How to Guide
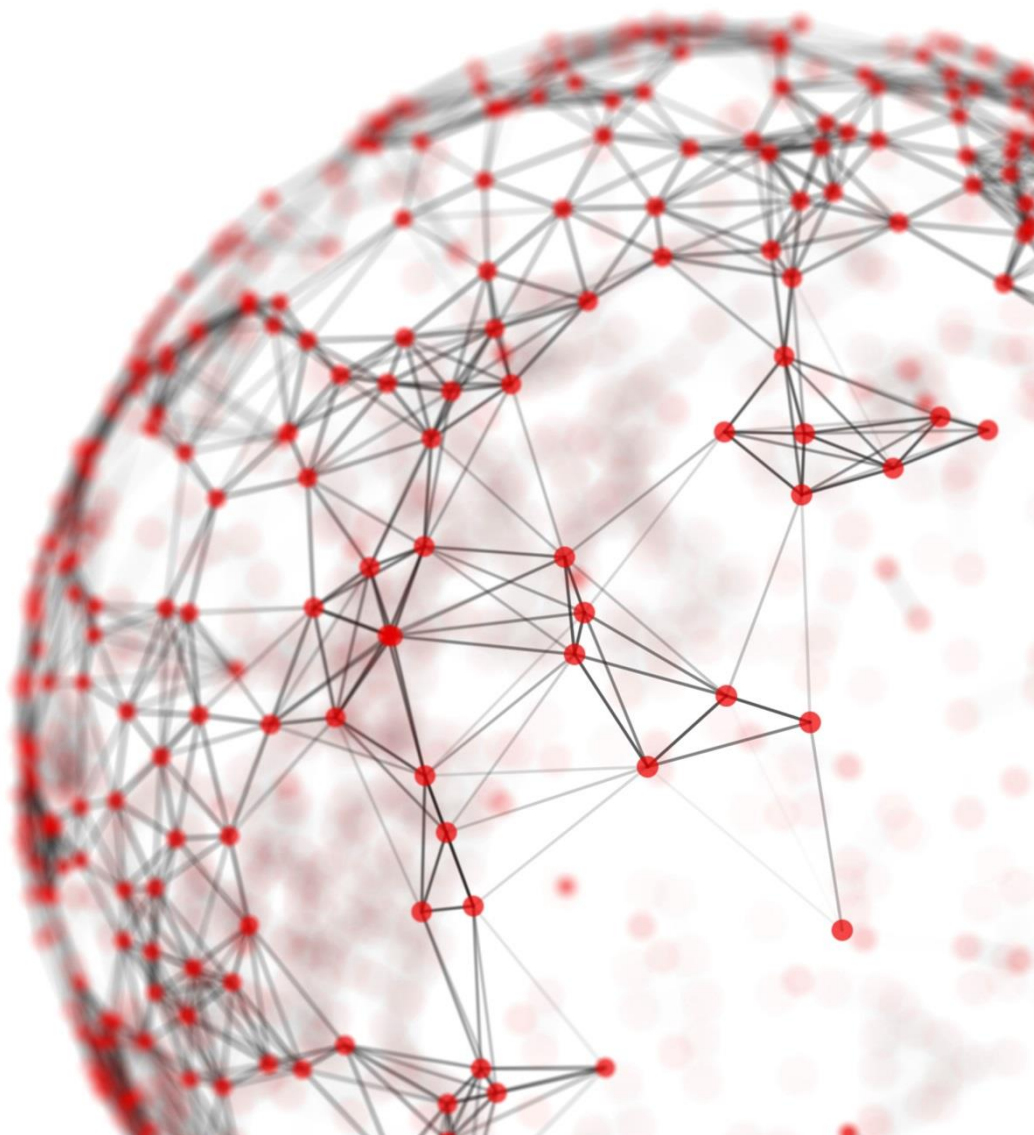
Business Travel Procurement & Category Management

Developed by ITM in partnership with CIPS

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CPD ²
HOURS

CIPS
Chartered Institute of
Procurement & Supply

ITM
INSTITUTE OF TRAVEL & MEETINGS

Contents

Overview

Travel management is an important function within commerce and significant, positive results can support the business if exercised correctly. It is a specialised business function that balances employee traveller needs with business goals, financial and otherwise. Travel management ensures cost tracking and control, facilitates adherence to travel policies, realises savings through negotiated discounts, and serves as a valuable information centre for employees/travellers and managers.

Business travel procurement requires active, on-going development of the contracts to ensure that it remains appropriate and supportive to the business needs.

A travel programme encompasses the supplier contracts, company policies around travel and related expenses and risk management. A travel programme should evolve and be there to support maximizing profit, making smarter choices and gaining full productivity from your travellers.

The procurement of travel and the ongoing management of the overall travel programme are often seen as different functions within an organisation.

This guide provides ideas and recommendations on how Travel & Entertainment (T&E) expenditure may be procured, monitored and controlled throughout the business cycle, with the reminder that it is a cost of supporting business growth.

The creation of a Managed Travel Programme can be broken down in to **5 separate phases**:

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│      Phase 1 - Discovery        │
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│      Phase 2 - Engagement       │
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│      Phase 5 - Monitoring       │
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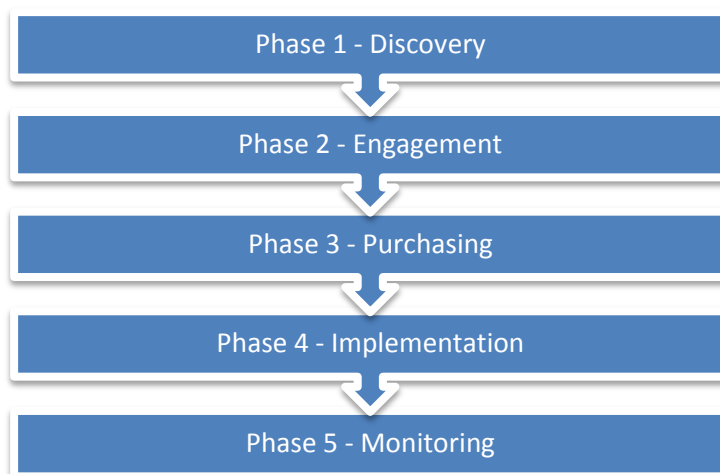
There are many components that need to be brought together to create an effective travel programme. In addition to the many components, there are a similar number of stakeholders who need to be either engaged or considered.

It is envisaged that all key activities relating to the creation of an effective travel programme will be contained within this guide.

Introduction and background to the business travel market

"What is the Business Travel Market?"

The T&E market in the UK is currently estimated to be worth 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.

When looking at the total cost of travel (100%), it is important to understand the breakdown of the costs and what influence you may have over them. Typically, organisations will experience the following profile:

➤ 5% of spend is for the Travel Management Company (TMC) to provide the booking, tracking and account management services
➤ 3% is for the company's internal process costs (authorisation, booking, payment, etc.)
➤ 92% of spend is placed with the suppliers for the cost of the air tickets, accommodation, car hire, airport parking, etc.
➤ This is the area of maximum opportunity for negotiation to save cost, whilst also obtaining value.

By introducing a managed Travel Programme, better control will be obtained on your T&E expenditure.

Other Resources

ITM Business Members may have access to:

- ITM Industry Outlook 2014 – Download File
- Partner Report - AirPlus UK Travel Management Study Part 2 2014 – Download File

The travel commodity is littered with acronyms and jargon. Explanations of their meanings can be found at Travel Jargon: www.traveljargon.org

If you have further questions, these can be posed through the ITM Discussion Forum or "Ask The Expert", both of which can be found in the ITM member zone.
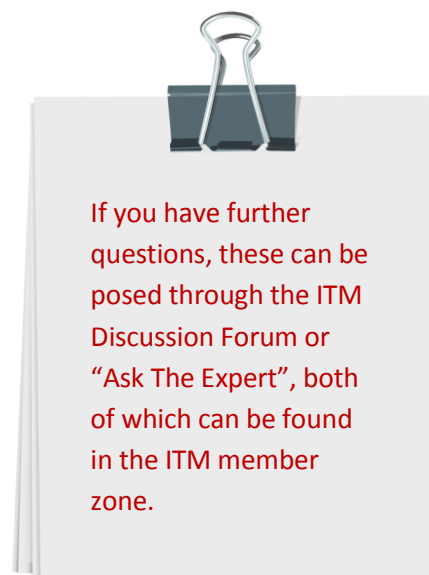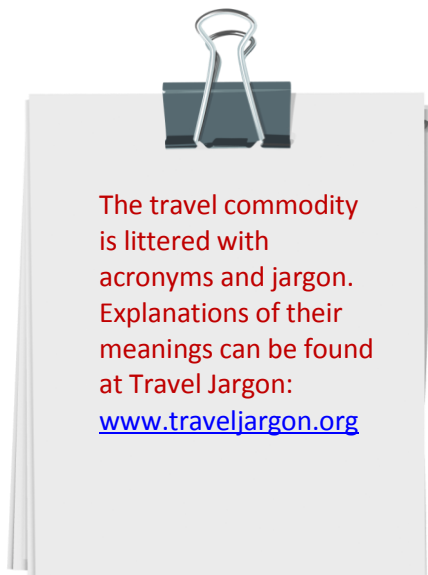
> *"What is a Managed Travel Programme?"*
>
> A Managed Travel Programme is when a business takes a strategic approach to managing travel, as it would with any other controllable expense. By conducting such an in-depth review, your business will benefit in many areas. These are notably:
>
> - ➢ Cost savings & transparency
> - ➢ Process improvements
> - ➢ Traveller safety & security
> - ➢ Compliance
> - ➢ Productivity enhancements
> - ➢ Sustainable travel programming

It is important to understand the many components and stakeholders involved in a managed travel programme for it to be effective and obtain the buy-in from its users.

