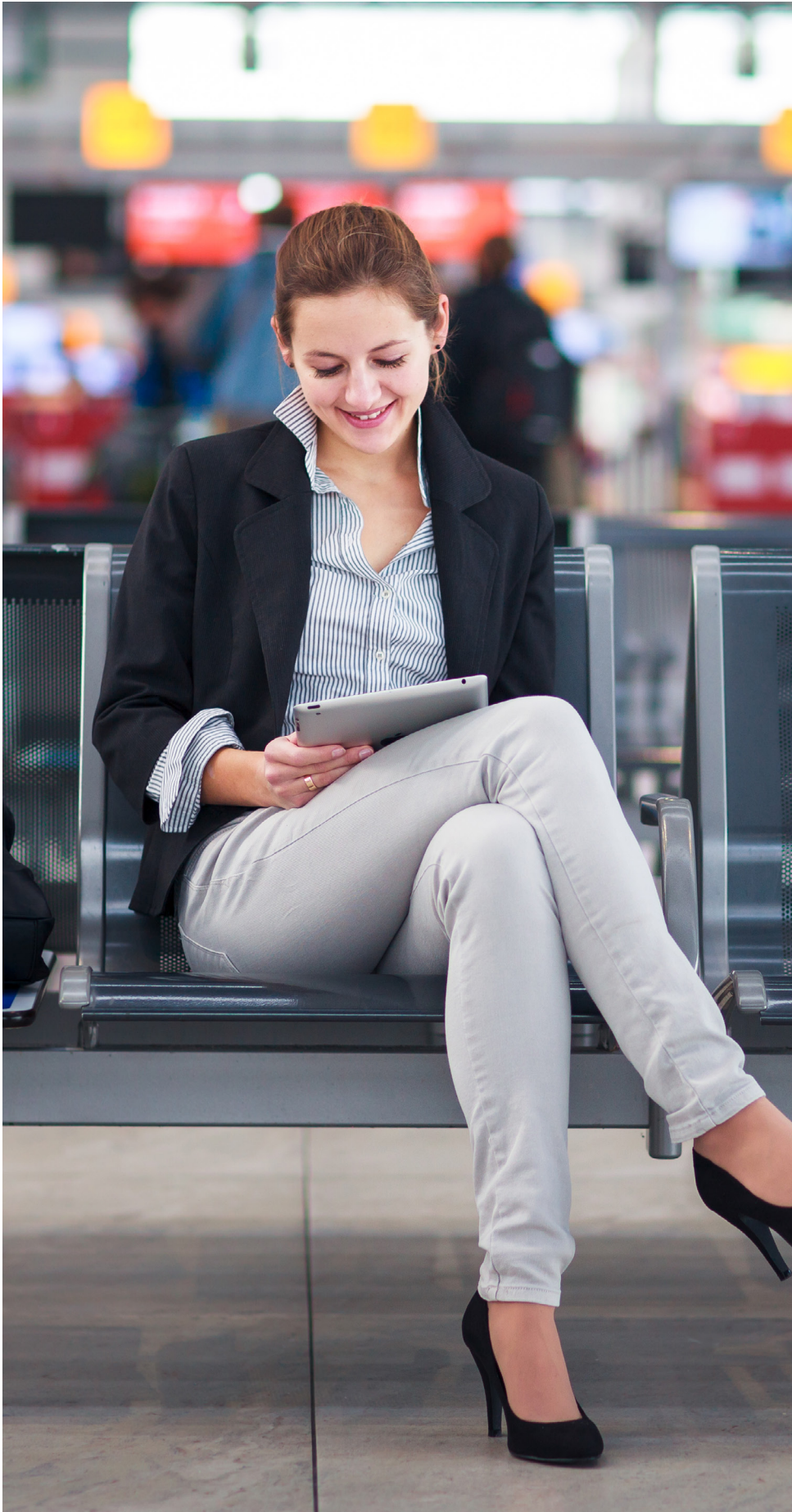


WHY IS CATEGORY MANAGEMENT SO IMPORTANT FOR TRAVEL?



All organisations travel to some degree, yet very few are actively managing a category that can be quite complex, extremely dynamic and highly emotive. There are improved ways of approaching how organisations manage travel for their business to experience the same desired savings opportunities of the past. By incorporating flexibility and ensuring employees feel positive about travelling for the organisation, both hard and soft benefits can be achieved quite easily. However, the real test is sustaining these savings and ensuring the organisation doesn't go back to the "bad ole days".



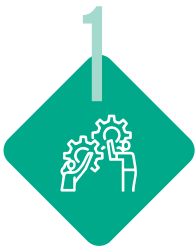
For the sake of clarity, we will define travel as Airlines, Accommodation, Rental Cars and the most important piece, Travel Management Companies (TMC).

