Structuring A Travel Management Program

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As travel management is constantly being redefined and companies grow more cost-conscious and global, it is crucial for corporate travel buyers to furnish a strong and cohesive travel management program. Such a program gives a corporation the framework to control costs, provide travelers with optimal service levels, effectively manage supplier partnerships and meet the demands of the changing corporate travel environment.

The foundation of a travel management program lies in obtaining the support of some of the travel program's key stakeholders, including executive management, travelers and employees from multiple corporate departments.

Executive management endorsement at both the corporate headquarters and local operating levels is a necessary step in reaching the company's travel management objectives. This cross-departmental and hierarchical participation enables the company to clearly understand the goals of the corporate travel management program and garners management and employee support and buy-in.

Business travel decision-makers today increasingly find themselves responsible with managing new technology, laws and regulations, reporting structures, risk management needs, evolving company cultures and corporate social responsibility issues.

Business travel decision-makers have a multitude of issues to consider when constructing a travel program, including evaluating travel supplier relationships for travel management company, air, car and hotel vendors, and multiple models of travel management configurations.

Achieving value by balancing service levels versus cost and the company's objectives with sound travel management practices gives a company the proper perspective for building travel processes and practices that provide travelers with the most productive solutions to support business missions.

The following is a guideline for a well-constructed program:

I. SCOPE AND REACH

A. A business travel management program can be initiated by a decision at corporate headquarters, with support from regional headquarters or within a branch of a company. A corporate governance board also can be useful to garner travel program support. Fundamental components of successful travel management programs include a written policy, written agreement(s) with travel agent(s) or written operations standards for an ARC-accredited Corporate Travel Department, supplier agreements, and implementation of a travel arrangements system, management information system and payment and reimbursement system. Service and savings benefits must be measured, reviewed and communicated periodically with the key company stakeholders.

A key step is to internally compare spending levels and policy compliance to determine travel management goals and objectives. Using available data, you should measure supplier performance against defined contract requirements. Such initiatives can be undertaken with the use of service-level agreements with travel management companies and quantifiable data from benchmarking tools.

B. Implementation strategy

1. Identify individuals who will be responsible for various tasks involved in the implementation process. Develop procedures and systems to support long-term expansion plans. Flexibility and scalability are key to any program.

2. Draw up a timeline for every step and specify who is responsible for each component.

3. Many corporations concentrate initial travel management efforts at headquarters or within a core group of operating units already linked by established lines of authority, communication and shared policies. In larger corporations, a travel or procurement manager typically directs the program from corporate headquarters, often with the help of a travel committee or council of rep- ➔

resentatives from the operating units participating in the initiative.

A council of cross-functional representatives can help to broaden support, as its decisions are seen as supporting company goals, not just those of specific departments. Another option may be a three-tiered committee, with one group composed of senior managers from various geographic and/or functional areas, a second tier of lower-level employees who would implement the program and a third group of procurement or travel-related personnel.

For global programs, create a committee of regional representatives, each to serve as local program administrator.

4. Obtain and circulate a statement of senior management support and, optimally, mandated usage. Executive support also is useful to clearly define roles and responsibilities internally with such departments as human resources, legal, procurement, security and travel.

5. Make sure you have full IT support and access to the company intranet and communication tools. Use these capabilities to promote the program and leverage support from senior management. Dedicate intranet space to promote preferred travel vendor agreements, security alerts, news and policy changes.

C. Methodology for supplier evaluation and selection

1. Study your enterprise's geography, cultural orientation and traveler destinations.

2. From past records of travel activity, identify specific vendors frequently used by travelers for each destination—hotels, ground transportation and air services. In addition, identify alternative suppliers that could support similar services to and in the same destinations.

3. Compare vendor costs by reviewing credit card and expense reports, consultants, industry benchmarking groups, peers, travel management companies and the Internet.

