



# Hotel, Motel, Holiday Inn

Identifying opportunities to reduce business travel spend

# Hotel, Motel, Holiday Inn

## Identifying opportunities to reduce business travel spend



Global demands, international customers and remote workforces are becoming increasingly common place in modern business. Typically, travel and expenses (T&E) are a significant operating expense for a business and may account for as much as 10-12% of a company's indirect costs budget (JP Morgan T&E Spend Benchmarks Report).

In addition to the cost implication, business travel is a highly emotive topic for employees and a good travel programme can be a significant driving force for people to join or stay at a business. However, research shows 50% of business travellers don't use the travel solution provided by their company (as it is not deemed best value or fit for purpose) and 60% of employees don't understand the benefit of their travel policy (Amadeus).

While the world of travel booking and the demographic of travelling employees has shifted significantly in the last 10 years, procurement teams haven't always been as fast to respond. The most common challenges they face are:

1. Company travel programmes are not perceived to be the most practical or best value options for the modern-day traveller. This leads to out of policy bookings and missed saving opportunities.
2. The role of the travel management company is changing as suppliers become less reliant on the GDS (Global Distribution Service). As a result, we are less dependent on the traditional services travel management companies offer.
3. Visibility of spend is impacted by travellers booking behaviours and reporting becomes challenging or is non-

existent, making it harder to understand and influence traveller behaviour.

This white paper reviews these issues and outlines opportunities to better understand and tackle them. This may significantly improve your employees travel and expense experience, your operations teams' back office processes and unlock considerable savings along the way.

Ivo has helped numerous companies with cost management best practices across a variety of sectors and functions, and we have applied the same general process to help clients with their travel and expense spend management. Starting with a data-based review of each clients travel behaviour, Ivo has successfully implemented innovative solutions that have released significant value from our clients travel and expense programme.

### Policy at a peek

Many employees of large organisations will be familiar with the experience of opening a company's corporate travel policy only to be confronted with 20+ pages of rules and regulations that are impossible to digest, have little influence and are worded as though they have been written by a headteacher or an overly protective parent.

“50% of business travellers don't use the travel booking solution provided by their company.”

The aim of the game in travel policy is to achieve compliance however this is only possible if the following are being considered:

- **Understanding:** Research shows that 28 days after receiving information only 19% will be remembered. Therefore, it's essential that the information people are retaining is the most important to influencing their behaviour and why we would recommend a good travel policy can fit on 2 sides of A4. The rest of the policy should be managed by the booking tools people use so that they are only provided with 'in policy' options when booking.
- **Motivation:** Given the choice travellers will be inclined to pick options that best suit their needs rather than the company's, this is increasingly challenging now that travellers get loyalty points with certain providers, which will motivate them in ways that may not be aligned with the company. Companies such as Rocketrip offer travellers rewards based on their savings from selecting cheaper options, which can deliver up to 30% savings for a business. Another approach is using reporting that plots an individual's behaviour against the norm (as per social identity theory), which may influence outliers to behave as per expectations.
- **Trust:** If travellers believe the tools and processes you are providing them are the best options with their needs in mind, they will stick to them. This can be supported by making their lives easier; providing live itineraries and push notifications on mobile apps, allowing them to book online, use passive approval processes and ensuring the options you provide them are the same quality and value as if they were booking travel for non-business needs.

All of the above can be controlled and influenced through the booking tools and options that are made available to travellers. This helps companies maintain control while giving travellers the autonomy to make their own choices that best suit their needs and preferences, within an approved policy. The written policy is there to guide their behaviour to the best value options, in fact most travellers take little nudging to do so.