Sourcing

As procurement professionals we know the fundamentals of a sourcing review. Travel is generally not a difficult category to source, and key sourcing levers are those typically found in many categories:



KEY SOURCING LEVERS



Aggregation of Suppliers



Consolidation of Spend



Good Rates and Discounts
that reflect the organisation's requirements



Ensure policy is structured
to deliver the desired outcomes and reflect the sourcing initiatives

However, this is where it usually ends for most travel managers. Get the deal, pass it onto the TMC to manage and instruct travellers to use the preferred suppliers. Many travel managers spend a lot of time

benchmarking their rates and discounts to make sure they are competitive. While this is important, equal focus should be dedicated to ensuring all the hard work put into sourcing is substantiated in

educating the traveller and supporting their experience to achieve the desired outcomes.



Educating the traveller will contribute equally to the success of travel management

Category Management

Category management is vital within the travel program and again, not a difficult piece of work if you focus on the following key areas:

Compliance

Compliance, compliance, compliance. Do not take it for granted that travellers will follow process or policy.



30-40%

Non-compliance in accommodation



20-40%

Flights flows on fares

While compliance to preferred airlines is generally well maintained, compliance to the right fare type is generally not, despite most organisations having a 'Best Fare of Day' policy.

Review your non-compliance and associated lost savings and ensure all is done to minimise the impact. While TMCs can report on exception codes, the real

underlying issues need to be understood. **Is it traveller ignorance, stubbornness or is there a genuine need?**

Do you educate, implement consequence management techniques or simply take away their ability to buy non-compliant fares/hotels?

Unfortunately, many organisations are not listening to their travellers or genuinely understand their requirements and the challenges they face. Nor do the travellers understand procurement's objectives regarding cost savings and management, duty of care and alignment to business strategies.



Undertaking some research and ensuring travel requirements are understood will help align your sourcing and procurement strategy around your business's unique traveller behaviour. Some travellers are not

able to organise travel 7 days in advance (generally the optimum time to find good savings). Others may need to fly flexible fares due to the uncertainty in their work schedule. In both of these scenarios

enforcing a strict alignment to policy will be in vain, as they are likely to find a work around that meets their individual requirements - which is likely to be driven by peripheral business constraints.

Supplier Performance Management

Lack of access to your contracted rates and fares is more prevalent than you think.

How regularly do you check that your travellers have actually been able to purchase that great hotel rate you contracted, or availed themselves of the

discounted international airfare?

Does the hotel have availability for rooms at the contracted rate or are travellers consistently having to purchase deluxe rooms (at a more expensive rate)?

Measure the prices paid for your hotels,

your trips per route and car rental costs. If there is a large enough variable compared to your contracted rate, then question your suppliers on why the lower fares, rates, cars are not being found.



Market Changes and Forces

The travel industry is fickle and one of the earliest barometers of the impact in changes to the economy. You need to ensure your contracts remain current and market worthy. What was a great airline

discount 6 months ago may no longer be valid considering the contracted airline has pulled out of some of your key routes or is now code-sharing many of its services where your discounts may not qualify.

Hotels will amend pricing in line with the market. If average prices have fallen in a particular city or country due to economic pressures, then re-negotiate.

Demand Management

Questioning the need to travel and implementing alternative methodologies can have dramatic reductions in overall cost. Lip service is generally applied to video/teleconferencing alternatives, but with technological advancements and greater access to web based alternatives right on your laptop, this is an area to be considered more carefully. Nothing provides more savings than not travelling

in the first place.

Enforce your authorisation process or implement one. For many companies that do have them, it's a token gesture and requests are "rubber stamped". Developing an authorisation process

that questions the need to travel can be very effective. Some companies have moved to limiting travel for internal

meetings, while others insist that you must undertake 2 or 3 meetings for each trip undertaken.

Your authorisation form should also have total trip cost estimations. This helps managers get a better understanding of the impending costs and can help build a case to look for cheaper options.

Giving Ownership to Travellers

This can be a scary prospect, however an increasing number of organisations are adopting this thinking with surprising results.

The opportunity exists to set guidelines on expectations, give travellers options that

suit procurement and cost objectives and provide them choice. Set a hotel rate cap and advise travellers they can stay at their preferred hotel up to the amount of the cap. Many will choose a favourite hotel, perhaps one they have loyalty program

with and where they can get added benefits from that program. Travellers will be happier with the ability to choose, the business is satisfied with adherence to the budget and the program has been used, so you can accurately report and track.

Technology & Mobility

Technology within travel is fast paced and the progression of new apps and the digitisation of travel programs should be embraced as a category management lever. A complete end to end digital

experience is available in travel, from authorisation to online booking, changes managed through virtual assistants and automated payment and reconciliation. Adopting many of these technologies,

integrations and streamlining processes while providing an enhanced experience will drive compliance to your program overall.



Where Do You Start



Utilise Your TMC

Your TMC is the best resource in managing this complex mix of initiatives. They have rich data that can be used to set up baselines and record your progress or lack thereof. Take some time to understand this data and how to extract what you need from it.



Implement Strategies

Work with your TMC to implement your strategies. While many TMCs may not have the strategic understanding or be as proactive in developing this area, most can offer advice on how best to implement the operational processes needed to deliver your outcomes.



Integrate Existing Technologies

TMCs also offer an array of technologies and digital products to help improve the travel experience and many are already integrated into their overall platforms making implementation and integration with your program easier.