4. For your top 20 to 100 destinations, depending on company size and travel patterns, develop a proposed list of preferred vendors. If you don't have experience with specific locations, consult company travelers, peers or supplier contacts who have visited them. Once you've identified specific suppliers, provide them with a formal solicitation or informal request with your projections of travel volume, total expenditures, service expectations and any pricing guidelines you might have. The more spend you can leverage, the better preferred pricing will be.

5. Ensure that you provide for primary and alternative sources of supply, especially for air, ground transportation and lodging.

6. If possible, consider negotiating with one supplier for multiple destinations.

7. Seek contracts with defined service-level agreements to facilitate measurement of performance. Ensure that any market-share or revenue targets in the contract are achievable. Establishing viable expectations enables organizations to more creatively manage travel expenses without sacrificing the long-term supplier relationship.

II. TRAVEL ARRANGEMENT OPTIONS

A. Conventional travel arrangements may be described as using a telephone to call a travel agent to assist with trip arrangements. Except for VIP services, complex international bookings and high-service oriented industries, this more expensive service option is becoming gradually replaced by bookings over the Internet.

B. The majority of corporations have installed online booking tools, most in conjunction with travel management companies. The tools access global distribution system content, and travel management companies may charge lower transaction fees for such bookings.

C. Although second only to telephone bookings for costly labor involvement, some companies use e-mail to place requests with their agencies. This allows bulk processing and reduces traveler time devoted to trip planning. It also provides a written log of prior requests and communications between the traveler and agent, which many think tends to improve service.

D. Interactive voice response is an efficient alternative for completing certain types of transactions, particularly those with easily definable parameters. More cost-effective than an offline agent-assisted reservation, this time-consuming and often high-maintenance system may result in negative traveler feedback, particularly when purchasing a complex trip.

III. TRAVEL MANAGEMENT COMPANY OPTIONS

It is essential to establish requirements and expectations for the company before making a travel agency decision. This facilitates the choice between a blended or single solution to achieve the objective.

A. Single source provider, where one travel management company handles all client requirements in all locations

1. Advantages

a. Accountability is assured.

b. A single source for all travel management information can facilitate successful supplier negotiations.

c. Single account management and administration may cut overhead costs.

d. Concentrating its purchasing with one agency allows a company to move marketshare easier to meet contract goals or maximize cost savings, especially by using the agency's preferred suppliers if they align with the client's needs.

e. Policy administration can be more consistent when common systems and procedures are used for booking travel and reporting expenses.

f. Installing and upgrading technology is easier. Standardization of processes and services is more effective when all agency operations are consolidated with one travel management company.

g. Many agencies can route calls from one work group or reservation center to another as backup or in emergencies, or actively network centers across multiple time zones to ensure more efficient and productive use of counselor staff.

h. Dissemination of changes and/or updates is easier when information is transported through one agency.

i. Deployment and implementation of online booking tools can be easier ➔

through one centralized point of contact, especially for training and support.

2. Considerations

a. An agency's geographical coverage does not guarantee consistency. It can be a challenge to ensure that uniform procedures are followed and quality maintained in a multi-branch organization. Some countries preclude multinational travel management companies from owning offices.

b. A single agency, especially if it is handling a multinational account, may not necessarily employ a single management information system format. Some agencies do not use common systems, nationally or internationally.

c. A company does not have to choose a mega agency for broad geographical coverage. Many super-regional, regional and local firms serve accounts using networked automation, online technology and virtual operations.

d. Divisions, branches and international locations might resent giving up familiar agency relationships, particularly ones that share local language or dialect.

e. Advances in travel management technology make use of multiple agencies more feasible. Third-party data management companies can consolidate global spending and reservation data, even from multiple vendors.

f. Using multiple agencies allows a travel manager to take advantage of a possibly larger selection of product offerings, thereby reducing corporate vulnerability and providing a backup for service or financial issues.

g. Different travel management companies may have conflicting preferred suppliers, which can impact any shared financial considerations.