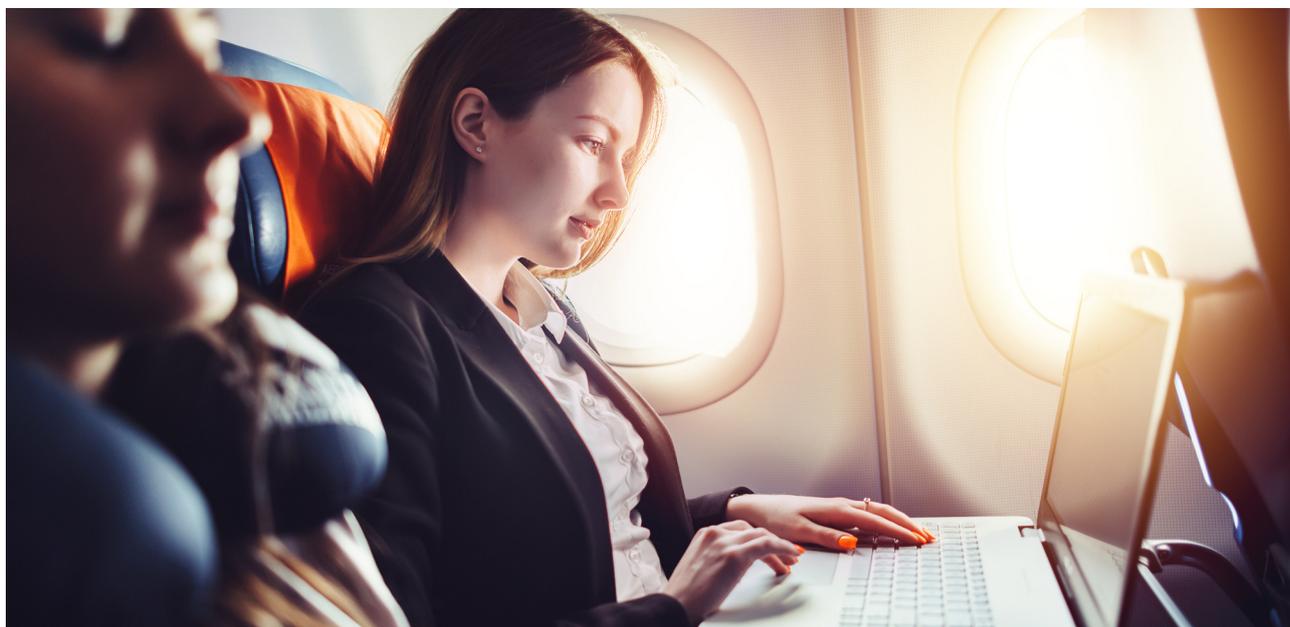
## Value over volume

Despite the amount of choice that is available to travellers when booking a personal holiday many people will be surprised to find this experience is not mirrored when booking corporate travel. Historically companies have been restricted by the GDS (global distribution systems). Travel Agencies traditionally relied on GDS for services, products & rates in order to provide travel-related services to the end consumers.

However, with new technology, competition from low cost aggregators (e.g. booking.com, Skyscanner and Expedia), growth of low-cost air carriers and as a reaction new approaches by the big airlines the stranglehold hold of the GDS is starting to slip and its associated constraints are becoming less relevant.

A typical sourcing strategy of a procurement function is to negotiate chain wide discounts with select vendors (such as British Airways, Lufthansa, Hilton and Marriott) or negotiate set LRA (last room availability) rates for certain hotels. However, many travel managers will be familiar with queries from travellers finding lower rates elsewhere, outside of these systems. This is because low cost aggregator websites offer preferential rates, low cost carriers don't feature on the GDS, airlines such as BA and Lufthansa are now making cheaper fares available outside of the GDS and hotels limit the rooms available at negotiated rates. Therefore, in addition to negotiated preferential airlines and hotels, it is important that companies also have access to other sources, this is now possible through development in new booking tools.

Companies that do work with a corporate travel agency will likely find they are developing and rolling out their own booking tools that can be accessed by travellers not just via desktops but also through app format on mobiles and tablets. These allow travellers access to rates that are outside of the GDS, avoid associated booking charges (saving approximately \$3 per transaction), still integrate with mainstream booking tools and help keep travellers up to date with travel itineraries and push notifications on cost saving/avoidance options.



