

ACTE
GLOBAL

ASSOCIATION OF
CORPORATE TRAVEL
EXECUTIVES

A Best Practices Guide to Corporate Travel Policy Compliance



Developed in Cooperation with AirPlus International

WHAT TRAVEL PAYMENT IS ALL ABOUT.



INTRODUCTION

Rising prices from suppliers and increased scrutiny by senior management of travel program costs are putting more pressure on corporate travel managers to deliver value. A key component of that goal is traveler compliance. Never an easy process, getting travelers to use the corporate card, book with the travel management company, use the self-booking tool, and utilize preferred suppliers for air, hotel, and car is critical to success. To find out if corporate travel managers are making headway on compliance and if so, how they are achieving this, in March of this year the Association of Corporate Travel Executives (ACTE) and AirPlus International decided to conduct a survey of ACTE members, complemented by a white paper that would explore these best practices in more depth.

In analyzing the survey results and researching the paper, there were a number of heartening discoveries. First, we learned that travel managers have definitely made progress. Approximately half of the 131 respondents reported that compliance rates have improved, with slightly higher results for air; the percentage was higher among travel managers based in Europe and those at large corporations with the highest travel spend.



Richard Crum
ACTE Global President
AirPlus International, Inc. President

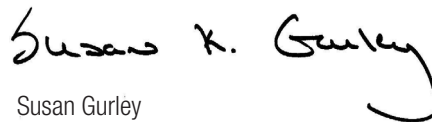
About AirPlus International:

With more than 32,000 corporate customers worldwide, AirPlus International is a global leader in business travel payment solutions; offering lodge card accounts, corporate cards and online management tools. As the leading issuer worldwide of UATP, AirPlus settles flight tickets from more than 260 airlines and is the preferred partner of various airlines such as Air China, British Airways (NYSE:BAW), Continental Airlines (NYSE:CAL), Luxair, Lufthansa German Airlines, Austrian Airlines, Swiss International Air Lines, TAP Portugal and Singapore Airlines. Please visit www.airplus.com for further information.

Second, they are being more disciplined in their approach to managing travel. The language and terms of the travel policy are being tweaked to be very specific; mandates are being implemented, accompanied by clearly spelled-out penalties for offenders; and sophisticated reporting tools are being utilized to monitor and measure compliance.

Third, travel managers are drawing upon their own specialized area of expertise to better respond to travelers' needs. While they are taking steps to consistently and effectively educate travelers about the policy, they also realize the importance of being sensitive to travelers' experience and stresses on the road. In a sense, this focus represents a return to the fundamentals of travel management. Despite the industry's impressive advances in technology and emphasis on procurement, the knowledge and unique skill set of a seasoned travel manager are fundamental to the success of a travel program. Travel is just too complex for it to be otherwise.

We hope that you will find the attached document, "A Best Practices Guide to Travel Policy Compliance," enlightening, and we welcome your feedback and response.



Susan Gurley
Chief Staff Officer and Executive
Director, ACTE

About ACTE:

The Association of Corporate Travel Executives (ACTE) is a not-for-profit association established to provide executive-level global education and peer-to-peer networking opportunities. Membership spans all of business travel, from corporate buyers to agencies to suppliers, and accords all sectors equal membership. ACTE serves more than 6,000 executives in 50 countries. Please visit www.acte.org for more information.

Table of Contents

- Executive Summary.....iv**
- State of Compliance 1**
- Survey Results
 - Fig. 1 Responses by Region2
 - Fig. 2 Breakdown by T&E Spend.....2
 - Fig. 3 YTD Change in Compliance.....2
 - Fig. 4 Savings from Better Compliance Rates3
 - Fig. 5 Regional Compliance to the Air Policy3
 - Fig. 6 Hotel Compliance3
 - Fig. 7 Valuable Outcomes of Compliance4
 - Fig. 8 Top Factors Contributing to Compliance.....4
- Why Compliance Matters.....5**
- Benefits of Compliance: Cost Savings, Improved Security5
- More Tools Available to Measure Compliance6
- Driving Accountability: A Best Practices Approach 7**
- Travel Policies Are Being Tightened.....7
- Fig. 9 Top KPIs for Controlling Spend7
- Travel Managers Focus on SBT Adoption.....7
- Case Study: Symantec Corp.8
- Case Study: A Tech Company8
- Travel Departments Dedicated to Traveler Education8
- Case Study: Daimler AG9
- Case Study: An Aviation Services Organization.....9
- Pre-trip Approvals Gaining Ground.....9
- Travel Managers Are Adopting Mandates9
- ... But Also Not Forgetting Travelers’ Needs..... 10
- Integrated Expense Reporting Systems Play a Role 10
- Case Study: Daimler AG 11
- Factor: Consolidating Data from the Central Bill and Corporate Cards 11
- The Role of Audits 11
- Conclusion 13**

Executive Summary

Corporations have made impressive gains in traveler compliance to their travel programs. According to an ACTE and AirPlus International survey of 131 travel managers conducted in March of 2008, almost half of respondents said they had improved compliance to the air and hotel programs, with just over 40 percent reporting improvement to the card program. Corporate travel managers based in Europe and those at companies with more than \$200 million in spend reported even higher rates of improvement.

With senior management subjecting the travel program to more scrutiny and airfares and hotel rates continuing to escalate, corporate travel departments are clearly under more pressure to save on costs, and they're rising to the challenge. How? This white paper provides an overview of the best practices that are enabling companies to improve their compliance, based on the survey results and interviews with numerous travel managers

and executives from travel management companies and consultancies. Travel managers are tightening up their policies, implementing more mandates, and pushing adoption of Self-Booking Tools. They're also not forgetting travelers' needs; the research revealed a new focus on more effective traveler education, with carrots extended to encourage more feedback. Another contributing factor to higher compliance rates is sophisticated analytical reporting tools and such features as pre-trip approval modules in the SBTs, which enable travel managers to better monitor and measure compliance.

