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Knowledge How To

An essential guide to purchasing business travel services

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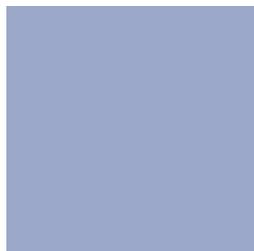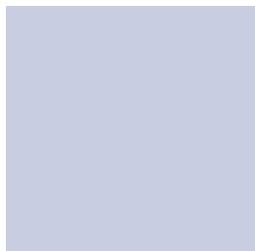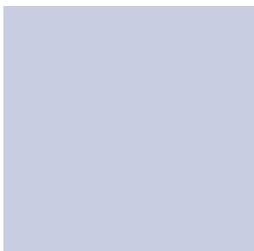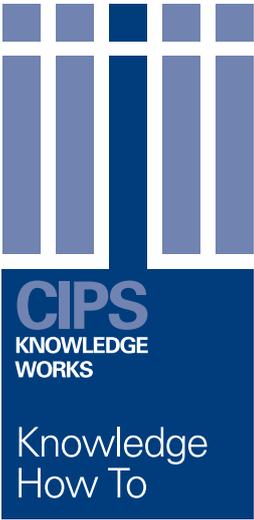An essential guide to purchasing business travel services

Introduction and background to the business travel market

The Travel & Entertainment (T&E) market in the UK is currently estimated to be more than £30 billion.

Research has shown that, in many organisations, T&E expenditure is the second or third largest item of controllable expense. This means that, particularly at times of business activity downturn, travel can be one of the first areas to be cut back.

This Insight Guide provides food for thought for management as to how T&E expenditure may be monitored and controlled throughout the business cycle. The aim is to provide value, rather than just cut cost. As an example, rather than move from Business Class on air tickets to Economy as a first step, shrewd negotiation can reduce the Business Class fares, through discounts taken at point of sale. However, the 'Best Fare on the Day' (such as. the lowest fare made available by an airline for the day of travel) approach may be beneficial. If that isn't felt to be sufficient, then the move to Economy may be inevitable, still using 'Best Fare on the Day'. However, do define what is meant by Economy!

If looking at the total cost of travel (100%), the cost of the Travel Management Company (TMC) is around 5%, the internal process costs (authorisation, booking, payment and so on) around 3% - that leaves 92%, the cost of the air tickets, the room charges and so on. This is the area of maximum opportunity to save cost, whilst obtaining value.
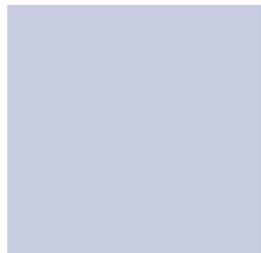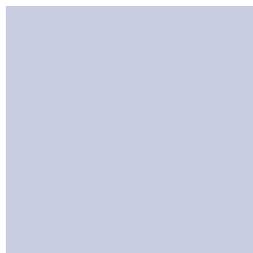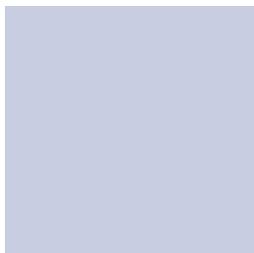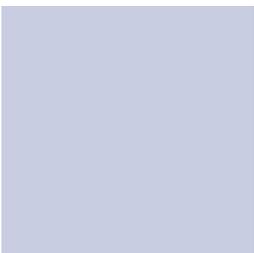
An essential guide to purchasing business travel services
Travel policy

2.1 Why have one?

It is vitally important that companies improve value from money spent on travel and a travel policy is the cornerstone on which good procurement can achieve that objective. It has been said that a well-documented, well-implemented, well-monitored policy can reduce travel costs by at least 10% and by up to 30%.

Experience has shown that travel suppliers will tend to give their best deals to those companies who can demonstrate an 'effective' Travel Policy. The closer the policy is to a mandate, the better. Procurement should be able to demonstrate the capability to switch the business between suppliers.

It would be well to remember though that different companies will have different cultures and policies - one size won't necessarily fit all when it comes to Travel Policy. Buy-in from all levels within the organisation is imperative, if the travel policy is to succeed in its objective of controlling business travel expense.

2.2 Who should write it?

In any organisation, many people are involved in travel, for example travellers, buyer/travel manager, finance/audit department, travel bookers, and so on, with, hopefully, the Travel Management Company (TMC) also closely involved. Preferably, there should be a good line of sight between all these parties, with good communication and mutual understanding of objectives.

Travel Policy should be written by the person who is responsible for the procurement of travel within the organisation. Other departments, such as Finance, HR, Security, Health & Safety and so on, will have an input into the development of the policy and the Board/Management Committee will need to approve it, but the travel 'buyer' should be responsible for

producing it. It is also advisable that legal advice is taken when formulating the travel policy especially with the introduction of the UK 2008 Corporate Manslaughter Act.