h. Use of minority- or woman-owned businesses in a multiple agency scenario can support corporate diversity goals.

i. Use of a third-party data consolidator can aid in supporting multinational and multiple-agency programs.

j. Pay close attention to payment systems and how travel is expensed. Centralized billing may not be possible in some countries. Laws and regulations may preclude your company from using the same payment system you use in other countries.

k. Determine what type of after-hours support your travelers require. If the travel management company outsources or offshores these services, identify the location and verify telephone operating capabilities and possible language and local barriers. Investigate billing procedures for after-hours call volume. Make sure the after-hours team has access to daily operation records and traveler profiles.

B. Multi-source solution, in which a corporation's different regions or divisions have their own travel management companies, and units cooperate in preferred vendor programs and follow a core of common policies. The corporation consolidates management information from various units centrally, either through a travel agency or a third party. In a variation of the idea, a corporation can designate two or more travel management companies as acceptable and allow individuals or business units to choose among them.

1. Advantages

a. Business units get a measure of autonomy that may be essential in the corporate culture. People sometimes perceive that they are getting better service from a local or regional provider.

b. It can be easier to structure and manage agency relationships to meet needs of different business units.

2. Considerations

a. Coordinating use of multiple agencies will require a coordinated team approach. Designating a lead agency may aid coordination and standardization.

b. The technical challenges of merging management information require a considerable investment of talent, time and money. However, the systems and expertise for consolidating data are becoming more readily available from automation suppliers, travel agencies and the Airlines Reporting Corp., which can consolidate and manage travel management information from multiple sources.

c. If the company uses a single credit card for travel purchases, data can be gathered from the card supplier, which can replace most elements of agency and supplier data. Card data may be more useful than agency data since it represents actual spend versus booked information.

IV. CENTRALIZED VERSUS DECENTRALIZED

By employing a single travel management company, a corporation is able to organize its reservation and service operations as follows.

A. Centralized: All locations use a single site for all reservations and ticketing.

1. Advantages

a. Eliminating supervisory and administrative costs of operating multiple sites can reduce overhead costs.

b. Communicating policy changes to the travel management company is more efficient.

c. Central reservation offices usually are first to get new technologies—such as automated booking and telephony systems—and can distribute costs among many accounts, but you may be paying for something you cannot or will not use.

d. The company may benefit from service consistency that is harder to attain with a decentralized operation.

e. Policies can be applied with consistency and policy changes implemented more quickly and efficiently.

f. Centralized accounts often merit a reservation team dedicated to the corporate account, which impacts cost.

g. Efficiencies of scale tend to hold down costs.

h. Performance standards are easier to establish and measure in a centralized corporate environment.

2. Considerations

a. A dedicated team should maintain personalized service through understanding of policies and procedures. This will aid in maintaining consistent service.

b. Segmentation of the team should reflect the business culture and/or business dynamics of its customer. If the company ➔

operates in business units each responsible for their own profits and losses, it can segment teams by business unit. If the company operates various brands, it can segment the team by brand.

c. Dedicated teams require training specific to the company's needs and expectations. Make sure to budget training expenses and time.

d. Certain provisions must be made in a centralized operation to handle reservation requests and ticket delivery over long distances, though electronic tickets have quelled some of that concern.

i. Depending on where the operation is located, there might be a toll-free reservation number at the travel agency or corporate headquarters, a dedicated extension on the corporation's nationwide telephone network or an automated e-mail or intranet-based system.

ii. Because electronic ticketing is ubiquitous, it is more feasible to eliminate the printing of tickets on many domestic and international routes. Printed tickets can be delivered to branch locations by courier or by an overnight-mail provider.

iii. Telecommunication strategies, such as phone trees and multiple phone numbers, can create more personalized service for large groups.

iv. Although little used, satellite ticket printers can provide instantaneous document transmission to branch locations, but corporations then must have personnel onsite to staple and package the tickets and itinerary copies.

