# Selecting A Travel Management Company

**A TRAVEL MANAGEMENT COMPANY SERVES AS THE OPERATIONAL BACKBONE** of most managed travel programs, and managers and buyers have few closer allies. TMCs plan travel, process reservations, fulfill transactions, support online booking tools, report data, implement technology, track travelers and lend support. They consult, negotiate, facilitate, drive compliance and enable buyers to focus on strategic endeavors like spend analysis, traveler satisfaction, budgeting, supplier relationships and policy. Establishing a TMC relationship is about not just finding the right partner but also implementing the right configuration.

## I. LAY THE GROUNDWORK

**A.** Understand your company's vision and overall objectives: cost versus service; regional, national or multinational structure; autonomy versus consolidation; automated or manual support; a traveler-empowered versus a mandated program (or something in between); opportunities for earliest implementation.

**B.** Survey travelers and budget heads about their perceptions and experiences; engage your internal travel council, if one exists. Consider establishing performance benchmarks in key locations using different TMCs.

**C.** Well before embarking on a TMC sourcing project, consider an audit of your existing service provider and a technology assessment, and develop one-, two- and five-year travel operations plans. Coordinate with your legal and risk departments on the best approach regarding traveler safety issues.

**D.** Does/will your company contract directly with an online booking tool provider or is that tool part of the TMC's offerings? Consider parallel bids for both scenarios.

**E.** Airlines Reporting Corp. Corporate Travel Department designations allow U.S. users to collect data, commissions and overrides and select whether to perform in-house or outsource travel management functions.

**F.** Document any requirements for mobile apps.

**G.** Obtain senior management authority. Set up an advisory committee of travel arrangers, frequent travelers and managers from finance, procurement, information technology, human resources, physical security and legal. Consider a smaller selection subcommittee to evaluate proposals. Determine decision governance.

**H.** Consider running workshops with four or five TMCs, including incumbents, and invite the advisory committee.

**I.** Assess whether you wish to do this in-house or outsource part of the selection process. Consider hiring a consulting firm, but check for conflicts of interest.

**J.** Communicate with the incumbent TMC a year in advance of any plans to rebid. Be aware of cancellation clauses in the pre-existing contract, such as those that prevent early solicitation (never agree to such terms). Make sure you have contractual language that addresses a transitional service obligation, a three-to-four-month phase-in period, should the incumbent not win the bid.

**K.** Understand your internal approval process and the levels of approval required to award the bid, especially if the incumbent does not win.

## II. GATHER DATA

Engage incumbent TMCs, charge card providers, suppliers, your data consolidator (if one is used) and internal departments to collect available data by country and location. Observe the 80/20 rule. Seek maximum data for the highest-volume countries and locations and generally estimate data for the smallest locations if not readily available.

**A.** Collect granular transactional data, which helps TMCs develop operational plans and pricing proposals. Break down international and domestic gross and net air transactions and sales. If available, also provide a breakout of international travel into regional and intercontinental travel. Include rail, auto and ferry figures where available.

**B.** Provide total transactions for the most recent year plus the two preceding years. Group these into unassisted and assisted; telephone and online; and domestic, regional and cross-border. Provide the number of hotel- and car-only bookings if possible. Make a reasonable estimate of the first year's volume after implementation, especially if there are likely fluctuations that will affect service needs. This will impact staffing and total costs.

**C.** Break down spending and transactions by division, location and cost center.

1. Define gross transactions by the number of passenger name records and/or air or rail tickets issued, plus refunds, voids and exchanges.
2. Ticket transactions may be defined as the number of air and/or rail tickets issued.
3. Net transactions may be defined as the number of air and/or rail tickets issued minus refunds, voids and exchanges.

D. Break down air, hotel, car rental, rail and ground transportation spending by country. List principal suppliers by volumes and cities, and identify suppliers with discount contracts in effect (without disclosing the discounts). Provide additional information for miscellaneous activity, such as after-hours service calls, use of international rate desks, navigational support and non-GDS bookings. Include transaction-related support services, such as point-of-sale billing, relocation, car hire and limos, credit card reconciliation, integration with a crisis management tool, meetings management and supplier sourcing.