2.3 What needs to be borne in mind when writing it?

Reasonableness - would the writer be willing to use the airline (and class of travel) or hotel proposed? - is the airline or hotel a natural choice? - does the airline cover the main destinations required? - are the departure airports feasible? - there is little point sending travellers from north of London to Gatwick.

Under this heading, the amount of change that is called for comes into play - evolution rather than revolution is much easier. However, circumstances can mean that this isn't possible and significant changes to Policy have to be made.

Make moving more acceptable, for example on airlines, more lounge access, free upgrades, Frequent Flyer Programmes can work to an organisation's benefit.

Empowerment - it must be choice within boundaries, otherwise anarchy may result. The 'mind set' must be, 'budgets are maximum amounts to be spent, rather than must be spent'. By making statements as to the maximum levels, departments/cost centres are given guidelines to work within.

Using preferred airlines can lead to maximum savings, as can ensuring the TMC obtains the aforementioned "Best Fare on The Day", rather than accepting a standard established route fare. Ensuring that the "Best Fare on The Day" is obtained can help increase compliance with the travel policy as it will avoid the situation where the traveller sees that they could have obtained a lower fare if they had "booked it themselves".

An essential guide to purchasing business travel services
Travel Policy

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Corporate Social Responsibility Policy (CSR) – if your organisation has a CSR policy, ensure that the principles contained in it are reflected in the travel policy. Typically, the most relevant element of a CSR policy will be that dealing with the organisation's impact on the environment. This guide gives suggestions on how to manage and reduce the impact of business travel on the environment in section 17.

Seek Alternatives - be comfortable with travellers NOT travelling. Welcome video conferencing, audio conferencing, web-conferencing and so on. Challenge travellers on mode of travel, for example London – Brussels or Paris: Air Heathrow/Gatwick v. cheaper Luton/Stansted or even using rail.

Keep It Simple - if you can, by keeping it simple (say two pages), get 90% of travellers to understand 80% of policy, and progress is being made. From those two pages, a policy matrix can be built up.

2.4 Making it happen
An organisation can have the best travel policy on paper but its usefulness is only as strong as the traveller's awareness of it. Flesh out your travel policy matrix – TMCs can help.
- use a travel newsletter to get the message across - preferably on email/Intranet and possibly written by the TMC (with editorial control with you)
- Company 'newsletters', with a message from the CEO to endorse it
- notice boards (including the implant office, if you have one) – close to vending machines can be a good location
- company Intranet
- desk drops
- user groups.

Do ensure travellers understand the structure of airfares – 'Economy' covers a plethora of ticket types and encourage the virtuous circle. Ask suppliers to improve a deal for the traveller, as well as the company. This should ensure their market share improves, then the buyer can go back the following year for a further improvement in the deal and so on.

Remember, the closer you get to a mandate on travel policy, the better will be the deal from the TMC.

2.5 Monitoring Policy
The Travel 'Buyer' should be responsible for monitoring policy but all the statistics should come from suppliers such as TMCs, charge cards, airlines and so on (other than a cross reference on expenses through the finance department).

Quarterly reviews, allied to regular exception reporting (on non-compliance), should be sufficient.

Remember, management information (MIS – see Section 8 below) provides three functions:
- it makes management aware of what is going on
- it provides material for future negotiation and existing deal reconciliation
- it shows compliance levels to policy.

Remember above the line savings must be greater than below the line costs, for example booker/traveller time, missed appointments and so on.

Do make up your own compliance codes for compliance and non-compliance, for example
- no good business reason
- reason for non compliance, for example flight full and so on
- better than policy, for example voluntary downgrade and so on.
- and do make use of your User Groups to discuss compliance problems (among other things).

Review travel policy formally, once a year – even if the result is 'no change'.

An essential guide to purchasing business travel services
Travel procurement process

3.1 The tender process

3.1.1 Stage 1 – the internal process
a) get agreement to go out to tender
b) agree which department will lead the process
c) review the travel policy – does it need to be updated?
d) write the specification, Invitation to Tender (ITT), Request for Proposal (RFP) - what needs to go in?

- statistics by sector (air, rail, hotels, car rental
  - division/cost centre
  - company location
- number of transactions and spend
- room nights, average stay
- average car rental length, average grade of car rented
- travel policy (in full)
- all the services you will require from the supplier (in this example, the TMC)
- how the company will pay for services
- authorisation procedures
- what management information is required
- the organisation's general terms and conditions including termination clause(s)
- the organisation's Internal Audit requirements
- Service Level Agreements (SLAs) and Key Performance Indicators (KPIs)

e) internally agree a timetable for the tender process
f) agree the evaluation criteria and weightings, for example., between the bid submissions and the presentation, service v. cost, references, site visits and so on.

3.1.2 Stage 2 – the external process
Source the market - the options include:
- Institute of Travel Management (ITM)
- Association of Corporate Travel Executives (ACTE)
- own network
- previous experience
- independent consultants.