The aim of the Travel Programme should be 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 often reduce the Business Class fares through discounts taken at point of sale. However, the 'Best Fare on the Day' approach (such as the lowest fare made available by an airline for the day of travel) may be more beneficial. If that is felt to be insufficient, then the move to Economy, or a semi or fully-restricted Economy may be inevitable, still using 'Best Fare on the Day'. Understanding the various options within the Economy fares structure is vital!

Understanding the key elements of a Managed Travel Programme
"Who can deliver a Managed Travel Programme?"

Travel Management Companies (TMCs)

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. In 2012, global business travel expenditure reached $1.1 trillion USD of which 25% was attributed to just Western Europe.

In 2013, the Buying Business Travel Annual Survey of the Top 50 TMCs reported that they collectively accounted for £8.2bn of sales. At that time, the Top 5 TMCs (Carlson Wagonlit Travel, HRG, American Express, Capita Travel & Events and BCD) collectively accounted for just over 50% of this spend.

Many companies need a national, regional 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 companies in the Top 50 TMCs ranking are FCM Travel Solutions, Portman Travel, ATPi and Reed & Mackay (all above £200m trading) which have managed to meet global expectations by joining alliances, such as Radius, GSM Travel Management, GTM, ITP and Global Star. Whilst they are able to offer a global servicing solution, it will be provided by differently owned TMCs around the world operating under a consortia agreement (Capita included).

The remaining TMCs are generally smaller companies, meeting local (although they may serve quite large well-known companies in specific locations) and/or more operationally complex needs, often specialising in a particular niche market.

The Guild of Travel Management Companies (GTMC) is the UK's leading professional body for travel management companies. The diverse membership accounts for over 80% of UK expenditure on managed business travel with the aim of delivering value for money and great service to business travellers in the private, public and not-for-profit sectors.

When looking to choose which TMCs to invite to tender, thought should go to whether they are:

➢ A generalist or specialist (energy services, charity/not for profit) agency
➢ Are accredited and bonded
➢ Are award winning and financially stable
➢ If required, can provide Meetings and Events services as part of your Managed Travel Programme provided in an integrated manner with your transient corporate travel requirements

Thought may also be given to whether or not to in-source or out-source your travel programme. There are benefits and complexities for both these servicing options however the responsibility for holding the IATA ticketing license is much greater when in-sourcing.

TMCs – do we still need them?

As Self-Booking Tools (SBTs) develop, the TMC is having to work much harder to add value for their clients. At present, in Europe, even with an SBT, you need a TMC (the IATA License holder) to fulfill the order, such as produce the ticket, even though it is an e-ticket.

However, when using the SBT for simpler journeys, the transaction fee, including the fee for the SBT, can be 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 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 is debate about whether there is less opportunity for the TMC to add value. The GDSs will continue to evolve, and if IATA does relax its rules on fulfilment, the TMC will be forced more into add-on services and consulting roles which is already a growing trend. Providing account management services is a key offering for most TMCs to co-ordinate the value proposition.

Additionally, the other real danger for the traditional TMC is the Online TMC which already provides an SBT-type role. Often the fees for these companies are below the legacy TMC providers however this is often in exchange for being able to provide an offline back up booking service. Companies such as Expedia/Egencia are included.

Other Resources

ITM Business Members may have access to:

- Starter Kit - Travel Self-Assessment – Download File
- Meetings& Events Guide – Meetings & Events Toolkit Part 1

Phase 1 - Discovery

> ### *"Creation of the Programme"*
> Discovery is where you undertake a full review of your current solution to identify what is in place, what works well, and where improvements can be made. This review should focus on identifying spend/volume, incumbent suppliers, contractual commitments, and stakeholders.

The information gathered during this phase will be used in all future phases. A key output should be a Benefits Analysis which should be used to obtain executive buy-in, if not already obtained. The findings can also be used for all stakeholder meetings that will take place in Phase 2. Understanding the business goals and requirements of your company and its travellers will improve adoption and engagement scores and deliver success in a sustainable manner. There are a number of areas which you will need to understand and evaluate before going to tender:

Step 1 – Create a Statement of Goals

It is important to understand what you are looking to achieve from the travel programme and define some critical success factors. The benefits of a managed travel programme will become clear as you work your way through this guide. Having said that, there must be a compelling reason(s) why you or your business believes that change is needed. Examples of the goals could be:

➢ Compliance
➢ Savings
➢ Online bookings
➢ Traveller tracking, etc.

It is useful to set some clear goals for the project in the form of critical success factors, for example timing, cost reduction, process improvement or employee satisfaction. The critical success factors should relate to the stated goals of the travel programme and be used in the Executive Summary in Phase 2.

Step 2 – Identify the Business Drivers

Your business drivers will relate to your 'Stated Goals' document and will vary by business. The prime drivers are usually cost or service but may include any of the following:

➢ Cost
➢ Comfort
➢ Fit for purpose

➢ Status
➢ Organisational culture
➢ Automation of processes

Step 3 – Identify Executive Sponsor

An executive sponsor is usually a senior executive within your business who will lend their support to the initiative. This person will be a key enabler to facilitate the success of your programme.

- ➢ It could be someone who 'owns' the travel commodity, and/or
- ➢ Who is responsible for a function which has the most to gain, and/or
- ➢ Someone at Senior Executive level within your business.

Step 4 – Data Analysis

Data needs to be collated from all available sources to determine what is being spent and where. There are numerous sources of data with varying levels of quality. The expense management tool is usually the richest and most comprehensive source of data. Until you obtain a significant level of compliance it is very difficult to obtain a true picture of your spend.

4.1 Management Information (MIS)

When it comes to negotiation, management information is power for all involved. As far as the supplier is concerned, it shows that the buyer is on top of their role and aware of what they have to 'offer' the supplier.

Management information would preferably be post-trip and available electronically. By ensuring that relevant detailed MIS is shared, it is more certain that the TMCs and product suppliers will be able to respond more accurately with their offers, thus improving the expected outcome of the process.

Most TMCs now offer online access to your MIS and therefore you are not as reliant on obtaining this information from them by request as used to happen. However, as a word of caution, please ensure that you accurately obtain the correct information, as the results will deliver a different profile and financial offering.

Most TMCs now offer online access to your Management Information.
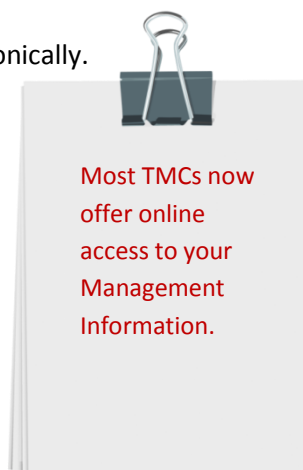
TMCs can provide:

Air

➤ Sectors flown by City Pairs – LON/PAR, EDI/LON*
➤ Expenditure by airline/market area - Domestic UK, Intra Europe, International
➤ Type of ticket used – fare types
➤ Advance booking period – measurement of time between booking and travelling
➤ Savings offered and accepted/rejected per traveller
➤ Total savings made

* City pairs reporting counts the number of sectors that you take between one point of departure and another point of arrival. From this data, greater analysis re which airlines are used for these sectors should be conducted: i.e. EDI/LHR = 20 sectors of which 16 are with ABC airline and 4 with XYZ airline.

Rail

➤ Spend per rail company
➤ Spend per route
➤ Type of ticket used
➤ Advance booking period
➤ Savings offered and accepted/rejected per traveller

Hotels

➤ Spend per hotel chain/group
➤ Spend per city
➤ Room rate
➤ Number of room nights per city per hotel/chain
➤ Advance booking period
➤ Savings offered and accepted/rejected per traveller

Car

➤ Number of hires and spend per city/per supplier
➤ Spend per hire/per city/per supplier/per car grouping
➤ Refueling spend
➤ One way hires – number and locations

Other Services

Where the service has been billed back to the company, for example:
➤ Travellers cheques and/or foreign currency
➤ Passport and visa services

Charge card companies 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.

Other suppliers such as airlines and car rental companies can also provide information. With air travel, this is particularly useful as the data will be flown and not just ticketed information from the TMC. If the contract with the car hire company is on a referral basis via the TMC, then the MIS will need to be obtained from the supplier direct.