E. Define benefits and shortcomings of the current service and staffing configuration, including the number of onsite offices (if any), staff by job category and unique or special services provided. For onsites, make note of available telephone systems and other equipment that the TMC need not provide, and how telecom will be configured. Decide whether you will charge the TMC for onsite space, a charge that the TMC likely will add to the cost they charge back to your organization.

F. Number of travelers who carry corporate cards.

G. Identify travel patterns, including the number of VIP travelers, independent contractors and frequent travelers, as well as seasonal fluctuations.

H. Number of calls to the TMC per transaction, average call length, percentage answered in 20 seconds, average hold time and abandonment rates. Include agent productivity statistics, such as average number of transactions per year, assuming a normal number of calls per transaction. Identify at-home agents and any differences in productivity compared to call centers.

I. Provide non-guaranteed projections for corporate growth plans. Review likely volume increases or decreases for the largest corporate locations, which could impact staffing.

J. Percentage of bookings made by phone, online and email. Determine the percentage of online transactions that require human intervention. A high touchless transaction percentage can reduce costs. Consider asking the TMC for a single online fulfillment fee inclusive of touchless and touched reservations.

K. Share of total hotel room nights and car rental days booked through the current TMC and the percentage of hotels that pay TMC commissions.

L. Payment process details, including billing and payment configuration.

M. Gather baseline data on fees paid for collateral services (e.g., nonrefundable ticket tracking, pre-trip notifications, consulting services, carbon dioxide emissions reporting, custom reporting, meetings/events support, etc.).

## III. NARROW THE FIELD

A. Prequalify bidders based on company procurement guidance, internal need analysis and client profiles of bidders' customers. Small or midsize accounts considering a mega TMC should investigate services the TMC typically offers customers of that size and ensure services offered are commensurate with needs. Anyone involved in the process should sign nondisclosure agreements. Consider pre-request-for-proposal sessions for understanding potential bidders and educating your decision-making team.

B. Ask buyers who have similar budgets and/or are from the same industry about their experiences with the bidders. Speak with TMC representatives before the RFP is issued and the process is underway.

C. Consider how the bidders balance and measure service and cost avoidance. Review their HR policies, training and turnover rates, especially for front line counselors.

D. Evaluate TMCs' automated tools and their ability to integrate with other corporate systems.

E. Determine which TMCs best support the use of technology, possibly including:

1. Online self-booking.
2. Automated expense reporting.
3. Pre- and post-trip reporting.
4. Traveler tracking and other risk management tools.
5. Payment system integration.
6. Tracking/refunding unused tickets.
7. Custom portals with profiles, policy, security and destination information.
8. Mobile applications for travel.
9. Systems for measuring CO2 emissions and offsets.
10. Tools for non-GDS content access.

F. Consider the TMC's role in account management, negotiation services, policy consultation, process innovation, e-commerce integration and meetings and incentive management, and any related fees. Will you require or encourage bidders to offer meeting services and separate pricing?

1. Ask the TMC about its suppliers, including global distribution systems, and seek alignment of incentives for supplier support.
2. Determine who will obtain hard- or soft-dollar benefits and fund agent incentive programs.
3. Determine TMC involvement in online booking systems and fulfillment of online transactions. Ensure that a TMC can deliver on any specific preferences or expectations. Seek detailed reference checks, including noncited references and lost accounts.
4. Investigate how the TMC handles refunds, an area of potentially significant negative cash flow.
5. Ask TMCs to send templates of master service agreements and local/regional addenda so your legal department can review and identify any potential roadblocks.
6. Understand TMCs' ownership structure, board membership and board level decision-making authority.
7. Given the frequency of industry acquisitions, understand how your business would fit into a TMC's portfolio in the event it is purchased by another TMC. There

is leverage for TMC clients to enhance commercial and service-level terms.

