

Travel Management 2.0

**HARNESSING DATA TO TAKE YOUR TRAVEL MANAGEMENT PROGRAM
TO THE NEXT LEVEL**



Directravel
How smart people travel.



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EXECUTIVE SUMMARY

Optimizing an established travel program requires corporations to take steps beyond the basic strategies of writing travel policy, hiring a travel management company and labeling certain suppliers as preferred. In today's business travel environment, harnessing travel data to identify program weakness and interpreting that data to reveal prescriptive solutions has become the next crucial step in controlling travel spend and maximizing return on investment.

Commissioned by Directravel, a top 10 travel management company that has served the business travel community for more than 25 years, and developed with the industry insights of both the company's senior management team and Travologists (experts in the art and science of travel management), this industry paper addresses the following advanced travel management strategies that will take established programs to the next level:

- Aggregating a corporation's business travel data
- Improving data quality through internal controls
- Using benchmarking techniques to drive compliance and realize additional savings
- Leveraging travel data to negotiate with suppliers amid current market conditions
- Other leading-edge tactics to compliment data-based optimization

With increased access to data and services targeted directly to them, the time is ripe for small and midsize corporations to increase the business intelligence surrounding their travel activities and enhance their management programs with data-based initiatives. Cultivating a corporation's awareness of these opportunities and endorsing strategies to optimize success are the purview of C-level executives and senior managers.

Directravel is proud to partner with these executives and provide the information that will better guide travel management initiatives and enhance their current travel programs.

ABOUT DIRECTRAVEL

For more than 25 years, Directravel has provided its corporate clients with high-quality business travel management services, Internet-based technology solutions and significant cost savings. With corporate offices in Mahwah, NJ, and regional offices in New York City; Princeton, NJ; Scranton, PA; Chicago, IL; and San Francisco, CA; Directravel is ranked among the top 10 U.S. corporate travel management firms. More than 300 Directravel travel professionals serve clients at both onsite and offsite locations nationwide. For more information, call 1-800-air-travel or visit www.dt.com.

THE AGE OF OPTIMIZATION

As the travel industry consolidates, costs rise and contract negotiations become increasingly sophisticated, business intelligence has become a primary concern for any enterprise looking to contain business travel expenses while adding value to the traveler experience. By using the information gathered from existing travel management efforts, corporations can optimize program effectiveness and realize additional savings and control.

The foundation of business intelligence for a managed travel program is the data collected from diverse travel suppliers and aggregated by corporations or third-party data consolidators to track spend, inform negotiation strategies, measure traveler compliance to policy and audit vendor compliance to contracts. According to a survey conducted jointly by the Association of Corporate Travel Managers (ACTE) and AirPlus International in 2007, nearly 80 percent of responding CEO/COO and procurement executives identified travel data aggregation as an area of increasing importance to their corporations.

As no single source of data is complete—and accuracy continues to be a challenge for the industry as a whole—most corporations looking to aggregate travel data rely on a preferred travel management company and/or online booking tool and a corporate payment card solution to provide the information they need to deploy their travel spend and achieve budget goals. Corporations can improve the quality of their data by taking internal steps to tighten uncontrolled travel policies, address the use of paper-based processes, drive online booking and require the use of a consolidated payment method. In taking steps to improve data capture, corporations are likely to achieve residual cost savings as well.

Interestingly, midsize companies may ultimately prove the most adept at capturing more accurate data and utilizing it to take their travel management programs to the next level. According to Prism Group president Michael Whitesage, a third-party data consolidator for airlines, corporations and an Internet travel agency, commenting on the above mentioned ACTE and AirPlus International research, “There is not a direct equivalent between the size of a company and know-how. The larger the company is, there’s an inverse proposition to their ability to control [a travel program]. They can’t use data because they can’t control it. Midsize companies are able to measure data and get data.”

With that in mind, small and midsize companies looking to optimize a working travel management program should focus on achieving business intelligence through improving the quality of their data and then using that data to benchmark program performance, track and influence traveler compliance, enrich supplier relationships and improve traveler satisfaction and productivity.

TOOL CHECK

Corporations should regularly evaluate their travel management tools and technology to ensure they are up to standard. Outdated tools can frustrate the most genuine efforts to optimize travel management programs.