Your Accounts Department can provide information on spend if services are invoiced to the company. Additionally, it is good practice to review traveller expenses and accrue what spend is made direct to expense accounts and include this in the total spend figures. Auditing expense accounts in this manner also highlights where, perhaps, there are holes in the travel policy and where maverick behaviour needs addressing.

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.

Step 5 – Process Review

There are many processes involved in the management of travel. The following are areas that need to be reviewed to ensure that they are adding value and supporting your goals:

- ➢ Travel Budget Process
- ➢ Travel Policy
- ➢ Booking Process
- ➢ Approvals Process

- ➢ Payment Process
- ➢ Financial Reporting
- ➢ Management Reporting

5.1 Travel Policy – Points to Consider

There are many resources available on the web on how to create a travel policy and examples of policies. Creating a travel policy is also covered in the ITM's Online Resources Library at www.itm.org.uk

The following is an overview of areas to consider:

5.1.1 What is the policy for?

The policy needs to deliver clear instructions on what is an acceptable expenditure and what is not. The policy should support the identified business goals, the ethos and culture of an organisation. The policy may also need to support employee retention or satisfaction.

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, and Procurement should be able to demonstrate the capability to switch the business between suppliers.

It should not be forgotten that different companies will have different cultures and policies - one size does not necessarily fit all when it comes to Travel Policy and, therefore, adopting the policy from one company to another will not inevitably deliver the same results.

There is growing debate that policies should be appropriate to the trip reason, rather than generic to all business needs. For example, a trip for a training course has fixed dates whereas a sales visit might require more flexibility if the deal is to be closed successfully. The influence of traveller behaviour is becoming more important when defining travel policies and this is expected to grow.

5.2 How do you 'sell' the policy to your stakeholders?

There are many benefits to a well written policy such as consistency and cost control. As long as the policy is fair and realistic the benefits of cost control/reduction and traveller safety and well-being can be demonstrated. An organisation can have the best travel policy on paper, but its usefulness is only as strong as the traveller's awareness of it:

➤ 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

5.3 Who will own the policy?

In most organisations, many stakeholders are involved in travel, for example: travellers, buyer/travel manager, finance/audit department, travel bookers, etc, with, hopefully, the TMC also closely involved. Preferably, there should be a clear goal of achievement between all these parties, with good communication and mutual understanding of objectives.

A 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 and Health & Safety, will have an input into the development of the policy and the Board/Management Committee will need to approve 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 plus various health and safety and insurance requirements. 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 whilst supporting growth.

5.4 How will you monitor compliance?

This can be managed pre-trip, post-trip, or during the booking process. By forcing the traveller or arranger to explain why they are unable to adhere to the policy usually delivers the best results. Again it is not too important when this is done as long as it is monitored. You will require the assistance of your TMC or SBT to assist with reporting policy violators.

5.5 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, etc. (other than a cross reference on expenses through the Finance Department).

Quarterly reviews, allied to regular exception reporting (on non-compliance), should be sufficient. Management information (MIS – see page 11) provides three functions when monitoring policy:
- ➢ It provides management with a regular review of travel spend activities
- ➢ It shows compliance levels to policy and highlights areas for improvement
- ➢ It provides material for future negotiation and existing deal reconciliation

It is always important to remember that above the line savings must be greater than below the line costs, for example booker/traveller time, missed appointments and so on. 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, etc.
- ➢ Better than policy, for example, voluntary downgrade, etc.

To improve engagement results, make use of your User Groups to discuss compliance problems and any other travel related matter.

It is considered best practice to review the travel policy once a year – often the result is 'no change'.

5.6 How do you manage consistent policy violators?

There may be many reasons why someone is unable to adhere to the policy on occasion and, as long as a reasonable explanation is given, this should not be a problem. When policy is violated without just cause or on a frequent basis, then the travellers need to be made aware that this information is being captured. Dependent on the culture of your organisation, this can be done softly or more forcefully. The softly approach is to email the traveller and then escalate up the chain of command on each additional violation. The more forceful route is a call or email from your Executive Sponsor with a copy to their Line Manager or even the introduction of an HR process. Some companies even write "travel policy compliance" into job descriptions or objectives.

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

Under this heading, the amount of change that is called for should be evaluated. Evolution rather than revolution usually drives greater success and much quicker.

However, circumstances can mean that this is not possible and significant changes to Policy have to be made. By making the change process more acceptable, for example on airlines, obtaining lounge access, free upgrades, the use of Frequent Flyer Programmes, can work to an organisation's benefit.

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 in relation to the traveller's location?

Empowerment - traditionally for most companies, it must be choice within boundaries, otherwise anarchy may result.

This traditional approach is being challenged more recently with the discussion of Travel Management 2.0 whereby travellers are allowed to shop anywhere they wish and book, on or off preferred suppliers, as long as the data can be captured and the supplier is safe. They can book anything as long it's within budget and must take responsibility for their decisions. Currently, there is insufficient evidence to prove that this is more beneficial to delivering a better managed travel programme.

Financial control – To improve results, the 'mind set' should 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. Some companies reward their travellers for under-spending via gamification/gaming techniques. The suggestion is that if people are rewarded for their 'good' behaviour, they are more likely to behave. Rewards can be anything from regularly publishing the top 10 best-behaved travellers on the company intranet, to giving them a one-to-one with the CEO or a bonus by share of the savings achieved, etc.

If a traveller is rewarded for sticking to policy, they are more likely to comply and, by introducing games to help travellers connect their behaviour to company goals, travel managers can get closer to achieving 'better than policy' behaviour.

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 published 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", thus addressing the Travel Management 2.0 approach.

It has been advocated that there are four principles to Travel Management 2.0: that travellers should be able to shop anywhere they wish; to book anywhere as long as data can be captured; to book anybody – preferred or not – as long as the supplier is safe; and to book anything, as long as it's in budget.

This is a dramatic change of direction from the traditional Travel Manager (Travel Management 1.0) approach where the travel manager is the gatekeeper.

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, to drive greater adoption and reduce cost and carbon emissions. Travel is often viewed as significantly impactful on a company's carbon footprint and with the requirement for annual CSR corporate reporting growing, managing environmental impact via the policy will also support the drive to be more cost conscious. This guide gives suggestions on how to manage and reduce the impact of business travel on the environment on page 34.

Demand Management - be comfortable with travellers NOT travelling. With the improved services of video conferencing, audio conferencing, web-conferencing and so on, travellers do have alternatives when a face-to-face meeting is not critical. Challenge travellers on their mode of travel to be used, for example, London – Brussels or Paris: should they take a flight from Heathrow or Gatwick or a Low Cost Carrier option from Luton or Stansted or, alternatively, take the train?

Keep It Simple - if you can, by keeping it simple (maximum two pages), aim to get 90% of your travellers to understand 80% of policy which should deliver initial progress. From those two pages, a policy matrix can be built up.

5.8 What should my policy contain?

➢ Demand Management   Alternatives to travel

➢ Preferred Suppliers   Booking channels/Suppliers that can be used

➢ Air   Class of travel by journey time/Advance booking times

➢ Hotel   Star rating/Maximum room rate by city/area

➢ Rail   Class of travel

➢ Car Hire   Car group type

There may also be references to health & safety, security, CSR and risk policies within the travel policy.

5.9 Travel Ordering Process

The travel ordering process has evolved over recent years especially with the introduction of more sophisticated booking methods. In order to maximise the benefits per traffic type, the following processes should be taken into consideration:

5.9.1 Traveller Profiles - before any bookings are made, it is recommended that these are set up for each traveller to facilitate a more streamlined and accurate reporting of their preferences, data reporting requirements and payment methods. It is vital they are kept up to date (there is a need to establish who the Data Controller is). These are hosted either on the TMCs own system or on the GDS and due to this, profile changes can be self-managed online.

5.9.2 Authorisation process – this can be implemented either pre-trip or post-trip, but it must be remembered this will add complexity/time to the booking process, but may help control costs. See below for more information.
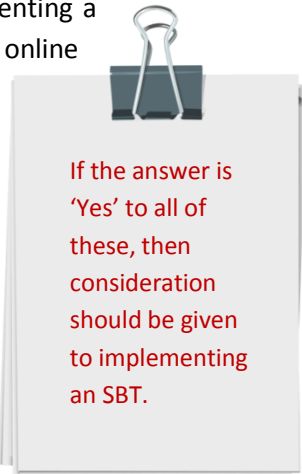
The authorisation of travel can be viewed in two ways. Firstly, is the travel to be authorised/ justified in the first place? Could the prospective traveller not handle the business -need through audio, video or web-conferencing or, indeed, just simply not do anything? Is the traveller intending to go 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 by e-mail. The TMC can be told not to issue tickets without the signed approval, or to advise if a traveller does not have approval. A self-booking tool 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 six weeks in advance.

A key decision in this process is to understand if there are benefits to implementing a Self-Booking Tool (SBT) or booking online. There are many benefits to booking online which have been proven to deliver cost savings and drive compliance. The SBT is not a perfect fit for all organisations and consideration should be given to the following before embarking on an SBT rollout:

> Do you have a robust offline solution in place?
> Is the majority of your travel simple point-to-point, return journeys?
> Do you have a defined travel policy?
> Do most employees have internet access?
> Is the internet access stable and relatively fast?
> Does your company culture suit self-service?

