

Developing A Global Travel Program

BY CHRIS DAVIS

Interest in consolidating and streamlining regional travel operations is growing. Travel managers increasingly find themselves aligning policies and procedures, integrating technologies and consolidating service providers. Globalizing corporate travel management is not a one-time event, but an ongoing expansion and refinement of operations—requiring rigor to be effective and flexibility to meet evolving corporate and regional needs and respond to changing industry conditions.

The following outline can help in developing a multinational travel program.

I. THE STARTING POINT

Senior management support and buy-in from other stakeholders is crucial. Outline your rationale for seeking to consolidate travel globally.

A. Your chairman, CEO or CFO should communicate the global strategy to all executives, which lends credibility to the travel management team as it begins to implement the process.

B. A healthy domestic or regional travel management program usually provides a strong foundation for a global effort.

1. Asking for support from international travel managers increases the chance of success.

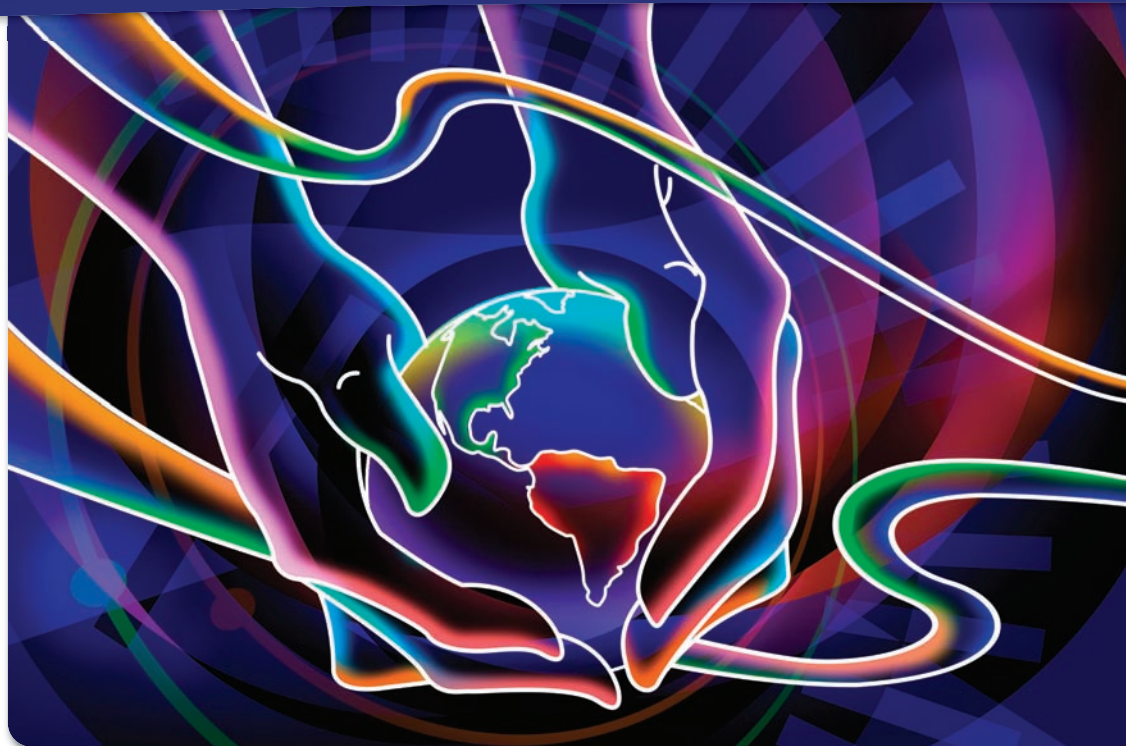
2. Success provides a base of experience and relationships on which you can build. However, acknowledge cultural differences at the outset, and understand that not all aspects of a successful program may be exportable in their entirety.

C. Get support from senior executives and key managers from all participating countries or business entities. However, excessively widening that circle can add a bureaucratic layer that hampers decision-making.

1. Market the concept. Emphasize how each business unit will benefit and how they can assist in meeting corporate goals.

2. Designate a manager in each location or business unit to make decisions regarding major changes to supplier portfolios and policies.