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IMPROVING DATA QUALITY

The first step toward optimizing an established travel management program is to improve adoption rates of the tools and services available to collect data. While many companies shy away from strong mandates—opting instead to recommend compliance to policy—corporations looking to take programs to the next level, must seriously weigh their corporate cultures against the value of placing policy mandates in key areas:

Travel Management Company & Online Booking Channel

Corporations continue to lose information and money as travelers go direct to suppliers, booking trips without the benefit of negotiated rates or the program controls that will direct them toward preferred partners. Even if a traveler ultimately books with a preferred partner, the fact that the trip was booked outside proper channels makes it unlikely that the business will register towards a corporation's contractual agree-

DATA POINTS THE WAY TO SAVINGS

THE BARR GROUP LEVERAGES DATA TO CONTROL SPEND AS TRAVEL VOLUME SKYROCKETS

COMPANY: The Barr Group

INDUSTRY: Pharmaceutical

CHALLENGE: A 200% increase in overall travel volume sparked a data-based initiative to track the company's travel trends and leverage the increased volume.

ACTIONS: Barr combines its TMC reports with its corporate card reports on a quarterly and annual basis to get a full view of the company's travel spend, leakage, and compliance. Beyond that, the company now takes a proactive approach with reports to show upper management not only the company's global airfare spend but also savings and loss.

The reporting has proven crucial to the accountability of department heads as well. Barr is able to benchmark spending and show each department head how their travel costs align with their department budgets—or if their spending is out of range.

The Barr Group has also used its data to support its negotiations with suppliers and alter its purchasing strategies to achieve savings. "By viewing market share and city pairs we can identify areas of potential additional savings by moving market share, etc.," said Ann Dery, manager, global corporate travel for The Barr Group. "Using good reporting to spotlight trends, strengths and weaknesses is the only way to improve the program for both the company and the individual traveler."

RESULT: In the last year, The Barr Group has been able to show a 10 percent savings in airline spend and a 22 percent savings in hotel spend—and the company has found a place at the negotiating table for an increasingly rare airline volume discount. "Based on only the first six months of consolidated airline reporting, we have been able to request a Global Lufthansa Contract in combination with the Star Alliance Partners. Hopefully, we will have a global agreement in place by mid-September," said Dery.

ments. The mandated use of a preferred travel management company (TMC) will help prevent the loss of key information and ensure that travelers receive negotiated rates.

As an integral part of its TMC relationship, a corporation looking to maximize travel spend must also consider mandating the use of an online booking tool. Despite reports of rapidly growing online transactions, many TMCs find that clients—especially small and midsize companies—do not fully embrace self-booking technologies. This is supported by a National Business Travel Association study conducted in late 2007, which indicated that only 26 percent of companies surveyed had an online booking mandate in place. (Projections for 2008 from the same organization forecasted a 16 percent increase in online booking mandates, but that remains to be seen.) Whether the culprits are corporate culture, lack of awareness or perceived lack of resources, many companies continue to miss the data capture and savings opportunities presented by such tools.

Online booking tools store individual traveler data used for regular and/or recurring trips, and can be optimized to offer only preferred options or to flag traveler choices that are out of policy. With such tools, travelers are given a sense of empowerment to view and choose itineraries that best meet their needs, while staying within the confines of company policy and preferences. That said, policy writers must take care to identify clearly the appropriate bookings to push through an online tool, with rules that are easy for travelers to follow. Prime targets include general domestic itineraries, simple round trips, or specific city pairs, including hotel, car, and chauffeured services. In addition to increased data accuracy, online booking mandates are likely to produce an immediate cost savings due to much lower transaction fees.

Despite lower costs, only about 42 percent of all corporate travel transactions are completed online, according to a 2007 Aberdeen study of 435 enterprises. Approximately 36 percent are booking through TMCs by phone. While those numbers could improve with online booking mandates, there are instances in which self-booking tools are not the corporation's best option.

With the growth of a global economy, business travel has become an increasingly complex proposition. Multi-city itineraries, a high proportion of international travel and trips to locations with limited air, car and lodging services are now de rigueur even for midmarket companies. Especially when competing in the global marketplace, business travelers may need creative options that online tools are not equipped to accommodate. In some instances, personal assistance may be the only avenue through which the trip is possible. In others, the savings uncovered by an agent can far outweigh the transaction fees incurred. Whether an itinerary must be booked through an online booking tool or TMC agent, data capture should occur to populate a TMC's standard reporting suite, and customized information can be collected as long as the corporation has identified key data points with its TMC partner.

TOOL CHECK

ONLINE BOOKING BENEFITS AT A GLANCE

- **Booking available 24/7**
- **Reduced transaction fees**
- **Built-in compliance measures**
- **All travel options at travelers' fingertips**
- **Accurate data capture for itineraries booked**



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T&E Cards/Payment Method

Corporate card issuers experienced significant growth in 2007, and have indicated that much of this growth has come from midmarket companies pushing initiatives to consolidate travel purchasing on a single card and track spend. More good news for midmarket companies: the trend is pushing issuers to enhance services and rebates for small and midsize clients.