If the answer is 'Yes' to all of these, then consideration should be given to implementing an SBT.

5.9.3 Air

Scheduled air is predominantly booked via the TMCs chosen GDS (Global Distribution System) offering immediate confirmations and the option to bill to an account or lodge/credit card.

Internet/web fares can also be booked but will require immediate payment unlike those usually made on the GDS (subject to fare rules).

Consolidated fares - are available via TMCs and are negotiated based on consolidated volume sales from all the TMC's clients.

5.9.4 Rail

Since the privatisation of National Rail, the ordering process has become more fragmented and deals have to be negotiated with the operating company per route. All rail companies are members of the Association of Train Operating Companies (ATOC) which determines the level of commission to be paid to agents who sell rail tickets. Commissions have eroded over time and are expected to do so further in the future.

Online bookings for rail are possible either via the TMC's booking system or direct via rail websites. If travellers are allowed to book wherever, then the management information will be lost. Thus it is recommended that bookings remain within the remit of the travel programme. Internet Service Providers for rail are also available to provide a stand-alone managed booking service.

5.9.5 Hotels/meetings and conferences

On average a hotel stay will cost 150-160% of the room only rate when meals, telephone calls and other expenses are included. Hotel phone rates are very high, therefore, encourage the use of mobile phones or telephone calling cards.

TMCs offer booking services for hotel rooms and meetings both online and offline with the integration of client hotel negotiated programmes or the TMCs own programme. Access to hotel bookings are also now available via mobile apps, either integrated by the TMCs to their itinerary app or provided by Hotel Booking Agencies.

Delegate rates for meetings:
- Daily = coffee, lunch, afternoon tea and room hire
- 24 hour = daily rate plus bedroom rate and breakfast

5.9.6 Car rental

Providing the right cover of insurance is critical to protect the company and its employees:
- All car hire rates used to include 3rd party liability insurance. However, now car rental companies will negotiate (use of Company Own Insurance COI)
- CDW = Collision Damage Waiver
  - If you do not take CDW, 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
- TPI = Theft Protection Insurance
  - 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 - encourage renters to return a car full of fuel
- Watch out for delivery/collection charges – which are open to negotiation
- Also watch out for one-day and one-way charges, as well as mileage caps

5.9.7 Travellers cheques/foreign currency (ordered via a Third Party Supplier)
> ➤ TMCs can arrange for these to be provided very quickly
> ➤ Charges are negotiable, especially if billed to a charge card

For all these elements of the travel booking process, it is recommended that a contingency process is also established for when business and services do not go to plan.

Other Resources

ITM Business Members may have access to:

- Starter Kit - Travel Policy Assessment – <u>Download File</u>

5.10 Technology in travel

GDSs (Global Distribution Systems) evolved from CRSs (Computer Reservation Systems) - they form the 'front-office' of the TMC. The major players are Galileo/Travelport, 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, along with air bookings and passport and visa information, etc. Credit/charge card validation is also available.

As we have already seen, the Client Travel Policy can (and should) be incorporated into the booking process. 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 on page 47). To complete the picture, the back office systems produce the invoices and the management information.

5.10.1 Search tools

TMCs have developed search tools, which will not only search for fares on the GDS but on low cost carrier websites, the websites of the major carriers (they do not always put their promotional fares into the GDS) and the online sites (i.e. Egencia). Self-Booking Tool (SBT) products have these search tools built in to them also.

5.10.2 Self-booking products

Products such as GetThere.com (Sabre), AXO (Amex), eTravel (Amadeus), KDS Corporate and NEO, Cytric and Concur Travel (ex Cliqbook) are becoming more commonly used, along with theTrainline.com and Evolvi for rail only bookings. SBT products are most useful for simple point to point journeys (out and return to same place – LON/PAR/LON) and often, many organisations have a high percentage of these types of journeys. The transaction fees can be up to 50% less than traditional offline 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 bonded license holder to fulfill the order, such as produce the ticket, albeit electronically.

The growth of the online booking TMC has been steady, but their market share is still relatively small. Egencia is the only European based company which has made any major impact, but there are a number of other smaller agencies that are keen to share this market and they have been successful in fast track growth over the past 2-4 years.

Benefits of online systems
- ➢Information online
- ➢Online link to Travel Policy – link to compliance
- ➢Can pull all requirements into one 'booking'
- ➢Lower transaction fees (30-50%)
- ➢Lower ticket prices (10-15%) due to visual guilt
- ➢Rail bookings, both in the UK and on mainland Europe

Downsides
- ➢Not recommended for complicated itineraries – more expensive ticket costs
- ➢Not good on 'back to backs' and other creative ticketing
- ➢Training needs for users' needs to be included when launched

Step 6 – Understanding Travel Management Company Costs

There are several different cost models associated with booking travel. Much of the cost will depend on how much the booking is touched or not touched by the TMC i.e. a booking is made online, but it requires assistance to amend it via the offline service or it is totally processed via the online booking tool.

The main two are Transaction Fees and Management Fees:

6.1 Transaction Fee

A transaction fee is a fixed fee charged for each component of the booking process(e.g. Domestic Air, International Air, Hotel, Rail etc.). Using this model passes the majority of the risk to the supplier as their revenue fluctuates depending on your volume of travel.

Within this fee structure, there are differences according to whether the commission is retained by the TMC to offset against the cost of providing the service to deliver a lower fee, requiring a "Top Up Fee" from the client, or returned to the client with higher fees at point of sale resulting.

Often you will also encounter the option of whether to bundle or unbundle the pricing:
- ➤ Bundled: this is a comprehensive fee which is inclusive of all costs for providing the service which is being procured where services such as refunds are included in the purchasing transaction fee.
- ➤ Unbundled: this is where each element of the travel service is priced per unit and added together to create the total servicing price i.e. refunds have their own fee.

It is important to establish during the contracting process the description of a transaction, what it includes and how it is measured. As discussed above, other items such as amendments to bookings and refunds should also be clarified.

Given the lack of generous budgets being held centrally, the current trend is towards transaction fees being used to cover the cost of service. As long as the measurement of a transaction is clearly identified in the contracting documentation at the beginning of the process, it makes the financial comparison between bids much simpler.

6.1.1 Benefits & disadvantages of transaction fees

Implementing transaction fees can have benefits for the business, but there are also a few disadvantages:

Pros:

- ➤ Departments that use the TMC frequently pay more than those that do not
- ➤ Cost of travel is then recorded alongside the cost of doing business per unit
- ➤ Risk is shared with the TMC, once fees are set
  - − with management fee, the risk is with the client
- ➤ There are no residues to be handled at the end of the year
- ➤ Can discourage changes to travel arrangements
- ➤ Fees paid at point of sale do not attract VAT

Cons:

- ➤ The visibility of the transaction fee to the traveller can encourage booking off programme
- ➤ Due to above, reduced traveller tracking success and increased CSR risk
- ➤ Fees paid in arrears upon invoice attract VAT where the product sold attracts VAT
  - − i.e. hotels
- ➤ Bookings may be left to a later date to avoid amendment fees when the itinerary is not confirmed, which may also incur higher fares/rates

6.2 Management Fee

A management fee is when a supplier will calculate all the costs associated with the booking and management of your travel in an "open book" statement (e.g. Salaries, Property Costs, Account Management, Management Information, Profit etc.).

Additionally, all commissions and overrides are included to offset the cost of service and a profit for the TMC is added. The fee may be a percentage of sales or a fixed fee and it may be incentivised through an SLA. The overheads within the TMC costs may also be a percentage of sales.

A monthly/quarterly statement is issued detailing all the agreed charges. If there is a big reduction in your travel volumes the costs associated with this model may not reduce accordingly and, therefore, the client takes more of the risk.

6.2.1 Management fee contract statements – an example of layout:

Management Fee		Sales £	Commissions £	Total £	Notes
Income	Airlines	xx	xx		0% for many airlines
	Hotel	xx	xx		Average 6-10%
	Rail	xx	xx		Average 3%
	Car	xx	xx		Average 10%
	Total Sales	xx		xx (A)	Total Income
Less			**Costs**		
Cost of service	Direct		xx		Including Personnel
	Indirect		xx		
	Overheads		xx		
And				xx (B)	Total Cost of Service
Profit	Profit		xx (C)		As % of Total Sales
					Total Costs
Management Fee				xx	= (A) – (B + C)

Note: An interactive version of a Management Fee Statement is available on the ITM website www.itm.org.uk

6.2.2 Income minus Costs & Profit = Residue (-£)

Move to negative residues

With eroding commissions & overrides and increased use of net fares, income is reducing. However, TMC costs can remain the same or will increase due to extra resources needed to meet increased servicing requirements (number of transactions and/or more complex scope of service), plus the addition of an allowance for cost of living adjustment (COLA). These factors combine to more often deliver negative residues.