Having sourced the market, set a provisional bid list, take up references on the agencies and agree a final bid list.

Having written the ITT/RFP/ Request for quote RFQ, send it out to the agreed bid list. A possible bid timetable could be:

RFP/ITT/RFQ goes out	Period 0
Intention to Bid	Within 5 working days
Requests for Clarification	Within 10 working days
Responses to Clarification Requests	Within 4 working days (of deadline)
Bids returned	Within 30 days of Period 0
Evaluate	Within 2 weeks of bid return
Presentations from short-listed companies	Timescales here would depend upon
Take up client references /site visits	the number of short listed companies
Evaluate/Review	complexity of requirement and
Post-bid negotiation/ clarification	contract negotiations
Award contract	
Let unsuccessful bidders know and offer debrief Advise travellers, bookers, and so on	
Implementation period	Allow 2/3 months

Conduct a review of whole process to identify improvement opportunities for future tenders.
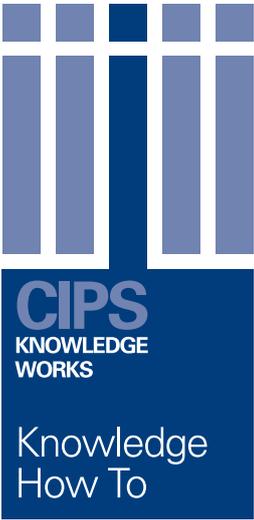
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Travel procurement process

3.2 Tendering – latest trends

It is more common for larger client companies to tender - quite often after three years - but irrespective of size, the specification is so important. Within the specification, the better the information on actual spend, number of transactions and so on, the better will be submissions. It is vital particularly when asking for a quote from a Travel Management Company on a transaction fee basis. Without transaction numbers, it is difficult for them to bid accurately.

Remember, the evaluation criteria and weightings need to be agreed before the RFP/ITT/ RFQ goes out.

As a guideline, go out to six companies and short-list three for presentation. For site visits and references, it may be best to wait for the short-list decision. References can be current and recently lost clients.

When considering the presentations, look at 20 minutes on set (by you) topics and 40 minutes Q&A. This avoids a 'sales pitch' and concentrates on the topics that are important to you. It is preferable that the proposed account manager and any other key personnel form part of the TMC presentation team.

On post-bid negotiation/clarification, there is often plenty of room for negotiation, but this phase can take time.

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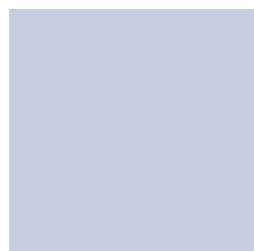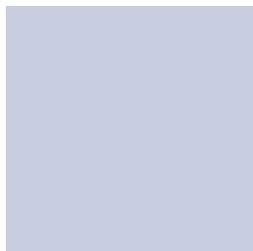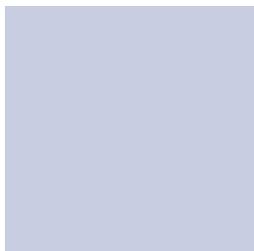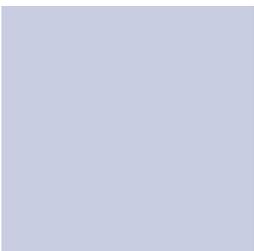
Travel management companies

4.1 Background

The Association of British Travel Agents (ABTA) reported over 6,000 members in 2006 but that rather masked the reality. In a March 1996 survey (Business Travel World: Magazine Index), 47% of corporate respondents reported they were with one of the three largest multiples, American Express, Carlson Wagonlit or HRG. BCD is a 'new' major player, with the dissolution of the BTI partnership. That trend has continued. Many companies need a national, pan-European or global coverage for their business travel purchasing. This has spawned the new description 'TMCs' as the agents sought to widen the scope of what they did for their customers.

The next tranche of companies in the marketplace such as Hillgate Travel, Portman Travel, ATP, Gray Dawes and so on are obviously smaller, but have managed to meet global expectations by joining alliances, such as Radius, GTM, Synergi and so on. The rest of ABTA's membership is made up of smaller companies, meeting local needs (although they may serve quite large well-known companies in specific locations) or perhaps specialising in a particular niche market.