D. Establish a global infrastructure, including



a global travel team and/or council, to ensure buy-in and ongoing support and provide prompt and actionable feedback.

1. Organize a task force to gather information, plan timelines and regional consolidation plans, and establish strategic objectives. If at all possible, appoint a full-time project manager.

2. Organize regional travel councils that include representation from information technology, finance, human resources and risk management departments. The support of representatives from each country or region is critical.

E. The travel council should participate in establishing and fine-tuning the overall strategic direction of the global program and global travel management service, savings and information goals. Management needs to communicate such authority to give the council credibility.

F. Establish that senior management expects participation unless compelling business reasons preclude it. Prepare to use local suppliers to fill holes in global or regional deals, which may benefit the program while maintaining local client

relationships. Showcase peer group studies that demonstrate program benefits.

II. ASK QUESTIONS FIRST

Before developing a global travel program, consider outsourcing aspects of it. Ask suppliers, particularly card vendors and the corporate finance department, for data before you begin. Develop an internal request for information to identify who manages travel internally and elicit details about specific supplier deals, etc.

A. If possible, visit locations and operating units that will be principal bases for travel management programs abroad. Begin with the largest concentration of spending volumes or travelers.

1. Articulate your purpose as an opportunity to improve travel services, savings and productivity for all employees in the company and ask questions.

a. Seek to understand different internal processes and procedures.

b. Be alert to cultural differences in behavior and attitudes. Look for nuances in style and →

procedure in each country.

c. Question generalizations when assessing international travel operations.

2. Assess your colleagues' opinions of the current travel program.

B. Use the travel council or a third-party data-warehousing group to coordinate collection of data on existing travel patterns and supplier relationships. Develop a consistent framework of data requirements and distribute it to the responsible individuals in each country. Key elements to collect are supplier contracts and data on total travel spend.

1. Overall program information. Collect as much detailed data as available, but do not expect the same level of information in all countries. Make sure definitions of business travel are the same.

Request data for:

a. Organizational information
i. Company locations
ii. Number of business travelers, their ranks, job categories and locations

b. Travel agency relationships and services

i. Contracts
ii. Travel agency agreements

with key suppliers

iii. Systems for reservations, document delivery, reporting and payment, including global distribution systems, airfare databases, online booking tools, etc.

iv. Financial relationships, including fees paid and commissions returned. Compensation models can vary dramatically from country to country.

v. Ancillary services, such as currency exchange, value-added tax refunds or visa assistance

vi. Current staffing levels

vii. Agent productivity drivers, such as average call length, calls per transaction and refund and exchange rates

c. Supplier relationships, including airlines, hotels, car rentals, etc.

i. Contracts, including discounts, incentives, service-level agreements, back-end refunds or discounts, etc.

ii. Primary supplier volume data

iii. Special traveler programs and preferences

iv. Any alternate suppliers or traveler-preferred options to be considered

d. Travel purchasing methods

e. Copies of existing travel policies

f. Current payment methods

i. Cash access provisions

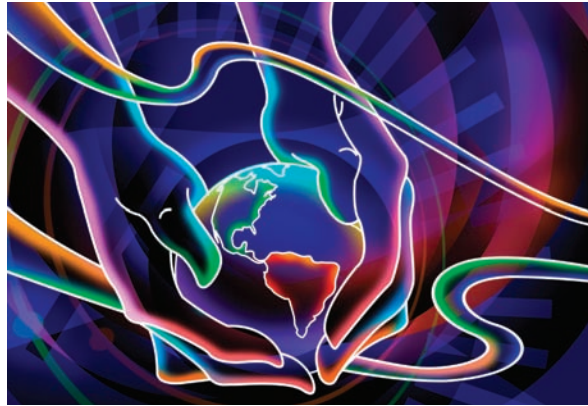
ii. Reimbursement procedures.