TMCs are not miracle workers and you will need to ensure your travellers are well versed in the procurement objectives and you have senior management support for your initiatives. Ensure the business is prepared for ongoing category management and be prepared for the tough decisions when they arise.

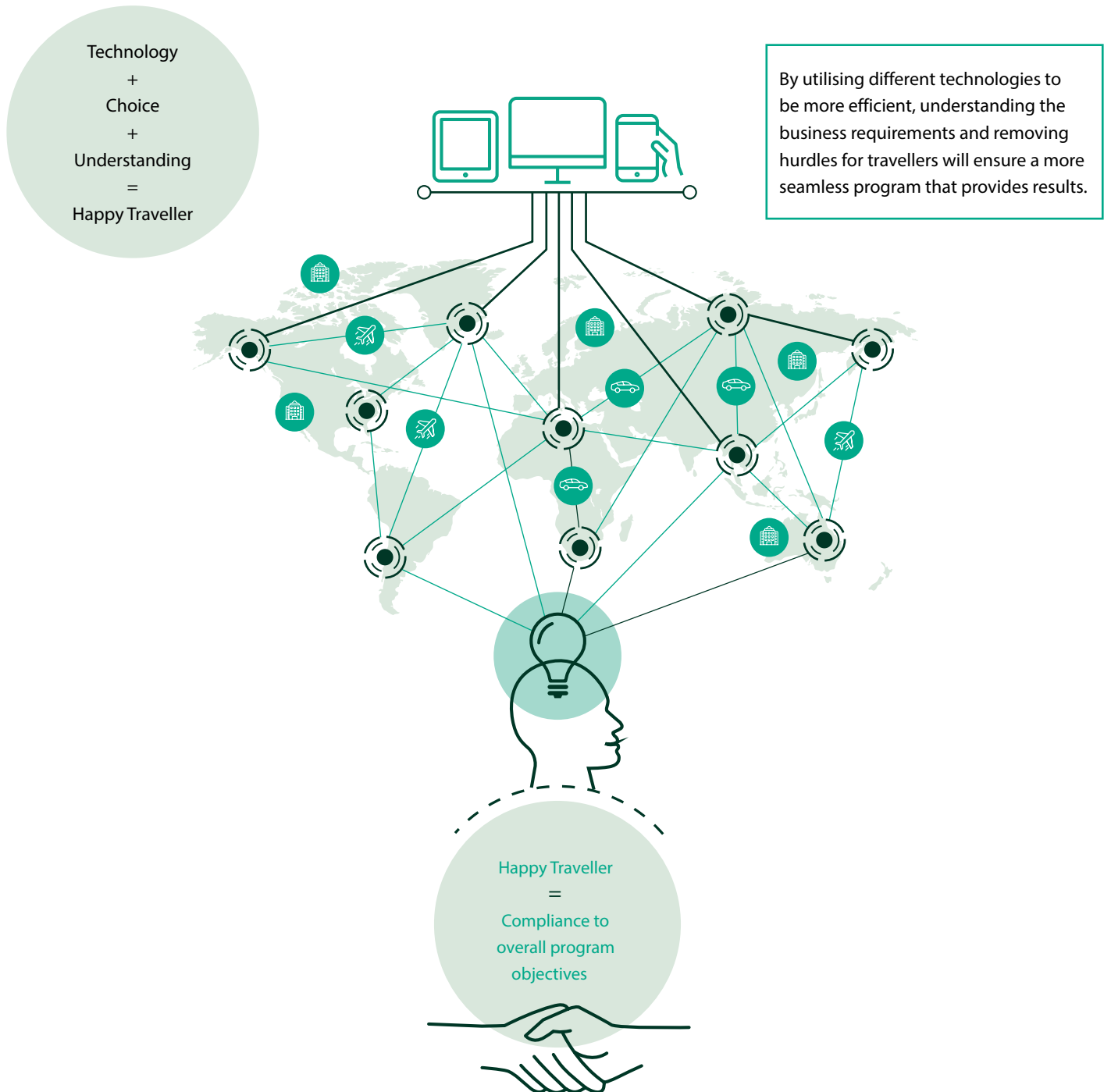
Conclusion

Category management is important to ensure we remain on track. It need not take a lot of ongoing time if you plan it well at the beginning and you identify the key areas. Develop your baseline and set the goals. Periodically, review the goals and see if they are still necessary or valid.

Savings can easily be eroded and bad

habits will emerge through lack of maintenance. You need a robust program which measures key deliverables and quickly identifies issues or slippage in performance or utilisation. Don't always assume slippage is bad. Take the time to understand the why and develop strategies to address.

There is a difference in setting up contracts and the ongoing management of a travel program. Travel still continues to be a high touch area and requires a lot of time and energy to manage, which is usually not commensurate to the value of the program.



About the Author



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Dorina is the category manager for travel at Infosys Portland Group. She has more than 10 years of experience in helping corporations to effectively and efficiently manage their corporate travel program.

About Infosys Portland

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