Entitled "A Best Practices Guide to Travel Policy Compliance," this white paper discusses why compliance is so important now. It outlines the essential benefits and describes in detail companies' best practices. It also includes case studies of corporations that have made real headway in gaining more control over their programs.

The State of Compliance to Policy in the Business Travel Industry

More corporations are focusing on travel program compliance as they seek to reduce costs in the face of rising prices from their suppliers and constraints on their internal budgets. Tough economic times are causing senior management at many companies to scrutinize the travel program more closely to determine whether it's delivering value to the corporation. Now, more than ever, it's incumbent on travel managers not only to negotiate the best deals with their air, hotel, and car-rental suppliers and identify the key performance indicators that will drive savings, but also ensure travelers are complying with these policies.

Traditionally, getting travelers to book with the Travel Management Company (TMC), use the corporate card, and stay within the written travel policy when they arrive at their hotel and pick up their car hasn't been a simple task. After all, travel is a means towards an end--the business purpose—and so compliance to the program hasn't always been high on the list of company priorities. That changed after 9/11, when travelers' security made the trip itself more of a priority and compliance suddenly became critical to knowing where travelers are.

Now policies are being rewritten to require, not just recommend, that travelers book 14 days in advance, use the preferred property at their destination, and refuel the rental car before returning it to the lot. Mandates are being implemented to ensure travelers book with the agency and use the corporate card--or not get reimbursed for the trip. The increased need for full transparency of travel costs is causing managers to place greater emphasis on using the corporate card. In addition, the availability of systems that enable companies to combine data from a central bill and corporate card is enabling them to better track and control expenses.

These tools have also made compliance less elusive: sophisticated data aggregating services are enabling

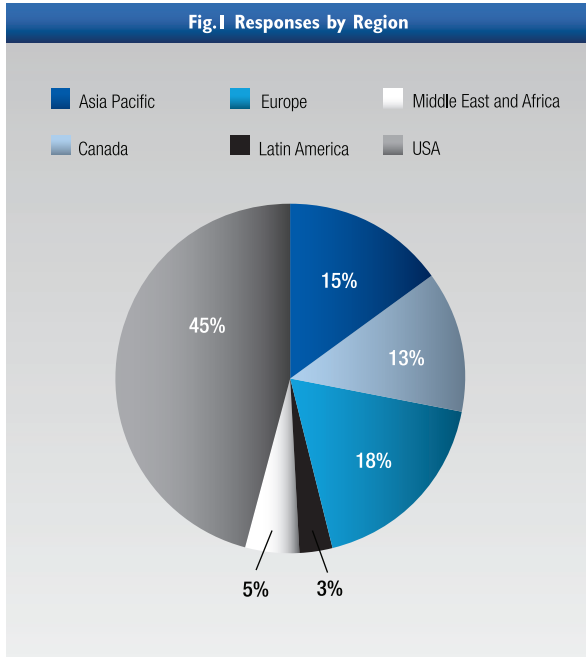
corporate travel buyers to measure compliance more accurately than in the past. By utilizing services that match the expense data with the booking data from the TMC, they can check compliance rates, which are an important component of analyzing the spend and identifying additional savings opportunities. For example, reporting services from AirPlus International give travel managers the ability to integrate data from the corporate card with a central bill card. This can be a driver for compliance on pre-trip expenses, namely air and rail. Pre-trip approval modules in the Self-Booking Tools (SBTs) are enabling travel managers to control compliance at the point of booking, which means they can better prevent non-compliant expenses.

The rationale is there, but are corporates actually having success in these efforts? And while the payback of getting better compliance seems obvious, are companies actually quantifying the savings?

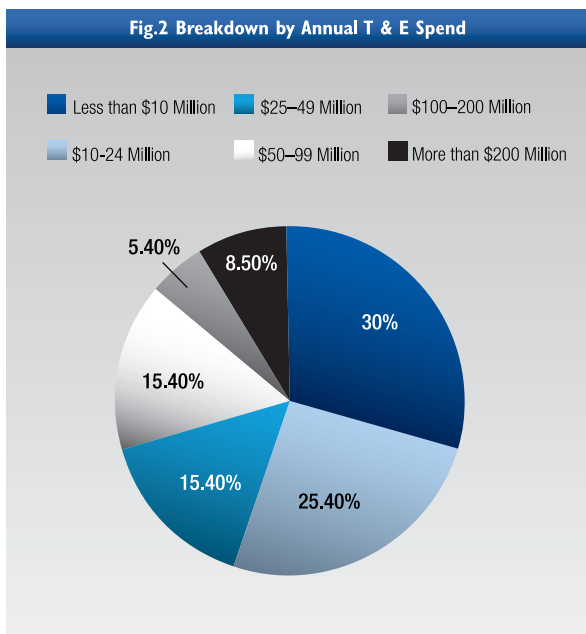
To find out answers to these questions, ACTE conducted a survey in March 2008 of 131 managers of corporate travel worldwide. The survey asked whether their compliance rates had improved, how they accomplished this, and what the savings were. The results indicate that many companies have indeed made strides in obtaining better compliance—as well as clearly identified the benefits of doing so. Unsurprisingly, those based in the U.S. and Europe are having the most success in implementing travel management tools and processes and getting travelers to comply. This paper reports on the survey results and also provides an overview of the trends in best practices that account for the better compliance rates. Interviews with numerous travel management consultants and travel managers based in the U.S. and Europe were also conducted.

The poll respondents represented a cross-section of regions and companies, in terms of size and amount of travel spend.