Get charge card data, including individual billing and central pay information.

g. Expected changes in travel patterns, business activities, recruitment conditions and other developments

2. Travel volume and patterns. Get travel agency data for the past two years to develop the global database. Request data in a common format that bridges data consolidation and modeling tools at the raw data level, versus the summary level.

a. Transaction and spending volume



by travel supplier type

b. Destinations and citypairs

c. Average trip length

d. Average airfares and hotel and car rental rates

e. Rail and ferry usage

f. Primary supplier marketshare

g. Exception reports, if available

h. Management reports or best estimates for as many data points as possible. Obtain accounting department reports. Consider hiring a third-party data management firm.

3. Market information. Ask colleagues and suppliers for insight into their respective countries and imminent changes that might affect a global travel program:

a. Commission structures

b. Travel agency contract terms

c. GDS and MIS changes

d. Regulations that affect the distribution of tickets and the transfer of data

e. Privacy laws and agency employment laws

f. Interview peer travel managers and representatives of travel management companies and suppliers.

g. Ask managers of other headquarters departments—HR, MIS, purchasing and accounting—about their experiences in extending policies and procedures to operations worldwide.

h. Apply local relevant lessons from the domestic travel management program.

i. Any benchmarking information from businesses of similar size or industry, and from corporations with established global programs.

III. STUDY THE DATA

With differences in travel data available in each country, establishing benchmarks could make data more relevant.

A. Use independent benchmarks to identify potential travel management improvements. Focus not solely on data but on best practices and policy.

1. Calculate ticket price averages for domestic and international air travel. If your company uses a lot of split ticketing, cost per mile may be a superior benchmark.

2. Possible benchmarking data sources:

a. Domestic travel agency

b. Agencies used internationally

c. Charge card

d. Aviation, lodging, ground transportation and other suppliers

e. Consultants

f. Industry and professional associations and publications in your industry and in travel, finance and accounting

g. Peers at other companies, especially those comparable travel patterns, size and structure to your own

h. Fare audit companies

B. Look for areas likely to support the objectives of your travel program, such as a division already managing travel to support preferred vendors.

C. Focus on where the program could make a difference in a short time.

D. Identify areas out of line with travel management goals.

IV. DEVELOP A BUSINESS PLAN

A. Start by setting policies backed by senior management and, where culturally applicable, with accountability measures built in. If not ready to create a global travel policy, at minimum prepare a set of guidelines.

1. Don't expect to impose policies in →

other countries identical to those at headquarters. Travel options, business considerations and traveler entitlements and sensitivities all vary. Don't overstate your authority or management support. Be factual and honest.

a. Work with local managers and employees to draft travel policies reflecting local realities, while supporting global program goals.

b. Policies often vary by country, including language governing airline class of service, hotel room types, per diems, airport transportation, expense reimbursement, telephone expenses, car rental insurance, corporate aircraft, preferred vendors and emergency procedures.

2. Start simply. Cover the fundamentals but leave room for fine-tuning. Policy should be flexible, but never ambiguous.

3. Ensure policy is practical with regard to local practices and eliminate the need for local exemptions.

B. Create the means to generate good management information that will let you:

1. Develop a global travel management plan, with specific goals and a realistic timeline. Senior management should review, accept and endorse your plan.

2. Support international negotiations.

3. Refine international policies. If you work with a selected number of travel management companies, try to standardize T&E policies and practices.

4. Develop purchasing processes and service metrics for tracking service levels and integrating procurement methodologies. These will help vendors understand your key performance indicators.

C. Introduce a global corporate card.

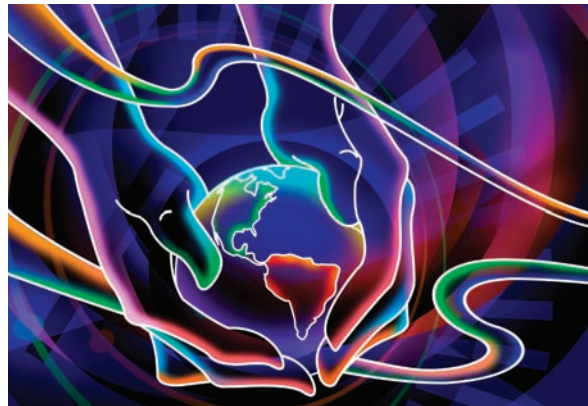
1. AT&E charge card program will enable gathering detailed information centrally. Be cognizant of privacy laws, banking regulations, customs and infrastructure that restrict data collection and dissemination.