## IV. PREPARE AND SEND RFPS

If you do not conduct workshops, a prequalification process or an RFI that narrows your bidders list, require TMCs to meet minimum criteria to receive the RFP. Otherwise, you may be obligated to evaluate responses that are not appropriate for your business. Customize any generic RFP template. Allow TMCs at least one month to respond—six weeks for a multinational response—and slate at least four to six weeks to evaluate responses. Also, allow enough time to negotiate with a shortlisted or winning bidder. Schedules often underestimate the time required.

Include in the RFP the following:

**A.** Bidding rules and information about weighted criteria; information security and data privacy requirements; standard terms and conditions; whether an in-person presentation will be required; and a timetable for the process. Consider two phases, the first to eliminate weaker bidders and the second for best and final offers. Live presentations, if carefully orchestrated, can reduce time for final negotiations and often show major differences in the finalists' commitment to and interest in your business. Ask for senior TMC officials to attend, but be ready also to have your senior people there so that representations are balanced.

**B.** Your organization's mission, growth plans, travel policies, objectives, requirements, data, current service configuration, service expectations, current preferred suppliers, reservations and payment methods, and projected changes in volume. Tell the bidders about your company, its line of business, its culture and other key factors. Include descriptions from websites or public documents and show how your company is successful by geography and product or service. Include all global and local travel policies, or at least summaries. These will affect service offerings and will be required to be observed by the winning TMC.

**C.** Ask for information on the TMC's ownership, offices and call centers, operating hours and after-hours service and support, years in operation, headcount, agents' average years of industry experience and length of time with the TMC, preferred GDSs, online booking adoption rates, consortia memberships and negotiated pricing programs. Assess:

1. Audited financial statements.
2. Number and size of other commercial accounts.
3. References from customers with accounts of similar size, in similar industries and with recent implementations, as well as those recently lost for reasons other than consolidation.
4. Number of staff to be dedicated to your account and experience of those agents; transactions, calls or dollars each agent is expected to handle per day; and agent incentives for booking preferred vendors.
5. Call overflow procedures and whether backup will be provided in case of emergencies and absences.
6. Account manager roles and time allotted to your account versus other accounts.
7. Agent training procedures.
8. Complaint resolution procedures.
9. Access to and reporting on non-GDS content.
10. Quality control processes.
11. Whether traveler profile systems are stored in global distribution systems, accessible to travelers online, synchronized with the online booking product, accessible for meetings management and customized to accept U.S. Transportation Security Administration-required data elements.
12. Traveler services: emergency services, call routing, reservation changes, international services (passport, visa, legal and medical referral), security alerts, communication resources, meet-and-greet services, ticket tracking, mobile tools and low-fare search.

**D.** Multinational services. Consider:

1. Expect service delivery to be different in every country. The best service available in each market might not be available from the same brand of TMC.
2. It is essential to bring local travel managers into the process as early as possible. Decide early if the local managers will be on the selection committee or advised of the decision; buy-in can help later with implementation.
3. Remember that not all agencies carrying the same name or brand are owned or controlled by the same entity. No global TMC owns all its offices. Check the company's ability to deliver seamless service across their network. Questions may include:
   - **a.** How are partners in the various countries contractually committed? Ask to see the service-level agreement to which all local TMCs have committed. Find out what happens if one leaves the network or gets sold.
   - **b.** Do the various TMCs have the same technology across the globe?
   - **c.** How will the data be delivered?
   - **d.** Will the account management be central or local? Insist on a central global account manager (as well as local support) so everything comes together in one place.
   - **e.** How will the TMC solve local complaints?
   - **f.** Will a local office or a central call center serve you?
   - **g.** If considering a regional call center, understand how and where ticket fulfillment will be managed; understand any currency, tax and language implications for centralized fulfillment.
   - **h.** Ask for references from global accounts.

**E.** Meetings services. Is there dedicated meeting planning staff? What types of meetings management technology are available? Are incentive travel management services and destination information available? If you use a non-TMC meetings company, will the TMC book the air travel components of meetings and how is this configured and managed? Include service standards for transient and meetings travel or ask for minimums from the bidders to compare and negotiate in the final contract for selection.