“Technology influences not just how we book but also how we pay for, reclaim and reimburse travel expenses.”

Be prepared for further disruption in years to come though. More dynamic companies are already working directly with Airbnb or booking.com who are now gearing up to specifically target and cater for their growing business traveller customer base.

### Tech revolution

Today’s business community is increasingly technically literate and dependent, 30 million people look for travel info on mobile devices each month, and online adoption now means companies are seeing 80% of travel bookings being made online. Not only does this make it more convenient for travellers but is also more profitable for the agent and cheaper for the employer, as online booking fees are on average \$10 cheaper per transaction than those handled in person. As we have touched on before booking agents are changing booking processes to be aligned to these needs, however changes in technology are influencing other points in the travel management process.

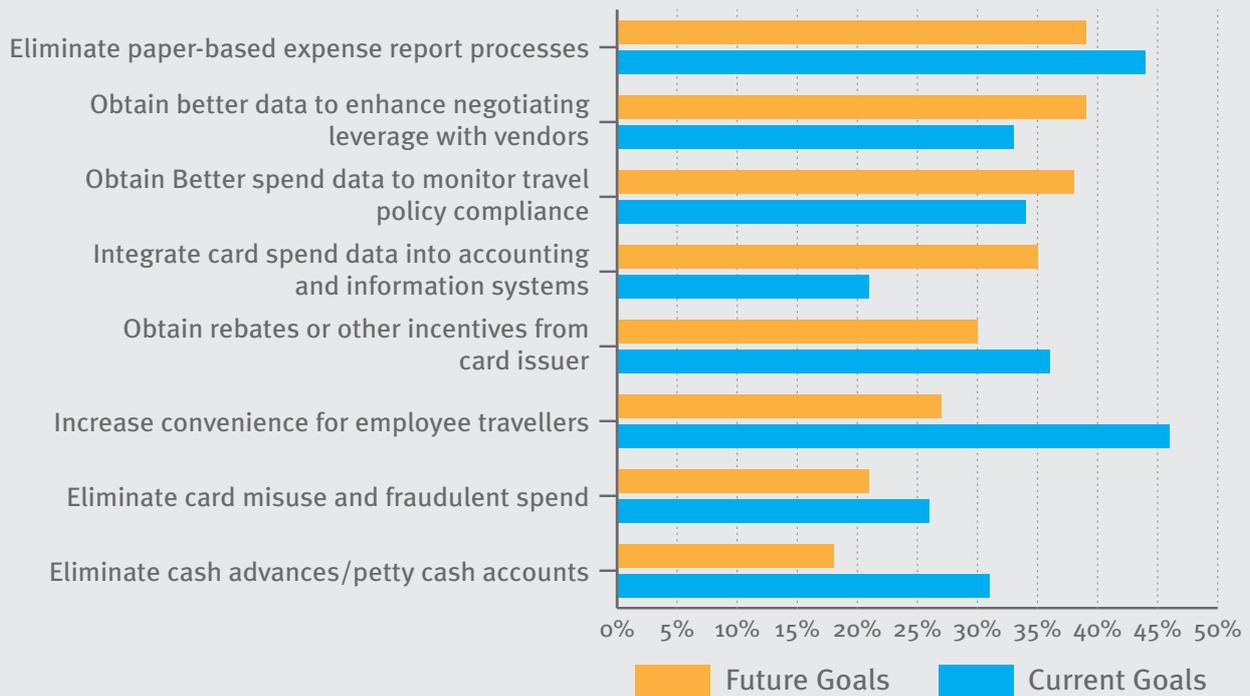
The initial travel booking should not be the final time that booking is reviewed before travel. With flexible ticketing options, savvy booking agents and travellers should be monitoring prices. When the price drops tickets can be re-

booked and re-issued at a lower price. This is made easier with price tracking tools provided by companies such as Yapta. Booking agencies claim this can deliver total savings of 2%, on a travel budget of \$50m that is a \$1m saving from an automated system.