2. You may be able to reduce charge card fees or boost rebates by putting multiple business units under a single contract. Merchant fees can fluctuate by market. Your card issuer will base economic decisions on a balance of cards issued and volume produced in individual currencies, which determines the issuer's income and amount of program overhead needed.

3. Ensure that card vendors can meet requirements despite agreements in various countries that may not permit them to provide specific services. Focus on data delivery capabilities and make sure the program meets the in-country needs for reporting and program management and also provides data for consolidation.

4. Card data show actual spend and often are more reliable than booking data.

5. Beware of other expense data, such as out-of-pocket expenses, and other items that can leak out of the card reports. Card acceptance and usability is key, and there should be minimal use of personal card for business spend.



D. A multinational program concentrates travel purchasing with one or a few travel agencies. Configurations include:

1. Using a single travel management company globally

a. This helps develop consistent procedures, application of travel policy, values and guidelines and provides clear accountability for service delivery.

b. Theoretically, it provides a single system for consolidating data from diverse international operations. TMCs vary in their abilities and methodologies for consolidating data from multiple countries.

2. Using a single TMC for a group of countries within a region offers many of the same advantages as worldwide TMC consolidation. It may require an extra step to aggregate worldwide information. While regional versus global means smaller economies of scale and decreased buying power, it may be the best approach based on goals, ROI and internal support.

3. Using independent agencies joined in an international network to support multinational accounts. Without common ownership, control, service and standardization

may be limited, making it difficult to jointly manage and coordinate the program.

E. Evaluate ability of TMCs or third-party data consolidators to provide data.

1. How will the management information be gathered? Is the process manual or automated?

2. What process will be used to consolidate data that comes from incompatible computer systems?

3. Can data be normalized internally?

4. Can currency conversions be handled compatibly with company accounting practices? How and with what frequency is currency converted?

5. Can the correct data be gathered on ancillary services, such as hotels and rental cars, often not booked through GDSs?

6. How often is the data updated? How is it cleansed?

7. What is the availability of pre-trip and post-trip data?

F. Determine where the TMC's capabilities leave off and you will have to complete the data management process.

G. Get answers to questions about technology that exists, not what is in development. Make use of references.

1. Every travel management company strategy involves business practices and technological progress limitations.

a. Be cognizant of data privacy concerns and legal requirements on data transmission in various countries.

b. Common agency back-office systems often do not capture data in comparable formats. Currencies also must be converted in order to consolidate data.

c. Transborder ticketing—driving all tickets for a region from one country—may be legally and technically possible, yet not practical. Often, regional centers process reservations and then have local offices issue tickets. Understand the process for traditional telephone reservations and for online ticket fulfillment.

d. Managing multiple suppliers and assuring service consistency is difficult.

2. Consider GDS strategy when selecting a TMC.

a. If it is a priority to provide en route service to traveling employees, it may be helpful to have a common GDS in key locations to provide access to traveler itineraries →

and passenger name records. TMCs recommend processing en route requests through the 24-hour service provider.

b. Some rail or pricing information may be available through only one GDS, which may be more important than the universal exchange of passenger records, depending on company travel patterns.

c. Strong local vendor relationships and/or prevailing market conditions may make it essential to use a particular GDS.

d. Partner closely with your preferred TMCs on GDS issues, as they have buying leverage and will be operating the GDS on your behalf. In some cases, the TMCs have developed proprietary customized scripting and other GDS enhancements.

3. Begin establishing infrastructure for online reservations and fulfillment. Make provisions to access suppliers not available in GDSs.

a. Build on the successful implementation of an online tool in the United States or the headquarters location.

b. Weigh fulfillment options.

4. Map the TMC service locations on your company's map of destinations and ask the TMC to explain how it will support your company's needs.

H. Keep task force members involved throughout the process. Let local people negotiate with local vendors.

I. Decide on a rollout plan: Do not take on the whole world at once. Implement first in the company's largest countries and locations, or perhaps by region where most of your volume is concentrated and benefits are easiest to quantify.