**F.** Reporting.

1. What types of reports are available? Are graphical summary and pre-trip audit reports available online? Who will run pre-trip audit reports?
2. Is there an online reporting tool that lets you review your own data? Does the online reporting tool allow you to query the database or only produce standard reports? Are tablet- or smartphone-optimized reports available?
3. How often will reports be provided, and how soon after the end of a reporting period? What is the primary data source for pre- and post-trip reports? How is data quality ensured and how is information matched and cross-referenced when consolidated from multiple sources?
4. Can reports present detail by department and down to the traveler level?
5. Are global reports available? How (and how effectively) is data gathered from foreign locations? What is the timeline for receiving global reports, and how often are they updated? Is delivery and accuracy guaranteed?
6. Can travel and card data be consolidated and accessed from a common database, or two data centers with integration?

**G.** Financial and billing information

1. Provide a spreadsheet in the RFP for TMCs to complete, so proposals are returned in the same format. Separate TMC revenues into base airline commissions, overrides, hotel and car commissions, GDS incentives and other. If applicable to the financial model requested, break down TMC expenses, including overhead and profit, labor costs, salaries and benefits and other direct costs like technology, telephone and delivery fees. Use a common currency for bid-by-bid comparisons. Consider fully loaded and management or transaction fees with breakouts. Fully loaded fees place risk on the TMC where costs escalate, and they are less complex to manage but less transparent than cost-plus, in which all costs are identified and a separate fee for profit and overhead is stated.
2. Determine a preferred TMC financial configuration.
   - **a.** Transaction fee: Agree upon a definition depending on such criteria as online or offline; domestic, regional and international; bundled or unbundled; assisted, unassisted and touchless. Typically, transaction fees are defined as charges for airline ticket purchases, although some arrangements also include separate charges for hotel- and car-only reservations, or refunds and cancellations.
     - **i.** For calculations of a transaction fee, determine if revenues should be retained by the TMC or returned to the company. All revenues should be segregated per client and location, and accounted for as a set-off or fee reduction. This may be impossible for centrally paid overrides but these can be estimated for credits. Different models may work better in some countries than others. It is vital that each office knows what it is paying for and receiving. Distrust can arise if revenues are not broken out.
     - **ii.** Require details of optional value-added services and costs. If the TMC is providing the online booking system, find out when a booking becomes a transaction chargeable with a fee.
   - **b.** Management fee.
     - **i.** The TMC returns all commission revenue to the client, which pays the TMC for the cost of direct labor and other direct operating expenses, TMC profit and overhead.
     - **ii.** Provide an area in your spreadsheet for bidders to list categories of expenses, including salaries and benefits and other direct costs like technology, telephone and delivery fees.
     - **iii.** Fees to cover overhead and profit should be expressed as a flat amount per transaction rather than a percentage of air volume to ensure there is no incentive for the TMC to charge higher ticket prices.
     - **iv.** Determine if and how the TMC measures, divides and distributes override money received from airlines and other suppliers.
     - **v.** Require a breakout of any services for which additional fees will be charged. TMCs often differ in defining direct and overhead expenses, but they should provide comparable numbers for profit and overhead.
     - **vi.** Determine if fees are to be paid at ticket issuance or are due quarterly, monthly, weekly or at the point of sale. Will these be paid locally per office, per country, or, less commonly, by global payment from headquarters?
     - **vii.** Determine how hotel commissions are recovered and managed.
     - **viii.** Create a service-level agreement with (at the client's option) a financial incentive to the TMC for meeting specified key performance indicators and a penalty for underperformance. (TMCs may propose a KPI that also generates a payment for over-performance). Measure performance each quarter, and adjust fees accordingly. Ask the TMC to list methods of measuring each KPI. Ask each bidder for its model with an upward and downward scale. The increments should be fair so that real improvements are rewarded and only bad performance penalized, since a bad program quickly self-destructs regardless of KPI scales.
   - **c.** Depending on the size of the account, there are opportunities

to involve the TMC in some type of agreement to provide cost savings to the client in the form of savings on air, hotel and car spending. These agreements can be complex but offer potential differentiation among the TMCs. Such an agreement may include a financial incentive and/or penalty.