Fifty-eight percent of respondents were based in North America, 18 percent in Europe, and 15 percent in Asia Pacific, with the remainder based in Middle East/Africa and Latin America. (See Fig. 1)



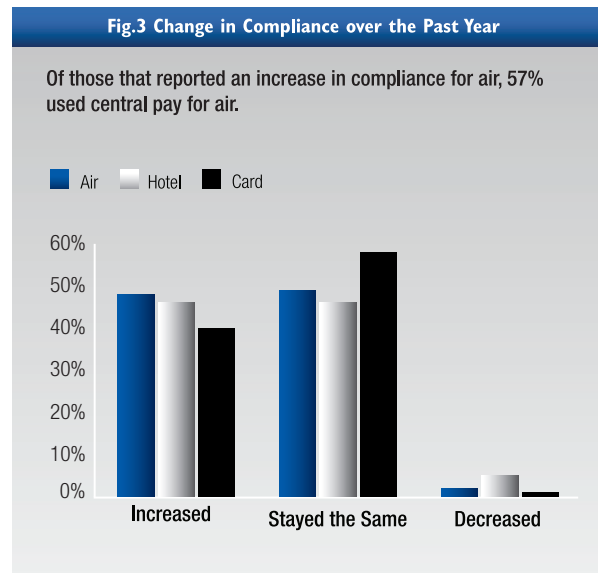
About a third had an annual travel spend of under \$10 million, with 25 percent in the \$10 million to \$24 million range, 31 percent in the \$25 million to \$99 million range, and 14 percent with a spend of \$100 million or more. (See Fig. 2)

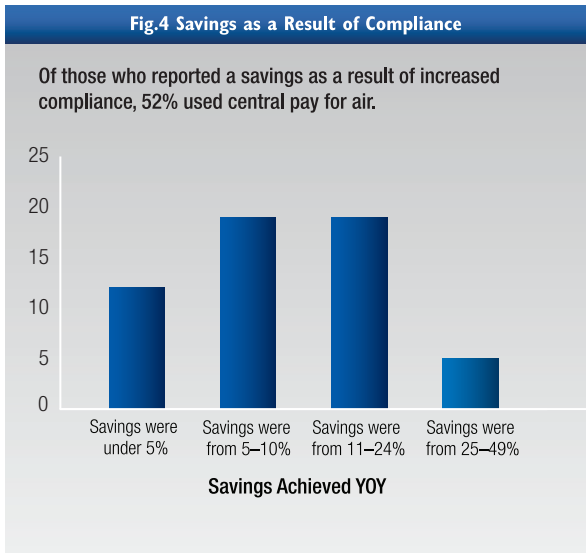


Almost half—48 percent—of respondents in the poll said compliance to the air program improved in the last year; 47 percent said compliance improved to the hotel program and 41 percent said more travelers were complying with the corporate card program. The numbers were higher for corporate buyers based in Europe: nearly 60 percent said compliance improved for hotel and 54 percent for air. Travel managers based in Asia Pacific reporting improvement in compliance exceeded the average for hotel (52 percent) and air (50 percent). The largest companies reported the most improvement: 72 percent of travel managers overseeing a spend of more than \$200 million reporting improvement for air and 63 percent for hotel and card.

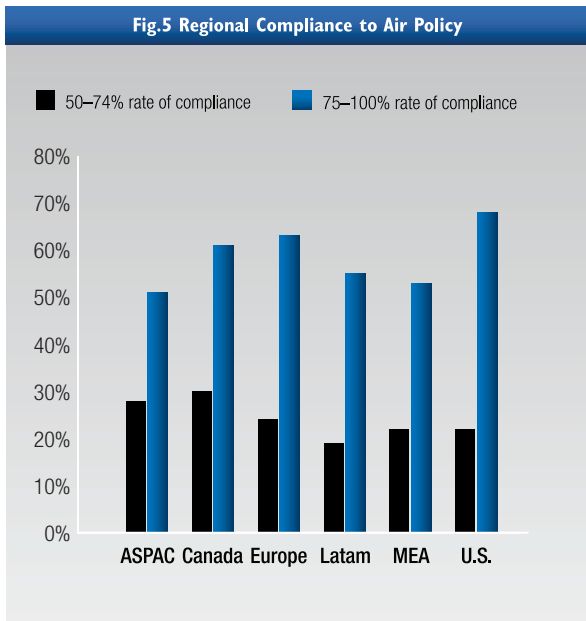
These improvements are having a direct impact on the bottom line. Of those reporting savings from better compliance, 19 percent of respondents said it resulted in savings of 5 to 10 percent and another 19 percent said it had resulted in 11 to 24 percent savings. The percentage of those achieving these savings was even higher among travel managers based in Europe: 22 percent reported savings between 11 to 24 percent and 13 percent in the 25 to 49 percent range. (See Fig 4)

Sixty-eight percent of respondents reported compliance rates of 75 to 100 percent to the air policy for their travelers in the U.S., with 64 percent reporting similar compliance rates for



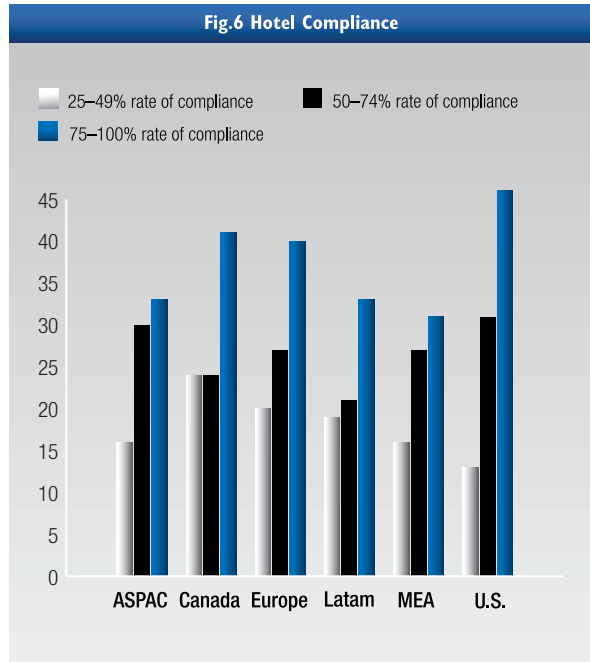


travelers in Europe and more than 50 percent in all other regions. Eighty percent of the large companies—those with spend of \$200 million or more—reported compliance rates in that range for U.S.-based travelers; the numbers for companies based in Asia Pacific were also higher than average in all geographical areas. (See Fig. 5)