When residues were positive, the client aimed to have these amounts returned to their business on a quarterly or annual basis, which was sometimes challenging. Now that residues tend to be negative, TMCs prefer to contract with the client to pay them in advance, or at least monthly in arrears. Cash flow for TMCs is increasingly under pressure with strict payment cycles to airlines especially. The form of payment to a TMC may also impact on the cost of sale.

Management of negative residue

Given the likelihood of a negative residue, it is important to plan for this outcome. There are a number of ways that this can be achieved and should be built into the process at the outset. Some of these are as follows:

➢ Absorb the cost within your own budget
➢ Allocate costs to individual travellers' departments, based on actual or percentage usage of the service
➢ Move to transaction fees

Fees can either be collected at the time of booking, via a Point of Sale (POS) fee or billed on a monthly/quarterly basis. If you are able to use a central budget for the agency costs, this is the most effective, as it removes the traveller perception of additional costs.

It is generally accepted that agency costs associated with managing your programme should be in the range of 3% to 5% and up to 7% for some high touch solutions.

You will need to work with your finance department to understand which method is the best fit for your company and include this in the RFP process.

Other Resources

ITM Business Members may have access to:

- ITM's Report, entitled "Remuneration Transparency" Parts 1 & 2
- Transactions overview template - Download File
- TMC RFP pricing template - Download File
- Template for Airline Solicitation - Download File

6.3 Purchasing: "Commodities" (Air, Hotel, Car Rental)

As part of your managed travel programme, it is important to ensure that you maximise any savings opportunities. The purchasing of the commodity type elements, if done correctly, can deliver significant savings to your bottom line.

The data obtained in the discovery stage will give you an indication of your key suppliers and the volumes that you are spending with them.

The following are examples of the kind of contractual agreements you may have in place:

➢ Air Programme
- Negotiated discounts on core routes
- System wide discounts with preferred airlines
- Volume based rebates
- Loyalty Schemes*

➢ Hotel Programme
- Negotiated rates in all core locations
- Preferred
- Capped
- A percentage discount off the Best Available Rate (BAR) in all core locations
- A group/chain discount giving a percentage discount off all of their properties
- Chain loyalty schemes*
- Venue Find
- Event Management
- Destination Management Company (DMC)

*Whilst there are some negatives associated with loyalty schemes there are also benefits to be had in a well-managed programme.

They can deliver value add items to your travellers such as:

➢ Room/Flight upgrades
➢ Lounge Access
➢ Free wireless internet access

➢ Support the company preferred
  suppliers programme

In addition to Air and Hotel, it is not uncommon to have discounts on:

➢ Car Hire
➢ Rail
➢ Ground Transportation (Taxi/Chauffeur)

➢ Ferry
➢ Jet Charter
➢ Coach

The list can go on, but you should, however, only focus on purchasing areas that have a significant volume or are business critical to you.

Not all purchasing activity is based around delivering cost savings. There are some suppliers and commodities that need to be contracted to protect the interests of your business. The process may deliver savings but the benefits may be greater than this. Some examples are:

➢ Insurance Provider
➢ Risk Consultancy
➢ Passport & Visa processing company

6.4 Income

In addition to costs and savings, you should be aware that a number of suppliers still offer a commission payable to the supplier booking travel. Whilst these commissions are steadily disappearing, they are still available from suppliers in the following areas:

6.4.1 Commission

➢ Air   –   Low around 1%/0% on net fares
➢ Rail   –   3%
➢ Hotel   –   8% – 12%
➢ Car Hire   –   10% - 15%
➢ Venue   –   8% – 13%

In a transparent pricing model, the supplier will disclose all of the commission that they receive. Do not be afraid to request this information from your TMC or other suppliers. In the majority of Management Fee models and most transaction fee models, the supplier will return commissions.

6.5 Payment Options

The payment method will underpin your travel programme so it is important to reach an early agreement with your Finance, and possibly, HR departments on their preferred method. The options for payment can generally be categorised as:

6.5.1 Credit Account

There are still a very small number of suppliers who will invoice the cost of travel on a weekly/monthly basis.

6.5.2 Lodge Card

This is one of the most popular ways to fund your travel costs and is a charge card held by the supplier on your behalf to which all air, rail and ferry tickets can be billed by the TMC. The lodge card will capture all of your required account information (e.g. Cost Centre, Project Number, Department, etc.). The card will be billed by the supplier and settled direct by your finance function.

Major lodge card players are:
- ➢ Airplus International
- ➢ American Express (EBTA – Enhance Business Travel Account)
- ➢ Diners Club
- ➢ Visa and MasterCard suppliers

6.5.3 Individual Corporate Charge Card

This solution gives transparency of the costs to the cardholder as well as delivering a method for travellers to cover their costs whilst travelling. The card can be either settled by the individual using the expenses system or centrally. Individual settlement is acknowledged to be best practice. Both the Lodge Card and Individual Card solutions will deliver an enhanced level of data to you.

One of the most expensive areas of travel administration is processing invoices from TMCs, hotels, car rental companies, etc. Estimated costs are between £20-£100+ to process each invoice depending on how the internal costs are allocated. Using corporate charge cards removes the need for these invoices, when all charges are 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. Card companies also often 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 rate through the agent's MIS. If air tickets are billed to a charge card system, then the TMC has no cost of credit and any management fee or transaction fees should be adjusted in the client's favour for this product.

Major card players are:
- ➢ American Express
- ➢ Diners Club
- ➢ Various Visa providers
- ➢ Various MasterCard suppliers

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, namely:
  o if the individual has used the charge for a non-business purpose
  o 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

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Benefits of charge cards

To summarise they:
➤ Provide a real source of management information
➤ For example, hotels are total spend, not just room rates/costs (as per TMCs)
➤ Cut out costs associated with handling of invoices
➤ Provide free travel insurance
➤ Provide loyalty 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

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6.5.4 Virtual Cards

Where the settlement of the service provider's account is required whilst travelling and the policy requires the bill to be sent back to the TMC for payment and then onward billing to the company, this is called a "bill back" arrangement. This concept is costly for the service providers as disputes can occur and payment to the supplier is delayed. The administration costs are also not insignificant and would be passed onto the client. In order to offer an alternative card solution where the traveller does not carry a company card, a virtual card can now be offered. This is similar to a Lodge card in that it does not exist and is just a number, but with these cards, the number changes per booking and is only valid for that transaction. Identification of the charge incurred is, therefore, easily traceable and this form of payment is now growing in maturity and popularity.

6.6 Merchant Fees

Using a charge card to pay for travel can incur some additional fees levied by the card issuer and charged to the supplier. In most cases the supplier will pass these costs back to you. The value of the data and benefits of the card programme usually outweigh the costs charged.

Visa and MasterCard have lower merchant fees than American Express and Diners and the widest worldwide acceptance.

6.7 Unbundling

Unbundling is the process of charging for individual elements of a service (e.g. charging for seat assignment, baggage, or check-in). This is prevalent with Low Cost Carriers, but is becoming more widespread in many aspects of travel. It can create anomalies in the charging process and should be factored in to your chosen method.

6.8 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.

6.8.1 VAT reclaim on UK hotel bills - 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.

6.8.2 VAT Recovery on travel in the rest of Europe – there are a number of companies that offer VAT Reclaim services direct or via your TMC. They manage the process and charge a percentage of the money reclaimed for their services. The process is extremely labour-intensive and generally most Finance Departments do not have the capacity to process the claims.

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

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

Other Resources

ITM Business Members may have access to:
- Airline RFP data pack - Download File
- Airline RFP bid template - Download File
- Template for Hotel Solicitation - Download File
- Hotel RFP template - Download File
- AirPlus White Paper, How to Write a Corporate Card RFP - Download File

Step 7 – Create Executive Summary

Once you have identified your goals, quantified the travel spend and understood the various processes associated with travel bookings, you will be in a position to create an executive summary of your findings to present to your Executive Sponsor.

This summary should be kept to one page, give an overview of spend going through the preferred agent(s) as well as the total spend going through the expenses management system. From reviewing the processes, you will be able to identify any flaws or indeed opportunities to improve the travel process. You should then list the benefits that a managed travel programme can bring and quantify savings from process improvements, consolidation of spend and greater compliance. The level of detail that you are able to include will very much depend on what you have in place today. Caution should be exercised to ensure that you do not over-commit and what you include can be delivered.

Do not over commit – only include what can be delivered!
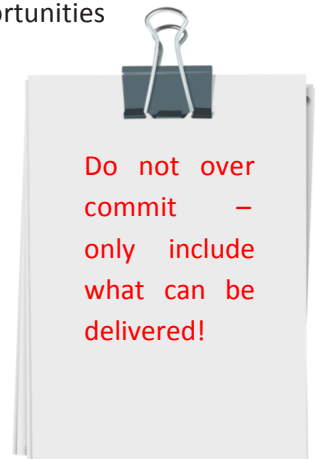
Phase 2 – Engagement

This phase of the project is about engaging with the necessary functions and people within your business that have an involvement, responsibility, or interest in travel. This will vary by business as the ownership of travel sits within different functions. By engaging with the relevant stakeholders early on in the process you obtain their requirements and most importantly their buy in. Including these stakeholders in the form of a working party and giving the working party a hand in making the decisions will help with the cross functional implementation in Phase 4.

