

Effective Travel Management

Eight key levers to optimize a travel program

A CWT White Paper

A comprehensive view

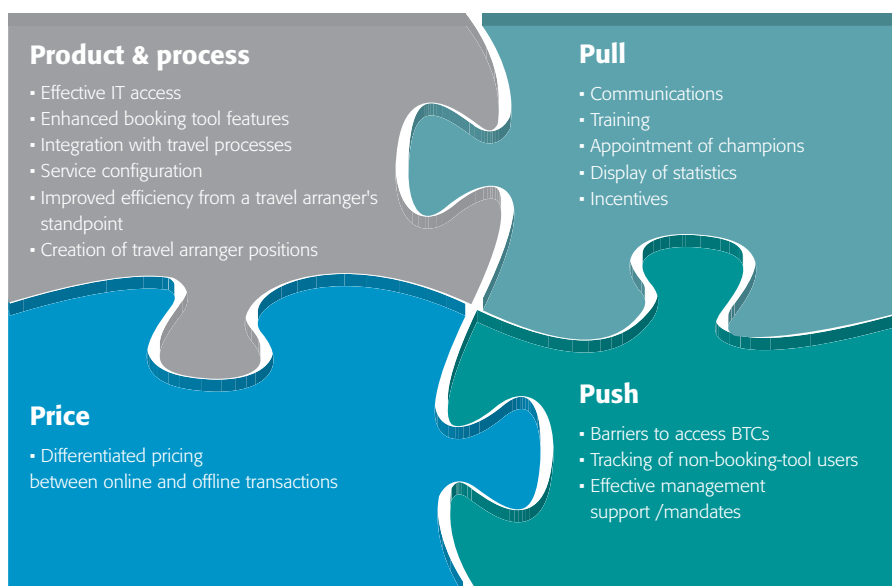
In the second edition of *Effective Travel Management*, published in June 2008, Carlson Wagonlit Travel (CWT) has updated the eight key levers to optimize a travel program, first presented in 2005. The levers remain focused on savings, service and security while addressing more recent concerns over environmental protection, duty of care and sustainability. In addition, findings and best practices from in-depth research conducted by the CWT Travel Management Institute provide new insights into online booking, program consolidation, and travel policy and compliance. This white paper summarizes the latest edition of *Effective Travel Management*, which can be found in its entirety on www.carlsonwagonlit.com.

Lever 1: Provide the right services and assistance to travelers and optimize transaction processing

Effective travel management delivers value to travelers and companies alike. The balance between satisfaction and efficiency is easily attainable when certain conditions are met:

- By using a corporate **online booking tool** for simple transactions, companies can save up to 15 percent of their total travel spend from combined savings on airfares and booking fees.¹ Those with the highest online adoption tend to combine the “4Ps”: Product & process, Price differential, Push from management, and Pull through training and incentives.
- For offline bookings, companies must determine which **service configuration** will best meet their need for service and savings. Ensuring that global distribution systems (GDSs) provide full access to relevant content in accordance with a company's travel policy also helps increase efficiency.
- Providing a suite of **traveler services** such as a Web-based portal, an easy-to-use profiling tool, mobile communications and round-the-clock emergency assistance enhances productivity and satisfaction.

Figure 1: The “4 Ps”: a holistic approach

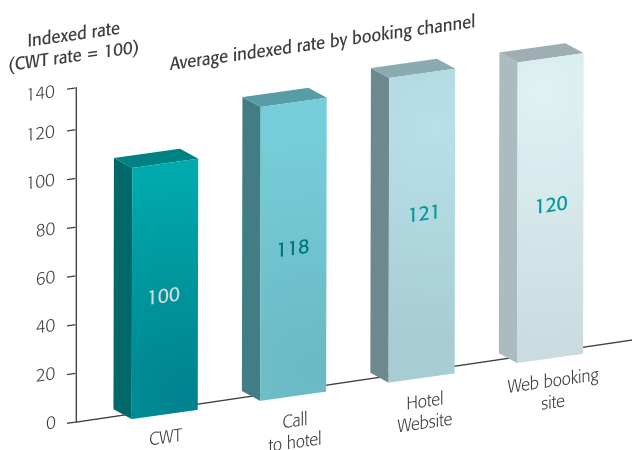


Lever 2: Tackle hotel spend in a disciplined and professional manner

Hotel spend represents between 30 and 50 percent of a company's total travel spend but is often left unmanaged. Several steps should be taken to optimize this important spend category and enhance traveler satisfaction and security:

- **Consolidate hotel data** from the travel management company, corporate card provider and hotels themselves to better leverage actual volume.
- **Negotiate fixed or flat rates** with a limited number of chains and independent hotels to accrue greater volume per property and larger discounts. Best available rates, often determined by supply and demand, can sometimes be lower than negotiated rates and should be used when appropriate.
- **Regularly monitor fare loading** in GDSs to ensure accuracy and reduce "rate squatting."
- **Design a hotel program** that meets travelers' needs for proximity and service.
- **Mandate booking** through the travel management company or corporate online booking tool for greater savings and enhanced traveler tracking.