Not surprisingly, given the greater fragmentation and complexity of the hotel industry, compliance to the hotel program lagged behind air. Only 46 percent of respondents reported compliance rates of 75 percent or more for U.S. travelers to the hotel policy. The rate was higher at the big

corporations: 80 percent of companies with more than \$200 million in annual travel spend had achieved 75 to 100 percent compliance rates in the U.S., followed by 62 percent for travelers in Canada and 56 percent for travelers in Europe. (See Fig. 6)

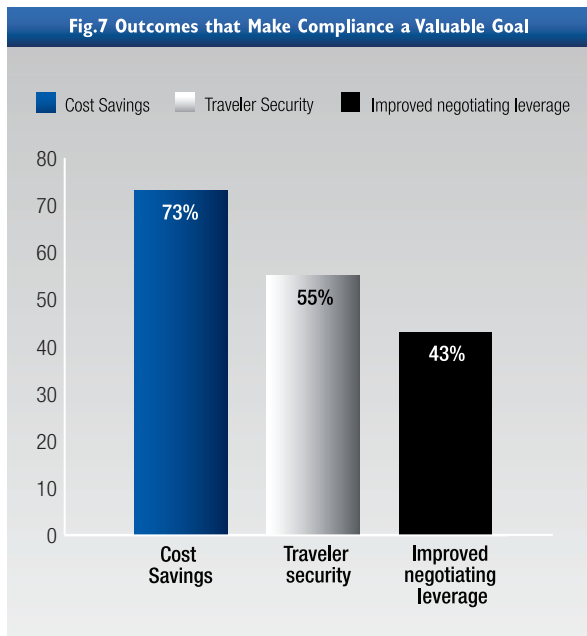


Just over half of poll respondents said their U.S.- and European-based travelers are using a central billed credit card for airline bookings (51 percent for travelers in the U.S. and 52 percent for those in Europe). Among European-based respondents, usage of the lodge card was significantly higher: 69 percent of U.S.-based and 67 percent of European-based travelers are using the central billed card.

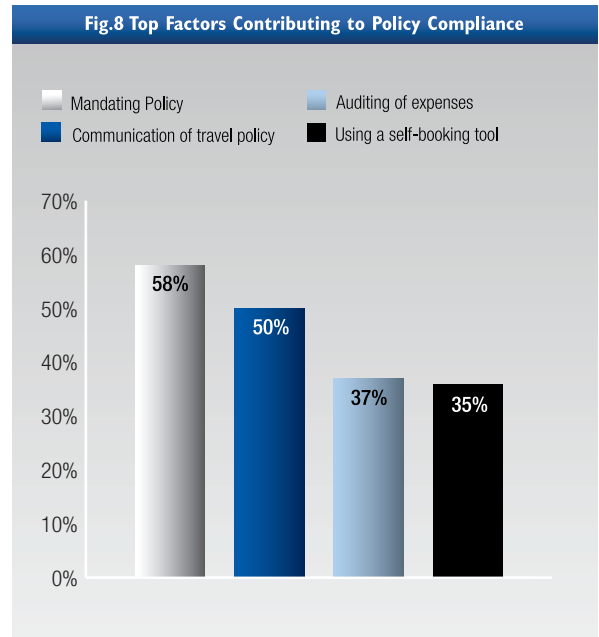
AirPlus International, an issuer of both lodged and individual corporate cards, said the overall numbers indicate many corporate buyers aren't aware of the benefits of the central bill card. In fact, in a 2006 AirPlus commissioned study of 151 travel managers and other corporate executives, 67 percent said that central billing improves traveler compliance (compared with just 13 percent who said it didn't; the remainder was undecided). Why? Using the central bill card for their pre-trip expenses drives travelers to the designated agency, thereby improving compliance; they are also more motivated to book in advance, which saves on airfare.

In the AirPlus study, more than 75 percent of respondents said that central billing is better than other payment system options. AirPlus works with the TMCs to assign cost center numbers and other identifying data to central bill transactions, so that reconciling the bill becomes much less of a headache. Its centralized payment solution enables the company to pay for air, rail, and perhaps a prepaid hotel room, as well as agency fees, on the central bill card. AirPlus also issues a corporate card to individual travelers to use for business related-expenses while they are traveling. Its information management system enables data from the central bill card to be combined with data from the MasterCard corporate card, enabling travel managers to get a complete analysis of their spend in an integrated way. The program is offered globally, so that travel managers can also consolidate travel expenses across borders.

Asked which factors were most significant to achieving better compliance, 73 percent of respondents said cost savings, 55 percent said traveler security, and 43 percent said improved leverage in negotiations. (See Fig. 7)



The top factor in getting travelers to comply was mandating the policy (58 percent), followed by communication of travel policy (50 percent), auditing of expenses and approvals by a supervisor or corporate travel manager (37 percent for each), and use of a self-booking tool (35 percent). (See Fig. 8)



A higher proportion of U.S.-based respondents—51 percent—said auditing of expenses was one of the top three factors, while 75 percent of Asia Pacific travel managers said mandating the policy was a top factor. A substantial majority of European-based travel managers—71 percent—rated communication of travel policy as one of the top three factors.

Other key findings:

- Of those who had done audits, 78 percent said most travelers were using the negotiated or best airfare. But fewer respondents—65 percent—said most travelers were using the negotiated or best hotel rate and only 62 percent said travelers were using the corporate card.
- The highest percentage of travel managers mandating the credit card were based in Europe, with 94 percent mandating it for travelers in the U.S., 86 percent for travelers in Canada and Asia Pacific, and 79 percent for travelers in Europe.
- Other goals of compliance, besides cost savings, security, better leverage to negotiate prices, and improved transparency, were consistency across the enterprise and travelers' convenience, according to U.S.-based respondents. Managers of corporate travel based in Europe noted sustainability and CO2 impact as compliance goals.

