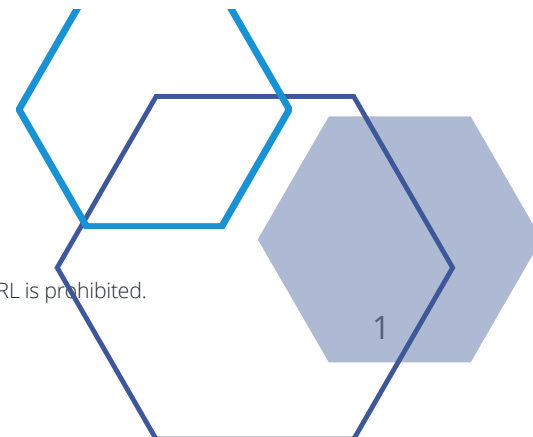
Regulators might take the view that the relevant market is that for managed corporate travel but even here there is considerable fragmentation. This market divides into five main segments (noting that no categorisation is perfect and some entities may fit into more than one "box"):

- Corporate business booked directly with travel providers

¹ Source: [Statista](#)

² Source: [AmexGBT Full Year Results Press Release](#)

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- This segment is growing as providers create incentives for direct bookings and in some cases penalties for using intermediaries
- Unmanaged corporate travel where bookings are made wherever the employee wishes, which may include OTAs as well as supplier direct
- National or regional Travel Management Companies
 - Which may establish partnerships with peers to provide global coverage
 - Some players started regionally and could now be considered global, such as FCM or CTM. These two TMCs are also examples of established TMCs that have embraced multi-source NDC connectivity
- New Generation TMCs such as Spotnana, Navan, AmTrav and TravelPerk which provide a tightly integrated in-house online booking tool
 - which are growing rapidly with the adoption of opportunities provided by new technologies
 - note that GBT previously acquired Egencia, which could perhaps be considered the original “new generation TMC”, as well as KDS, which enabled GBT to offer an “in-house” OBOT to their customers
- Established Global TMCs which operate in close cooperation with the GDSs

Only if the regulators determine that the last of these categories is the relevant market will the GBT/CWT transaction come under serious scrutiny. T2RL believes this is unlikely. In fact on current trends it is likely that regulators will be relaxed if there is further consolidation in this space. Future growth in the market for travel management is likely to be predominantly with the new generation players that are riding the wave of distribution technology starting with NDC but certainly not finishing there.

THE SPECULATION

GBT and CWT are very similar businesses. They have invested heavily in the traditional model of travel distribution in which the key player is the GDS. Both have indicated that while they support in principle the transition to more modern and richer interfaces such as NDC, they expect the GDSs to be the key providers of those interfaces. Within that model the key determinant of pricing power and hence profitability is scale. This consolidation will create a bigger and more powerful traditional TMC.

The strategic question now is whether the established global TMC segment will hold its own against the rise of the technology-driven newer entrants. Given that airlines like [First View: Consolidation in the TMC Space](#)



American Airlines and Lufthansa Group have shown strong favour towards more technology dependent and automated distribution channels, which they characterise as “modern”, this must be in question. To some extent that appears to be the driver for GBT’s acquisitions of KDS and Egencia. Amex GBT has stated that with the CWT acquisition the new combined entity will be able to invest more in absolute terms in technology and amortise that across a larger client base.

For the immediate future major corporate customers perceive that traditional TMCs provide value in the many services they perform beyond simple travel booking. These include servicing, contract negotiation, policy management, duty of care, expense reporting and others. Demand for those services will not go away soon but they are all being added by the new entrants which may use technology to supply them more cost-effectively and with more transparency around commissions and incentives.

In the end the acquisition of CWT by its bigger competitor may prove to be less important than the shifting strengths of the new versus the traditional providers of travel management services.

T2RL Travel Technology Research Ltd, is an independent sourcing and research company that specializes in airline technology and distribution. Based on data since the year 2000 it has tracked industry trends for airlines as well as their IT providers, distribution partners, and customers. All parties use its research to make informed business decisions to meet current and future needs. For further information, visit our website at www.t2rl.com.

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