Similar systems are also used to manage refunds on unused tickets. Last minute changes of plan are commonplace, but how travellers deal with this can be extremely costly. In the US and Canada, the value of the ticket can sometimes be held as credit and in Europe only the airfare is non-refundable any tax can still be reclaimed. Travellers may not be aware or have the time to deal with this, but there are software options that can track this for you. A good procurement team and booking agency should always monitor this, look after the pennies and the pounds look after themselves as they say.

Technology influences not just how we book but also how we pay for, reclaim and reimburse travel expenses. In the past it has been common practice for employees to have their own corporate credit card to pay for work related travel and expenses – for frequent travellers this would be with a high credit limit and therefore an increased fraud risk and a significant risk due to level of walking credit associated. Virtual payment methods (VPA cards) are a way of centralising payment and remove this risk without impacting the traveller experience. Most major credit card providers offer VPA card programmes, all a traveller must do is show the virtual card that is loaded onto their phone as a confirmation of payment for their hotel. The actual reconciliation and settlement of the payment is managed in a similar way to traditional lodge cards.

The graph shows companies current and future goals for their travel card programmes. This highlights an increasing need to gain control and increase visibility. We have seen that by moving to central payment methods with lodge cards/VPA and away from traditional ‘walking plastic’ it is possible to fulfil these needs.



Source: JP Morgan Corporate T&E Spend Benchmarks Report.

Airfare and hotel spend typically account for 56% of travel related expenses, removing this from personal or corporate cards leaves travellers only having to pay and claim for smaller items such as food, public transport and taxi expenses. Central payment for travel is beneficial for both finance teams and the travellers themselves:

- Fraud risk significantly reduced (Coupa.com found 33% of corporate card owners admitted to blatantly defrauding their company)
- Heightened security
- Faster payments and streamlined back office processes
- Increased visibility and bespoke reporting
- Traveller spends less time on expense submission and transaction reconciliation
- Consolidated spend to existing card providers boosting rebate agreements
- Reduced spend leakage outside of booking agents, which could be out of policy

### End of spend hide and seek

A recent study by the Global Business Travel Association found that 64% of travellers have booked travel outside of the dedicated corporate booking tool or agent. Visibility of travel related spend is the number one task of travel managers and remains a constant challenge. Without this visibility, it is almost impossible to achieve the following:

- Track and report on spend vs budget
- Identify out of policy behaviour
- Use consolidated spend numbers for commercial negotiations
- Fully reclaim VAT/sales taxes
- Identify adjustments to traveller behaviour that may generate cost savings

Some of the steps we have outlined already such as; simplified policy, booking tool reviews, incorporating aggregator pricing and centralising payment methods go a long way to reducing spend leakage. Booking tools also have tech solutions that allow bookings with certain providers to be captured even if they are not made in the booking tool itself (Concur for example offer Triplink as a tool to capture this).

While mobile platforms help capture bookings, they can also be used for expense reclaim and reimbursement processes. Bookings made through mobile apps can be auto populated in expense claim systems making this a more accurate, simpler and faster process. Also, the age of paper receipts is behind us, travellers can photograph receipts loading them instantly to an expense claim and there is even software now that reads the receipt and auto populates the expense line for them! Automation is a massive bonus, not just for travellers but also finance and back office teams, for reporting and VAT reclaim processes.

By taking this first step to consolidate your spend data with the approved systems and booking agents it allows procurement and finance teams to be increasingly proactive in their review of this information. Standardised reporting can be shared with business leaders, review of spend by suppliers can be used to negotiate discounts, out of policy behaviour can be eliminated and average spends can be reviewed with booking agents to discuss cost saving initiatives and strategies.