Why Compliance Matters

Corporations challenged by rising travel costs and weak economy

While some analysts predict a softening of airline and hotel prices later this year, to date corporate buyers have been confronted with escalating prices. The expectation is that the trend will continue through 2008. According to a 2007 travel management study commissioned by AirPlus, which surveyed over 1,000 travel managers in 10 countries, 58 percent of respondents expected the cost of travel to increase in 2008. Fifty-three percent of participants expected their travel bills to rise—among U.S. respondents, the number was significantly higher, at 78 percent—and the overall top priority was tackling costs. Given these concerns, perhaps it's not surprising that 51 percent of respondents said that the role of procurement in the travel department had increased in the past year.

BCD Travel, in its 2008 Industry Forecast, sees stabilization of airfares but sharply steeper price increases for hotel: it predicts that corporate airfares will increase by less than two percent, compared to two to four percent for published airfares, but it expects hotel room rates to increase six to nine percent on average and car-rental rates to increase from 5 to 10 percent worldwide. In the hotel sector, it predicts double-digit increases in some markets.

While a flood of new rooms is expected to occur in the U.S. starting this year—the first increase in nearly ten years—the more sophisticated revenue management approach of hoteliers won't necessarily result in price decreases. "Revenue managers are really analyzing the profitability of a piece of business, not just room nights," said Robert Mandelbaum, director of research information services at PKF Hospitality, based in San Francisco.

Even if the pricing pressure should ease later this year, compliance will, if anything, become even more crucial. In a buyer's market, "compliance is even more important because travelers must be using the preferred discount rate to achieve

the savings," said Dan Maschoff, global category director for travel at Accenture, a Chicago-based outsourcer of procurement solutions.

In addition, corporate travel departments are paying significantly more in fees and taxes tacked onto airfares, hotel room rates, and rental car rates. "The additional charges are increasing much more dynamically than in the past," said Florian Tinnus, former manager of processes and systems, CoC Asia, at Daimler AG, based in Stuttgart, Germany. "For any ticket to the U.S., nearly half is in additional charges on a standard ticket." Oil prices topping \$100 a barrel not only lead to airline fuel surcharges but also increase costs in the hospitality industry, which get passed onto travelers in the form of higher prices. These add-ons aren't subject to the net price incentives companies negotiate with suppliers.

Internal pressure at corporations to save on costs is also impacting travel programs. "Across industries, corporations are trying to get the best value for their money," said George Odom, senior director of business development at Advito. "They're not printing money like they used to, and some are very tightly controlled." The overall result is "much more cost sensitivity," according to Susan Stowe, vice president at Caldwell Associates, based in Washington. "Travel costs are getting more attention at a higher level of the organization. Management is asking for information, such as on-going compliance measurements."

Benefits of compliance: cost savings, improved security

These factors are causing more travel managers to adopt a best-practices approach to compliance. Almost three quarters of the respondents in the ACTE poll rated cost savings as the primary benefit. Among those who noted improved compliance, 19 percent said it had resulted in 11 to 24

percent savings, another 19 percent estimated the savings in the 5 to 10 percent range, and 12 percent reported savings of under five percent. The percentages were even greater for U.S.- and European-based CTMs, with 27 percent of those in the U.S. reporting savings in the 5 to 10 percent range and 22 percent of European CTMs reporting savings of 11 to 24 percent.

A 2007 study by Carlson Wagonlit Travel notes that companies can save on average 20 percent of total travel spend by optimizing the travel policy and improving compliance, with 12 percent of the total attributable to best practices in traveler compliance. The study was based on an analysis of more than 5,000 air transactions and 200,000 hotel transactions, of which half of the air transactions and 60 percent of the hotel transactions weren't compliant with the policy. Among CWT's recommendations for improvement are providing comprehensive guidelines to travelers, standardizing the travel policy regionally or globally, integrating the policy into the booking process, tracking performance, and benchmarking industry performance.

Besides cost savings, companies are focusing on compliance to better ensure their employees' security in the event of a disaster. Slightly over half of the ACTE survey respondents cited security as a significant factor in compliance, ranking it second after cost savings. Since 9/11, knowing where your travelers are has been an urgent concern at many companies, in some cases resulting in the introduction of mandates. While mandates have traditionally not been popular—nor terribly enforceable—as an aid to increasing traveler security, they are finally getting some teeth.

“Companies, particularly larger ones, understand the importance of mandating the components of travel”—that is, using the SBT, corporate card, and expense management tool and booking with the designated TMC,” said David Hillman, principal at Consulting Strategies, based in New York.

Using a central bill card for all pre-trip expenses, mandating that travelers book all travel through the preferred travel agency and use the corporate card, integrating those expenses in an expense reporting system, and matching booking and expense transactions ensures capture and control over all travel program costs.

More tools available to measure compliance

Technology has played a role in the focus on compliance, with SBTs and automated expense management systems enabling TMCs and other third-party providers and corporate buyers to control, monitor, and analyze their compliance in ways that weren't possible a few years ago. Enhancements such as pre-trip approval modules in the SBTs and expense management systems that employ dashboards, which enable travel managers to view their travel patterns at a glance, also aid compliance, be it identifying out of policy expenses at the booking stage or measuring the impact noncompliant behavior has on spend.

SBTs are including more content and pushing travelers to preferred suppliers; at the expense end, many automated expense management solutions “have triggers that can bill out of policy expenses,” said Jiten Bhalgat, practice leader for compliance and change management at American Express Business Travel. “Those levers are also being applied to a greater degree to help companies manage their expenses or call out (out of policy) expenses.”

Because those measurements often involve integrating diverse systems, such as travel booking and management of travel expenses, there's “a lot more internal discussion among departments, such as accounting and finance, security, and HR,” said Ellen Trotochaud, senior vice president, online technology solutions, at BCD Travel. “Our audience has broadened. We're talking to procurement, security, finance. You'll see our corporate programs are much broader than in the last few years.”

