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Amex Buys a Piece of Rearden

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American Express has taken an equity stake in Rearden Commerce and will market a re-branded version of its employee business services platform, the companies will announce today.

The September investment, of an undisclosed sum, gives Amex a seat on Rearden's board. The company's existing investors include Empire Capital Partners, Foundation Capital and Oak Investment Partners.

Officials said a subset of Amex sales people have helped the new, Rearden-powered American Express Intelligent Online Marketplace attract 15 corporate clients since the two companies officially extended their relationship in July. Amid a quietly operated two-year reseller agreement between the pair, one Amex client already had been using Rearden products "for quite some time," said Andrew McGraw, American Express Business Travel senior vice president and general manager for North America.

In addition, "We formed a joint product council and kind of a development roadmap where a team of us in American Express and a team at Rearden will collectively decide what future suppliers and functionality we add to the solution, which I think is a key differentiator in the relationship," said McGraw.

Rearden traditionally charges a per-seat license fee, rather than a transaction fee, but executives said Amex is pricing the offering in a variety of ways, including both subscription- and transaction-based arrangements. Travel bookings through Rearden's corporate online booking tool would be fulfilled in Amex's Miami Lakes, Fla. fulfillment center. The Rearden employee business services platform also offers shipping, dining, ground transportation, remote conferencing, airport parking, event tickets and meeting services through a single interface. The platform enables significant corporate control for preferred supplier support, as well as "personal assistant" functions including notification and calendar integration for employees using portable devices.

Investments by Amex in technology firms are not unprecedented and have helped established long-term success for recipients. Several years ago, the company bought into a predecessor of Concur Technologies, now the leading expense management software provider. Before its acquisition by Sabre Holdings, GetThere Inc. benefited from an Amex investment.

"There has been a host of equity investment deals we have made over the years, but it has been a couple years [since the last one]," said McGraw. "It needs to be the right one that fits our strategy and business model."

McGraw spoke glowingly about the Rearden model, but he downplayed the partnership's potential impact on relationships with firms including Concur and GetThere--both of which compete with Rearden for travel-booking clients and distributor partnerships.

"We have partnerships with a couple other partners and will continue to have those," said McGraw. "Those solutions will be right for certain customers, as well. We have to understand the customer's needs and align the solutions to them."

He reiterated the validity of a September statement by American Express, in which the company said GetThere is a key part of its online strategy. He also said Cliqbook remains in the American Express Online solution set.

Largely stemming from the defection to Rearden by a handful of longtime GetThere architects and sales people, including Rearden Commerce vice president of worldwide sales and travel services Tony D'Astolfo, the recent settlement of litigation between Rearden and GetThere resulted in "carve outs" that preclude Rearden from directly marketing to certain GetThere clients.

According to D'Astolfo, those restrictions are "still in place. There were specific, named accounts currently under contract directly with GetThere [to which] we are prevented from marketing and selling our travel application." He said a sale by American Express would not be considered a direct contract.

Meanwhile, D'Astolfo said the Amex deal would have no effect on his company's relationships with other travel management companies, including Amex rival BCD Travel. "We have a cadre of TMCs we're working with," he said. "This one is a lot more significant."

According to Dee Runyan, BCD Travel executive vice president for products, technology and supplier relations, BCD customers using Rearden "are very happy" with the booking tool and the value proposition.

"I think it is a bit more of a complex sale [and] probably a longer selling cycle," she said, comparing Rearden's offering with other travel technology tools. "It has to integrate with enterprise resource planning systems and procurement philosophies." While Rearden initially attempted to require clients to buy its entire suite, Runyan said Rearden more recently has been willing to offer only certain pieces. Pfizer, for example, is testing Rearden's ground and dining applications but not using its travel booking tool.

Meanwhile, D'Astolfo confirmed that his company is looking to partner with providers of expense management technology. "The way our platform works, we give you the ability to pick, for example, from any packaged shipping provider," he said. "That's the direction we will take in expense."

Having first emerged in 2001 as Gazoo, a startup focused on bringing travel booking technology to mobile devices, Rearden has taken a few years to develop. But travel management consultants said the corporate travel industry is intrigued by its approach.

"It's a solution that goes way beyond just travel," said Management Alternatives president Carol Ann Salcito. "There are various [functions] and they are tying them to one resource, which we haven't seen before. We have a number of clients using them, and all for different reasons."

According to TRW Consulting's Tom Wilkinson, a former GetThere manager who helped build the origins of Travelocity Business, "Rearden has jumped right into the intersection of travel and procurement, and is taking what most folks wrestle with as somewhat incompatible activities and blending them seamlessly--or at least the business model would blend them seamlessly. The jury is still out on whether Rearden will be able to broaden its marketplace to the point where it truly becomes useful beyond travel and does some fun new things. But the technology seems viable and by definition, they are a major-league competitor to GetThere, [Concur's] Cliqbook and anyone else who is trying to get into that space."

– Jay Campbell

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