1. Achieve benefits at a few locations with the highest spend and greatest potential to prove early success.

2. Consider company structure in a given geographical area.

V. IMPLEMENTATION

A. Develop communication and change management plans with the council and key suppliers.

B. Introduce the global program at each key location.

C. Introduce personnel involved in the program to the travel management company's global account team.

D. Give notice to incumbent agencies and suppliers affected by the change. Check for local legal concerns. Local labor laws

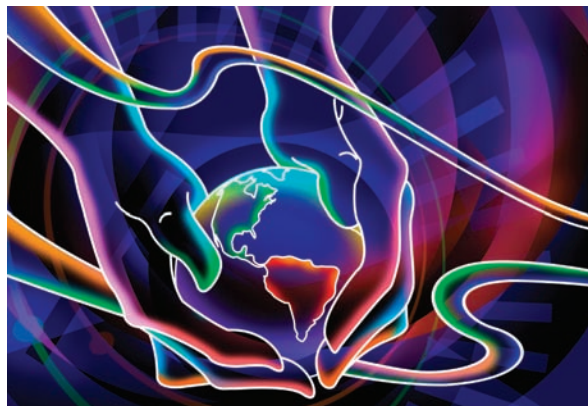
have a serious cost impact.

E. Establish and promote a means to gather employee feedback and address service issues promptly.

F. Leverage worldwide volume to negotiate global or multi-country airline and ground transportation agreements, and develop a global preferred hotel program. Country- or region-specific contracts may be necessary to cover all your bases.

1. Cover the majority of airline spending with negotiated agreements. If multi-country agreements with a single carrier are not possible, see if an airline alliance provides sufficient coverage.

a. Aggregate data may be sufficient



to provide some leverage initially to support multi-country agreements.

b. Sophisticated modeling requires segment-level detail by citypair from the global travel management company.

c. Airline alliance deals can give travel buyers one account manager, unified reports and, in some cases, one set of negotiated commitments.

i. Data evaluation is key for determining if an alliance deal is the right fit for a company. Determine if the company's route structure, air volume, domestic-international ratio and traveler preferences fit with the offerings of a particular alliance.

ii. Get TMC feedback and further evaluate if an alliance-wide agreement would bring in efficiencies, pricing value or other benefits to the travel program.

iii. Inquire if your primary carrier participates in a domestic and/or worldwide alliance. Some airline partners can offer joint deals under the umbrella of antitrust immunity, while others cannot. Alliances generally contract through a centralized management company or a lead alliance carrier.

iv. Alliances favor companies that

strongly enforce travel policy, have strong global data and can generate business to multiple alliance partners.

2. Negotiate car rental company agreements travelers can access worldwide.

3. Most hotel programs include several levels of preferred properties. Individual properties at locations with the most volume yield the best rates. Next are negotiated chainwide agreements that provide a discount at every property. Last is leveraging rates from the preferred TMC.

a. Negotiate preferred rates in top locations through a hotel company national account manager or directly with the property sales department.

b. A chainwide hotel agreement typically provides lower discounts than those negotiated with high-volume properties, but can be helpful where the company sends fewer travelers. Many have found negotiating at the local level beneficial.

c. TMC rates are lower than published corporate rates and provide a valuable benchmark.

VI. FOLLOW THROUGH

A. Meet regularly with your travel council to review program results, troubleshoot and exchange ideas.

B. Listen, monitor feedback and respond. Be flexible about fixing problems.

C. Meet regularly with the travel management company.

D. Study management information.

1. Look for patterns indicating negotiating opportunities, policy exceptions that need revision and shifts in employee spend or travel patterns.

2. Share results, credit with all involved.

3. Use data to demonstrate program successes. Monitor key performance indicators to assess supplier service delivery.

E. Leverage best practices in service configurations, preferred supplier selection and technology products.

F. Develop ongoing supplier certification standards. Publish travel management company and internal contact information and preferred deals on your intranet. Keep all content current. ■

Thomas Barrett, Trane global strategic sourcing director, and Kevin Iwamoto, global corporate card, hotels and meetings commodity manager for Hewlett-Packard, provided assistance.