Mandating the use of these cards for travel purchases will allow corporations to capture actual spending data, which can bolster reports from TMCs and verify that booked travel was actually completed. By combining reports from both of these sources, corporations begin to get a full picture of traveler activity.

To get the best reporting capabilities, a corporate card program needs to ensure Level 3 reporting for all transactions. This enables the company to look at sales tax, freight, duty and line item details for every purchase (product/service, quantity, item amount, etc.). In the past, hotel and car rental charges have been a source of frustration for travel management departments, as traveler spend could not be broken down into specific charges such as room rate, food and beverage purchases and Internet fees (in the case of hotels) or rental rate, fuel charges and insurance (in the case of car rental). Now, however, major hotel and car rental chains have partnered with credit card companies to submit electronic folios that have this information broken out. Corporations should consider negotiating preferred partner relationships with suppliers that can offer this level of purchasing detail—and directing travelers to use them.

Major card vendors should be able to download data directly to a company's expense reporting system and prepopulate expense report fields, providing convenience to travelers and reducing the need to process paper receipts manually. Implementing and maintaining such technology will save time for the traveler and the back office, increase productivity and can streamline accounting and payment processes. The cost to integrate systems can be significant, however, and should be weighed against the projected savings.

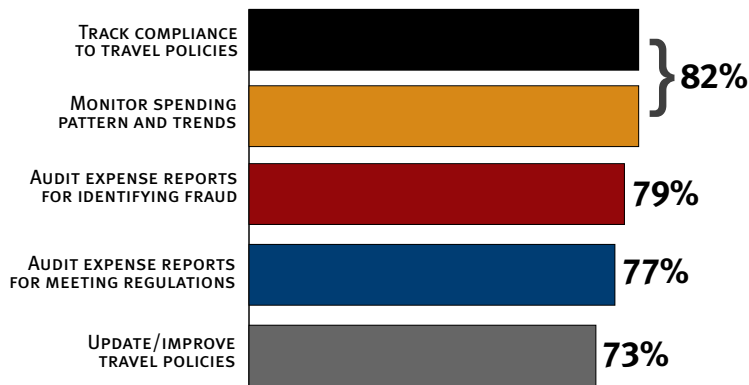
MANAGEMENT REPORTS & BENCHMARKING

When travel compliance is firmly established—including adherence to preferred TMC and corporate card policies—massive amounts of reliable data can be mined for all types of management reports. Common reports cover the following areas, but can include just about any metric a corporation can identify to its suppliers:

- Average prices paid for air, car and hotel
- How the above rates compare to other available rates at the time of booking
- Usage of preferred suppliers
- Usage of online booking tools
- Types of ticket purchases—advance purchase versus last minute, restricted versus unrestricted, etc.
- Trip length

Figure 2. Leveraging T&E Data

PERCENTAGE OF RESPONDENTS USING DATA TO...



SOURCE: ABERDEEN APRIL 2008 SURVEY OF 160 ENTERPRISES

- Most active travelers
- Average transaction fees

Once companies know the details behind their own programs, they can examine the efficacy and ROI of travel management initiatives by benchmarking—both internally between departments and externally with peer companies.

Internal benchmarking can be highly effective in driving departmental compliance. Ranking departments against each other can create internal competition, raise awareness of travel spend and efficiency and influence specific travelers to book through proper channels. Penalties might be targeted to internal departments that miss compliance goals. Some companies create reward programs that can be targeted to departments with the highest compliance rates.

A TMC can offer data for external benchmarking, allowing companies to measure their travel management performance against companies of similar size and travel spend. This can also occur independently through informal forums or as part of industry buying groups and associations. External benchmarking can help identify categories in which a corporation could realistically improve its supplier relationships.

Audits

Auditing also can be used to verify various aspects of a travel program, ranging from accurate use of preferred supplier pricing to compliance with Sarbanes-Oxley financial reporting requirements. They can ensure programs are set up correctly on the front end and expense reports are filed accurately on the back end.

For example, many companies continue to complain of tardy or error-prone hotel rate loading processes, which generate lost savings after rate



Travel Management 2.0

negotiations are finalized. To confirm that hotel properties and chains are properly inputting contracted rates into global distribution systems—which in turn makes them available to travelers via all authorized points of sale, including TMC agent desktops and/or online booking tools—organizations can rely on their TMCs and/or hire independent third parties.