Step 1 – Identify the stakeholders

Using the findings from Phase 1 you will be in a position to identify and engage with the relevant stakeholders. The following are all recognised stakeholders who may or may not be required, dependent upon how your business is structured. We have detailed their potential involvement and why you may need to engage with them.

1.1 Travellers

Whilst it is would be almost impossible to canvas the views and opinions of all the travellers, there is some benefit to be had by engaging with a small number of frequent travellers. Notice should be taken of issues that they have encountered in the past and any nuances in their travel requirements.

1.2 Arrangers

In many businesses, travel bookings are made by arrangers or bookers. The arrangers will have a vast amount of experience and knowledge of the incumbent suppliers, previous suppliers and the needs of the travellers. Early engagement with the arrangers, incorporating their needs into the solution, and obtaining 'buy in' will pay dividends when the solution is implemented.

Due to reduced support services in many businesses, travellers are becoming more and more self - supporting of booking their travel. By dealing direct with the traveller, sometimes the TMC is able to guide the traveller to take better/alternative routing solutions and when they use the SBT, savings often increase due to visual guilt (avoiding the higher fares).

1.3 Executives/Board

For the success of any travel programme it is imperative that buy in from senior management is in place. Ideally this should be at the start of the project, to sign off the stated goals and communicate the initiative to senior management and stakeholders. If this is not possible, then presenting the Phase 1 findings will whet the appetite. At this point a formal presentation to the board or senior management team will be of great benefit. Again ensure that a communication is issued by the most senior executive possible to all key stakeholders.

1.4 Purchasing Department

If you are not part of the purchasing team, it is key that you involve somebody who is, to assist you with Phase 3. The purchasing team will be able to assist you with the preparation of RFPs if it is deemed necessary to go out to the market for a new travel provider. In addition purchasing will be able to assist you with the process and negotiation of supplier deals.

1.5 Human Resources Department

The HR function may well 'own' the travel policy and if so will be heavily involved. In addition to the policy, HR may also be involved in managing the Traveller Profile upload if this is to be completed by mass electronic data upload from the HR System. This process should be completed on a regular basis to ensure profile updates of joiners, leavers, and any one whose seniority level has changed should it have an influence on their policy entitlements.

HR should also be kept informed on the progress of the project as they have a responsibility for traveller well-being, safety and satisfaction.

1.6 Finance Department

Finance may well have been involved with Phase 1 in assisting with the provision of spend data. The finance function is heavily involved in the travel programme as they will be responsible for many aspects:

➢ Budgetary requirements   ➢ Expense reimbursement
➢ Processing supplier charges   ➢ Audit
➢ Cost centre management

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, etc. travel spend moving in the following year (information from TMC/Supplier/Industry studies), departments can split the budget into the number of transactions, which each department can then estimate the cost impact on their new budget.

1.7 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 are:
➢ Concur /SAP   ➢ KDS   ➢ Oracle

1.7.1 Expense management systems operate as following:

- ➢ 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 and reduces expenses handling costs

1.8 Information technology (IT) Department

The IT/IS function will be involved to varying degrees, dependent on your businesses policies. The two key areas that they will be involved with, and will need consulting on, are the implementation of a Self-Booking Tool and the provision of a travel intranet site.

1.8.1 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 productivity saving with the TMC and, therefore, in the management fee/transaction fee financials.

TMCs often offer to provide a Portal which will become the gateway to access all services and information relating to your travel programme. It can sometimes be branded to the company identity and link up with internal departmental information from Finance and HR and include the hosting of your travel policy and booking guidelines along with access to traveller/destination information and the online booking tool.

1.8.2 Extranets

Many Intranets provide hyperlinks to airline and other supplier sites and relevant travel information sites.

1.9 Risk Management

The safety of your employees and the company's assets are key requirements and as such the Risk Management department needs to be consulted to ensure that the necessary insurance cover is in place. This cover should include people, assets and car hire as a minimum.

1.10 Corporate Security

The need to readily identify the whereabouts of travellers in the event of an incident is of paramount importance. You will need to work with your corporate security department to understand what information your Crisis Management Team will require. You may also be required to tender and manage a third party specialist risk consultancy that would be engaged should you need to extricate employees in the event of an incident.

1.10.1 Pre-trip reporting and traveller tracking regarding security

Now readily available via the TMC MIS systems for clients to access themselves to monitor that:

➤ too many executives are not on a flight

➤ too many executives going to the same overseas meeting

➤ who may be onboard should there be a plane crash

➤ executives going to a 'risk' country – ensure they have the correct insurance and security briefing before they depart

1.11 VAT and TAX Manager

As UK hotels and some agency fees are VAT-able, guidance may need to be sought from this function to ensure that the payment methods and invoicing are set up correctly.

1.12 Corporate Communications

A key area where new travel programmes fail is the poor quality or lack of information issued to the stakeholders. Early engagement with your communication department and a planned communication strategy are vital to the successful implementation of your programme.

Companies should also look to maximise the use of social media to keep travellers informed about their itineraries and remind them of preferred supplier options and share traveller feedback in a controlled manner. Some TMCs are now able to support this via their mobility services offerings.

1.13 Corporate Social Responsibility (CSR) Manager

Your CSR Manager will be able to inform you of any diversity or environmental policies that need to be considered. As a minimum you should enquire about carbon emission reporting requirements so that this can be included in the RFP or MI.

1.13.1 Environmental considerations

Back in 2007, Barclaycard's 12th annual Business Travel Survey found little evidence of any significant shift in the behaviour of business travellers whilst travelling to reduce their carbon footprint, despite the very high profile for Corporate Social Responsibility matters having a high profile in the media. Today, the behaviour of travellers has changed mainly due to organisational and legislation pressure placed upon companies to ensure their green credentials improve, or they pay a fine.

First indications of a gradual change in the behaviour of individuals was reported with 36% of respondents claiming to be taking environmental considerations into account – for example, travelling by train rather than plane. Business travellers should be actively encouraged to travel in a more environmentally friendly way.

Some statistics from The Carbon Accounting Company:
- ➢Business travel accounts for 28% of most Corporate CO2 Footprint
- ➢Air travel represents 86% of the Corporate Travel Footprint
- ➢In 2014, 3000+ companies reported their Greenhouse Gas Emissions
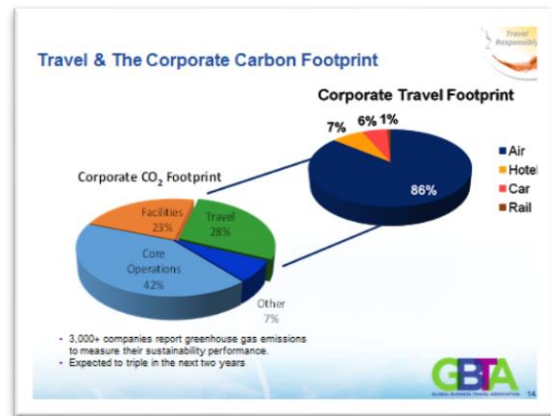
1.13.2 Understanding the environmental impact of business travel

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 Global Distribution System (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 an environmentally supportive travel policy to reduce and if required, offset emissions.

Additionally, GBTA (Global Business Travel Association) Project ICARUS was established to support the business travel world to address the need for better practice within the travel industry. It provides guidance to those wishing to act, and influence over those who feel they don't need to act!

It offers:
- ➢Forums for sharing global best practice, information and advice about the benefits opportunities responsible travel brings
- ➢Education programmes and training modules
- ➢A website for the definitive source of information toolkits, papers and more
- ➢Recognition of global/regional organisations and individuals who excel in this field and organises events: Responsible Travel Forum series

For more information, visit www.gbta.org/foundation/ICARUS
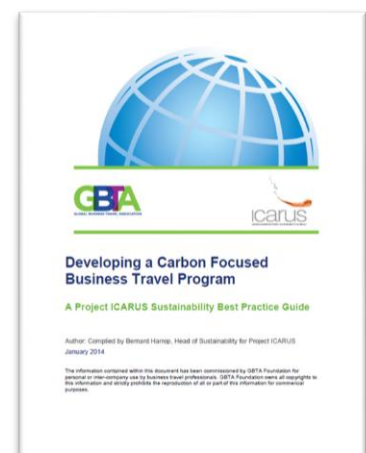
Organisations cannot function effectively through stopping travel, but they can ensure that they travel m o r e efficiently:

➤ 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 and web conferencing.

1.13.3 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.

Step 2 – Creating a working Party

Ensuring buy-in is critical to the success of implementing a travel programme. A simple and effective way is to form a working party or Travel User Group (TUG). From the stakeholders, you will need to identify the following:

➤ Who are the key stakeholders for the core team?

➤ Who needs to be included on an ad-hoc basis?

➤ Who just needs to be kept informed?

➤ What is the method of communication?

➤ How frequently will you meet?

