Survival of the FITTEST

Technology and distribution are the driving forces behind the latest round of consolidation in the TMC space, says **Gill Upton**

There are only two options for TMCs right now – adapt or die. Those that adapt best to their changing environment will have the best chance of surviving and judging by the rash of M&A activity there won't be many left behind.

It was only a few years ago – in 2018 – that we witnessed the last spate of consolidation, including Hogg Robinson, Giles Travel, Hillgate, Portman and Business Travel Direct. Prior to that it was the early 2000s.

What's driving the current spate of consolidation are the deep pockets required for capex into new technology. Consolidation can shortcut the R&D route to acquire that necessary technology or it can buy scale if there are synergies with another TMC. The marriage between Hillgate and Reed & Mackay ticked both boxes – technology and value add for buyers with a better global reach.

Arguably, smaller players who don't own their own technology will be the most vulnerable as they need scale to thrive and stay relevant. They need to sell or grow, either organically or by acquisition.

The latest step change in the market is around technology and distribution to cater for members of the savvier, next generation workforce who want to self-serve.

TMCs realise that NDC will ultimately mean decreasing income from the GDS and automation can help ameliorate those losses and, more importantly, cater to the new customer.

A recent Amadeus survey on business travel technology investment trends in 2024 highlighted that the main objectives were to improve the user experience (65%), innovation (59%), revenue increases (55%) and margin improvement (51%).

The presence of venture capitalists and private equity firms with well-lined wallets will help TMCs do just that. For example, Reed & Mackay wouldn't have been able to acquire Hillgate and Business Travel Direct without money from private equity firm Inflexion. More recently, Primary Capital saw fit to invest in charity, academic and NGO specialist Diversity.

Clive Wrattan, CEO of the BTA, sees consolidation as "a sign of a healthy industry".

"What's encouraging is the TAG investment by private equity money. It's an industry of opportunity and I guarantee there will be more consolidation as it's the nature of the business we're in," he observes.

Echoing his words is Gary Povey, COO, Wings Global Travel: "Consolidation through mergers and acquisitions have always been around,

ISTOCK.COM/BYMURATDENIZ

> Smaller players who don't own their own technology will be the most vulnerable as they need scale to thrive and stay relevant"

▸ but the recent activity is of a much larger scale. Well-known names have disappeared, which has been sad but also just reality. The amount of investment from Private Equity indicates that the industry has a bright future and is not seen as a risk."

The big guys

Rumours circulated for a while about American Express GBT's acquisition of CWT. Industry observers are keen to see what the impact will be of two such mega organisations coming together, something Paul Abbott, CEO of Amex GBT is clear on: "It's an opportunity to welcome 4,000 customers on to a proven model. That's our central focus – to strengthen our presence in key industry verticals such as military, government, energy, marine and mining. Those travellers' needs are more complex so they play into our offering."

But is big necessarily better? "The CWT acquisition will take performance to another level," claims Abbott. He is keen to stress that the industry is fragmented and worth £1.4trillion. "We have £45bn of that, so there's a significant runway for growth," he adds.

Where that growth comes from is a moot point and Abbott does not rule out further acquisitions, both organic and inorganic, but highlights that the 24% revenue growth over the last year came from organic growth. "We don't need acquisitions to grow," he says.

Behind the drive for growth is the changing marketplace. "The supply and customer needs are changing and technology is the driving force. Customers want global content, the best software and the best services all integrated. It's exactly what you're seeing with Navan and Spotnana. Navan started life as a software platform saying it was going to replace the TMC and spent the last three years buying legacy TMCs because it's had to build out the services side of the business."

Abbott is "extremely confident" that Amex will avoid client fall-out. "It's up to us to show the value. We have a lot of experience in HR and high levels of customer retention."

Size matters

Pat McDonagh, CEO Clarity, is glad his company has grown over the last decade or so.

"Clarity was an eighth of the size it is today 12 years ago and looking at some of the technological headwinds coming I'm glad we're the right size today." Clarity is backed by Saudi Arabian travel business Seera.

"In September 2020 we took the decision to invest in proprietary technology and accelerate out of the pandemic. Investing in tech is a long an expensive road and you can only do that when you're running a larger organisation."

Clarity announced its acquisition of Agiito last August. It was a non-core asset of Capita that had been up for sale for six years.

As one of the largest hotel suppliers and operating in similar verticals, Agiito was a natural fit and Clarity now boasts stronger supplier contracting and technology, particularly from Meetings Pro, Agiito's proprietary meetings online tool which features instant booking capability. "That was massive for us," says McDonagh.

Clarity's future is driven by a three-pronged strategy: scale, technological capability and geography in order to extend its footprint, which it will do with OneGlobal.

"To be in the top 10 you need to be of significantly more scale now," he says.

Like Amex GBT, Clarity is making strenuous efforts to retain Agiito's clients. "Such a move brings doubts and fears and nervousness and we know how to handle that. We're honest about the future. We keep everybody informed and we were quick to ensure that the senior team was put together, with familiar faces, and that reassures clients.

"We stressed that the integration process would be thorough and that clients would get the same or better and client reactions have been positive and they are excited about the new technology."

> **"What's encouraging is the TAG investment by private equity money. It's an industry of opportunity and I guarantee there will be more consolidation as it's the nature of the business we're in"**

Single-minded

Another interesting acquisition comes from former co-founder of Concur Steve Singh, buying Direct Travel, which is busy integrating Spotnana's technology stack, Center's expense management solution and Troops meetings and group travel planning platform.

In Direct he will get a tech-driven TMC exploiting AI and integrating the disparate sources of data to create the perfect trip, which has always been a buyer's holy grail.

His vision is of a single platform with centralised data, online booking services, expense management and meetings and group planning capabilities like no other.

Today, TMCs' business is predicated on scale, and disruption is once again challenging TMCs business models and three TMCs are showing the way forward.

ISTOCK.COM/PEOPLEIMAGES