Other audits can determine how often preferred and/or lowest airfares are offered at the point of sale by travel management companies and used by travelers. Travel management and/or procurement departments also should be cognizant of any regulations governing their organization's particular industry sector and develop travel program audits to ensure adherence to those regulations.

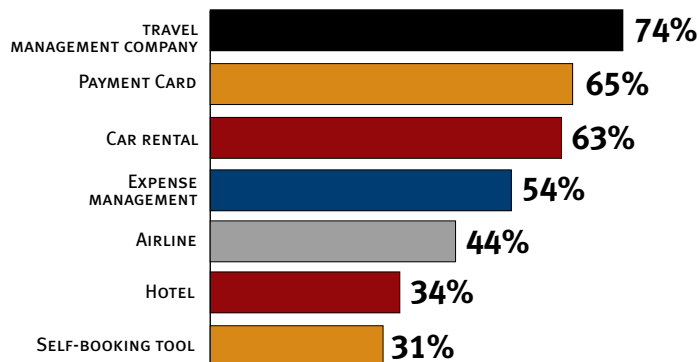
ENRICHING SUPPLIER RELATIONSHIPS

As a corporation aggregates and analyzes travel data, it should become increasingly evident where the firm is hitting program targets and where it is falling short in compliance, cost containment, and contractual commitments. In addition to shoring up program performance, the corporation must use the business intelligence it has garnered to negotiate better deals with suppliers—keeping in mind both the limitations and opportunities created by current market conditions.

Before heading to the negotiating table, smart companies will look at their top suppliers with contract goals and measure their own performance against those goals. A firm might also conduct surveys of frequent travelers—either internally or through their TMC—to gauge how well preferred suppliers are servicing their needs. Results can be shared with those preferred suppliers, including the designated TMC, to improve programs. In areas where the data suggests ongoing low volume or an otherwise weak negotiating position, the corporation

Figure 3. Preferred Supplier Use

PREFERRED TMCs AND PAYMENT CARDS SIT AT THE TOP OF THE LIST OF PREFERRED SUPPLIERS, WHILE HOTEL PARTNERS AND SELF-BOOKING TOOLS LANGUISH AT THE BOTTOM.



SOURCE: AMADEUS/ASSOCIATE OF CORPORATE TRAVEL EXECUTIVES 2006 STUDY

should approach its TMC about leveraging its volume on behalf of the client.

Hotel

The surging hotel occupancy rates of the last five years are beginning to level off and even decrease in certain markets, which could turn into a significant negotiation opportunity for companies that come to the table prepared. However, when it comes to hotels, few companies do (see figure 3).

Hotel compliance is historically among the weakest performers for many reasons: traveler preference for properties in closer proximity to where they are doing business; traveler perception that they are getting a better deal by booking direct or perhaps booking within a room block as an attendee at a conference or event. Corporations must combat noncompliance with stronger controls and clear communications, pushing travelers to book with preferred suppliers and delivering on contractual commitments.

Trimming the number of preferred properties is a prime target for corporations, allowing buyers to focus on volume and extract improved terms from chains or individual properties. Beyond lower rates, negotiable items should also include such program enhancements as last-room availability and value-adds for travelers—namely no-charge Internet access, free parking, complimentary access to fitness facilities and loyalty program amenities. Reducing the number of preferred properties will also make it easier to direct travelers to in-policy options.

As indicated previously, an online booking tool can help drive travelers to in-policy hotels by prioritizing the preferred options within booking displays. Nonpreferred properties may not be listed at all. In addition, there is evidence that online booking systems generate higher “attachment rates” (air plus hotel and/or car bookings at the same time in a designated booking channel) than reservations made over the phone. Speaking in February to Management.travel, Beverly Heinritz, then general manager of Sabre’s GetThere corporate booking tool division, cited Sabre’s offline booking attachment rates at 28 percent, compared to slightly above 50 percent via its online booking module. Higher attachment rates often translate to better data aggregation and an increased ability to track travelers for security reasons (see box, this page).

Another tactic that smaller buyers may consider is dynamic pricing. Dynamic pricing is based on pre-determined discounts off floating published rates rather than specific, fixed rates. The headlines regarding this topic over the past few years generally remarked on how many organizations have spurned hoteliers’ requests to model programs using the dynamic pricing concept. But companies that lack leverage may find value, especially in high-demand business markets, as dynamic pricing may bring more financial benefit than simply relying on lowest published rates.

Air

Airline sourcing today can be much trickier, especially for small and midsize enterprises. As airlines fall short in revenues and look to

SECURITY CHECK

Data collection that tracks flight, hotel and car booking is also vital to tracking travelers for security and safety reasons. TMCs are able to run reports on travel in progress to put companies in contact with travelers should the need arise. To fulfill these needs, however, organizations must embed TMCs throughout their travel programs and require travelers to use approved booking channels and make all itinerary changes through the TMC.