Step 3 – Engaging with Incumbent Suppliers

Regardless of how mature your existing programme is you will inevitably have suppliers. Some of them may be contracted and preferred and others just used because they have been convenient. It is important that you engage with these suppliers, as there is every chance that they are currently more knowledgeable about your programme than you are. In addition they will have in their possession a large amount of historical data that is of tremendous use to you. Before engaging with the incumbent suppliers (apart from data requests) you should consider the following:

➢ Should Purchasing be involved?

➢ What do I need to know about the existing services and capabilities?

➢ What questions need resolving from Phase 1 (Data and process)?

➢ Can I improve existing services and costs?

➢ What relationship building needs to be undertaken?

➢ What learning opportunities are there?

3.1 Supplier negotiation – skills required

Rule of experience recommends that the fewer suppliers the better. Experienced 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 – mutual vs. transactional relationships.

3.1.1 Negotiation involves:

The Chartered Institute of Procurement and Supply (CIPS) believes that the preparation of questions is a key point of negotiation and is vital to the realisation of good outcomes. Some of the questions that should be considered prior to any negotiation are:

➢ **Relationships**: What is the history of the relationship? Could or should this history impact the negotiation? Will there be any hidden issues that may influence the negotiation? How will you handle these?

➢ **Power**: Who has what power in the relationship? Who controls resources? Who stands to lose the most if agreement isn't reached? What power does the other person have to deliver what you hope for?

➢ **Goals**: What do you want to get out of the negotiation? What do you think the other person wants?

➢ **Trades**: What do you and the other person have that you can trade? What do you each have that the other wants? What are you each comfortable giving away?

➢ **Alternatives**: If you don't reach agreement with the other person, what alternatives do you have? Are these good or bad? How much does it matter if you do not reach agreement? Does failure to reach an agreement cut you out of future opportunities? And what alternatives might the other person have?

➢ **Expected outcomes**: What outcome will people be expecting from this negotiation? What has the outcome been in the past, and what precedents have been set?

➢ **The consequences**: What are the consequences for you of winning or losing this negotiation? What are the consequences for the other person?

➢ **Possible solutions**: Based on all of the considerations, what possible compromises might there be?

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.

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

Ask suppliers to improve a deal for the traveller, as well as for the company. This should ensure their market share improves, and then due to this, the buyer can go back the following year for a further improvement in the deal. The closer a company gets to a mandate on travel policy; the better will be the deal from the Suppliers.

Phase 3 – Purchasing "The RFP Process"

The purchasing phase is very important as it identifies potential suppliers, informs them of your requirements, and ultimately determines the costs that you will pay and the service that you will receive. In the first instance it may be possible to identify 'low hanging fruit' i.e. immediate and straight forward opportunities with suppliers you are already engaged with. For larger purchasing endeavours, a clear and concise tender document, such as a Request for Proposal (RFP) with questions that relate to your requirements, is important. It is very easy to 'recycle' somebody else's RFP but this is unlikely to probe the suppliers to ensure that they are able to meet your stated goals.

3.1 Tendering – latest trends

It is more common for larger companies to tender, often on a regular cycle (e.g. 3 years) but irrespective of size, the specification is extremely important. Within the specification, the better the information on actual spend, number of transactions and payment/billing terms, the better will be submissions. This is particularly vital when asking for a quote from a TMC on a transaction fee basis. Without transaction numbers, it is extremely difficult for them to bid accurately.

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

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

3.1.1 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.
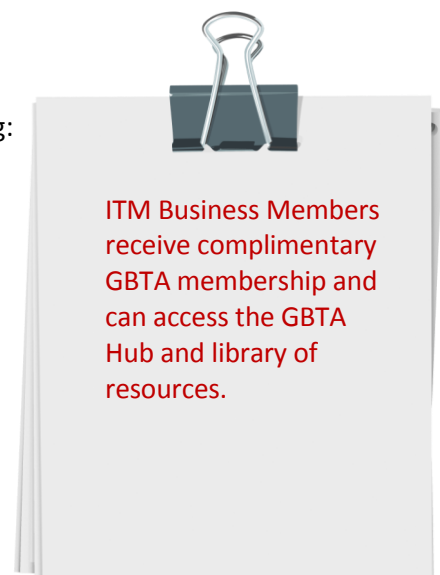
3.1.2 Establish the internal process

➢Get agreement to go out to tender

➢Agree which department will lead the process

➢Review the travel policy – does it need to be updated?

➢Write the specification: Invitation to Tender (ITT), Request for Proposal (RFP) – including the following:

- Statistics by sector (air, rail, hotels, car rental, etc.)

- 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 – see below)

- 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)

➢Internally agree a timetable for the tender process

➢Agree the evaluation criteria and weightings, for example, between the bid submissions and the presentation, service vs. cost, references, site visits and so on

➢Decide if a Non-Disclosure Agreement (NDA) is required

Other Resources

ITM Business Members may have access to GBTA resources including:

- KPI Toolkit Webinar
- KPI Wizard
- KPI Reference Guide
- NDA (Non-disclosure Agreement) - Download File

ITM Business Members receive complimentary GBTA membership and can access the GBTA Hub and library of resources.

Step 1 – Creating the RFP

The work already undertaken in the Discovery and Engagement phases has laid the foundations for the RFP. To enable suppliers to best demonstrate their capabilities, you will need to ensure that the RFP clearly sets out your goals and expectations. The more information that you can provide to potential suppliers, the easier it will be to quantify who will be able to best meet your requirements.

The RFP should be as simple as possible to understand and contain good quality open questions. There is an appetite from many online RFP tools to over commoditise travel and simplify the process by asking closed questions requiring a 'Yes' or 'No' answer. Whilst this allows the tools to automate the scoring and reduce the time, its limitations should be considered.

Consideration should be given to how the questions are structured to enable scoring when the responses are submitted.

1.1 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 awareness of most economic fare within policy
➤ E-ticketing and associated refund process
➤ Issue itineraries in chronological order of all sectors/bookings made
➤ Provide itinerary and booking services via mobile phones
➤ Arrange currency services either direct or via a third party supplier
➤ Provide visa/passport document information for each trip
➤ Assist in obtaining passports and visas
➤ Arrange refunds (see also e-tickets above)
➤ Make hotel and meeting/conference bookings
➤ Make ground transportation bookings - car rental, chauffeur drive and if required, taxis
➤ Provide management information as required by the client
➤ Requirement for VIP services
➤ A fully staffed 24-hour service
➤ Airport assistance in UK and abroad (via Third Party Supplier)
➤ Access to special market fares for marine and charity services (when applicable)
➤ Group travel (10 or more people)
➤ Ad hoc aircraft charter
➤ Meet Service Levels required and Key Performance Indicators
➤ Regular review meetings
➤ Assist with negotiations with suppliers - airlines, hotels, etc.
➤ Other projects, for example: servicing options analysis, benchmarking and introducing a sustainable travel programme to reduce the travel carbon footprint

1.2 Other items for inclusion could be:

➤ Hours of operation
➤ Technology to be provided
➤ Levels of support and training
➤ Out of hours cover

➤ Sickness and holiday cover
➤ Internal audit checks
➤ Staffing levels

1.3 Clear guidelines should be issued to potential suppliers detailing as a minimum the following:

➢Response Format
➢Dates for:

- RFP Issue
- Intent to tender returned
- Clarification questions received
- Clarifications questions answered
- RFP response due
- RFP response evaluation
- Shortlist notifications

- Supplier Presentations
- Best and Final Offers
- Site Visits
- Existing and Past customer references
- Contract Award
- Contract Start date

It is imperative that you allow enough time to complete each of the detailed components of the process and that you are fair to all the potential suppliers and adhere to the timelines.

If possible a copy of your standard services contract should be included with a contract compliance matrix allowing the bidders to identify any clauses that they are uncomfortable with.

Step 2 – Identifying the Potential Suppliers (Bidder List)

You cannot have an effective programme without quality suppliers. Prior to issuing your RFP you will need to create qualifying criteria to be included and then also research the potential suppliers. The qualifying criteria may include some of the following:

2.1 Member of a professional Industry association

➢ITM   Institute of Travel & Meetings
➢HBAA   Hotel Booking Agent's Association
➢GTMC   Guild of Travel Management Companies
➢GBTA   Global Business Travel Association
➢ACTE   Association of Corporate Travel Executives

2.2 External market recommendations & standards

➢Own network
➢Previous experience
➢Independent Consultants
➢Works with companies in your industry sector
➢Other supplier data, such as:

- Financial Security
- Staff turnover statistics
- Industry awards or recognition

- Recommendations from Peers
- Environmental Policy

Whatever the criteria you decide upon, having sourced the market, set a provisional bid list, take up references on the agencies and agree a final bid list.

As a guideline, it is recommended that buyers 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 from 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.

Step 3 – Issuing the RFP

The RFP should be issued to all suppliers at the same time with all necessary documentation attached. Wherever possible it should be issued electronically, avoiding the excessive use of paper.

Having written the ITT/RFP/ Request for quote (RFQ), send it out to the agreed bid list.