### V. EVALUATE THE PROPOSALS

Develop an evaluation structure ensuring reviews are as objective as possible. Quantify the areas of evaluation by some sort of point system and weight areas that are most important to the company. Consider using an objective evaluation structure in the presentations that are made to the company, as well.

- **A.** Separate the technical proposals from the financial proposals. Evaluate the technical proposal and score prior to giving the evaluation committee sight of the financial proposals. Evaluating both simultaneously may color the judgment of the technical committee.
- **B.** Have your organization's legal department review requested changes to your terms and conditions. Make sure bidders agree to transitional services following a notice of termination if you exercise without-cause termination. Do not agree to automatic rollovers, but evaluate the relationship and whether to continue at least every three years.
- **C.** Put financial implications in the context of the services provided. Base the decision on more than the proposal alone, including cost of change and risk, the quality and experience of the key people assigned and the cultural fit.
- **D.** Get bidders to answer and clarify any questions your organization may have.
- **E.** Invite the bidders to present and take questions on their proposals while sticking to a pre-set agenda. Ensure the TMC brings people who can answer operational and technical questions. Consider separate webconferences for demonstrations of technology.
- **F.** Visit TMC sites that reflect the configuration you desire. Meet the operations manager who would be assigned to your account and see how the TMC would handle changes or emergencies.
- **G.** Call TMC references, including recently implemented or lost accounts. Call clients not included on the reference list. Be prepared to share results with the TMC. Consider a survey for references, which will allow you to rate responses through a short, multiple-choice grading system.
- **H.** Compare the financial offers and staffing proposals on spreadsheets. Have financial managers review proposed fee structures or any changes to them.
- **I.** Reduce the field to two or three finalists.

### VI. NEGOTIATE

- **A.** Depending on the finalists' best and final offers, determine whether you need to negotiate with all finalists or only the leading bidder. Determine the appropriate fees and other terms you will accept.
- **B.** Require a solid rationale for any requested changes.
- **C.** Contracts should contain definitions of key business phrases in the terms and conditions, financial, service-level agreement and data privacy and security sections.
- **D.** Review your company's balance of trade guidelines.
- **E.** Include the contingency emergency support plan in writing as part of the implementation package. Engage your company's internal risk management and security departments to review the TMC's security plans and technology.

### VII. SIGN A CONTRACT

- **A.** Do not use only a standard TMC contract form, though you can adapt a template to fit your needs. Alternatively, use a form that your procurement department or general counsel requires.
  1. Formulate a document that reflects your legal, service and financial considerations. Consider providing this early in the RFP process, asking bidders to review the legal language and return redlined copies. Alternatively, provide a bulleted list of requirements for the TMC to incorporate into its contract. Either approach will speed up contracting with the finalist and ensure the winning TMC won't claim surprise about standard terms during final negotiations.
  2. Do not award the business until after you have both agreed to all the contract terms and conditions.
- **B.** Contracts should contain specific requirements, including service-level agreements, and define expectations as well as financial incentives and penalties.
  1. Consider positive financial incentives for high performance.
  2. Include criteria for an overall rating on meeting program objectives.

## Tech Watch: Global Distribution Systems

Most corporate travel bookings are made on global distribution systems. The best GDS differs per country, in part because of the supplier content available on each one. Don't defer your choice to your travel management company, as GDSs incentivize TMCs to reach contracted volume thresholds.

- **I.** GDSs provide real-time data about flight schedules, airfares and seat availability and process airline reservations. They also provide availability and booking support for hotels, rental cars, trains, limousines and ancillary travel services.
- **II.** They store travelers' booked itineraries as passenger name records and pass booking information to agency accounting systems.
- **III.** They store passenger and corporate profile information so they can transfer it into reservation records automatically.
- **IV.** TMCs lead most GDS implementations, but they may consider alternatives as some suppliers seek ways to work around GDSs.
- **V.** Online booking tool systems connect with GDSs to obtain inventory and allow for pricing and reservations.