Driving Accountability: A Best Practices Approach

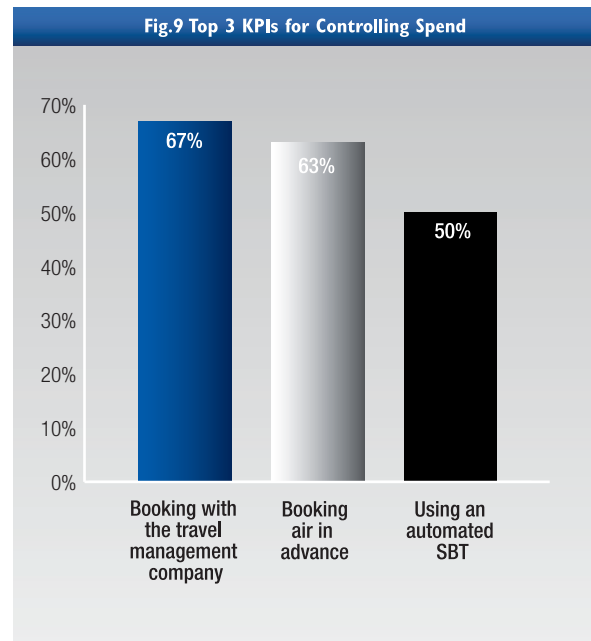
Managers of corporate travel are being more systematic in promoting and monitoring compliance. “There’s definitely a hierarchy of priorities,” said Maschoff. “The first is buying through an approved channel, through the designated TMC and online booking tool, and with the designated payment system. Those become the most fundamental areas to focus on and allow the rest of the buying behavior to be managed better and provide better visibility to the spend. Next is buying from preferred suppliers. Then the behavioral areas, such as advance purchasing and not upgrading from a standard room to a luxury room.”

Speaking with procurement and travel management specialists, along with a dozen companies adopting a best practices approach to compliance, several key trends emerged:

Travel policies are being tightened up and expanded

Best practices companies “are getting away from general suggestions” in their travel policies, said Stowe. “They’re tightening up the language and closing the loopholes.” The travel policy is also being treated as a more dynamic document, which is not only vigorously communicated to travelers via the corporate intranet, e-mail, and other means, but also applied at the process level. Some TMCs, for example, flag bookings that are out of policy in the SBT so that travel managers are able to apply the policy at the pre-trip stage, avoiding unnecessary expenses.

Of the key performance indicators in the policy that most contributed to controlling spend, 67 percent of the ACTE poll respondents said booking with the TMC, 63 percent said booking air in advance, and 50 percent said using an SBT. A higher proportion of corporate buyers based in Europe—67 percent--and Asia Pacific—65 percent—chose booking air in advance, which is made easier through the use of a central billed lodged account. (See Fig. 9)



Many companies are eliminating business class on shorter haul international flights, stipulating advance booking and use of restrictive air tickets, and more actively promoting their preferred hotel properties—in some cases requiring travelers to follow these directives in their travel policies.

Many travel managers are focusing on the SBT and increasing adoption

Use of online booking tools is driving higher compliance rates. Michael Steiner, executive vice president of Ovation Travel Group, a New York-based TMC with a clientele of mostly mid-market professional service organizations, said his clients are realizing a 14 percent savings from the SBT, just from the visual guilt factor.

“On-line adoption is finally getting to where it needs to be at a lot of companies,” said Stowe. “The tool itself is clearly a good way of driving the compliance, with the preferences shown for preferred suppliers. Within the tool it’s clear what the policy is.” The tool’s capability to flag expenditures outside of policy is also effective in dissuading travelers from

Case Study: Symantec Corporation

Software maker Symantec Corp., which is based in Milpitas, Calif., and has an annual air spend of \$75 million, has focused on tightening up its policy after merging with another company in 2005. The company has eliminated reimbursement for airline club membership and banned international business class (except for VPs) unless the traveler has senior management approval. The travel department encourages travelers to book at least 14 days in advance, and it has added a low-cost hotel to its list of preferred properties at each of its major destinations. "Travelers have the option of using a \$120 Hampton Inn as opposed to a \$200-plus room at the Marriott or Hilton," said John Sorci, Symantec's vice president of global operations. "A lot of people want just a bed and high-speed Internet access."

The company consolidated its SBT after the merger, and now has an adoption rate of 80 percent in the U.S. "We've made it easy with our online booking tool for flights," said Sorci. Travelers "are supposed to take the lowest logical fare. Flights from our approved suppliers are listed first and generally are the lowest cost."

booking non-preferred airlines and hotels as well as tracking performance. Stowe said security concerns have "been very effective in getting people to book through the on-line tool."

The European division of the multinational technology company utilizes a SBT in seven countries, which is set up so that the policy requirements and negotiated fares are input in a process harmonized with the TMC. "I can see which fare was proposed at booking, which was lowest, and which was selected by the traveler," said the travel manager. Her department communicates with the agency quite often—"I constantly remind them at the beginning of the year to check rates"—and she also does random spot checks of the hotel bookings to make sure the negotiated rates are being booked.

The survey indicated the highest adoption rates were achieved among travelers in the U.S.; a third of respondents based in the U.S. reported that the majority of the company's

Case Study: A Tech Company

A travel manager at a multinational technology corporation overseeing 10,000 employees based in Europe said the company initiated a major savings program in 2003. Travelers were instructed to book the lowest fare of the day, fly low-cost carriers, and book restrictive rail tickets. Five-star hotels were banished from the program, and the company consolidated the hotel program into fewer preferred properties at the city level.

Travelers were also encouraged to take fewer trips. "Because of the reduced number of overall trips, people would organize themselves to travel smarter and more efficiently than in the past. They'd cover five meetings by taking a week-long business trip, rather than five individual trips." Compliance is measured through the card data delivered by AirPlus, and the TMC is instructed to flag an out-of-policy booking immediately. As a result of these efforts, the company has saved 20 percent on its air spend.