A possible 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	Evaluate/Review
Take up client references/site visits Post-bid negotiation/clarification Award contract	Timescales here would depend upon the number of short listed/site visits companies, complexity of requirement and contract negotiations
Advise unsuccessful bidders and offer debrief	
Advise stakeholders - travellers, bookers	
Implementation period	Allow 2/3 months

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

Step 4 – Scoring the RFP

As discussed, it is important to structure the RFP to enable you to score your suppliers as easily and fairly as possible. The simplest way is to group the questions in to 6 to 8 sections that you can then apply weighting to, if necessary. It can be useful to set a minimum qualifying level (either points or percentage) before the scoring commences. Any supplier exceeding this level will progress to the presentation stage.

In addition to the structure, you will need to identify who in the working party will score the RFP and the scoring Criteria. The following is an example of scoring criteria:

➢ 0 points – Meets none of the requirements
➢ 2 points – Meets some of the requirements
➢ 3 points – Meets all of the requirements
➢ 5 points – Exceeds all requirements and adds value

Step 5 – Supplier Presentations

Once you have completed the scoring, you will be left with a number of suppliers who have either met the minimum qualifying criteria or whom you feel are able to meet your requirements.

Ensure that you inform the suppliers what you are looking for them to present, how long they will have and ask what equipment they will require. This is your last chance to probe the suppliers and ensure that they are able to meet your requirements.

Suppliers should be questioned thoroughly on any areas where they received low scores. In addition to ensuring that the supplier can meet your requirements, you should also be focusing on whether you can actually work with them. If you have not warmed to the supplier's employee, do not be afraid to ask for them to be replaced. You should also consider visiting shortlisted suppliers in their own environments, as this can often give you insights into the business which sales people or distanced communication cannot.

Step 6 – Best and Final Offer (BAFO)

Whilst we would always expect a supplier to submit their best bid in the first instance, this does not always happen. This is your last opportunity to obtain some extra value or reduce costs prior to awarding the contract.

Step 7 – Award and Contracting

As soon as a decision is made notification should be given to the successful bidder subject to agreeing contractual terms. Any major areas of concern on the contract should be addressed prior to notifying the unsuccessful bidders. Unsuccessful bidders should be notified as soon as possible.

Step 8 – Supplier De-brief

It is very costly and time consuming for suppliers to respond to tenders. It is only fair that you should offer the supplier an hour of your time to let them know how they performed, where they scored badly and areas that they could improve on in future bids.

Other Resources

ITM Business Members may have access to:
- Travel Management Company- Template for TMC Solicitation - Download File
- Travel Management Company- TMC RFP template =- Download File

Phase 4 - Implementation

Now that you have identified the best supplier to book and manage your travel, or indeed the commodity provider that will give you the best deal, you will need to launch this to the business.

This phase is underpinned by excellent communication. You may have the best suppliers available at the lowest cost, but if your travellers do not use them then you have wasted your time and your business will be paying higher costs.

The two key communication streams are between:

➤ You and your Supplier(s)
➤ You and your Customers (i.e. Travellers, stakeholders)
    Your implementation plan must be formed using the skills and resources of the supplier's implementation manager, you and your stakeholders. Realistic timelines for implementation need to be set with your suppliers and agreed with your internal stakeholders. The implementation of a new TMC, for example, will normally take a minimum of 8 weeks and more often 12 weeks.

A key component of any TMC implementation is the quality of your employee data, where it is obtained and how it is updated to manage organisational changes, leavers and starters. The core employee data contained in a TMC travel profile should containas a minimum:

➤ Full name (as it appears on the passport)
➤ Unique employee number, if available
➤ Email address
➤ Contact phone number to include a mobile
➤ Cost Centre
➤ Department / Function
➤ Nationality
➤ Passport details

The source of this data is important as changes need to be communicated to the suppliers and this, in most instances, is the data used for accounting and reporting purposes. This is where the HR or IT/IS stakeholder can add some value, as they will know what data is held centrally and how this can be passed to the supplier.

There are many other additional pieces of profile data that should be managed by the traveller or booker. These may include:

➤ Special meal requirements
➤ Preferred seat type
➤ Frequent Traveller cards
➤ Project codes

A planned communication campaign, keeping everyone informed of the travel programme project is critical. Try to use your Executive Stakeholder to issue the initial communication, and then this will help with the roll out. As a minimum, the name of your Executive Sponsor should be visible on any communication materials.

Consideration should be given to a central source of information for all communications, policies, and processes. This should be something that is already familiar to your users such as a company Website or Intranet. If possible a specific Travel Portal should be used that is either provided by your company or your chosen supplier. It is important that information is current, correct and simple to find.

In addition to the communications plan, supplier visibility is very important. This can be readily achieved by holding on-site supplier road shows, or indeed taking key bookers to the supplier's offices. The insight gained and relationship building that this achieves is invaluable.

Phase 5 - Monitoring

5.1 Definitions

➢Programme Management
   • The ongoing review of performance against service level measures and your stated goals or critical success factors

➢Performance Management
   • A systematic review of how your suppliers are performing and the building of long term partnerships with them

➢MI (Management Information)
   • The provision of data from your suppliers that will give a clear picture of spend, savings opportunities and costs

Once you have your programme implemented this is where the hard work begins. Your requirements will change, volumes will increase or decrease and your contract will expire. You will be required to manage this on a daily basis and this can bedone by:

➢Programme/Account Management (provided by TMC)
   • Quarterly account management reviews. These may include:
      − Update on spend/trends
      − Performance against agreed metrics
      − Pro-active suggestions from account manager
      − Process improvements
      − Savings opportunities
      − Assistance with ad hoc enquires
      − Product updates and training

5.2 Performance Management of TMC and other suppliers:

➢Service level Agreement (SLA)
   • Regular reviews of performance against agreed metrics
   • Customer satisfaction surveys
   • Traveller feedback forums

5.3 Management Information (MI)

➢Spend Data
   • Total spend captured through length of contract
   • Performance against contract measures
   • Future opportunities

It is important to monitor and measure the correct areas. This should relate back to your stated business goals. If reducing cost is your stated goal then you should measure demand, average ticket price, missed savings opportunities, savings proposals and leakage of spend to non-preferred suppliers. If service is a stated goal then telephone answering, customer satisfaction and complaints should be closely monitored.

Once you have gathered Management Information from your suppliers, it is important to know what to do with it. Data can be turned into any number of Key Performance Indicators (KPIs) and distributed back to your stakeholders, as follows:

5.4 Compliance
➢ Sending a report of non-compliant bookings to your Executive Sponsor or department heads.
➢ Creating a league table of best/worst performing departments

5.5 Savings
➢ By reviewing your Management Information you can identify future cost savings opportunities, for example, advanced booking, acceptance of restricted air tickets
➢ Using the spend data by supplier will also assist in the negotiation of enhanced discounts for your organisation

5.6 Supplier Management
➢ Measuring the success/failure of your suppliers in driving down the costs of your travel and delivering process improvements

5.6.1 Monitoring of supplier performance

At the beginning of any deal, it is recommended that Service Level Agreements are put in place which will have KPIs as measurements. SLAs typically cover two main aspects of service - timescales and standards. Subjects that can be included are, for example, telephone answering statistics, savings achieved, delivering management information on time, accuracy of booking and customer satisfaction surveys.

Effective supplier management can help you identify future cost savings opportunities.

5.6.2 Quality control via a mid-office system
Typical computer applications (for example CoRRex, Aqua) 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. They should also provide a link through to special fare units on more complicated itineraries to maximise the potential savings.

5.6.3 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 online and boarding card production online are now available too. Some airlines also operate mobile boarding cards.

Historically, there was a need to put a system in place to trawl through unused e-bookings, as without hard-copy tickets travellers are less likely to arrange refunds when necessary. E-bookings drop out of the system after 13 months. However, most TMCs are able to provide an e-booking refund service which is managed electronically and will auto-apply for refunds on tickets that have been unused for 3 months.

5.6.4 Route deal monitors

Management information tailored to explore the "what ifs" of deal results can be very powerful in deciding how to maximise benefits from a range of deals.

5.6.5 Telephone systems

Where available, using CTI telephony capabilities, the system will recognise the caller and display 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.

5.7 Benchmarking

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

It is more difficult to benchmark arrangements between buyer and supplier; however this can be achieved via your TMC using a peer group agreed by you with them.

Summary

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.

By following the steps above and considering the following:

> *Plan, Do, Review and Communicate, Communicate, Communicate!*

You will be in a good position to have a well-managed travel programme.

Do's

➤ Define your goals and objectives
➤ Obtain Senior Management buy-in
➤ Ensure early engagement of Stakeholders
➤ Know and understand your data
➤ Make sure you choose the right supplier(s)
➤ Stage the implementation

➤ Ensure both Global and Local deals are in place
➤ Measure and report your successes
➤ Learn from mistakes or issues
➤ Communicate, Communicate, Communicate

Do Not's

➤ Take up too much of your stakeholders' time. Be clear and concise in your stated goals
➤ Delay in responding to issues or concerns
➤ Implement in a part of the business if the programme can never work
➤ Get it wrong first time, as it is much more difficult second time round

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Acknowledgements/Sources of Information:

ITM
CIPS
GBTA
GBTA Project ICARUS
The Carbon Accounting Company