

WHITE PAPER

Travel Management



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Opening up the booking process - good or bad?

The death knell for Travel Management Companies (TMCs) has been ringing loudly since the internet boom, but interestingly enough the mass exodus has not really happened. The latest threat of open booking platforms is causing a renewed "ringing of the last bell", but is this really the swan song for TMCs?

Background

Traditionally corporates have requested or mandated that their travellers use the preferred TMCs to make and manage all travel bookings. The reasons for this are varied and include:

- Access to corporate rates and fares
- Record visibility of bookings for traveller tracking and safety
- Utilisation of "one stop shop" for all bookings (i.e. accommodation, air and car hire)
- Enhanced compliance management through tracking exception codes and lost savings reporting
- Access to a wide variety of suppliers and consortia rates where necessary
- Consultant support where required
- Time efficiencies – your employees can focus on their core activities and booking travel can be managed by the professionals
- Safety/risk management in using suppliers that have been vetted

For the more mature functions, this means delivering ongoing value on external spend. And for as long as we can remember those interminable words "but why.... I can find it cheaper on the internet and I don't have to pay a service fee" have haunted managers the world over.

Open booking platform

So the questions beckon:

- Why not let travellers go and book their own travel?
- If they can do secure more competitive rates or fares, why not let them?
- As long as we can track where they are and get some reporting on spend and trends, surely letting them fly and stay where they would like (as long as it is at a decent price) then this should not be an issue?

Subsequently some organisations have replied with a "well why not indeed" and have allowed travellers to book their own travel, albeit with some controls:

- It must be less than what negotiated rates or fares
- Travellers must record their trip in a centralised repository for reporting and traveller tracking purposes

And generally the benefits can be quite advantageous:

- Employee satisfaction – travellers are happier they can stay at their preferred hotel or fly their carrier of choice
- Reduction in transaction fees – many suppliers don't charge a booking fee
- Savings, savings, savings – lower fares and rates

Sounds simple enough doesn't it? So why haven't organisations jumped at this opportunity?

Is it too good to be true?

Unfortunately there are other, more strategic objectives that need to be considered, measured and managed to ensure relaxing of policies won't be detrimental to overall corporate strategy, costs and traveller safety

- Do we really want to be paying our employees (most of who are time poor) to be spending all that time researching flights, itineraries, pricing, hotel locations, and all the other various things that travellers think about - when they should be doing their real job?

- Employees may make bad choices if they don't read the fine print which ultimately can add to the costs of travel (e.g. no cancellation on hotels or higher excess on car hire)
- Preferred suppliers generally provide alternative terms and conditions to their rates or fares. Reduced excess reduction on car hire insurance, better cancellation periods, free internet or other inclusions, no-prepayment of rooms – these are just some of the inclusions preferred supplier can provide
- What guarantee do we have the traveller will actually buy a lower fare or rate? They may just go to their favourite supplier regardless of price (loyalty programme points anyone?). As there is no exception code or lost savings being tracked, you don't really know if what they purchased was the best option.
- Interestingly there have been a number of studies of late that show that those travellers booking out of policy generally spend higher than those within policy. TMC systems are designed to help identify and guide bookings to in-policy parameters and just as importantly record it when the traveller does not wish to comply
- Preferred deals will be potentially under threat. How many times do travellers really find a cheaper flight/hotel rate? Are those savings enough to balance out the dilution in spend and therefore loss of corporate discounts that would occur if suppliers don't receive their volumes or marketshares?

TMC's - friend or foe?

While the above concerns suggest TMCs should remain the approved booking platform there are some areas where TMCs need to improve to remain competitive and demonstrate their value contribution. Travellers shouldn't feel that going outside of a TMC is going to provide them with a better outcome.

Why is it that employees can find cheaper fare or rates outside of the TMC environment? The TMCs will state they only use the Global Distribution Systems (GDS) with perhaps a couple of direct links to some low cost airlines, as their search protocol and it is inefficient to have consultants searching multiple websites each time.

The challenge here is to have TMCs start integrating some meta-search engines into their quoting process. With the advancements in technologies it is a concern that TMCs don't appear to integrate with other travel consolidators to show a larger range of inventory and prices and merely rely on researching the GDS when we know that many suppliers do not:

- (a) Include all their inventory
- (b) Include all their pricing

in the GDS.