4.2 What to put into an RFP - services which may be required

- air, rail, or sea bookings, within company travel policy (including low-cost carriers)
- ensure traveller is fully aware of most economic fare, within travel policy
- e-tickets and associated refund process
- arrange TODs (Tickets on Departure)
- operate a courier service to client's office(s)
- process confirmations of flights for overseas visitors
- compile full itineraries
- issue excess baggage letters acceptable by all International Air Transport Association (IATA) carriers and also Miscellaneous Charge Orders (MCOs)

- issue travellers cheques and foreign currency
- obtain passports and visas and so on
- undertake miscellaneous duties, such as issue of international driving licences, checking authentication of documents at Embassies
- obtain literature, timetables and so on
- arrange refunds (see also e-tickets above)
- make hotel and meeting/conference bookings
- make car rental and chauffeur bookings (and possibly taxis)
- provide management information as required by the client
- advise on and arrange holidays for employees (optional)
- a fully staffed 24-hour service
- airport assistance in UK and abroad
- marine services
- group travel (10 or more people)
- ad hoc aircraft charter
- Service Levels required and Key Performance Indicators
- management Information required
- regular review meetings
- help with negotiations with airlines, hotels and so on
- other projects, for example. implants v outplants, benchmarking and so on.

4.2.1 Other items to go in
- hours of operation
- technology to be provided
- levels of support and training
- out of hours cover
- sickness and holiday cover required
- internal audit checks required
- staffing levels.

Remuneration of the travel management company

There are two basic options at present.

a) **Management fee** - 'open book' with all commissions and overrides passed on by the TMC to the client and the client paying all the TMC's costs associated with your account and a management fee (or profit). The fee may be a % of sales or a fixed fee and it may be incentivised through a SLA. The overheads within the TMC costs may also be a % of sales.

b) **Transaction fee** –
- **(bundled)** all commissions and overrides passed on by TMC to the client, but a transaction fee is charged for each booking. This fee may vary with the type of booking, for example. air, rail, hotel and so on, but will cover the TMC's costs and a profit margin. Smaller TMCs may keep commissions and overrides and charge a lower transaction fee.
- **(unbundled)** as for bundled above, but the transaction fee only covers the TMC's indirect costs and profit and the travel manager monitors the TMC's direct operating expense. A mixture of management fee and transaction fee.

5.1 Management fee contracts – an example of layout

Sales   By market sector
Income
Commissions passed on from:
- airlines
- rail
- hotels
- car rental companies.

Costs
- direct (mainly manpower)
- indirect
- corporate overheads.

Profit
Total of Costs & Profit – express as a % of sales

Very good	5-6%	
Good	6-7%	
???	>7%	You should begin to have increasing doubts.

Income – Costs & Profit = Residue

5.2 Move to negative residues

With reducing commissions/overrides and net fares, income is reducing, but TMC costs, however, stay the same or more likely increase. These two factors combine to give negative residues.

When residues were positive, it was hard for the client to get the residue back from the TMC (usually quarterly at best or more commonly annually). Now that residues have gone negative, TMCs are trying to get the client to pay them in advance or at least monthly in arrears. TMCs cash flow is under pressure.

What does a client do with a negative residue?
- have their own budget?
- back charge to travellers' departments?
- move to transaction fees?

5.3 Transaction fees

Another way of covering TMC costs and profit is moving to transaction fees. These will tend to vary from market sector to sector, for example. domestic air, European air, international air, low-cost carriers, hotels, rail and so on.

What is a transaction? There is a definite need to clarify this at the beginning of the contract. What about changes and refunds?

The trend is most definitely towards transaction fees. Certainly, it makes the financial comparison between bids much simpler.

Remuneration of the travel management company

5.3.1 Benefits of transaction fees
- departments that use the TMC a lot pay more than those that don't
- risk is shared with the TMC, once fees are set
- with management fee, the risk is with the client
- these are no residues to be handled at the end of the year
- can discourage changes to travel arrangements.

6. VAT – position in business travel
You should expect to pay this on negative residues only in a management fee contract (depending on how the contract is written, such as. who is seen to own the commissions) and on transaction fees. However, VAT is not charged on air, rail and ferry transaction fees, because air and rail are zero-rated for VAT. VAT is charged on hotel and car rental bookings in the EU area.

VAT reclaim on UK hotel bills - recent European Court of Justice ruling (against the Dutch government) said that VAT could only be claimed on expenses paid directly by the business, i.e. where the invoice is addressed to that business. If employees pay their own expenses and claim back from their employer, the VAT may be lost.

VAT Recovery on travel in the rest of Europe - companies like Meridian and Lowendal can help in this process and charge by taking a % of the money reclaimed. They provide the manpower to process the claims.

Business travel dispensations can be negotiated with Her Majesty's Revenue and Customs (HMR&C) to reduce administration.

Employees will not be taxed on expenses within the agreed policy and in addition there is no requirement to prepare an HMR&C P11D form, or to separate tax relief for self-assessment tax returns.

7. Supplier negotiation – skills required
Generally, it is fair to say that the fewer suppliers the better and that well-developed buying functions spend little time on administration and clerical functions but more on negotiating long-term relationships, developing suppliers, concentrating on total acquisition cost reduction, adding value and developing partnerships – very much mutual v. transactional relationships.

