Global Digest

Business Travel
Background

CASME RoundTable meetings on business travel procurement were held in Melbourne, Shanghai, Zurich, Singapore, Mexico City and New Jersey during a period from June to September 2016. The following main topics were discussed:

- Business travel strategy
- Travel management
- The role of technology
- Compliance and governance
- Airlines
- Hotels
- Future trends.

This Digest provides the key points, good practices and insight into future trends identified by CASME members around the world. Full notes from each meeting are available on the subscriber-only Resource Centre.

Business travel strategy

- Business travel strategies are generally developed at a global level to control and consolidate spend volume and data. The extent of centralisation of the business travel strategy is dependent on the maturity of the organisation. Reviews being conducted focus on total cost, service quality and duty of care.
- Strategies are developed using either a top-down or bottom-up approach, and incorporate feedback from frequent business travellers, key stakeholders and local Procurement on travel requirements and budget restrictions, as well as supplier options and capacity. The need to incorporate regional and local strategies to accommodate local requirements and laws is recognised.
- An effective business travel strategy involves consolidating the travel spend with one or two travel management companies (TMCs), using one global distribution system (GDS) and a single online booking tool (OBT) in order to enable global coverage, efficient management and obtain reliable booking and spend data. Regional and local agencies and booking hubs are in place to provide business travel coverage in remote areas, such as parts of Asia and Australia.
- Travel policies provide guidelines that are intended to mitigate travel risk, manage cost and support the travel strategy. Policy reviews are conducted annually to ensure business needs are being met and the policy is relevant to business performance.
- Alignment between the business travel strategy and policy will result in improved cost savings and policy compliance. Good practice is to communicate key travel policies using internal communications and booking portals, and to embed policy guidelines within the booking tools and procedures. Proactive programmes and initiatives can help to educate business travellers on key policy guidelines and compliance.
- Procurement’s role is to implement strategic processes to support the policy, not enforce it. Procurement’s main objectives include identifying key savings opportunities, sourcing suppliers, conducting supplier relationship management (SRM), developing a global agreement by understanding regional, local and global needs, and identifying innovative alternatives to current business travel practices. Technology and suppliers are employed to provide support in improving processes, executing the business travel policy efficiently and effectively, and to support budget holders in managing cost and compliance as well as educating business travellers.

Travel management

- Global TMCs should have a strategic role in assisting the organisation with implementing and supporting the business travel policy. The value of using global TMCs includes obtaining greater geographic scope, better pricing and efficient data consolidation, as well as reliable spend reporting and travel industry reports for benchmarking. TMCs also provide integration of the organisation’s preferred suppliers into the travel management programme.
- The value of TMCs is greatest when they facilitate high value activities such as organising complex multi-service or group travel bookings, and providing consultancy to improve business travel, such as reducing travel times and providing alternative travel supplier recommendations.
• In addition to service quality, TMC selection is usually based on the value and solutions offered to improve cost savings and cost avoidance, rather than price alone. TMCs’ performance can be benchmarked by issuing a request for proposal (RFP) in order to collect data on average fares for common routes, and by obtaining reports from peer communities and business information service providers.

• TMC contracts are negotiated every three to five years; the standard contract is three years with the option to renew for the fourth and fifth years. Contract conditions include service fees ranging between 1% and 3.5% based on volume, OBT adoption, and increasing compliance. Incentives such as rebates and high volume discounts are included as negotiation terms. A service level agreement (SLA) should accompany the contract and be included quarterly business reviews.

• Organisations with large volume may be able to negotiate global contracts directly with airlines, hotels and car rental companies. However, organisations with smaller volumes will benefit from the TMC’s consolidated volume to obtain better pricing.

• Payment for travel is generally limited to P-cards, corporate cards, or central/business travel account (CTA/BTA) cards that allow for accurate tracking of business travel spend. Due diligence should be performed in individual countries to determine if local banking laws allow for these payment options.

The role of technology

• OBTs can be directly contracted by the organisation, or provided as an additional service by TMCs, allowing internal teams to focus on higher value activities and achievement of operational savings. Selection of an OBT is based on usability, regional availability, multiple language features, functions to support booking and approval procedures and alignment with the organisation’s travel policy, as well as user experience and expense management for individual travellers, automatic ticketing and unused ticket reporting.

• Travel expense management (TEM) systems, pre-trip approval and data analytic tools are commonly used by organisations to monitor compliance to the travel policy, perform duty of care and identify cost savings.

• Tracking tools can be used to provide real-time information on risks to travellers.

• Mobile apps are used for expense management, reporting and duty of care purposes. However, there is demand for mobile apps with more robust features that function in similar ways to retail apps in order to meet travellers’ expectations.

Compliance and governance

• Compliance to policy depends on factors such as the organisational culture impacting individual attitudes, effective communication of policy information, change management, policy integration with the booking process, and the sourcing of suppliers that meet business travellers’ needs. Organisations generally have strict policies and processes for exceptions to the travel policy.

• Different approaches are applied to managing non-compliance. Incidents may be highlighted to either the traveller or their manager before disciplinary action is taken. Methods used to encourage compliance include educating employees on the conditions for travel, the necessary processes and channels to use when booking, providing opportunities for training on tools and processes, organising networking meetings between the TMC and frequent traveller, including travel booking procedures in the new employee orientation programmes, and involving business travel influencers in process developments.