U.S. air bookings—from 75 to 100 percent—were made through the booking tool. Among all poll respondents, 38 percent said at least half of U.S. air bookings were from the SBT. For air bookings outside the U.S., the number was much lower: 58 percent of respondents said less than 10 percent of air bookings in Europe were made on the corporate booking tool and 73 percent said less than 10 percent of air booking in Asia Pacific were made on the SBT.

Travel departments are more committed to educating travelers

In the past six months, many travel managers have implemented expense communication and education programs for travelers, according to Carol Salcito, president at Management Alternatives, based in Stamford, Ct. Corporate buyers are "going online and saying 'we're doing a Web cast at such an hour.' They're sending out a note saying 'please be advised to make this update in the Cliqbook tool.' And 'here's why using a corporate card will make your life easier,'" said Salcito.

Case Study: Daimler AG

Daimler AG dramatically increased its SBT adoption rates after implementing a mandate for standard roundtrips. But first, the company improved the tool's booking interface by upgrading to the latest SAP version ERP, which allowed enhanced flexibility to make it more customer friendly, according to Florian Tinnus, former manager of processes and systems, CoC Asia, at Daimler AG. As a result, adoption rates have increased from 20 percent to 50 percent, which Tinnus said was "perfect," given that travelers are instructed to use agents for complex international trips. The company's overall compliance has improved from 30 percent three years ago to more than 90 percent today.

The outreach efforts of travel managers needn't be limited to travelers. Nick O'Carroll, corporate travel manager, based in Belgium, at Huntsman, a U.S.-based chemicals company, said his company is arranging meetings this year at the company's three main sites to educate travel bookers on the value of using the SBT and preferred airlines and hotel properties, including last room availability. "One of the objectives is to create a core travel team, whereby we may educate up to 30 travel bookers at a time," he said. A booker will be appointed for each site, who will then in turn communicate the travel policy to other bookers in the region.

Pre-trip approvals are gaining ground

Best practices managers of corporate travel are focusing on more oversight and tighter controls before the traveler takes the trip. Christophe Renard, senior director at CWT Travel Management Institute, said more companies are requiring pre-trip approvals from a manager, such as a department head. "If you escalate the pre-trip approval process to a more senior level, the number of requests will diminish a lot," he said.

At Daimler AG, travelers who book out of policy must get a signature from a member of the board of directors; refusal to do so incurs a penalty of non-reimbursement. The threat alone has sufficed as a deterrent, said Tinnus. Sorci at Symantec said his company recently implemented a policy

Case Study: An Aviation Services Company

A travel manager at an aviation services organization in Europe said the travel department has been educating its travelers about the policy, mainly for security reasons. "We're doing road shows and talking to as many people as we can," she said. "We have an Internet site. HR is helping us with staff notices and finance is helping us with financial instructions." The switch to a new TMC and introduction of a SBT in November have already resulted in a 15 percent savings since last April, she said.

In order to lure more travelers to the preferred airlines and hotels, the travel manager said she is focused on "a soft sell through the back door" involving the trade unions. "If the trade unions see the benefit (of using preferreds), then they will support us in that. At the moment we're gaining their support and not yet at the stage at which we can mandate."

that doesn't allow business class for non-VPs unless travelers get permission from a member of the executive staff.

Other companies, however, have discarded pre-trip approvals from managers, finding it burdensome to managers. But pre-trip approval modules in SBTs are making the process easier—and gaining traction. In general, the pre-trip modules are "very streamlined, and it's a good workflow," according to Stowe. "It's something really resonating with management."

Travel managers are adopting mandates...

More companies are mandating use of the booking tool, corporate card, and preferred suppliers—with clearly defined consequences if the traveler fails to follow the mandate. "Firms are increasing their appetite for better compliance, and as a result they're interested in increasing compliance by putting enforcement behind it," said Maschoff. "There's more attention to enforcing mandates than previously."

Regulatory concerns, such as compliance with Sarbanes-Oxley in the U.S., which requires more transparency of company accounting systems, "duty of care" concerns in Europe and specifically, a new manslaughter law in the UK

that shifts liability onto companies if they haven't adequately protected their employees, are also driving more mandates. In many cases, it's a matter of "looking at the low-hanging fruit," according to Trotochaud at BCD Travel. "Companies are mandating the booking tool to drive down costs for round trips. They're doing things that make sense and are simple to implement without causing productivity issues for travelers."

Symantec mandates use of the corporate card; those who don't comply have their names published every quarter on a list that gets sent to senior executives, said Sorci. "It helps," he said, noting that the percentage rate for compliance on the card is in the high 80s.

...but also not forgetting travelers' needs

Other corporate travel departments are extending carrots. Cynthia Grubbs, vice president of worldwide procurement and travel at PAREXEL International LLC, a research company that assists the pharma, biotech and medical device industries in bringing new products to market, based in Waltham, Mass., said her company is offering perks to drive compliance. Negotiated deals with preferred suppliers "include automatic status upgrades for road warriors, matched miles or points programs for switching allegiance, and other benefits to the individual traveler, which make compliance easier to sell. It does pay the provider back with a smoother transition and adherence to the contract."

"When you can match the travelers' culture to the corporate goals and then pull a program together that meets their needs, you have created the space in which compliance can thrive," said Grubbs.

Travel managers should examine their compliance ratios to ensure the travel program is meeting the travelers' needs. They shouldn't always assume the traveler is at fault, particularly when there's a pattern of noncompliance. "Maybe travelers are not using the preferred hotel because it's too far away from the regular business destination," said Renard. "By investigating these things, corporate travel managers can improve compliance."

Having a sensitivity to travelers' needs and an in-depth knowledge of the travel sector are indispensable for a successful program. Companies that rely strictly on a procurement approach and omit the input of an experienced travel manager are making a mistake. "When you put a strong procurement person with a subject-matter expert paid by you, not a third party, you get the best program," said Salcito.

Tinnus advises corporate travel managers to "invest time in analyzing your travel structure. Then you can apply the right policy."