Negotiation involves:
- communication - written and verbal
- identifying, agreeing and pursuing objectives
- having a good script and environment
- assessing the other party's position (information is power)
- bargaining concessions for advantages
- wanting to reach agreement
- agreeing agenda and rules
- making sure the correct people are negotiating
- identifying issues and problem areas
- trying to resolve easier differences first
- bargaining firmly on serious differences, encouraging concessions
- giving way on low priority items to gain high priority matters
- effective use of silence
- suggesting ways of meeting your needs at low cost to the other party
- looking for signals of readiness to concede
- confirming agreements as they are reached
- summarising the results of the negotiation.

In travel, the buyer needs to have the correct management information to back up their negotiation and preferably some benchmarking to set the parameters for the range which they negotiate.

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Management Information (MIS)

8. Management Information (MIS)

When it comes to negotiation, management information is strength, as far as the buyer is concerned. As far as the supplier is concerned, it shows that the buyer is on top of their job and aware of what they have to 'offer' the supplier. Management information can be pre-trip or post-trip, hardcopy or now more likely on-line.

Where can the buyer get this information?

The TMC can provide:
Air
- sectors flown by City Pair (2 sectors = 1 return trip)
- expenditure by airline/market area (Domestic UK, Intra Europe, International)
- type of ticket used
- notice period – such as between booking and travelling
- savings offered and accepted/rejected by the individual booking
- total savings made.

Rail
Less information available, but certainly by route and supplier.

Hotels
Bookings (room nights and rates) by city and/or hotel group.

Any other service billed back to the company, for example, travellers cheques, car rental and so on.

The charge card company can provide management information on all expenditure by market sector, which is particularly good for hotels, as the expenditure is total expenditure and not just the booked room rate from the TMC. Card providers can also provide management information for VAT reclaim without the need for a VAT receipt or invoice.

Other suppliers such as airlines and car rental companies can also provide very useful information. With air travel, this is particularly useful as the data will be flown and not the ticketed information from the TMC.

Your own accounts department can provide information on spend (if services are invoiced to the company) and expenses.

Exception reports are an excellent way of monitoring Travel Policy compliance. Simplistically, the buyer has only to concentrate on non-compliance and the reasons for it.

9. No-commitment agreements with suppliers
Armed with your management information, the buyer can now tackle suppliers, such as airlines and car rental companies, with or without the help of the TMC - see section on negotiation.

Most deals were structured on the basis of receiving rebates or net fares or room rates, when agreed targets are met, although as the title suggests, the buyer never commits to providing any volume.

10. Input to travel budgets
With the buyer's knowledge of the business travel market, they can provide a useful service to the Finance department (or whichever departments put the budgets together). By drafting assumptions as to how they see the cost of air, rail, hotel and so on travel going in the following year, budgeting departments can split the budget into number of transactions, which each department can estimate and the cost element.

Where can this information be found? – TMCs, airlines, hotels and so on.

Monitoring of supplier performance (particularly TMCs)

11. Monitoring of supplier performance (particularly TMCs)

At the beginning of any deal, set up Service Level Agreements, which will have KPIs as measurements.

SLAs typically cover two main aspects of service - timescales and standards. Subjects that can be covered are telephone answering, savings achieved, management information on time, accuracy of booking, customer satisfaction surveys and so on.

12. Travel Ordering Process (some comments on each)

Air

Authorisation process - pre-trip or post-trip
                        - it all takes time – (see below)
Passenger profiles   - vital they are kept up to date (remember the data belongs to your company) These are held on the TMCs GDS (Global Distribution System) and more and more profile changes can be advised on-line.
Consolidated fares/web fares are available through the TMC

Rail

With the privatisation of Rail, the ordering process is more fragmented and certainly deals have to be negotiated with the supplying company.
Useful name - Association of Train Operating Companies (ATOC)

On-line booking
www.thetrainline.com
www.nationalrail.co.uk
www.raileurope.co.uk

Hotels/meetings and conferences

On average a hotel stay will cost 150-160% of the room only rate, when meals, telephone calls and so on are included.

Hotel phone rates are very high
Encourage use of mobile phones or telephone calling cards.

TMCs can book hotel rooms and meetings
Delegate rates for meetings - Daily = coffee, lunch, afternoon tea and room hire
- 24 hour = Daily plus bedroom rate and breakfast

Car rental

Most often asked question is on insurance
    All car hire rates used to include 3rd party liability insurance - now car rental companies will negotiate (use of Company Own Insurance COI)

CDW = Collision Damage Waiver
    If you don't take this your company is liable for ANY damage to the hire car (unless the Rental company can reclaim from a third party). Many organisations take the risk themselves.

PAI = Personal Accident Insurance.
    Most companies decline this.

Theft Protection Insurance (TP)
    Mandatory in Italy. Again, many companies take the risk themselves.

If a rental car is involved in an accident, police may want to see an insurance certificate.
The Rental company can provide this.

Watch out for refuelling charges
    High refuelling charges - encourage renters to return a car full of fuel.