Travel Management 2.0

merge in search of efficiencies, corporate clients are met with difficult prerequisites when it comes to negotiating discounts.

Unless a corporation can provide data to substantiate a significant increase in volume or a meaningful shift in share for the airline—in specific markets or across the board—cash-strapped carriers are unlikely to agree to deeper contractual concessions. To obtain a small degree of relief, buyers should seek to negotiate elite level loyalty program memberships—not only to help employees obtain upgrades and access airport clubs, but also as a means to avoid many new charges being levied on passengers. For example, elite level flyers are generally exempt from the baggage fees airlines began applying during 2008.

Car

Other types of vendor negotiations can mitigate cost increases and higher across-the-board pricing that are permeating the travel industry. Car rental spend is one of these areas. Because of recent consolidation in the car rental segment, it is now possible to contract with fewer—and ideally one—vendor that can cover a corporation's national and/or international needs. In addition to using volume data to negotiate rates, buyers are looking at adding such contractual components as unlimited mileage, car class upgrades, premium club memberships and insurance coverage.

OTHER PROGRAM TACTICS

Data optimization is not the singular cure for travel program weakness, though it can contribute to improvements in many areas. Still, a well-rounded travel management program will use additional tactics to maximize spend and ensure return on investment.

Pre-Trip

Increasingly, companies are turning to a demand management approach to determine if business trips provide an acceptable ROI. The approach weighs the benefit of the trip against the cost—in travel and related expenses, and employee productivity. It coincides with improving remote conferencing technology that enables travelers to conduct virtual meetings when trips are not mission-critical. “Business travel managers clearly have a point in mind when the cost of travel will determine the viability of each trip,” said ACTE executive director Susan Gurley.

Other pre-trip tactics relate to tracking pre-existing airline credits and enabling travelers to use them when booking trips, and supplying travelers with safety and security information.

En Route

For travelers en route, mobile devices are being put to better use, as suppliers increase traveler access to Web information and actively send notifications to those who subscribe to their services. Business travelers can receive security alerts and updated flight information, and go to supplier sites for remote hotel and flight check-in, as well as paperless boarding passes that allow them to skip long lines at the counter. Moving forward, mobile tools will enable users to rebook cancelled or missed flights by accessing corpo-

rate systems with preferred supplier options and policy parameters, and begin to complete expense reports while still on the road.

“These functions will deliver substantial cost savings for companies through increased productivity and efficiency,” according to a 2008 Amadeus/ACTE report in which more than nine in 10 respondents said their companies provide mobile devices to travelers. “Mobile technology is set to transform the entire travel experience for business travelers by improving access to information and services to ease their trip and by enabling corporate travel managers to increase travel policy compliance.” Moreover, 100 percent of respondents said ‘tracking and communication of travelers for security purposes’ is a major benefit of mobile technology.

Post Trip

Beyond scrutinizing data and refining policies as appropriate, leading-edge technologies are now enabling corporations to integrate electronic supplier invoices into their expense reporting systems, facilitating traveler reimbursement processes and further aiding in data collection. As more companies focus on data aggregation and analysis to improve their travel program performance, automatic data integration is the next intuitive step to reduce administration costs and increase report accuracy.

As integration trickles down to the mainstream, travel management departments must work closely with corporate card program administrators and TMCs to verify data, track spending and identify improper use.

CONCLUSION

Quality business intelligence has become the cornerstone of building a better travel program, and corporations must work with their suppliers and business travelers to optimize the information that is available to them. Because of their size, small and midsize companies may be in a better position to achieve clarity, but they will need to exert more control over compliance and data collection to achieve the best results. By dissecting travel data, benchmarking program performance and auditing suppliers, corporations can address specific program weakness and uncover the strengths that will help them negotiate—even amid challenging market conditions.

As the importance of clear business intelligence surrounding travel spend increases, technologies are becoming more available to automate data integration into expense reporting systems, easing the administration costs that currently surround manual tasks. Taking advantage of such technologies as costs become less prohibitive will provide small and midsize companies with increased accuracy and vision.

More suppliers—such as TMCs, payment card issuers and third-party data consolidators—are enriching their services, getting into the business of interpreting data and providing corporations with prescriptive solutions to travel program weaknesses. They are also partnering with each other to provide joint clients with more comprehensive views of corporate travel spend, making the opportunities presented by travel management optimization more accessible than ever before. ■

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