More travel managers are tracking compliance through integrated expense systems

Sixty percent of respondents in the ACTE survey said most of their U.S.-based travelers were using an expense reporting system; just under half of European-based travelers were using one. Corporations are implementing the systems because "they are able to get a better handle on where they're spending money, especially as it relates to hotel properties," said Salcito. Pre-population of credit card data into the electronic reports is also a powerful incentive to travelers to use the card, since it cuts down on the hassle of filling out expense reports. The data is also more accurate.

Where expense reporting used to be the province of finance, increasingly it is seeping into travel. Many travel managers are looking to integrate travel booking and expense management, in part spurred by security concerns and the need to comply with Sarbanes-Oxley.

Many TMCs are issuing quarterly reports to the clients that slice and dice the data. Benchmarking and the availability of dashboards enable corporate travel managers to quickly decipher their travel spend patterns and areas for improvement. Sorci at Symantec said his company's preferred TMC also compares his company's performance in the three categories of spend with other clients, to identify areas of opportunity.

Case Study: Daimler AG

Two years ago, Daimler AG implemented an expense system with integrated data from the central bill card and corporate card. The SAP expense system is also integrated with the SBT, powered by Amadeus, which enables Daimler to continue its global rollout of the online booking tool. Air is booked on the central bill card prior to the trip, and trip expenses are paid for with the traveler's corporate card. "The beauty of our integrated system is that both cards have all expense receipts in SAP," said Tinnus. "What's booked, billed, and used is automatically in the travel expense system. We have an electronic overview of all receipts." The electronic report with the total trip cost is e-mailed to the manager who approved the expenses, so that no expense falls through the cracks.

Daimler AG also tracks each traveler's performance with a score card, which notes each instance of noncompliance to the policy as well as online booking ratios, contract fulfillment, and service levels. Each card is flagged according to performance on a monthly, quarterly, and six-month basis. These steps and others taken by the travel department have resulted in an overall compliance improvement from 30 percent three years ago to more than 90 percent today.

"There's so much data, they need to look at how to measure it," said Trotochaud. With these tools, "travel managers can measure preferred vendors and the lost savings. Now they see expense information brought into the travel programs, which helps compliance and policy decision making"—by, for example, enabling them to see whether the hotel rates they negotiated are being offered and used by the traveler.

Travel managers are using both a central bill card and corporate card and consolidating the data

Just over half of poll respondents said their U.S.- and European-based travelers are using a central billed credit card for airline bookings (51 percent for travelers in the U.S. and 52 percent for those in Europe). Among European-based respondents, 69 percent of U.S.-based and 67 percent of European-based travelers are using the central billed card.

In choosing a central bill card, travel managers have a number of options to choose from—an American Express BTA card, an AirPlus company card, a UATP card, and a MasterCard or Visa central bill card, issued by a variety of banks.

Many corporations, particularly those based in Europe, are finding that a best practice is to use a central bill card for pre-trip expenses and a corporate card for hotel, car-rental and other expenses incurred by the traveler during the trip, with the data from both cards integrated at the expense end. AirPlus International, an issuer of the lodge cards, provides enhanced data for the air spend and offers a centralized payment solution enabling the company to pay for air and train trips. AirPlus issues a corporate card that enables corporations to capture other trip data and integrate the data.

The travel manager at the European division of a technology company said she considers use of the central-bill card a best practice because of the richness of the data and its global coverage. "The data quality I receive from AirPlus is unbelievable," she said. "I use it in preparations for airline negotiations, policy compliance, and budget purposes. The card has coverage in 18 countries across Europe, so I can run cross-border reports." The company is rolling out an automated expense reporting system provided by SAP.

O'Carroll at Huntsman said his company recently implemented a global card program with AirPlus. The European travel department is also rolling out an expense management system. O'Carroll said the advantages of the central bill card are greater acceptance and better data transparency. "We'll see a breakdown for the hotel and meal costs as well as the airlines," he said. "One of our VPs asked for a comparison analysis of travel expenses. We can do this on an ad hoc basis."

Auditing quite effective in identifying lost savings

The implementation of sophisticated expense management systems is enabling many companies to forego audits of

their program, since the tool automatically audits the travel program. (The exception would be senior executives and board members who are compelled to be audited by the company under Sarbanes-Oxley.) However, these systems are not yet widespread. Until more companies have them, audits are a useful and essential procedure to ensure travelers and suppliers are compliant to the policy.

In the ACTE poll, 34 percent of respondents audit their travel program annually. Of those based in Europe, 42 percent conduct annual audits. Eighteen percent of respondents conduct quarterly or biannual audits. Fifty-three percent said

their companies audit a sample of expense reports and 34 percent said they audit all expense reports.

Many corporations outsource the audits to third-party companies such as Topaz. Brad Seitz, Topaz president and CEO, said some clients are audited every month, others quarterly and others once a year. In U.S. domestic markets, Seitz said companies are obtaining the lowest rates in 96 to 98 percent of transactions. However, when international flights are included, the rate slips to 95 to 96 percent accuracy. "If five percent of international tickets aren't correct, that can easily amount to \$1 million or more in lost savings," Seitz said.

Conclusion

Compliance is a multi-step process: Managers of corporate travel must identify and specify cost-saving behaviors in their travel policies, require travelers to use the corporate card, SBT, expense reporting system and other tools to drive them toward preferred suppliers, maintain control over the spend and obtain the data, and measure the data to see where improvements are needed. That effort must be supported

by a diligent education process as well as an outreach that might extend to the TMC, finance department, and senior management. It means consistently staying on top of the policy and travelers' behavior, and keeping everyone abreast of changes. While not always easy, the rewards are well worth the effort, demonstrating that diligently managing compliance can play a key role in contributing to the corporate bottom line.

Association of Corporate Travel Executives (ACTE)
515 King Street, Suite 440
Alexandria, VA 22314 USA
www.acte.org
Telephone: +1 (703) 683-5322
info@acte.org

AirPlus International, Inc.
225 Reinekers Lane, Suite 500
Alexandria, VA 22314 USA
www.airplus.com
Telephone: +1 (703) 373-0947
usa@airplus.com