3. Build in savings and service metrics but leave the TMC latitude to develop its vision for servicing the account. Criteria might include:
   a. Phone response and callback time.
   b. Ticket, invoice and management information accuracy.
   c. Surveyed traveler satisfaction.
   d. Use of negotiated rates and preferred suppliers.
   e. Online booking adoption ratios and/or unassisted online booking ratios.
4. If the TMC will fulfill online bookings, the service-level agreement should detail service expectations for ticketing, changes, refunds and support.

C. If the winner's proposal contained useful, measurable promises of performance, consider incorporating all or part of the proposal into the contract or as an addendum.

D. Consider obtaining the TMC's consent to retain a third-party auditing service to verify savings and contract compliance.

E. Determine for how long pricing will be fixed and whether to allow for a pricing adjustment during the contract term. However, when inflation is low, it is not common to provide for price adjustments.

F. Require quarterly and annual reviews and options for an additional year or two.

G. Consider requiring the TMC to rebate some or all commissions or overrides attributable to your volume, but recognize that such revenue may be quite small.

H. Contracts commonly last three to five years, but they often allow either party to terminate for breach with 30 days' written notice and opportunity to cure the breach. Contracts sometimes also allow you to terminate without cause with 90 days' written notice at any time.

I. Provide that your firm owns all profiles and reservation records, so that they may be transferred to another TMC at the contract's end.

J. Specify the TMC's responsibilities and limitations in working with your suppliers.

K. Understand claw backs and contingencies linked to any sign-on bonus or upfront incentives.

L. The TMC may seek to include clauses that require you to:
1. Pay for all airline tickets using a credit card (or ghost card) system and appoint the TMC as authorized signer on all credit-charge forms.
2. Indemnify the TMC against all airline debit memos arising from allegedly unauthorized credit card transactions illegal reservations made or required by the traveler, such as hidden-cities, and claims asserted by the outgoing travel agency.
3. Provide copies of your travel policies and all existing air, hotel and car discount contracts, as well as all profiles and unticketed reservations, if possible.
4. Refrain from using any other travel agency.
5. Not hire away any of the TMC's employees during the agreement and for at least six months afterward.
6. Automatic renewal, unless one party gives at least 90 days' notice.
7. Pay for tickets and deficits accrued before termination.
8. Acknowledge a disclaimer that the TMC is not responsible for supplier errors or losses beyond your control.

M. Bidders have made a considerable effort to put together a proposal and to respond to your RFP. They deserve honest, general feedback. Treat them with respect; although they may not be servicing your account, as business changes they may be able to service you in the future.

### VIII. IMPLEMENT THE ACCOUNT

A. If the incumbent does not win the bid, start work quickly on the transition. Discuss the process with all divisional travel managers and TMC account managers.

B. Develop a schedule that clearly defines implementation steps and responsibilities. Consider introducing the program throughout the company, especially if it is global.

C. Solicit the TMC's help with materials for travelers and arrangers. Consider a phased approach at one site, country or region and allow feedback before proceeding.

D. Host a meeting between the outgoing and the incoming TMCs to make certain all parties agree to the transition timeline and other professional courtesies.

E. Include field offices in the implementation. If the TMC will have onsite offices at remote locations, ask if it will allow local staff to choose the TMC-employed manager and agents.

F. Communicate savings and service goals to the TMC and conduct monthly and quarterly reviews. Evaluate infrastructure costs up front and document start-up costs.

G. With the marketing or communications department, develop an employee communications plan.

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## Tech Watch: TMC Mid-Office Quality Control

The filters and policy management embedded in your online booking tool should manage most of your policy requirements. Travel management companies use programs that review reservations to be sure the booking reflects the best available price and that the arrangements are correct. Such programs cover:

I. Quality control: Review passenger name records for data consistency and required information like charge card details.
II. Fare checking: Repeatedly scan global distribution systems for lower-price seats.
III. Trip improvements: Enable waitlist clearance, seat checking and automated frequent-flyer upgrades, and scan GDSs for preferable bookings.
IV. Data collection and reporting: Gather data from GDSs and transmit it to data intelligence platforms or other applications.