Figure 2: Hotel room rates are 18-21% lower when booked through the travel management company



Based on a CWT hotel price benchmark (262 samples), June 2007
Web booking sites sampled: Expedia.com, Travelocity.com, HRS.com and Kayak.com
Source: CWT Travel Management Institute

Lever 3: Continue to drive air and ground transportation savings

Although **air spend** receives the greatest attention from most travel managers, opportunities for further savings exist:

- **Advance air bookings** made at least 14 days before departure can result in savings of up to 50 percent on some routes.
- **Restricted fares** (i.e., non-refundable or modifiable with penalties) represent average savings of 24 percent over negotiated flexible fares, even if penalties for changes or cancellations are incurred.
- Companies should negotiate with a **limited number of preferred carriers** for larger, volume-based discounts. Concentrating bi-directional traffic (i.e., originating on either side of common city pairs) with preferred suppliers and establishing a hub system for long-haul flights can increase aggregate volume.
- Travel policies should mandate **preferred airlines** over the "best buy" to help companies meet their volume commitments.
- **Alliances** bring soft- and hard-dollar benefits in terms of convenience and savings.

Ground transportation is often a low priority for travel managers, although it represents 10 percent of a total travel budget in the United States and even more in Europe and Asia, where rail is commonly used for business travel. To weigh the benefits of increasing rail volume over air, CWT recommends the following approach:

- **Identify the main routes** where rail is a viable alternative to air and consider the number of daily departures to help assess convenience.
- Define current rail volume and estimate the potential increase by switching from air to rail on specific routes. **Greater rail volume** can result in better rates on routes where rail and air compete.
- Evaluate potential savings by comparing **average ticket prices** for rail and air and applying forecast volumes.

Car rental, limousine, chauffeur-driven "black car" and taxi services are also part of a well-designed and well-negotiated ground transportation program. To optimize negotiations:

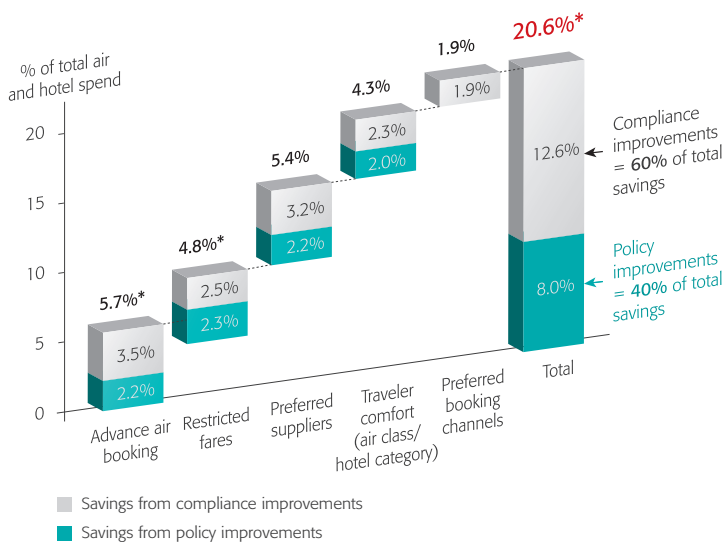
- Obtain relevant information on suppliers and **competitive agreements**.
- Analyze ground transportation data and simulate different **market share scenarios** to obtain more competitive agreements.
- Negotiate terms that will **limit price hikes** over the duration of a contract.

Lever 4: Increase policy compliance and optimize demand management

A well-designed **travel policy and compliance** are the cornerstone of an effectively managed travel program. Together, they can lead to savings of on average 20 percent of total travel spend.² These savings come from five main areas:

- **Advance air bookings** made at least two weeks before departure
- **Restricted airfares** over flexible fares
- Consistent use of **preferred suppliers** over “best buys”
- **Traveler comfort** (i.e., authorized air class/hotel category) in line with standards used by other companies in the same sector
- **Preferred booking channels** (i.e., travel management company and corporate online booking tool)

Figure 3: Companies can save on average 20% on total travel spend by improving policy and compliance in 5 main areas



Source: CWT Travel Management Institute

*Note: As restricted fares are typically available in advance, CWT calculates a 1.5% overlap in savings from improved performance in these two areas. This figure is deducted from the total savings, which become 20.6% instead of 22.1%.