### People not pound signs

Business travellers make up over one third of the total global workforce (Ispos MORI, 2016). While it is important to be aware of travel spend as an expense on the balance sheet, business leaders must not ignore the impact travel has on people's wellbeing. Jetlag, poor sleep and diet, diminished peer support and severance from home and family have a direct impact on people's happiness, stress levels and performance.

In addition to a travel policy that is not overly prescriptive and an approval process that fosters trust in employees it is also important companies offer support through dedicated programmes and track feedback through surveys to ensure travellers needs are being considered and acknowledged. Also, by encouraging automation of; payment, expense and reimbursement processes, you can give back an hours' time for every business trip that can be spent with family or on down time.

Finally, on a practical level, 77% of finance leaders are not completely confident that their business could quickly and accurately locate business travellers in the event of an emergency. This again highlights the importance of visibility of all booked travel and the need for rehearsed procedures of any event that may require location and contact of employees when on business travel.

### T&E audit checklist

1. **Simplify policy** – Is it concise and easy to remember for the traveller?
2. **Review your booking tool** – is it aligned to policy and delivering same value as external aggregators?
3. **Embrace technology** – discuss with your booking agent what other tools can help you unlock even more value and capture cheaper rates.
4. **Centralise payment** – gain control of spend and reduce time wasted on expense submission by minimising personal travel expenditure.
5. **Review your reporting** – once data sources are consolidated use reporting to better inform the business on cost saving behaviours and review commercial deals with key suppliers.

## In Summary

Historically travel managers have been there as trouble shooters, dealing as an interface between travellers and booking agencies. This is changing, by giving people more data and time to review, teams can focus on strategy and review key negotiations to deliver value and improve experience.

This can only be achieved though by tackling those common problems we identified earlier:

1. Increase policy adoption by giving travellers the confidence that travel options provided to them are best available. This is achieved by capturing rates external to the GDS and giving travellers autonomy in the booking process.
2. Cut costs by embracing technology. Relying solely on chain discounts and traditional travel management services will stop you from achieving the full savings potential from your travel programme.

3. Refresh your reporting. Once you have maximized data capture and reduced leakage make sure reports are being shared with your business. These should range from tracking spend against budget to highlighting behavioural patterns that can be tweaked to drive savings.

Even though the purchasing of travel doesn't always follow the traditional buyer and supplier relationship that most procurement categories are familiar with, that does not mean it should be ignored or forgotten about. A simple, well-structured RFP of your corporate travel agency or partner hotel chains may unlock 1-2% savings (if you are lucky, in what is an inflationary market). However, targeting behavioural change in the traveller, or increasing automation in the process is where the real prize is. As we have seen, the benefits of a reinvigorated programme are plentiful and often a little bit of TLC is all that is required to unlock them.

### The Ivo effect

Ivo supports clients in executing these recommendations and realising the potential returns. A dedicated team will conduct a comprehensive travel spend analysis to understand; expense patterns, average spends vs market rates and adherence to policy. By following this with a review of; current policy, booking agents and tools, commercial deals with key suppliers and payment methods, we have been able to deliver immediate savings while simultaneously improving the travellers experience.



## About Ivo Consulting Solutions

Ivo works alongside business leaders with major change to achieve, bringing commercial, pragmatic, data-driven insight and providing answers to difficult questions.

We help clients to understand their cost base and identify new areas of opportunity. We then work with client teams to deliver sustainable improvements, high-impact savings and transformational change across their organisation.

If you are responsible for a big savings or revenue challenge this year, we'd like to meet you.

### For more information, contact us at:

T +44 (0)203 507 0036  
E [info@ivosolutions.com](mailto:info@ivosolutions.com)  
[www.ivosolutions.com](http://www.ivosolutions.com)

### About the Author



**Joel Brimmel** is a consultant at Ivo consulting solutions, with experience leading commercial teams in both the UK and internationally, and is a certified project manager. Joel enjoys taking on new challenges and solving complex problems to help businesses unlock hidden potential and improve profitability.

He can be reached at [joel@ivosolutions.com](mailto:joel@ivosolutions.com)