Watch out for delivery/collection charges
    Open to negotiation. Also watch out for one-day and one-way charges, as well as mileage caps.

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Authorisation of travel

Travellers cheques/foreign currency

TMCs can provide these very quickly. Charges are negotiable, especially if billed to a charge card.

13. Authorisation of travel

The authorisation of travel can be viewed in two ways. Firstly, is the travel to be authorised justified in the first place? Could the prospective traveller not handle the business need through audio, video or web-conferencing or indeed just simply not do anything? Is the traveller intending to go alone or with colleagues? – do they all need to travel?

These are the sort of questions that need to be answered, whether the trip approval is pre-travel or post-travel.

It is the second aspect of travel authorisation which can be done pre or post-travel (the latter if the traveller is paying by corporate charge card and claiming back on expenses, before settling the charge card bill). This stage follows the first – the travel is approved – now how much will the travel cost, is it within the Travel Policy and does the approver have the budget to cover it?

In both stages, the approval can be sought verbally, hardcopy or e-mail. The TMC can be told not to issue tickets without signed approval, or to advise if a traveller does not have approval. A self-booking tool (see later) can have pre-approval built into it.

If further safeguards are required, pre-trip management information can be provided by the TMC, which will highlight any prospective non-compliance, up to say six weeks in advance.

14. Charge cards

One of the most expensive areas of travel administration is processing invoices from TMCs, hotels, car rental companies, and so on. It has been estimated that it costs somewhere between £20-£100+ to process each invoice, depending on how the internal costs are allocated.

Using corporate charge cards cuts out all of these invoices if charges are all billed to the card. If employees settle the bill, they check their statements and pay the charge card company, having already claimed the charges against their expenses (expenses still have to be claimed for cash items, even if a charge card system is not used).

Using the expenses system means that authorisation can be made after the trip and avoid those administration costs. It puts control where it should be - with the budget holder.

They also provide free insurance.

Charge cards also provide a rich source of management information, particularly on hotels, where the amount recorded is the actual spend, rather than just the room-only spend through the agent's reservation system.

Remember, if air tickets are billed to a charge card system, then the TMC has no cost of credit and any management fee, transaction fees and so on should be adjusted in the client's favour.

Major players
American Express
Diners Club
Various Visa providers
Various Mastercard suppliers.

Authorisation of travel

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Knowledge
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Lodge cards

A lodge card (or ghost card, as the Americans call them) is effectively an account number held by the TMC to which all air, rail and ferry tickets can be billed by the TMC. The TMC also provides full detail for example. traveller name, cost centre, flight number, route and so on) to the card company so that the end of month statement from the Lodge Card company is just like a statement from a TMC.

Major players

American Express (EBTA – Enhance Business Travel Account))
Diners Club
Air Plus
Visa and MasterCard suppliers

Visa and Mastercard have lower merchant fees then American Express and Diners and the widest worldwide acceptance.

It is important to understand certain aspects of a charge card scheme, for example:
- the liability of the card needs to be set at the beginning of the contract. The choices are:
  - individual – the individual would be liable for a failure to meet the requirements of the card – they would also be subject to a credit check before a card was issued to them
  - company – the company is liable in the event of a default, but there is no credit check on the individual getting the card, just the company
  - joint and several – only available with some cards. The company is liable as above, but can waive its liability under two circumstances, viz:
    - if the individual has used the charge for a non business purpose
    - if the company has settled the individual's expenses but the individual cannot settle the charge card bill

- the payment may be made by the individual, the organisation or by a mixture of the two – the individual puts through their expenses statement with card and non card items. Once approved, instead of reimbursing the individual, the company sends the card company their payment and reimburses the individual for the non-card items
- the card statement can be addressed to the company, to the company via the individual, or to the individual.

Benefits of charge cards

To summarise, they:
- provide a real source of management information, for example. hotels are total spend, not just room costs (as per TMCs)
- cut out costs associated with handling of invoices
- provide free travel insurance
- provide mileage schemes – may or may not be a good thing!
- enable possible rebates based on spend
- VAT claimed from management information regardless of receipts/invoices.

15. Technology in travel

15.1 CRS = Computer reservation system
GDS = Global distribution system

GDSs evolved from CRSs - they form the 'front-office' of the TMC. The major players are Galileo, Sabre and Amadeus.

They have developed dramatically over the last 20 years, with hotel databases, multi-level rates for preferred customers, data on hotel facilities and car databases, whilst passport and visa requirements and insurances and so on are all available too, as are the air bookings. Credit/charge card validation is available.

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Technology in travel

As we have already seen, the Client Travel Policy can (and should) be incorporated. This is managed by the mid-office systems such as Aqua and CoRRex. These check the bookings against policy, check for cheapest fares, waitlists and so on (see quality control overleaf).

To complete the picture, the back office systems produce the invoices and the management information.