CWT has observed eight best practices for designing travel policies and increasing traveler compliance:

- **Engage management** throughout the organization and make their support visible.
- Provide travelers with guidelines that are **precise, clear and comprehensive** for each of the five main areas of savings. Where the corporate culture allows, set mandates.
- **Standardize the travel policy** regionally or globally.
- Promote compliance through **communications and training**.

- Drive compliance through **point-of-sale measures** by integrating the policy into on- and offline booking processes.
- **Track progress** and take **corrective action**.
- **Benchmark industry performance** to ensure that a travel policy is in line with evolving standards in the same business sector.
- Leverage **travel management company expertise** and technology to optimize performance.

As costs for business travel continue to increase, many companies are integrating **demand management** into their initiatives to better align corporate travel with business needs. To that end, they are asking themselves:

- What are the **objectives** of a particular business trip? How will return on investment be measured?
- Can the objectives be achieved through **other means**?
- What is the **added value** of taking this trip?
- **Who** needs to travel to reach the stated objectives?
- Can we cut down on the **number of travelers** and still meet our objectives?

Lever 5: Further consolidate travel programs

Consolidation means converging virtually all components of a travel program on a local, regional or global basis. Savings average 20 percent and service and security are enhanced. Key initiatives include:

- Working with one **global travel management company**
- Reallocating marketshare to a limited number of **preferred air suppliers** for volume-based discounts
- Consolidating **hotel sourcing** with a limited number of chains and independent properties alike
- Standardizing **travel policy**
- Unifying **service level agreements, tools and processes**
- Consolidating **data**
- Monitoring **performance indicators** with a standardized travel program scorecard
- Defining the **appropriate level of consolidation**—global, regional, local—for each component of the travel program

² *Playing by the Rules: Optimizing Travel Policy and Compliance*, CWT Travel Management Institute (2008)

Lever 6: Address security needs and corporate social responsibility

World-class companies continuously strive to reduce the frequency and severity of incidents and implement effective response and recovery procedures to enhance traveler **security**, maintain productivity and limit liability. Managing travel-related risks calls for:

- Clearly defined **policies and procedures** related to safety and security
- **Pre-trip information** and briefings for travelers going to high-risk destinations
- A widely communicated **Disaster Response Plan** and practice drills
- **Traveler tracking** in real time
- A **formal notification process** for communicating in an emergency
- **Worldwide assistance** 24/7

Increasingly conscious of their **corporate social responsibility**, these same companies are also taking more measures to protect the environment. Some of their basic principles include:

- Reducing **CO₂ emissions** as much as possible before offsetting
- Using **rail** as an alternative to air when appropriate
- Implementing **carbon calculators** at the point of booking
- Contracting with **"green" hotels** and environmentally friendly meeting facilities
- Encouraging the use of **hybrid vehicles** and prohibiting rental car upgrades
- Promoting **virtual meetings**
- Holding meetings and events in **less distant locations**

Lever 7: Integrate meetings and events into the travel program to control and optimize the related spend

Meetings and events often represent 25-40 percent of a total travel and entertainment budget. Nevertheless, they remain uncharted territory for savings. More and more companies, however, are reversing the tide and applying the principles of effective travel management to this activity. Doing so involves:

- Establishing a concrete, widely communicated, global **meetings and events policy** with clearly defined processes, roles and responsibilities

- Building a **centralized organization** of specialists in procurement and event planning, and integrating them with the travel management team for greater consolidation of spend and increased, volume-based savings
- Contracting with a limited number of **preferred suppliers**
- Using **Web-based technology** for booking, registration, planning, budgeting, purchasing, payment and performance measurement
- Streamlining payment/reconciliation and data consolidation through a single, **centralized payment mechanism** for all meeting and event spend categories
- **Evaluating** meetings and events after the fact to gauge benefits versus costs

Lever 8: Develop executive dashboards and actionable performance measures

It is impossible to evaluate and optimize the effectiveness of a travel program without relevant performance indicators and consolidated data that is timely, accurate and easy to use. To monitor and drive progress, companies must adhere to these best practices:

- Define **measurable performance indicators** that will provide actionable insights for each element of the travel program.
- **Integrate data** and reporting from a variety of sources for the most complete picture of performance.
- Design relevant, easy-to-interpret **dashboards** that track performance against goals, offer drill-down capabilities, and are available in multiple languages and currencies.

Conclusion

Effective travel management is an ongoing process that is within the reach of any company committed to balancing cost control, traveler safety and service, and sustainability. The eight key levers to optimize a travel program provide a robust framework from which to work and succeed.

For more information on how the experts at CWT can help your company successfully optimize its travel program, please contact your sales or program manager or email us at tmi@carlsonwagonlit.fr.

The full text of *Effective Travel Management* is available on www.carlsonwagonlit.com.