Business travel yields return on investment

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WASHINGTON, D.C.—Corporate travel often is one of the first things to hit the chopping block as companies look to cut costs to the bone. But new research suggests that with extra "meat" comes beefier returns.

For every dollar invested in business travel, businesses experience an average of US$12.50 in increased revenue and US$3.80 in new profits, according to a "The Return on Investment of U.S. Business Travel," which was conducted by research firm Oxford Economics.

Download a free copy of the full report.

Conversely, the average company in the U.S. would forfeit 17 percent of its profits in the first year of eliminating business travel. It would take more than three years for profits to recover, according to the report.

The study covered 14 economic sectors during a span of 13 years using statistics from the U.S Bureau of Labor Statistics and the Bureau of Economic Analysis.

"Travel is an investment. It's not an expense. … It's a leading indicator of corporate performance," said Adam Sacks, managing director of Oxford Economics.

Yet more than half of companies are cutting back.

According to a separate survey comprising responses from about 400 corporate executives, 51 percent of companies had decreased travel. Those who had made cuts had reduced their budgets by an average of 35 percent.

"The findings of the research indicate that companies aren't operating in their own best interest in making these cuts," Sacks said, especially when considering travel accounts for only about 1 percent of revenue on average.

The face-to-face benefits

One of the most cited defenses of corporate travel is the benefit of face-to-face communication with colleagues, customers and clients. And while many within the hotel industry would argue you can't put a price on such interaction, you can at least give it some numbers.

Both executives and business travelers estimate that 28 percent of current business would be lost without these in-person meetings. Both groups also agree that roughly 40 percent of their prospective customers are converted to new customers with in-person meetings, compared with 16 percent without such a meeting.

Additionally, a sizeable amount of new business is generated on the trade-show floor. More than half of business travelers stated that 5 percent to 20 percent of their company's new customers were the result of trade-show participation.

A boost for the economy

Though the effects of the broader economic stimulus have begun to trickle into the U.S. economy, a boost in business travel could give it a real shot in the arm.

A 10-percent increase in business travel spending would increase multifactor productivity and thus gross domestic product by between 1.5 percent and 2.8 percent, according to the report by Oxford Economics.

"These industries could lead the economy out of the recession if people began travelling and doing business as we know it," said Roger Dow, president and CEO of the U.S. Travel Association, which commissioned the study.

Business travel in the U.S. is responsible for US$246 billion in spending and 2.3 million American jobs. Of that spending, US$100 billion is linked directly to meetings and events.

Might the findings of the report provide an impetus for that spending?

"Our candid hope with this study is to move the needle a little bit—to make the case to companies … to look beyond the short-term benefits of cutting these costs," Sacks said.