Airlines

• Global negotiations based on volume provide favourable price agreements, although local negotiations with regional and local carriers can provide further savings and value. Organisations should channel domestic and international travel volume through a single airline and avoid those in a code-share partnership, as this dilutes the volume. Airline negotiations are conducted every two to three years.

• Low cost carriers are gaining acceptance by organisations for short-haul flights no longer than two hours. However, the impact of flight delays and cancellations on the business needs to be considered.

• Preparation for negotiation includes gathering and analysing current and historical data on spend, routes and travel patterns.

• Benchmarking airlines’ performance includes comparisons of public and contracted prices for common routes, analysing quarterly TMC reports and third party reports comparing market prices. Suppliers should be approached for intelligence on market prices and trends.
• When cost savings cannot be achieved through reduced prices, it is recommended to negotiate for a reduction or removal of additional benefits such as upgrades and preferential boarding, which prevents travellers from selecting these options. Adopting a flexible approach to using a second-tier airline may result in more benefits for less cost.

• Organisations select a GDS based on the preferred carriers within the system. The GDS is then integrated by the TMC into the travel management programme.

**Hotels**

• Hotel spend should be determined as well as budgets, traveller profiles and travel patterns prior to negotiating with hotels. Negotiations are conducted annually and sometimes through a TMC to reach an agreement on rate caps, seasonal black-out pricing and room availability.

• Negotiating agreements with chain hotels at a global level is challenging when spend is lower than USD10 million.

• Agreements based on committed room nights at a fixed room rate cap provide the best value. Although some negotiations focus on securing the lowest rates, discounts and additional services such as free WiFi, gym access, welcome drinks and airport shuttles can be included contracts.

• Organisations focused on cost should consider new suppliers within the hotel tier. Shared economy accommodation options are generally discouraged by organisations as these do not comply with travel policies.

**Future trends**

• Demand for travel is likely to remain, despite technological advancements in online communication tools.

• Business travel budgets will continue to be targeted for cost savings, which can be achieved through travel policy updates, inclusion of low cost travel alternatives such as low cost carriers, non-traditional accommodation options and greater use of technology to identify opportunities to maximise value for money.

• Business travellers’ expectations for convenient travel processes and mobile apps are likely to increase. With technological advancements, Procurement can provide greater value with access to accurate data and analysis on travel spend. However, obtaining a balance between convenience and duty of care is challenging. Use of OBTs will continue to increase as travellers become technologically adept.

TMCs will continue to be critical in supporting travel management programmes due to their access to GDSs, as well as the reliance of airlines on the GDS model and the expectation that the air travel regulatory structure is unlikely to change.

**Resource Centre Links**

The following are links to the full meeting notes for each region:

- Asia, Shanghai
- Asia, Singapore
- Australasia, Melbourne
- Europe, Zurich
- Latin America, Mexico City
- North America, New Jersey.
Global Digests provide valuable category and strategic insights to CASME members, as part of a much wider subscription service that is delivered to hundreds of corporate indirect procurement teams worldwide.

CASME connects the authentic experiences and perspectives of its global membership network, comprising thousands of procurement professionals, and delivers information services that enrich personal knowledge and team performance.

With more than 200 events, and 1,000+ insight materials and benchmarking reports to choose from, CASME is a great resource for networking, learning and personal development.

Our members actively benefit from:

Unrivalled Events and Networking
- RoundTables
- Virtual Events (Virtual RoundTables, Category SpotLights, Panel Discussions and Guest Webinars)
- Link-Ups

Comparative Insights and Intelligence
- Notes and Recordings from events
- Global Digests
- Good Practice and Category Strategy Guides
- ToolKits

Unique and Authentic Benchmarking
- Procurement Examiners extended studies and snapshots
- Best In Class
- Deal BenchMarkers

What’s more, our impartial services are delivered across 24 indirect procurement categories and practice areas, without input or influence from suppliers or sponsors.

Already a member?
Log in to the CASME Resource Centre to register for an event, personalise your Dashboard, or print your CPD/CEH certificate as proof of accredited CIPS/ISM/PASIA professional learning hours.

Talk to your local CASME client services representative to discover how we can help.

Not a member?
Visit casme.com for more information, and Request a Demo or Contact Us to discover how CASME membership will provide vital information to support the achievement of your strategic objectives and category plans.

Important
These notes are a summary of the facilitated discussions held between the delegates various meetings. We recommend that any references, particularly to legislation, or recommendations contained in these notes are cross-checked by the reader in order to verify their accuracy prior to being acted upon. Any third party organisations named in this document are not recommendations but are examples of companies mentioned during the meetings that might be considered when tendering for appropriate goods or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed may also provide similar goods or services.

Any intellectual property (IP) (including, but not limited to, copyright and database rights) in this work is vested in CASME, which is the trading name of Market Focus Research Limited, (‘CASME’ or ‘Market Focus’), and the document is issued in confidence for the purpose only for which it is supplied. It must not be reproduced or distributed in whole or in part in any material form or medium except under an agreement or with the consent in writing of CASME and then only on condition that this notice is included in any such reproduction. Full terms and conditions can be accessed at the CASME Resource Centre: casme.com.

CASME is the trading name of Market Focus Research Limited
EMEA and Head Office: 1 Holt Barns, Frith End, Bordon, GU35 0QW, United Kingdom
T: +44 1420 488355    W: casme.com    E: info@casme.com

Americas
New Jersey USA
T: +1 973 218 2566

Asia
Singapore
T: +65 6832 5584

Australasia
Sydney NSW
T: +61 2 8015 2340