B. Decentralized: Different branches of the corporation use different agencies for reservations and ticketing, and management data is aggregated at a central point.

1. Advantages

a. Employees might be more comfortable with local service, an important benefit for international locations.

b. Local agents are familiar with the local market, including hotels, transportation and meeting space.

2. Considerations

a. Inconsistent service.

b. Difficulties in maintaining policy and aggregating data, which may be reported differently by different agencies

c. Possible cost increases due to multi-source purchasing

d. Consistency in both training and communication.

C. In a regionalized program, the company branches either use multiple agency branches or a single location for the region.

V. OPERATING CONFIGURATIONS

A corporation must choose whether to handle reservations on company premises or an agency location, and by its own people or outsiders. With fee-based pricing the prevalent model, corporations can evaluate service and pricing decisions about operating configurations in clear cost and service terms. Following are traditional forms of

travel management operations:

A. Full-service, off-premises agency

1. Travelers or travel arrangers contact a travel agency or a company travel center to make reservations.

2. The agency provides clients with management information, as well as analysis and recommendations.

3. The corporation negotiates its own discount programs and works directly with vendors, or relies on the agency to be its liaison to vendors and negotiate discounts.

4. Advantages

a. Common costs are variable and based solely upon use. For example, a company will only reimburse for services required at a necessary time.

b. Corporate overhead expenses and headcount are minimized. Technology cost is spread among different customers.

c. Central reservation centers can be located outside of large urban areas, where overhead costs are lower.

d. With sufficient volume, the corporation might have a dedicated team of reservation agents, and additional staff can be deployed during peak periods or in the event of absences. Similarly, in slow periods, dedicated staff can be redeployed to other accounts, reducing labor costs.

6. Considerations

a. If an account is not large enough, it might not warrant a dedicated team or command special attention.

b. Agency staff may be less knowledgeable about the company's policy, preferred vendors, etc.

c. As the size of the support team increases, inconsistencies could develop.

B. Dedicated agency branch

1. Provides full service off-premises, often near the corporate location. This is the most costly travel management company offsite configuration because it involves the greatest exclusive use of facilities and personnel.

2. Assures the account exclusive branch attention

3. The agency branch is assigned a unique ARC number, which facilitates accounting and collection of travel management information.

4. Extra care must be extended to ensure adequate and appropriate training and familiarity with industry changes.

C. Full-service, onsite agency branch

1. The agency operates a branch on the corporation's premises, with agency employees providing full service.

2. Advantages

a. A company's interoffice mail system can be used for document delivery.

b. Integration of the travel operation into the company's communications network may be easier.

c. Exclusive attention to the corporate account and a perception among corporate customers that service is better

d. Fast access to the travel counselors for urgent requests and troubleshooting

e. The company has closer control over agency service standards and travel policy application.

f. ARC assigns a separate ARC number to the agency location, which facilitates accounting and collection of travel management information.

3. Considerations

a. Costs for facilities and communications are part of corporate overhead. Most costs for the onsite program are fixed and are paid even if unused. ➔

PROGRAM STRUCTURE

b. If the agency employs only one onsite agent, the company must make provisions for backup or telephone rollover during busy times, illnesses and vacations. With the emergence of more affordable telephony systems and reporting software, staffing should be associated with telephone call statistics. These statistics will help to identify performance requirements for the expected numbers of calls per agent per day, taking into account acceptable hold times, transaction completion time, numbers of acceptable callback and abandon rates and other performance measurements. Staffing analysis, assessments and remedies should be outlined in the agency contract, along with performance measurements.

c. Travel management company employees working at a corporate site can feel isolated. Travel agents must keep training current and may need to rotate onsite staff.

d. Company employees may tend to visit the onsite agent rather than use the phone, fax, e-mail or self-booking tool, which may increase transaction time and negatively impact employee and agent productivity. Employees at the onsite usually are more satisfied than employees in the field, who may encounter voicemails or experience protracted waits on hold.

e. Small corporate onsites may be last to get advanced travel technology tools.