15.2 Self-booking products

Products such as GetThere.com (Sabre), CTO (Amex), eTravel (Amadeus), ResX (TRX), KDS, Cytric, Cliqbook, are becoming more commonly used, along with theTrainline.com and Evolvi.

They are most useful for simple point to point journeys, but in many organisations a high % of journeys are point to point. The transaction fees can be up to 50%+ less than traditional fees and average ticket prices taken can be 10-15% lower than normal.

In Europe, even with an SBT, you need to have an IATA licence holder to fulfil the order, such as. produce the ticket, albeit electronic.

Over the past 10/15 years, the online TMC has made a tremendous impact in the USA with Expedia, Orbitz and Travelocity making inroads into the market. In Europe, at present Expedia (having bought Egencia in France and in fact renamed as Egencia in Europe) are the only one of the big three to have made a major impact. The company also bought BTM (Business Travel Management) to fulfil the orders.

Benefits of on-line systems
- information on-line
- on-line link to Travel Policy – link to compliance
- can pull all requirements into one 'booking'
- lower transaction fees (30-50%)
- lower ticket prices (10-15%)
- rail bookings, both in the UK and on mainland Europe.

Downsides
- not good on complicated itineraries
- not good on 'back to backs' and other creative ticketing
- training needs.

Pre-trip reporting and traveller tracking regarding security

Now readily available - too many executives on a flight, too many executives going to the same overseas meeting, a plane crash, executives going to a 'risk' country - these reports can provide the required information.

Intranets/travel portals
More and more companies are using these very effectively. The industry average was for every one call made to make a booking, seven were made to seek information. Reducing these calls can make a significant saving with the TMC and therefore in the management fee/transaction fee financials.

Extranets
Many Intranets provide hyperlinks to airline and other supplier sites and so on.

Quality control via a mid-office system
Typical computer applications will read a GDS booking file once the consultant has completed the work, check for the presence of accounting details, preferred suppliers or approved classes of service

Technology in travel

(for example CoRRex, Aqua). They should also provide a link through to special fare units on more complicated itineraries to maximise the potential savings.

eTickets

Allow travellers to access their reservations at the airport using a booking reference and a charge card/credit card/photo ID to get a boarding card (for security) and a receipt (for expenses). Check-in on-line and boarding card production on-line are now available too.

However, there is a need to put a system in place to trawl through unused e-bookings, as experience has shown that without hard-copy tickets, travellers are less likely to arrange necessary\refunds when necessary. E-bookings drop out of the system after 13 months.

Route deal monitors

Added to what ifs can be very powerful in deciding how to maximise benefits from a range of deals.

Telephone systems

The telephone will recognise the caller and put up the traveller's details on the agent's screen before the call is answered and be able to route different language calls to the appropriate consultant.

15.3 Automated expense management systems

Electronic expense management systems (with a direct feed from the charge card company or TMC) allow expenses to move quickly around the system and do not need to be re-input into the company's books. They have Company Travel Policy built in to aid Travel Policy compliance monitoring.

Major players

Concur
Infor
Necho
SAP
Oracle

- take in feed from charge card company or TMC
- travel Policy can be built in
- populate electronic expense forms
- traveller adds non-card items
- passes to approver for signature
- approver passes to accounts/finance, who take into company books electronically.

Card company and/or traveller paid via BACS.

Greatly speeds up payment process.

Reduce expenses handling costs.

15.4 Search tools

TMCs have developed search tools, which will not only search for fares on the GDS but in low cost carrier websites, the websites of the major carriers (they don't always put their marketing fares into the GDS) and the on-line sites (Travelocity, Opodo, Expedia and so on). However, the Self-Booking Tool (SBT)products have these search tools built in to them.

15.6 TMCs – do we still need them?

As Self-Service Reservation systems (SSRs)/Self-Booking Tools (SBTs) develop, the TMC is going to have to work much harder to add value for their clients. At present, in Europe, even with an SBT, you need a TMC (the IATA licence holder) to fulfil the order, such as. produce the ticket, even though it's an e-ticket.

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However, when using the SBT for simpler journeys the transaction fee, including the fee for the SBT, is up to 50 per cent lower than that for the traditional method. There may be an intermediate transaction fee, low touch for the more complicated itineraries and if over – say - four sectors (a sector is a leg of a journey) then the traditional fee may apply.

As time goes on and more organisations begin to use SBTs, there will be less opportunity for the TMC to add value.

The GDSs will continue to evolve, and if IATA does ease up on its rules on fulfilment, the TMC will be forced more into add-on services and consulting roles.

As well as all of this, the other real danger for the traditional TMC is the online TMC, for example. Expedia, Orbitz, Travelocity, who already provide an SBT type role. How it all develops will be one of the key issues within the business travel market in the next few years.

16. Benchmarking
This may be used to match oneself against other similar organisations to seek for best practice, for example:
- Travel Policy
- Travel Management administration
- TMC service performance
- Meeting planning.