TMCs should also tailor the quoting process to suit each of their clients:

- Say Client A has a lot of travel intra-US. The consultants can easily search one or two low cost airlines without compromising efficiencies
- If Client B wants their travellers to curtail their hotel expenditure, why not search the "distressed" inventory sites and offer rates when they are lower than the preferred. Even better if this could be automated and visible through the Online Booking Tools

Why is it a traveller can find the local ground transport offering or other niche supplier when the TMC knows nothing about it? Granted consultants are not able to know everything, but some proactive thinking and research really goes a long way.

Some companies (including some Australian based ones) have recently brought the consultant pool in-house and are their own employees. A key benefit is that the consultants provide a "true" customer experience in line with their own organisation's traveller requests – without

the need to have travellers going outside of the process and book for themselves.

Having consultants who actually consult, who apply the same research principles as travellers themselves, and provide a comprehensive service across the entire trip will help provide a valuable differential between TMCs and help ensure their ongoing viability.

Do businesses need to unshackle the constraints?

Businesses spend a lot of time trying to ensure travellers "do the right thing" and rightly so. The extra rigour, governance and strategic lens offered by Procurement is important in achieving corporate objectives.

But are companies too stringent? As long as the supplier is providing a good quality service, is not on any blacklist, the rate/fare is lower than the preferred suppliers, and we can report on where the traveller is - it seems a difficult argument to refute the booking.

Companies and their procurement teams will often cite 2 main reasons on utilising preferred programmes:

- Overall discounts provided for volumes
- Traveller safety and security – being able to track a traveller and using good quality suppliers

Effect to contracted rates

- Reduction in volumes and the flow on effect to contracted rates and discounts is an issue. But as pointed out earlier, how many times is there a better offer out there? The reduction in volumes should be small and any impact to contracted discounts would be mitigated by the savings made through the non-preferred supplier Should volumes slip dramatically then perhaps procurement needs to look at why the suppliers are not offering competitive deals and re-negotiate

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Let's be honest here – there has always been "leakage" and in some companies more than they would like to admit. A quick look at an organisation's Accounts Payable data will show how much travel there is outside of a TMC. Most times these volumes are not even considered when tendering as an organisation will simply use the data they have from their TMC anyway. So if they haven't included that spend/volume, it can't really affect any contracted arrangements.

Traveller Safety

This is probably the biggest concern facing corporations. For some international locations other criteria such as safety and security (not just price) will be a higher consideration and not necessarily understood by travellers.

For example, even a 5 star hotel may be situated in part of a city considered "unsafe" – despite the hotel being of good quality and having met all the relevant criteria required. Subsequently that hotel may be passed over by procurement, but a traveller may still book it regardless.

The trick here is to manage this in those areas that need extra prudence. For those countries or cities where the risk threat is low or none at all, you may want to consider opening up the programme to allow more options.

The vital component here is communication across the business so travellers understand why the business is saying no to their requests. Generally travellers will understand the organisation is looking after their best interests.

So...after all that, what do we do now?

There definitely needs to be some changes made in how corporate travel programmes are managed. In such a dynamic industry it is foolish to remain stagnant and unyielding.

TMCs need to become technology integrators and look at ways to provide access to more inventory, more price options and more information. TMCs need to get back to some bare basics – providing good customer service and valuable information to the traveller for each trip. Giving travellers access to more and limit the need for travellers to go and “do their own thing” will continue to ensure TMCs remain an important part of the travel supply chain.

Organisations need to also review their approach and see what flexibility it can provide and compromises it can make. This is a harder task as opening up preferred programmes will be based on many factors that are unique to that organisation. But merely saying ‘no’ is not going to keep your employees doing the right thing. Armed with technology and information, employees will continue to challenge the status quo and find more creative ways to fall outside of the system.

Organisations and TMCs need to work more closely together to ensure that travellers feel comfortable with the process and the outcomes. Re-structuring contracts to have TMCs search for more

inventory and pricing will help show travellers their needs and requests are truly being considered. Greater communication through TMCs and from the company will help travellers understand what can and can’t happen and most importantly...why.

Overall the objectives are the same for all parties – value for money travel using safe and secure suppliers and ensuring the traveller experience remains positive.

About the Author



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Dorina Santos is a Category SME in Corporate travel with over 12 years exclusively focussed on travel procurement. She has managed travel programmes across clients as diverse as media, finance and banking, retail, FMCG, medical, resources and also the NSW Government travel programme.

Dorina provides perspective and insight on the complete travel programme (not just the booking process) and develops strategies to provide optimum outcomes across the many areas of the programme.

She also regularly speaks at conferences and provides material for leading travel publications.

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