D. Outplant

1. Although becoming less common, reservations made at on-premises reservation centers staffed by either corporate or agency personnel are queued to an off-premises agency location for ticketing.

2. For a one-person travel department, an outplant can relieve some of the workload by shifting ticketing to the agency. This arrangement lets the company provide onsite service without adding staff.

3. There can be advantages to the agency in controlling ticketing, such as concentrating volume at an agency office.

4. Considerations

a. The corporation does not have its own ARC number, so it is difficult to uniquely track travel activity.

b. Reliance on an offsite agent to issue tickets and prepaid vouchers

E. Hybrid

A dedicated offsite reservation team complemented by a client service representative, VIP agent, ticket processor or account manager onsite. The offsite team handles basic services, while onsite agents work with senior-level executives to troubleshoot, etc. Service levels are higher, but costs are lower than at full-blown onsites. An employee on the offsite team can help to maintain a higher service level.

F. Online-originating agency

Online-originating travel management companies—notably Expedia Corporate Travel, Orbitz for Business and Travelocity Business—are focused on low transaction fees for online booking service. However, the Internet travel management companies have added offline support just as legacy travel management companies have added online capabilities.

G. ARC-accredited Corporate Travel Department

1. The Airlines Reporting Corp.'s Corporate Travel Department program provides a corporation direct access to its central reporting and settlement processing systems. The Corporate Travel Department purchases transportation and service for its own employees, but may not serve the general public. A Corporate Travel Department can outsource most, some or none of its travel functions. The only function it cannot outsource is the actual legal and fiduciary agreement between the Corporate Travel Department and ARC.

2. The corporation can determine its own operational configuration, with or without the support of a travel agency.

3. The corporation manages suppliers or acquires automation to add value.

4. Advantages

a. The company retains all earned commissions and the collection of hotel commissions is enhanced.

b. The company controls its own data and has immediate access to information that it needs for ongoing reporting, ad-hoc purposes and integration into other corporate systems, such as the general ledger and/or enterprise system.

c. The company can unbundle services to multiple vendors, assuring best-in-class products and lower transaction costs. However, savings could be offset because unbundling requires further management.

5. Considerations

a. A smaller corporation might find it cannot earn as many incentives or commissions on its own as can a large agency.

b. As an ARC-appointed entity, a Corporate Travel Department's airline information is isolated and identifiable. This information is available to the airlines via ARC and/or ATPCo.

c. With airlines offering fewer discounted corporate contracts than in the past and no commissions, it is unlikely the Corporate Travel Department will operate as a profit center.

d. Unless the company is in the travel business, a Corporate Travel Department is not a core business service and will require a unique set of in-house skills.

H. Centralized service location ARC appointment

1. Permits a corporation to secure its own ARC accreditation while being serviced in a central travel reservation center. The ARC accreditation permits the corporation to have an isolated identity under the agency's host ARC number.

2. All travel booked by the travel res center is associated with the centralized service location ARC number, providing the corporation and its suppliers with detailed information about travel activity.

3. Advantages

a. Allows the corporation to segment travel activity in a service center

b. Hotel commissions are paid directly to the centralized service location.

c. Travel transactions can be isolated in the operation and supported like an onsite operation with dedicated staff.

4. Considerations

a. The centralized service location is reliant on the travel management company for reporting—if the corporation does not buy a tool or adopt an internal data ➔

aggregation and reporting process.

b. The centralized service location should ask the agency for a copy of the ARC report submitted against its designation as the primary source document for reconciliation of activity.

I. Rent-a-plate

1. An on-premises operation staffed by corporate personnel that provides reservations and ticketing.

2. The corporation pays a fee to the agency to use its plates.

3. Typically, agency contracts in a rent-a-plate configuration are on a fee basis, where a corporation receives commissions and pays the agency for services.