What is more difficult are arrangements between buyer and supplier, but it can be done through your TMC, using a peer group agreed by you with them.

17.   Environmental considerations
Whilst Corporate Social Responsibility, and particularly the environmental element with its impact on global warming, has a very high in the media, research carried out in 2007 by the Barclaycard's 12th annual Business Travel Survey found little evidence of any significant shift in the behaviour of business travelers.

On a more positive note, the survey may have uncovered the first indications of a gradual change in the behaviour of individuals. The survey showed that business travellers may not overall be travelling less, however 36% of respondents claimed to be taking environmental considerations into account – for example travelling by train rather than plane. The probability is that organisations will focus increasingly on their environmental impact, especially if the principle that the "polluter pays" becomes more widespread.

Some statistics:
- business travel accounts for between 20% and 60% of most US corporations pollutants (1)
- transport represents 33% of all greenhouse gases, of which 62% comes from cars (1)
- a typical jet aircraft emits a pound of gases per passenger mile (1)
- in 2005, British travellers produced nearly 5.4 million tonnes of greenhouse gases – commensurate 'carbon offsets' would cost £65M (2).

An essential guide to purchasing business travel services
Environmental considerations

Sources
(1) American Express and Responsible Sourcing Solutions
(2) The Carbon Neutral Company

What can travel buyers do to understand the environmental impact of their organiaation's business travel?

When selecting a TMC look at their CSR policy to ensure that they take environmental considerations into account and that they are a fit with your own policies.

Increasingly, Travel Buyers are demanding more management information from their TMC to assess environmental impact. The information provided can include
- carbon calculations for journeys made
- suggested improvements that could be made if alternative travel choices had been made.

TMCs can use a GDS system to provide pre-trip carbon emission alerts at the time of booking to allow the traveller to see the carbon footprint of the intended trip and also to compare the relative carbon footprint of the travel options available so that an informed choice can be made

Consider asking the TMC to assist in designing a travel policy to reduce and offset emissions

Organisations cannot function effectively through stopping travel but they can ensure that they travel efficiently. Are there more efficient routes to fly? Would it be better to use the train rather than to fly? (for many European destinations it can actually be quicker to travel by train when taking into account the time taken to travel to and from the airport and check in times).

Foster a culture in which the question "is it necessary to travel at all?" is asked. Whilst face to face meetings can be beneficial, with improving communications technology there are many situations where alternatives may be more appropriate. For example:
- conference calls
- video conferencing
- web conferencing.

18. UK Corporate Manslaughter Act 2008
On 6th April 2008 a new Corporate Manslaughter Act (in Scotland: Corporate Culpable Homicide) came into effect which has implications for organisations in many areas, including in respect of employees travelling on business.

The Act puts the law in this area onto a new footing, setting out a new statutory offence. In summary, an organisation is guilty of the offence if the way in which its activities are managed or organised causes a death and amounts to a gross breach of a relevant duty of care to the deceased. A substantial part of the breach must have been in the way that activities were managed by senior management.

Whilst the application of this legislation is in its infancy and it is not possible to say exactly what the full impact is in respect of travel, organisations need to be aware of the act and put procedures in place to protect both the employee and the organisation. At a basic level, this includes ensuring that you have a travel policy that employees are aware of, maintaining employees' safety and being aware of their whereabouts at all times.

Travel buyers and travel managers need to be aware of this legislation and consult with other relevant departments within the organisation such as HR, Health & Safety and Legal.

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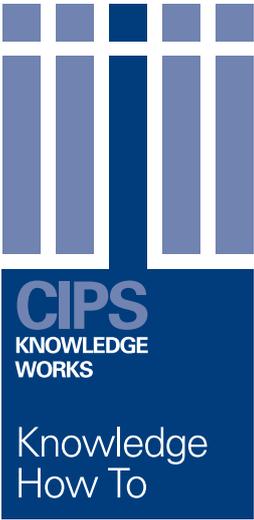
19. EC procurement directives

The need for utilities and public bodies to follow EC procurement procedures has been mentioned several times already. The relevant directives are complex and procedures can take between two and four months to implement. There are penalties for non-compliance and all records are subject to examination. Supplier selection should be transparent, objective and auditable. If not, contracts may be cancelled and financial penalties exacted.

There are various procedures, named 'open', 'negotiated' and 'restricted'. The purchasing manager in a public body will normally be well aware of these procedures, but if purchasing is devolved, it is essential that anyone likely to agree to a contact for equipment or services above a threshold value is made aware of these directives. Ignorance of them is not an acceptable defence.

20. Conclusions

The business travel market has evolved dramatically in the last 20 years and will continue to do so. The procurement specialists, who have appeared more and more to be deciding strategy, will need to keep abreast of these changes.

There is more emphasis on end to end process solutions from travel booking services, expense claims and payments. The challenge is in implementing the most cost and time effective solution for your organisation.

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