4. This is for corporations that:

a. Want to handle many traditional agency services

b. Want to do their own data analysis and develop their own vendor programs

5. Advantages

a. Greater control of service consistency, policy administration and daily operations

b. Travelers and arrangers communicate with the travel department through familiar company channels.

c. Travel department staff and travelers have a common corporate purpose and style. This can help encourage buy-in.

d. A corporation with unusual travel patterns and destinations can train agents in its unique needs.

e. Being part of the same organization makes it less complicated to resolve problems that arise.

f. Travel pattern and destination data for individual corporations can assign other tasks to make the best use of personnel.

g. The travel department is on hand to keep the corporation up to date on changes in the travel industry.

h. All data about travel patterns and the destinations of individual travelers remain in the corporation.

6. Considerations

a. The corporation increases its headcount and takes on the job of hiring.

b. Corporations often pay higher salaries and benefits than do agencies.

c. The corporation must manage facilities and other overhead expenses.

d. The company must keep abreast of industry developments, internally determine which best-of-class elements to include and train its team accordingly.

VI. MAKING THE DECISION

A. When planning a travel management program, establish a vision, set goals and priorities, identify travel purchasing process improvements, seek ways to enhance the comfort, safety and productivity of travelers, and establish strategies to reduce travel spending or acquire the best value in travel management services. The program should work cohesively with the corporation's own initiatives. The prospective return on investment on services and benefits needs to be identified, calculated and reported as the program progresses. The company also should involve senior management in other corporate departments, such as information technology, human resources, security and facilities management.

1. The company should conduct a comprehensive business analysis to understand travel policy in terms of the company's overall strategy and to create a baseline for future program assessments.

2. Consider conducting a benchmarking study with companies with similar travel and entertainment costs and travel patterns, especially firms in the same industry. Such a study should seek to measure successes in terms of the corporation's primary travel goals and how the travel management setup influences results. Try to discover which practices would best serve strategic values and goals.

3. The company should consider its travel volume when determining which travel management configuration will work best and take a close look at its branch offices.

4. The corporation should ensure that the cost of administering the program does not exceed acceptable limits.

B. The corporation also should evaluate its own resources in choosing a travel management configuration.

1. Human Resources

a. Management: Will the corporation assign or hire a full-time travel manager to oversee the program or designate an employee who has other professional responsibilities? Ensure that if a part-time position is used that sufficient time is allocated for managing the program.

b. Staffing: If a corporation is considering a configuration that requires hiring agents and travel department support staff, are qualified people available? What are prevailing wages and benefits?

2. Facilities: Does the corporation have space to house a travel operation? Is it situated conveniently for its intended purposes? Can the facility be outfitted with telephone lines, computer workstations and other technological and facility upgrades? Is there room for expansion if the corporate travel budget grows?

3. Technology: Can existing IT strategy accommodate travel reservation and management information tools? Will management information resources be allocated to support implementation and ongoing development? Does the corporation want to own its tools or use those of an agency? Are there any security or firewall issues to be considered?

4. Some corporations are sensitive about the impacts of contracting and hiring decisions upon their communities and customers. What will be the impact of purchasing or setting up an agency rather than continuing to use existing suppliers?

C. Is the corporate culture one of self-sufficiency or one of focus on core businesses, where ancillary services are outsourced? Do security considerations discourage non-employees on the premises or require corporate control of travel decisions and information? Are employees computer-literate? Do they have access to a corporate intranet travel site?

Joe Blankush, senior consultant at Carlson Wagonlit Travel Air Solutions Group for the Americas; Reed Smith firmwide travel manager Rosanne Russo; Bob Steiner, vice president of global procurement and facilities at Aecom; and Tammy Troilo-Krings, CEO of Travel Solutions, provided assistance.